

October 2, 2012

Global Reporting Initiative
PO Box 10039
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Amsterdam
The Netherlands

Subject: G4 Comments from EPRI's Energy Sustainability Interest Group

Dear Global Reporting Initiative Secretariat:

The Electric Power Research Institute (EPRI) and electric utility member-companies included in our Energy Sustainability Interest Group would like to thank you for the opportunity to comment on G4, the Global Reporting Initiative's newest iteration of sustainability reporting guidelines. The EPRI Energy Sustainability Interest Group includes 35 member companies, represents \$844 billion in assets, two million miles of transmission and distribution lines, and nearly 380 gigawatts of generation capacity, primarily based in the United States of America. Thirty three companies in this group have reviewed G4 and provided EPRI input regarding our comments for GRI's consideration.

While participants in the Energy Sustainability Interest Group may have varying specific views, the EPRI comments reflect the majority viewpoint of the group along with EPRI expertise. This letter is intended to highlight comments submitted via the GRI on-line platform and focus on those areas of G4 that are of greatest concern. EPRI appreciates the opportunity to share with you our thoughts and would respectfully like to submit the following comments in the hopes that we can be a part of your ongoing improvement process.

At the highest level, we fully support and agree with G4's trajectory, with focus and priority on the most significant material aspects of our operations. However, we believe that the current path that G4 has taken to accomplish this has resulted in guidelines that are excessively long, too broad, and at times subject to multiple interpretations. Even with the years of experience collectively accumulated in the EPRI Energy Sustainability Interest Group, it is difficult for us to fully understand and share a common understanding of the guidelines as written. We are concerned that many power companies will not have

the capacity to report in accordance with the G4 guidelines, even if motivated to try, due to the current complexity, resource requirements, and level of interpretation.

Fundamentally, the detail requested by the proposed G4 framework is unrealistic in what it requests of organizations. It may be difficult for companies to voluntarily report to this proposed depth of disclosure due, if nothing else, to a lack of resources for reporting. We've estimated that the time required to report to G4 is double to triple that needed for G3.1. This additional time and complexity is a significant barrier to reporting for both those companies who have reported in the past, as well as new companies who would like to report for the first time. Before moving forward, we recommend that GRI give consideration to making another major edit to G4, in an attempt to streamline it and make it easier for organizations to understand and adopt.

Specifically, monitoring the supply chain is increasingly becoming a major focus in the international business world. Many electric utilities are already actively engaged in sustainable supply chain practices, particularly on the non-fuel side of procurement. At present, some companies are monitoring their supply chain on their own, including setting their own goals and benchmarks. Some North American electric utilities are participating in groups such as the Electric Utility Industry Sustainable Supply Chain Alliance. While we understand the importance of supply chain reporting, having supply chain indicators spread throughout the G4 is confusing and arduous. It is important to prioritize and focus on the material aspects of the supply chain as, without this focus, the electric utility industry is not likely to realize the desired beneficial impacts with its suppliers and reporting transparency will be stymied by a confusing set of indicators. Looking ahead, it would be even more confusing to have additional supply chain indicators spread throughout the industry sector supplements.

Regarding integrated reporting, we suggest that the G4 Guidelines not “force the hand” of companies into adopting integrated financial and sustainability reporting. The exposure draft indicates that one of the G4 objectives is, “to offer guidance on how to link the sustainability reporting process to the preparation of an Integrated Report aligned with the guidance to be developed by the International Integrated Reporting Council (IIRC).” We understand that this guidance is not yet incorporated into the G4 exposure draft due to differences in the G4 and IIRC timelines. When this guidance is drafted, we recommend that it should:

1. Recognize that many companies choose, for valid reasons, to publish separate financial and sustainability reports;
2. Specifically allow that companies may publish sustainability reports “in accordance with” the G4 Guidelines, along with separate financial reports; and
3. Not impose G4 requirements that would effectively require companies to publish integrated reports.

We encourage GRI to reconsider whether the request by G4 will advance GRI’s stated core goals, to “mainstream sustainability reporting” and to increase transparency on relevant sustainability issues.” A reasonable revision to G4 should include significantly shorter guidelines, sharper focus, and a realistically accomplishable administrative requirement. GRI may consider providing a concise general framework, and leave the more extensive request for the sector supplements.

While it must be quite an undertaking to craft a set of reporting guidelines that apply to so many industries, we hope that our comments from the electric utility industry can be taken into account so that the final G4 product will be more adoptable, relevant, and informative. Thank you again for committing to such an undertaking and for allowing us to help shape the next generation of sustainability reporting.

