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Item 08 – GRI Universal Standards Project – Revised GRI 103: Material Topics

For GSSB discussion

Date	8 February 2021
Meeting	25 February 2021
Project	GRI Universal Standards Project
Description	This document presents the revised draft of *GRI 103: Material Topics* following the public comment feedback. Key changes are highlighted in comment boxes within the document. Minor editorial changes have not been highlighted, but a draft tracking all changes to the text has been included in the Annex. *Item 09 – GRI Universal Standards Project – Public comment feedback on GRI 103 Material Topics* includes the public comments received on *GRI 103*.

Contents

Explanatory note

The following significant revisions have been made in response to public comment feedback:

Section 2. How to determine material topics

- Revised the introduction to more clearly signal the requirements with respect to material topics, see lines 47-58.
- Clarified more prominently the importance and role of stakeholder engagement in the process to identify an organization's most significant impacts, see lines 61-62.
- Added a new section on identifying stakeholders within Step 1, see lines 145-159.
- Clarified more prominently the various methods an organization can use to identify its negative and positive impacts and added a reference to enterprise risk management systems, see lines 166-180.
- Clarified why it is recommended to identify negative impacts before identifying positive impacts, in cases where an organization has limited resources available for identifying its impacts, see lines 216-218.
- Clarified terminology around 'impact' and 'risk', see lines 305-306.
- Clarified that the organization may choose to prioritize other types of impacts, such as environmental impacts, based on severity also, see lines 347-348.
- Added additional guidance on setting the threshold to determine which topics are material to report on, see lines 371-376.

Section 3. Disclosures on material topics

- Expanded the guidance for Disclosure MT-1, see lines 439-481.
- Added a new requirement for organizations to list any topics from the applicable GRI Sector Standard(s) that have been determined as not material and to explain why they are not material, see lines 486-487 and 499-541.
- Relocated requirements between Disclosure MT-2 and Disclosure MT-3, as per feedback from the regional workshops, see lines 549-553.
- Expanded the requirement to report whether the organization is involved with negative impacts through its activities or as a result of its business relationships to elicit more information about the activities and business relationships that are involved with the impacts (this replaces the existing topic Boundary requirement), see lines 551-553 and 634-651.
- Added a new requirement for organizations to report actions to manage actual and potential positive impacts, to make clear that these actions are also to be reported, see line 559.

Additional revisions made in response to public comment feedback are explained in comment boxes.

The inclusion of a visual representation of the prioritization of material topics will be discussed at the GSSB meeting on 25 February 2021.

Other editorial revisions have been made to the text to improve clarity and consistency with the GRI Style Guide and are explained in comment boxes.

Revised *GRI 103: Material Topics*

Section 1. Introduction

[under review]

Section 2. How to determine material topics

Commented [SD1]: **Type of change:** global editorial revision.

Original wording: "identify 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 Standard(s) (see Requirement A-3 in Section 3.1 of *GRI 101: Using the GRI Standards*).

This section describes the steps that the organization should follow in determining its material topics. Following the steps in this section will help the organization determine its material topics and report the disclosures in Section 3 of this Standard. The steps provide guidance and are not requirements on their own.

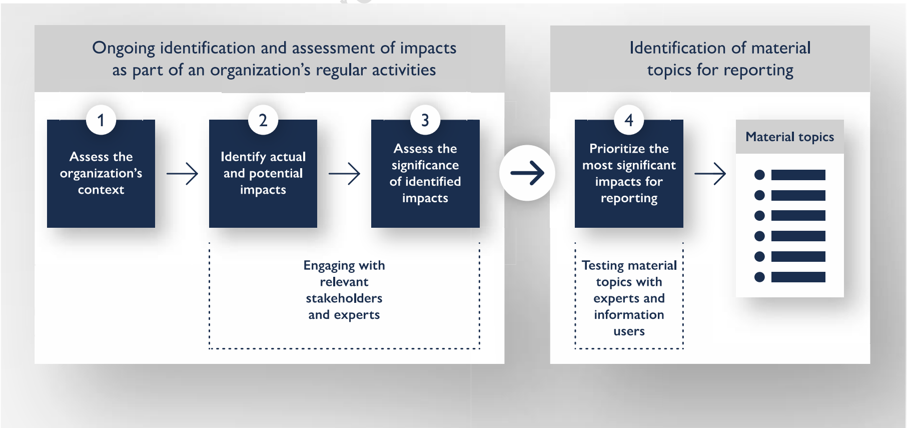
The Sector Standards provide information for organizations in a given sector about their most likely material topics. The reporting organization needs to review each topic described in the applicable Sector Standard and determine whether it is material for it to report on. Using the Sector Standards helps the organization determine its materials topics but does not replace the need for the organization to determine its material topics based on its specific circumstances.

Commented [SD2]: Type of change: revision following public comment feedback.

Revised the introduction to more clearly signal the requirements with respect to material topics.

Figure 2. Process to determine material topics

Commented [SD3]: Figure 2 will be updated in line with the changes made following public comment feedback and editorial revisions.



The first three steps in the process to determine material topics relate to the organization's ongoing identification and assessment of impacts. This involves engaging with relevant stakeholders and experts. These steps are conducted independently of the sustainability reporting process, but they

Commented [SD4]: Type of change: revision following public comment feedback.

Clarified more prominently the importance and role of stakeholder engagement in the process to identify an organization's most significant impacts.

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 have resulted from changes in its 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 the process to determine its 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 3 of this Standard. The records facilitate analysis and assurance (see also Verifiability principle in Section 4 of *GRI 101: Using the GRI Standards*).

Commented [SD5]: Type of change: revision following public comment feedback.

New text added.

Commented [SD6]: Type of change: revision following public comment feedback.

New text added.

The approach for each step will vary according to the specific circumstances of the organization, such as its business model; sector; 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 to the approach together with the rationale for those changes and their implications.

Commented [SD7]: Type of change: revision following public comment feedback.

New text added.

In addition, the highest governance body or a senior executive should oversee the process and approve the material topics.

Commented [SD8]: Type of change: revision following public comment feedback.

New text added.

Box 1. Input to financial and value creation reporting

The material topics and impacts that have been identified through this process inform financial and value creation reporting. They provide crucial input to identifying financial risks and opportunities related to the organization’s impacts and financial valuation. This in turn helps in making financial materiality judgments about what to recognize in financial statements. See Box 1 in *GRI 101: Using the GRI Standards* for more information on sustainability reporting and financial and value creation reporting.

Commented [SD9]: Type of change: revision following public comment feedback.

New text added.

The next sections describe the four steps in more detail.

Step 1. Understand the organization’s context

This step involves the organization creating an initial high-level overview of its activities, business relationships, and stakeholders, and assessing the sustainability context. This provides the organization with critical information for identifying its actual and potential impacts.

Relevant departments and functions within the organization can assist in this step: communications, human resources, investor relations, legal and compliance department or functions, marketing and sales, procurement, product development, etc. The GRI Sector Standards also provide useful information.

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 sector(s) in which the organization is active and the characteristics of the sector(s) (e.g., whether it involves informal work, whether it is labor or resource intensive).

Commented [SD10]: Type of change: revision following public comment feedback.

New text added.

Commented [SD11]: Type of change: editorial revision (change in location).

- The number of employees, including their employment type (full-time, part-time, or non-guaranteed hours), employment contract (permanent contract or temporary contract), and 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 (whether the organization engages these workers directly or indirectly through a third party), and the work they perform.

Commented [SD12]: Type of change: revision following public comment feedback.

New text added.

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 location where the activities of the business relationships take place.

Sustainability context

Commented [SD13]: Type of change: editorial revision.

Original wording: "context".

The organization should consider the following in order 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 sector(s) 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*; the *Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises*; the *United Nations (UN) Framework Convention on Climate Change (UNFCCC) Paris Agreement*; the *UN Guiding Principles on Business and Human Rights*; and the *UN International Bill of Human Rights*.
- The organization's responsibility regarding the laws and regulations with which it is expected to comply.

Commented [SD14]: Type of change: revision following public comment feedback.

New text added.

Commented [SD15]: Type of change: editorial revision.

Original wording: "water security".

Commented [SD16]: Type of change: editorial revision.

Reference added in line with the guidance for the Sustainability context principle.

See the Sustainability context principle in Section 4 of *GRI 101: Using the GRI Standards*.

Stakeholders

Commented [SD17]: Type of change: revision following public comment feedback.

Added a new section on identifying stakeholders within Step 1.

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 should also consider individuals or groups whom 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).

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

This step involves the organization identifying its actual impacts (those that have already occurred) and potential impacts (those that could occur but have not yet occurred) on the economy, environment, and people, including impacts on human rights, across the organization's activities and business relationships. This includes 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 environmental, socioeconomic, and human rights impacts. It can also use information from legal reviews, anti-corruption compliance management systems, financial audits, occupational health and safety inspections, and shareholder filings. In addition, it can 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 it has established itself or that have been established by other organizations. It 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 impacts on the organization itself. And it can 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[1]

The organization should seek to understand the concerns of its stakeholders by consulting them directly in a way that takes language and other potential barriers (e.g., cultural differences, gender and power imbalances, divisions within the community) into account. It is important to identify and remove potential barriers to ensure that stakeholder engagement is effective.

