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Review of GRI 201: Economic Performance, GRI 202: Market Presence, and GRI 203: Indirect Economic Impacts

Project Proposal

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Project background

In November 2016, the GSSB approved and published its three-year [Work Program](#) for 2017-2019, including a schedule of priority standards to review in 2017. These Standards were selected based on stakeholder feedback and a consideration of national and international developments. *GRI 201: Economic Performance* was identified for review based primarily on feedback received from the public comment period and from GSSB members during the 'Transition to Standards' initiative in 2016. This feedback indicated that the current disclosures in *GRI 201* are unclear and inconsistently interpreted, and would benefit from a thorough content review.

To help inform the scope of this project, the GRI Standards Division carried out initial research into current reporting practice on GRI's economic disclosures. This research suggested that the disclosures within *GRI 201: Economic Performance*, *GRI 202: Market Presence*, and *GRI 203: Indirect Economic Impacts* are closely-related and that the distinctions across these topics are not always clearly understood by reporters. In addition, the Standards Division noted that to review each of these Standards would likely require similar technical expertise within a Project Working Group or Technical Committee.

Based on these points, the GSSB determined during its 21-22 March 2017 meeting to expand the scope of the review project to include *GRI 202: Market Presence* and *GRI 203: Indirect Economic Impacts* as well as *GRI 201: Economic Performance*.

Furthermore, since the disclosures in *GRI 201*, *GRI 202*, and *GRI 203* were last updated in 2006 (with the publication of the GRI G3 Guidelines), there have been a number of international developments related to how organizations should identify, manage, and report on their impacts on the economy. The UN Guiding Principles on Business and Human Rights¹ and the OECD Guidelines for Multinational Enterprises² set out a clear expectation for businesses to take responsibility not only for impacts they cause directly, but also those they contribute to or are linked to through their business relationships. This concept has already been incorporated into GRI's disclosures on topic Boundary in *GRI 103: Management Approach*. However, in the context of GRI's economic disclosures, this means that organizations are expected to report not only on their direct impacts on the economy, but also those they are linked to, for example through their supplier relationships.

In addition, several of the UN Sustainable Development Goals (SDGs) are closely related to impacts of organizations on the economy – for example, Goal 1 (No poverty), Goal 8 (Decent Work and Economic Growth) and Goal 10 (Reduced Inequalities). Although the SDGs were originally developed by governments for governments, business has been identified as having a critical role to play in supporting progress towards the goals. Many businesses are already adopting the SDGs into their sustainability strategy and reporting processes,³ and are looking for further guidance to understand how their activities contribute towards relevant SDGs and targets.

¹ United Nations (UN), 'Guiding Principles on Business and Human Rights, Implementing the United Nations "Protect, Respect and Remedy" Framework', 2011.

² Organisation for Economic Co-operation and Development (OECD), OECD Guidelines for Multinational Enterprises, 2011.

³ According to PWC's 2015 report, 'Make it your business: Engaging with the Sustainable Development Goals', 71% of businesses say they are already planning how they will engage with the SDGs. Available at: http://www.pwc.com/gx/en/sustainability/SDG/SDG%20Research_FINAL.pdf

36 Together, these developments suggest that the content in *GRI 201*, *GRI 202*, and *GRI 203* would
37 benefit from a comprehensive review to ensure that GRI's economic standards align with key
38 international instruments and reflect leading practice in disclosure.

39 Project objectives and scope

40 The primary objective of this project is to review the content of *GRI 201*, *GRI 202*, and *GRI 203* in
41 order to ensure these disclosures align with relevant international instruments and reflect leading
42 practice in measuring the economic impacts of organizations.

43 Based on initial desktop research by the Standards Division, there are a variety of topics that could
44 potentially be covered within the scope of economic impacts. These include, for example:

- 45 • impacts of organizations on local labor markets, including job creation, wages and compensation,
46 training, and skills development
- 47 • impacts on poverty alleviation (for example, through community development, education,
48 employment, or other development projects)
- 49 • monetary flows into local economies (including local procurement)
- 50 • investment in infrastructure and services (often tied in with community investment)
- 51 • securing livelihoods (covering for example the wellbeing, health, and safety of workers and local
52 communities)
- 53 • impacts of business models (including for example, employee-owned businesses, social
54 enterprises, and circular economy-related concepts such as 'products as services')
- 55 • economic contributions of an organization's products and services
- 56 • externalities (e.g. impacts of investment decisions)
- 57 • impacts of changing workforce trends, such as automation and use of technology

58 Many of these issues relate to socio-economic dimensions, as opposed to the purely economic
59 contributions typically covered under financial reporting. Many of these issues are also closely
60 interlinked with community development (currently covered under *GRI 413: Local Communities*), local
61 procurement (covered under *GRI 204: Procurement Practices*) and employment (covered under *GRI*
62 *401: Employment*). These three standards are not currently included in the scope of the project, but
63 if the Technical Committee recommends they should also be reviewed, the GSSB will consider and
64 discuss this option.

65 The scope of this project will also aim to consider and, where appropriate, to build off existing
66 methodologies for measuring the economic impacts of organizations. These could include, for
67 example, the [Measuring Impact Framework](#) developed by WBCSD and IFC, the [socio-economic](#)
68 [assessment \(SEAT\)](#) toolbox developed by Anglo-American, the [IRIS impact investment metrics](#)
69 developed by the Global Impact Investing Network (GIIN), or the [Poverty Footprint Tool](#) developed
70 by Oxfam and the UN Global Compact. In addition, this project can consider as point of reference
71 relevant economic impact assessment tools used by development finance institutions (such as the
72 World Bank or IFC) as well as those developed by state-owned enterprises.

73 Proposed next steps

74 This review will be carried out in two phases. The first phase will have a broad scope and will seek
75 to develop recommendations on the overarching content areas and disclosures that should be
76 covered in GRI's 200 (economic) series of standards, in order to align with relevant international
77 instruments and methodologies.

78 To help inform the first phase of work, a dedicated Technical Committee will be formed as set out in
79 the GSSB [Due Process Protocol](#). A detailed Terms of Reference for the Technical Committee will
80 be developed, including the objectives, scope, and timeline for their work. The Technical Committee
81 will include experts with specific expertise in understanding and measuring the impacts of
82 organizations on the economy. This phase of work could lead to recommendations to restructure,
83 merge, expand, or retitl the current topics covered under *GRI 201*, *GRI 202*, and *GRI 203*. It could
84 also lead to recommendations to add new content areas or to remove or revise existing disclosures.
85 All recommendations from this Technical Committee will be shared back with the GSSB for
86 consideration.

87 Depending on the outcomes of the first phase of work, the GSSB will then evaluate the need to form
88 additional Technical Committees or Project Working Groups to further develop disclosures for
89 specific topic areas, as recommended by the first phase of work.