GRI STANDARDS

GRI 203: Indirect Economic Impacts 2016

203

EFFECTIVE DATE: 1 JULY 2018

TOPIC STANDARD

GRI 203: Indirect Economic Impacts 2016

Topic Standard

Effective Date
This Standard is effective for reports or other materials published on or after 1 July 2018

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

Due Process
This Standard was developed in the public interest and in accordance with the requirements of the GSSB Due Process Protocol. It has been developed using multi-stakeholder expertise, and with regard to authoritative intergovernmental instruments and widely held expectations of organizations relating to social, environmental, and economic responsibilities.

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Content

Introduction

GRI 203: Indirect Economic Impacts 2016 contains disclosures for organizations to report information about their indirect economic impacts, and how they manage these impacts.

The Standard is structured as follows:
- Section 1 contains a requirement, which provides information about how the organization manages its indirect economic impacts.
- Section 2 contains two disclosures, which provide information about the organization's indirect economic impacts.
- The Glossary contains defined terms with a specific meaning when used in the GRI Standards. The terms are underlined in the text of the GRI Standards and linked to the definitions.

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

Background on the topic

This Standard addresses an organization's indirect economic impacts, including impacts of an organization's infrastructure investments and services supported.

An economic impact can be defined as a change in the productive potential of the economy that has an influence on a community's or stakeholder's well-being and longer-term prospects for development. Indirect economic impacts are the additional consequences of the direct impact of financial transactions and the flow of money between an organization and its stakeholders.

Indirect economic impacts can be monetary or non-monetary, and are particularly important to assess in relation to local communities and regional economies.

System of GRI Standards

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

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

Universal Standards: GRI 1, GRI 2 and GRI 3

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

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

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

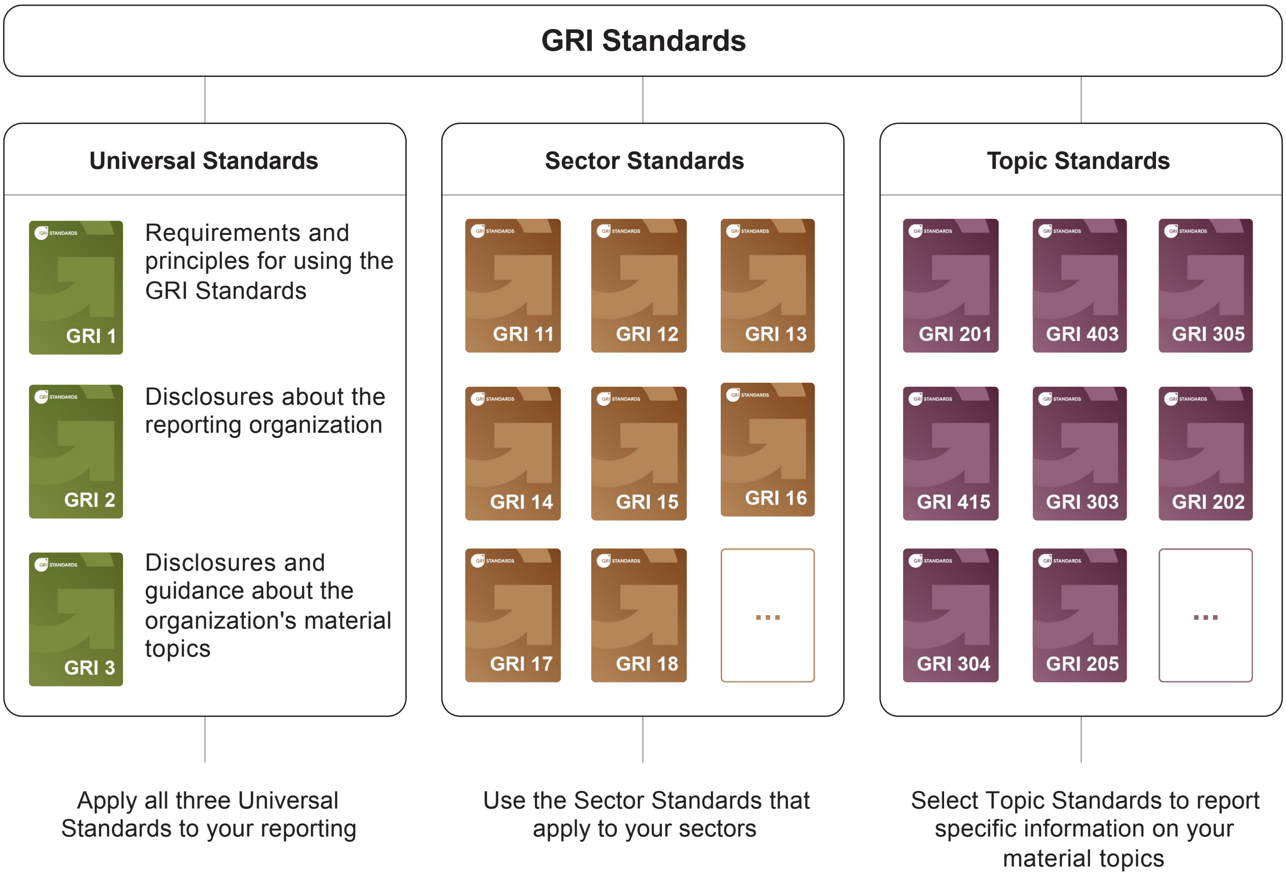
Sector Standards

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

Topic Standards

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

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



Using this Standard

This Standard can be used by any organization – regardless of size, type, sector, geographic location, or reporting experience – to report information about its indirect economic impacts.

