Item 06 – GRI Topic Standard Project for Labor – Annex – Explanatory Memorandum to the exposure draft Standards for Labor (item 2 to 5)

For GSSB approval

Date 26 April 2024

Meeting 16 May 2024

Project GRI Topic Standard Project for Labor

Description This Annex contains the explanatory memorandum to the following proposed labor exposure drafts:

Item 02 – GRI Topic Standard Project for Labor - Employment
Item 03 – GRI Topic Standard Project for Labor - Remuneration and Working Time
Item 04 – GRI Topic Standard Project for Labor - Significant Changes for Workers
Item 05 – GRI Topic Standard Project for Labor - Control of Work Standard Interpretation to GRI 2

The explanatory memorandum sets out the background of the project, the objectives for the review of GRI’s Labor Standards, the proposals of the technical committee as contained in the exposure drafts, and a summary of the GSSB’s involvement and views on the development of the drafts.

The drafts and Annex are submitted for GSSB approval.

If approved, public exposure is proposed to commence in early June and run until late September 2024.
Explanatory memorandum

Introduction

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

- Item 02 – GRI Topic Standard Project for Labor - Employment
- Item 03 – GRI Topic Standard Project for Labor - Remuneration and Working Time
- Item 04 – GRI Topic Standard Project for Labor - Significant Changes for Workers
- Item 05 – GRI Topic Standard Project for Labor - Control of Work Standard Interpretation to GRI 2

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

Objectives for the project

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

Due to the focus on labor topics, a technical committee was formed with representation from workers, employers, and the ILO. Next to this tripartite technical committee, an advisory group was established with a broad stakeholder representation to advise and assist the technical committee during the process.

The aim is to align with internationally agreed best practices, the latest developments, and relevant authoritative intergovernmental instruments related to human rights and labor conditions such as International Labor Organization (ILO) Conventions and Recommendations; 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.

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

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

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

- The implementation of international labor standards, including fundamental labor rights, by offering decent work and dignified working conditions, as well as the involvement of workers' representatives in developing and implementing policies.
Its approach to human rights is to provide work that cares about its workers in terms of decent remuneration and working time, employment conditions, skills, career development, and work-life balance, improving workers' satisfaction and retention of talent.

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

**Set 1 - Employment Practices and Conditions**

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

Set 1 includes three Topic Standards and one standard interpretation.
- Employment
- Remuneration and Working Time
- Significant Changes for Workers
- Control of Work Standard Interpretation to GRI 2

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

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

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

Set 2 includes the following Topic Standards:
- Training and Education
- Working Parents and Caregivers
- Diversity, Inclusion, and Equal Opportunity

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

**Set 3 - Workers Rights and Protections**

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

Set 3 includes the following Topic Standards:
- Child Labor
- Forced or Compulsory Labor
- Non-discrimination
- Freedom of Association and Collective Bargaining
- Workers of Business Relationships

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

**Summary of the proposals**

For more information on the project, consult the [project proposal](#) and the [technical committee](#) and [advisory group](#) biographies.
The scope of the workers set 1 of the standards are the organizations’ employees and workers who are not employees and whose work is controlled by the organization (hereafter workers who are not employees). Workers of the organization’s business relationships are in the scope of set 3 of labor standards and, therefore, are not included in this set of labor standards.

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

1) General proposed change

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

- GRI 202: Market Presence 2016 (Disclosure 202-1);
- GRI 401: Employment 2016 (Disclosures 401-1 to 401-02);
- GRI 402: Labor/management Relations 2016 (Disclosure 402-1);
- GRI 405: Diversity and Equal Opportunity 2016 (Disclosure 405-2).

- The revised draft Employment (Item 02) includes the revision of GRI 401: Employment 2016 (Disclosures 401-1).
- The new proposed draft Remuneration and Working Time (Item 03) includes the revision of GRI 202: Market Presence 2016 (Disclosure 202-1), GRI 401: Employment 2016 (Disclosure 401-2), and GRI 405: Diversity and Equal Opportunity 2016 (Disclosure 405-2).
- The revised Standard Significant Changes for Workers (Item 04) is a revision of GRI 402: Labor and Management Relations 2016 (Disclosure 402-1).
- A new draft, Standard Interpretation to GRI 2: Control of work (Item 05), is proposed to clarify and provide information on how to apply and interpret the ‘control of work’ concept when implementing the GRI labor standards.

