GRI Topic Standard Project for Economic Impact - Monetary Flows exposure draft

Public comment period FAQs

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Economic Impact-related Topic Standards project

What are the objectives for the project?

The objective of the economic impact project is to review and revise all GRI economic impact-related Standards and incorporate new issues to reflect stakeholder expectations for reporting the organization's impact on the economy. The economic impact project is divided into three sets of thematic Standards to allow targeted messaging and stakeholder engagement during the public comment periods. This ensures the workload is manageable for stakeholders and GRI reporters worldwide reviewing the draft Standards during public inquiry, the GSSB, the working group, the GRI Standards Division, and other GRI divisions. Economic impact project details can be found in the project proposal.

The review of *GRI 201: Economic performance 2016,* under Phase 1 of the economic impact project, aims to represent internationally agreed best practice and align with authoritative intergovernmental instruments related to an organization's impact on the economy, environment and people such as the United Nations (UN) Guiding Principles on Business and Human Rights (Guiding Principles, UNGPs) and the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

As part of the GSSB Work Program 2023-2025, the Global Sustainability Standards Board (GSSB) identified the review of *GRI 201: Economic performance 2016* as a priority project for commencement in 2023. Since the GRI disclosures on Economic Performance were last revised, the issue of economic impact has received significant attention in the global sustainable development agenda. In line with the GSSB Due Process Protocol, a multi-stakeholder working group was established in January 2024 to contribute to the review and content development.

The revised GRI Monetary Flows Standard could address a key gap between conventional financial reporting and impact reporting by making the connection between the distribution of monetary flows and impacts on the economy, environment and people. In this way, it enhances the comparability of information, enabling stakeholders to assess how financial decisions contribute to impact.

For more information on the project, consult the project website and Terms of Reference of the Working Group.

Public Comment Period

When is the public comment period for the exposure draft?

The exposure draft for GRI Monetary Flows of the GRI Topic Standard Project for Economic Impact is available for public comment between 29 September and 17 December 2025, as part of the Phase 1 of the project.

You are welcome to provide feedback on the exposure draft by completing the online survey.

GRI Monetary Flows exposure draft

Will the revised standard accommodate emerging methodologies for the valuation of externalities and impact?

While GRI acknowledges the importance of emerging methodologies for the monetization of externalities, such as those relating to environmental, social, and economic impacts, the project working group has suggested that there is currently a lack of mature methodologies to estimate the monetary value of impacts and externalities and that existing methodologies require further refinement. Some of the reasons for this are, along with stakeholder concerns that attaching an economic value to nature could result in under-valuation, these methodologies are still evolving, and their complexity, varying levels of adoption, and challenges in standardization may make it difficult for many organizations to adopt them.

Many organizations, especially smaller ones or organizations new to sustainability reporting, may also find the cost of valuing externalities prohibitively high. The data collection, analysis, and valuation processes require significant resources, which can discourage organizations from engaging in such efforts. As a global standard-setting organization, the GRI Standards aim to be inclusive and applicable to all organizations and constituencies.

Why does Disclosure MF-2: Monetary flows generated and distributed, use the term monetary flows instead of economic value?

To address the inconsistent interpretation of terms like “economic value” and “value distributed,” the revised standard proposes the term “monetary flows” as a replacement for value-related terminology, to describe financial transactions by the organization and to reinforce the idea that it is an expression of accounting flows that includes non-cash items.

What is the definition of monetary flows and how does it differ from cash flows?

Monetary flows and cash flows are related but distinct concepts. Cash flows refer to the movement of actual cash and cash equivalents into and out of an organization, providing insight into liquidity and short-term financial health.

Monetary flows, by contrast, is a broader concept. Monetary flows refer to the movement of money and credit within an organization or across the economy. Reporting on monetary flows provides insight into how an organization fulfills its financial obligations and expectations while meeting the social, economic, and environmental needs of its stakeholders.

Monetary flows include non-cash items, where the organization reasonably expects a future movement of money, or where an allocation of costs or profits is set aside for future obligations. These items typically include depreciation, amortization, provisions, accruals, and high probability contingent liabilities. Monetary flows generated by an organization are the surplus amounts produced through its activities. Monetary flows distributed are the portions of this surplus allocated to stakeholders, invested in environmental protection, or retained by the organization.

Monetary flows generated by an organization refers to the monetary amounts generated as a surplus through its activities. Monetary flows distributed refers to the allocation of the monetary flows generated to the organization’s stakeholders, towards protection of the environment, and retained by the organization.

Monetary flows are typically measured on an accrual basis, meaning they account for income and expenses when they are earned or incurred, rather than when cash is received or paid.

In short, while cash flow focuses on liquidity, monetary flow provides a fuller picture of the organization’s economic activity and impact. By reporting this information, organization’s reveal not just the extent to which they are profitable, but how they distrubte what they generate - whether it's retained by the company, paid out in salaries, dividends, or taxes, or invested in communities and environmental initiatives. Presenting information in this way helps stakeholders understand the broader economic, environmental and social impact behind an organizaton’s financial results.

Is the structure of the MF-2 disclosure based on an existing accounting or financial statement format?