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

- Disclosure 3-3 in *GRI 3: Material Topics 2021* (see clause 1.1 in this Standard);
- Any disclosures from this Topic Standard that are relevant to the organization's indirect economic impacts (Disclosure 203-1 through Disclosure 203-2).

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

Reasons for omission are permitted for these disclosures.

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

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

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

Requirements, guidance and defined terms
The following apply throughout this Standard:

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

Requirements may be accompanied by guidance.

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

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

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

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

1. Topic management disclosures

An organization reporting in accordance with the GRI Standards is required to report how it manages each of its material topics.

An organization that has determined indirect economic impacts to be a material topic is required to report how it manages the topic using Disclosure 3-3 in *GRI 3: Material Topics 2021* (see clause 1.1 in this section).

This section is therefore designed to supplement – and not replace – Disclosure 3-3 in *GRI 3*.

REQUIREMENTS

1.1 The reporting organization shall report how it manages indirect economic impacts using Disclosure 3-3 in *GRI 3: Material Topics 2021*.

RECOMMENDATIONS

1.2 The reporting organization should:

1.2.1 describe work undertaken to understand indirect economic impacts at the national, regional, or local level;

1.2.2 explain whether it conducted a community needs assessment to determine the need for infrastructure and other services, and describe the results of the assessment.

2. Topic disclosures

An organization is expected to compile information for economic disclosures using figures from its audited financial statements or from its internally-audited management accounts, whenever possible. Data can be compiled using, for example:

- the relevant International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB), and the Interpretations developed by the IFRS Interpretations Committee (specific IFRS are referenced for some of the disclosures);
- the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants (IFAC);
- national or regional standards recognized internationally for the purpose of financial reporting.

Disclosure 203-1 Infrastructure investments and services supported

REQUIREMENTS

The reporting organization shall report the following information:

a. Extent of development of significant infrastructure investments and services supported.

b. Current or expected impacts on communities and local economies, including positive and negative impacts where relevant.

c. Whether these investments and services are commercial, in-kind, or pro bono engagements.

RECOMMENDATIONS

2.1 When compiling the information specified in Disclosure 203-1, the reporting organization should disclose:

2.1.1 the size, cost and duration of each significant infrastructure investment or service supported;
2.1.2 the extent to which different communities or local economies are impacted by the organization's infrastructure investments and services supported.

GUIDANCE

Background

This disclosure concerns the impact that an organization's infrastructure investments and services supported have on its stakeholders and the economy.

The impacts of infrastructure investment can extend beyond the scope of an organization's own operations and over a longer timescale. Such investments can include transport links, utilities, community social facilities, health and welfare centers, and sports centers. Along with investment in its own operations, this is one measure of the organization's capital contribution to the economy.

Disclosure 203-2 Significant indirect economic impacts

REQUIREMENTS

The reporting organization shall report the following information:

a. Examples of significant identified indirect economic impacts of the organization, including positive and negative impacts.

b. Significance of the indirect economic impacts in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas.

GUIDANCE

Guidance for Disclosure 203-2

This disclosure concerns the spectrum of indirect economic impacts that an organization can have on its stakeholders and the economy.

Examples of significant indirect economic impacts, both positive and negative, can include:

- changes in the productivity of organizations, sectors, or the whole economy (such as through greater adoption of information technology);
- economic development in areas of high poverty (such as changes in the total number of dependents supported through the income of a single job);
- economic impacts of improving or deteriorating social or environmental conditions (such as changing job market in an area converted from small farms to large plantations, or the economic impacts of pollution);
- availability of products and services for those on low incomes (such as preferential pricing of pharmaceuticals, which contributes to a healthier population that can participate more fully in the economy; or pricing structures that exceed the economic capacity of those on low incomes);
- enhanced skills and knowledge in a professional community or in a geographic location (such as when shifts in an organization’s needs attract additional skilled workers to an area, who, in turn, drive a local need for new learning institutions);
- number of jobs supported in the supply or distribution chain (such as the employment impacts on suppliers as a result of an organization’s growth or contraction);
- stimulating, enabling, or limiting foreign direct investment (such as when an organization changes the infrastructure or services it provides in a developing country, which then leads to changes in foreign direct investment in the region);
- economic impacts from a change in operation or activity location (such as the impact of outsourcing jobs to an overseas location);
- economic impacts from the use of products and services (such as economic growth resulting from the use of a particular product or service).

Glossary

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

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

E

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

H

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

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

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

I

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

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

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

infrastructure
facilities built primarily to provide a public service or good rather than a commercial purpose, and from which the organization does not seek to gain direct economic benefit

Examples: hospitals, roads, schools, water supply facilities

M

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

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

S

services supported
services that provide a public benefit either through direct payment of operating costs or through staffing the facility or service with an organization's own <u>employees</u>

Note: Public benefit can also include public services.

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

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

Note: The terms 'sustainability' and 'sustainable development' are used interchangeably in the GRI Standards.

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