



Explanatory Memorandum to the exposure draft Standards for Labor

1 This explanatory memorandum sets out the objectives for the first set of exposure drafts of the Labor
2 project, the significant proposals contained in the exposure drafts, and a summary of the GSSB's
3 involvement and views on the development of the following drafts.

- 4 • GRI Topic Standard Project for Labor - Employment
- 5 • GRI Topic Standard Project for Labor - Remuneration and Working Time
- 6 • GRI Topic Standard Project for Labor - Significant Changes for Workers
- 7 • GRI Topic Standard Project for Labor - Control of Work Standard Interpretation to GRI 2

8 This first set of draft labor-related standards includes new proposed disclosures next to extensive
9 revision of the [GRI 202 Market Presence 2016](#) (Disclosure 202-1); [GRI 401 Employment 2016](#)
10 (Disclosures 401-1 to 401-02); [GRI 402 Labor/management Relations 2016](#) (Disclosure 402-1); [GRI](#)
11 [405 Diversity and Equal Opportunity 2016](#) (Disclosure 405-2).

12 Objectives for the project

13 The objective of the [Labor project](#) is to review and revise all GRI labor-related Standards and to
14 incorporate new issues to reflect the stakeholder expectations for reporting labor-related impacts. In
15 line with the GSSB's [Due Process Protocol](#), a multi-stakeholder [technical committee](#) was established
16 in September 2022 to contribute to the review and content development.

17 Due to the focus on labor topics, a technical committee was formed with representation from workers,
18 employers, and the ILO. Next to this tripartite technical committee, an [advisory group](#) was established
19 with a broad stakeholder representation to advise and assist the technical committee during the
20 process.

21 The aim is to align with internationally agreed best practices, the latest developments, and relevant
22 authoritative intergovernmental instruments related to human rights and labor conditions such as
23 International Labor Organization (ILO) Conventions and Recommendations; the United Nations (UN)
24 Guiding Principles on Business and Human Rights (Guiding Principles, UNGPs) and the Organization
25 for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.
26

27 The project reviews the current contents of existing GRI labor-related disclosures, and it also includes
28 new labor issues to reflect the stakeholders' expectations related to reporting labor-related impacts to
29 provide decent work that contributes to sustainable development, poverty alleviation, and dignity to
30 workers.

31 The revised labor disclosures will facilitate the organization to disclose its impacts regarding:

- 32 • How the organization manages the labor impacts with employees, with workers who are not
33 employees and whose work is controlled by the organization, and with workers in the
34 business relationships, enhancing accountability and trust with workers and other
35 stakeholders.
36

37 • The implementation of international labor standards, including fundamental labor rights, by
38 offering decent work and dignified working conditions, as well as the involvement of workers'
39 representatives in developing and implementing policies.

40 • Its approach to human rights is to provide work that cares about its workers in terms of
41 decent remuneration and working time, employment conditions, skills, career development,
42 and work-life balance, improving workers' satisfaction and retention of talent.

43 The labor project is divided into three thematic set standards to allow targeted messaging and
44 stakeholder engagement during the Public Comment Periods and to ensure the workload is
45 manageable for the stakeholders and GRI reporters all over the world reviewing the draft Standards
46 during public inquiry, the GSSB, the technical committee, the advisory group, the GRI Standards
47 Division, and other GRI divisions.

48 **Set 1 - Employment Practices and Conditions**

49 This set of standards asks how the organization manages its employment conditions and
50 relationships. This includes working time, remuneration, employment practices such as recruitment,
51 performance management and termination, data, and worker privacy, as well as how the organization
52 responds to changes that substantially affect workers.

53 Set 1 includes three Topic Standards and one standard interpretation.

- 54 ○ Employment
- 55 ○ Remuneration and Working Time
- 56 ○ Significant Changes for Workers
- 57 ○ Control of Work Standard Interpretation to *GRI 2*

58 This first set of labor exposure drafts was sent for discussion and approval at the May 2024 meeting
59 of the GSSB.

60 **Set 2 - Working life and career development**

61 This set of standards focuses on the equal treatment and the development of an organization's
62 workers. It asks how the organization responds to the training and education programs and their
63 effectiveness, family-related policies at the workplace, and measures to provide work-life balance and
64 an inclusive and diverse environment.