Engagement with at-risk or vulnerable groups may necessitate specific approaches and need special attention. Such approaches include removing social barriers that limit the participation of women in public fora 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).

In cases that involve many stakeholders or in those that involve certain types of impact that result in collective harm, broad engagement with stakeholders may not be possible. For example, in the case of corruption, which collectively harms the population of the jurisdiction in which it takes place, or 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, representative public bodies). This is also relevant in cases where

[1] This guidance is based on the United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011 and the Organisation for Economic Co-operation and Development (OECD), *OECD Due Diligence Guidance for Responsible Business Conduct*, 2018.

Commented [SD18]: Type of change: editorial revision.

New text added.

Commented [SD19]: Type of change: editorial revision.

New text added.

Commented [SD20]: Type of change: revision following public comment feedback.

New text added.

Commented [SD21]: Type of change: revision following public comment feedback.

Reference to "shareholder filings" added.

Commented [SD22]: Type of change: revision following public comment feedback and change in location.

Clarified more prominently the various methods an organization can use to identify its negative and positive impacts and added a reference to enterprise risk management systems.

Commented [SD23]: Type of change: revision following public comment feedback.

New text added.

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 the organization to engage with trade unions to mitigate the employment impacts of the decision. In such 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, for example, national human rights institutions, human rights and environmental defenders, trade unions, and other members of civil society.

In this step, the organization needs to consider the impacts described in the applicable GRI Sector Standard and determine whether these impacts apply to it.

Commented [SD24]: Type of change: editorial revision (new text added).

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 keep assessing its context and identifying its impacts on an ongoing basis.

In cases where an 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.

Commented [SD25]: Type of change: revision following public comment feedback.

Clarified why it is recommended to identify negative impacts before identifying positive impacts, in cases where an organization has limited resources available for identifying its impacts.

Identifying negative impacts

This guidance is based on the *UN Guiding Principles on Business and Human Rights*, the *OECD Guidelines for Multinational Enterprises*, and the *OECD Due Diligence Guidance for Responsible Business Conduct.*

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 it has diverse or multiple global operations or because its value chain comprises many entities. In these 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.

Commented [SD26]: Type of change: editorial revision (new text added).

As part of the initial assessment or scoping exercise, the organization should consider impacts commonly associated with its sector, its products, geographic locations, or with specific organizations. 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 *OECD Due Diligence Guidance for Responsible Business Conduct* and the OECD sectoral guidance on due diligence[2] 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.

Commented [SD27]: Type of change: editorial revision.

Original wording: "sector-specific, product-specific, geographic-level, and enterprise-level impacts".

[2] http://mneguidelines.oecd.org/sectors/

Box 3. Causing, contributing, or being directly linked to negative impacts[3]

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 cause, facilitate, or incentivize another entity to cause the impact. An 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 this case, the organization could 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 its 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 could 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.

The way an organization is involved with negative impacts determines how the organization should address an impact and whether it has a responsibility to provide for or cooperate in its remediation (see Section 2.3 of *GRI 101: Using the GRI Standards*).

For additional guidance and examples, see the *OECD Due Diligence Guidance for Responsible Business Conduct*, pages 70-72, and the *UN's The Corporate Responsibility to Respect Human Rights: An Interpretive Guide*, 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 toward 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 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 might reduce a region's dependence on fossil fuels and bring energy to underserved communities. But if it displaces local indigenous communities from their lands or territories without their consent, this negative impact needs to be addressed and remediated, and it cannot be compensated by the positive impacts.

[3] These concepts come from the United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011 and the Organisation for Economic Co-operation and Development (OECD), *OECD Due Diligence Guidance for Responsible Business Conduct*, 2018.

Commented [SD28]: Type of change: revision following public comment feedback.

References added for organizations to consult additional guidance and examples.

Commented [SD29]: Type of change: revision following public comment feedback.

New text added.

Commented [SD30]: Type of change: revision following public comment feedback.

New text added.

Commented [SD31]: Type of change: revision following public comment feedback.

New text added.

Commented [SD32]: Type of change: revision following public comment feedback.

Original wording: "their historical and cultural lands".

Wording has been aligned with the UN Declaration on the Rights of Indigenous Peoples.

Commented [SD33]: Type of change: revision following public comment feedback.

New text added.

Step 3. Assess the significance of the impacts

The organization may identify many actual and potential impacts. This step involves the organization assessing the significance of its identified impacts to prioritize them. Prioritization enables the organization to take action in order 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 its sector(s) and 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.

Commented [SD34]: Type of change: revision following public comment feedback.

New text added.

Commented [SD35]: Type of change: revision following public comment feedback.

New text added.

Assessing the significance of negative impacts

This guidance is based on the *UN Guiding Principles on Business and Human Rights*, the *OECD Guidelines for Multinational Enterprises*, and the *OECD Due Diligence Guidance for Responsible Business Conduct.*

The significance of an actual negative impact is assessed based on its severity. The significance of a potential negative impact is assessed based on its severity and likelihood. The combination of the severity and the likelihood of occurrence of a negative impact can be referred to as ‘risk’.

Commented [SD36]: Type of change: revision following public comment feedback.

Clarified terminology around ‘impact’ and ‘risk’.

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 GHG emissions to be achieved under the *UNFCCC Paris Agreement*, 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, the organization should compare the severity of the impacts of its greenhouse gas (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.

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 or 10%) or frequency over a given time period (e.g., once every three years).[4]

Human rights

In the case of potential negative human rights impacts, the severity of the impact takes precedence over its likelihood. For example, a nuclear power facility may prioritize the potential impact related to loss of life in cases of natural disasters, even though natural disasters are less likely to occur than other incidents would be.

The severity of a negative human rights impact is not limited to physical harm. 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 severe impact on people's cultural rights.

The organization may choose to prioritize other types of impacts, such as environmental impacts, based on severity, as well.

Commented [SD37]: Type of change: revision following public comment feedback.

Clarified that the organization may choose to prioritize other types of impacts, such as environmental impacts, based on severity also.

Assessing the significance of positive impacts

The significance of an actual positive impact is assessed based on its scale and scope. The significance of a potential positive impact is assessed based on its scale and scope as well as its likelihood.

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 or 10%) or frequency over a given time period (e.g., once every three years).[5]

Step 4. Prioritize the most significant impacts for reporting

This step involves the organization prioritizing its impacts based on their significance, in order to determine material topics for reporting.

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, in order to set a threshold an organization first groups its impacts into X number of topics and ranks them from highest to lowest priority based on their significance. The organization then needs to determine how many of the topics it will report on, starting with those that have highest priority. How 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.

Commented [SD38]: Type of change: revision following public comment feedback.

Added additional guidance on setting the threshold to determine which topics are material to report.

The significance of an impact is the sole criterion for determining 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

[4] International Organization for Standardization (ISO), *ISO 31000:2018 Risk management – Guidelines*, 2018.
[5] International Organization for Standardization (ISO), *ISO 31000:2018 Risk management – Guidelines*, 2018.

manage the topic as criteria for determining whether or not to report on the topic. In cases where the organization does not manage a material topic, it is required to report the reasons for not doing so, or any plans to manage the topic, under Disclosure MT-3.

While some topics can cover both negative and positive impacts, the organization should prioritize negative impacts separately from positive impacts, as negative impacts cannot be offset by positive impacts.

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 of *GRI 101: Using the GRI Standards* 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 on 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 Sector Standard. This helps the organization ensure that it has not overlooked any topics that are likely to be material for its sector.

The organization should also test its selection of material topics with potential information users and experts who understand the organization or its sector(s) 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.

In addition, the organization should seek external assurance to assess the quality and credibility of the process for identifying material topics. See Section 5.2 in *GRI 101: Using the GRI Standards* for more information on seeking external assurance.

The outcome of the testing results in a list of the organization's material topics.

Approval of the material topics

The organization's highest governance body or a senior executive should approve the list of material topics.

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 Requirements A-4 and A-5 in Section 3.1 of *GRI 101: Using the GRI Standards* for information on how to report on material topics.

Commented [SD39]: Type of change: revision following public comment feedback.

Original wording: "While some topics can cover both negative and positive impacts, the organization may prioritize negative impacts separately from positive impacts, as negative impacts need to be discussed independently and cannot be offset by positive impacts."

Commented [SD40]: Type of change: revision following public comment feedback.

New text added.

Commented [SD41]: Type of change: revision following public comment feedback.

New text added.

Commented [SD42]: Type of change: editorial revision (new text added).

Commented [SD43]: Type of change: revision following public comment feedback.

New text added.