The structure of the MF-2 disclosure builds on the existing GRI 201-1 disclosure which is based on a Value-Added Statement (VAS). The VAS is a general-purpose statement which, when reconciled with financial accounting, provides general audiences with information on how and where money flows through the activities of an organization. The VAS relies on a balanced construction equation which denotes a reconcilable reclassification of the profit and loss accounts.

This provides greater insight into which stakeholder groups can access these flows and the value of the monetary flows which they receive relative to others. The VAS does not account for overall value, but rather focuses on a particular aspect of the business model - namely the flow of funds - and acts as an input to understanding an organization's distribution to, or extraction of value from, the environment, society and the economy. The VAS utilizes data that an organization already collects as part of its financial reporting requirements and presents it in a way that provides greater insight into an organization's sustainability commitments and impact on the economy.

MF-2 therefore provides a well-rounded architecture and taxonomy for a statement of accounting origin with preparation guidelines that are flexible enough to be adapted to different industries and jurisdictions without losing its main purpose: being a bridge between financial and social accounting, and impact.

Disclosure MF-2 requires the accrual basis to determine the generation, and distribution of monetary flows. Organizations are recommended to report whether this is upon sales realizations or upon production. How does the standard provide for interoperability between the two approaches?

Depending on their internal systems and nature of their operations, organizations may prepare information on monetary flows on an accruals basis either upon sales realizations or upon production. Accruals based on sales realizations recognize monetary flows when goods or services are actually sold and revenue is realized. Accruals based on production assign monetary value to goods or services at the time they are produced, regardless of when they are sold.

The sales realization approach is more commonly used, as it aligns with standard financial accounting practices and facilitates reconciliation between sustainability and financial reports. However, some organizations, particularly those with long production cycles or unique business models, may find it more practical to report based on production.

The revised standard includes reporting guidance under MF-2-c to provide clarity on how organizations should reconcile variances arising between these two approaches when reporting against the requirements in Disclosure MF-2.

What are the key changes between Disclosure MF-2 and GRI 201-1: Direct economic value generated and distributed?

Disclosure MF-2 introduces a revised approach to reporting economic impacts, which builds upon GRI 201-1. The key changes include:

- **Introduction of monetary flows:** MF-2 replaces the concept of economic value. Monetary flows generated, for example, is now calculated as the net amount of revenues and other income less operating inputs, providing a more technically accurate basis for calculation.
- **Clarification of operating inputs:** The Standard now provides a clear definition of operating inputs, enhancing consistency and comparability across organizations.
- **Reclassification of economic value distributed:** Economic value distributed, for example to employees, governments and capital providers, are no longer treated as "costs" but as part of the distribution of generated monetary flows.
- **Emphasis on local communities and environment protection:** MF-2 explicitly recognizes the organization's distribution of monetary flows to local communities and for protection of the environment, ensuring a more complete picture of distribution.
- **Recognition of the organization as a stakeholder:** The organization itself is now treated as a stakeholder. Flows such as undistributed profits and retained earnings are considered as value retained within the organization.

- **Monetary flows distributed to shareholders based on actual payments:** MF-2 reflects dividends and drawings actually paid to shareholders or owners, rather than focusing solely on declared profits.

Will MF-2 require a higher involvement from accountants in its preparation? What are the related benefits of it?

Yes, organizations reporting against MF-2 may require a higher level of involvement from accountants. Since MF-2 is based on accounting data and must be reconciled with financial figures, accountants are well-equipped with the necessary skills and expertise to compile MF-2 and its detailed breakdowns. The same applies to the preparation of MF-3 social financial indicators.

This presents a valuable opportunity to bring accountants into the sustainability reporting process, helping to bridge the gap between financial and social perspectives in the context of organizations reporting on their impacts. Their involvement can enhance the accuracy, credibility, and integration of sustainability disclosures with traditional financial reporting.

Is Disclosure MF-2 a reclassification of profit and loss accounts?

Yes, MF-2 can be understood as a reclassification of the profit and loss (P&L) account. However, in practice, organizations may encounter specific situations that require a reconfiguration of the financial P&L to more accurately reflect certain monetary flows generated and distributed during the reporting period.

For example, this can include capitalized labor costs or financial interest expenses incurred during the construction of owned fixed assets or long-term assets held for sale. These types of flows may not appear directly in the P&L but are still relevant for the purposes of MF-2.

In such cases, organizations are required to disclose how these situations were treated when compiling information for MF-2. This is in line with requirement MF-2-c of the Standard, which states that reporters must: “Report contextual information necessary to understand how the data has been compiled, including standards, methodologies, and assumptions used.”

Reporting guidance clarifies that this requirement relates to the basis of preparation. It includes information on the conventions, assumptions, and accounting methods chosen to determine how monetary flows are measured, classified, and presented, particularly when they are derived from or linked to financial statements.

What are social financial indicators?

The exposure draft introduces Social Financial Indicators (SFIs) to provide a structured, socially-informed lens on an organization’s financial information. SFIs offer a more nuanced way to understand financial data, such as line items from the organization’s P&L statement, in terms of its implications for the economy, people, and the environment. By framing financial information in this way, SFIs help organizations reveal relationships, patterns, and trends that make the organization’s economic activity and broader impacts clearer and more actionable for report users.