65 Set 2 includes the following Topic Standards:

- 66 ○ Training and Education
- 67 ○ Working Parents and Caregivers
- 68 ○ Diversity, Inclusion and Equal Opportunity

69 The second set of labor exposure drafts is planned to be sent for discussion and approval by the
70 GSSB in Q4 2024.

71 **Set 3 - Workers Rights and Protections**

72 This set of standards focuses on four of the ILO's Fundamental Principles and Rights at work. In
73 addition, it has a specific standard to target labor rights and working conditions for workers in
74 business relationships with a due diligence approach.

75 Set 3 includes the following Topic Standards:

- 76 ○ Child Labor
- 77 ○ Forced or Compulsory Labor
- 78 ○ Non-discrimination
- 79 ○ Freedom of Association and Collective Bargaining
- 80 ○ Workers of Business Relationships

81 The third set of labor exposure drafts is planned to be sent to the GSSB in the first half of 2025.

82 **Summary of the proposals**

83 For more information on the project, consult the [project proposal](#) and the [technical committee](#) and
84 [advisory group](#) biographies.

85 The scope of the workers set 1 of the standards are the organizations' employees and workers who
86 are not employees and whose work is controlled by the organization (hereafter workers who are not
87 employees). Workers of the organization's business relationships are in the scope of set 3 of labor
88 standards and, therefore, are not included in this set of labor standards.

89 The key revisions and new proposed disclosures and guidance for the first set of exposure draft
90 standards are summarized as follows:

91 **1) General proposed change**

92 This first set of draft labor-related standards includes new proposed disclosures next to an extensive
93 revision of:

- 94 - [GRI 202: Market Presence 2016](#) (Disclosure 202-1);
 - 95 - [GRI 401: Employment 2016](#) (Disclosures 401-1 to 401-02);
 - 96 - [GRI 402: Labor/management Relations 2016](#) (Disclosure 402-1);
 - 97 - [GRI 405: Diversity and Equal Opportunity 2016](#) (Disclosure 405-2).
- 98 • The revised draft Employment includes the revision of *GRI 401: Employment 2016*
99 (Disclosures 401-1).
 - 100 • The new proposed draft Remuneration and Working Time includes the revision of *GRI 202:*
101 *Market Presence 2016* (Disclosure 202-1), *GRI 401: Employment 2016* (Disclosure 401-2),
102 and *GRI 405: Diversity and Equal Opportunity 2016* (Disclosure 405-2).
 - 103 • The revised Standard Significant Changes for Workers is a revision of *GRI 402: Labor and*
104 *Management Relations 2016* (Disclosure 402-1).
 - 105 • A new draft, Standard Interpretation to *GRI 2: Control of work*, is proposed to clarify and
106 provide information on how to apply and interpret the 'control of work' concept when
107 implementing the GRI labor standards.

108 **2) Summary of proposals Employment**

109 An exposure draft for **GRI EMPL: Employment** has been developed in line with the project objectives
110 set out above. Notable changes and inclusions in this exposure draft are summarized below:

111 **Non-standard Employment.** The increase in non-standardized forms of employment implies that the
112 organization may have positive and negative impacts depending on how it implements international
113 labor standards and practices for the different types of employees and workers who are not
114 employees. The disclosure asks the organization to report on how it prevents employees and workers
115 who are not employees from disguised employment. The organization describes actions taken to
116 transition employees from temporary employment to permanent and how the organization reports how
117 it monitors third parties with respect to international labor standards. (See GRI: Employment EMPL 1)

118 **Apprenticeships and internships.** Apprenticeships and internships help workers acquire valuable
119 work experience, skills, and opportunities to access further work opportunities. However, they can
120 also expose workers, especially young workers, to exploitative conditions. This disclosure requests
121 the organization to report on its policy on apprenticeships and internships, providing details on
122 remuneration, duration of paid leave, and entitlements to paid annual, sick, and family-related leaves
123 such as maternity leave. (See GRI: Employment EMPL 2)

124 **Fair Recruitment.** Fair recruitment ensures that workers' rights are respected and prevents abusive
125 practices such as excessive fees, deceptive contracts, and unfair treatment during the recruitment
126 process. This disclosure asks the organization to report how it monitors the direct and indirect
127 recruitment of job seekers, employees, and workers who are not employees, which is fair and
128 adheres to international labor standards. This includes no recruitment or related fees, obtaining
129 informed consent, and providing access to effective grievance mechanisms and remediation
130 processes. The organization reports any incidents concerning recruitment, including the number and

131 type of incidents and the actions taken to remediate and prevent such incidents. (See GRI:
132 Employment EMPL 3 and EMPL 8)