Commented [SD44]: Type of change: revision following public comment feedback.

New text added.

Commented [SD45]: Type of change: revision following public comment feedback.

New text added.

Commented [SD46]: Type of change: revision following public comment feedback.

New text added.

Section 3. Disclosures on material topics

In the disclosures of this section, the organization is required to report its material topics, how it has determined these topics, and how it manages each topic. Material topics are topics that represent the organization’s most significant impacts on the economy, environment, and people, including impacts on human rights. Section 2 of this Standard provides guidance on how to determine material topics and helps understand and report on the disclosures in this section.

Disclosure MT-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 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 to determine its material topics.

Guidance

Guidance to MT-1

This disclosure requires information on how the organization has determined its material topics. The list of material topics is to be reported under Disclosure MT-2.

Guidance to MT-1-a-i

The organization should describe the methods it has used to identify its impacts, for example, environmental, socioeconomic, and human rights impact assessments, grievance mechanisms, or using information from external sources, such as civil society organizations. In addition, 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. It 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 GOV-10 in *GRI 102: About the Organization* requires information on the role of the highest governance body in overseeing the organization’s processes to identify its impacts.

Guidance to MT-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 assessed based on its severity (scale, scope, and irremediable character), while the significance of a potential negative impact is assessed based on its severity and likelihood. In the case of potential negative human rights impacts, the severity of the impact takes precedence over its likelihood.

Commented [SD47]: Type of change: revision following public comment feedback.

New text added.

Commented [SD48]: Type of change: editorial revision (new text added).

Commented [SD49]: Type of change: revision following public comment feedback.

New text added.

The significance of an actual positive impact is assessed based on its scale and scope, while the significance of a potential positive impact is assessed based on its scale and scope as well as its likelihood.

See Section 2 of 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. Disclosure GOV-11 *in GRI 102* requires information on the committee of the highest governance body or senior executive position that formally reviews and approves the organization's sustainability reporting and ensures that the organization reports all material topics. The organization should explain any changes to its initial selection of material topics following the testing with external parties and the internal approval.

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 MT-1-b

MT-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 MT-2 List of material topics

Requirements

The organization shall:

- **a. list its material topics;**
- **b. list any topics from the applicable GRI Sector Standard(s) that have been determined as not material and explain why they are not material;**
- **c. report changes to the list of material topics compared to the previous reporting period.**

Guidance

Guidance to MT-2

This disclosure requires information on the organization's material topics. Information on how the organization has determined its material topics is to be reported under Disclosure MT-1.

The organization is also required to include the material topics listed under this disclosure in the GRI content index (see Requirement A-6 in Section 3.1 of *GRI 101: Using the GRI Standards*).

Guidance to MT-2-a

The organization can group material topics by relevant categories if this helps communicate its impacts better. For example, the organization can indicate which of its material topics represent its negative human rights impacts.

Guidance to MT-2-b

The organization is required to use the applicable GRI Sector Standard(s) when determining its material topics (see Requirement A-3 in Section 3.1 of *GRI 101: Using the GRI Standards*).

Commented [SD50]: Type of change: revision following public comment feedback.

Added guidance for organizations to explain if they have used a different approach to prioritize their impacts than that outlined in Section 2.

Commented [SD51]: Type of change: editorial revision (new text added).

Commented [SD52]: Type of change: revision following public comment feedback.

New text added.

Commented [SD53]: Type of change: revision following public comment feedback.

New text added.

Commented [SD54]: Type of change: editorial revision.

Original wording: "report the material topics identified".

Commented [SD55]: Type of change: revision following public comment feedback.

Added a new requirement for organizations to list any topics from the applicable GRI Sector Standard(s) that have been determined as not material and to explain why they are not material.

Commented [SD56]: Type of change: editorial revision (change in location).

Requirement relocated from Disclosure MT-1.

Commented [SD57]: Type of change: revision following public comment feedback.

Original wording: "Examples of categories include negative human rights impacts, impacts in the supply chain, or impacts on the environment.".

Number of examples has been limited to one so as to not give the impression that these categories are mutually exclusive.

Commented [SD58]: Type of change: revision following public comment feedback.

Guidance revised in line with new requirement MT-2-b.

The Sector Standards provide information for organizations in a given sector about their most likely material topics. The topics have been identified on the basis of the sector's most significant impacts, using multi-stakeholder expertise, authoritative instruments, and other relevant evidence.

The organization needs to review each topic described in the applicable Sector Standard and determine whether it is material for it to report on. If any of the topics that are included in the applicable Sector Standard have been determined by the organization as not material, the organization is required to report this along with an explanation. This explanation provides information users with an understanding of why topics that have been identified by experts, instruments, and evidence as likely to be material for the sector have been determined by the organization as not material.

There can be cases where a topic included in the applicable Sector Standard is not material for an organization. This could be because the specific impacts the topic covers were assessed to be absent or 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 the GRI Oil and Gas Sector Standard when determining its material topics. One of the topics included in this Sector Standard is land use and resettlement. 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 for them through having 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 use and resettlement is not material for it to report on. In this case, the organization is required to explain why it has determined that this topic, which is likely material for organizations in the oil and gas sector, is not material to report on.

A brief explanation of why the topic is not material is sufficient. Adding to the previous example, the organization could explain that land use and resettlement 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.

The organization is required to list all the likely material topics identified in the applicable Sector Standard in the GRI content index (see Requirement A-6 in Section 3.1 of *GRI 101: Using the GRI Standards*) and for each of these topics, to indicate whether it has determined the topic to be material or not. The explanation of why any of these topics are determined to not be material can also be included directly in the GRI content index.

In the absence of an applicable Sector Standard, the organization should explain how it has considered impacts commonly associated with its sector, and whether any of these impacts have been determined as not material to report on, along with an explanation of 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 2 of this Standard and the Sector Standards for guidance on impacts commonly associated with sectors, products, and geographic locations.

Guidance to MT-2-c

MT-2-c 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.

Commented [SD59]: Type of change: editorial revision (change in location).

Guidance relocated from Disclosure MT-1.

Disclosure MT-3 Management of material topics

Requirements

For each material topic reported under Disclosure MT-2, the organization shall:

a. describe the actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on 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 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 on 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. evidence of whether or not the actions have been effective, 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 (MT-3-d) and how it has informed whether the actions have been effective (MT-3-e).

Guidance

Guidance to MT-3

This disclosure requires the organization to explain how it manages each of its material topics.

The requirements in this disclosure apply to every material topic. This means that the organization is required to report this disclosure for each of its material topics.

In addition to this disclosure, there may also be disclosures and guidance in the Topic Standards and Sector Standards that address reporting on 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 MT-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 MT-3 requirements.

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 is unable to report information about an item (e.g., a policy or action) as required under the disclosure because the item does not exist, it can meet the requirement by reporting this to

Commented [SD60]: Type of change: editorial revision.

The requirement for organizations to explain the reason for not managing a material topic or any plans to manage it has been removed, as this duplicates the guidance that will be provided at the introduction of every Standards. This guidance will clarify that if an organization is unable to report information about an item, e.g., a policy or action, as required under the disclosure because the item does not exist, it can meet the requirement by reporting this to be the case and explaining the reason for not having the item and/or describing any plans to develop it. This guidance has been cross-referenced in the guidance for this disclosure. See lines 584-591.

Removed requirement: "e. if the organization does not manage a material topic, explain the reason for not managing the topic or describe any plans to manage it".

Commented [SD61]: Type of change: revision following public comment feedback.

Expanded the requirement to report whether the organizations is involved with negative impacts through its activities or as a result of its business relationships to elicit more information about the activities and business relationships (this replaces the existing topic Boundary requirement).

See corresponding guidance at lines 634-651.

Commented [SD62]: Type of change: revision following public comment feedback.

Requirements "a" and "b" have been relocated from Disclosure MT-2 following feedback from regional workshops.

Commented [SD63]: Type of change: revision following public comment feedback.

Added a new requirement for organizations to report actions to manage actual and potential positive impacts, to make clear that these actions are also to be reported.

Commented [SD64]: Type of change: editorial revision.

Original wording: "evidence of the extent to which the actions taken have been effective, including progress toward the goals and targets;".

be the case. The disclosure does not require the organization to implement the item, such as the policy, but to report if it does not exist. Additionally, the organization can explain the reason for not having the item and/or describe any plans to develop it.

If the organization does not manage a material topic, it can meet the requirements under this disclosure by explaining the reason for not managing the topic and/or describing any plans to manage it.

Guidance to MT-3-a

MT-3-a enables the organization to indicate if a topic is material because of negative impacts, positive impacts, or both. MT-3-a 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, and for potential impacts, whether they are short-term or long-term;
- whether the impacts are systemic (e.g., child labor or forced labor in countries where the organization operates or sources inputs from) or are related to individual incidents (e.g., an oil spill);
- the stakeholders (without identifying specific individuals) or economic or environmental resources that are affected or could be affected, and their geographic location.

