# Item 20 – Transition to GRI Standards

## Mock-up of Sustainability Reporting Standard 2: Content Principles

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<th>3-5 November 2015, Amsterdam</th>
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<td>As part of the move to become a standard setter, the Global Sustainability Standards Board (GSSB) has decided that the G4 Guidelines need to be transitioned to Sustainability Reporting Standards (GRI Standards). This paper presents the mock-up of Sustainability Reporting Standard 2: Content Principles, formerly the G4 Principles for Defining Report Content.</td>
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This document has been prepared by the GRI Standards Division. It is provided as a convenience to observers at meetings of the Global Sustainability Standards Board (GSSB), to assist them in following the Board's discussion. It does not represent an official position of the GSSB. Board positions are set out in the GRI Sustainability Reporting Standards. The GSSB is the independent standard-setting body of GRI. For more information visit [www.globalreporting.org](http://www.globalreporting.org).
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Clean version

About this version

This section presents a clean version of Sustainability Reporting Standard 2: Content Principles, formerly the G4 Principles for Defining Report Content.

For an overview of the changes applied, see the ‘Summary of changes’ on page 28 of this paper. This summary is to be read in conjunction with Item 18 – Transition to GRI Standards – Proposals and mock-ups in development, available for download on the GRI website (www.globalreporting.org).

The proposed terminology for the GRI Standards has not been fully implemented throughout the original G4 text in this mock-up. The G4 content also includes references to sections of G4 that will change in the GRI Standards.

New text in the mock-ups will continue to evolve. It is not a final proposal for wording. Instead, it is intended to convey the type of information that users will need. It is also a place to ‘trial’ different terms and formulations.

Decisions about the text, and firm proposals for it, will be made during the forthcoming phase of editorial review. This will include decisions on the tone of voice to be used in the GRI Standards, and the preferred ways to construct sentences and express ideas.

The use of verbs in the GRI Standards will also be covered during the editorial review. In G4, verbs such as ‘can’, ‘may’ or ‘might’ are used interchangeably. In keeping with standard-setting practice, these verbs will be given fixed meanings in the GRI Standards. Each mock-up has a section where the proposed meanings are explained.

In the mock-ups, these meanings have not yet been applied throughout the original G4 text. The editorial review will include an assessment of the intended meaning behind each verb used interchangeably in G4, and any repercussions that might arise from changing it.

The mock-ups use the standard GRI branding. The GRI Standards will have distinct branding, design and layout, including visuals and infographics.

GSSB decisions

Status of process guidance for defining Material Aspects and Boundaries

The GSSB is asked to decide whether the process guidance for defining report content (see line numbers 364-750) should be mandatory or optional for this GRI Standard. If it is optional, it can be either presented within this GRI Standard (using formulations such as ‘organizations are encouraged to…’) or in a separate guidance document.
Sustainability Reporting Standard 2: Content Principles: [Publication Year]
Summary information for users of this GRI Standard

This Sustainability Reporting Standard (GRI Standard) is issued by the Global Sustainability Standards Board (GSSB). It is part of the set of GRI Sustainability Reporting Standards, or SRSs.

The GSSB is an independent operating entity within GRI. It has responsibility for setting globally-accepted sustainability reporting standards, according to a formally-defined due process, exclusively in the public interest.

The GSSB also develops materials to support and improve the use of the SRSs. This includes Guidance publications, FAQ documents and Interpretations, with the latter also developed according to due process.

As a component of the due process, Basis for Conclusions documents are created for each GRI Standard.

The SRSs are designed to be used by organizations for compiling and reporting sustainability information.

The SRSs:

- set out disclosure requirements for sustainability information
- specify Reporting Principles, methods and practices to adhere to when formulating the disclosures

The SRSs are suitable for use by organizations of any size, type, sector or geographical location.

Using the SRSs in conjunction

Each GRI Standard in the set of SRSs has been designed to be used in conjunction with others. The exact combination of SRSs to be used by an organization depends on whether the organization is:

- preparing a report ‘in accordance’ with the SRSs, or
- making use of individual SRSs to report on a particular topic or topics

This GRI Standard is to be read in conjunction with the following SRSs:

- SRS 1: Conceptual Framework
- SRS 3: Quality Principles

SRS 1: Conceptual Framework gives essential information on using the SRSs.

