Barbara Strozzilaan 336
1083 HN Amsterdam
The Netherlands
gssbsecretariat@globalreporting.org

Item 03 – GRI Universal Standards Project – GRI Universal Standards 2021

For GSSB approval

Date	10 May 2021
Meeting	10 June 2021
Project	GRI Universal Standards Project
Description	This document presents the revised GRI Universal Standards, for GSSB approval. The GRI Universal Standards are structured as follows: • *GRI 1: Foundation 2021* (lines 104-1190) • *GRI 2: General Disclosures 2021* (lines 1191-2899) • *GRI 3: Material Topics 2021* (lines 2900-3994) A summary of the final changes in the Standards compared to the previous version shared with the GSSB over the course of January to April 2021 is presented in the explanatory note at the beginning of the document. This document reflects the final outcome and consensus of the GRI Human Rights Technical Committee deliberations. This document is complemented by Item 04 – GRI Universal Standards Project – Draft GSSB basis for conclusions, which summarizes the significant issues raised by respondents during public comment and the GSSB responses to these. **Effective date** As part of this approval, the GSSB is also asked to consider the proposed effective date of 1 January 2023 (see lines 105, 1192, and 2901) for the revised Universal Standards.

This document has been prepared by the GRI Standards Division and is made available to observers at meetings of the Global Sustainability Standards Board (GSSB). It does not represent an official position of the GSSB. Board positions are set out in the GRI Sustainability Reporting Standards. The GSSB is the independent standard setting body of GRI. For more information visit www.globalreporting.org.

Contents

Explanatory note

The following significant revisions have been made, including based on latest feedback from the GSSB and the GRI Human Rights Technical Committee:

GRI 1: Foundation 2021

Introduction

- New section added. See lines 146-286.

1. Purpose and system of GRI Standards

- New section added to explain the purpose and the system of GRI Standards. See lines 165-286.

2. Key concepts

- Added new guidance under section 2.1 to clarify that the impacts on the economy, environment, and people are interrelated. See lines 316-320.

3. Reporting in accordance with the GRI Standards

- Revised the description of the 'not applicable' reason for omission in Requirement 6 to clarify that an organization provides this reason when a disclosure or a requirement in a disclosure **does not apply** to the organization based on its characteristics (e.g., size, type) but not when an item **does not exist**. The organization is required to explain in the GRI content index why the disclosure or the requirement does not apply to the organization. See lines 601-623.
- Added a clarification in Requirement 6 that when an item specified in a disclosure or in a requirement in a disclosure (e.g., committee, policy, practice, process) **does not exist,** an organization can comply with the requirement by reporting this to be the case. It does not need to provide a reason for omission. The organization can explain the reasons for not having this item, or describe any plans to develop it. The organization can choose whether to report this in the GRI content index or in the report itself. See lines 617-623 and A14-A17.
- Added examples to clarify the difference between the 'not applicable' reason for omission, the 'information unavailable / incomplete' reason for omission, and when an item does not exist. See lines 603-607, 610-616, and 635-641.
- Removed from the statement of use the reference to the highest governance body, senior executive, or group of senior executives who review and approve the reported information, as such reference goes beyond formulating a statement of use of the GRI Standards. Clarified in the guidance what it means to claim that an organization has reported in accordance with, or with reference to, the GRI Standards. Added guidance to clarify that an organization reporting in accordance with the GRI Standards is required to report whether the highest governance body is responsible for reviewing and approving the reported information, including the organization's material topics, under Disclosure 2-14 in *GRI 2: General Disclosures 2021*. See lines 694-707 and 760-770.
- Updated the requirements for notifying GRI, for both reporting in accordance with the GRI Standards and for reporting with reference to the GRI Standards. See lines 708-718 and 771-781.

GRI 2: General Disclosures 2021

Introduction

- New section added. See lines 1264-1353.

2. Activities and workers

- Revised requirements ACT-1-b-ii and ACT-1-b-iii for clarity. See lines 1513-1514.
- Revised guidance for requirement ACT-2-a to remove the reference to gender diversity. See lines 1620-1621.
- Revised guidance for Disclosure ACT-3 to clarify how organizations should report on workers who are not employees. See lines 1720-1725.

3. Governance

- Revised the introduction to the full section to clarify the purpose and relevance of governance reporting to sustainability. See lines 1776-1788.
- Removed the following requirement from Disclosure 2-12: 'the role of any committees of the highest governance body that have specific responsibilities in relation to these processes' (i.e., the organization's due diligence and other processes to identify and manage the organization's impacts on the economy, environment, and people). This requirement was repetitive of requirement 2-9-b: 'list the committees of the highest governance body that are responsible for decision-making on and overseeing the management of the organization's impacts on the economy, environment, and people'. See lines 1793-1795 and 1852-1866.
- Revised Disclosure 2-14 to clarify the responsibility of the highest governance body with respect to reviewing and approving the reported information, including the organization's material topics. Added a new requirement for the organization to explain the reason for the highest governance body not being responsible for reviewing and approving the reported information, in situations where this is the case. See lines 1890-1899.

4. Strategy, policies and practices

- Revised Disclosure 2-25 to make clear the difference between 'grievance mechanisms' and 'other remediation processes'. The title of the disclosure has been changed to 'Processes to remediate negative impacts'. See lines 2373-2376 and 2288.
- Revised requirement 2-27-a to report a breakdown of the total number of significant instances of non-compliance with laws and regulations by instances for which fines were incurred and instances for which non-monetary sanctions were incurred, to distinguish between the two. See lines 2458-2461.
- Clarified in guidance to requirement 2-27-a that the scope of the disclosure includes fines that are being appealed. See lines 2486-2487 and 2492-2494.
- Clarified in guidance to Disclosure 2-27-a that non-monetary sanctions can include directives to cease or remediate an unlawful activity. See lines 2488-2491.

GRI 3: Material Topics 2021

Introduction

- New section added. See lines 2946-3024.

1. Guidance to determine material topics

- Added new guidance for Step 1. Understand the organization's context, to clarify the recommended scope for the process of determining material topics. See lines 3079-3081.
- Added new Box 5 at the end of section 1, on using the GRI Sector Standards to determine material topics. This box includes the guidance which was previously located under Disclosure 3-2. See lines 3425-3457.

2. Disclosures on material topics

- Moved the recommendation for the organization to explain – in the absence of applicable Sector Standards – how it has considered impacts commonly associated with its sectors, and whether and why any of these impacts have been determined as not material, from

Disclosure 3-2 to the beginning of the guidance section for Disclosure 3-1. See lines 3483-3488.

Glossary terms

- Reinstated the reference to sustainable development in the definition of ‘impact’. See lines 1088-1091.
- Reinstated the definition of ‘severity (of impacts)’. While this term is not used in the requirements, the concept is central to the determination of materiality and easy to misunderstand. See lines 1123-1130.

Other editorial revisions have been made to the text to improve clarity and consistency with the GRI Style Guide.

GRI 1: Foundation 2021

EFFECTIVE DATE: 1 JANUARY 2023

UNIVERSAL STANDARD

GRI 1: Foundation 2021

UNIVERSAL STANDARD

Effective date

This Standard is effective for reports or other materials published on or after 1 January 2023. Earlier adoption is encouraged.

Responsibility

This Standard is issued by the Global Sustainability Standards Board (GSSB). Any feedback on the GRI Standards can be submitted to ???@globalreporting.org for the consideration of the GSSB.

Legal liability

This document, designed to promote sustainability reporting, has been developed by the Global Sustainability Standards Board (GSSB) through a unique multi-stakeholder consultative process involving representatives from organizations and report information users from around the world. While the GRI Board of Directors and GSSB encourage use of the GRI Sustainability Reporting Standards (GRI Standards) and related Interpretations by all organizations, the preparation and publication of reports based fully or partially on the GRI Standards and related Interpretations are the full responsibility of those producing them. Neither the GRI Board of Directors, GSSB nor Stichting Global Reporting Initiative (GRI) can assume responsibility for any consequences or damages resulting directly or indirectly from the use of the GRI Standards and related Interpretations in the preparation of reports, or the use of reports based on the GRI Standards and related Interpretations.

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Contents

Introduction

GRI 1: Foundation 2021 introduces the purpose and system of the GRI Sustainability Reporting Standards (GRI Standards) and explains key concepts for sustainability reporting. It also specifies the requirements and reporting principles that organizations must comply with to report in accordance with the GRI Standards. *GRI 1* is the first Standard that organizations should consult to understand how to report using the GRI Standards.

GRI 1 is structured as follows:

- Section 1 introduces the purpose and the system of the GRI Standards.
- Section 2 explains the key concepts that are used throughout the GRI Standards.
- Section 3 specifies the requirements for reporting in accordance with the GRI Standards.
- Section 4 specifies the reporting principles, which are fundamental to ensuring the quality of the reported information.
- Section 5 presents recommendations for the organization to align its sustainability reporting with other types of reporting and to enhance the credibility of its sustainability reporting.
- The Appendixes provide guidance on how to prepare a GRI content index.
- The Glossary contains defined terms with a specific meaning when used in the GRI Standards.
- The Bibliography lists authoritative intergovernmental instruments used in developing this Standard.

1. Purpose and system of GRI Standards

1.1 Purpose of the GRI Standards

Organizations, through their activities and business relationships, can have an effect on the economy, environment, and people, and in turn make negative or positive contributions to sustainable development. Sustainable development refers to 'development which meets the needs of the present without compromising the ability of future generations to meet their own needs' [8]. The objective of sustainability reporting using the GRI Sustainability Reporting Standards (GRI Standards) is to provide transparency on how an organization contributes or aims to contribute to sustainable development.

The GRI Standards enable an organization to publicly disclose its most significant impacts on the economy, environment, and people, including impacts on their human rights, and how the organization manages these impacts. This enhances transparency on the organization's impacts and increases organizational accountability.

The Standards contain disclosures that allow an organization to report information about its impacts in a consistent and credible way. This enhances the global comparability and quality of reported information on these impacts, which supports information users in making informed assessments and decisions about the organization's impacts and contribution to sustainable development.

The GRI Standards are based on expectations for responsible business conduct set out in authoritative intergovernmental instruments, such as the *Organisation for Economic Co-operation and*

Development (OECD) Guidelines for Multinational Enterprises [3] and the *United Nations (UN) Guiding Principles on Business and Human Rights* [5] (see the Bibliographies of the GRI Standards for a list of authoritative instruments used in developing the GRI Standards). Information reported using the GRI Standards can help users assess whether an organization meets the expectations set out in these instruments. It is important to note that the GRI Standards do not set allocations, thresholds, goals, targets, or any other benchmarks for good or bad performance.

1.2 Users

The GRI Standards can be used by any organization – regardless of size, type, geographic location, or reporting experience – to report information about its impacts on the economy, environment, and people, including impacts on their human rights.

The reported information can be used by the organization in its decision-making, for example, when setting goals and targets, or when assessing and implementing its policies and practices.

Stakeholders and other information users can use the GRI Standards to understand what organizations are expected to report about. Stakeholders can also make use of an organization's reported information to assess how they are affected or how they could be affected by the organization's activities.

Investors, in particular, can use the reported information to assess an organization's impacts and how it integrates sustainable development in its business strategy and model. They can also use this information to identify financial risks and opportunities related to the organization's impacts and to assess its long-term success. Users other than the organization's stakeholders, such as academics and analysts, can also use the reported information for purposes such as research or benchmarking.

The term 'information users' in the GRI Standards refers to all these diverse users of the organization's reported information.

1.3 System of GRI Standards

The GRI Standards are structured as a system of interrelated standards that are organized into three series: GRI Universal Standards, GRI Sector Standards, and GRI Topic Standards (see Figure 1 in this Standard). The Universal Standards are used by all organizations when reporting in accordance with the GRI Standards. The Sector Standards are used by organizations according to the sectors in which they operate, and the Topic Standards are used by each organization according to its list of material topics.

Universal Standards: GRI 1, GRI 2 and GRI 3

An organization begins by consulting *GRI 1: Foundation 2021*. *GRI 1* introduces the purpose and system of GRI Standards and explains key concepts for sustainability reporting. It also specifies the requirements and reporting principles that the organization must comply with to report in accordance with the GRI Standards.

GRI 2: General Disclosures 2021 contains disclosures that the organization uses to provide information about its reporting practices and other organizational details, such as its activities, governance, and policies. This information gives insight into the profile and scale of the organization and provides a context for understanding the organization's impacts.

GRI 3: Material Topics 2021 provides step-by-step guidance on how to determine material topics. *GRI 3* also contains disclosures that the organization uses to report information about its process of determining material topics, its list of material topics, and how it manages each topic.

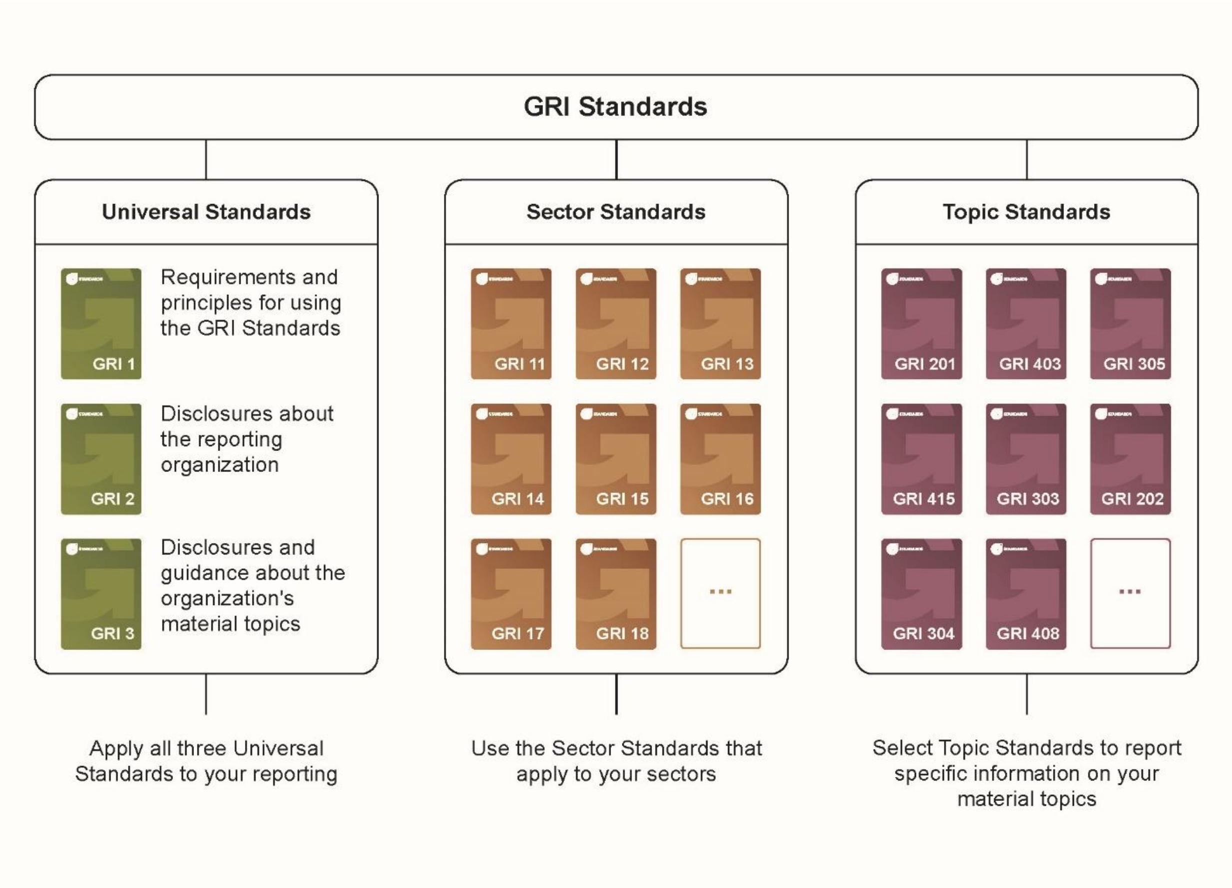
Sector Standards

The Sector Standards provide information for organizations about their likely material topics. The organization uses the Sector Standards that apply to its sectors when determining its material topics, and when determining what information to report for the material topics.

Topic Standards

The Topic Standards contain disclosures for the organization to report information about its impacts in relation to particular topics. The Topic Standards cover a wide range of topics. The organization uses the Topic Standards according to the list of material topics it has determined using *GRI 3*.

Figure 1. GRI Standards: Universal, Sector and Topic Standards



1.4 Using the GRI Standards

All disclosures in the GRI Standards contain requirements. The requirements list information that an organization must report or provide instructions that the organization must comply with to report in accordance with the GRI Standards.

If the organization cannot comply with a disclosure or with a requirement in a disclosure for which reasons for omission are permitted (e.g., because the required information is confidential or subject to legal prohibitions), the organization is required to specify the disclosure or the requirement it cannot comply with, and provide a reason for omission together with an explanation in the GRI content index. See Requirement 6 in this Standard for more information on reasons for omission.

If the organization cannot report the required information about an item specified in a disclosure because the item (e.g., committee, policy, practice, process) does not exist, it can comply with the requirement by reporting this to be the case. The organization can explain the reasons for not having this item, or describe any plans to develop it. The disclosure does not require the organization to implement the item (e.g., developing a policy), but to report that the item does not exist.

Requirements, guidance and defined terms

The following apply throughout the GRI Standards:

Requirements are presented in **bold font** and indicated by the word 'shall'. An organization must comply with requirements to report in accordance with the GRI Standards.

Requirements may be accompanied by guidance.

Guidance includes background information, explanations, and examples to help the organization better understand the requirements. The organization is not required to comply with guidance.

The Standards may also include recommendations. These are cases where a particular course of action is encouraged but not required.

The word ‘should’ indicates a recommendation, and the word ‘can’ indicates a possibility or option.

Defined terms are underlined in the text of the GRI Standards and linked to their definitions in the Glossary. The organization is required to apply the definitions in the Glossary.

Reporting format

The term ‘sustainability reporting’, in the GRI Standards, refers to the process of reporting, which starts with an organization determining its material topics based on its most significant impacts, and results in the organization publicly reporting information about these impacts.

The organization can publish or make information accessible in a range of formats (e.g., electronic, paper-based) across one or more locations (e.g., a standalone sustainability report, web pages, an annual report). The terms ‘report’ and ‘reported information’ in the GRI Standards both refer to information reported across all locations.

The GRI content index provides an overview of the organization’s reported information and shows the location where information users can find it. The content index also shows which GRI Standards and disclosures the organization has used.

If the organization intends to publish a standalone sustainability report, it does not need to repeat information that it has already reported publicly elsewhere, such as on web pages or in its annual report. In such a case, the organization can report a required disclosure by providing a reference in the GRI content index as to where this information can be found (e.g., by providing a link to the web page or citing the page in the annual report where the information has been published).

Effective date

All GRI Standards have an effective date. This is the date from when the information published by an organization must make use of a particular GRI Standard. All information published after the effective date of a Standard must make use of that Standard.

For example, *GRI 1: Foundation 2021* has an effective date of 1 January 2023. This means that the organization must make use of *GRI 1* for the information it publishes on or after 1 January 2013.

Effective dates are set keeping in mind that organizations may need time to adopt a new or revised Standard. Adoption of a Standard before its effective date is encouraged, as this allows the organization to report according to best practice.

2. Key concepts

This section explains the concepts that lay the foundation for sustainability reporting. Understanding how these concepts are applied in the GRI Standards is essential for those who collect and prepare information for reporting, as well as for those who interpret information that is reported using the Standards.

The key concepts covered in this section are: impact, material topic, due diligence, and stakeholder. The purpose of the Standards is to enable organizations to report information about their most significant impacts on the economy, environment, and people, including impacts on their human rights – in the GRI Standards these are referred to as material topics. Due diligence and stakeholder engagement help organizations identify their most significant impacts.

2.1 Impact

In the GRI Standards, impact refers to the effect an organization has or could have on the economy, environment, and people, including effects on their human rights, as a result of the organization's activities or business relationships. The impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, and reversible or irreversible. These impacts indicate the organization's contribution, negative or positive, to sustainable development.

The organization's impacts on the economy refer to the impacts on economic systems at local, national, and global levels. An organization can have an impact on the economy through, for example, its competition practices, its procurement practices, and its taxes and payments to governments.

The organization's impacts on the environment refer to the impacts on living organisms and non-living elements, including air, land, water, and ecosystems. An organization can have an impact on the environment through, for example, its use of energy, land, water, and other natural resources.

The organization's impacts on people refer to the impacts on individuals and on groups, such as communities, vulnerable groups, or society more generally. This includes the impacts the organization has on people's human rights. An organization can have an impact on people through, for example, its employment practices (e.g., the wages it pays to employees), its supply chain (e.g., the working conditions of workers of suppliers), and its products and services (e.g., their safety or accessibility). Individuals or groups that have interests that are affected or could be affected by the organization's activities are referred to as stakeholders (see section 2.4 in this Standard for more information).

The impacts on the economy, environment, and people are interrelated. For example, an organization's impacts on the economy and environment can result in impacts on people and their human rights. Similarly, an organization's positive impacts can result in negative impacts, and vice versa. For example, an organization's positive impacts on the environment can lead to negative impacts on people and their human rights.

2.2 Material topic

An organization may identify many impacts on which to report. When using the GRI Standards, the organization prioritizes reporting on those topics that represent its most significant impacts on the economy, environment, and people, including impacts on their human rights. In the GRI Standards, these are the organization's material topics.

Examples of material topics are anti-corruption, occupational health and safety, or water and effluents. A topic need not be limited to only impacts on the economy, or the environment, or people; it can cover impacts across all three dimensions. For example, an organization might determine that 'water and effluents' is a material topic, based on the impacts its water use has on ecosystems, as well as on local communities' access to water. The GRI Standards group impacts into topics, like 'water and effluents', to help organizations report in a cohesive way about multiple impacts that relate to the same topic.

The process of determining material topics is informed by the organization's ongoing identification and assessment of impacts. The ongoing identification and assessment of impacts involves engaging with relevant stakeholders and experts and it is conducted independently of the sustainability reporting process. See section 1 in *GRI 3: Material Topics 2021* for more information on determining material topics.

Box 1. Sustainability reporting and financial and value creation reporting

The GRI Standards enable organizations to report information about the most significant impacts of their activities and business relationships on the economy, environment, and people, including impacts on people's human rights. Such impacts are of primary importance to sustainable development and to organizations' stakeholders, and they are the focus of sustainability reporting.

The impacts of an organization's activities and business relationships on the economy, environment, and people can have negative and positive consequences for the organization itself. These consequences can be operational or reputational, and therefore in many cases financial. For example, an organization's high use of non-renewable energy contributes to climate change and could, at the same time, result in increased operating costs for the organization due to legislation that seeks to shift energy use toward renewable sources.

Even if not financially material at the time of reporting, most, if not all, of the impacts of an organization's activities and business relationships on the economy, environment, and people will eventually become financially material issues. The impacts are therefore also important for those interested in the financial performance and long-term success of the organization. Understanding these impacts is a necessary first step in determining related financially material issues for the organization.

Sustainability reporting is therefore crucial for financial and value creation reporting. Information made available through sustainability reporting provides input for identifying financial risks and opportunities related to the organization's impacts and for financial valuation. This in turn helps making financial materiality judgments about what to recognize in financial statements.

While the impacts of the organization's activities and business relationships on the economy, environment, and people may become financially material, sustainability reporting is also highly relevant in its own right as a public interest activity. Sustainability reporting is independent of the consideration of financial implications. It is therefore important for the organization to report on all the material topics that it has determined using the GRI Standards. These material topics cannot be deprioritized on the basis of not being considered financially material by the organization.

2.3 Due diligence

In the GRI Standards, due diligence refers to the process through which an organization identifies, prevents, mitigates, and accounts for how it addresses its actual and potential negative impacts on the economy, environment, and people, including impacts on their human rights. The organization should address potential negative impacts through prevention or mitigation. It should address actual negative impacts through remediation, in cases where the organization identifies it has caused or contributed to those impacts.

The way the organization is involved with negative impacts (i.e., whether it causes or contributes to the impacts, or whether the impacts are directly linked by its business relationships) determines how the organization should address the impacts. It also determines whether the organization has a responsibility to provide for or cooperate in the remediation of the impacts. The organization should:

- avoid causing or contributing to negative impacts through its own activities, and address such impacts when they occur by providing for or cooperating in their remediation through legitimate processes;
- in the case of negative impacts that are directly linked to the organization's operations, products, or services by its business relationships, seek to prevent or mitigate these impacts even if it has not contributed to them. The organization is not responsible for providing for or cooperating in the remediation of these impacts, but it can play a role in doing so.

If it is not feasible to address all identified impacts on the economy, environment, and people at once, the organization should prioritize the order in which it addresses potential negative impacts based on their severity and likelihood. In the case of potential negative human rights impacts, the severity of the impact takes precedence over its likelihood. See section 1 in *GRI 3: Material Topics 2021* for more information.

Due diligence is elaborated by the *United Nations (UN) Guiding Principles on Business and Human Rights* [5], the *Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises* [3], and the *OECD Due Diligence Guidance for Responsible Business Conduct* [2].

2.4 Stakeholder

Stakeholders are individuals or groups that have interests that are affected or could be affected by an organization's activities. Common categories of stakeholders for organizations are business partners, civil society organizations, consumers, customers, employees and other workers, governments, local communities, non-governmental organizations, shareholders and other investors, suppliers, trade unions, and vulnerable groups.

In the GRI Standards, an interest (or 'stake') is something of value to an individual or group, which can be affected by the activities of an organization. Stakeholders can have more than one interest. Not all interests are of equal importance and they do not all need to be treated equally. Human rights have a particular status as an entitlement of all people under international law. The most acute impacts the organization can have on people are those that negatively affect their human rights. The term 'rightsholders' is used to refer to stakeholders whose individual human rights or collective rights (held by groups such as indigenous peoples) are or could be affected.

Stakeholder interests can be negatively or positively affected by the organization's activities. Due diligence focuses on identifying stakeholder interests that are or could be negatively affected by the organization's activities.

Stakeholders may not always have a direct relationship with the organization. For example, the workers in the organization's supply chain can also be its stakeholders, or there can be individuals or groups living at a distance from the organization's operations who can be affected or potentially affected by these operations. They may not be aware that they are stakeholders of that particular organization, especially if they have not yet been affected by its activities. The organization should identify the interests of these and other stakeholders who are unable to articulate their views (e.g., future generations).

Engaging with stakeholders helps the organization identify and manage its negative and positive impacts. Not all stakeholders will be affected by all activities of the organization. The organization should identify the stakeholders whose interests have to be taken into account in connection with a specific activity (i.e., 'relevant stakeholders').

Where it is not possible to engage with all relevant stakeholders directly, the organization can engage with credible stakeholder representatives or proxy organizations (e.g., non-governmental organizations, trade unions).

In addition to engaging with stakeholders, the organization can consult with experts in specific issues or contexts (e.g., academics, non-governmental organizations) for advice on identifying and managing its impacts.

Sometimes it is necessary to distinguish between stakeholders whose interests have been affected (i.e., 'affected stakeholders'), and those whose interests have not yet been affected but could potentially be affected (i.e., 'potentially affected stakeholders'). This distinction is important in due diligence. For example, if an organization's activity leads to a safety hazard, workers who are injured because of the hazard are affected stakeholders, and workers who have not yet been injured but who are exposed to the hazard and could be injured are potentially affected stakeholders. The distinction between affected and potentially affected stakeholders helps identify which workers should receive remedy.

See reference [2] in the Bibliography.

3. Reporting in accordance with the GRI Standards

Reporting in accordance with the GRI Standards enables an organization to provide a comprehensive picture of its most significant impacts on the economy, environment, and people, including impacts on their human rights, and how it manages these impacts. This allows information users to make informed assessments and decisions about the organization's impacts and its contribution to sustainable development.

The organization must comply with all nine requirements in this section to report in accordance with the GRI Standards.