Reporting on 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 on 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 sector, its products, or geographic locations.

Describing positive impacts

The organization can describe:

- whether the positive impacts are actual or potential, and for potential impacts, whether they are short-term or long-term;
- the activities that result in the positive impacts (e.g., products, services, investments, procurement practices);
- the stakeholders (without identifying specific individuals) or economic or environmental resources that benefit or could benefit, and their geographic location.

Guidance to MT-3-b

The way an organization is involved with negative impacts determines the organization's responsibility toward addressing the impacts (see Section 2.3 of *GRI 101: Using the GRI Standards*). MT-3-b provides contextual information to understand the actions taken by the organization in order to manage its negative impacts (reported under requirement MT-3-d-i and MT-3-d-ii).

MT-3-b requires the organization 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 Section 2 of this Standard for more information on causing, contributing, or being directly linked to negative impacts.

Commented [SD65]: Type of change: editorial revision (new text added).

Commented [SD66]: Type of change: revision following public comment feedback.

Guidance relocated from Disclosure MT-2.

Commented [SD67]: Type of change: revision following public comment feedback.

New text added.

Commented [SD68]: Type of change: revision following public comment feedback.

New text added.

Commented [SD69]: Type of change: editorial revision (new text added).

Commented [SD70]: Type of change: revision following public comment feedback.

New text added.

Commented [SD71]: Type of change: editorial revision (new text added).

Commented [SD72]: Type of change: revision following public comment feedback.

Guidance relocated from Disclosure MT-2.

MT-3-b also requires describing 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, 5 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 MT-3-c

MT-3-c requires a description of policies or commitments the organization has developed specifically for the topic, in addition to the policy commitments reported under Disclosure RBC-2 in *GRI 102: About the Organization*. If the organization has described its policies for a material topic under Disclosure RBC-2, it can provide a reference to this information under MT-3-c and does not need to repeat the information. See Disclosure RBC-2 for guidance on how to report on policies.

When reporting on commitments, 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 MT-3-d

MT-3-d enables the organization to explain how it responds to its impacts. MT-3-d 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 GOV-10 in *GRI 102* requires information on the role of the highest governance body in overseeing the organization's processes to manage its impacts.

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.

Commented [SD73]: Type of change: revision following public comment feedback.

Guidance revised in line with the changes to the requirement. The requirement now elicits more information about the activities and business relationships involved with the negative impacts (this replaces the existing topic Boundary requirement).

Commented [SD74]: Type of change: revision following public comment feedback.

New text added.

Commented [SD75]: Type of change: revision following public comment feedback.

New text added.

Commented [SD76]: Type of change: editorial revision (new text added).

Commented [SD77]: Type of change: revision following public comment feedback.

New text added.

Guidance to MT-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 it 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 RBC-2-a-iii in *GRI 102* for more information on 'precautionary principle'.

Guidance to MT-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 RBC-5 in *GRI 102*) have made it possible for actual negative impacts to be remediated.

See Disclosure RBC-5 for more information on grievance mechanisms and other remediation processes.

Guidance to MT-3-e

MT-3-e enables the organization to report on 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 on 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.

Commented [SD78]: Type of change: revision following public comment feedback.

New text added.

Guidance to MT-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 MT-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., the limits and demands placed on environmental resources, social and economic objectives and goals);
- 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 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 MT-3-e-iii

The organization should report examples that give evidence of whether or not the actions have been effective, such as the outcomes of internal or external auditing or verification, data collected through measurement systems, and stakeholder feedback. The evidence 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 evidence 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 MT-3-e-iv

Managing impacts is typically an ongoing challenge requiring continuous improvement based on learning from practice.

MT-3-e-iv does not require 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 in order to manage impacts more successfully in the future.

For instance, the organization can provide examples of 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 such changes, in order to 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.

Commented [SD79]: Type of change: revision following public comment feedback.

Original wording: "whether and how the goals and targets take into account the context in which the impacts take place and are informed by expectations in internationally recognized instruments and, where relevant, by scientific consensus;".

Changes made in line with the changes to the Sustainability context principle.

Commented [SD80]: Type of change: editorial revision (new text added).

Commented [SD81]: Type of change: revision following public comment feedback.

New text added.

Commented [SD82]: Type of change: revision following public comment feedback.

New text added.

Guidance to MT-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.

Annex. Revisions with track changes

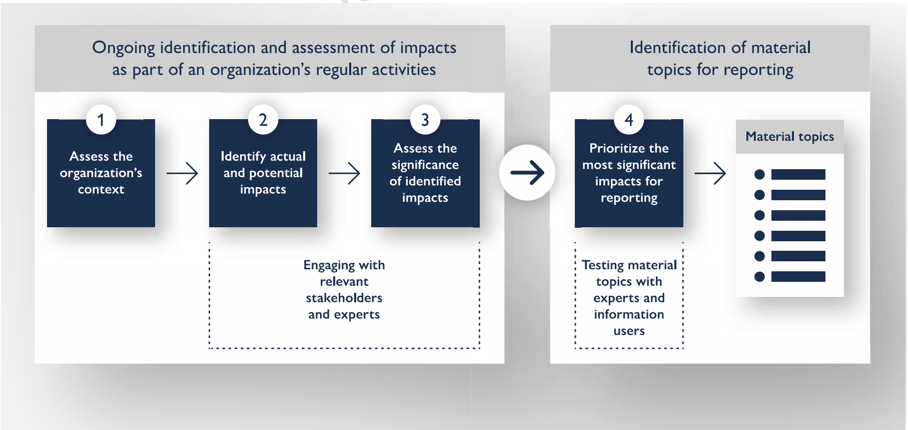
Section 2. ~~Identifying~~ How to determine material topics

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 Standard(s) (see Requirement A-3 in Section 3.1 of *GRI 101: Using the GRI Standards*).

This section describes the steps that the organization should ~~go through~~follow in ~~order to identify~~determining its material topics~~; following these~~. Following the steps ~~is~~ in this section will help the organization determine its material topics and report the disclosures in Section 3 of this Standard. The steps provide guidance and are not ~~a requirement~~ requirements on their own.

The Sector Standards provide information for organizations in a given sector about their most likely material topics. The reporting organization needs to review each topic described in the applicable Sector Standard and determine whether it is material for it to report on. Using the Sector Standards helps the organization determine its materials topics but does not replace the need for the organization to determine its material topics based on its specific circumstances.

Figure 2. ~~Steps for identifying~~ Process to determine material topics



The first three ~~of these steps~~steps in the process to determine material topics relate to the organization's ongoing identification and assessment of impacts ~~as part of its regular activities in order to manage its impacts~~. This involves engaging with relevant stakeholders and experts. These ~~three steps in turn~~steps are conducted independently of the sustainability reporting process, but they inform the last step~~, which is the identification of material topics for reporting~~. In step 4, the organization prioritizes its most significant impacts for reporting and in this way determines its material topics.

In ~~subsequent reporting periods~~ each reporting period, the organization should review ~~the previously identified~~its material topics from the previous reporting period to account for changes in the impacts. Changes in impacts can have resulted from changes in its activities and business relationships ~~that lead to a change in its impacts~~. This review helps ~~to~~ ensure the material topics ~~are still representative of~~represent the organization's most significant impacts in each new reporting period.

The organization should document the process to determine its 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 3 of this Standard. The records facilitate analysis and assurance (see also Verifiability principle in Section 4 of *GRI 101: Using the GRI Standards*).

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

- ~~document the process for identifying its material topics, including the approach, assumptions, and decisions taken. Accurate records help the organization to fulfil relevant disclosures and to explain its chosen approach, and they facilitate analysis and assurance;~~
- ~~apply the steps to identify material topics consistently over time, and document any changes to the approach along with their implications;~~
- ~~be transparent about any subjective judgments it has made in the process to identify material topics.~~

In addition, the highest governance body or a senior executive should oversee the process and approve the ~~identified~~ material topics.

Box 1. Input to financial and value creation reporting

The material topics and impacts that have been identified through this process inform financial and value creation reporting. They provide crucial input to identifying financial risks and opportunities related to the organization's impacts and financial valuation. This in turn helps in making financial materiality judgments about what to recognize in financial statements. See Box 1 in *GRI 101: Using the GRI Standards* for more information on sustainability reporting and financial and value creation reporting.

The next sections describe the four steps in more detail.

Step 1. ~~Assess~~Understand the organization's context

This step involves the organization ~~assessing~~ creating an initial high-level overview of its activities ~~and~~, business relationships, and stakeholders, and assessing the sustainability context ~~in which these take place~~. This provides the organization with critical information for identifying its actual and potential impacts.

Relevant departments and functions within the organization can assist ~~with assessing its activities and business relationship and their context, for example,~~in this step: communications, human resources, investor relations, legal and compliance department or functions, marketing and sales, procurement, ~~and~~ product development, etc. The GRI Sector Standards also provide useful ~~contextual~~ information ~~for the organization's sector(s).~~.