133 **Performance management systems and performance reviews.** When an effective performance
134 management system exists, workers can improve their skills and employability and receive training
135 and development opportunities to advance their careers. The organization reports how it ensures its
136 performance management system is objective and impartial, respects fundamental principles and
137 rights at work, and any appeals process. The organization must also disclose the impacts resulting
138 from performance reviews, such as the percentage of employees and workers who are not employees
139 who received a performance review, reasons why some workers did not receive a review, and the
140 number of appeals submitted. (See GRI: Employment EMPL 4 and EMPL 9)

141 **Personal data protection and privacy of workers.** The aim of the disclosure is for the
142 organization to report on the personal data protection and privacy policies of its employees and
143 workers who are not employees. This includes collecting, processing, and monitoring personal data,
144 obtaining consent from workers, and involving worker representatives in policy development and
145 implementation. (See GRI: Employment EMPL 5)

146 **Employment termination.** This new management disclosure aims to increase accountability on the
147 termination of employment or work. The termination policy is related to job security. The organization
148 discloses its termination policy, including crucial aspects such as valid reasons for termination, the
149 procedure for termination, any safeguards against wrongful and unfair termination, and the procedure
150 for appeal for workers. (See GRI: Employment EMPL 6)

151 **Hiring and turnover metrics.** The objective of this disclosure is for the organization to report on the
152 implementation of the recruitment process, including internal and external recruitment, employee
153 turnover, and tenure. It also gives insights into the organization's workplace culture, stability, worker
154 satisfaction, and the processes to capture and retain talent. Therefore, the organization reports a
155 more detailed breakdown of information. Under this disclosure, the organization reports the ratio of
156 new employees recruited and the total number and percentage of employee turnover in terms of
157 employee type, age group, gender, and region. Furthermore, the organization shall describe the most
158 common reasons for voluntary turnover and termination of employment. New information includes
159 internal recruitment rate and number of employees by the length of tenure, employee type and region,
160 and total number and turnover rate for the most common types of workers who are not employees.
161 (See GRI: Employment EMPL 7)

162 **3) Summary of proposals and changes related to Remuneration and Working Time**

163 An exposure draft for **GRI REWO: Remuneration and working time** has been developed in line with
164 the project objectives set out above. Notable changes and inclusions in this exposure draft are
165 summarized below:

166 **Policies to determine Remuneration and Working Time.** These two disclosures focus on how the
167 organization manages two key parts of the relationship with workers: the amount earned by the
168 workers and the conditions regarding the number of hours of work and how those hours are arranged
169 when workers are at the organization's disposal.

170 The organization reports its policies to determine remuneration and working time and how to ensure
171 the involvement of worker's representatives. Remuneration policies cover the principle of equal
172 remuneration for work of equal value and the differences in each policy between different types of
173 employees and different types of workers who are not employees. Furthermore, the organization
174 reports its policies regarding the remuneration's components, such as basic pay considering the cost-
175 of-living estimates and other payments in cash and in-kind, overtime, and deductions. Concerning
176 working time, the organization shall report on its working time policies, taking into account regular
177 working hours, rest hours, overtime, annual leave, working time arrangements, and the needs of
178 vulnerable workers. (See GRI: Remuneration and Working Time REWO 1 and 2)

179 **Transparency of remuneration and working time to workers.** Effective communication between
180 the organization and its workers may result in favorable impacts such as trust and work satisfaction.
181 The new management disclosure focuses on ensuring workers understand their remuneration and
182 working hours. (See GRI: Remuneration and Working Time REWO 3)

183 **Inclusion of cost-of-living estimates in the new disclosure Remuneration of Workers.** This topic
184 disclosure aims to understand how the organization remunerates its workers. Due to the importance
185 of the organization providing decent remuneration, the disclosure includes comparing the basic pay
186 against cost-of-living estimates. When reporting under this disclosure, the organization reports
187 different remuneration-related information. For example, median gross hourly basic pay by employee
188 category and the number of employees, and by the number of workers who are not employees who
189 are paid at the minimum wage. To be accountable for paying decent remuneration, the organization
190 reports the number and percentage of employees whose basic pay is at or above the cost-of-living
191 estimates and commitments to address the gaps between these basic pay and cost-of-living
192 estimates. (See GRI: Remuneration and Working Time REWO 4)

193 **Basic pay gap.** This disclosure aims to identify differences in basic pay between men and
194 women. However, it also allows the organization to report how it is inclusive of transgender and non-
195 binary employees in its reporting of the gender pay gap or reporting other pay gaps associated with
196 vulnerable workers. The outcome of the disclosure is that the organization reports the discrepancies
197 in gross pay and hourly pay for each employee category. (See GRI: Remuneration and Working Time
198 REWO 5)