Overview of in accordance requirements

Requirement 1: Apply the reporting principles

Requirement 2: Report the disclosures in GRI 2: General Disclosures 2021

Requirement 3: Determine material topics

Requirement 4: Report the disclosures in GRI 3: Material Topics 2021

Requirement 5: Report disclosures from the GRI Topic Standards for each material topic

Requirement 6: Provide reasons for omission for disclosures and requirements that the organization cannot comply with

Requirement 7: Publish a GRI content index

Requirement 8: Provide a statement of use

Requirement 9: Notify GRI

If the organization does not comply with all nine requirements, it cannot claim that it has prepared the reported information in accordance with the GRI Standards. In such a case, the organization may be able to claim that it has prepared the reported information with reference to the GRI Standards, provided it complies with the requirements specified in 'Reporting with reference to the GRI Standards' at the end of this section.

Requirement 1: Apply the reporting principles

a. The organization shall apply all the reporting principles specified in section 4 of *GRI 1: Foundation 2021*.

Requirement 2: Report the disclosures in GRI 2: General Disclosures 2021

a. The organization shall report all disclosures in *GRI 2: General Disclosures 2021*.

Guidance

Reasons for omission are permitted for all disclosures in *GRI 2* except for:

- Disclosure 2-1 Organizational details
- Disclosure 2-2 Entities included in the organization's sustainability reporting

- Disclosure 2-3 Reporting period, frequency and contact point
- Disclosure 2-4 Restatements of information
- Disclosure 2-5 External assurance

If the organization cannot comply with a disclosure or with a requirement in a disclosure for which reasons for omission are permitted, the organization is required to specify in the GRI content index the disclosure or the requirement it cannot comply with, and to provide a reason for omission and an explanation. See Requirement 6 in this Standard for more information on reasons for omission.

Requirement 3: Determine material topics

The organization shall:

a. determine its material topics;

b. review the GRI Sector Standard(s) that apply to its sector(s) and:

i. determine whether each topic in the applicable Sector Standard(s) is a material topic for the organization;

ii. list in the GRI content index any topics from the applicable Sector Standard(s) that the organization has determined as not material and explain why they are not material.

Guidance

See section 1 in *GRI 3: Material Topics 2021* for guidance on how to determine material topics.

The organization is required to determine its material topics based on its specific circumstances.

Using the GRI Sector Standards supports the organization in this process. The Sector Standards provide information for organizations about their likely material topics.

The organization is required to use the applicable Sector Standards when determining its material topics.

Guidance to 3-b

The organization is required to comply with Requirement 3-b only if GRI Sector Standards that apply to its sectors are available.

The organization is required to review each topic described in the applicable Sector Standards and determine whether it is a material topic for the organization. If any of the topics that are included in the applicable Sector Standards have been determined by the organization as not material, the organization is required to list them in the GRI content index and explain why they are not material. See Requirement 7 in this Standard for more information on the content index.

See section 1 in *GRI 3* and the GRI Sector Standards for guidance on how to use the Sector Standards to determine material topics.

Requirement 4: Report the disclosures in GRI 3: Material Topics 2021

The organization shall:

a. report its process of determining material topics using Disclosure 3-1*;*

b. report a list of its material topics using Disclosure 3-2;

c. report how it manages each material topic using Disclosure 3-3.

Guidance

Reasons for omission are only permitted for Disclosure 3-3 Management of material topics in *GRI 3*.

If the organization cannot comply with Disclosure 3-3 or with a requirement in Disclosure 3-3, the organization is required to specify this in the GRI content index, and to provide a reason for omission and an explanation. See Requirement 6 in this Standard for more information on reasons for omission.

Requirement 5: Report disclosures from the GRI Topic Standards for each material topic

The organization shall:

a. report disclosures from the GRI Topic Standards for each material topic;

b. for each material topic covered in the applicable GRI Sector Standard(s), either:

i. report the disclosures from the GRI Topic Standards listed for that topic in the Sector Standard(s), or;

ii. provide the 'not applicable' reason for omission and the required explanation in the GRI content index.

Guidance

Guidance to 5-a

For each material topic, the organization needs to identify disclosures from the GRI Topic Standards to report. The organization is required to report only those disclosures that are relevant to its impacts in relation to a material topic. The organization is not required to report disclosures that are not relevant.

There is no requirement for a minimum number of disclosures to report from the Topic Standards. The number of disclosures that the organization reports is based on the organization's assessment of which disclosures are relevant to its impacts in relation to a material topic.

The organization may need to use more than one Topic Standard to report on a material topic. In addition, not all disclosures in a Topic Standard may be relevant for the organization to report. For example, an organization identifies pay equality as a material topic. The organization determines that the following disclosures are relevant to report on the topic: Disclosure 202-1 Ratios of standard entry level wage by gender compared to local minimum wage in *GRI 202: Market Presence 2016*, and Disclosure 405-2 Ratio of basic salary and remuneration of women to men in *GRI 405: Diversity and Equal Opportunity 2016*. The organization is not required to report other disclosures from these Standards (e.g., Disclosure 202-2 Proportion of senior management hired from the local community in *GRI 202*), as these disclosures do not address the topic of pay equality.

When a material topic is covered in the applicable GRI Sector Standards, the organization uses the Sector Standards to identify disclosures to report. See Requirement 5-b in this Standard for more information.

Reasons for omission are permitted for all disclosures from the Topic Standards. If the organization cannot comply with a disclosure or with a requirement in a disclosure, the organization is required to specify in the GRI content index the disclosure or the requirement it cannot comply with, and to provide a reason for omission and an explanation. See Requirement 6 in this Standard for more information on reasons for omission.

The organization should provide sufficient information about its impacts in relation to each material topic, so that information users can make informed assessments and decisions about the organization. If the disclosures from the Topic Standards do not provide sufficient information about the organization's impacts, then the organization should report additional disclosures. These can include the additional sector disclosures recommended in the GRI Sector Standards, disclosures from other sources, or disclosures developed by the organization itself.

Disclosures that the organization reports from other sources, or that are developed by the organization itself, should have the same rigor as disclosures from the GRI Standards, and they should align with expectations set out in authoritative intergovernmental instruments.

Reporting on material topics not covered in the GRI Topic Standards

When the organization's material topic is not covered by the disclosures in the GRI Topic Standards, the organization is required to report how it manages the material topic, using Disclosure 3-3 in *GRI 3: Material Topics 2021*. See Requirement 4-c in this Standard for more information.

In addition to reporting Disclosure 3-3, the organization should report other disclosures for that topic. These can include the additional sector disclosures recommended in the GRI Sector Standards, disclosures from other sources, or disclosures developed by the organization itself.

For example, an organization identifies freedom of speech as a material topic. As there is no Topic Standard that covers this topic, the organization should report disclosures from other sources or develop its own disclosures to report on the topic. The organization is still required to report how it manages the topic of freedom of speech, using Disclosure 3-3 in *GRI 3*.

Guidance to 5-b

The organization is required to comply with Requirement 5-b only if GRI Sector Standards that apply to its sectors are available. The Sector Standards provide information for organizations about their likely material topics.

The organization is required to review each topic described in the applicable Sector Standards and determine whether it is a material topic for the organization.

If the organization determines a topic in an applicable Sector Standard to be material, the Sector Standard helps the organization identify disclosures to report information about its impacts in relation to that topic. For each likely material topic, the Sector Standards list disclosures from the GRI Topic Standards for organizations to report. If any of the Topic Standards disclosures listed in the Sector Standards are not relevant to the organization's impacts, the organization is not required to report these. However, the organization is required to list these disclosures in the GRI content index and provide 'not applicable' as the reason for omission for not reporting the disclosures. The organization is also required to explain in brief why the disclosures are not relevant to its impacts in relation to the material topic. See Requirement 6 in this Standard for more information on reasons for omission.

Note that when reporting the Topic Standards disclosures listed in the Sector Standards, the organization can still use any of the four reasons for omission included in Table 2 of this Standard if it cannot comply with the disclosure or with a requirement in the disclosure.

Besides the disclosures from the Topic Standards, the Sector Standards may list additional sector disclosures for organizations to report. Reporting these additional sector disclosures is a recommendation. The organization is not required to provide a reason for omission for the additional sector disclosures it does not report.

Requirement 6: Provide reasons for omission for disclosures and requirements that the organization cannot comply with

a. If the organization cannot comply with a disclosure or with a requirement in a disclosure for which reasons for omission are permitted, the organization shall in the GRI content index:

- **i. specify the disclosure or the requirement it cannot comply with;**
- **ii. provide one of the four reasons for omission included in Table 2 and the required explanation for that reason.**

Table 2. Permitted reasons for omission and required explanations

Reason for omission	Required explanation
Not applicable	Explain why the disclosure or the requirement is considered not applicable.
Legal prohibitions	Describe the specific legal prohibitions.
Confidentiality constraints	Describe the specific confidentiality constraints.
Information unavailable / incomplete	Specify which information is unavailable or incomplete. When the information is incomplete, specify which part is missing (e.g., specify the entities for which the information is missing). Explain why the required information is unavailable or incomplete. Describe the steps being taken, and the expected time frame, to obtain the information.

Guidance

Reasons for omission are permitted for all disclosures from the GRI Standards except for:

- Disclosure 2-1 Organizational details
- Disclosure 2-2 Entities included in the organization's sustainability reporting
- Disclosure 2-3 Reporting period, frequency and contact point
- Disclosure 2-4 Restatements of information
- Disclosure 2-5 External assurance
- Disclosure 3-1 Process to determine material topics
- Disclosure 3-2 List of material topics

The organization is only permitted to provide one of the four reasons for omission included in Table 2 of this Standard:

- **Not applicable –** The organization provides 'not applicable' as the reason for omission in the following situations:
  - When a disclosure or a requirement in a disclosure does not apply to the organization based on its characteristics (e.g., size, type). For example, 2-15-b-iii in *GRI 2: General Disclosures 2021* requires the organization to report whether conflicts of interest relating to existence of controlling shareholders are disclosed to stakeholders. This requirement does not apply to organizations that do not have shareholders (e.g., foundations).

    In such cases, the organization is required to explain why the disclosure or the requirement does not apply to the organization.

    However, there may be cases where a disclosure or a requirement in a disclosure applies to the organization, but the organization does not have in place the item specified in the disclosure or in the requirement (e.g., committee, policy, practice, process). For example, *2-23-b in GRI 2* requires the organization to describe its policy commitment to respect human rights. This expectation applies to every organization. All organizations are expected to have a policy commitment to respect human rights, but not every organization may have developed such a policy commitment yet.

    If the organization cannot report the required information about an item specified in a disclosure because the item (e.g., committee, policy, practice, process) does not exist, it can comply with the requirement by reporting this to be the case. It does not need to provide the 'not applicable' reason for omission. In such cases, the organization can explain the reasons for not having this item or describe any plans to develop it. The disclosure does not require the organization to implement the item (e.g., developing a policy), but to report that the item does not exist.

  - When a disclosure from the GRI Topic Standards that is listed in the applicable GRI Sector Standards is not relevant to the organization's impacts in relation to a material topic.

    In such cases, the organization is required to explain why the disclosure is not relevant to its impacts in relation to the material topic.

- **Legal prohibitions –** The organization provides 'legal prohibitions' as the reason for omission when the law forbids collecting the required information or reporting it publicly.

- **Confidentiality constraints –** There may be cases where the law does not forbid collecting or reporting the required information, but the organization considers the information confidential and cannot report it publicly. In such cases, the organization provides 'confidentiality constraints' as the reason for omission.

- **Information unavailable / incomplete –** There may be cases where the organization has the item specified in a disclosure or in a requirement in a disclosure, but the information about the item is unavailable or incomplete. In such cases, the organization provides 'information unavailable / incomplete' as the reason for omission. For example, information is unavailable for Disclosure 305-3 in *GRI 305: Emissions 2016* when the organization has other indirect (Scope 3) greenhouse gas (GHG) emissions, but it has not collected data on its other indirect (Scope 3) GHG emissions yet.

  When the organization cannot report part of the required information it means the information is incomplete. When the reported information does not cover the complete scope of information required by a disclosure (e.g., the information is missing for certain entities, sites, geographic locations), the organization is required to provide 'information unavailable / incomplete' as the reason for omission, and to specify the entities, sites, geographic locations, etc., for which the required information is missing and cannot be reported.

  The required information, or part of the required information, can be unavailable when, for example, it cannot be obtained or is not of adequate quality to report. This may be the case when the information is collected from another organization, such as a supplier.

The reasons 'confidentiality constraints' and 'information unavailable / incomplete' should only be used in exceptional cases. Using 'confidentiality constraints' and 'information unavailable / incomplete' frequently as reasons for omitting information reduces the credibility and usefulness of the organization's sustainability reporting. It does not align with the aim of reporting in accordance with the GRI Standards, which is to provide a comprehensive picture of the organization's most significant impacts.

The organization is not allowed to use other reasons for omission than those included in Table 2 of this Standard.

The organization is required to report reasons for omission in the GRI content index. See Requirement 7 in this Standard for more information on the content index.

Requirement 7: Publish a GRI content index

The organization shall:

a. publish a GRI content index that includes:

i. the title: GRI content index;

ii. the statement of use;

iii. the title of GRI 1 used;

iv. the title(s) of the GRI Sector Standard(s) that apply to the organization's sector(s);

v. a list of the organization's material topics;

vi. a list of the topics in the applicable GRI Sector Standard(s) determined as not material and an explanation for why they are not material;

vii. a list of the reported disclosures, including the disclosure titles;

viii. the titles of the GRI Standards and other sources that the reported disclosures come from;

ix. when the organization does not report GRI Topic Standard disclosures for a material topic from the applicable GRI Sector Standard(s), a list of the disclosures and the required reason for omission;

x. the GRI Sector Standard reference numbers for the disclosures from the applicable Sector Standard(s);

xi. the location where the information reported for each disclosure can be found;

xii. any reasons for omission used;

b. if it publishes a standalone sustainability report and the GRI content index is not included in the report itself, provide a link or reference to the GRI content index in the report.

Guidance

The information reported using the GRI Standards can be published or made accessible in a range of formats (e.g., electronic, paper-based) across one or more locations (e.g., a standalone sustainability report, web pages, an annual report). The GRI content index provides an overview of the organization's reported information, shows where the reported information can be found, and helps information users access this information. The content index also shows which GRI Standards and disclosures the organization has used.

Appendix 1 of this Standard provides guidance on how to prepare the GRI content index when reporting in accordance with the GRI Standards. It includes an example that the organization can use to prepare the content index. The organization can use a different format for the content index than the one provided in Appendix 1, as long as it complies with the requirements for the content index.

Requirement 8: Provide a statement of use

a. The organization shall include the following statement in its GRI content index:

[Name of organization] has reported in accordance with the GRI Standards for the period [reporting period start and end dates].

Guidance

To state that the organization has reported in accordance with the GRI Standards, the organization must have complied with all nine requirements in this section.

The organization is required to insert the name of the organization and the start and end dates of its reporting period in the statement, for example:

'ABC Limited has reported in accordance with the GRI Standards for the period from 1 January 2022 to 31 December 2022.'

The organization is required to report whether the highest governance body is responsible for reviewing and approving the reported information, including the organization's material topics, under Disclosure 2-14 in *GRI 2: General Disclosures 2021*.

Requirement 9: Notify GRI

a. The organization shall notify GRI of the use of the GRI Standards and the statement of use by sending an email to reportregistration@globalreporting.org.

Guidance

The organization should include the following information in the email:

- The legal name of the organization.
- The link to the GRI content index.
- The link to the report, if publishing a standalone sustainability report.
- The statement of use.
- A contact person in the organization and their contact details.

There is no cost associated with notifying GRI of the use of the GRI Standards.

Reporting with reference to the GRI Standards

An organization can report with reference to the GRI Standards if it cannot comply with all the requirements for reporting in accordance with the GRI Standards. The organization should transition to reporting in accordance with the GRI Standards in time as it will provide a comprehensive picture of the organization's most significant impacts on the economy, environment, and people, including impacts on their human rights.

The organization can also report with reference to the GRI Standards if it uses selected GRI Standards, or parts of their content, to report information about specific topics for specific purposes, for example, to comply with a reporting regulation on climate change.

The organization must comply with all three requirements in this section to report with reference to the GRI Standards. The organization should also apply the reporting principles specified in section 4 of this Standard to ensure high-quality reporting. Additionally, the organization should explain how it manages its impacts for the topics it reports on using Disclosure 3-3 in *GRI 3: Material Topics 2021*.

Overview of requirements for reporting with reference to the GRI Standards

Publish a GRI content index
Provide a statement of use
Notify GRI

Publish a GRI content index

The organization shall:

a. publish a GRI content index that includes:

i. the title: GRI content index;

ii. the statement of use;

iii. the title of GRI 1 used;

iv. a list of the reported disclosures from the GRI Standards, including the disclosure titles;

v. the titles of the GRI Standards that the reported disclosures come from;

vi. the location where the information reported for each disclosure can be found;

b. if it publishes a standalone sustainability report and the GRI content index is not included in the report itself, provide a link or reference to the GRI content index in the report.

Guidance

The information reported using the GRI Standards can be published or made accessible in a range of formats (e.g., electronic, paper-based) across one or more locations (e.g., a standalone sustainability report, web pages, an annual report). The GRI content index provides an overview of the organization's reported information, shows where the reported information can be found, and helps information users access this information. The content index also shows which GRI Standards and disclosures the organization has used.

Appendix 2 of this Standard provides guidance on how to prepare the GRI content index when reporting with reference to the GRI Standards. It includes an example that the organization can use to prepare the content index. The organization can use a different format for the content index than the one provided in Appendix 2, as long as it complies with the requirements for the content index. The organization can also use the content index specified for reporting in accordance with the GRI Standards in Appendix 1 of this Standard, if suitable. In such a case, the statement of use in Appendix 1, which is for reporting in accordance with the GRI Standards, must be replaced by the statement of use for reporting with reference to the GRI Standards.

Provide a statement of use

a. The organization shall include the following statement in its GRI content index:

[Name of organization] has reported the information cited in this GRI content index for the period <u>[reporting period</u> start and end dates] with reference to the GRI Standards.

Guidance

To state that the organization has reported with reference to the GRI Standards, the organization must have complied with all three requirements in this section.

The organization is required to insert the name of the organization and the start and end dates of its reporting period in the statement, for example:

'ABC Limited has reported the information cited in this GRI content index for the period from 1 January 2022 to 31 December 2022 with reference to the GRI Standards.'

Notify GRI

a. The organization shall notify GRI of the use of the GRI Standards and the statement of use by sending an email to reportregistration@globalreporting.org.

Guidance

The organization should include the following information in the email:

- The legal name of the organization.
- The link to the GRI content index.
- The link to the report, if publishing a standalone sustainability report.
- The statement of use.
- A contact person in the organization and their contact details.

There is no cost associated with notifying GRI of the use of the GRI Standards.

4. Reporting principles

The reporting principles are fundamental to achieving high-quality sustainability reporting. An organization is required to apply the reporting principles to be able to claim that it has prepared the reported information in accordance with the GRI Standards (see section 3 in this Standard).

The reporting principles guide the organization in ensuring the quality and proper presentation of the reported information. High-quality information allows information users to make informed assessments and decisions about the organization's impacts and its contribution to sustainable development.

Each reporting principle consists of a requirement and guidance on how to apply it.

Overview of principles

- Accuracy
- Balance
- Clarity
- Comparability
- Completeness
- Sustainability context
- Timeliness
- Verifiability

Accuracy

Requirement

a. The organization shall report information that is correct and sufficiently detailed to allow an assessment of the organization's impacts.

Guidance

The characteristics that determine accuracy vary depending on the nature of the information (qualitative or quantitative) and the intended use of the information. The accuracy of quantitative information depends on the specific methods used to gather, compile, and analyze data. The accuracy of qualitative information depends on the level of detail and consistency with available evidence. Information users require sufficient detail to make assessments about the organization's impacts.

To apply the Accuracy principle, the organization should:

- report qualitative information that is consistent with available evidence and other reported information;
- indicate which data has been measured;
- adequately describe data measurements and bases for calculations, and ensure it is possible to replicate measurements and calculations with similar results;
- ensure that the margin of error for data measurements does not inappropriately influence the conclusions or assessments of information users;
- indicate which data has been estimated, and explain the underlying assumptions and techniques used for the estimation as well as any limitations of the estimates.

Balance

Requirement

a. **The organization shall report information in an unbiased way and provide a fair representation of the organization's negative and positive impacts.**

Guidance

To apply the Balance principle, the organization should:

- present information in a way that allows information users to see negative and positive year-on-year trends in impacts;
- distinguish clearly between facts and the organization's interpretation of the facts;
- not omit relevant information concerning its negative impacts;
- not overemphasize positive news or impacts;
- not present information in a way that is likely to inappropriately influence the conclusions or assessments of information users.

Clarity

Requirement

a. **The organization shall present information in a way that is accessible and understandable.**

Guidance

To apply the Clarity principle, the organization should:

- take into account specific accessibility needs of information users, associated with abilities, language, and technology;
- present information in a way that users are able to find the information they want without unreasonable effort, for example, through a table of contents, maps, or links;
- present information in a way that it can be understood by users who have reasonable knowledge of the organization and its activities;
- avoid abbreviations, technical terms, or other jargon likely to be unfamiliar to users or, if these are used, include relevant explanations in the appropriate sections or in a glossary;
- report information in a concise way and aggregate information where useful without omitting necessary details;
- use graphics and consolidated data tables to make information accessible and understandable.

Comparability

Requirement

a. **The organization shall select, compile, and report information in a consistent manner, to enable an analysis of changes in the organization's impacts over time and an analysis of these impacts relative to those of other organizations.**

Guidance

Information reported in a comparable way enables the organization and other information users to assess the organization's current impacts against its past impacts and its goals and targets. It also enables external parties to assess and benchmark the organization's impacts against impacts of other organizations, as part of rating activities, investment decisions, and advocacy programs.

To apply the Comparability principle, the organization should:

- present information for the current reporting period and at least two previous periods, as well as any goals and targets that have been set;
- use generally accepted international metrics (e.g., kilograms, liters), and standard conversion factors and protocols, where applicable, for compiling and reporting information;
- maintain consistency in the methods used to measure and calculate data and in explaining the methods and assumptions used;
- maintain consistency in the manner of presenting the information;
- report total numbers or absolute data (e.g., metric tons of CO_2 equivalent) as well as ratios or normalized data (e.g., CO_2 emissions per unit produced) to enable comparisons, and provide explanatory notes when using ratios;
- provide contextual information (e.g., the organization's size, geographic location) to help information users understand the factors that contribute to differences between the organization's impacts and the impacts of other organizations;
- present the current disclosures alongside restatements of historical data to enable comparisons if there have been changes from the information reported previously. This can include changes in the length of the reporting period, in the measurement methodologies, in the definitions used, or in other elements of reporting. The organization is required to report restatements of information under Disclosure 2-4 in *GRI 2: General Disclosures 2021*;
- if restatements of historical data are not provided, explain the changes to provide contextual information for interpreting the current disclosures.

Completeness

Requirement

a. The organization shall provide sufficient information to enable an assessment of the organization's impacts during the reporting period.

Guidance

To apply the Completeness principle, the organization should:

- present activities, events, and impacts for the reporting period in which they occur. This includes reporting information about activities that have a minimal impact in the short-term, but a reasonably foreseeable cumulative impact that can become unavoidable or irreversible in the long-term (e.g., activities that generate bio-accumulative or persistent pollutants);
- not omit information that is necessary for understanding the organization's impacts.

If the organization consists of multiple entities (i.e., a parent entity and its subordinate entities), the organization is required to explain the approach used for consolidating the information under 2-2-c in *GRI 2: General Disclosures 2021*.

If information for a disclosure or a requirement in a disclosure for which reasons for omission are permitted is unavailable or incomplete, the organization is required to provide a reason for omission. When information is incomplete, the organization is required to specify which part is missing (e.g., specify the entities for which the information is missing). See Requirement 6 in this Standard for more information.

Sustainability context

Requirement

a. The organization shall report information about its <u>impacts</u> in the wider context of <u>sustainable development</u>.

Guidance

Sustainable development has been defined as ‘development which meets the needs of the present without compromising the ability of future generations to meet their own needs’ [8]. The objective of sustainability reporting using the GRI Standards is to provide transparency on how an organization contributes or aims to contribute to sustainable development. For this purpose, the organization needs to assess and report information about its impacts in the wider context of sustainable development.

To apply the Sustainability context principle, the organization should:

- draw on objective information, and authoritative measures on sustainable development to report information about its impacts (e.g., scientific research or consensus on the limits and demands placed on environmental resources);
- report information about its impacts in relation to sustainable development goals and conditions (e.g., reporting total greenhouse gas [GHG] emissions as well as reductions in GHG emissions in relation to the goals set out in the *United Nations [UN] Framework Convention on Climate Change [FCCC] Paris Agreement* [4]);
- report information about its impacts in relation to societal expectations and expectations of responsible business conduct set out in authoritative intergovernmental instruments with which the organization is expected to comply (e.g., *Organisation for Economic Co-operation and Development [OECD] Guidelines for Multinational Enterprises* [3], *UN Guiding Principles on Business and Human Rights* [5]) and in other recognized sector-specific, local, regional, or global instruments;
- if operating in a range of locations, report information about its impacts in relation to appropriate local contexts (e.g., reporting total water use, as well as water use relative to the sustainable thresholds and the social context of given catchments).

Understanding the sustainability context provides the organization with critical information to determine and report on its <u>material topics</u> (see *GRI 3: Material Topics 2021*). The GRI Sector Standards describe the sectors’ context and they can also help the organization in understanding its sustainability context.

Timeliness

Requirement

a. The organization shall report information on a regular schedule and make it available in time for information users to make decisions.

Guidance

The usefulness of information is closely tied to whether it is available in time for information users to integrate it into their decision-making. The Timeliness principle refers to how regularly as well as how soon after the <u>reporting period</u> the information is published.

To apply the Timeliness principle, the organization should:

- find a balance between the need to make information available in a timely manner and ensuring that the information is of high quality and meets the requirements under the other reporting principles;

- ensure consistency in the length of reporting periods;
- indicate the time period covered by the reported information.

See section 5.1 in this Standard for information on aligning the reporting periods and publishing schedules of sustainability reporting and other types of reporting.

Verifiability

Requirement

a. The organization shall gather, record, compile, and analyze information in such a way that the information can be examined to establish its quality.

Guidance

It is important that the reported information can be examined to establish its veracity and to determine the extent to which the reporting principles have been applied.

To apply the Verifiability principle, the organization should:

- set up internal controls and organize documentation in such a way that individuals other than those preparing the reported information (e.g., internal auditors, external assurance providers) are able to review them;
- document the decision-making processes underlying the organization's sustainability reporting in a way that allows for the examination of the key decisions and processes, such as the process of determining material topics;
- if the organization designs information systems for its sustainability reporting, design these systems in a way that they can be examined as part of an external assurance process;
- be able to identify the original sources of the reported information and provide reliable evidence to support assumptions or calculations;
- be able to provide representation from the original sources of the reported information attesting to the accuracy of the information within acceptable margins of error;
- avoid including information that is not substantiated by evidence, unless it is relevant for understanding the organization's impacts;
- provide unambiguous explanations of any uncertainties associated with the reported information.

See section 5.2 in this Standard for more information on enhancing the credibility of the organization's sustainability reporting.

5. Additional recommendations for reporting

This section presents recommendations for an organization to align its sustainability reporting with other types of reporting and to enhance the credibility of its sustainability reporting.

5.1 Aligning sustainability reporting with other reporting

An organization should align its sustainability reporting with other statutory and regulatory reporting, in particular its financial reporting. This means that the organization should report the information for the same reporting period and for the same group of entities as covered in its financial reporting. The organization should also publish the information at the same time as its financial reporting, where this is possible.

5.2 Enhancing the credibility of sustainability reporting

There are several ways in which an organization can enhance the credibility of its sustainability reporting. These include the use of internal controls, external assurance, and stakeholder or expert panels. The organization is not required to apply these methods when reporting in accordance with the GRI Standards but is encouraged to do so.