~~Assessing~~ Activities

The organization should ~~assess~~consider the following ~~for~~in relation to its ~~own~~ 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 ~~served~~it serves (i.e., the types of customers and beneficiaries targeted, and the geographic locations where products and services are offered).
- The sector(s) in which the organization is active and the characteristics of the sector(s) (e.g., whether it involves informal work, ~~or~~whether it is labor or resource intensive).
- The number of employees, including their employment type (full-time ~~or~~, part-time, or non-guaranteed hours), employment contract (permanent contract or temporary contract), and demographic characteristics (e.g., age, gender~~, age~~, geographic location).
- The number of workers who are not employees ~~that perform~~and whose work ~~for~~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 (whether the organization engages these workers directly or indirectly through a third party), and the ~~nature of~~ work they perform.

~~Assessing~~ 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 ~~assess~~consider the following ~~for~~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 ~~these~~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, ~~or~~whether they are based on a specific project or event).
- The geographic location where the activities of the business relationships take place.

~~Assessing~~Sustainability context

The organization should ~~assess~~consider the following in order to understand the sustainability context ~~in which~~of its activities and business relationships ~~take place~~:

- Economic~~ conditions, societal issues, and~~ , environmental, human rights, and other societal challenges at local, regional, and global levels related to the organization's sector(s) and the geographic locations of its activities and business relationships (e.g., ~~poverty, political conflict, water security,~~ climate change, lack of law enforcement, poverty, political conflict, water stress).
- The organization's responsibility ~~in relation to~~regarding the ~~international standards and agreements~~authoritative intergovernmental instruments with which it is expected to comply~~; for example,~~.

  Examples include ~~the *International Bill of Human Rights*;~~ the *International Labour Organization (ILO~~),~~) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy*; the *Organisation for Economic Co-operation and Development (OECD~~), OECD~~) Guidelines for Multinational Enterprises*; ~~or~~ the *United Nations (UN~~),~~) Framework Convention on Climate Change (UNFCCC) Paris Agreement; the UN Guiding Principles on Business and Human Rights; and the UN International Bill of Human Rights*.

- The organization's responsibility ~~in relation to~~regarding the laws and regulations with which it is expected to comply.
- ~~The organization's vision and mission, strategy, business model, and policy commitments for responsible business conduct.~~

See the Sustainability context principle in Section 4 of *GRI 101: Using the GRI Standards*.

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 should also consider individuals or groups whom 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).

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

This step involves the organization identifying its actual impacts (those that have already occurred) and potential~~, negative and positive~~ impacts (those that could occur but have not yet occurred) on the economy, environment, and people, including impacts on human rights, across ~~its own~~the organization's activities and ~~its~~ business relationships. This includes negative and positive impacts, short-term and long-term impacts, intended and unintended impacts, and reversible and irreversible impacts.

To identify its ~~actual and potential negative~~ impacts, the organization can use information from diverse sources. It can use information from its own or third-party assessments of environmental, ~~socio-economic~~socioeconomic, and human rights ~~impact assessments,~~impacts. It can also use information from legal reviews, anti-corruption compliance management systems, financial audits, occupational health and safety inspections, and shareholder filings. In addition, it can use information from any other relevant assessments of ~~its~~ business relationships~~. It can use~~ carried out by the organization or by industry or multi-stakeholder initiatives.

Further information can be gathered through grievance mechanisms that it has established itself or that have been established by other organizations. It 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 impacts on the organization itself. And it can use information from external sources, such as news organizations and civil society organizations.

Commented [SD83]: This guidance was previously under 'Identifying negative impacts'. It has been relocated here following public comment feedback. The move has not been tracked to clearly show the changes to the original text.

~~In order to idenitfy its impacts accurately~~In addition, the organization should seek to understand the concerns of its stakeholders (see Box ~~1~~2 in this Standard)~~. The organization can also~~ and consult ~~with~~ internal ~~experts as well as with~~and external experts, such as civil society organizations or academics.

Box ~~1~~2. Engaging with relevant stakeholders and experts[6]

The organization should seek to understand the concerns of its stakeholders by consulting them directly in a way that takes language and other potential barriers ~~into account. Identifying and removing potential barriers to stakeholder engagement (e.g., language and~~(e.g., cultural differences, gender and power imbalances, divisions within the community) into account. It is important to identify and remove potential barriers to ensure that stakeholder engagement is effective.

Engagement with at-risk or vulnerable groups ~~might call for~~may necessitate specific approaches and need special attention~~, such as~~. Such approaches ~~that remove~~ include removing social barriers ~~limiting~~that limit the participation of women in public fora~~, or approaches that remove the~~ and removing physical barriers ~~preventing~~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 ~~with~~ (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).

In ~~situations~~cases that involve many stakeholders or in those that involve certain types of impact that result in collective harm, broad engagement with stakeholders ~~might~~may not be possible. For example, in the case of corruption, which collectively harms the population~~s~~ of the jurisdiction in which it takes place, or greenhouse gas (GHG) emissions, which contribute to collective, transboundary harm. In ~~these~~such cases, the organization may engage with credible stakeholder representatives or proxy organizations (e.g., non-governmental organizations, representative public bodies). This is also relevant in ~~situations~~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 the organization to engage with trade unions to mitigate the employment impacts of the decision. ~~This is because in this situation~~In such 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, ~~for example,~~such as consulting credible independent experts, ~~such as~~for example, national human rights institutions, human rights and environmental defenders, trade unions, and other members of civil society.

In this step, the organization needs to consider the impacts described in the applicable GRI Sector Standard and determine whether these impacts apply to it.

Impacts may change over time as the organization's activities ~~and~~, business relationships, and ~~their~~ context evolve. ~~For example,~~ New activities ~~or~~, new business relationships ~~or~~, and major ~~decisions or~~ changes in operations or the operating context (e.g., new market entry, product launch, policy change, ~~or~~ wider changes to the organization) could lead to changes in the organization's impacts. For this reason, the organization should ~~identify~~keep assessing its context and identifying its impacts on an ongoing basis.

In ~~situations~~cases where an organization has limited resources available for identifying its impacts, it should ~~start by identifying~~first identify its negative impacts, before ~~moving onto~~ identifying positive impacts, to ensure it complies with applicable laws, regulations, and authoritative intergovernmental instruments.

Identifying negative impacts

[6] This guidance is based on the United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011 and the Organisation for Economic Co-operation and Development (OECD), *OECD Due Diligence Guidance for Responsible Business Conduct*, 2018.

Th~~e~~is guidance~~ in this section on identifying negative impacts~~ is based on the *UN Guiding Principles on Business and Human Rights*, the *OECD Guidelines for Multinational Enterprises*, and the *OECD Due Diligence Guidance for Responsible Business Conduct.*

Identifying ~~the~~ 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 ~~own~~ activities, as well as ~~those~~actual and potential impacts that are directly linked to its operations, products, or services by its business relationships (see Box ~~2~~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 it has diverse or multiple global operations or because its value chain comprises ~~a large number of~~many entities. In these 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 ~~then~~ identify and assess ~~specific~~ actual and potential negative impacts for these general areas.

As part of th~~is~~e initial assessment or scoping exercise, the organization ~~can~~should consider ~~sector-specific, product-specific~~impacts commonly associated with its sector, its products, geographic~~-level, and enterprise-level impacts, as well as other~~ locations, or with specific organizations. It should also consider impacts it has ~~faced~~been involved with or knows it is likely to ~~face~~ be involved with. In addition to the GRI Sector Standards~~ identify impacts that are most likely to be present and significant for organizations in a given sector.~~, the organization can ~~also~~ use the *OECD Due Diligence Guidance for Responsible Business Conduct* and the OECD ~~sector-specific~~ sectoral guidance on due diligence[7] ~~guidance~~ for information on ~~sector-specific, product-specific~~impacts commonly associated with sectors, products, geographic~~-level, and enterprise-level impacts, as well as~~ 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.

Box ~~2~~3. Causing, contributing, or being directly linked to negative impacts[8]

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 cause, facilitate, or incentivize another entity to cause the impact. An 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 ~~past~~ experience that this production time is not feasible, this could ~~contribute to~~result in excessive overtime for the supplier's workers. In this case, the organization could 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 its failure to take action (e.g., failure to prevent or mitigate a potential negative impact~~ that the organization could have foreseen~~).

Even if an organization does not cause or contribute to a negative impact, its operations, products, or services could be ~~connected to a negative impact of a business relationship. In this case, the organization's operations, products, or services are~~ **'directly linked to'** a negative impact by its business relationship. For example, if the organization ~~sources and~~ 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., ~~with~~through the smelter~~,~~

[7] http://mneguidelines.oecd.org/sectors/

[8] These concepts come from the United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011 and the Organisation for Economic Co-operation and Development (OECD), *OECD Due Diligence Guidance for Responsible Business Conduct*, 2018.

and minerals trader, ~~or~~to the mining enterprise that uses child labor), even though the organization has not caused or contributed to the negative impact itself.