Does Disclosure MF-3: Social financial indicators, represent an exhaustive list of social financial indicators or a minimum possible set of requirements?

Disclosure MF-3 provides a minimum set of social financial indicators, designed to give contextual information linked to the various financial line items of MF-2. The SFIS included in the exposure draft are not an exhaustive list, but rather a set of foundational indicators to improve consistency and comparability of organization’s sustainability reporting on the topic. While organizations are encouraged to include other relevant SFIs to give report users a more nuanced understanding of how sustainability strategies are implemented and the associated social financial impacts

GRI recognizes that organizations may adopt additional SFIs based on their industry, products, services, or areas where they wish to unpack data further. This approach helps users see beyond high-level totals, understand patterns and relationships in the data, and gain insights into how economic activity translates into outcomes for society, the environment, and the economy.

Using GRI standards

GRI Standards and how my organization can use them in different country contexts?

Welcome to GRI! We're so happy you are here. For over 25 years, GRI has been a leader in global sustainability impact reporting.

The GRI Standards enable any organization – large or small, private or public – to understand and report on its impacts on the economy, environment, and people in a comparable and credible manner, thereby increasing transparency on its contribution to sustainable development. In addition to companies, the Standards are highly relevant to many stakeholders, including investors, policymakers, capital markets, and civil society.

The Standards are designed as an easy-to-use modular set, delivering an inclusive picture of an organization's material topics, their related impacts, and how they are managed.

Therefore, the GRI Standards can be applied to any country and sector context.

You can find more information about the GRI Standards and resources for how to report on the GRI website.

What resources are available to support organizations in their reporting efforts?

GRI can help companies improve their sustainability reporting, meet stakeholder transparency expectations, foresee and act on risks and opportunities, and make more informed strategic decisions. Our services, membership program, and online learning portal provide the essential expertise to help you achieve accurate and high-quality sustainability reporting. Plus, through our partnerships with training and software providers, we can direct you to further support resources, certified by GRI.

Take your sustainability reporting to the next level with our full range of support options for applying the GRI Standards – the most widely used set of sustainability reporting standards in the world.

GRI has Sector Standards intended to increase the quality, completeness, and consistency of reporting by organizations. Standards will be developed for 40 sectors, starting with those with the highest impact, such as oil and gas, agriculture, aquaculture, and fishing.

The Standards list topics that are likely to be material for most organizations in a given sector and indicate relevant disclosures to report on these topics. If an applicable Sector Standard is available, an organization is obliged ('required') to use it when reporting with the GRI Standards.

For more information, here are additional FAQs about the Standards GRI - Questions and answers (globalreporting.org)

Are there best practices GRI can share for verifying or auditing these disclosures?

While not required, the GRI Standards recommend that an organization seek external assurance for its sustainability reporting, in addition to using internal controls.

Section 5.2 of *GRI 1: Foundation 2021* describes various ways an organization can enhance the credibility of its sustainability reporting, including through external assurance, internal controls, and stakeholder or expert panels.

What should an organization do if it does not have all the data required to comply with a disclosure?

An organization can use reasons for omission if it cannot comply with a disclosure or with a requirement in a disclosure for which reasons for omission are permitted.

Reasons for omission are permitted for all disclosures from the GRI Standards except for five disclosures from *GRI 2: General Disclosures 2021* and two disclosures from *GRI 3: Material Topics 2021*.

There are four reasons for omission that an organization is permitted to use:

- Not applicable
- Legal prohibitions
- Confidentiality constraints
- Information unavailable/incomplete

An organization still reports in accordance with the GRI Standards as long as it complies with the requirements for the reasons for omission specified in Requirement 6 in *GRI 1: Foundation 2021*. See Requirement 6 in section 3 of *GRI 1* for more information on applying the reasons for omission.

How do I use GRI Topic Standards?

An organization reporting in accordance with the GRI Standards is required to report the following disclosures if it has determined monetary flows to be a material topic:

- Disclosure 3-3 Management of material topics in *GRI 3: Material Topics 2021*.
- Any disclosures from the topic standard that are relevant to the organization's most significant impact.

See Requirements 4 and 5 in *GRI 1: Foundation 2021*.

Reasons for omission are permitted for these disclosures.

Is there a minimum number of disclosures required to report in accordance with the GRI Standards?

No. There is no requirement to report a minimum number of disclosures to report in accordance with the GRI Standards. The number of disclosures that an organization reports is based on its assessment of which disclosures are relevant to its impacts in relation to a material topic.

An organization needs to identify the disclosures from its material topics to report. An organization is required to report only those disclosures relevant to its impacts in relation to its most significant impacts. An organization is not required to report disclosures that are not relevant.

See Requirement 5 in *GRI 1: Foundation 2021*.

Are GRI Standards available in other languages?

The authoritative text of the GRI Standards is English. Authorized translations of GRI Standards in key languages are made available following formal publication. Please consult the GRI Translations page or contact translations@globalreporting.org for more information on the upcoming translation schedule.