Please note that this letter reflects EPRI opinion and expertise, and was informed by the companies in the EPRI Sustainability Interest Group, as follows:

1. Ameren
2. American Electric Power Service Corp.
3. Arizona Public Service Co.
4. BC Hydro
5. Central Hudson Gas & Electric Corp.
6. Consolidated Edison Co. of New York
7. Consumers Energy
8. CPS Energy
9. Dominion Resources, Inc.
10. DTE Energy
11. Duke Energy Corp.
12. Entergy Services, Inc.
13. Exelon Corporation
14. FirstEnergy Service Company
15. Hoosier Energy Rural Electric Coop
16. Hydro One Networks, Inc.
17. Madison Gas & Electric Co.
18. New York Power Authority

19. NiSource
20. Northeast Utilities Service Co.
21. Oglethorpe Power Corp.
22. Pacific Gas & Electric Co.
23. Portland General Electric Co.
24. PSEG Service Corporation
25. Salt River Project (SRP) Agricultural Improvement and Power District
26. San Diego Gas & Electric Co.
27. Southern California Edison Co.
28. Southern Company
29. Tampa Electric Co.
30. Tennessee Valley Authority (TVA)
31. The United Illuminating Company
32. Tri-State Generation & Transmission Association
33. Tucson Electric Power Co.

Sincerely,



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Attachment: EPRI response to On-Line Questionnaire for G4 Exposure Draft

EPRI Response to On-line Questionnaire for G4 Exposure Draft

1. Do you believe that the greater focus on materiality introduced in the G4 Exposure Draft will assist organizations in better defining report content, boundaries and issues so as to contribute to better and more relevant reports (as opposed to longer reports)?

No. We fully support the trajectory G4 is taking towards a greater focus on materiality. Doing so builds upon the clear momentum shared by many organizations on this topic and has the potential to drive strong business value among utility companies. By identifying and focusing on the material issues that have the biggest impact on an organization's sustainability performance, G4 could have the potential to reduce the total complexity of reporting as well as making the reports more relevant to stakeholders. However, identifying material issues can be a large, time-consuming and expensive task. With G4 leaving this task up to individual organizations, the G4 request is more complex and of greater burden to organizations and is unlikely to result in shorter, more material reports. As explained further in our response to Question 22, G4 should establish a list of high-level material issues that are relevant for all industries and then leave it to individual companies to determine if they want to take materiality analysis further.

2. Is the G4 Exposure Draft (including the new structure) clear and understandable in terms of what is expected of organizations for the sustainability report to be in accordance with the guidelines?

No. Instead of being clear and understandable, the current version of G4 is extremely long, excessively complex and overly ambitious. While we agree and support the move toward greater focus on materiality, at more than 300 pages, G4 is an extensive guidance document. In the realm of sustainability reporting, there are many terms used throughout G4 that are specific to GRI, that are relative, or that require interpretation ("aspects," "significant impact," "core," "principle," "important," "small, medium, large," "widely recognized"). Further, the repeated requests for supply chain information in multiple locations throughout the guidelines will make it cumbersome to report on supply chain issues in a comprehensive and useful manner. It would be better to consolidate supply chain topics into one section of the document. It would be very useful for GRI to provide a simple check-list that companies can reference during the reporting cycle to ensure they are in full compliance with the GRI guidelines. EPRI welcomes the opportunity to work with GRI to help facilitate a path forward that achieves the fundamental objectives of voluntary reporting and allows for flexibility to reporting organizations.

3. Does the G4 Exposure Draft clearly explain the interaction between the guidelines, the technical protocols and the sector supplements?

Yes, with only one Technical Protocol, it is clear that this protocol provides support to the guidelines. We understand that the purpose of the sector supplements is to request more details than the broader G4.

4. Do you think that the G4 Guidelines can apply to organizations of various sizes in your region?

No. The total information request in the G4 guidelines is too broad, ambitious and complex for many organizations to meet the standard of reporting in accordance with GRI. As a global reporting framework, GRI needs to be structured in such a way that allows flexibility for smaller companies and resource-constrained companies of all sizes to reasonably report. With the current proposed structure, many EPRI members will have difficulty completing a G4 report. The combination of expanding the

definition of boundaries (which now includes everything a company has impact and influence on, rather than only those things the organization has control over), completing a full mapping of the “value chain,” and identifying material issues, choosing indicators, and completing the report is a significant undertaking. To introduce flexibility, companies could either do their own materiality assessment or follow a more standardized set of materiality guidelines from GRI.

5. Do you believe that the G4 Guidelines will drive the cost effective preparation of a sustainability report for all organizations?

No. G4 goes far beyond the scope of most sustainability reports produced today. The reporting companies must define their own scope and boundaries, which includes identification of their value chain, material issues, and indicators, as well as a full stakeholder engagement process. Further, they need to make decisions on the level to which they aggregate their data and submit the full report for executive or CEO sign-off. While the focus on material issues is the correct direction for GRI, the way G4 is structured now will not achieve the goal of cost-effective, clear, and relevant reports. We suggest that GRI focus on requesting information that will provide the most value to reporting companies and their stakeholders.