The way an organization is involved with negative impacts ~~is important for determining~~determines how the organization should address an impact and whether it has a responsibility to provide for or cooperate in its remediation (see Section 2.3 of *GRI 101: Using the GRI Standards*).

For additional guidance and examples, see the *OECD Due Diligence Guidance for Responsible Business Conduct*, pages 70-72, and the *UN's The Corporate Responsibility to Respect Human Rights: An Interpretive Guide*, 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 ~~own~~ activities, for example, through its products, services, investments, procurement practices, ~~as an employer~~employment practices, or ~~as a taxpayer~~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 toward the goal of sustainable development.

~~Examples~~An example of a positive ~~impacts could be~~impact is an organization adopting measures that lower the cost of renewable energy for customers, ~~or~~thereby 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 ~~other~~ positive impacts. For example, a renewable energy installation might reduce a region's dependence on fossil fuels and bring energy to underserved communities. But if it displaces local indigenous communities from their ~~historical and cultural~~ lands or territories without their consent, this negative impact needs to be addressed and remediated, and it cannot be ~~offset~~compensated by the ~~other~~ positive impacts.

Step 3. Assess the significance of ~~identified~~the impacts

The organization ~~might~~may identify many actual and potential impacts. This step involves the organization assessing the significance of its identified impacts to prioritize them ~~for action and also to prioritize them for reporting in Step 4~~. Prioritization enables the organization to take action in order 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 its sector(s~~),~~) and business relationships, among other factors. In some instances, this ~~can necessitate~~may need a subjective decision. ~~Therefore,~~ The organization should consult with relevant stakeholders (see Box ~~1~~2 in this Standard) and business relationships ~~on how~~ to ~~determine~~assess the significance of its ~~identified~~ impacts. The organization ~~can~~should also consult relevant internal or external experts ~~as needed~~.

Assessing the significance of negative impacts

~~The guidance in this section on assessing the significance of negative impacts~~This guidance is based on the *UN Guiding Principles on Business and Human Rights*, the *OECD Guidelines for Multinational Enterprises*, and the *OECD Due Diligence Guidance for Responsible Business Conduct.*

The significance of an actual negative impact is assessed ~~by considering~~based on its severity. The significance of a potential negative impact is assessed ~~by considering~~based on its severity ~~as well as its~~and likelihood. The combination of the severity and the likelihood of occurrence of a negative impact can be referred to as 'risk'.

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 ~~the~~ laws and regulations or with ~~the international standards and agreements~~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 GHG emissions to be achieved under the *UNFCCC Paris Agreement*, 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 ~~where~~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 ~~ecosystems and other~~ water users and ecosystems.

Any of the three characteristics (scale, scope, and irremediable character) can make an impact severe. ~~Although~~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 there~~by~~fore the significance – of an impact are not absolute concepts~~;~~. The severity of an impact should be assessed ~~relative~~in relation to the other impacts of the organization ~~has identified~~. For example, the organization should compare the severity of the impacts of its greenhouse gas (GHG) emissions against the severity of its other ~~identified~~ impacts. The organization should not assess the significance of its GHG emissions ~~relative~~in relation to global GHG ~~emission levels~~emissions, as that comparison could lead to the misleading conclusion that the organization's emissions are not significant.

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~~, and~~. It can be described using general terms (e.g., very likely, likely) or mathematically (using ~~a~~ probability~~,~~ (e.g., 10 in 100 or 10~~%,~~%) or ~~a~~ frequency over a given time period~~,~~ (e.g., once every three years).[9]

~~Negative~~ Human rights ~~impacts~~

In the case of potential negative human rights impacts, the severity of the impact takes precedence over its likelihood. For example, a nuclear power facility may prioritize the potential impact related to loss of life in cases of natural disasters, even though natural disasters are less likely to occur than other incidents ~~at the facility~~would be.

The severity of a negative human rights impact is not limited to physical harm. Severe impacts can occur in relation to any human right ~~can be subject to severe impacts~~. For example, interfering with, damaging, or destroying a sacred space without consultation or agreement with the people ~~who use~~for whom the space has spiritual importance can have a severe impact on people's cultural rights.

The organization may choose to prioritize other types of impacts, such as environmental impacts, based on severity, as well.

Assessing the significance of positive impacts

The significance of an actual positive impact is assessed ~~by considering~~ based on its scale and scope. The significance of a potential positive impact is assessed ~~by considering~~ based on its scale and scope ~~on the one hand, and~~as well as its likelihood ~~on the other~~.

Scale and scope

[9] International Organization for Standardization (ISO), *ISO 31000:2018 Risk management – Guidelines*, 2018.

In the case of positive impacts, the scale of an impact refers to how beneficial the impact is or ~~w~~could be, and the scope refers to how widespread the impact is or ~~w~~could be~~, for example,~~ (e.g., the number of individuals or the extent of environmental resources that are or ~~w~~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~~, and~~. It can be described using general terms (e.g., very likely, likely) or mathematically (using ~~a~~ probability~~,~~ (e.g., 10 in 100 or 10~~%,~~%) or ~~a~~ frequency over a given time period~~,~~ (e.g., once every three years).[10]

Step 4. Prioritize the most significant impacts for reporting

This step involves the organization prioritizing its impacts based on their significance, in order to ~~identify~~determine material topics for reporting.

Setting a threshold to determine which topics are material ~~***to report***~~

The significance of an impact is assessed ~~relative~~in relation to the other impacts the organization has identified. The organization should arrange ~~the identified~~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 th~~e~~is threshold~~ and criteria used when identifying material topics~~. To facilitate prioritization, the organization should group the ~~identified~~ impacts into topics (see Box ~~3~~4 in this Standard).

For example, in order to set a threshold an organization first groups its impacts into X number of topics and ranks them from highest to lowest priority based on their significance. The organization then needs to determine how many of the topics it will report on, starting with those that have highest priority. How 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 for determining whether a topic is material ~~to report on~~for reporting. The organization cannot use difficulty in reporting on a topic or the fact that it does not yet manage the topic as ~~the basis~~criteria for determining whether or not to report on th~~at~~e topic. In cases where the organization does not manage a material topic~~ and related impacts, the organization,~~ it is required to report the reasons for not doing so, or any plans to manage the topic, under Disclosure MT-3.

While some topics can cover both negative and positive impacts, the organization ~~may~~should prioritize negative impacts separately from positive impacts, as negative impacts~~ need to be discussed independently and~~ cannot be offset by positive impacts.

Even if the organization has not prioritized an actual ~~and~~or potential negative impact for reporting, ~~the organization~~ it may still ha~~s~~ve a responsibility to ~~understand how to~~ address the impact in line with ~~the~~ applicable laws, regulations, or ~~internationally recognized~~authoritative intergovernmental instruments (see Section 2.3 of *GRI 101: Using the GRI Standards* for more information).

Box ~~3~~4. Grouping impacts into topics

Grouping impacts into topics, like 'water and effluents', helps the organization report in a cohesive way on multiple impacts that relate to the same topic.

The organization can group impacts into topics according to general categories ~~of impacts~~ that relate to a business activity, ~~a~~ stakeholder category, ~~a~~ type of business relationship, or an economic or environmental resource. For example, ~~if~~ an ~~organization identifies~~organization's activities result in water pollution~~ as one potential~~, which causes negative ~~impact of its activities,~~impacts on both ecosystems and ~~the reduced~~on local communities' access ~~of local communities~~ to safe drinking water

[10] International Organization for Standardization (ISO), *ISO 31000:2018 Risk management – Guidelines*, 2018.

~~as another potential negative impact, it can~~. The organization can group these impacts ~~under~~into the topic of 'water and effluents'~~.~~ as both impacts relate to its use of water.

The organization can refer to the ~~topic names included~~topics in the GRI Topic Standards and the GRI Sector ~~Standard(s) that apply to its sector(s).~~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 ~~with information users and experts~~

The organization should test its selection of material topics against the topics in the applicable Sector Standard. This helps the organization ensure that it has not overlooked any topics that are likely to be material for its sector.

The organization ~~can~~ should also test its selection of material topics with potential information users and experts who understand the organization or its sector(s) and have insight into one or more of the material topics ~~identified~~. 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 ~~include~~ are ~~non-governmental organizations,~~ academics, consultants, investors, lawyers, national institutions, and ~~investors~~non-governmental organizations.

In addition, the organization should seek external assurance to assess the quality and credibility of the process for identifying material topics. See Section 5.2 in *GRI 101: Using the GRI Standards* for more information on seeking external assurance.

The outcome of the testing results in a list of the organization's material topics.

Approval of the material topics ~~by highest governance body~~

The organization's highest governance body or a senior executive should approve the ~~identified~~list of material topics.