This GRI Standard and SRS 3: Quality Principles set out the Reporting Principles which underpin the practice of sustainability reporting, guiding choices on which information to report and how.

Therefore, organizations are required to be familiar with SRS 1, SRS 2 and SRS 3 before using any other GRI Standard.

Complete information on the combined use of SRSs is given in SRS 1: Conceptual Framework.

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1 Where the term ‘sustainability’ is used in the SRSs, it is intended to be understood as sustainable development. See the World Commission on Environment and Development. Our Common Future. Oxford: Oxford University Press, 1987, p.43.
All text in a GRI Standard has equal authority.

The Reporting Principles are presented in **bold** font.

The specified methods and practices for applying the Principles are presented in regular font, following each Principle.

The verbs used in the text have the following meanings:

- **Can** = Capability: a particular scenario or course of action is achievable or applicable.
- **May** = Permission: a particular scenario or course of action is permitted when using the GRI Standard.
- **Might** = Possibility: a particular scenario or course of action is possible.
- **Should** = Recommendation: a particular scenario or course of action is recommended and encouraged.

Where a term is defined in the Terms and Definitions section of a GRI Standard, organizations are to adhere to that definition.

Where a document is referenced without its date of publication, the reference applies to the most recent edition.
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**GSSB**

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The Principles for Defining Report Content establish the processes for identifying topics to be reported. This involves considering an organization’s activities, impacts, and the substantive expectations and interests of its stakeholders.
Terms and Definitions

Topic Boundary

5 Refers to the description of where impacts occur for each material topic. In setting the Topic Boundaries, an organization should consider impacts within and outside of the organization. Topic Boundaries vary based on the topics reported.

Material topics

6 Material topics are those that reflect the organization’s significant economic, environmental and social impacts; or that substantively influence the assessments and decisions of stakeholders. To determine if a topic is material, qualitative analysis, quantitative assessment and discussion are needed.

Reporting period

7 Reporting period is the specific time span covered by the information reported.

Reporting Principle

8 Concepts that describe the outcomes a report should achieve and that guide decisions made throughout the reporting process, such as which Indicators to respond to, and how to respond to them.

Scope

9 The range of topics covered in a report.

Stakeholders

10 Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the organization’s activities, products, and services; and whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives. This includes entities or individuals whose rights under law or international conventions provide them with legitimate claims vis-à-vis the organization.

11 Stakeholders can include those who are invested in the organization (such as employees, shareholders, suppliers) as well as those who have other relationships to the organization (such as vulnerable groups within local communities, civil society).
Principles for Defining Report Content

12 The following Reporting Principles are set out below: Stakeholder Inclusiveness, Sustainability Context, Materiality, and Completeness.

13 These Principles establish the processes for identifying topics to be reported.

14 Stakeholder Inclusiveness

14 The organization should identify its stakeholders, and explain how it has responded to their reasonable expectations and interests.

15 Applying the Principle:

15 Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the organization’s activities, products, and services; and whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives. This includes entities or individuals whose rights under law or international conventions provide them with legitimate claims vis-à-vis the organization.

16 Stakeholders can include those who are invested in the organization (such as employees, shareholders, suppliers) as well as those who have other relationships to the organization (such as vulnerable groups within local communities, civil society).

17 The reasonable expectations and interests of stakeholders are a key reference point for many decisions in the preparation of the report. However, not all of an organization’s stakeholders will use the report. This presents challenges in balancing the specific interests and expectations of stakeholders who can reasonably be expected to use the report with broader expectations of accountability to all stakeholders.

18 For some decisions, such as the report Scope or Topic Boundaries, the organization considers the reasonable expectations and interests of a wide range of stakeholders. There may be, for example, stakeholders who are unable to articulate their views on a report and whose concerns are presented by proxies. There may also be stakeholders who choose not to express views on reports because they rely on different means of communication and engagement.

19 The reasonable expectations and interests of these stakeholders should still be acknowledged in decisions about the content of the report. However, other decisions, such as the level of detail required to be useful to stakeholders, or expectations of different stakeholders about what is required to achieve clarity, may require greater emphasis on those who can reasonably be expected to use the report. It is important to document the processes and approach taken in making these decisions.