2) Summary of proposals Employment (Item 02)

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

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

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

Fair Recruitment. Fair recruitment ensures that workers’ rights are respected and prevents abusive practices such as excessive fees, deceptive contracts, and unfair treatment during the recruitment process. This disclosure asks the organization to report how it monitors the direct and indirect recruitment of job seekers, employees, and workers who are not employees, which is fair and adheres to international labor standards. This includes no recruitment or related fees, obtaining informed consent, and providing access to effective grievance mechanisms and remediation processes. The organization reports any incidents concerning recruitment, including the number and type of incidents and the actions taken to remediate and prevent such incidents. (See GRI: Employment EMPL 3 and EMPL 8)
**Performance management systems and performance reviews.** When an effective performance management system exists, workers can improve their skills and employability and receive training and development opportunities to advance their careers. The organization reports how it ensures its performance management system is objective and impartial, respects fundamental principles and rights at work, and any appeals process. The organization must also disclose the impacts resulting from performance reviews, such as the percentage of employees and workers who are not employees who received a performance review, reasons why some workers did not receive a review, and the number of appeals submitted. (See GRI: Employment EMPL 4 and EMPL 9)

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

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

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

3) Summary of proposals and changes related to Remuneration and Working Time (Item 3)

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

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

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

**Transparency of remuneration and working time to workers.** Effective communication between the organization and its workers may result in favorable impacts such as trust and work satisfaction. The new management disclosure focuses on ensuring workers understand their remuneration and working hours. (See GRI: Remuneration and Working Time REWO 3)
Inclusion of cost-of-living estimates in the new disclosure Remuneration of Workers. This topic disclosure aims to understand how the organization remunerates its workers. Due to the importance of the organization providing decent remuneration, the disclosure includes comparing the basic pay against cost-of-living estimates. When reporting under this disclosure, the organization reports different remuneration-related information. For example, median gross hourly basic pay by employee category and the number of employees, and by the number of workers who are not employees who are paid at the minimum wage. To be accountable for paying decent remuneration, the organization reports the number and percentage of employees whose basic pay is at or above the cost-of-living estimates and commitments to address the gaps between these basic pay and cost-of-living estimates. (See GRI: Remuneration and Working Time REWO 4)

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

More extensive approach to social protection coverage. Social security is fundamental for improving job quality, increasing human dignity, and reducing poverty, inequalities, and vulnerability of workers and their families. When reporting under this topic disclosure, the organization reports its contributions to different types of social protection, as well as the number, percentage, and types of employees who are not covered by public programs or benefits. The reporting information is complemented by the requirement to report on actions to increase social protection coverage and contributions made to relevant authorities for workers who are not employees. (See GRI: Remuneration and Working Time REWO 5)

Working time metrics. Under this disclosure, the organization reports information that shows how it monitors working time to make decisions on the potential negative impacts of excessive working time. As part of responding to new challenges due to globalization and technological advances and the growing number of women seeking paid labor, this disclosure also requests information related to work-life balance, such as working time arrangements and annual leave. (See GRI: Remuneration and Working Time REWO 6)

4) Summary of proposals and changes related to Significant Changes for workers (item 4)

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

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

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

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

5) Summary of the proposal for a new Standard Interpretation to GRI 2 related to Control of
work (item 5)

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

New terms and relevant definitions

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

- Workers who are not employees
- Significant Changes
- Employee Category

More extensive guidance through the standards

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

GSSB involvement and views on the development of
this draft

The GSSB appointed one of its members as GSSB sponsor and technical committee member for this
project.

The GSSB sponsor is strongly involved in the technical committee process and has attended all of
their meetings and many subgroup meetings.

The exposure draft is scheduled to be presented for approval to the GSSB at its meeting on 16 May
2024.

All GSSB meetings are recorded and made available on the GSSB GRI YouTube channel.

Note on reading this document

This document includes generic text used in all GRI Standards. This text is highlighted in grey and
cannot be changed – please do not comment on this text.

Underlined terms in the draft Standard indicate terms for which definitions have been provided. Most
of these terms are already defined in the GRI Standards Glossary – these are highlighted in grey and
cannot be changed. The proposed new definitions are not highlighted in grey and are open for review.