6. Do you consider the proposed disclosures related to Governance & Remuneration disclosures appropriate and/or complete?

No. Many of the Governance disclosures can be consolidated or eliminated entirely, while maintaining effective focus on the goals of good governance, transparent reporting and better performance. Rather than asking whether G4 is complete, we suggest GRI ask the question, “Does G4 focus on the core issues that will result in more transparent reporting and better performance?” G4 is trying to cover too many individual elements and the bigger purpose and goal is sacrificed as a result.

With regard to remuneration, we suggest that the G4 guidelines be written in a way that acknowledges and reflects emerging national standards, such as the pending SEC guidelines on executive pay ratio disclosures in the United States.

7. Do you have other general comments related to Governance & Remuneration?

No comment.

8. Do the requirements for Disclosures on Management Approach offer sufficient flexibility to enable organizations to provide answers that will add value without making the report unduly repetitive and lengthy?

No. While we recognize and appreciate flexibility on the narrative reporting in the Disclosures on Management Approach, the guidance is excessively lengthy and will likely lead to lengthy reporting.

9. Do you consider the proposed Disclosures on Management Approach an improvement over the current approach?

No comment.

10. Do you consider the proposed disclosures related to Disclosures on Management Approach appropriate/ and or complete?

No. It may be impractical to expect organizations to disclose the extent of information requested for each of the many topics they may identify as material. The guidance for the Disclosures on Management Approach would benefit from focusing on the high-priority material issues and reducing the total reporting request for material issues.

11. Do you consider the proposed guidance provided to support the Disclosures on Management Approach appropriate and/or complete?

No. It would be very helpful to provide more consolidated, focused guidance. Currently the guidance on Management Approach spans 16 pages in various locations in the guidelines.

12. Do you have other general comments about the Management Approach Disclosures?

No comment.

13. Do you consider the proposed definitions of "supply chain" and "supplier" appropriate and complete?

Yes. The proposed definition is appropriate. GRI should also consider including local providers of non-critical products and/or services to the supply chain analysis. These local providers can be used to satisfy diversity and spending targets to support small businesses or in response to local procurement targets.

14. Do you consider the proposed supply chain-specific Indicators to be effective measures for performance and feasible to report?

No. While we agree with the increased focus on supply chain, we recommend that G4 factor the complexity of supply chain issues into the guidance. Supply chain is an emerging area, and GRI should allow companies to increase disclosure over time.

Better definition, proven relevance, and focus are needed throughout the supply chain indicators. We strongly suggest that GRI reconsider the requests on supply chain and focus on those issues that companies can report on and that are core to sustainability. EPRI is willing to work with GRI to improve the supply chain section and provide in-depth comments.

15. Do you consider the proposed disclosures related to supply chain appropriate and/or complete?

No. Disclosures could be enhanced to address the intent of the indicator and contribute to the overall goal of more focused and material reporting.

16. Do you consider the proposed guidance provided to support disclosure on supply chain related issues appropriate and/or complete?

No. Some of the guidance terms are too vague. For example, it is not clear whether auditing of suppliers includes corrective-action auditing or informal review. For the certification question, is it appropriate

for the certification to be self-certified, or does this need to be third-party certification? Terms such as “small” and “medium” need to be clarified. Are foreign and domestic suppliers held to the same standards? To what extent should screening be performed and what are the required attributes of screening? These are just a few of the areas in which the guidance should be clarified. Ultimately, EPRI agrees with the increased emphasis on supply chain and would welcome the opportunity to engage further on this subject with GRI.

17. Do you consider the proposed supply chain-related references appropriate and complete?

No comment.

18. Do you have other general comments related to the Supply Chain Disclosures?

Many electric utilities are actively engaged in sustainable supply chain practices, either individually or through groups such as the Electric Utility Industry Sustainable Supply Chain Alliance. Given the scope of the topic, clear definitions and standards are critical to the process of determining metrics around supply chain sustainability. To that end, we suggest that G4 integrate clearer rationale and definitions into its supply chain disclosure and indicators. We agree that supply chain focus is increasingly important to investors, customers, suppliers and other stakeholders. This is evidenced by investor-focused surveys such as the Carbon Disclosure Project Supply Chain and the inclusion of supply chain performance indicators in surveys and rankings done by the Dow Jones Sustainability Index, Bloomberg, Goldman Sachs, and others. In addition, utilities are finding themselves increasingly on the receiving end of these surveys from their customers to whom they supply electricity. It therefore may be appropriate that G4 increase its focus on supply chain in light of this changing environment.