Internal controls

The organization should set up internal controls to strengthen the integrity and credibility of its sustainability reporting. Internal controls are processes designed and implemented by the organization, generally its management, to provide reasonable assurance regarding the achievement of its objectives.

Internal controls can be implemented in day-to-day operations and through compliance functions. The organization can also establish and maintain an internal audit function as part of its processes for risk management to further improve the credibility of its sustainability reporting.

In some jurisdictions, corporate governance codes require the highest governance body to inquire and, if it is satisfied, to confirm the adequacy of an organization's internal controls in the annual report. This confirmation may only relate to the adequacy of the internal controls for financial reporting. It may not provide information about whether the same internal controls are also adequate to assess the credibility of the organization's sustainability reporting. If the organization relies on internal controls set up for financial reporting, it should assess the relevance of these controls for its sustainability reporting. In cases where these controls are inadequate, the organization should identify and use additional internal controls to assess the credibility of its sustainability reporting.

External assurance

In addition to internal controls, the organization should seek external assurance for its sustainability reporting. Disclosure 2-5 in *GRI 2: General Disclosures 2021* requires the organization to describe its policy and practice for seeking external assurance for its sustainability reporting. If the sustainability reporting has been externally assured, the organization is also required to describe what has been externally assured and on what basis.

External assurance comprises activities carried out by assurance providers to assess the quality and credibility of the qualitative and quantitative information reported by the organization. External assurance can also be used to assess the systems or processes the organization uses to prepare the information (e.g., the process of determining material topics). External assurance is different from activities that are used to assess or validate the performance of the organization, such as compliance assessments or the issuing of performance certifications.

External assurance results in published assurance reports or conclusions that can be used to verify that the information has been prepared in accordance with reporting standards. It can also be used to reduce risk in data quality and increase trust in the reported information. This, in turn, helps information users as well as the organization rely on the reported information for their decision-making.

External assurance should be conducted by competent assurance providers with appropriate experience and qualifications. Assurance providers should be:

- independent from the organization and therefore able to reach impartial and objective conclusions about the organization's reporting and to publish these conclusions in a report that is publicly available;
- demonstrably competent in the subject matter and assurance practices;
- competent in applying quality control procedures to the assurance engagement;
- able to conduct the engagement in a manner that is systematic, documented, evidence-based, and characterized by defined procedures in line with professional standards for assurance;
- able to consider the selection of the information reported as well as its accuracy, and to assess whether the reporting provides a comprehensive picture of the organization's most significant impacts and how it manages these impacts;
- able to assess the extent to which the organization has applied the GRI Standards in the course of formulating opinions or reaching conclusions.

Stakeholder or expert panels

The organization can also convene a stakeholder or expert panel to seek views on its approach to sustainability reporting or for advice on the information to be reported.

Appendix 1. GRI content index in accordance A1

GRI content index A2

Statement of use	[Name of organization] has reported in accordance with the GRI Standards for the period [reporting period start and end dates].
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	[Titles of the applicable GRI Sector Standards]

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational details		*A gray cell indicates something that does not apply. This only relates to the 'Omission' and 'GRI Sector Standard ref. no.' columns.*			
	2-2 Entities included in the organization's sustainability reporting					
	2-3 Reporting period, frequency and contact point					
	2-4 Restatements of information					
	2-5 External assurance					
	2-6 Activities, value chain and other business relationships					
	“ “	“ “	“ “	“ “	“ “	
	2-30 Collective bargaining agreements					
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics					
	3-2 List of material topics					
[Material topic]						
GRI 3: Material Topics 2021	3-3 Management of material topics					
[Title of source]	[Disclosure title]					
“ “	“ “	“ “	“ “	“ “	“ “	“ “
[Material topic]						
GRI 3: Material Topics 2021	3-3 Management of material topics					
[Title of source]	[Disclosure title]					
“ “	“ “	“ “	“ “	“ “	“ “	“ “

Topics in the applicable GRI Sector Standards determined as not material	
TOPICS	EXPLANATION
[Title of GRI Sector Standard]	
[Topic]	[Explanation]
[Topic]	[Explanation]

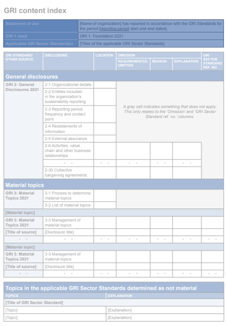
Guidance

This Appendix provides guidance on how to prepare the GRI content index when reporting in accordance with the GRI Standards. It includes an example that the organization can use to prepare the content index. The organization can use a different format for the content index than the one provided here, as long as it complies with the requirements for the content index specified in **Requirement 7** in this Standard.

The organization can include additional information in the content index, beyond what is required by the GRI Standards. For example, the organization can show how the disclosures it has reported using the GRI Standards are related to those required by other reporting standards or frameworks.

The organization should make sure that such additions do not compromise the readability of the content index. This can be done by providing any additional information in separate columns or rows that are included at the end of the content index, after all the required information has been specified.

The organization should not report the information required by the disclosures directly in the content index. Exceptions can be made if the information is brief and easier to find in the content index than in other locations (e.g., information on the reporting period may be easier to find when stated directly in the content index); or to report that an item (e.g., committee, policy, practice, process) specified in a disclosure does not exist. Detailed reporting in the content index should be avoided.



Statement of use

The organization is required to include in the GRI content index the statement of use for reporting in accordance with the GRI Standards, as specified in **Requirement 7-a-ii** in this Standard. See **Requirement 8** in this Standard for more information on the statement of use.

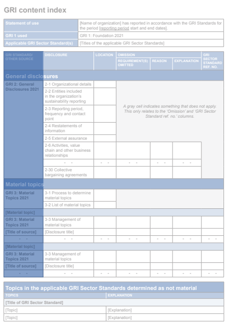
GRI 1 used

The organization is required to include in the GRI content index the title of GRI 1 it has used, as specified in **Requirement 7-a-iii** in this Standard. The title of GRI 1 includes the number, name, and publication year (e.g., *GRI 1: Foundation 2021*).

GRI 1 does not contain disclosures, but it does specify the requirements for reporting in accordance with the GRI Standards. The GRI Standards are regularly updated, and a newer version of GRI 1 may have different requirements for reporting in accordance with the GRI Standards than its previous version. Indicating which version of GRI 1 the organization has used helps clarify which requirements it must comply with.

Applicable GRI Sector Standard(s)

The organization is required to include in the GRI content index the titles of the GRI Sector Standards that apply to its sectors, as specified in **Requirement 7-a-iv** in this Standard. The title of a GRI Sector Standard includes the number, name, and publication year (e.g., *GRI 11: Oil and Gas Sector 2021*).



Titles of the GRI Standards and other sources of reported disclosures

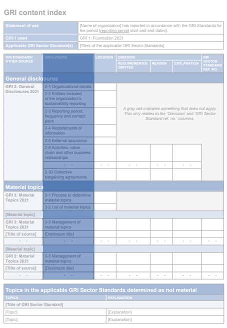
The organization is required to include in the GRI content index the titles of the GRI Universal Standards, GRI Sector Standards, and GRI Topic Standards it has used to report disclosures, as specified in **Requirement 7-a-viii** in this Standard. These include:

- *GRI 2: General Disclosures 2021;*
- *GRI 3: Material Topics 2021;*
- the Topic Standards the organization has used for reporting on its material topics;
- the Sector Standards the organization has used to report additional sector disclosures listed for its material topics.

The title of a GRI Standard includes the number, name, and publication year (e.g., *GRI 303: Water and Effluents 2018*).

The publication year indicates which version of a GRI Standard the organization has used. The GRI Standards are regularly updated, and a newer version of a GRI Standard may have different disclosures than its previous version. The publication year of the Standard does not refer to the reporting period covered by the reported information or to the year that the reported information is published.

If the organization reports disclosures from other sources, the organization is required to include in the content index the titles of the sources it has used.



Disclosures

The organization is required to list in the GRI content index all the disclosures it has reported, as specified in **Requirement 7-a-vii** in this Standard. These include the disclosures from *GRI 2: General Disclosures 2021* and *GRI 3: Material Topics 2021*, and the disclosures it has reported for each material topic.

For each material topic the organization is required to list the disclosures it has reported from the GRI Topic Standards and GRI Sector Standards, as well as the disclosures it has reported from other sources. The organization should organize these disclosures by each material topic. See **Requirement 5-a** and **Requirement 5-b-i** in this Standard for more information on reporting disclosures for each material topic.

Besides the disclosures from the Topic Standards, the Sector Standards may list additional sector disclosures for organizations to report. Reporting these additional sector disclosures is a recommendation. If the organization reports any of these additional sector disclosures for its material topics, it is required to list them in the content index.

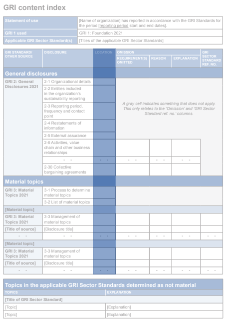
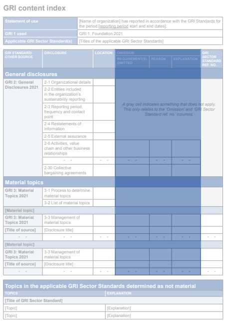
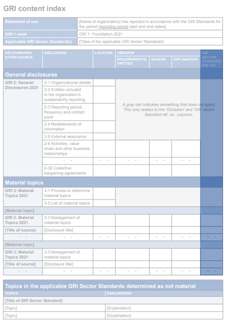
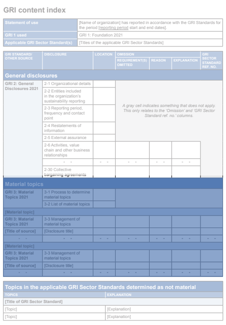
The organization is required to include the disclosure titles in the content index. The title of a disclosure includes the number and name (e.g., 2-6 Activities, value chain and other business relationships).

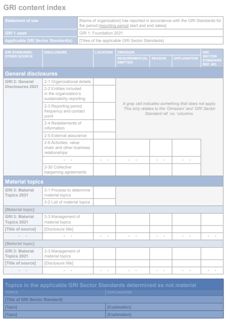
For disclosures from other sources, if there is no disclosure title available, the organization can list any other information that helps identify the disclosure.

GRI Topic Standards disclosures listed in the applicable GRI Sector Standards that are not reported

For each topic in the applicable GRI Sector Standards determined as material, the organization is required to include in the GRI content index any GRI Topic Standards disclosures listed for that topic that the organization does not report, as specified in **Requirement 7-a-ix** in this Standard.

There can be cases where a Topic Standard disclosure listed in the Sector Standard is not relevant to the organization's impacts in relation to the material topic. In such cases, the organization is required to provide the 'not applicable' reason for omission, and to briefly explain why the disclosure is not relevant. See **Requirement 5-b** in this Standard for more information on reporting on material topics covered in the Sector Standards.

	**Location** For each disclosure that it has reported, the organization is required to include in the GRI content index the location (i.e., the specific page numbers or links) in, for example, a report, document, website where the information can be found, as specified in **Requirement 7-a-xi** in this Standard. If the information reported for a disclosure is spread across multiple pages or web pages, the organization is required to specify all page numbers and links across which the information is distributed. If the organization is required to report information that it has previously reported, and the information has not changed during the reporting period (e.g., the organization is required to report information about a policy or process that has not changed since the previous reporting period), the organization can republish this information or provide a reference to the previously reported information in the content index.
	**Omissions** The organization is required to include in the GRI content index the reasons for omission it has used for each disclosure or requirement it cannot comply with, as specified in **Requirement 7-a-xii** in this Standard. If the organization cannot comply with a disclosure or with a requirement in a disclosure for which reasons for omission are permitted, the organization is required to specify the disclosure or the requirement it cannot comply with in the content index. It is also required to provide one of the permitted reasons for omission and the required explanation for that reason. The four permitted reasons for omission are: not applicable, legal prohibitions, confidentiality constraints, and information unavailable / incomplete. See **Requirement 6** in this Standard for more information on reasons for omission.
	**GRI Sector Standard reference numbers** When listing the GRI disclosures and additional sector disclosures from the applicable GRI Sector Standards in the GRI content index, the organization is required to include the GRI Sector Standard reference numbers, as specified in **Requirement 7-a-x** in this Standard. The GRI Sector Standard reference number refers to the unique identifier for each disclosure listed in a Sector Standard (e.g., S11.1.1). This identifier helps information users assess which of the disclosures listed in the Sector Standards are included in the organization’s reporting.
	**Material topics** The organization is required to list its material topics in the GRI content index, as specified in **Requirement 7-a-v** in this Standard. The list of material topics included in the content index is the same as the list of material topics reported under 3-2-a in *GRI 3: Material Topics 2021*.



GRI content index

Statement of use	[Name of organization] has reported in accordance with the GRI Standards for the period [reporting period start and end dates].
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	[Titles of the applicable GRI Sector Standards]

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational details		A gray cell indicates something that does not apply. This only relates to the 'Omission' and 'GRI Sector Standard ref. no.' columns.			
	2-2 Entities included in the organization's sustainability reporting					
	2-3 Reporting period, frequency and contact point					
	2-4 Restatements of information					
	2-5 External assurance					
	2-6 Activities, value chain and other business relationships					
	- -	- -	- -	- -	- -	
	2-30 Collective bargaining agreements					
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics					
	3-2 List of material topics					
[Material topic]						
GRI 3: Material Topics 2021	3-3 Management of material topics					
[Title of source]	[Disclosure title]					
- -	- -	- -	- -	- -	- -	- -
[Material topic]						
GRI 3: Material Topics 2021	3-3 Management of material topics					
[Title of source]	[Disclosure title]					
- -	- -	- -	- -	- -	- -	- -

Topics in the applicable GRI Sector Standards determined as not material	
TOPICS	EXPLANATION
[Title of GRI Sector Standard]	
[Topic]	[Explanation]
[Topic]	[Explanation]

Topics in the applicable GRI Sector Standards determined as not material A122
The organization is required to list in the GRI content index any topics from the applicable A123
GRI Sector Standards that it has determined as not material and explain why they are not A124
material, as specified in **Requirement 7-a-vi** in this Standard. See **Requirement 3-b** in A125
this Standard for more information on using the Sector Standards to determine material A126
topics. A127

Appendix 2. GRI content index with reference

GRI content index

Statement of use	[Name of organization] has reported the information cited in this GRI content index for the period [reporting period start and end dates] with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION
[Title of GRI Standard]	[Disclosure title]	
[Title of GRI Standard]	[Disclosure title]	

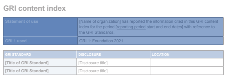
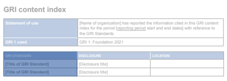
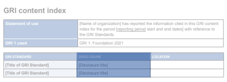
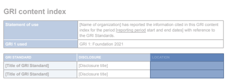
Guidance

This Appendix provides guidance on how to prepare the GRI content index when reporting with reference to the GRI Standards. It includes an example that the organization can use to prepare the content index. The organization can use a different format for the content index than the one provided here, as long as it complies with the requirements for the content index specified in '**Reporting with reference to the GRI Standards**' at the end of section 3 of this Standard. The organization can also use the content index specified for reporting in accordance with the GRI Standards in **Appendix 1**, if suitable. In such a case, the statement of use in Appendix 1, which is for reporting in accordance with the GRI Standards, must be replaced by the statement of use for reporting with reference to the GRI Standards.

The organization can include additional information in the content index, beyond what is required by the GRI Standards. For example, the organization can show how the disclosures it has reported using the GRI Standards are related to those required by other reporting standards or frameworks.

The organization should make sure that such additions do not compromise the readability of the content index. This can be done by providing any additional information in separate columns or rows that are included at the end of the content index, after all the required information has been specified.

The organization should not report the information required by the disclosures directly in the content index. Exceptions can be made if the information is brief and easier to find in the content index than in other locations (e.g., information on the reporting period may be easier to find when stated directly in the content index). Detailed reporting in the content index should be avoided.

	**Statement of use** The organization is required to include in the GRI content index the statement of use for reporting with reference to the GRI Standards, as specified in **Requirement a-ii** in 'Reporting with reference to the GRI Standards' at the end of section 3 of this Standard. See the **requirement to provide a statement of use** in 'Reporting with reference to the GRI Standards' at the end of section 3 of this Standard for more information on the statement of use. **GRI 1 used** The organization is required to include in the GRI content index the title of GRI 1 it has used, as specified in **Requirement a-iii** in 'Reporting with reference to the GRI Standards' at the end of section 3 of this Standard. The title of GRI 1 includes the number, name, and publication year (e.g., *GRI 1: Foundation 2021*). GRI 1 does not contain disclosures, but it does specify the requirements for reporting with reference to the GRI Standards. The GRI Standards are regularly updated, and a newer version of GRI 1 may have different requirements for reporting with reference to the GRI Standards than its previous version. Indicating which version of GRI 1 the organization has used helps clarify which requirements it must comply with.
	**Titles of the GRI Standards of reported disclosures** The organization is required to include in the GRI content index the titles of all the GRI Standards it has used to report disclosures, as specified in **Requirement a-v** in 'Reporting with reference to the GRI Standards' at the end of section 3 of this Standard. These can include *GRI 2: General Disclosures 2021*, *GRI 3: Material Topics 2021*, the GRI Sector Standards, and the GRI Topic Standards. The title of a GRI Standard includes the number, name, and publication year (e.g., *GRI 303: Water and Effluents 2018*). The publication year indicates which version of a GRI Standard the organization has used. The GRI Standards are regularly updated, and a newer version of a GRI Standard may have different disclosures than its previous version. The publication year of the Standard does not refer to the reporting period covered by the reported information or to the year that the reported information is published.
	**Disclosures** The organization is required to list in the GRI content index all the disclosures it has reported from the GRI Standards, as specified in **Requirement a-iv** in 'Reporting with reference to the GRI Standards' at the end of section 3 of this Standard. The organization is required to include the disclosure titles in the content index. The title of a disclosure includes the number and name (e.g., 303-3 Water withdrawal).
	**Location** For each disclosure that it has reported, the organization is required to include in the GRI content index the location (i.e., the specific page numbers or links) in, for example, a report, document, website where the information can be found, as specified in **Requirement a-vi** in 'Reporting with reference to the GRI Standards' at the end of section 3 of this Standard. If the information reported for a disclosure is spread across multiple pages or web pages, the organization is required to specify all page numbers and links across which the information is distributed.

Glossary

This glossary provides definitions for terms used in this Standard. The organization is required to apply these definitions when using the GRI Standards.

The definitions included in this glossary may contain terms that are further defined in the complete *GRI Standards Glossary*. All defined terms are underlined. If a term is not defined in this glossary or in the complete *GRI Standards Glossary*, definitions that are commonly used and understood apply.

business partner

entity with which the organization has some form of direct and formal engagement for the purpose of meeting its business objectives

Source: Shift and Mazars LLP, *UN Guiding Principles Reporting Framework*, 2015; modified

Examples: affiliates, business-to-business customers, clients, first-tier suppliers, franchisees, joint venture partners, investee companies in which the organization has a shareholding position

Note: Business partners do not include subsidiaries and affiliates that the organization controls.

business relationships

relationships that the organization has with business partners, with entities in its value chain including those beyond the first tier, and with any other entities directly linked to its operations, products, or services

Source: United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011; modified

Note: Examples of other entities directly linked to the organization's operations, products, or services are a non-governmental organization with which the organization delivers support to a local community, or state security forces that protect the organization's facilities.

due diligence

process to identify, prevent, mitigate, and account for how the organization addresses its actual and potential negative impacts

Source: United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011; and Organisation for Economic Co-operation and Development (OECD), *OECD Guidelines for Multinational Enterprises*, 2011; modified

Note: See section 2.3 in *GRI 1: Foundation 2021* for more information on 'due diligence'.

employee

individual who is in an employment relationship with the organization according to national law or practice

highest governance body

governance body with the highest authority in the organization

Note: In some jurisdictions, governance systems consist of two tiers, where supervision and management are separated or where local law provides for a supervisory board drawn from non-executives to oversee an executive management board. In such cases, both tiers are included under the definition of highest governance body.

human rights

rights inherent to all human beings, which include, at a minimum, the rights set out in the *United Nations (UN) International Bill of Human Rights* and the principles concerning fundamental rights set out in the *International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work*

Source: United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011; modified

Note: See Guidance to 2-23-b-i in *GRI 2: General Disclosures 2021* for more information on 'human rights'.

impact

effect the organization has or could have on the economy, environment, and people, including on their human rights, which in turn can indicate its contribution (negative or positive) to sustainable development

Note 1: Impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, and reversible or irreversible.

Note 2: See section 2.1 in *GRI 1: Foundation 2021* for more information on 'impact'.

local community

individuals or groups of individuals living or working in areas that are affected or that could be affected by the organization's activities

Note: The local community can range from those living adjacent to the organization's operations to those living at a distance.

material topics

topics that represent the organization's most significant impacts on the economy, environment, and people, including impacts on their human rights

Note: See section 2.2 in *GRI 1: Foundation 2021* and section 1 in *GRI 3: Material Topics 2021* for more information on 'material topics'.

mitigation

action(s) taken to reduce the extent of a negative impact

Note: The mitigation of an actual negative impact refers to actions taken to reduce the severity of the negative impact that has occurred, with any residual impact needing remediation. The mitigation of a potential negative impact refers to actions taken to reduce the likelihood of the negative impact occurring.

Source: United Nations (UN), *The Corporate Responsibility to Respect Human Rights: An Interpretive Guide*, 2012; modified

remedy / remediation

means to counteract or make good a negative impact / provision of remedy

Examples: apologies, restitution, restoration, rehabilitation, financial or non-financial compensation, and punitive sanctions (whether criminal or administrative, such as fines), prevention of harm through injunctions or guarantees of non-repetition

Source: United Nations (UN), *The Corporate Responsibility to Respect Human Rights: An Interpretive Guide*, 2012; modified

reporting period

specific time period covered by the reported information

Examples: fiscal year, calendar year

severity (of an impact)

The severity of an actual or potential negative impact is determined by its scale (i.e., how grave the impact is), scope (i.e., how widespread the impact is), and irremediable character (how hard it is to counteract or make good the resulting harm).

Source: United Nations (UN), *The Corporate Responsibility to Respect Human Rights: An Interpretive Guide*, 2012; and the Organisation for Economic Co-operation and Development (OECD), *OECD Due Diligence Guidance for Responsible Business Conduct*, 2018; modified

Note: See section 1 in *GRI 3: Material Topics 2021* for more information on 'severity'.

stakeholder

individual or group that has an interest that is affected or could be affected by the organization's activities

Source: Organisation for Economic Co-operation and Development (OECD), *OECD Due Diligence Guidance for Responsible Business Conduct*, 2018; modified

Examples: business partners, civil society organizations, consumers, customers, employees and other workers, governments, local communities, non-governmental organizations, shareholders and other investors, suppliers, trade unions, vulnerable groups

Note: See section 2.4 in *GRI 1: Foundation 2021* for more information on 'stakeholder'.

supplier

entity upstream from the organization (i.e., in the organization's supply chain), which provides a product or service that is used in the development of the organization's own products or services

Examples: brokers, consultants, contractors, distributors, franchisees, home workers, independent contractors, licensees, manufacturers, primary producers, sub-contractors, wholesalers

Note: A supplier can have a direct business relationship with the organization (often referred to as first-tier supplier) or an indirect business relationship.

supply chain

range of activities carried out by entities upstream from the organization, which provide products or services that are used in the development of the organization's own products or services

sustainable development / sustainability

development that meets the needs of the present without compromising the ability of future generations to meet their own needs

Source: World Commission on Environment and Development, *Our Common Future*, 1987

Note: In the GRI Standards, the terms 'sustainability' and 'sustainable development' are used interchangeably.

vulnerable group

group of individuals with a specific condition or characteristic (e.g., economic, physical, political, social) that could experience negative impacts as a result of the organization's activities more severely than the general population

Examples: children and youth; elderly persons; ex-combatants; HIV/AIDS-affected households; human rights defenders; indigenous peoples; internally displaced persons; migrant workers and their families; national or ethnic, religious and linguistic minorities; persons who might be discriminated against based on their sexual orientation, gender identity, gender expression, or sex characteristics (e.g., lesbian, gay, bisexual, transgender, intersex); persons with disabilities; refugees or returning refugees; women

Note: Vulnerabilities and impacts can differ by gender.

worker

person that performs work for the organization

Examples: employees, apprentices, interns, self-employed persons, and persons working for organizations other than the reporting organization, such as for suppliers

Note: In the GRI Standards, in some cases it is specified whether a particular subset of workers is required to be used.

Bibliography

This section lists authoritative intergovernmental instruments used in developing this Standard.

Authoritative instruments:

1. International Labour Organization (ILO), *Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy*, 2017.
2. Organisation for Economic Co-operation and Development (OECD), *OECD Due Diligence Guidance for Responsible Business Conduct*, 2018.
3. Organisation for Economic Co-operation and Development (OECD), *OECD Guidelines for Multinational Enterprises*, 2011.
4. United Nations (UN), *Framework Convention on Climate Change (FCCC) Paris Agreement*, 2015.
5. United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011.
6. United Nations (UN), *Protect, Respect and Remedy: a Framework for Business and Human Rights*, 2008.
7. United Nations (UN), *Report of the Special Representative of the Secretary-General on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises, John Ruggie*, 2011.
8. World Commission on Environment and Development, *Our Common Future*, 1987.

GRI 2: General Disclosures 2021

EFFECTIVE DATE: 1 JANUARY 2023

UNIVERSAL STANDARD

GRI 2: General Disclosures 2021

UNIVERSAL STANDARD

Effective date

This Standard is effective for reports or other materials published on or after 1 January 2023. Earlier adoption is encouraged.

Responsibility

This Standard is issued by the Global Sustainability Standards Board (GSSB). Any feedback on the GRI Standards can be submitted to ???@globalreporting.org for the consideration of the GSSB.

Legal liability

This document, designed to promote sustainability reporting, has been developed by the Global Sustainability Standards Board (GSSB) through a unique multi-stakeholder consultative process involving representatives from organizations and report information users from around the world. While the GRI Board of Directors and GSSB encourage use of the GRI Sustainability Reporting Standards (GRI Standards) and related Interpretations by all organizations, the preparation and publication of reports based fully or partially on the GRI Standards and related Interpretations are the full responsibility of those producing them. Neither the GRI Board of Directors, GSSB nor Stichting Global Reporting Initiative (GRI) can assume responsibility for any consequences or damages resulting directly or indirectly from the use of the GRI Standards and related Interpretations in the preparation of reports, or the use of reports based on the GRI Standards and related Interpretations.

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Contents

Introduction

GRI 2: General Disclosures 2021 contains disclosures for organizations to provide information about their reporting practices; activities and workers; governance; strategy, policies, and practices; and stakeholder engagement. This information gives insight into the profile and scale of organizations and provides a context for understanding their impacts.

The Standard is structured as follows:

- Section 1 contains five disclosures, which provide information about the organization, its sustainability reporting practices, and the entities included in its sustainability reporting.
- Section 2 contains three disclosures, which provide information about the organization's activities, employees, and other workers.
- Section 3 contains thirteen disclosures, which provide information about the organization's governance structure, composition, roles, and remuneration.
- Section 4 contains seven disclosures, which provide information about the organization's sustainable development strategy and its policies and practices for responsible business conduct.
- Section 5 contains two disclosures, which provide information about the organization's stakeholder engagement practices and how it engages in collective bargaining with employees.
- The Glossary contains defined terms with a specific meaning when used in the GRI Standards.
- The Bibliography lists authoritative intergovernmental instruments and additional references used in developing this Standard, as well as resources that can be consulted by the organization.

The rest of the Introduction section provides an overview of the system of GRI Standards and further information on using this Standard.

System of GRI Standards

This Standard is part of the GRI Sustainability Reporting Standards (GRI Standards). The GRI Standards enable an organization to report information about its most significant impacts on the economy, environment, and people, including impacts on their human rights, and how it manages these impacts.