20 The process of stakeholder engagement may serve as a tool for understanding the reasonable expectations and interests of stakeholders. Organizations typically initiate different types of stakeholder engagement as part of their regular activities, which can provide useful inputs for decisions on reporting. These may include, for example, stakeholder engagement for the purpose of compliance with internationally recognized standards, or informing ongoing organizational or business processes. In addition, stakeholder engagement may also be implemented specifically to
inform the report preparation process. Organizations may also use other means such as the media, the scientific community, or collaborative activities with peers and stakeholders. These means help the organization better understand stakeholders’ reasonable expectations and interests.

When the process of stakeholder engagement is used for reporting purposes, it should be based on systematic or generally accepted approaches, methodologies, or principles. The overall approach should be sufficiently effective to ensure that stakeholders’ information needs are properly understood.

It is important that the process of stakeholder engagement is capable of identifying direct input from stakeholders as well as legitimately established societal expectations. An organization may encounter conflicting views or differing expectations among its stakeholders, and may need to be able to explain how it balanced these in reaching its reporting decisions.

For the report to be assurable, it is important to document the process of stakeholder engagement. The organization documents its approach for defining which stakeholders it engaged with, how and when it engaged with them, and how engagement has influenced the report content and the organization’s sustainability activities.

Failure to identify and engage with stakeholders is likely to result in reports that are not suitable, and therefore not fully credible, to all stakeholders. In contrast, systematic stakeholder engagement enhances stakeholder receptivity and the usefulness of the report. Executed properly, it is likely to result in ongoing learning within the organization and by external parties, as well as increase accountability to a range of stakeholders. Accountability strengthens trust between the organization and its stakeholders. Trust, in turn, fortifies report credibility.

Tests:
(a) The organization can describe the stakeholders to whom it considers itself accountable
(b) The report content draws upon the outcomes of stakeholder engagement processes used by the organization in its ongoing activities, and as required by the legal and institutional framework in which it operates
(c) The report content draws upon the outcomes of any stakeholder engagement processes undertaken specifically for the report
(d) The stakeholder engagement processes that inform decisions about the report are consistent with the Scope and Topic Boundaries

Sustainability Context

The report should present the organization’s performance in the wider context of sustainability.

Applying the Principle:

Information on performance should be placed in context. The underlying question of sustainability reporting is how an organization contributes, or aims to contribute in the future, to the improvement or deterioration of economic, environmental and social conditions, developments and trends at the local, regional or global level. Reporting only on trends in individual performance (or the efficiency of the organization) fails to respond to this underlying question. Reports should
therefore seek to present performance in relation to broader concepts of sustainability. This involves discussing the performance of the organization in the context of the limits and demands placed on environmental or social resources at the sector, local, regional, or global level. For example, this can mean that in addition to reporting on trends in eco-efficiency, an organization may also present its absolute pollution loading in relation to the capacity of the regional ecosystem to absorb the pollutant.

This concept is often most clearly articulated in the environmental arena in terms of global limits on resource use and pollution levels. However, it may also be relevant with respect to social and economic objectives such as national or international socio-economic and sustainable development goals. For example, an organization may report on employee wages and social benefit levels in relation to nation-wide minimum and median income levels, and the capacity of social safety nets to absorb those in poverty or those living close to the poverty line.

Organizations operating in a diverse range of locations, sizes, and sectors need to consider how to best frame their overall organizational performance in the broader context of sustainability. This may require distinguishing between topics or factors that drive global impacts (such as climate change) and those that have more regional or local impacts (such as community development). When reporting on topics that have positive or negative local impacts, it is important to provide insight into how the organization affects communities in different locations. Similarly, distinctions may need to be made between trends or patterns of impacts across the range of operations versus contextualizing performance location by location.

The organization’s own sustainability and business strategy provides the context in which to discuss performance. The relationship between sustainability and organizational strategy should be made clear, as should the context within which performance is reported.