Determining what to report for each material topic

Once the organization has ~~identified~~ determined its material topics, it needs to determine what to report for each material topic. See Requirements A-4 and A-5 in Section 3.1 of *GRI 101: Using the GRI Standards* for information on how to report on material topics.

Section 3. ~~Reporting~~Disclosures on material topics

In the disclosures ~~in~~of this section ~~provide information about how,~~ the organization ~~has identified~~is required to report its material topics, ~~the material~~how it has determined these topics ~~and related impacts identified~~, and how it manages each ~~material~~ topic. Material topics are topics that ~~reflect~~represent the organization's most significant impacts on the economy, environment, and people, including impacts on human rights. Section 2 of this Standard provides guidance on ~~identifying~~how to determine material topics~~, which help~~ and helps understand ~~these~~and report on the disclosures in this section.

Disclosure MT-1 ~~Identification of~~ Process to determine material topics ~~and related impacts~~

Requirements

The organization shall:

a. ~~report how~~describe the process it has ~~identified~~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 human rights, across its ~~own~~ 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 ~~identification of~~process to determine its material topics.

Guidance

Guidance to MT-1

This disclosure ~~covers~~requires information on how the organization has ~~identified~~ determined its material topics ~~and related impacts~~. The list of material topics ~~and related impacts that the organization has identified are~~is to be reported under Disclosure MT-2.

Guidance to MT-1-a-i

The organization should describe the methods it has used to identify its impacts, for example, environmental, socio~~-~~economic, and human rights impact assessments, grievance mechanisms, or using information from external sources, such as civil society organizations. In addition, 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. It 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 GOV-10 in *GRI 102: About the Organization* requires information on the role of the highest governance body in overseeing the organization's processes to identify its impacts.

Guidance to MT-1-a-ii

The organization should describe how it has assessed the significance of the impacts ~~identified.~~, including any assumptions and subjective judgements it has made.

The significance of ~~a~~an actual negative impact is assessed based on its severity (scale, scope, and irremediable character), while the significance of a potential negative impact is assessed based on its severity and likelihood. In the case of potential negative human rights impacts, the severity of the impact takes precedence over its likelihood.

The significance of ~~a~~an actual positive impact is assessed based on its scale~~,~~ and scope, ~~and~~ while the significance of a potential positive impact is assessed based on its scale and scope as well as its likelihood.

See Section 2 of 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 ~~to report,~~for reporting and whether it has tested its selection of material topics with potential information users and experts. Disclosure GOV-11 *in GRI 102* requires information on the committee of the highest governance body or senior executive position that formally reviews and approves the organization's sustainability reporting and ensures that the organization reports all material topics. The organization should explain any changes to its initial selection of material topics following the testing with external parties and the internal approval.

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 MT-1-b

MT-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 MT-2 List of material topics ~~and related impacts~~

Requirements

The organization shall:

- **a. ~~report the~~list its material topics ~~it has identified~~;**
- **b. list any topics from the applicable GRI Sector Standard(s) that have been determined as not material and explain why they are not material;**
- **c. report changes ~~in~~ to the list of material topics compared to the previous reporting period.**

Commented [SD84]: This requirement was previously under Disclosure MT-1. It has been relocated to Disclosure MT-2 following public comment feedback. The move has not been tracked to clearly show the changes to the original text.

Guidance

Guidance to MT-2

This disclosure ~~covers~~requires information on the organization's material topics ~~and related impacts identified by the organization~~. Information on how the organization has ~~identified~~ determined its material topics is to be reported under Disclosure MT-1.

~~An~~The organization ~~reporting in accordance with the GRI Standards~~ is also required to include the material topics ~~reported~~listed under this disclosure in the GRI content index (see Requirement A-6 in Section 3.1 of *GRI 101: Using the GRI Standards*).

Guidance to MT-2-a

The organization can group material topics by relevant categories if this helps communicate its impacts better. ~~Examples~~For example, the organization can indicate which of ~~categories include~~its material topics represent its negative human rights impacts~~, impacts in the supply chain, or impacts on the environment~~.

Guidance to MT-2-b

~~The organization should describe how it has considered sector-specific, product-specific, and geographic-level impacts when identifying its material topics. The organization should also explain whether and why it does not report on some of these impacts as part of its material topics; for example, because the specific impact was assessed to be absent or because the impact was not among the most significant to report on. Reporting this information indicates whether the organization recognizes sector-specific, product-specific, and geographic-level impacts, and provides information users with adequate contextual information to assess the organization's selection of material topics.~~

The organization is required to use the applicable GRI Sector Standard(s) when determining its material topics (see Requirement A-3 in Section 3.1 of *GRI 101: Using the GRI Standards*).

The Sector Standards provide information for organizations in a given sector about their most likely material topics. The topics have been identified on the basis of the sector's most significant impacts, using multi-stakeholder expertise, authoritative instruments, and other relevant evidence.

The organization needs to review each topic described in the applicable Sector Standard and determine whether it is material for it to report on. If any of the topics that are included in the applicable Sector Standard have been determined by the organization as not material, the organization is required to report this along with an explanation. This explanation provides information users with an understanding of why topics that have been identified by experts, instruments, and evidence as likely to be material for the sector have been determined by the organization as not material.

There can be cases where a topic included in the applicable Sector Standard is not material for an organization. This could be because the specific impacts the topic covers were assessed to be absent or 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 ~~project~~sector is required to use the GRI Oil and Gas Sector Standard when determining its material topics. One of the topics included in this Sector Standard is land use and resettlement. Oil and gas projects often require~~s~~ land for ~~its~~ 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 ~~such as loss of~~ for them through having lost access to resources. ~~An organization undertaking an~~However, if the organization's oil and gas ~~project would need to consider, in the early stages of due diligence, whether the project could result in involuntary~~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 use and resettlement ~~of communities. If the project does not result in involuntary resettlement of communities~~is not material for it to report on. In this case, the organization ~~should still report~~ is required to explain why it has determined that this topic, which is ~~commonly associated with~~likely material for organizations in the oil and gas sector, ~~was~~is not ~~identified as~~ material to report~~, to make clear that the topic was not overlooked~~ on.

A brief explanation of why the topic is not material is sufficient. Adding to the previous example, the organization could explain that land use and resettlement 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.

The organization is required to list all the likely material topics identified in the applicable Sector Standard in the GRI content index (see Requirement A-6 in Section 3.1 of *GRI 101: Using the GRI Standards*) and for each of these topics, to indicate whether it has determined the topic to be material or not. The explanation of why any of these topics are determined to not be material can also be included directly in the GRI content index.

In the absence of an applicable Sector Standard, the organization should explain how it has considered impacts commonly associated with its sector, and whether any of these impacts have been determined as not material to report on, along with an explanation of 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 2 of this Standard and the ~~GRI~~ Sector Standards for guidance on ~~sector-specific, product-specific, and geographic-level impacts~~ impacts commonly associated with sectors, products, and geographic locations.

Guidance to MT-2-c

MT-2-c enables the organization ~~should~~to explain why a topic that ~~was identified~~it determined as material in the previous reporting period is ~~deemed to~~ no longer considered to be material, or why a new topic has been ~~identified~~ determined as material for the current reporting period.

Commented [SD85]: This guidance was previously under Disclosure MT-1. It has been relocated to Disclosure MT-2 following public comment feedback. The move has not been tracked to clearly show the changes to the original text.

Disclosure MT-3 Management of material topics ~~and related impacts~~

Requirements

For each material topic reported under Disclosure MT-2, the organization shall:

a. describe the actual and potential, negative and~~/or~~ positive impacts~~ identified~~ on the economy, environment, and people, including impacts on human rights;

b. report whether the organization is involved with the negative impacts through its ~~own~~ activities or as a result of its business relationships~~.~~, and describe the activities or business relationships;

c. describe its policies or commitments ~~for~~regarding the topic;

d. describe actions taken to manage the topic and related impacts, ~~in particular~~including:

i. actions ~~taken~~ to prevent or mitigate potential negative impacts;

ii. actions ~~taken~~ 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~~on the effectiveness of the actions taken:

i. processes used to track the effectiveness of the actions ~~taken~~;

ii. goals, targets, and indicators used to evaluate progress;

iii. evidence of ~~the extent to which~~whether or not the actions ~~taken~~ have ~~been effective~~been effective, 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 (MT-3-~~b~~d) and how it has informed whether the actions ~~taken~~ have been effective (MT-3-~~c);~~e).

~~**g. if the organization does not manage a material topic, explain the reason for not managing the topic or describe any plans to manage it.**~~

Commented [SD86]: These requirements were previously under Disclosure MT-2. They have been relocated to Disclosure MT-3 following public comment feedback. The move has not been tracked to clearly show the changes to the original text.

Guidance

Guidance to MT-3

This disclosure ~~enables~~requires the organization to explain how it manages each of its ~~identified~~ material topics ~~and related impacts~~.

The requirements in this disclosure apply to every material topic. ~~An~~ This means that the organization ~~preparing a report in accordance with the GRI Standards~~ is required to report this disclosure for each of its ~~identified~~ material topics.