The GRI Standards are structured as a system of interrelated standards that are organized into three series: GRI Universal Standards, GRI Sector Standards, and GRI Topic Standards (see Figure 1 in this Standard).

Universal Standards: GRI 1, GRI 2 and GRI 3

GRI 1: Foundation 2021 specifies the requirements that the organization must comply with to report in accordance with the GRI Standards. The organization begins using the GRI Standards by consulting *GRI 1*.

GRI 2: General Disclosures 2021 contains disclosures that the organization uses to provide information about its reporting practices and other organizational details, such as its activities, governance, and policies.

GRI 3: Material Topics 2021 provides guidance on how to determine material topics. It also contains disclosures that the organization uses to report information about its process of determining material topics, its list of material topics, and how it manages each topic.

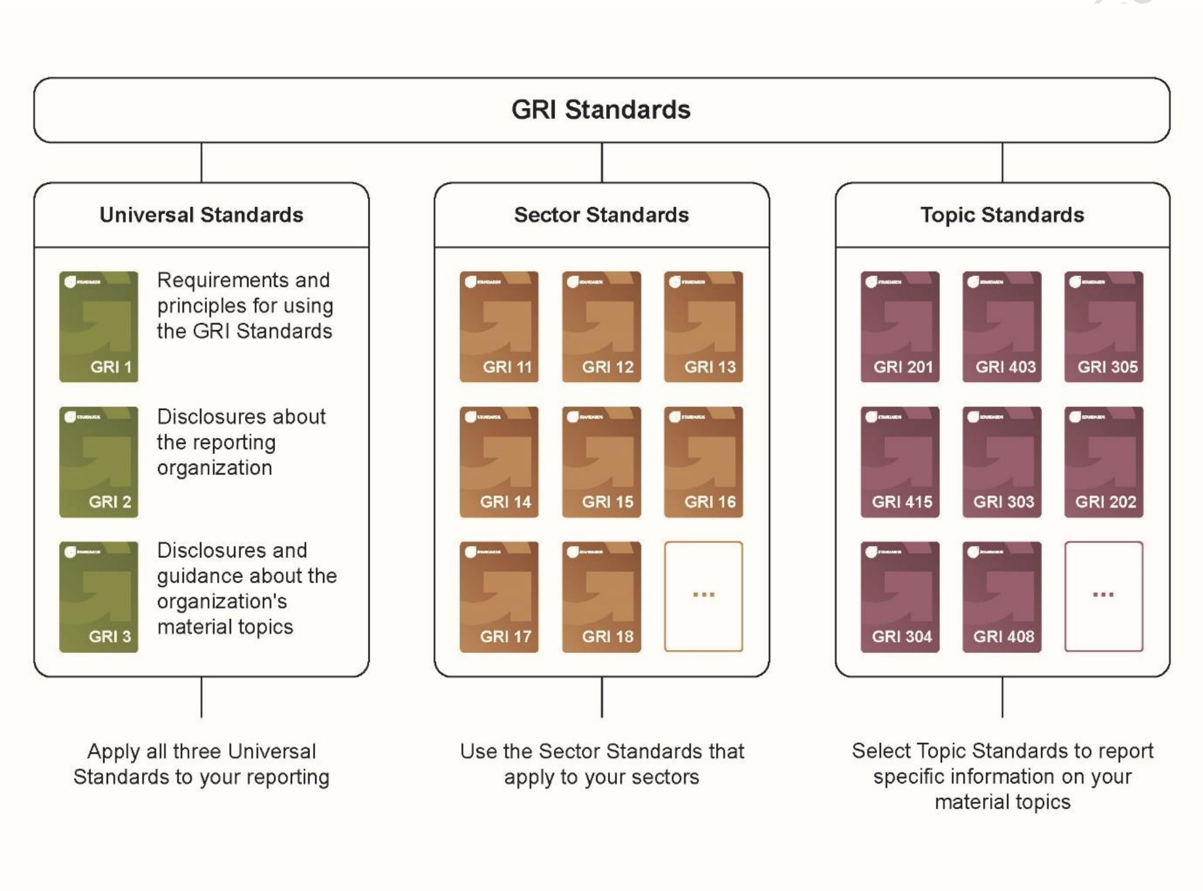
Sector Standards

The Sector Standards provide information for organizations about their likely material topics. The organization uses the Sector Standards that apply to its sectors when determining its material topics and when determining what to report for each material topic.

Topic Standards

The Topic Standards contain disclosures that the organization uses to report information about its impacts in relation to particular topics. The organization uses the Topic Standards according to the list of material topics it has determined using *GRI 3*.

Figure 1. GRI Standards: Universal, Sector and Topic Standards



Using this Standard

An organization reporting in accordance with the GRI Standards is required to report all disclosures in this Standard. Disclosure 2-2 in this Standard requires the organization to list its entities included in its sustainability reporting. These entities define the scope for reporting all other disclosures in this Standard.

Reasons for omission are permitted for all disclosures in this Standard except for:

- Disclosure 2-1 Organizational details
- Disclosure 2-2 Entities included in the organization’s sustainability reporting
- Disclosure 2-3 Reporting period, frequency and contact point
- Disclosure 2-4 Restatements of information
- Disclosure 2-5 External assurance

If the organization cannot comply with a disclosure or with a requirement in a disclosure for which reasons for omission are permitted (e.g., because the required information is confidential or subject to legal prohibitions), the organization is required to specify the disclosure or the requirement it cannot comply with, and provide a reason for omission together with an explanation in the GRI content index. See Requirement 6 in *GRI 1: Foundation 2021* for more information on reasons for omission.

If the organization cannot report the required information about an item specified in a disclosure because the item (e.g., committee, policy, practice, process) does not exist, it can comply with the requirement by reporting this to be the case. The organization can explain the reasons for not having this item, or describe any plans to develop it. The disclosure does not require the organization to implement the item (e.g., developing a policy), but to report that the item does not exist.

If the organization intends to publish a standalone sustainability report, it does not need to repeat information that it has already reported publicly elsewhere, such as on web pages or in its annual report. In such a case, the organization can report a required disclosure by providing a reference in the GRI content index as to where this information can be found (e.g., by providing a link to the web page or citing the page in the annual report where the information has been published).

Requirements, guidance and defined terms

The following apply throughout the GRI Standards:

Requirements are presented in **bold font** and indicated by the word 'shall'. An organization must comply with requirements to report in accordance with the GRI Standards.

Requirements may be accompanied by guidance.

Guidance includes background information, explanations, and examples to help the organization better understand the requirements. The organization is not required to comply with guidance.

The Standards may also include recommendations. These are cases where a particular course of action is encouraged but not required.

The word ‘should’ indicates a recommendation, and the word ‘can’ indicates a possibility or option.

Defined terms are <u>underlined</u> in the text of the GRI Standards and linked to their definitions in the Glossary. The organization is required to apply the definitions in the Glossary.

1. The organization and its reporting practices

The disclosures in this section provide an overview of the organization, its sustainability reporting practices, and the entities included in its sustainability reporting.

Disclosure 2-1 Organizational details

Requirements

The organization shall:

a. report its legal name;

b. report its nature of ownership and legal form;

c. report the location of its headquarters;

d. report its countries of operation.

Guidance

Guidance to 2-1-a

If the organization uses a commonly known trading name or business name that is different from its legal name, it should report this in addition to its legal name.

Guidance to 2-1-b

The nature of ownership and the legal form of the organization refers to whether it is publicly or privately owned, and whether it is an incorporated entity, a partnership, a sole proprietorship, or another type of entity such as a nonprofit, an association, or a charity.

Guidance to 2-1-c

Headquarters are an organization's global administrative center, the place from which it is controlled or directed.

Guidance to 2-1-d

If the organization has reported its countries of operation elsewhere, such as in its audited consolidated financial statements or financial information filed on public record, the organization can provide a link or reference to this information. The organization can also report the regions, or specific locations within countries (e.g., states, cities) where it has operations, if this provides contextual information for understanding the organization's impacts.

Disclosure 2-2 Entities included in the organization's sustainability reporting

Requirements

The organization shall:

a. list all its entities included in its sustainability reporting;

b. if the organization has audited consolidated financial statements or financial information filed on public record, specify the differences between the list of entities included in its financial reporting and the list included in its sustainability reporting;

c. if the organization consists of multiple entities, explain the approach used for consolidating the information, including:

i. whether the approach involves adjustments to information for minority interests;

ii. how the approach takes into account mergers, acquisitions, and disposal of entities or parts of entities;

iii. whether and how the approach differs across the disclosures in this Standard and across material topics.

Guidance

Guidance to 2-2-a

The entities reported under 2-2-a form the basis for reporting the disclosures in this Standard and for determining the organization's material topics.

Requirement 2-2-a includes those entities that the organization controls or has an interest in and have been included in its sustainability reporting, such as subsidiaries, joint ventures, and affiliates, including minority interests. The organization should report information for the same group of entities as covered in its financial reporting, in particular its financial reporting.

When determining its material topics, the organization should consider the impacts of additional entities with which it has business relationships that are not included in the list reported under 2-2-a. See section 1 in *GRI 3: Material Topics 2021* for more information.

Guidance to 2-2-a and 2-2-b

If all the entities in the organization's financial reporting are also included in its sustainability reporting, a brief statement of this fact, including a link or reference to the list of entities included in its audited consolidated financial statements or financial information filed on public record, is sufficient to comply with 2-2-a and 2-2-b.

The organization should separately specify any additional entities included in the sustainability reporting that are not included in its financial reporting.

Guidance to 2-2-c

A minority interest is an ownership interest in an entity that is not controlled by the parent entity.

Disclosure 2-3 Reporting period, frequency and contact point

Requirements

The organization shall:

a. specify the reporting period for, and the frequency of, its sustainability reporting;

b. specify the reporting period for its financial reporting and, if it does not align with the period for its sustainability reporting, explain the reason for this;

c. report the publication date of the report or reported information;

d. specify the contact point for questions about the report or reported information.

Guidance

Guidance to 2-3-a

The organization can specify the frequency of sustainability reporting as ‘annual’. See the Timeliness principle in *GRI 1: Foundation 2021* for more information.

Guidance to 2-3-a and 2-3-b

The reporting period refers to the time period covered by the reported information and should include the start and end dates (e.g., 1 January 2022 to 31 December 2022, 1 July 2022 through 30 June 2023).

The organization should report the information for the same reporting period as covered in its financial reporting. The organization should also publish the information at the same time as its financial reporting, where this is possible.

Disclosure 2-4 Restatements of information

Requirements

The organization shall:

a. report restatements of information made from previous reporting periods and explain:

i. the reasons for the restatements;

ii. the effect of the restatements.

Guidance

The organization should provide a restatement of information when it has learned that the previously reported information needs to be revised. Restatements of information from previous reporting periods can correct an error, or account for changes in measurement methodology or to the nature of the business. Restatements of information ensure consistency and enable comparability of information between reporting periods. See the Comparability principle in *GRI 1: Foundation 2021* for more information.

The organization should report the criteria it has used to determine when a change or error in previously reported information is considered significant enough to provide a restatement. A change or error could be significant when it influences information users’ decision-making (e.g., it influences the analysis of the changes in the organization’s impacts over time).

For example, if an organization adopts a new, more accurate method for measuring greenhouse gas (GHG) emissions, it may subsequently experience a reduction in its previously reported GHG emissions that meets the organization’s restatement criteria. The organization then restates its previously reported GHG emissions. In such a case, the organization is required to explain that it has restated its previously reported GHG emissions due to the new measurement methodology, and that this has resulted in lower GHG emissions than previously reported. The organization should also report the quantitative change observed (e.g., GHG emissions are 10% lower compared to the emissions previously reported).

If the organization has not made any restatement in the reporting period, a brief statement of this fact is sufficient to comply with the requirement.

Guidance to 2-4-a-i

Examples of reasons for restatements of information include:

- change of base period or length of reporting period;
- change in the nature of the business;
- change in the measurement methodologies or in the definitions used;

- disposals, mergers, or acquisitions;
- error made in previous reporting periods.

Guidance to 2-4-a-ii

The effect of the restatement refers to the consequences of the change or correction made to previously reported information. If the restatement relates to quantitative information, the organization should specify the quantitative change in the restated information (e.g., GHG emissions are 10% lower compared to the level of emissions previously reported).

Disclosure 2-5 External assurance

Requirements

The organization shall:

a. describe its policy and practice for seeking external assurance, including whether and how the <u>highest governance body</u> and <u>senior executives</u> are involved;

b. if the organization's sustainability reporting has been externally assured:

  i. provide a link or reference to the external assurance report(s) or assurance statement(s);

  ii. describe what has been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process;

  iii. describe the relationship between the organization and the assurance provider.

Guidance

See section 5.2 in *GRI 1: Foundation 2021* for information on external assurance.

Guidance to 2-5-b-ii

If this information is covered in the external assurance reports or statements that the organization has provided a link or a reference to under 2-5-b-i, then a brief statement of this fact is sufficient to comply with the requirement.

The organization can also describe, in accessible language:

- the scope of information and processes covered;
- the responsibilities of the organization relative to the assurance provider;
- the opinion or conclusions formally signed off by the assurance provider;
- a summary of the work performed;
- information on the experience and qualifications of the assurance providers.

Guidance to 2-5-b-iii

An assurance provider conducting external assurance needs to demonstrate independence from the organization to reach and publish objective and impartial conclusions about the organization's sustainability reporting.

2. Activities and workers

The disclosures in this section provide an overview of the organization’s activities, employees, and other workers.

Disclosure 2-6 Activities, value chain and other business relationships

Requirements

The organization shall:

a. report the sector(s) in which it is active;

b. describe its value chain, including:

- **i. the organization’s activities, products, services, and markets served;**
- **ii. the organization’s supply chain;**
- **iii. the entities downstream from the organization and their activities;**

c. report other relevant business relationships;

d. describe significant changes in 2-6-a, 2-6-b, and 2-6-c compared to the previous reporting period.

Guidance

Guidance to 2-6-a

Sectors can be identified according to categories, such as the public or private sector; or industry-specific categories, such as the education sector or the financial sector.

Depending on the organization’s activities, sectors can be identified using the GRI Sector Standards or classification systems such as the Global Industry Classification Standard (GICS®), the Industry Classification Benchmark (ICB), the International Standard Industrial Classification of All Economic Activities (ISIC), and the Sustainable Industry Classification System (SICS®).

Guidance to 2-6-b

The organization’s value chain includes the range of activities carried out by the organization, and by entities upstream and downstream from the organization, to bring the organization’s products or services from their conception to their end use. Entities upstream from the organization are those that provide products or services that are used in the development of the organization’s own products or services. Entities downstream from the organization are those that receive products or services from the organization. Entities in the value chain include entities beyond the first tier, both upstream and downstream.

The information reported under 2-6-b provides a context for understanding the organization’s impacts across its value chain, including through use of its products and services. Describing the markets served provides further information on the groups of customers targeted by the organization’s products and services.

The organization is not required to provide a detailed description of each activity in its value chain. Instead, it can provide a high-level overview of its value chain.

Guidance to 2-6-b-i

When describing its activities, the organization should report its total number of operations and explain how it defines ‘operation’.

When describing its products and services, the organization should report:

- the quantity of products or services provided during the reporting period (e.g., number of products or services provided, net sales of products or services provided);
- whether it sells products or services that are banned in certain markets or are the subject of stakeholder concerns or public debate, including the reason for the ban or concerns, and how the organization has responded to these concerns.

When describing the markets served, the organization can report:

- the geographic locations where products and services are offered;
- the demographic or other characteristics of the markets;
- information on the size and relative importance of the markets (e.g., net sales, net revenues).

Guidance to 2-6-b-ii

The organization can describe:

- the types of suppliers (e.g., brokers, contractors, wholesalers);
- the estimated number of suppliers throughout its supply chain and in each tier (e.g., first tier, second tier);
- the types of activities related to the organization’s products and services carried out by its suppliers (e.g., manufacturing, providing consulting services);
- the nature of its business relationships with its suppliers (e.g., long-term or short-term, contractual or non-contractual, project-based or event-based);
- the sector-specific characteristics of its supply chain (e.g., labor-intensive);
- the estimated monetary value of payments made to its suppliers;
- the geographic location of its suppliers.

Guidance to 2-6-b-iii

The organization can describe:

- the types of downstream entities (e.g., customers, beneficiaries);
- the estimated number of downstream entities;
- the types of activities related to the organization’s products and services carried out by the downstream entities (e.g., manufacturing, wholesale, retail);
- the nature of its business relationships with the downstream entities (e.g., long-term or short-term, contractual or non-contractual, project-based or event-based);
- the geographic location of the downstream entities.

Guidance to 2-6-c

Other relevant business relationships include relationships that the organization has with entities that are not described as part of its value chain under 2-6-b. These may include business partners (e.g., joint ventures) and other entities directly linked to the organization’s operations, products, or services (for examples, see the note in the definition of ‘business relationships’).

The organization can report the types of entities, their activities, and their geographic location.

Guidance to 2-6-d

Requirement 2-6-d entails describing significant changes in the organization’s sectors, value chain, and other business relationships compared to the previous reporting period. This information can help explain changes to the organization’s impacts. Examples of significant changes that can be reported under this disclosure are changes in activities such as the opening, closing, or expansion of facilities; changes in the structure of the organization’s supply chain or in its relationships with suppliers, including selection and termination; or changes in the location of its suppliers.

Disclosure 2-7 Employees

Requirements

The organization shall:

a. report the total number of employees, and a breakdown of this total by gender and by region;

b. report the total number of:

i. permanent employees, and a breakdown by gender and by region;

ii. temporary employees, and a breakdown by gender and by region;

iii. non-guaranteed hours employees, and a breakdown by gender and by region;

iv. full-time employees, and a breakdown by gender and by region;

v. part-time employees, and a breakdown by gender and by region;

c. describe the methodologies and assumptions used to compile the data, including whether the numbers are reported:

i. in head count, full-time equivalent (FTE), or using another methodology;

ii. at the end of the reporting period, as an average across the reporting period, or using another methodology;

d. report contextual information necessary to understand the data reported under 2-7-a and 2-7-b;

e. describe significant fluctuations in the number of employees during the reporting period and between reporting periods.

Guidance

This disclosure, together with Disclosure 2-8, gives insight into the organization's approach to employment, as well as the scope and nature of impacts arising from its employment practices. It also provides contextual information that aids an understanding of the information reported in other disclosures, and it serves as the basis for calculation in other disclosures, such as Disclosure 2-21 Annual total compensation ratio and Disclosure 2-30 Collective bargaining agreements in this Standard.

This disclosure covers all employees who perform work for any of the organization's entities included in its sustainability reporting as reported under Disclosure 2-2 in this Standard.

See references [7], [19], [22], [23], [24], [26], and [30] in the Bibliography.

Guidance to 2-7-a

An employee is an individual who is in an employment relationship with the organization according to national law or practice.

Providing a breakdown of employees by gender gives insight into gender representation across the organization. Providing a breakdown of employees by region gives insight into regional variations. Region can refer to a country or to other geographic locations, such as cities or world regions.

See Table 1 and Table 2 of this Standard for examples of how to present this information.

Guidance to 2-7-b

The definitions of permanent, temporary, non-guaranteed hours, full-time, and part-time employees differ between countries. If the organization has employees in more than one country, it should use the definitions as per the national laws of the countries where the employees are based to calculate country-level data. The country-level data should then be added up to calculate total numbers, disregarding differences in national legal definitions.

Non-guaranteed hours employees are employed by the organization without a guarantee of a minimum or fixed number of working hours. The employee may need to make themselves available for work as required, but the organization is not contractually obligated to offer the employee a minimum or fixed number of working hours per day, week, or month. Casual employees, employees with zero-hour contracts, and on-call employees are examples that fall under this category.

If the organization is unable to report exact figures, it can report estimates of the number of employees to the nearest ten or, where the number of employees is greater than 1,000, to the nearest 100, and explain this under 2-7-c.

See Table 1 and Table 2 of this Standard for examples of how to present this information.

Guidance to 2-7-c

The organization can report the total number of employees and the number of permanent, temporary, non-guaranteed hours, full-time, and part-time employees in head count or full-time equivalent (FTE). Reporting these numbers in head count gives insight into the number of individual employees, whether on a full-time or part-time basis. Reporting these numbers in FTE gives insight into the hours worked.

The organization can use another methodology for reporting these numbers.

Reporting the number of employees at the end of the reporting period provides information for that point in time, without capturing fluctuations during the reporting period. Reporting these numbers in averages across the reporting period takes into account fluctuations during the reporting period.

Guidance to 2-7-d

Quantitative data, such as the number of temporary or part-time employees, is unlikely to be sufficient on its own. For example, a high proportion of temporary or part-time employees could indicate lack of employment security for employees, but it could equally signal workplace flexibility when offered as a voluntary choice. For this reason, the organization is required to report contextual information to help information users interpret the data.

The organization can explain the reasons for temporary employment. An example of such a reason is the recruitment of employees to undertake work on a temporary or seasonal project or event. Another example is that it is standard practice to offer a temporary contract (e.g., 6 months) to new employees prior to the offer of permanent employment. The organization can also explain the reasons for non-guaranteed hours employment.

The organization can explain how it defines full-time employment. If the organization has employees in more than one country, it can report the definitions of full-time employment it uses for the regions that cover these countries. The organization can also explain the reasons for part-time employment. Examples of such reasons are to accommodate employees' requests to work reduced hours, or because the organization is unable to provide full-time employment to all employees.

If there are differences in permanent, temporary, non-guaranteed hours, full-time, and part-time employment between genders or between regions, the organization can explain the reasons for these differences.

Guidance to 2-7-e

Requirement 2-7-e enables the organization to explain how the numbers of employees vary during the reporting period or in comparison to the previous reporting periods (i.e., whether the numbers have increased or decreased). It can also include the reasons for the fluctuations. For example, an increase in the number of employees during the reporting period could be due to a seasonal event. A decrease in the number of employees in comparison to the previous reporting period could be due to the completion of a temporary project.

It is up to the organization to determine which fluctuations in the number of employees it considers significant to report under 2-7-e. The organization should report its threshold for determining significant fluctuations.

If there are no significant fluctuations in the number of employees during the reporting period or between reporting periods, a brief statement of this fact is sufficient to comply with the requirement.

Table 1. Example template for presenting information on employees by gender

[Reporting period]	
Number of employees (head count / FTE)	
Total	[Number]
Female	[Number]
Male	[Number]
Other gender category*	[Number]
Not disclosed	[Number]
Number of permanent employees (head count / FTE)	
Total	[Number]
Female	[Number]
Male	[Number]
Other gender category*	[Number]
Not disclosed	[Number]
Number of temporary employees (head count / FTE)	
Total	[Number]
Female	[Number]
Male	[Number]
Other gender category*	[Number]
Not disclosed	[Number]
Number of non-guaranteed hours employees (head count / FTE)	
Total	[Number]
Female	[Number]
Male	[Number]
Other gender category*	[Number]
Not disclosed	[Number]
Number of full-time employees (head count / FTE)	
Total	[Number]
Female	[Number]

Male	[Number]
Other gender category*	[Number]
Not disclosed	[Number]
Number of part-time employees (head count / FTE)	
Total	[Number]
Female	[Number]
Male	[Number]
Other gender category*	[Number]
Not disclosed	[Number]

***** As specified by the employees themselves.

Table 2. Example template for presenting information on employees by region

[Reporting period]	
Number of employees (head count / FTE)	
Total	[Number]
Region A	[Number]
Region B	[Number]
Number of permanent employees (head count / FTE)	
Total	[Number]
Region A	[Number]
Region B	[Number]
Number of temporary employees (head count / FTE)	
Total	[Number]
Region A	[Number]
Region B	[Number]
Number of non-guaranteed hours employees (head count / FTE)	
Total	[Number]
Region A	[Number]
Region B	[Number]
Number of full-time employees (head count / FTE)	
Total	[Number]
Region A	[Number]
Region B	[Number]
Number of part-time employees (head count / FTE)	
Total	[Number]
Region A	[Number]
Region B	[Number]

Disclosure 2-8 Workers who are not employees

Requirements

The organization shall:

a. report the total number of workers who are not employees and whose work is controlled by the organization and describe:

  i. the most common types of worker and their contractual relationship with the organization;

  ii. the type of work they perform;

b. describe the methodologies and assumptions used to compile the data, including whether the number of workers who are not employees is reported:

  i. in head count, full-time equivalent (FTE), or using another methodology;

  ii. at the end of the reporting period, as an average across the reporting period, or using another methodology;

c. describe significant fluctuations in the number of workers who are not employees during the reporting period and between reporting periods.

Guidance

This disclosure provides an understanding of how much the organization relies on workers who are not employees to perform its work, in comparison to employees. This information is important for understanding how many workers in total perform work for the organization, because workers who are not employees are not represented in employment figures reported under Disclosure 2-7.

Disclosure 2-8, together with Disclosure 2-7, gives insight into the organization's approach to employment, as well as the scope and nature of impacts arising from its employment practices. It also provides contextual information that aids an understanding of the information reported in other disclosures.

This disclosure covers all workers who are not employees and whose work is controlled by any of the organization's entities included in its sustainability reporting as reported under Disclosure 2-2 in this Standard.

If all the workers performing work for the organization are employees and the organization does not engage any workers who are not employees, a brief statement of this fact is sufficient to comply with the requirements under this disclosure.

See references [7], [19], [22], [23], [24], [26], and [30] in the Bibliography.

Guidance to 2-8-a

Workers who are not employees are those who perform work for the organization but are not in an employment relationship with the organization.

This disclosure requires the organization to report the number of workers who are not employees and whose work is controlled by the organization. Control of work implies that the organization directs the work performed or has control over the means or methods for performing the work.

The organization might have sole control of the work or share control with one or more organizations (e.g., suppliers, customers, or other business partners, such as in joint ventures). Types of workers who are not employees and whose work is controlled by the organization include agency workers, apprentices, contractors, home workers, interns, self-employed persons, sub-contractors, and volunteers. The organization should report how it has determined when it has control of the work for workers who are not employees.

The following are examples of workers who are not employees and whose work is controlled by the organization. The following workers are included under this disclosure:

- Contractors hired by the organization to perform work at the organization's workplace, in a public area (e.g., on a road), or directly at the workplace of the organization's client.
- Workers of one of the organization's supplier, where the organization instructs the supplier to use particular materials or work methods in manufacturing the products or delivering the services.
- Volunteers or interns performing work for the organization.

The following are examples of workers who are not employees and whose work is not controlled by the organization. The following workers are not included under this disclosure:

- Workers of an equipment supplier to the organization who perform regular maintenance on the supplier's equipment (e.g., photocopy machines at the organization's workplace) as stipulated in the contract between the equipment supplier and the organization.
- Workers of one of the organization's supplier, if the organization sources standard products that are manufactured using the supplier's production methods (e.g., purchasing stationery that is a standard product of the supplier).

If the organization is unable to report exact figures, it can report estimates of the number of workers who are not employees to the nearest ten or, where the number of workers who are not employees is greater than 1,000, to the nearest 100, and explain this under 2-8-b.

Guidance to 2-8-a-i and 2-8-a-ii

When reporting its contractual relationship with the most common types of worker, the organization should report whether it engages them directly or indirectly through a third party, and in the latter case, who this third party is (e.g., employment agency, contractor).

It is sufficient that the organization provides a general description. The organization is not required to report the type of worker, contractual relationship, and work performed for every worker who is not an employee.

Guidance to 2-8-b

The organization can report the number of workers who are not employees in head count or full-time equivalent (FTE). The head count gives insight into the number of individual workers, whether on a full-time or part-time basis. The FTE gives insight into the hours worked. The organization can use another methodology for reporting this number.

Reporting the number of workers who are not employees at the end of the reporting period provides information for that point in time, without capturing fluctuations during the reporting period. Reporting this number as an average across the reporting period takes into account fluctuations during the reporting period.