199 **More extensive approach to social protection coverage.** Social security is fundamental for
200 improving job quality, increasing human dignity, and reducing poverty, inequalities, and vulnerability of
201 workers and their families. When reporting under this topic disclosure, the organization reports its
202 contributions to different types of social protection, as well as the number, percentage, and types of
203 employees who are not covered by public programs or benefits. The reporting information is
204 complemented by the requirement to report on actions to increase social protection coverage and
205 contributions made to relevant authorities for workers who are not employees. (See GRI:
206 Remuneration and Working Time REWO 6)

207 **Working time metrics.** Under this disclosure, the organization reports information that shows how it
208 monitors working time to make decisions on the potential negative impacts of excessive working time.
209 As part of responding to new challenges due to globalization and technological advances and the
210 growing number of women seeking paid labor, this disclosure also requests information related to
211 work-life balance, such as working time arrangements and annual leave. (See GRI: Remuneration
212 and Working Time REWO 7)

213 **4) Summary of proposals and changes related to Significant Changes for workers**

214 An exposure draft for **GRI SICH: Significant Changes for Workers** has been developed in line with the
215 project objectives set out above. Notable changes and inclusions in this exposure draft are
216 summarized below:

217 **Management of significant changes for workers.** Significant changes in the organization may
218 result in negative or positive impacts on workers. The organization aims to report how it handles
219 significant changes that may result in positive impacts, such as career opportunities, new skills, and
220 job satisfaction, or negative impacts, such as mass termination. The disclosure requires a description
221 of processes and mitigation efforts on how the organization manages significant changes affecting
222 employees and workers who are not employees, including consultations with workers'
223 representatives. In cases where significant changes result in mass termination, the
224 organization shall report how it manages the termination of employees and workers. In addition, any
225 measures taken to lessen the adverse impacts of significant changes, including staff redeployment,
226 upskilling, and workforce planning, shall be reported. (See GRI: Significant Changes for Workers
227 SICH 1)

228 **Minimum consultation and notice periods to workers' representatives.** Reporting on notice
229 periods and consultation with workers before the implementation of mass termination offers
230 transparency on how the organization communicates on time and offers meaningful dialogue with
231 workers' representatives. The organization shall provide the number of weeks' notice and weeks
232 taken in consultation with workers before implementing mass termination. If notice periods and
233 consultation provisions are specified within any collective bargaining agreements, those shall also be
234 reported. (See GRI: Significant Changes for Workers SICH 2)

235 **Redeployment and Training.** The objective is to increase transparency regarding the actions taken
236 by the organization to ensure employees can obtain quality jobs after implementing significant
237 changes. The organization shall report on the number and percentage of employees who received
238 training for up-skilling and reskilling, as well as the total number and percentage of redeployed and
239 terminated employees. (See GRI: Significant Changes for Workers SIC 3)

240 **5) Summary of the proposal for a new Standard Interpretation to GRI 2 related to Control of** 241 **work**

242 The GRI Standards require organizations to report the number of workers who are not employees and
243 whose work is controlled by the organization. However, there is some ambiguity on whether
244 organizations should classify workers in their business relationships as workers who are not
245 employees as this subset of workers. The Interpretation Statement clarifies that an organization's
246 instructions or terms to its business relationships regarding specific materials or work methods for
247 product manufacturing or service delivery do not necessarily constitute direct control of work. It also
248 gives additional information regarding the principle of control of work.

249 **New terms and relevant definitions**

250 The revised and new disclosures require updating some of the terms according to the most recent
251 developments in labor rights and protections. The proposal is to include new and revised terms in the
252 GRI Glossary, such as:

- 253 • **Workers who are not employees**
- 254 • **Significant Changes**
- 255 • **Employee Category**

256 **More extensive guidance through the standards**

257 Each disclosure comes with more detailed guidance, examples, templates, and references to facilitate
258 the reporting to the organization.

259 **GSSB involvement and views on the development of** 260 **this draft**

261 The GSSB appointed one of its members as GSSB sponsor and technical committee member for this
262 project. The GSSB sponsor is strongly involved in the technical committee process and has attended
263 all of their meetings and many subgroup meetings.

264 The GSSB confirmed its support for the revisions to the GRI Labor Standards when it voted to
265 approve the drafts for public exposure at its meeting on 16 May 2024.

266 The recording of the meeting can be accessed on the [GSSB GRI YouTube channel](#).

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