~~Besides~~In addition to this disclosure, there may also be disclosures and guidance in the Topic Standards and Sector Standards ~~can also contain disclosures and guidance for~~that address reporting on how the organization manages a topic. For example, some Topic Standards contain disclosures about specific actions or methods to manage ~~impacts for~~ a topic. The organization does not need to repeat this information under Disclosure MT-3 if it is already reported under another disclosure. The organization can report th~~is~~e information once and provide a reference to this information to fulfill the corresponding MT-3 requirements.

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 is unable to report information about an item (e.g., a policy or action) as required under the disclosure because the item does not exist, it can meet the requirement by reporting this to be the case. The disclosure does not require the organization to implement the item, such as the policy, but to report if it does not exist. Additionally, the organization can explain the reason for not having the item and/or describe any plans to develop it.

If the organization does not manage a material topic, it can meet the requirements under this disclosure by explaining the reason for not managing the topic and/or describing any plans to manage it.

Guidance to MT-3-a

~~MT-2-b provides contextual information to understand how the organization manages each material topic and related impacts (reported under Disclosure MT-3). MT-2-b does not require a detailed description of impacts or a detailed explanation of how the organization is involved with each negative impact; the organization can provide a high-level description of the impacts it has identified.~~

~~MT-2-b-i covers impacts related to each material topic. It~~MT-3-a enables the organization to indicate if a topic is material because of negative impacts, positive impacts, or both. MT-3-a 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, and for potential impacts, whether they are short-term or long-term;
- whether the impacts are systemic (e.g., child labor or forced labor in countries where the organization operates or sources inputs from) or are related to individual incidents (e.g., an oil spill);
- the stakeholders (without identifying specific individuals) or economic or environmental resources that are affected or could ~~potentially~~ be affected, and their geographic location.

Reporting on 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 ~~might~~may have concerns about reporting on negative impacts even if these impacts are ~~already~~ publicly known. In ~~fact,~~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 ~~(e.g., reputationally,~~ financially, operationally~~).~~, or reputationally. If the organization is unable to disclose specific information (e.g., because ~~that could affect the~~of stakeholders' right to privacy ~~of stakeholders~~), it can provide the information in aggregated or anonymized form, or it can ~~describe~~make a reference to the impacts commonly associated with its sector~~-specific, product-specific~~, its products, or geographic~~-level impacts~~ locations.

Describing positive impacts

The organization can describe:

- whether the positive impacts are actual or potential, and for potential impacts, whether they are short-term or long-term;
- the activities that result in the positive impacts (e.g., products, services, investments, procurement practices);

- the stakeholders (without identifying specific individuals) or economic or environmental resources that ~~are benefitted~~benefit or could ~~potentially be benefitted~~benefit, and their geographic location.

Guidance to MT-~~2~~3-b~~-ii~~

The way an organization is involved with negative impacts ~~is important for determining~~determines the organization's responsibility toward addressing the impacts (see Section 2.3 of *GRI 101: Using the GRI Standards*). MT-~~2~~3-b~~-ii therefore~~ provides contextual information ~~for understanding~~to understand the actions taken by the organization in order to manage its negative impacts (reported under ~~Disclosure~~requirement MT-3-d-i and MT-3-d-ii).

MT-~~2~~3-b~~-ii~~ requires the organization to report whether it is involved with the negative impacts through its ~~own~~ 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 ~~own~~ 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 ~~2~~3 in Section 2 of this Standard for more information on causing, contributing, or being directly linked to negative impacts.

MT-3-b also requires describing 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.

~~The organization can also report~~If the impacts concern specific activities, the organization should describe the types of activities (e.g., manufacturing, retail) ~~or~~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 ~~involved with the identified negative impacts)~~, 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, 5 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 MT-3-~~a~~c

MT-3-c requires a description of policies or commitments the organization has developed specifically for the topic, in addition to the policy commitments reported under Disclosure ~~Disclosures~~ RBC-2 ~~and RBC-3~~ in *GRI 102: About the Organization* ~~provide guidance on how to report on policies. If the organization's~~. If the organization has described its policies for a material topic ~~have been described~~ under Disclosure~~s~~ RBC-2 ~~and RBC-3, the organization~~, it can provide a reference to this information under MT-3-~~a~~c and does not need to repeat the information. See Disclosure RBC-2 for guidance on how to report on policies.

When reporting on commitments, the organization should provide a statement of intent to manage the topic ~~and related impacts~~, or explain ~~the following~~:

- 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 ~~international standards~~authoritative intergovernmental instruments related to the topic.

Guidance to MT-3-~~b~~d

Commented [SD87]: This guidance was previously under Disclosure MT-2. It has been relocated to Disclosure MT-3 following public comment feedback. The move has not been tracked to clearly show the changes to the original text.

Commented [SD88]: This guidance was previously under Disclosure MT-2. It has been relocated to Disclosure MT-3 following public comment feedback. The move has not been tracked to clearly show the changes to the original text.

MT-3-~~b provides information to understand how~~d enables the organization to explain how it responds to its ~~identified~~ impacts. MT-3-~~b~~d does not require a detailed description of actions taken in relation to each impact~~;~~. Instead, the organization can provide ~~examples to show~~a high-level overview of how it manages its impacts.

The organization should ~~include information on~~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 GOV-10 in *GRI 102* requires information on the role of the highest governance body in overseeing the organization's processes to manage its impacts.

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 MT-3-~~b~~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 ~~prompt~~motivate its business relationships to prevent or mitigate potential negative impacts. For example, ~~the organization can use~~whether it uses or increases its leverage by enforcing contractual requirements, implement~~ing~~s incentives (such as future orders), provid~~ing~~es training and support, or actively collaborat~~ing~~es 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 RBC-2-a-iii in *GRI 102~~: About the Organization~~* for more information on 'precautionary principle'.

Guidance to MT-3-~~b~~d-ii

The organization should report:

- examples of~~ specific~~ actions taken to remediate actual negative impacts, including examples of specific remedies or types of remedy provided;
- how~~ the~~ grievance mechanisms or other remediation processes (reported under Disclosure RBC-5 in *GRI 102~~: About the Organization~~*) have made it possible for actual negative impacts to be remediated.

See Disclosure RBC-5 for more information on grievance mechanisms and other remediation processes.

Guidance to MT-3-~~c-i~~e

MT-3-e enables the organization to report on the effectiveness of its actions to manage its impacts. Tracking the effectiveness of its actions ~~taken~~ is necessary for an organization ~~to know~~ so that it can learn if its policies and processes are being implemented optimally~~, to learn whether~~. It is also necessary for knowing if it has responded effectively to ~~the~~its impacts ~~identified,~~ and to drive continuous improvement.

The organization should also report information on 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 MT-3-e-i

~~The~~ Processes used to track the effectiveness of actions ~~taken~~ can include internal or external auditing or verification, impact assessments, measurement systems, stakeholder feedback, grievance mechanisms, external performance ratings, and benchmarking.

Guidance to MT-3-~~c~~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., the limits and demands placed on environmental resources, social and economic objectives and goals);
- whether the goals and targets are informed by expectations in ~~internationally recognized~~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., ~~the implementation of~~implementing a management system by a certain date~~,~~) or quantitative~~,~~ (e.g., reducing 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 MT-3-~~c~~e-iii

The organization should report examples ~~supported by~~that give evidence of whether or not the ~~extent to which specific~~ actions ~~taken~~ have been effective~~.~~, such as the outcomes of internal or external auditing or verification, data collected through measurement systems, and stakeholder feedback. The evidence ~~provided~~ should show that there is a credible link between the specific action taken by the organization and the effective management of ~~the~~ impacts.

For example, to show the effectiveness of ~~capacity building provided~~the actions it has taken to ~~certain~~support its suppliers ~~on~~with improving their working conditions, the organization can report survey feedback from the suppliers' workers showing that working conditions have improved~~, together with~~. Additional evidence the organization can provide include data showing a decrease in the number of incidents identified through independent audits.

Similarly, to ~~show~~demonstrate the effectiveness of its actions to improve the quality of its water discharge~~d~~, the organization can report data showing a decrease in the concentration of total dissolved solids (mg/L) in ~~its~~the water discharge.

When reporting progress toward ~~the~~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 MT-3-~~c~~e-iv

Managing impacts is typically an ongoing challenge requiring continuous improvement based on learning from practice.

MT-3-~~c~~e-iv does not require 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 in order to manage impacts more successfully in the future.

For instance, the organization can provide examples of 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 such changes, in order to manage impacts more successfully in the future~~. Such examples can include a change to a policy, specific training for workers, or additional attention given to the performance of suppliers~~.

Lessons learned ~~might~~may be derived from the organization's own ~~activities,~~processes (e.g., root cause analysis), from its business relationships, or from stakeholder or expert feedback.

Guidance to MT-3-~~d~~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.