Guidance to 2-8-c

Requirement 2-8-c enables the organization to explain how the number of workers who are not employees varies during the reporting period or in comparison to previous reporting periods (i.e., whether the numbers have increased or decreased). It can also include the reasons for the fluctuations. For example, an increase in the number of workers who are not employees during the reporting period could be due to a seasonal event. A decrease in the number of workers who are not employees in comparison to the previous reporting period could be due to the completion of a temporary project.

It is up to the organization to determine which fluctuations in the number of workers it considers significant to report under 2-8-c. The organization should report its threshold for determining significant fluctuations.

If there are no significant fluctuations in the number of workers who are not employees during the reporting period or between reporting periods, a brief statement of this fact is sufficient to comply with the requirement.

3. Governance

The disclosures in this section provide information about the organization’s governance structure, composition, knowledge, roles, and remuneration.

The information reported under these disclosures is important for an understanding of how the management of the organization’s impacts on the economy, environment, and people, including impacts on their human rights, is integrated into the organization’s strategy and operations. It addresses how the governance bodies are set up and how well equipped they are to oversee the management of the organization’s impacts. It also facilitates an understanding of the role and the responsibilities of governance bodies with respect to these impacts.

If the organization intends to publish a standalone sustainability report, it does not need to repeat information that it has already reported publicly elsewhere, such as on web pages or in its annual report. In such a case, the organization can report a required disclosure by providing a reference in the GRI content index as to where this information can be found (e.g., by providing a link to the web page or citing the page in the annual report where the information has been published).

Disclosure 2-9 Governance structure and composition

Requirements

The organization shall:

a. describe its governance structure, including committees of the highest governance body;

b. list the committees of the highest governance body that are responsible for decision-making on and overseeing the management of the organization’s impacts on the economy, environment, and people;

c. describe the composition of the highest governance body and its committees by:

i. executive and non-executive members;

ii. independence;

iii. tenure of members on the governance body;

iv. number of other significant positions and commitments held by each member, and the nature of the commitments;

v. gender;

vi. under-represented social groups;

vii. competencies relevant to the impacts of the organization;

viii. stakeholder representation.

Guidance

Guidance to 2-9-c

The organization can describe the composition of the highest governance body and its committees by additional indicators of diversity, such as age, ancestry and ethnic origin, citizenship, creed, disability, or any other indicators of diversity that are relevant for reporting.

Guidance to 2-9-c-ii

‘Independence’ refers to conditions that enable the members of the highest governance body to exercise independent judgement free from any external influence or conflicts of interest. See reference [20] in the Bibliography for more information on independence criteria for governance bodies.

Guidance to 2-9-c-iv

A position or commitment held by a highest governance body member is significant when the time and attention it demands compromises the member's ability to perform its duties in the organization. Significant positions can include cross-board memberships.

Guidance to 2-9-c-vii

Competencies relevant to the impacts of the organization include competencies relevant to impacts commonly associated with the organization's sectors, products, and geographic locations.

Disclosure 2-10 Nomination and selection of the highest governance body

Requirements

The organization shall:

a. describe the nomination and selection processes for the <u>highest governance body</u> and its committees;

b. describe the criteria used for nominating and selecting highest governance body members, including whether and how the following are taken into consideration:

- **i. views of <u>stakeholders</u> (including shareholders);**
- **ii. diversity;**
- **iii. independence;**
- **iv. competencies relevant to the <u>impacts</u> of the organization.**

Guidance

Guidance to 2-10-b-iii

'Independence' refers to conditions that enable the members of the highest governance body to exercise independent judgement free from any external influence or <u>conflicts of interest</u>. See reference [20] in the Bibliography for more information on independence criteria for governance bodies.

Guidance to 2-10-b-iv

Competencies relevant to the impacts of the organization include competencies relevant to impacts commonly associated with the organization's sectors, products, and geographic locations.

Disclosure 2-11 Chair of the highest governance body

Requirements

The organization shall:

a. report whether the chair of the <u>highest governance body</u> is also a <u>senior executive</u> in the organization;

b. if the chair is also a senior executive, explain their function within the organization's management, the reasons for this arrangement, and how <u>conflicts of interest</u> are prevented and <u>mitigated</u>.

Disclosure 2-12 Role of the highest governance body in overseeing the management of impacts

Requirements

The organization shall:

a. describe the role of the <u>highest governance body</u> and of <u>senior executives</u> in developing, approving, and updating the organization's purpose, value or mission statements, strategies, policies, and goals related to <u>sustainable development</u>;

b. describe the role of the highest governance body in overseeing the organization's <u>due diligence</u> and other processes to identify and manage the organization's <u>impacts</u> on the economy, environment, and people, including:

i. whether and how the highest governance body engages with <u>stakeholders</u> to support these processes;

ii. how the highest governance body considers the outcomes of these processes;

c. describe the role of the highest governance body in reviewing the effectiveness of the organization's processes as described in 2-12-b, and report the frequency of this review.

Guidance

For more information about the role of the highest governance body in overseeing the management of the organization's impacts, see reference [20] in the Bibliography.

Guidance to 2-12-b-i

Requirement 2-12-b-i covers the role of the highest governance body in stakeholder engagement. The organization is also required to report information about stakeholder engagement under other disclosures, such as under the disclosures in section 5 of this Standard.

The organization can describe the frequency of engagement between the highest governance body and stakeholders as well as the means of engagement. If stakeholder engagement is delegated, the organization can report to whom it is delegated, and how the feedback received is provided to the highest governance body.

Disclosure 2-13 Delegation of responsibility for managing impacts

Requirements

The organization shall:

a. describe how the <u>highest governance body</u> delegates responsibility for managing the organization's <u>impacts</u> on the economy, environment, and people, including:

i. whether it has appointed any <u>senior executives</u> with responsibility for the management of impacts;

ii. whether it has delegated responsibility for the management of impacts to other <u>employees</u>;

b. **describe the process and frequency for senior executives or other employees to report back to the highest governance body on the management of the organization's impacts on the economy, environment, and people.**

Disclosure 2-14 Role of the highest governance body in sustainability reporting

Requirements

The organization shall:

a. **report whether the highest governance body is responsible for reviewing and approving the reported information, including the organization's material topics, and if so, describe the process for reviewing and approving the information;**

b. **if the highest governance body is not responsible for reviewing and approving the reported information, including the organization's material topics, explain the reason for this.**

Guidance

The organization can report whether the highest governance body has established a sustainability reporting committee to support the highest governance body's review and approval process. The organization can also report whether the highest governance body reviews the adequacy of the organization's internal controls to strengthen the integrity and credibility of the organization's sustainability reporting (see section 5.2 in *GRI 1: Foundation 2021* for more information). The involvement of the highest governance body and senior executives in developing the organization's policy and practice for seeking external assurance is reported under Disclosure 2-5 in this Standard.

Disclosure 2-15 Conflicts of interest

Requirements

The organization shall:

a. **describe the processes for the highest governance body to ensure that conflicts of interest are prevented and mitigated;**

b. **report whether conflicts of interest are disclosed to stakeholders, including, at a minimum, conflicts of interest relating to:**

   i. **cross-board membership;**

   ii. **cross-shareholding with suppliers and other stakeholders;**

   iii. **existence of controlling shareholders;**

   iv. **related parties, their relationships, transactions, and outstanding balances.**

Guidance

See reference [20] in the Bibliography.

Guidance to 2-15-b-iii

The organization should use the definition of controlling shareholder applied in the organization's consolidated financial statements or equivalent documents.

Disclosure 2-16 Communication of critical concerns

Requirements

The organization shall:

a. **describe whether and how critical concerns are communicated to the highest governance body;**

b. **report the total number and the nature of critical concerns that were communicated to the highest governance body during the reporting period.**

Guidance

Critical concerns include concerns about the organization’s potential and actual negative impacts on stakeholders raised through grievance mechanisms and other processes. They also include concerns, identified through other mechanisms, about the organization’s business conduct in its operations and its business relationships. See guidance to Disclosure 2-25 and Disclosure 2-26 in this Standard for more information.

Disclosure 2-17 Collective knowledge of the highest governance body

Requirements

The organization shall:

a. **report measures taken to advance the collective knowledge, skills, and experience of the highest governance body on sustainable development.**

Disclosure 2-18 Evaluation of the performance of the highest governance body

Requirements

The organization shall:

a. **describe the processes for evaluating the performance of the highest governance body in overseeing the management of the organization’s impacts on the economy, environment, and people;**

b. **report whether the evaluations are independent or not, and the frequency of the evaluations;**

c. **describe actions taken in response to the evaluations, including changes to the composition of the highest governance body and organizational practices.**

Disclosure 2-19 Remuneration policies

Requirements

The organization shall:

a. describe the remuneration policies for members of the <u>highest governance body</u> and <u>senior executives</u>, including:

i. fixed pay and variable pay;

ii. sign-on bonuses or recruitment incentive payments;

iii. termination payments;

iv. clawbacks;

v. retirement benefits;

b. describe how the remuneration policies for members of the highest governance body and senior executives relate to their objectives and performance in relation to the management of the organization's <u>impacts</u> on the economy, environment, and people.

Guidance

Guidance to 2-19-a-i

Fixed pay and variable pay can include performance-based pay, equity-based pay, bonuses, and deferred and vested shares.

If the organization uses performance-based pay, it should describe how remuneration for senior executives is designed to reward long-term performance.

Guidance to 2-19-a-iii

Termination payments are all payments and benefits given to a departing member of the highest governance body or senior executive whose appointment is terminated. Termination payments extend beyond monetary payments, from transferring property to automatic or accelerated vesting of incentives.

If the organization provides termination payments, it should explain whether:

- notice periods for highest governance body members and senior executives are different from those for other <u>employees</u>;
- termination payments for highest governance body members and senior executives are different from those for other employees;
- departing highest governance body members and senior executives receive payments other than those related to the notice period;
- any <u>mitigation</u> clauses that are included in the termination arrangements.

Guidance to 2-19-a-iv

Clawbacks are repayments of previously received compensation that a highest governance body member or senior executive is required to make to their employer in the event that certain conditions of employment or goals are not met.

Guidance to 2-19-a-v

The organization should report the differences between the retirement benefit schemes and the contribution rates for the highest governance body members, senior executives, and all other employees.

Disclosure 2-20 Process to determine remuneration

Requirements

The organization shall:

a. describe the process for designing its remuneration policies and for determining remuneration, including:

   i. whether independent highest governance body members or an independent remuneration committee oversees the process for determining remuneration;

   ii. how the views of stakeholders (including shareholders) regarding remuneration are sought and taken into consideration;

   iii. whether remuneration consultants are involved in determining remuneration and, if so, whether they are independent from the organization, its highest governance body and senior executives;

b. report the results of votes of stakeholders (including shareholders) on remuneration policies and proposals, if applicable.

Guidance

Remuneration policies are established to ensure that the remuneration arrangements help recruit, motivate, and retain highest governance body members, senior executives, and other employees, while supporting the organization's strategy and its contribution to sustainable development, and aligning with the interests of stakeholders.

Disclosure 2-21 Annual total compensation ratio

Requirements

The organization shall:

a. report the ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual);

b. report the ratio of the percentage increase in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual);

c. report contextual information necessary to understand the data and how the data has been compiled.

Guidance

Guidance to 2-21-a and 2-21-b

This disclosure covers all employees as reported under Disclosure 2-7 in this Standard.

Annual total compensation includes salary, bonus, stock awards, option awards, non-equity incentive plan compensation, change in pension value, and nonqualified deferred compensation earnings provided over the course of a year. When calculating the ratio, the organization should, depending on the organization's remuneration policies and availability of data, consider all of the following:

- Base salary, which is the sum of guaranteed, short-term, and non-variable cash compensation.

- Total cash compensation, which is the sum of the base salary and cash allowances, bonuses, commissions, cash profit-sharing, and other forms of variable cash payments.
- Direct compensation, which is the sum of total cash compensation and total fair value of all annual long-term incentives (e.g., stock option awards, restricted stock shares or units, performance stock shares or units, phantom stock shares, stock appreciation rights, long-term cash awards).

The annual total compensation ratio can be calculated using the following formula:

$$\frac{\text{Annual total compensation for the organization's highest paid-individual}}{\text{Median annual total compensation for all of the organization's employees excluding the highest-paid individual}}$$

The change in the annual total compensation ratio can be calculated using the following formula:

$$\frac{\text{Percentage increase in annual total compensation for the organization's highest paid-individual}}{\text{Median percentage increase in annual total compensation for all of the organization's employees excluding the highest-paid individual}}$$

Guidance to 2-21-c

Quantitative data, such as the annual total compensation ratio, may not be sufficient on its own to understand pay disparity and its drivers. For example, pay ratios can be influenced by the size of the organization (e.g., revenue, number of employees), its sector, its employment strategy (e.g., reliance on outsourced workers or part-time employees, a high degree of automation), or currency volatility.

The difference in pay disparity reported over the years may be the result of a change in the organization's compensation policy or the level of compensation for its highest paid individual or employees, a change in calculation methodology (e.g., selection of the median annual total compensation, inclusions or exclusions) or an improvement in data collection processes. For this reason, the organization is required to report contextual information to help information users interpret the data and understand how it has been compiled.

The organization should provide the following contextual information:

- Whether any employees reported under Disclosure 2-7 in this Standard have been excluded.
- Whether full-time equivalent (FTE) pay rates are used for each part-time employee.
- A list of the types of compensation included.
- The title of the highest-paid individual.

4. Strategy, policies and practices

The disclosures in this section provide information about the organization's sustainable development strategy and its policies and practices for responsible business conduct. The disclosures are based on expectations for businesses contained in authoritative intergovernmental instruments.[1]

Expectations for responsible business conduct include complying with laws and regulations; respecting all internationally recognized human rights, including the rights of workers; and protecting the environment and public health and safety. The expectations also cover combating bribery, bribe solicitation, extortion, and other forms of corruption; adhering to good tax practices; and conducting due diligence to identify, prevent, mitigate, and account for how the organization addresses its negative impacts on the economy, environment, and people, including impacts on their human rights.

In the disclosures in this section, the organization is required to report information about its overall policies and practices for responsible business conduct, rather than information for specific material topics. Disclosure 3-3 in *GRI 3: Material Topics 2021* requires information about how the organization manages each material topic. If the organization has described its policies and practices for a material topic under the disclosures in this section, it can provide a reference to this information under Disclosure 3-3 in *GRI 3* and does not need to repeat the information.

Disclosure 2-22 Statement on sustainable development strategy

Requirements

The organization shall:

a. report a statement from the highest governance body or most senior executive of the organization about the relevance of sustainable development to the organization and its strategy for contributing to sustainable development.

Guidance

The organization should describe:

- its short, medium, and long-term vision and strategy to manage its impacts on the economy, environment, and people, including impacts on their human rights, across the organization's activities and business relationships;
- how its purpose, business strategy, and business model aim to prevent negative impacts and achieve positive impacts on the economy, environment, and people;
- its short and medium-term strategic priorities for contributing to sustainable development, including how the priorities are aligned with authoritative intergovernmental instruments;
- the broader trends (e.g., macroeconomic, social, political) affecting the organization and its strategy for contributing to sustainable development;
- the key events, achievements, and failures associated with the organization's contribution to sustainable development during the reporting period;

[1] These instruments include the *International Labour Organization (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy* [9]; the *Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises* [12]; the *OECD Due Diligence Guidance for Responsible Business Conduct* [11]; and the *United Nations (UN) Guiding Principles on Business and Human Rights* [14]. These instruments are in turn based on international legal instruments, such as the *United Nations (UN) International Bill of Human Rights* [15] and the ILO conventions.

- a view of performance against goals and targets related to the organization’s material topics during the reporting period;
- the organization’s main challenges, goals, and targets regarding its contribution to sustainable development for the next year and the coming three to five years.

Disclosure 2-23 Policy commitments

Requirements

The organization shall:

a. describe its policy commitments for responsible business conduct, including:

i. the authoritative intergovernmental instruments that the commitments reference;

ii. whether the commitments stipulate conducting due diligence;

iii. whether the commitments stipulate applying the precautionary principle;

iv. whether the commitments stipulate respecting human rights;

b. describe its specific policy commitment to respect human rights, including:

i. the internationally recognized human rights that the commitment covers;

ii. the categories of stakeholders, including at-risk or vulnerable groups, that the organization gives particular attention to in the commitment;

c. provide links to the policy commitments if publicly available, or, if the policy commitments are not publicly available, explain the reason for this;

d. report the level at which each of the policy commitments was approved within the organization, including whether this is the most senior level;

e. report the extent to which the policy commitments apply to the organization’s own activities and to its business relationships;

f. describe how the policy commitments are communicated to workers, business partners, and other relevant parties.

Guidance

This disclosure covers the organization’s policy commitments for responsible business conduct, including the commitment to respect human rights. These commitments can be set out in a stand-alone policy document or they can be included within one or more other policy documents, such as codes of conduct.

The *Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises* [12], the *OECD Due Diligence Guidance for Responsible Business Conduct* [11], and the *United Nations (UN) Guiding Principles on Business and Human Rights* [14] set out expectations for organizations in relation to these policy commitments.

Guidance to 2-23-a

The organization should report the expectations, values, principles, and norms of behavior set out in the policy commitments.

The organization can also report how the policy commitments were developed, including the internal and external expertise that informed the policy commitments.

Guidance to 2-23-a-i

See the Bibliography for a list of authoritative intergovernmental instruments for responsible business conduct.

The organization can also make a reference to other standards or initiatives that it participates in.

Guidance to 2-23-a-iii

The precautionary principle is set out in Principle 15 of the *UN Rio Declaration on Environment and Development* [18]. It states: 'Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.'

The precautionary principle means taking early action to prevent and mitigate potential negative impacts in situations where conclusive scientific understanding or evidence is lacking but there is sufficient reason to expect serious or irreversible damage.

While the precautionary principle is most often associated with the protection of the environment, it can be applied to other areas, such as health and safety. The organization can describe the areas where it applies the precautionary principle.

The application of the precautionary principle can be reported under 3-3-d-i in *GRI 3: Material Topics 2021*, as part of the organization's actions to prevent or mitigate potential negative impacts for each material topic.

Guidance to 2-23-b-i

Human rights are rights inherent to all human beings and are all interrelated, interdependent, and indivisible.

The internationally recognized human rights include, at a minimum, the rights set out in the *UN International Bill of Human Rights* [15] and the principles concerning fundamental rights set out in the *International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work* [5]. The *UN International Bill of Human Rights* consists of the *Universal Declaration of Human Rights*, the *International Covenant on Economic, Social and Cultural Rights*, and the *International Covenant on Civil and Political Rights* and its two Optional Protocols.

Other UN instruments elaborate further on the rights of indigenous peoples; women; national or ethnic, religious and linguistic minorities; children; persons with disabilities; and migrant workers and their families. There are also standards of international humanitarian law that apply in situations of armed conflict, such as the International Committee of the Red Cross (ICRC) Geneva Conventions of 1949 [1].[2]

At the regional level, binding treaties as well as non-binding instruments provide region-specific frameworks for human rights.[3]

If the policy commitment covers all internationally recognized human rights, a brief statement of this fact is sufficient to comply with the requirement. The organization can also state if the policy commitment references certain rights that require particular attention. For example, an organization can state that its policy commitment covers all internationally recognized human rights, and also references the rights to privacy and freedom of expression in particular, because the organization has identified that its activities have an impact on these rights.

If the policy commitment covers only some internationally recognized human rights, the organization is required to state the rights that are covered. It can also explain why the policy commitment is limited to these rights.

Guidance to 2-23-b-ii

Categories of stakeholders that the organization gives particular attention to can include consumers, customers, employees and other workers, and local communities. They can also include individuals belonging to groups or populations that are considered to be at risk or vulnerable, such as children;

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[2] See the Office of the United Nations High Commissioner for Human Rights' non-exhaustive list of universal human rights instruments, https://www.ohchr.org/EN/ProfessionalInterest/Pages/UniversalHumanRightsInstruments.aspx, accessed on 7 May 2021.

[3] See the Office of the United Nations High Commissioner for Human Rights' list of regional human rights treaties, https://www.ohchr.org/en/issues/escr/pages/regionalhrtreaties.aspx, accessed on 7 May 2021.

human rights defenders; indigenous peoples; migrant workers and their families; national or ethnic, religious and linguistic minorities; persons who might be discriminated against based on their sexual orientation, gender identity, gender expression, or sex characteristics; persons with disabilities; or women.

For example, a bank may give particular attention in its policy commitment to avoid discriminating against specific categories of customers, or a mining organization may give particular attention to avoid infringing on the rights of indigenous peoples.

Guidance to 2-23-d

The most senior level may differ between organizations. For example, the most senior level in an organization could be the highest governance body (e.g., the board), or it could be the most senior executive (e.g., chief executive officer).

The organization can also report the dates of approval and adoption of the policy commitments, and how frequently the commitments are reviewed.

Guidance to 2-23-e

If the policy commitments apply to all of the organization’s activities and business relationships equally, a brief statement of this fact is sufficient to comply with the requirement.

If the policy commitments apply to only some of the organization’s activities (e.g., they apply only to entities located in certain countries, or to certain subsidiaries), the organization should report which of its activities the commitments apply to. It can also explain why the commitments are limited to these activities.

If the policy commitments apply to only some of the organization’s business relationships, the organization should specify the types of business relationships the commitments apply to (e.g., distributors, franchisees, joint ventures, suppliers). It can also explain why the commitments are limited to these business relationships. The organization should also explain whether the business relationships are obligated to abide by the policy commitments or are encouraged (but not obligated) to do so.

Guidance to 2-23-f

The organization can report:

- whether the policy commitments need to be read, agreed to, and signed regularly by all workers, business partners, and other relevant parties, such as governance body members;
- the means through which it communicates the policy commitments (e.g., newsletters, formal or informal meetings, dedicated websites, contractual agreements);
- how it identifies and removes potential barriers to the communication or dissemination of the policy commitments (e.g., by making them accessible and available in relevant languages).

Disclosure 2-24 Embedding policy commitments

Requirements

The organization shall:

a. describe how it embeds each of its policy commitments for responsible business conduct throughout its activities and business relationships, including:

i. how it allocates responsibility to implement the commitments across different levels within the organization;

ii. how it integrates the commitments into organizational strategies, operational policies, and operational procedures;

iii. how it implements its commitments with and through its business relationships;

iv. training that the organization provides on implementing the commitments.

Guidance

This disclosure gives insight into how the organization embeds its policy commitments for responsible business conduct, including the commitment to respect human rights, throughout its activities and business relationships. This ensures that people at all levels act responsibly and with awareness of and respect for human rights.

Guidance to 2-24-a-i

Examples of different levels within an organization include the highest governance body, senior executives, and operational levels.

The organization can report:

- the most senior level with oversight of, or accountability for, the implementation of the policy commitments;
- the functions in the organization with day-to-day responsibility for implementing each of the policy commitments (e.g., human resources with the responsibility for implementing the commitment to respect the rights of workers), including:
  - their reporting lines to senior decision-making levels;
  - the reason for allocating the responsibility to them;
- whether responsible business conduct is formally discussed at meetings of the highest governance body or senior executives and, if so, which topics are discussed;
- whether there are other formal or systematic means for discussions about responsible business conduct between different levels or functions in the organization (e.g., a cross-functional working group).

Guidance to 2-24-a-ii

The organization can describe:

- how it aligns the policy commitments with its:
  - broader risk management systems and management policies;
  - economic, environmental, social, and human rights impact assessments, and other due diligence processes;
  - policies and procedures that set financial and other performance incentives for management or workers;
- how it applies the policy commitments when making decisions, such as about its sourcing and operating locations;
- the systems (e.g., internal audit) it uses to monitor compliance with the policy commitments throughout its activities (across functions and geographic locations) and throughout its business relationships.

Guidance to 2-24-a-iii

The organization can describe:

- its procurement or investment policies and practices, and its engagement with those with which it has business relationships, including:
  - whether and how it applies pre-qualification processes, bidding criteria, or screening criteria consistent with the expectations stipulated in the policy commitments for responsible business conduct;
  - whether and how it considers the policy commitments in contracting or investment agreements, or in specific policies or codes of conduct for suppliers;

    - whether and how it considers the policy commitments in the process of determining whether to initiate, continue, or terminate a business relationship;
- processes through which it enables or supports business partners and other parties to implement the policy commitments (e.g., capacity building, peer sharing);
- incentives that it offers to business partners and other parties to implement the policy commitments (e.g., price premiums, increased orders, long-term contracts).

Guidance to 2-24-a-iv

The organization can report:

- the content of the training;
- to whom the training is provided, and whether it is mandatory;
- the form (e.g., in-person, online) and frequency of the training;
- examples of how the organization has determined that the training is effective.

The organization can report whether the training covers how to implement the policy commitments in general or in specific situations (e.g., ensuring the commitment toward privacy when handling customers' personal data, ensuring the policy commitments are considered in procurement practices).

The organization can specify if training is provided to those with day-to-day responsibility for and those with oversight of, or accountability for, the implementation of the policy commitments. The organization can also specify if training is provided to those with which it has business relationships (e.g., distributors, franchisees, joint ventures, suppliers). The organization can report the number or percentage of workers, business partners, and other parties that have been trained during the reporting period.

Disclosure 2-25 Processes to remediate negative impacts

Requirements

The organization shall:

a. describe its commitments to provide for or cooperate in the remediation of negative impacts that the organization identifies it has caused or contributed to;

b. describe its approach to identify and address grievances, including the grievance mechanisms that the organization has established or participates in;

c. describe other processes by which the organization provides for or cooperates in the remediation of negative impacts that it identifies it has caused or contributed to;

d. describe how the stakeholders who are the intended users of the grievance mechanisms are involved in the design, review, operation, and improvement of these mechanisms;

e. describe how the organization tracks the effectiveness of the grievance mechanisms and other remediation processes, and report examples of their effectiveness, including stakeholder feedback.

Guidance

This disclosure covers grievance mechanisms that the organization has established or participates in. Grievance mechanisms enable stakeholders to raise concerns about, and seek remedy for, the organization's potential and actual negative impacts on them. This includes impacts on their human rights. This disclosure also covers other processes by which the organization provides for or cooperates in the remediation of negative impacts that it identifies it has caused or contributed to.

The *United Nations (UN) Guiding Principles on Business and Human Rights* [14] and the *Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises* [12] set out expectations for organizations to provide for or cooperate in the remediation, through legitimate processes, of negative impacts that they identify they have caused or contributed to. The organization is not responsible for providing for, or cooperating in, the remediation of negative impacts that are directly linked to its operations, products, or services by its business relationships, where the organization has not contributed to the impacts. It can, however, play a role in doing so. See Box 3 in *GRI 3: Material Topics 2021* for more information on causing, contributing, or being directly linked to negative impacts.

These instruments also set out expectations for organizations to establish or participate in effective operational-level grievance mechanisms.

Grievance mechanisms are distinct from whistleblowing mechanisms. Whistleblowing mechanisms enable individuals to raise concerns about wrongdoing or breaches of the law in the organization's operations or business relationships, regardless of whether the individuals themselves are harmed or not. Whistleblowing mechanisms are reported under Disclosure 2-26 in this Standard.

This disclosure covers the operation of grievance mechanisms and other remediation processes. The actions taken to provide for or cooperate in the remediation of actual negative impacts for material topics are reported under 3-3-d-ii in *GRI 3*.

The disclosure is only relevant to environmental remediation processes (e.g., processes to remove contaminants from soil) when these are connected to impacts on stakeholders or grievances raised by stakeholders. However, the remedy provided to stakeholders through the mechanisms and processes covered by this disclosure may involve environmental remediation. The use of environmental remediation processes can be reported under 3-3-d-ii in *GRI 3*.

Guidance to 2-25-b

Grievance mechanisms refer to any routinized, state-based or non-state-based, judicial or non-judicial processes through which stakeholders can raise grievances and seek remedy.

Examples of state-based judicial and non-judicial grievance mechanisms include courts (for both criminal and civil actions), labor tribunals, national human rights institutions, National Contact Points under the *OECD Guidelines for Multinational Enterprises*, ombudsperson offices, consumer protection agencies, regulatory oversight bodies, and government-run complaints offices.