However, in the electric power industry, like many other industry sectors, one company could have thousands of suppliers for a wide range of products and services. Supply chain indicators, disclosures, governance, and reporting are not simple for any organization. We suggest that G4 focus the supply chain questions on the more material questions, the core issues, rather than asking for broad, vague, and generic information. Further, as already noted, the supply chain questions should be consolidated into one section that can be addressed by an organizational manager overseeing suppliers.

19. Do you think that the new version of the Technical Protocol helps organizations to better express the relationship between material topics and value chain?

No. We recommend that GRI reconsider this concept for a future iteration of the GRI guidelines, enabling GRI to take advantage of more extensive industry engagement on this topic.

We agree with increasing the focus on material issues to produce a more focused and useful report. However, we are not clear that a value chain is required in order to complete a materiality matrix. Further, the details of this process will be interpreted differently across the organization, many subjective decisions will be made, quality and diligence will vary, and when done well, the process is highly involved and resource-intensive. The electric power industry provides a critical and widely-used product: electricity. With the value chain being defined as “parties that are linked by the organization’s activities, products, services, and relationships, and may therefore impact and be impacted by the organization,” the value chain may collectively include billions of people and services. EPRI’s member-companies represent millions of miles of distribution and transmission lines, millions of employees, and tens of millions of customers who will use the product, electricity, for many purposes for which the

industry has no or limited control. It is not clear that doing a full mapping of the value chain for an electric power company, a significant request, is necessary for identifying material issues.

Additional comments are provided in the response to question 20.

20. Do you think mapping the value chain is a helpful exercise for defining boundaries of material topics?

No. Mapping the value chain is premature and requires more industry engagement. We agree with the focus on materiality first, but believe requiring both a materiality assessment and a value chain map may be too ambitious at this time.

A materiality matrix represents stakeholder and organizational opinions, values and priorities and will change as global and local events occur. As we understand it, a value chain is an assessment of impacts and influences on-the-ground and will change when operational practices change. One assessment is value-based while the other is operational-based. We recommend that GRI reconsider how to most effectively assess boundaries—as an assessment of current opinions that reflects priorities, motivations, and values or as an assessment of operational impacts and influences. Both approaches are valid, but G4 is asking for two disparate, resource-intensive efforts. Further, to stay current, organizations will need to reassess the full value chain and execute a new materiality matrix as social values and recognition evolve. G4 needs to clarify how long the opinions expressed in each materiality matrix are valid, as this effort cannot be done on an annual basis due to resource constraints.

21. Is the difference between the term "Aspect" and "Topic" clear when each term is used in the Technical Protocol?

No. This needs to be clarified. In fact, there are many terms throughout G4 that are not commonly used in the United States and/or in other sustainability reporting guidelines. Extra care should be taken to clarify or avoid the use of these terms.

22. Do you have other general comments related to the approach for setting boundaries proposed in the Technical Protocol?

As discussed in our response to question 20, GRI needs to reconsider its request for a value chain and a materiality matrix. We believe the focus should be on materiality and the value chain should be set aside for future consideration during another iteration of the GRI framework. We suggest that GRI identify the core, cross-sector material issues, and give companies the flexibility to use GRI's list of issues or to compile their own list of issues—versus requiring each company to do so individually. The Technical Protocol is broad, non-specific, and will be based on the judgment of individual reporting organizations. It may be more effective for achieving the goal of GRI to reduce the request to a set of high-level material issues that are relevant for a given industry or all industries and move some of this guidance to the sector supplements.

23. Do you agree with the proposal to discontinue with the Application Levels and to replace them with criteria that define when a report has been prepared "in accordance with" the G4 Guidelines?

No. Although the application levels caused confusion in previous generations of the framework, we support improving and simplifying them rather than eliminating them. We believe that providing a lower

threshold, with options for an increasing degree of reporting, allows organizations to begin reporting and ramp up at their own pace. There would be many ways to preserve this flexibility through the continuation and improvement of application levels. One idea would be to allow organizations to declare that their report is either fully in accordance with G4 or partially in accordance with G4 (and require a certain percentage of core indicators to meet this “partial” definition). As another option, GRI could consider keeping the Application Level but rename it the Transparency Level.

We have additional concerns with the inclusion of a CEO letter as the method for explaining why a report does not include certain core indicators and believe this will be a challenge to reporting in accordance with GRI. A lack of flexibility in this requirement could potentially turn companies away from using the G4 altogether. In addition, the criteria for defining “in accordance” needs to be much clearer. A concise check-list of criteria would help to provide such clarity.

24. Do you support the introduction of transitional provisions to allow new reporters two reporting periods in order for their reports to gradually be in accordance with the G4 Guidelines?

Yes, we support the idea of allowing a “ramp up” into GRI. However, we disagree that this should only be available for the first two years. The G4 is so extensive and will require such a significant investment for organizations to report “in accordance with GRI” that all organizations should be allowed to submit reports that are not “full” G4 reports for a longer period of time, not just two reporting cycles.