Non-state-based grievance mechanisms include those administered by the organization, either alone or together with stakeholders, such as operational-level grievance mechanisms and collective bargaining, including the mechanisms established by collective bargaining. They also include mechanisms administered by industry associations, international organizations, civil society organizations, or multi-stakeholder groups.

Operational-level grievance mechanisms are administered by the organization either alone or in collaboration with other parties and are directly accessible by the organization's stakeholders. They allow for grievances to be identified and addressed early and directly, thereby preventing both harm and grievances from escalating. They also provide important feedback on the effectiveness of the organization's due diligence from those who are directly affected.

The organization can describe:

- the intended purpose and users of the mechanisms (i.e., whether they are intended for a particular stakeholder category, topic, or region) and whether they enable users to raise human rights-related concerns. For example, the organization can explain that it has established a mechanism for community members to raise complaints about resettlement, as well as a separate hotline for workers to raise concerns about issues affecting their rights, such as health and safety conditions;
- how the mechanisms operate and who administers them (the organization or another party);
- whether operational-level grievance mechanisms are administered at the organizational level or whether they are administered at a lower level (at the site or project level) and, in such a case, how information from these mechanisms is centralized;
- how the mechanisms have been designed and on which principles and guidelines they are based, including whether they are designed to meet the effectiveness criteria set out in *UN Guiding Principle 31* [14];

- the process through which grievances are investigated;
- whether grievances are communicated to the highest governance body;
- whether grievances are treated confidentially;
- whether the mechanisms can be used by stakeholders anonymously through representation by a third party;
- whether the organization requires or provides incentives for the creation or improvement of operational-level grievance mechanisms in workplaces of suppliers;
- whether the organization provides a back-up process for workplaces of suppliers that do not have operational-level grievance mechanisms or where the existing grievance mechanisms in those workplaces result in unresolved issues.

Guidance to 2-25-c

Requirement 2-25-c covers remediation processes other than grievance mechanisms. Such processes lead to the remediation of an impact without mechanisms for filing a formal complaint.

Examples include instances where the organization takes action to remediate an actual impact evidenced in an impact assessment or a report published by a civil society organization.

Guidance to 2-25-d

The organization can describe, for example, how it engages with stakeholders who are the intended users of the grievance mechanisms, to understand how they want to access the mechanisms to raise concerns, and their expectations about how the mechanisms will operate.

Guidance to 2-25-e

According to *UN Guiding Principle 31* [14], effective grievance mechanisms are legitimate, accessible, predictable, equitable, transparent, rights-compatible, and a source of continuous learning. In addition to these criteria, effective operational-level grievance mechanisms are also based on engagement and dialogue. It can be more difficult for the organization to assess the effectiveness of grievance mechanisms that it participates in compared to those it has established itself.

The organization can report:

- whether and how the intended users are informed about the grievance mechanisms and remediation processes;
- whether and how the intended users are trained to use the grievance mechanisms and remediation processes;
- the accessibility of the grievance mechanisms and remediation processes, such as the number of hours per day or days per week they are accessible, and their availability in different languages;
- how the organization seeks to ensure it respects users' human rights and protects them against reprisals (i.e., non-retaliation for raising complaints or concerns);
- how satisfied users are with the grievance mechanisms and remediation processes, and with the resulting outcomes, as well as how the organization assesses user satisfaction;
- the number and types of grievances filed during the reporting period, and the percentage of grievances that were addressed and resolved, including the percentage that were resolved through remediation;
- the number of grievances filed during the reporting period that are repeated or recurring;
- changes made to the grievance mechanisms and remediation processes in response to lessons learned about their effectiveness.

Quantitative data, such as the number of grievances, is unlikely to be sufficient on its own. For example, a low number of grievances could indicate that few incidents have occurred, but it could also signal that the mechanisms are not trusted by their intended users. For this reason, contextual information should be provided to help information users interpret the data.

Disclosure 2-26 Mechanisms for seeking advice and raising concerns

Requirements

The organization shall:

a. describe the mechanisms for individuals to:

i. seek advice on implementing the organization’s policies and practices for responsible business conduct;

ii. raise concerns about the organization’s business conduct.

Guidance

This disclosure covers the organization’s mechanisms for individuals to seek advice and to raise concerns about responsible business conduct in the operations of the organization and its business relationships. Examples of these mechanisms include confidential interviews during site visits, escalation processes (to raise issues through management levels), hotlines, mechanisms to report non-compliance with laws and regulations, and whistleblowing mechanisms.

These mechanisms enable individuals to raise concerns about wrongdoing or breaches of the law in the organization’s operations or business relationships, regardless of whether the individuals themselves are harmed or not. They are distinct from grievance mechanisms, which enable stakeholders to raise concerns about, and seek remedy for, the organization’s potential and actual negative impacts on them. Grievance mechanisms are reported under Disclosure 2-25 in this Standard.

If the organization’s grievance mechanisms and its mechanisms for seeking advice and raising concerns about responsible business conduct operate in a similar way, the organization can provide a single description of how these mechanisms operate and explain which mechanisms the description covers.

The organization can report:

- who the intended users of the mechanisms are;
- how the mechanisms operate and which level or function in the organization is assigned responsibility for them;
- whether the mechanisms are operated independently of the organization (e.g., by a third party);
- the process through which concerns are investigated;
- whether requests for advice and concerns raised are treated confidentially;
- whether the mechanisms can be used anonymously.

Additionally, the organization can report information about the effectiveness of the mechanisms, including:

- whether and how the intended users are informed about the mechanisms and trained on how to use them;
- the accessibility of the mechanisms, such as the number of hours per day or days per week they are available, and their availability in different languages;
- how the organization seeks to ensure it respects users’ human rights and protects them against reprisals (i.e., non-retaliation for raising concerns);
- how satisfied users are with the mechanisms and with the resulting outcomes;

- the number and types of requests for advice received during the reporting period, and the percentage of requests that were answered;
- the number and types of concerns raised during the reporting period, and the percentage of concerns that were addressed and resolved or found to be unsubstantiated.

Disclosure 2-27 Compliance with laws and regulations

Requirements

The organization shall:

a. report the total number of significant instances of non-compliance with laws and regulations during the reporting period, and a breakdown of this total by:

  i. instances for which fines were incurred;

  ii. instances for which non-monetary sanctions were incurred;

b. report the total number and the monetary value of fines for instances of non-compliance with laws and regulations that were paid during the reporting period, and a breakdown of this total by:

  i. fines for instances of non-compliance with laws and regulations that occurred in the current reporting period;

  ii. fines for instances of non-compliance with laws and regulations that occurred in previous reporting periods;

c. describe the significant instances of non-compliance;

d. describe how it has determined significant instances of non-compliance.

Guidance

This disclosure addresses non-compliance, or failure to comply with, laws and regulations that are applicable to the organization.

Non-compliance with laws and regulations can give insight into the ability of management to ensure that the organization conforms to certain performance parameters.

Laws and regulations can be issued by a variety of bodies including local, regional, and national governments; regulatory authorities; and public agencies.

Laws and regulations include:

- international declarations, conventions, and treaties;
- national, subnational, regional, and local regulations;
- binding voluntary agreements made with regulatory authorities and developed as a substitute for implementing a new regulation;
- voluntary agreements (or covenants), if the organization directly joins the agreement, or if public agencies make the agreement applicable to organizations in their territory through legislation or regulation.

This disclosure includes significant instances of non-compliance that resulted in administrative or judicial sanctions as well as fines that are being appealed during the reporting period.

Non-monetary sanctions can include restrictions imposed by governments, regulatory authorities, or public agencies on the organization’s activities or operations, such as withdrawal of trading licenses or licenses to operate in highly regulated industries. They can also include directives to cease or remediate an unlawful activity.

The organization can use information about fines that have been reported in its audited consolidated financial statements or in the financial information filed on public record, including fines that are being appealed and which may appear as balance sheet reserves in the financial statements.

If there were no significant instances of non-compliance with laws and regulations or no fines were paid during the reporting period, a brief statement of this fact is sufficient to comply with the disclosure.

Guidance to 2-27-c

The description of significant instances of non-compliance can include the geographic location where the instance occurred, and the matter to which the instance relates, such as a tax fraud or a spill. The organization is required to report sufficient information for information users to understand the type and the context of significant instances of non-compliance.

The organization can also explain whether the significant instances are repeated or recurring.

Guidance to 2-27-d

When determining the significant instances of non-compliance, the organization can assess:

- the severity of the impact resulting from the instance;
- external benchmarks used in its sector to determine significant instances of non-compliance.

Disclosure 2-28 Membership associations

Requirements

The organization shall:

a. report industry associations, other membership associations, and national or international advocacy organizations in which it participates in a significant role.

Guidance

The organization may have a significant role in an association or advocacy organization when it holds a position in the governance body, participates in projects or committees, or provides substantive funding beyond routine membership dues. The role may also be significant when the organization views its membership as strategic to influencing the mission or objective of the association that is critical to the organization's own activities.

5. Stakeholder engagement

The disclosures in this section provide information about the organization’s stakeholder engagement practices, including how it engages in collective bargaining with employees.

Disclosure 2-29 Approach to stakeholder engagement

Requirements

The organization shall:

a. describe its approach to engaging with stakeholders, including:

- **i. the categories of stakeholders it engages with, and how they are identified;**
- **ii. the purpose of the stakeholder engagement;**
- **iii. how the organization seeks to ensure meaningful engagement with stakeholders.**

Guidance

Stakeholders are individuals or groups that have interests that are affected or could be affected by the organization’s activities [11]. For more information on stakeholders, see section 2.4 in *GRI 1: Foundation 2021*.

This disclosure covers stakeholder engagement undertaken by the organization as part of its ongoing activities, rather than specifically for the purpose of sustainability reporting.

Guidance to 2-29-a-i

Common categories of stakeholders for organizations are business partners, civil society organizations, consumers, customers, employees and other workers, governments, local communities, non-governmental organizations, shareholders and other investors, suppliers, trade unions, and vulnerable groups.

The organization can explain how it determines which categories of stakeholders to engage with and which categories not to engage with.

Guidance to 2-29-a-ii

The purpose of stakeholder engagement can be, for example, to identify actual and potential impacts or to determine prevention and mitigation responses to potential negative impacts. In some cases, stakeholder engagement is a right in and of itself, such as the right of workers to form or join trade unions or their right to bargain collectively.

The organization can also report:

- the type of stakeholder engagement (e.g., participation, consultation, information) and its frequency (e.g., ongoing, quarterly, annually);
- when it engages directly with stakeholders and when it engages with credible stakeholder representatives or proxy organizations, or other credible independent expert resources, and why;
- whether stakeholder engagement activities take place at the organizational level or at a lower level, such as at the site or project level, and in the latter case, how information from stakeholder engagement activities is centralized;
- the resources (e.g., financial or human resources) allocated to stakeholder engagement.

Further information on stakeholder engagement undertaken for specific activities is reported under other disclosures. For example, the organization is required to report on stakeholder engagement undertaken for determining and managing material topics under 3-1-b and 3-3-f in *GRI 3: Material Topics 2021*.

Guidance to 2-29-a-iii

Meaningful stakeholder engagement is characterized by two-way communication and depends on the good faith of participants on both sides. It is also responsive and ongoing and includes in many cases engaging with relevant stakeholders before decisions are made. [11]

The organization can report:

- how it takes into account potential barriers to stakeholder engagement (e.g., language and cultural differences, gender and power imbalances, divisions within a community or group);
- how it engages with at-risk or vulnerable groups (e.g., whether it takes specific approaches and gives special attention to potential barriers);
- how it provides stakeholders with information that is understandable and accessible through appropriate communication channels;
- how stakeholder feedback is recorded and integrated into decision-making, and how stakeholders are informed about the way in which their feedback has influenced decisions;
- how it seeks to respect the human rights of all stakeholders engaged, for example, their rights to privacy, freedom of expression, and peaceful assembly and protest;
- how it works with business partners to engage with stakeholders in a meaningful way, including the expectations it places on business partners to respect the human rights of stakeholders during engagement.

Disclosure 2-30 Collective bargaining agreements

Requirements

The organization shall:

a. report the percentage of total employees covered by collective bargaining agreements;

b. for employees not covered by collective bargaining agreements, report whether the organization determines their working conditions and terms of employment based on collective bargaining agreements that cover its other employees or based on collective bargaining agreements from other organizations.

Guidance

This disclosure provides insights into how the organization engages in collective bargaining with its employees. The right to collective bargaining is a fundamental right at work that is covered in the *International Labour Organization (ILO) Right to Organise and Collective Bargaining Convention* [8].

Collective bargaining refers to negotiations that take place between one or more employers or employers' organizations and one or more workers' organizations (e.g., trade unions). The objective of these negotiations is to reach a collective agreement on working conditions and terms of employment (e.g., wages, working time) and to regulate relations between employers and workers. [3] These negotiations are an important means through which employers' organizations and workers' organizations can improve working conditions and labor relations.

Collective agreements can be made at the level of the organization, at the level of a particular site, at the industry level, and at the national level in countries where this is the practice. Collective agreements can cover specific groups of workers, for example, those performing a specific activity or working at a specific location.

If the organization has a statement or policy commitment on freedom of association and collective bargaining, this is reported under 2-23-b-i in this Standard or 3-3-c in *GRI 3: Material Topics 2021*.

See references [2], [3], [4], [5], [6], [8], [10], [21], [25], and [26] in the Bibliography.

Guidance to 2-30-a

The organization is required to report the percentage of its employees whose working conditions and terms of employment are regulated by one or more collective bargaining agreements.

The percentage of employees covered by collective bargaining agreements is calculated using the following formula:

$$\frac{\text{Number of employees covered by collective bargaining agreements}}{\text{Total number of employees reported under 2-7-a}} \times 100$$

The employees covered by collective bargaining agreements are those employees to whom the organization is obligated to apply the agreement. This means that if none of the employees is covered by a collective bargaining agreement, the percentage reported is zero. An employee covered by more than one collective bargaining agreement only needs to be counted once.

This requirement does not ask for the percentage of employees represented by a works council or belonging to trade unions, which can be different. The percentage of employees covered by collective bargaining agreements can be higher than the percentage of unionized employees when the collective bargaining agreements apply to both union and non-union members. Alternatively, the percentage of employees covered by collective bargaining agreements can be lower than the percentage of unionized employees. This may be the case when there are no collective bargaining agreements available or when the collective bargaining agreements do not cover all unionized employees.

The organization can also provide a breakdown of the percentage of employees covered by collective bargaining agreements by region, or provide comparisons with industry benchmarks.

Guidance to 2-30-b

There may be instances where some or none of the organization's employees are covered by collective bargaining agreements. However, the working conditions and terms of employment of these employees may be influenced or determined by the organization based on other collective bargaining agreements, such as agreements that cover other employees or agreements from other organizations. If this is the case, the organization is required to report it under 2-30-b. If this is not the case, and the working conditions and terms of employment of these employees are not influenced or determined based on other collective bargaining agreements, a brief statement of this fact is sufficient to comply with this requirement.

Glossary

This glossary provides definitions for terms used in this Standard. The organization is required to apply these definitions when using the GRI Standards.

The definitions included in this glossary may contain terms that are further defined in the complete *GRI Standards Glossary*. All defined terms are underlined. If a term is not defined in this glossary or in the complete *GRI Standards Glossary*, definitions that are commonly used and understood apply.

business partner

entity with which the organization has some form of direct and formal engagement for the purpose of meeting its business objectives

Source: Shift and Mazars LLP, *UN Guiding Principles Reporting Framework*, 2015; modified

Examples: affiliates, business-to-business customers, clients, first-tier suppliers, franchisees, joint venture partners, investee companies in which the organization has a shareholding position

Note: Business partners do not include subsidiaries and affiliates that the organization controls.

business relationships

relationships that the organization has with business partners, with entities in its value chain including those beyond the first tier, and with any other entities directly linked to its operations, products, or services

Source: United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011; modified

Note: Examples of other entities directly linked to the organization's operations, products, or services are a non-governmental organization with which the organization delivers support to a local community, or state security forces that protect the organization's facilities.

collective bargaining

all negotiations that take place between one or more employers or employers' organizations, on the one hand, and one or more workers' organizations (trade unions), on the other, for determining working conditions and terms of employment or for regulating relations between employers and workers

Source**:** International Labour Organization (ILO), *Collective Bargaining Convention*, 1981 (No. 154); modified

conflict of interest

situation where an individual is confronted with choosing between the requirements of their function in the organization and their other personal or professional interests or responsibilities

due diligence

process to identify, prevent, mitigate, and account for how the organization addresses its actual and potential negative impacts

Source: United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011; and Organisation for Economic Co-operation and Development (OECD), *OECD Guidelines for Multinational Enterprises*, 2011; modified

Note: See section 2.3 in *GRI 1: Foundation 2021* for more information on 'due diligence'.

employee

individual who is in an employment relationship with the organization according to national law or practice

full-time employee

employee whose working hours per week, month, or year are defined according to national law or practice regarding working time

governance body

formalized group of individuals responsible for the strategic guidance of the organization, the effective monitoring of management, and the accountability of management to the broader organization and its stakeholders

grievance

perceived injustice evoking an individual's or a group's sense of entitlement, which may be based on law, contract, explicit or implicit promises, customary practice, or general notions of fairness of aggrieved communities

Source: United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011

grievance mechanism

routinized process through which grievances can be raised and remedy can be sought

Source: United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011; modified

Note: See Guidance to Disclosure 2-25 in *GRI 2: General Disclosures 2021* for more information on 'grievance mechanism'.

highest governance body

governance body with the highest authority in the organization

Note: In some jurisdictions, governance systems consist of two tiers, where supervision and management are separated or where local law provides for a supervisory board drawn from non-executives to oversee an executive management board. In such cases, both tiers are included under the definition of highest governance body.

human rights

rights inherent to all human beings, which include, at a minimum, the rights set out in the *United Nations (UN) International Bill of Human Rights* and the principles concerning fundamental rights set out in the *International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work*

Source: United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011; modified

Note: See Guidance to 2-23-b-i in *GRI 2: General Disclosures 2021* for more information on 'human rights'.

impact

effect the organization has or could have on the economy, environment, and people, including on their human rights, which in turn can indicate its contribution (negative or positive) to sustainable development

Note 1: Impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, and reversible or irreversible.

Note 2: See section 2.1 in *GRI 1: Foundation 2021* for more information on 'impact'.

local community

individuals or groups of individuals living or working in areas that are affected or that could be affected by the organization’s activities

Note: The local community can range from those living adjacent to the organization’s operations to those living at a distance.

material topics

topics that represent the organization’s most significant impacts on the economy, environment, and people, including impacts on their human rights

Note: See section 2.2 in *GRI 1: Foundation 2021* and section 1 in *GRI 3: Material Topics 2021* for more information on ‘material topics’.

mitigation

action(s) taken to reduce the extent of a negative impact

Note: The mitigation of an actual negative impact refers to actions taken to reduce the severity of the negative impact that has occurred, with any residual impact needing remediation. The mitigation of a potential negative impact refers to actions taken to reduce the likelihood of the negative impact occurring.

Source: United Nations (UN), *The Corporate Responsibility to Respect Human Rights: An Interpretive Guide*, 2012; modified

non-guaranteed hours employee

employee who is not guaranteed a minimum or fixed number of working hours per day, week, or month, but who may need to make themselves available for work as required

Examples: casual employees, employees with zero-hour contracts, on-call employees

Source: ShareAction, *Workforce Disclosure Initiative Survey Guidance Document*, 2020; modified

part-time employee

employee whose working hours per week, month, or year are less than the number of working hours for full-time employees

permanent employee

employee with a contract for an indeterminate period (i.e., indefinite contract) for full-time or part-time work

remedy / remediation

means to counteract or make good a negative impact / provision of remedy

Examples: apologies, restitution, restoration, rehabilitation, financial or non-financial compensation, and punitive sanctions (whether criminal or administrative, such as fines), prevention of harm through injunctions or guarantees of non-repetition

Source: United Nations (UN), *The Corporate Responsibility to Respect Human Rights: An Interpretive Guide*, 2012; modified

reporting period

specific time period covered by the reported information

Examples: fiscal year, calendar year

senior executive

high-ranking member of the management of the organization, such as the Chief Executive Officer (CEO) or an individual reporting directly to the CEO or the highest governance body

severity (of an impact)

The severity of an actual or potential negative impact is determined by its scale (i.e., how grave the impact is), scope (i.e., how widespread the impact is), and irremediable character (how hard it is to counteract or make good the resulting harm).

Source: United Nations (UN), *The Corporate Responsibility to Respect Human Rights: An Interpretive Guide*, 2012; and the Organisation for Economic Co-operation and Development (OECD), *OECD Due Diligence Guidance for Responsible Business Conduct*, 2018; modified

Note: See section 1 in *GRI 3: Material Topics 2021* for more information on 'severity'.

stakeholder

individual or group that has an interest that is affected or could be affected by the organization's activities

Source: Organisation for Economic Co-operation and Development (OECD), *OECD Due Diligence Guidance for Responsible Business Conduct*, 2018; modified

Examples: business partners, civil society organizations, consumers, customers, employees and other workers, governments, local communities, non-governmental organizations, shareholders and other investors, suppliers, trade unions, vulnerable groups

Note: See section 2.4 in *GRI 1: Foundation 2021* for more information on 'stakeholder'.

supplier

entity upstream from the organization (i.e., in the organization's supply chain), which provides a product or service that is used in the development of the organization's own products or services

Examples: brokers, consultants, contractors, distributors, franchisees, home workers, independent contractors, licensees, manufacturers, primary producers, sub-contractors, wholesalers

Note: A supplier can have a direct business relationship with the organization (often referred to as first-tier supplier) or an indirect business relationship.

supply chain

range of activities carried out by entities upstream from the organization, which provide products or services that are used in the development of the organization's own products or services

sustainable development / sustainability

development that meets the needs of the present without compromising the ability of future generations to meet their own needs

Source: World Commission on Environment and Development, *Our Common Future*, 1987

Note: In the GRI Standards, the terms 'sustainability' and 'sustainable development' are used interchangeably.

temporary employee

employee with a contract for a limited period (i.e., fixed term contract) that ends when the specific time period expires, or when the specific task or event that has an attached time estimate is completed (e.g., the end of a project or return of replaced employees)

under-represented social group

group of individuals who are less represented within a subset (e.g., a body or committee, employees of an organization) relative to their numbers in the general population, and who therefore have less opportunity to express their economic, social, or political needs and views

Note 1: Under-represented social groups may include minority groups.

Note 2: The groups included under this definition depend on the organization's operating context and are not uniform for every organization.

value chain

range of activities carried out by the organization, and by entities upstream and downstream from the organization, to bring the organization's products or services from their conception to their end use

Note 1: Entities upstream from the organization (e.g., suppliers) provide products or services that are used in the development of the organization's own products or services. Entities downstream from the organization (e.g., distributors, customers) receive products or services from the organization.

Note 2: The value chain includes the supply chain.

vulnerable group

group of individuals with a specific condition or characteristic (e.g., economic, physical, political, social) that could experience negative impacts as a result of the organization's activities more severely than the general population

Examples: children and youth; elderly persons; ex-combatants; HIV/AIDS-affected households; human rights defenders; indigenous peoples; internally displaced persons; migrant workers and their families; national or ethnic, religious and linguistic minorities; persons who might be discriminated against based on their sexual orientation, gender identity, gender expression, or sex characteristics (e.g., lesbian, gay, bisexual, transgender, intersex); persons with disabilities; refugees or returning refugees; women

Note: Vulnerabilities and impacts can differ by gender.

worker

person that performs work for the organization

Examples: employees, apprentices, interns, self-employed persons, and persons working for organizations other than the reporting organization, such as for suppliers

Note: In the GRI Standards, in some cases it is specified whether a particular subset of workers is required to be used.

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GRI 3: Material Topics 2021

EFFECTIVE DATE: 1 JANUARY 2023

UNIVERSAL STANDARD

GRI 3: Material Topics 2021

Universal Standard

Effective date

This Standard is effective for reports or other materials published on or after 1 January 2023. Earlier adoption is encouraged.

Responsibility

This Standard is issued by the Global Sustainability Standards Board (GSSB). Any feedback on the GRI Standards can be submitted to ???@globalreporting.org for the consideration of the GSSB.

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Contents

Introduction

GRI 3: Material Topics 2021 provides step-by-step guidance for organizations on how to determine material topics. It also explains how the Sector Standards are used in this process. Material topics are topics that represent an organization's most significant impacts on the economy, environment, and people, including impacts on their human rights.

GRI 3 also contains disclosures for organizations to report information about their process of determining material topics, their list of material topics, and how they manage each of their material topics.

The Standard is structured as follows:

- Section 1 provides step-by-step guidance on how to determine material topics.
- Section 2 contains three disclosures, which provide information about the organization's process of determining material topics, its list of material topics, and how it manages each topic.
- The Glossary contains defined terms with a specific meaning when used in the GRI Standards.
- The Bibliography lists authoritative intergovernmental instruments and additional references used in developing this Standard, as well as resources that can be consulted by the organization.

The rest of the Introduction section provides an overview of the system of GRI Standards and further information on using this Standard.

System of GRI Standards

This Standard is part of the GRI Sustainability Reporting Standards (GRI Standards). The GRI Standards enable an organization to report information about its most significant impacts on the economy, environment, and people, including impacts on their human rights, and how it manages these impacts.

The GRI Standards are structured as a system of interrelated standards that are organized into three series: GRI Universal Standards, GRI Sector Standards, and GRI Topic Standards (see Figure 1 in this Standard).

Universal Standards: GRI 1, GRI 2 and GRI 3

GRI 1: Foundation 2021 specifies the requirements that the organization must comply with to report in accordance with the GRI Standards. The organization begins using the GRI Standards by consulting *GRI 1*.

GRI 2: General Disclosures 2021 contains disclosures that the organization uses to provide information about its reporting practices and other organizational details, such as its activities, governance, and policies.

GRI 3: Material Topics 2021 provides guidance on how to determine material topics. It also contains disclosures that the organization uses to report information about its process of determining material topics, its list of material topics, and how it manages each topic.

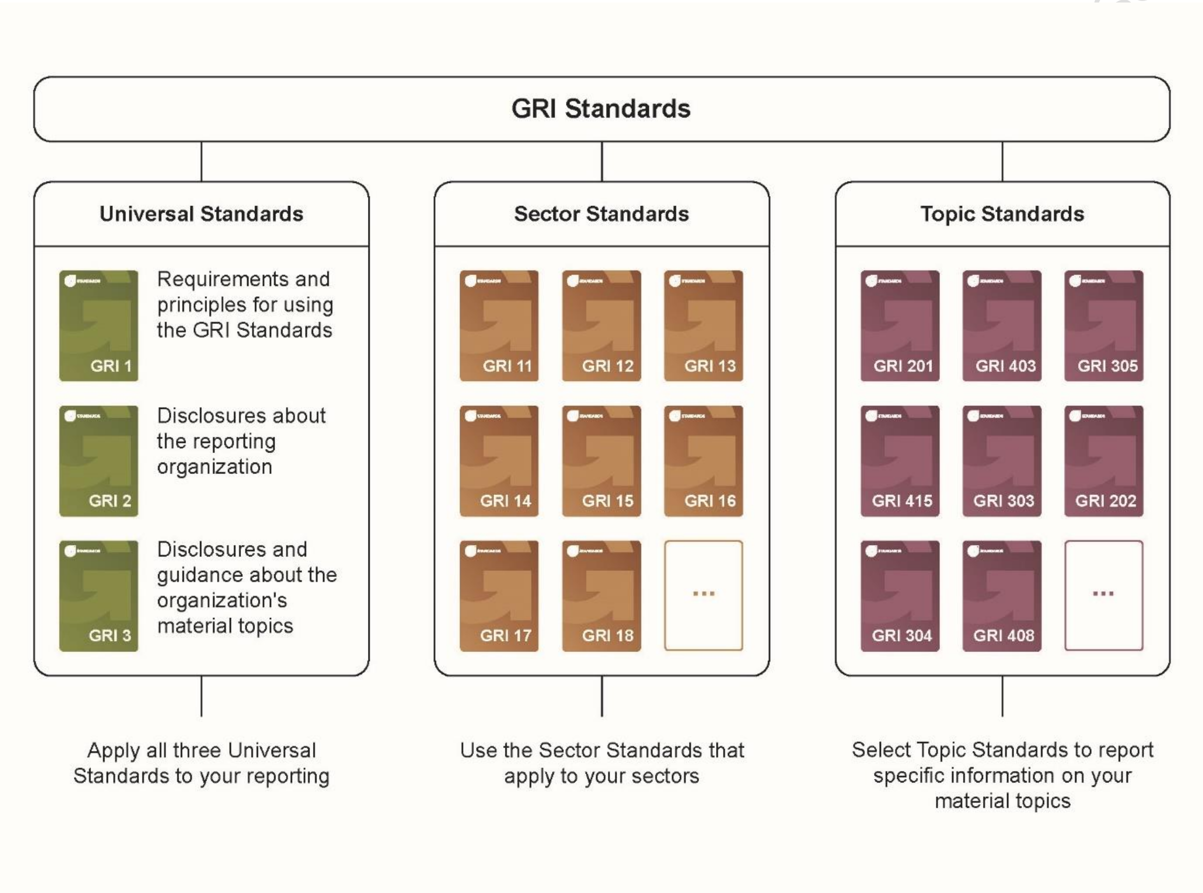
Sector Standards

The Sector Standards provide information for organizations about their likely material topics. The organization uses the Sector Standards that apply to its sectors when determining its material topics and when determining what to report for each material topic.

Topic Standards

The Topic Standards contain disclosures that the organization uses to report information about its impacts in relation to particular topics. The organization uses the Topic Standards according to the list of material topics it has determined using *GRI 3*.

Figure 1. GRI Standards: Universal, Sector and Topic Standards



Using this Standard

An organization reporting in accordance with the GRI Standards is required to determine its material topics and report all disclosures in this Standard. The organization is required to report Disclosure 3-3 Management of material topics for each material topic.

Reasons for omission are only permitted for Disclosure 3-3.

If the organization cannot comply with Disclosure 3-3 or with a requirement in Disclosure 3-3 (e.g., because the required information is confidential or subject to legal prohibitions), the organization is required to specify this in the GRI content index, and provide a reason for omission and an explanation. See Requirement 6 in *GRI 1: Foundation 2021* for more information on reasons for omission.

If the organization cannot report the required information about an item specified in a disclosure because the item (e.g., committee, policy, practice, process) does not exist, it can comply with the requirement by reporting this to be the case. The organization can explain the reasons for not having this item, or describe any plans to develop it. The disclosure does not require the organization to implement the item (e.g., developing a policy), but to report that the item does not exist.

If the organization intends to publish a standalone sustainability report, it does not need to repeat information that it has already reported publicly elsewhere, such as on web pages or in its annual report. In such a case, the organization can report a required disclosure by providing a reference in the GRI content index as to where this information can be found (e.g., by providing a link to the web page or citing the page in the annual report where the information has been published).

Requirements, guidance and defined terms

The following apply throughout the GRI Standards:

Requirements are presented in **bold font** and indicated by the word 'shall'. An organization must comply with requirements to report in accordance with the GRI Standards.

Requirements may be accompanied by guidance.

Guidance includes background information, explanations, and examples to help the organization better understand the requirements. The organization is not required to comply with guidance.

The Standards may also include recommendations. These are cases where a particular course of action is encouraged but not required.

The word ‘should’ indicates a recommendation, and the word ‘can’ indicates a possibility or option.

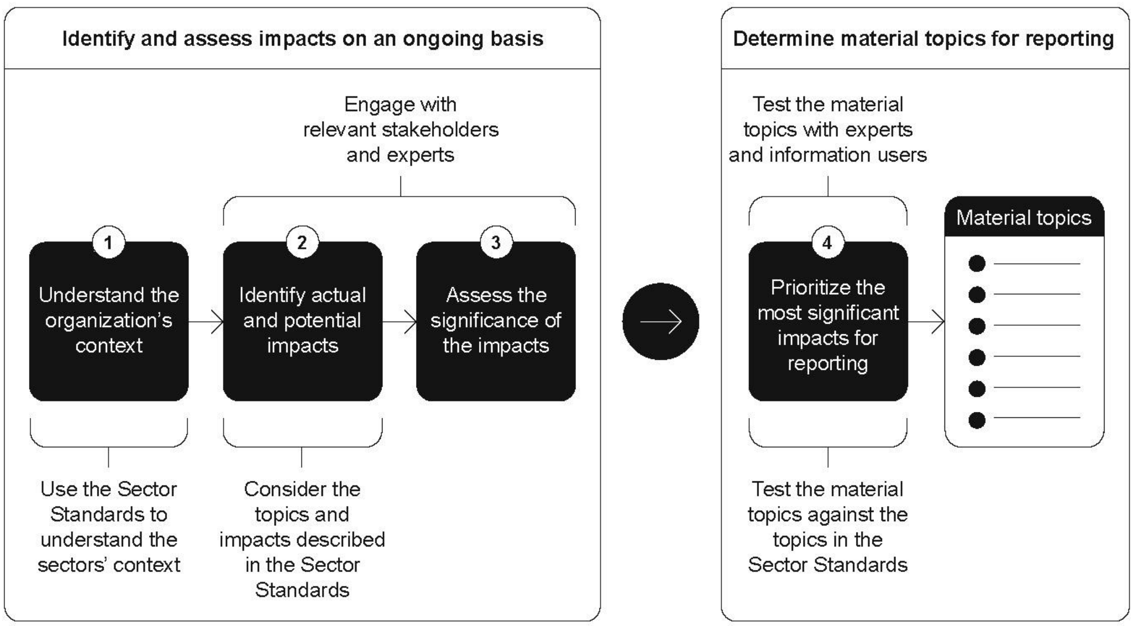
Defined terms are underlined in the text of the GRI Standards and linked to their definitions in the Glossary. The organization is required to apply the definitions in the Glossary.

1. Guidance to determine material topics

An organization reporting in accordance with the GRI Standards is required to determine its material topics. When doing this, the organization is also required to use the applicable GRI Sector Standards (see Requirement 3 in *GRI 1: Foundation 2021* and Box 5 in this Standard).

This section describes the four steps that the organization should follow in determining its material topics (see Figure 2). Following the steps in this section helps the organization determine its material topics and report the disclosures in section 2 of this Standard. The steps provide guidance and are not requirements on their own.

Figure 2. Process to determine material topics



The first three steps in the process to determine material topics relate to the organization's ongoing identification and assessment of impacts. During these steps, the organization identifies and assesses its impacts regularly, as part of its day-to-day activities, and while engaging with relevant stakeholders and experts. These ongoing steps allow the organization to actively identify and manage its impacts as they evolve, and as new ones arise. The first three steps are conducted independently of the sustainability reporting process, but they inform the last step. In Step 4, the organization prioritizes its most significant impacts for reporting and in this way determines its material topics.

In each reporting period, the organization should review its material topics from the previous reporting period to account for changes in the impacts. Changes in impacts can result from changes in the organization's activities and business relationships. This review helps ensure the material topics represent the organization's most significant impacts in each new reporting period.

The organization should document its process of determining material topics. This includes documenting the approach taken, decisions, assumptions, and subjective judgements made, sources analyzed, and evidence gathered. Accurate records help the organization explain its chosen approach and report the disclosures in section 2 of this Standard. The records facilitate analysis and assurance. See the Verifiability principle in *GRI 1* for more information.

The approach for each step will vary according to the specific circumstances of the organization, such as its business model; sectors; geographic, cultural, and legal operating context; ownership structure; and the nature of its impacts. Given these specific circumstances, the steps should be systematic, documented, replicable, and used consistently in each reporting period. The organization should document any changes in its approach together with the rationale for those changes and their implications.

The organization's highest governance body should oversee the process and review and approve the material topics. If the organization does not have a highest governance body, a senior executive or group of senior executives should oversee the process and review and approve the material topics.

Box 1. Input to financial and value creation reporting

> The material topics and impacts that have been determined through this process inform financial and value creation reporting. They provide crucial input for identifying financial risks and opportunities related to the organization's impacts, and for financial valuation. This in turn helps in making financial materiality judgments about what to recognize in financial statements.
>
> While most, if not all, of the impacts that have been identified through this process will eventually become financially material, sustainability reporting is also highly relevant in its own right as a public interest activity and is independent of the consideration of financial implications. It is therefore important for the organization to report on all the material topics that it has determined using the GRI Standards. These material topics cannot be deprioritized on the basis of not being considered financially material by the organization.
>
> See Box 1 in *GRI 1: Foundation 2021* for more information on sustainability reporting and financial and value creation reporting.

The next sections describe the four steps to determine material topics in more detail.

Step 1. Understand the organization's context

In this step, the organization creates an initial high-level overview of its activities and business relationships, the sustainability context in which these take place, as well as an overview of its stakeholders. This provides the organization with critical information for identifying its actual and potential impacts.

The organization should consider the activities, business relationships, stakeholders, and sustainability context of all the entities it controls or has an interest in (e.g., subsidiaries, joint ventures, affiliates), including minority interests.

Relevant departments and functions within the organization that can assist in this step include communications, human resources, investor relations, legal and compliance department or functions, marketing and sales, procurement, and product development. The GRI Sector Standards describe the sectors' context and they can also assist in this step.

Activities

The organization should consider the following in relation to its activities:

- The organization's purpose, value or mission statements, business model, and strategies.
- The types of activities it carries out (e.g., sales, marketing, manufacturing, distribution) and the geographic locations of these activities.
- The types of products and services it offers and the markets it serves (i.e., the types of customers and beneficiaries targeted, and the geographic locations where products and services are offered).

- The sectors in which the organization is active and their characteristics (e.g., whether they involve informal work, whether they are labor or resource intensive).
- The number of employees, including whether they are full-time, part-time, non-guaranteed hours, permanent or temporary, and their demographic characteristics (e.g., age, gender, geographic location).
- The number of workers who are not employees and whose work is controlled by the organization, including the types of worker (e.g., agency workers, contractors, self-employed persons, volunteers), their contractual relationship with the organization (i.e., whether the organization engages these workers directly or indirectly through a third party), and the work they perform.

Business relationships

The organization's business relationships include relationships with business partners, entities in its value chain (including entities beyond the first tier), and any other entities directly linked to its operations, products, or services. The organization should consider the following in relation to its business relationships:

- The types of business relationships it has (e.g., joint ventures, suppliers, franchisees).
- The types of activities undertaken by those with which it has business relationships (e.g., manufacturing the organization's products, providing security services to the organization).
- The nature of the business relationships (e.g., whether they are based on a long-term or short-term contract, whether they are based on a specific project or event).
- The geographic locations where the activities of the business relationships take place.

Sustainability context

The organization should consider the following to understand the sustainability context of its activities and business relationships:

- Economic, environmental, human rights, and other societal challenges at local, regional, and global levels related to the organization's sectors and the geographic location of its activities and business relationships (e.g., climate change, lack of law enforcement, poverty, political conflict, water stress).
- The organization's responsibility regarding the authoritative intergovernmental instruments with which it is expected to comply.
  Examples include the *International Labour Organization (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy* [1]; the *Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises* [3]; the *United Nations (UN) Framework Convention on Climate Change (FCCC) Paris Agreement* [4]; the *UN Guiding Principles on Business and Human Rights* [5]; and the *UN International Bill of Human Rights* [6].
- The organization's responsibility regarding the laws and regulations with which it is expected to comply.

See the Sustainability context principle in *GRI 1: Foundation 2021* for more information.

Stakeholders

The organization should identify who its stakeholders are across its activities and business relationships and engage with them to help identify its impacts.

The organization should draw a full list of individuals and groups whose interests are affected or could be affected by the organization's activities. Common categories of stakeholders for organizations are business partners, civil society organizations, consumers, customers, employees and other workers, governments, local communities, non-governmental organizations, shareholders and other investors, suppliers, trade unions, and vulnerable groups. The organization can further draw a distinction between those individuals and groups whose human rights are affected or could be affected, and individuals and groups with other interests.

When identifying its stakeholders, the organization should ensure it identifies any individuals or groups it does not have a direct relationship with (e.g., workers in the supply chain or local communities that live at a distance from the organization's operations) and those who are unable to articulate their views (e.g., future generations) but whose interests are affected or could be affected by the organization's activities.

Different lists of stakeholders can be drawn per activity, project, product or service, or other classification that is relevant for the organization.

See Box 2 in this Standard for information on engaging with stakeholders.

Step 2. Identify actual and potential impacts

In this step, the organization identifies its actual and potential impacts on the economy, environment, and people, including impacts on their human rights, across the organization's activities and business relationships. Actual impacts are those that have already occurred, and potential impacts are those that could occur but have not yet occurred. These impacts include negative and positive impacts, short-term and long-term impacts, intended and unintended impacts, and reversible and irreversible impacts.

To identify its impacts, the organization can use information from diverse sources. It can use information from its own or third-party assessments of impacts on the economy, environment, and people, including impacts on their human rights. It can also use information from legal reviews, anti-corruption compliance management systems, financial audits, occupational health and safety inspections, and shareholder filings. It can also use information from any other relevant assessments of business relationships carried out by the organization or by industry or multi-stakeholder initiatives.

Further information can be gathered through grievance mechanisms that the organization has established itself, or that have been established by other organizations. The organization can also use information from broader enterprise risk management systems, provided that these systems identify the organization's impacts on the economy, the environment, and people, in addition to identifying risks for the organization itself. It can also use information from external sources, such as news organizations and civil society organizations.

In addition, the organization should seek to understand the concerns of its stakeholders (see Box 2 in this Standard) and consult internal and external experts, such as civil society organizations or academics.

Box 2. Engaging with relevant stakeholders and experts

The organization should seek to understand the concerns of its stakeholders by consulting them directly in a way that takes into account language and other potential barriers (e.g., cultural differences, gender and power imbalances, divisions within the community). Identifying and removing potential barriers is necessary to ensure that stakeholder engagement is effective.

Engagement with at-risk or vulnerable groups may necessitate specific approaches and call for special attention. Such approaches include removing social barriers that limit the participation of women in public forums and removing physical barriers that prevent remotely located communities from attending a meeting.

The organization should respect the human rights of all stakeholders and other individuals with whom it engages (e.g., their rights to privacy, freedom of expression, and peaceful assembly and protest) and it should protect them against reprisals (i.e., non-retaliation for raising complaints or concerns).

Broad engagement with stakeholders may not be possible in cases that involve many stakeholders or in cases that involve impacts which result in collective harm. For example, broad engagement may not be possible in the case of corruption, which collectively harms the population of the jurisdiction in which it takes place, or in the case of greenhouse gas (GHG) emissions, which contribute to collective, transboundary harm.

In such cases, the organization may engage with credible stakeholder representatives or proxy organizations (e.g., non-governmental organizations, trade unions). This is also relevant in cases where engaging with individuals could undermine certain rights or collective interests. For example, when considering a decision to restructure or shut down a factory, it may be important for an organization to engage with trade unions to mitigate the employment impacts of the decision. In such a case, engaging with individual workers could undermine the right of workers to form or join trade unions and to bargain collectively.

The degree of impact on stakeholders may inform the degree of engagement. The organization should prioritize the most severely affected or potentially affected stakeholders for engagement.

Where direct consultation is not possible, the organization should consider reasonable alternatives, such as consulting credible independent experts, such as national human rights institutions, human rights and environmental defenders, trade unions, and other members of civil society.

See references [2] and [5] in the Bibliography.

In this step, the organization needs to consider the impacts described in the applicable GRI Sector Standards and determine whether these impacts apply to it.

Impacts may change over time as the organization's activities, business relationships, and context evolve. New activities, new business relationships, and major changes in operations or the operating context (e.g., new market entry, product launch, policy change, wider changes to the organization) could lead to changes in the organization's impacts. For this reason, the organization should assess its context and identify its impacts on an ongoing basis.

In cases where the organization has limited resources available for identifying its impacts, it should first identify its negative impacts, before identifying positive impacts, to ensure it complies with applicable laws, regulations, and authoritative intergovernmental instruments.

Identifying negative impacts

Identifying actual and potential negative impacts with which the organization is involved or could be involved is the first step of due diligence. The organization should consider actual and potential impacts that it causes or contributes to through its activities, as well as actual and potential impacts that are directly linked to its operations, products, or services by its business relationships (see Box 3 in this Standard).

In some cases, the organization might be unable to identify actual and potential negative impacts across all its activities and business relationships. This could be, for example, because the organization has diverse or multiple global operations or because its value chain comprises many entities. In such cases, the organization may carry out an initial assessment or scoping exercise to identify general areas across its activities and business relationships (e.g., product lines, suppliers located in specific geographic locations) where negative impacts are most likely to be present and significant. Once the organization has conducted the initial assessment or scoping exercise, it can identify and assess actual and potential negative impacts for these general areas.

As part of the initial assessment or scoping exercise, the organization should consider impacts commonly associated with its sectors, its products, geographic locations, or with specific organizations (i.e., impacts associated with a specific entity of the organization, or with an entity it has a business relationship with, such as a poor history of conduct in relation to respecting human rights). It should also consider impacts it has been involved with or knows it is likely to be involved with. In addition to the GRI Sector Standards, the organization can use the *Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Business Conduct* [2] and the OECD sectoral guidance on due diligence [13] for information on impacts commonly associated with sectors, products, geographic locations, and specific organizations. It can also use reports from governments, environmental agencies, international organizations, civil society organizations, workers' representatives and trade unions, national human rights institutions, media, or other experts.

See references [2], [3], and [5] in the Bibliography.

Box 3. Causing, contributing, or being directly linked to negative impacts

An organization **'causes'** a negative impact if its activities on their own result in the impact, for example, if the organization pays a bribe to a foreign public official, or if it withdraws water from a water-stressed aquifer without replenishing the water level.

An organization **'contributes to'** a negative impact if its activities lead, facilitate, or incentivize another entity to cause the impact. The organization can also contribute to a negative impact if its activities in combination with the activities of other entities cause the impact. For example, if the organization sets a short lead time for a supplier to deliver a product, despite knowing from experience that this production time is not feasible, this could result in excessive overtime for the supplier's workers. In such a case, the organization may contribute to negative impacts on the health and safety of these workers.

An organization can cause or contribute to a negative impact through its actions as well as by failure to take action (e.g., failure to prevent or mitigate a potential negative impact).

Even if an organization does not cause or contribute to a negative impact, its operations, products, or services may be **'directly linked to'** a negative impact by its business relationship. For example, if the organization uses cobalt in its products that is mined using child labor, the negative impact (i.e., child labor) is directly linked to the organization's products through the tiers of business relationships in its supply chain (i.e., through the smelter and minerals trader, to the mining enterprise that uses child labor), even though the organization has not caused or contributed to the negative impact itself. 'Direct linkage' is not defined by the link between the organization and the other entity, and is therefore not limited to direct contractual relationships, such as 'direct sourcing'.

The way the organization is involved with negative impacts determines how it should address the impacts and whether it has a responsibility to provide for or cooperate in their remediation (see section 2.3 in *GRI 1: Foundation 2021*).

See references [2] and [5] in the Bibliography. For additional guidance and examples, see the *Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Business Conduct* [2], pages 70-72, and the United Nations' (UN) *The Corporate Responsibility to Respect Human Rights: An Interpretive Guide* [15], pages 15-18.

Identifying positive impacts

To identify its actual and potential positive impacts, the organization should assess the manner in which it contributes or could contribute to sustainable development through its activities, for example, through its products, services, investments, procurement practices, employment practices, or tax payments. This also includes assessing how the organization can shape its purpose, business model, and strategies so that it delivers positive impacts that contribute to the goal of sustainable development.

An example of a positive impact is an organization adopting measures that lower the cost of renewable energy for customers, thereby allowing more customers to switch from using non-renewable energy to renewable energy, and thus contributing to mitigating climate change. Another example is an organization choosing an area with high unemployment to open a new facility so that it can hire and train unemployed members of the local community, and in this way contribute to job creation and community development.

The organization should consider any negative impacts that could result from activities that aim for a positive contribution to sustainable development. Negative impacts cannot be offset by positive impacts. For example, a renewable energy installation may reduce a region's dependence on fossil fuels and bring energy to underserved communities. However, if it displaces local indigenous communities from their lands or territories without their consent, this negative impact should be addressed and remediated, and it cannot be compensated by the positive impacts.

Step 3. Assess the significance of the impacts

The organization may identify many actual and potential impacts. In this step, the organization assesses the significance of its identified impacts to prioritize them. Prioritization enables the organization to take action to address the impacts and also to determine its material topics for reporting. Prioritizing impacts for action is relevant where it is not feasible to address all impacts at once.

Assessing the significance of the impacts involves quantitative and qualitative analysis. How significant an impact is will be specific to the organization and will be influenced by the sectors in which it operates and its business relationships, among other factors. In some instances, this may need a subjective decision. The organization should consult with relevant stakeholders (see Box 2 in this Standard) and business relationships to assess the significance of its impacts. The organization should also consult relevant internal or external experts.

Assessing the significance of negative impacts

The significance of an actual negative impact is determined by the severity of the impact. The significance of a potential negative impact is determined by the severity and likelihood of the impact.

The combination of the severity and the likelihood of a negative impact can be referred to as 'risk'. The assessment of the significance of the impacts can be included within broader enterprise risk management systems, provided that these systems assess the impacts the organization has on the economy, the environment, and people, in addition to assessing risks for the organization itself.

Severity

The severity of an actual or potential negative impact is determined by the following characteristics:

- Scale: how grave the impact is.
- Scope: how widespread the impact is, for example, the number of individuals affected or the extent of environmental damage.
- Irremediable character: how hard it is to counteract or make good the resulting harm.

The scale of a negative impact (i.e., how grave the impact is) can depend on whether the impact leads to non-compliance with laws and regulations or with authoritative intergovernmental instruments with which the organization is expected to comply. For example, if a negative impact leads to a violation of human rights or fundamental rights at work, or to non-compliance with the reductions in greenhouse gas (GHG) emissions to be achieved under the *United Nations (UN) Framework Convention on Climate Change (FCCC) Paris Agreement* [4], the scale of this impact can be considered greater.

The scale of a negative impact can also depend on the context in which the impact takes place. For example, the scale of the impact of an organization's water withdrawal can depend on the area from which water is withdrawn. The scale will be greater if water is withdrawn from an area affected by water stress, compared to an area that has abundant water resources to meet the demands of water users and ecosystems.

Any of the three characteristics (scale, scope, and irremediable character) can make an impact severe. But it is often the case that these characteristics are interdependent: the greater the scale or the scope of an impact, the less remediable it is.

The severity – and therefore the significance – of an impact are not absolute concepts. The severity of an impact should be assessed in relation to the other impacts of the organization. For example, an organization should compare the severity of the impacts of its GHG emissions against the severity of its other impacts. The organization should not assess the significance of its GHG emissions in relation to global GHG emissions, as that comparison could lead to the misleading conclusion that the organization's emissions are not significant.

See references [2], [3], and [5] in the Bibliography.

Likelihood

The likelihood of a potential negative impact refers to the chance of the impact happening. The likelihood of an impact can be measured or determined qualitatively or quantitatively. It can be described using general terms (e.g., very likely, likely) or mathematically using probability (e.g., 10 in 100, 10%) or frequency over a given time period (e.g., once every three years).[1]

Human rights

In the case of potential negative human rights impacts, the severity of the impact takes precedence over its likelihood. For example, an organization operating a nuclear power facility may prioritize the

[1] International Organization for Standardization (ISO), *ISO 31000:2018 Risk management – Guidelines*, 2018.

potential impact related to loss of life in cases of natural disasters affecting the power facility, even though natural disasters are less likely to occur than other incidents.

The severity of a negative human rights impact is not limited to physical harm. Highly severe impacts can occur in relation to any human right. For example, interfering with, damaging, or destroying a sacred space without consultation or agreement with the people for whom the space has spiritual importance can have a highly severe impact on their cultural rights.

When prioritizing other types of impacts, such as potential negative environmental impacts, the organization may also choose to prioritize them based on severity alone.

Assessing the significance of positive impacts

The significance of an actual positive impact is determined by the scale and scope of the impact. The significance of a potential positive impact is determined by the scale and scope as well as the likelihood of the impact.

Scale and scope

In the case of positive impacts, the scale of an impact refers to how beneficial the impact is or could be, and the scope refers to how widespread the impact is or could be (e.g., the number of individuals or the extent of environmental resources that are or could be positively affected).

Likelihood

The likelihood of a potential positive impact refers to the chance of the impact happening. The likelihood of an impact can be measured or determined qualitatively or quantitatively. It can be described using general terms (e.g., very likely, likely) or mathematically using probability (e.g., 10 in 100, 10%) or frequency over a given time period (e.g., once every three years).[2]

Step 4. Prioritize the most significant impacts for reporting

In this step, to determine its material topics for reporting, the organization prioritizes its impacts based on their significance.

Setting a threshold to determine which topics are material

The significance of an impact is assessed in relation to the other impacts the organization has identified. The organization should arrange its impacts from most to least significant and define a cut-off point or threshold to determine which of the impacts it will focus its reporting on. The organization should document this threshold. To facilitate prioritization, the organization should group the impacts into topics (see Box 4 in this Standard).

For example, when setting a threshold, the organization first groups its impacts into a number of topics and ranks them, based on their significance, from highest to lowest priority. The organization then needs to determine how many of the topics it will report on, starting with those that have the highest priority. Where to set the threshold is up to the organization. For transparency, the organization can provide a visual representation of the prioritization that shows the initial list of topics it has identified and the threshold it has set for reporting.

The significance of an impact is the sole criterion to determine whether a topic is material for reporting. The organization cannot use difficulty in reporting on a topic, or the fact that it does not yet manage the topic, as criteria to determine whether or not to report on the topic. In cases where the organization does not manage a material topic, it can report the reasons for not doing so, or any plans to manage the topic, to comply with the requirements in Disclosure 3-3 Management of material topics in this Standard.

While some topics can cover both negative and positive impacts, it may not always be possible to compare the two. Additionally, negative impacts cannot be offset by positive impacts. The organization should therefore prioritize negative impacts separately from positive impacts.

[2] International Organization for Standardization (ISO), *ISO 31000:2018 Risk management – Guidelines*, 2018.

Even if the organization has not prioritized an actual or potential negative impact for reporting, it may still have a responsibility to address the impact in line with applicable laws, regulations, or authoritative intergovernmental instruments. See section 2.3 in *GRI 1: Foundation 2021* for more information.

Box 4. Grouping impacts into topics

Grouping impacts into topics, like 'water and effluents', helps the organization report in a cohesive way about multiple impacts that relate to the same topic.

The organization can group impacts into topics according to general categories that relate to a business activity, stakeholder category, type of business relationship, or an economic or environmental resource. For example, an organization's activities result in water pollution, which causes negative impacts on both ecosystems and on local communities' access to safe drinking water. The organization can group these impacts into the topic of 'water and effluents' as both impacts relate to its use of water.

The organization can refer to the topics in the GRI Topic Standards and the GRI Sector Standards. These topics provide a useful reference for understanding the range of impacts that can be covered in each topic. For impacts or topics that are not covered by the GRI Standards, the organization can refer to other sources, such as authoritative intergovernmental instruments or industry standards.

Testing the material topics

The organization should test its selection of material topics against the topics in the applicable GRI Sector Standards. This helps the organization ensure that it has not overlooked any topics that are likely to be material for its sectors.

The organization should also test its selection of material topics with potential information users and experts who understand the organization or its sectors and have insight into one or more of the material topics. This can help the organization validate the threshold it has set to determine which topics are material to report. Examples of experts the organization can consult are academics, consultants, investors, lawyers, national institutions, and non-governmental organizations.

The organization should seek external assurance to assess the quality and credibility of its process of determining material topics. See section 5.2 in *GRI 1* for more information on seeking external assurance.

This testing process results in a list of the organization's material topics.

Approval of the material topics

The organization's highest governance body should review and approve the list of material topics. If such a body does not exist, the list should be approved by a senior executive or group of senior executives in the organization.

Determining what to report for each material topic

Once the organization has determined its material topics, it needs to determine what to report for each material topic. See Requirement 4 and Requirement 5 in *GRI 1* for information about how to report on material topics.

Box 5. Using GRI Sector Standards to determine material topics

The GRI Sector Standards provide information for organizations about their likely material topics. The topics have been identified on the basis of the sectors' most significant impacts, using multi-stakeholder expertise, authoritative intergovernmental instruments, and other relevant evidence.

The organization is required to use the applicable Sector Standards when determining its material topics (see Requirement 3-b in *GRI 1: Foundation 2021*). Using the Sector Standards is not a substitute for the process of determining material topics, but an aid. The organization still needs to consider its own specific circumstances when determining its material topics.

The organization is required to review each topic described in the applicable Sector Standards and determine whether it is a material topic for the organization.

There can be cases where a topic included in the applicable Sector Standards is not material for the organization. This may be because the organization assesses the specific impacts the topic covers to be absent. It may also be because, compared to other impacts of the organization, the ones that the topic covers are not among the most significant.

For example, an organization in the oil and gas sector is required to use *GRI 11: Oil and Gas Sector 2021* when determining its material topics. One of the topics included in this Sector Standard is land and resource rights. Oil and gas projects often require land for operations, access routes, and distribution. This can lead to impacts such as involuntary resettlement of local communities, which can involve their physical displacement, as well as economic displacement through lost access to resources. However, if the organization's oil and gas projects do not result in these impacts and will not result in these impacts in the future, the organization may determine that the topic of land and resource rights is not a material topic for the organization. In such a case, the reporting organization is required to explain why it has determined that this topic, which is likely to be material for organizations in the oil and gas sector, is not a material topic for the organization.

If any of the topics that are included in the applicable Sector Standards have been determined by the organization as not material, the organization is required to list them in the GRI content index and explain why they are not material (see Requirement 3-b-ii in *GRI 1*). This explanation helps information users understand why the organization has determined that topics identified as likely to be material for the organization's sectors are not material in its specific circumstances.

A brief explanation in the GRI content index of why the topic is not material is sufficient to comply with Requirement 3-b-ii in *GRI 1*. In the previous example, the organization could explain that land and resource rights is not a material topic because its existing oil and gas projects are located in uninhabited areas and there are no plans to start projects in new areas.

2. Disclosures on material topics

The disclosures in this section provide information about the organization's material topics, how the organization has determined these topics, and how it manages each material topic. Material topics are topics that represent the organization's most significant impacts on the economy, environment, and people, including impacts on their human rights. Section 1 of this Standard provides guidance on how to determine material topics and helps in understanding and reporting the disclosures in this section.

Disclosure 3-1 Process to determine material topics

Requirements

The organization shall:

a. describe the process it has followed to determine its material topics, including:

i. how it has identified actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights, across its activities and business relationships;

ii. how it has prioritized the impacts for reporting based on their significance;

b. specify the stakeholders and experts whose views have informed the process of determining its material topics.

Guidance

This disclosure requires information on how the organization has determined its material topics. The list of material topics is reported under Disclosure 3-2 in this Standard.

The organization is required to use the applicable GRI Sector Standards when determining its material topics. If any of the topics that are included in the applicable Sector Standards have been determined by the organization as not material, the organization is required to list them in the GRI content index and explain why they are not material. See Requirement 5 and Requirement 7 in *GRI 1: Foundation 2021* and Box 5 in this Standard for more information.

In the absence of applicable Sector Standards, the organization should explain how it has considered impacts commonly associated with its sectors, and whether any of these impacts have been determined as not material, together with an explanation for why this is the case. The organization should also explain how it has considered impacts commonly associated with its products and geographic locations. See section 1 in this Standard and the Sector Standards for guidance on impacts commonly associated with sectors, products, and geographic locations.

Guidance to 3-1-a-i

The organization should describe the methods it has used to identify its impacts, for example, economic, environmental, social, and human rights impact assessments, grievance mechanisms, or using information from external sources, such as civil society organizations. The organization should describe the sources and the evidence it has used to identify the impacts.

The organization should also describe the scope it has defined when identifying the impacts, for example, whether it has identified short-term as well as long-term impacts. The organization should also describe any limitations or exclusions, for example, whether it has excluded business relationships from certain parts of its value chain when identifying the impacts.

Disclosure 2-12 in *GRI 2: General Disclosures 2021* requires information on the role of the highest governance body in overseeing the organization's due diligence and other processes to identify its impacts on the economy, environment, and people.

Guidance to 3-1-a-ii

The organization should describe how it has assessed the significance of the impacts, including any assumptions and subjective judgements it has made.

The significance of an actual negative impact is determined by the severity of the impact (scale, scope, and irremediable character), while the significance of a potential negative impact is determined by the severity and likelihood of the impact. In the case of potential negative human rights impacts, the severity of the impact takes precedence over its likelihood.

The significance of an actual positive impact is determined by the scale and scope of the impact, while the significance of a potential positive impact is determined by its scale and scope as well as its likelihood.

See section 1 in this Standard for more guidance on assessing the significance of impacts.

The organization should explain if it has used a different approach to prioritize its impacts, for example, if it has prioritized potential negative environmental impacts based on severity only.

The organization should also describe how it has defined the threshold to determine which topics are material for reporting, and whether it has tested its selection of material topics with potential information users and experts. The organization is required to report whether the highest governance body is responsible for reviewing and approving the reported information, including the organization's material topics, under Disclosure 2-14 in *GRI 2*. The organization should explain any changes to its initial selection of material topics following internal approval and testing with potential information users and experts.

For transparency, the organization can provide a visual representation of the prioritization that shows the initial list of topics it has identified and the threshold it has set for reporting.

Guidance to 3-1-b

Requirement 3-1-b enables the organization to explain how engagement with stakeholders and experts informs the ongoing identification and assessment of its impacts.

The organization can report whether and how it has prioritized stakeholders for engagement and the methods used to engage with them. It can also report any conflicting interests that have arisen among different stakeholders and how the organization has resolved these conflicting interests.

Disclosure 3-2 List of material topics

Requirements

The organization shall:

a. list its <u>material topics</u>;

b. report changes to the list of material topics compared to the previous <u>reporting period</u>.

Guidance

This disclosure requires information on the organization's material topics. The process of determining material topics is reported under Disclosure 3-1 in this Standard.

The organization is required to include the material topics listed under this disclosure in the GRI content index. If any of the topics that are included in the applicable Sector Standards have been determined by the organization as not material, the organization is required to list them in the content index and explain why they are not material. See Requirement 5 and Requirement 7 in *GRI 1: Foundation 2021* for more information.

Guidance to 3-2-a

The organization can group material topics by relevant categories if this helps communicate its <u>impacts</u>. For example, the organization can indicate which of its material topics represent its negative <u>human rights</u> impacts.

Guidance to 3-2-b

Requirement 3-2-b enables the organization to explain why a topic that it determined as material in the previous reporting period is no longer considered to be material, or why a new topic has been determined as material for the current reporting period.

Disclosure 3-3 Management of material topics

Requirements

For each material topic reported under Disclosure 3-2, the organization shall:

a. describe the actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights;

b. report whether the organization is involved with the negative impacts through its activities or as a result of its business relationships, and describe the activities or business relationships;

c. describe its policies or commitments regarding the material topic;

d. describe actions taken to manage the topic and related impacts, including:

- **i. actions to prevent or mitigate potential negative impacts;**
- **ii. actions to address actual negative impacts, including actions to provide for or cooperate in their remediation;**
- **iii. actions to manage actual and potential positive impacts;**

e. report the following information about tracking the effectiveness of the actions taken:

- **i. processes used to track the effectiveness of the actions;**
- **ii. goals, targets, and indicators used to evaluate progress;**
- **iii. the effectiveness of the actions, including progress toward the goals and targets;**
- **iv. lessons learned and how these have been incorporated into the organization's operational policies and procedures;**

f. describe how engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).

Guidance

This disclosure requires the organization to explain how it manages each of its material topics. This means that the organization is required to report this disclosure for each of its material topics. The requirements in this disclosure apply to every material topic.

In addition to this disclosure, there may also be disclosures and guidance in the Topic Standards and Sector Standards that address reporting information about how the organization manages a topic. For example, some Topic Standards contain disclosures about specific actions or methods to manage a topic. The organization does not need to repeat this information under Disclosure 3-3 if it is already reported under another disclosure. The organization can report the information once and provide a reference to this information to fulfill the corresponding requirements in Disclosure 3-3.

If the organization's approach to managing a material topic, such as its policies or actions taken, applies to other material topics, the organization does not need to repeat this information for each topic. The organization can report this information once, with a clear explanation of all the topics it covers.

If the organization cannot report the required information about an item specified in this disclosure because the item (e.g., policy, action) does not exist, it can comply with the requirement by reporting this to be the case. The organization can explain the reasons for not having this item, or describe any plans to develop it. The disclosure does not require the organization to implement the item (e.g., developing a policy), but to report that the item does not exist.

If the organization does not manage a material topic, it can comply with the requirements under this disclosure by explaining the reasons for not managing the topic or describing any plans to manage it.

Guidance to 3-3-a

Requirement 3-3-a enables the organization to indicate if a topic is material because of negative impacts, positive impacts, or both. It does not require a list of all the impacts identified or a detailed description of the impacts. Instead, the organization can provide a high-level overview of the impacts it has identified.

Describing negative impacts

The organization can describe:

- whether the negative impacts are actual or potential;
- the time frame of the negative impacts (i.e., whether the negative effects are short-term or long-term and when they are likely to arise);
- whether the negative impacts are systemic (e.g., child labor or forced labor in countries where the organization operates or sources materials from) or are related to individual incidents (e.g., an oil spill);
- the economic resources, environmental resources, and stakeholders (without identifying specific individuals) that are negatively affected or could be negatively affected, including their geographic location.

Reporting information about negative impacts can help the organization demonstrate that it recognizes these impacts and that it has taken action or intends to take action to address them. The organization may have concerns about reporting information about negative impacts even if these impacts are publicly known. In cases where negative impacts are publicly known, failure to acknowledge these impacts and to explain how they are being addressed could have consequences for the organization financially, operationally, or reputationally. If the organization is unable to disclose specific information (e.g., because of stakeholders' right to privacy), it can provide the information in aggregated or anonymized form, or it can make a reference to the impacts commonly associated with its sectors, its products, or geographic locations. [11]

Describing positive impacts

The organization can describe:

- whether the positive impacts are actual or potential;
- the time frame of the positive impacts (i.e., whether the positive effects are short-term or long-term and when they are likely to arise);
- the activities that result in the positive impacts (e.g., products, services, investments, procurement practices);
- the economic resources, environmental resources, and stakeholders (without identifying specific individuals) that are positively affected or could be positively affected, including their geographic location.

Guidance to 3-3-b

The way the organization is involved with negative impacts determines how it should address the impacts, and whether it has a responsibility to provide for or cooperate in their remediation (see section 2.3 in *GRI 1: Foundation 2021*). Requirement 3-3-b provides contextual information that aids an understanding of the actions taken by the organization to manage its negative impacts. The actions taken are reported under 3-3-d-i and 3-3-d-ii.

Under requirement 3-3-b, the organization is required to report whether it is involved with the negative impacts through its activities or as a result of its business relationships. Where possible, the organization should also report:

- whether it is or could be causing or contributing to the negative impacts through its activities; or

- whether the impacts are or could be directly linked to its operations, products, or services by its business relationships even if it has not contributed to them.

See Box 3 in this Standard for more information on causing, contributing, or being directly linked to negative impacts.

Under requirement 3-3-b, the organization is also required to describe the activities or business relationships. This enables the organization to indicate if the impacts related to a material topic are widespread in the organization's activities or business relationships, or if the impacts concern specific activities or business relationships.

If the impacts concern specific activities, the organization should describe the types of activities (e.g., manufacturing, retail) and their geographic location. If the impacts concern specific business relationships, the organization should describe the types of business relationships (e.g., suppliers of raw materials, franchisees), their position in the value chain, and their geographic location.

For example, if the organization has identified that its activities at specific sites could cause water pollution, it should describe the types of activities carried out at these sites and the geographic location of these sites. Or if the organization has identified that it is directly linked to child labor by the business relationships in its supply chain, it should specify the types of suppliers using child labor (e.g., sub-contractors doing embroidery work for the organization's products) and the geographic location of these suppliers.

The organization can provide additional contextual information for understanding the extent of its impacts. Adding to the previous examples, the organization can report how many of its sites could cause water pollution (e.g., 60% of sites, five out of 12 sites) or the proportion of production these sites represent, or it can report the estimated number of sub-contractors using child labor that do embroidery work for the organization.

Guidance to 3-3-c

Requirement 3-3-c entails describing the policies or commitments the organization has developed specifically for the topic, in addition to the policy commitments reported under Disclosure 2-23 in *GRI 2: General Disclosures 2021*. If the organization has described its policies for a material topic under Disclosure 2-23, it can provide a reference to this information under 3-3-c and does not need to repeat the information. See Disclosure 2-23 in *GRI 2* for guidance on how to report information about policies.

When reporting its commitments regarding the material topic, the organization should provide a statement of intent to manage the topic, or explain:

- the organization's stance on the topic;
- whether the commitment to manage the topic is based on regulatory compliance or extends beyond it;
- compliance with authoritative intergovernmental instruments related to the topic.

Guidance to 3-3-d

Requirement 3-3-d enables the organization to explain how it responds to its impacts. It does not require a detailed description of actions taken in relation to each impact. Instead, the organization can provide a high-level overview of how it manages its impacts.

The organization should report how it integrates the findings from its identification and assessment of impacts across relevant internal functions and processes, including:

- the level and function within the organization that has been assigned responsibility for managing the impacts;
- the internal decision-making, budget allocation, and oversight processes (e.g., internal audit) to enable effective actions to manage the impacts.

Disclosure 2-12 and Disclosure 2-13 in *GRI 2* require information on the role of the highest governance body in overseeing the management of the organization's impacts and on how it delegates responsibility for this.

The organization should also report how it manages actual impacts that were identified in previous reporting periods and which it continues to manage during the current reporting period.

Guidance to 3-3-d-i

The organization should report:

- examples of actions taken to prevent or mitigate potential negative impacts (e.g., adaptation/modification measures, facility upgrading, training, red-flag systems);
- approaches taken to prevent or mitigate systemic negative impacts;
- how the organization applies the precautionary principle, including:
  - how the organization proactively informs the public about potential negative impacts of its activities, products, and services, and how it deals with related questions and complaints;
  - the organization’s support or contribution to scientific research related to evaluating potential negative impacts of its activities, products, and services;
  - the organization’s participation in collaborative efforts to share knowledge and to prevent negative impacts of its activities, products, and services;
- how the organization uses or increases its leverage to motivate its business relationships to prevent or mitigate potential negative impacts. For example, whether the organization uses or increases its leverage by enforcing contractual requirements, implements incentives such as future orders, provides training and support, or actively collaborates with other actors to motivate its business relationships to prevent or mitigate potential negative impacts;
- whether the organization has terminated a business relationship because it lacks the leverage to prevent or mitigate potential negative impacts and, if so, whether it has assessed if terminating the relationship could itself result in negative impacts.

See Guidance to 2-23-a-iii in *GRI 2* for more information on ‘precautionary principle’.

Guidance to 3-3-d-ii

The organization should report:

- examples of actions taken to remediate actual negative impacts, including examples of specific remedies or types of remedy provided;
- how grievance mechanisms or other remediation processes (reported under Disclosure 2-25 in *GRI 2*) have made it possible for actual negative impacts to be remediated.

See Disclosure 2-25 in *GRI 2* for more information on processes to remediate negative impacts.

Guidance to 3-3-e

Requirement 3-3-e enables the organization to report information about the effectiveness of its actions to manage its impacts. Tracking the effectiveness of its actions is necessary for an organization so that it can learn if its policies and processes are being implemented optimally. It is also necessary for knowing if it has responded effectively to its impacts and to drive continuous improvement.

The organization should also report information about the effectiveness of its actions to manage actual impacts from previous reporting periods. This applies in cases where the organization has assessed the effectiveness of these actions or derived lessons during the current reporting period.

Guidance to 3-3-e-i

Processes used to track the effectiveness of actions can include internal or external auditing or verification, impact assessments, measurement systems, stakeholder feedback, grievance mechanisms, external performance ratings, and benchmarking.

Guidance to 3-3-e-ii

When reporting on goals and targets, the organization should report:

- how the goals and targets are set;

- whether and how the goals and targets take into account the sustainability context in which the impacts take place (e.g., sustainable development goals and conditions, the limits and demands placed on environmental resources). See the Sustainability context principle in *GRI 1* for more information;
- whether the goals and targets are informed by expectations in authoritative intergovernmental instruments and, where relevant, by scientific consensus;
- whether goals and targets are mandatory (based on legislation) or voluntary. If they are mandatory, the organization can list the relevant legislation;
- the organization's activities or business relationships to which the goals and targets apply;
- the baseline for the goals and targets;
- the timeline for achieving the goals and targets.

Targets can be qualitative (e.g., implementing a management system by a certain date) or quantitative (e.g., reducing greenhouse gas [GHG] emissions by a certain percentage by a certain date).

The indicators used to evaluate progress can also be qualitative or quantitative. Quantitative indicators can bring precision and enable comparisons. Qualitative information is often needed to put quantitative information into context, enable its interpretation, and determine which comparisons and conclusions are likely to be most valid. The Topic Standards and Sector Standards include qualitative and quantitative indicators.

Guidance to 3-3-e-iii

Requirement 3-3-e-iii enables the organization to show the extent to which the actions taken have been effective. Information on the effectiveness of the actions can be obtained, for example, from the outcomes of internal or external auditing or verification, data collected through measurement systems, and stakeholder feedback. The organization should show that there is a credible link between the specific action taken by the organization and the effective management of impacts.

For example, to show the effectiveness of the actions it has taken to support its suppliers with improving their working conditions, the organization can report survey feedback from the suppliers' workers showing that working conditions have improved. Additional information the organization can provide include data showing a decrease in the number of incidents identified through independent audits.

Similarly, to demonstrate the effectiveness of its actions to improve the quality of its water discharge, the organization can report data showing a decrease in the concentration of total dissolved solids (mg/L) in the water discharge.

When reporting progress toward its goals and targets, the organization should report whether progress is satisfactory or not. If a goal or target has not been achieved, the organization should explain why.

Guidance to 3-3-e-iv

Managing impacts is typically an ongoing process requiring continuous improvement based on learning from practice.

The organization is not required to provide a detailed description of lessons learned in relation to each material topic. Instead, the organization can provide examples to show how it incorporates lessons learned to manage impacts more successfully in the future.

For example, the organization can briefly describe lessons learned that have led to changes in its policies or practices (e.g., training for workers, giving additional attention to the performance of suppliers), or that have led to plans for changes that will manage impacts more successfully in the future.

Lessons learned may be derived from the organization's own processes (e.g., root cause analysis), from its business relationships, or from stakeholder or expert feedback.

Guidance to 3-3-f

The organization can explain, for example, whether and how affected stakeholders have been involved in determining an appropriate remedy for a negative impact, or how stakeholder feedback is used to assess the effectiveness of the actions taken.

Glossary

This glossary provides definitions for terms used in this Standard. The organization is required to apply these definitions when using the GRI Standards.

The definitions included in this glossary may contain terms that are further defined in the complete *GRI Standards Glossary*. All defined terms are underlined. If a term is not defined in this glossary or in the complete *GRI Standards Glossary*, definitions that are commonly used and understood apply.

business partner

entity with which the organization has some form of direct and formal engagement for the purpose of meeting its business objectives

Source: Shift and Mazars LLP, *UN Guiding Principles Reporting Framework*, 2015; modified

Examples: affiliates, business-to-business customers, clients, first-tier suppliers, franchisees, joint venture partners, investee companies in which the organization has a shareholding position

Note: Business partners do not include subsidiaries and affiliates that the organization controls.

business relationships

relationships that the organization has with business partners, with entities in its value chain including those beyond the first tier, and with any other entities directly linked to its operations, products, or services

Source: United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011; modified

Note: Examples of other entities directly linked to the organization's operations, products, or services are a non-governmental organization with which the organization delivers support to a local community, or state security forces that protect the organization's facilities.

due diligence

process to identify, prevent, mitigate, and account for how the organization addresses its actual and potential negative impacts

Source: United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011; and Organisation for Economic Co-operation and Development (OECD), *OECD Guidelines for Multinational Enterprises*, 2011; modified

Note: See section 2.3 in *GRI 1: Foundation 2021* for more information on 'due diligence'.

employee

individual who is in an employment relationship with the organization according to national law or practice

full-time employee

employee whose working hours per week, month, or year are defined according to national law or practice regarding working time

grievance mechanism

routinized process through which grievances can be raised and remedy can be sought

Source: United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011; modified

Note: See Guidance to Disclosure 2-25 in *GRI 2: General Disclosures 2021* for more information on 'grievance mechanism'.

highest governance body

governance body with the highest authority in the organization

Note: In some jurisdictions, governance systems consist of two tiers, where supervision and management are separated or where local law provides for a supervisory board drawn from non-executives to oversee an executive management board. In such cases, both tiers are included under the definition of highest governance body.

human rights

rights inherent to all human beings, which include, at a minimum, the rights set out in the *United Nations (UN) International Bill of Human Rights* and the principles concerning fundamental rights set out in the *International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work*

Source: United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011; modified

Note: See Guidance to 2-23-b-i in *GRI 2: General Disclosures 2021* for more information on 'human rights'.

impact

effect the organization has or could have on the economy, environment, and people, including on their human rights, which in turn can indicate its contribution (negative or positive) to sustainable development

Note 1: Impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, and reversible or irreversible.

Note 2: See section 2.1 in *GRI 1: Foundation 2021* for more information on 'impact'.

local community

individuals or groups of individuals living or working in areas that are affected or that could be affected by the organization's activities

Note: The local community can range from those living adjacent to the organization's operations to those living at a distance.

material topics

topics that represent the organization's most significant impacts on the economy, environment, and people, including impacts on their human rights

Note: See section 2.2 in *GRI 1: Foundation 2021* and section 1 in *GRI 3: Material Topics 2021* for more information on 'material topics'.

mitigation

action(s) taken to reduce the extent of a negative impact

Note: The mitigation of an actual negative impact refers to actions taken to reduce the severity of the negative impact that has occurred, with any residual impact needing remediation. The mitigation of a potential negative impact refers to actions taken to reduce the likelihood of the negative impact occurring.

Source: United Nations (UN), *The Corporate Responsibility to Respect Human Rights: An Interpretive Guide*, 2012; modified

non-guaranteed hours employee

employee who is not guaranteed a minimum or fixed number of working hours per day, week, or month, but who may need to make themselves available for work as required

Examples: casual employees, employees with zero-hour contracts, on-call employees

Source: ShareAction, *Workforce Disclosure Initiative Survey Guidance Document*, 2020; modified

part-time employee

employee whose working hours per week, month, or year are less than the number of working hours for full-time employees

permanent employee

employee with a contract for an indeterminate period (i.e., indefinite contract) for full-time or part-time work

remedy / remediation

means to counteract or make good a negative impact / provision of remedy

Examples: apologies, restitution, restoration, rehabilitation, financial or non-financial compensation, and punitive sanctions (whether criminal or administrative, such as fines), prevention of harm through injunctions or guarantees of non-repetition

Source: United Nations (UN), *The Corporate Responsibility to Respect Human Rights: An Interpretive Guide*, 2012; modified

reporting period

specific time period covered by the reported information

Examples: fiscal year, calendar year

senior executive

high-ranking member of the management of the organization, such as the Chief Executive Officer (CEO) or an individual reporting directly to the CEO or the highest governance body

severity (of an impact)

The severity of an actual or potential negative impact is determined by its scale (i.e., how grave the impact is), scope (i.e., how widespread the impact is), and irremediable character (how hard it is to counteract or make good the resulting harm).

Source: United Nations (UN), *The Corporate Responsibility to Respect Human Rights: An Interpretive Guide*, 2012; and the Organisation for Economic Co-operation and Development (OECD), *OECD Due Diligence Guidance for Responsible Business Conduct*, 2018; modified

Note: See section 1 in *GRI 3: Material Topics 2021* for more information on 'severity'.

stakeholder

individual or group that has an interest that is affected or could be affected by the organization's activities

Source: Organisation for Economic Co-operation and Development (OECD), *OECD Due Diligence Guidance for Responsible Business Conduct*, 2018; modified

Examples: business partners, civil society organizations, consumers, customers, employees and other workers, governments, local communities, non-governmental organizations, shareholders and other investors, suppliers, trade unions, vulnerable groups

Note: See section 2.4 in *GRI 1: Foundation 2021* for more information on 'stakeholder'.

supplier

entity upstream from the organization (i.e., in the organization's supply chain), which provides a product or service that is used in the development of the organization's own products or services

Examples: brokers, consultants, contractors, distributors, franchisees, home workers, independent contractors, licensees, manufacturers, primary producers, sub-contractors, wholesalers

Note: A supplier can have a direct business relationship with the organization (often referred to as first-tier supplier) or an indirect business relationship.

supply chain

range of activities carried out by entities upstream from the organization, which provide products or services that are used in the development of the organization's own products or services

sustainable development / sustainability

development that meets the needs of the present without compromising the ability of future generations to meet their own needs

Source: World Commission on Environment and Development, *Our Common Future*, 1987

Note: In the GRI Standards, the terms 'sustainability' and 'sustainable development' are used interchangeably.

temporary employee

employee with a contract for a limited period (i.e., fixed term contract) that ends when the specific time period expires, or when the specific task or event that has an attached time estimate is completed (e.g., the end of a project or return of replaced employees)

value chain

range of activities carried out by the organization, and by entities upstream and downstream from the organization, to bring the organization's products or services from their conception to their end use

Note 1: Entities upstream from the organization (e.g., suppliers) provide products or services that are used in the development of the organization's own products or services. Entities downstream from the organization (e.g., distributors, customers) receive products or services from the organization.

Note 2: The value chain includes the supply chain.

vulnerable group

group of individuals with a specific condition or characteristic (e.g., economic, physical, political, social) that could experience negative impacts as a result of the organization's activities more severely than the general population

Examples: children and youth; elderly persons; ex-combatants; HIV/AIDS-affected households; human rights defenders; indigenous peoples; internally displaced persons; migrant workers and their families; national or ethnic, religious and linguistic minorities; persons who might be discriminated against based on their sexual orientation, gender identity, gender expression, or sex characteristics (e.g., lesbian, gay, bisexual, transgender, intersex); persons with disabilities; refugees or returning refugees; women

Note: Vulnerabilities and impacts can differ by gender.

worker

person that performs work for the organization

Examples: employees, apprentices, interns, self-employed persons, and persons working for organizations other than the reporting organization, such as for suppliers

Note: In the GRI Standards, in some cases it is specified whether a particular subset of workers is required to be used.

Bibliography

This section lists authoritative intergovernmental instruments and additional references used in developing this Standard, as well as resources that can be consulted the organization.

Authoritative instruments:

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5. United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011.
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    - 6.1 United Nations (UN), *Universal Declaration of Human Rights*, 1948.
    - 6.2 United Nations (UN), *International Covenant on Civil and Political Rights*, 1966.
    - 6.3 United Nations (UN), *International Covenant on Economic, Social, and Cultural Rights*, 1966.
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11. Shift and Mazars LLP, *UN Guiding Principles Reporting Framework*, 2015.

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13. Organisation for Economic Co-operation and Development (OECD), sectoral guidance, http://mneguidelines.oecd.org/sectors/, accessed on 7 May 2021.
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