Tests:

(a) The organization presents its understanding of sustainable development and draws on objective and available information as well as measures of sustainable development for the topics covered in the report

(b) The organization presents its performance with reference to broader sustainable development conditions and goals, as reflected in recognized sectoral, local, regional, or global publications

(c) The organization presents its performance in a manner that attempts to communicate the magnitude of its impact and contribution in appropriate geographical contexts

(d) The report describes how sustainability topics relate to long-term organizational strategy, risks, and opportunities, including supply chain topics

Materiality

The report should cover topics that:

(a) Reflect the organization’s significant economic, environmental and social impacts;

or

(b) Substantively influence the assessments and decisions of stakeholders
Applying the Principle:

Organizations are faced with a wide range of topics on which they could report. Relevant topics are those that may reasonably be considered important for reflecting the organization’s economic, environmental and social impacts, or influencing the decisions of stakeholders, and, therefore, potentially merit inclusion in the report. Materiality is the threshold at which topics become sufficiently important that they should be reported. Beyond this threshold, not all material topics are of equal importance and the emphasis within a report should reflect the relative priority of these material topics.

In financial reporting, materiality is commonly thought of as a threshold for influencing the economic decisions of those using an organization’s financial statements, investors in particular. The concept of a threshold is also important in sustainability reporting, but it is concerned with a wider range of impacts and stakeholders. Materiality for sustainability reporting is not limited only to those topics that have a significant financial impact on the organization.

Determining materiality for a sustainability report also includes considering economic, environmental and social impacts that cross a threshold in affecting the ability to meet the needs of the present without compromising the needs of future generations. These material topics often have a significant financial impact in the short term or long term on an organization. They are therefore also relevant for stakeholders who focus strictly on the financial condition of an organization.

A combination of internal and external factors should be used to determine whether a topic is material, including factors such as the organization’s overall mission and competitive strategy, concerns expressed directly by stakeholders, broader social expectations, and the organization’s influence on upstream (such as supply chain) and downstream (such as customers) entities. Assessments of materiality should also take into account the basic expectations expressed in the international standards and agreements with which the organization is expected to comply.

These internal and external factors should be considered when evaluating the importance of information for reflecting significant economic, environmental and social impacts, or stakeholder decision making. A range of established methodologies may be used to assess the significance of impacts. In general, ‘significant impacts’ refer to those that are a subject of established concern for expert communities, or that have been identified using established tools such as impact assessment methodologies or life cycle assessments. Impacts that are considered important enough to require active management or engagement by the organization are likely to be considered to be significant.

The report should emphasize information on performance regarding the most material topics. Other relevant topics can be included, but should be given less prominence in the report. The process by which the relative priority of topics was determined should be explained.

In addition to guiding the selection of topics to report, the Materiality Principle also applies to the use of Indicators.

When disclosing performance data, there are varying degrees of comprehensiveness and detail that could be provided in a report. Overall, decisions on how to report data should be guided by the importance of the information for assessing the performance of the organization, and facilitating appropriate comparisons.
Reporting on material topics may involve disclosing information used by external stakeholders that differs from the information used internally for day-to-day management purposes. However, such information does indeed belong in a report, where it may inform assessments or decision-making by stakeholders, or support engagement with stakeholders that may result in actions that significantly influence performance or address key topics of stakeholder concern.

Tests:

In defining material topics, the organization takes into account the following factors:

(a) Reasonably estimable sustainability impacts, risks, or opportunities (such as global warming, HIV-AIDS, poverty) identified through sound investigation by people with recognized expertise, or by expert bodies with recognized credentials in the field

(b) Main sustainability interests and topics, and Indicators raised by stakeholders (such as vulnerable groups within local communities, civil society)

(c) The main topics and future challenges for the sector reported by peers and competitors

(d) Relevant laws, regulations, international agreements, or voluntary agreements with strategic significance to the organization and its stakeholders

(e) Key organizational values, policies, strategies, operational management systems, goals, and targets

(f) The interests and expectations of stakeholders specifically invested in the success of the organization (such as employees, shareholders, and suppliers)

(g) Significant risks to the organization

(h) Critical factors for enabling organizational success

(i) The core competencies of the organization and the manner in which they may or could contribute to sustainable development

Prioritizing

(a) The report prioritizes material topics and Indicators

FIGURE 1 Visual representation of prioritization of topics

[Insert Figure 1]

Completeness

The report should include coverage of material topics and their Boundaries, sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess the organization’s performance in the reporting period.

Applying the Principle:

Completeness primarily encompasses the dimensions of scope, boundary, and time. The concept of completeness may also be used to refer to practices in information collection (for example, ensuring that compiled data includes results from all entities within the organization and entities,
groups of entities, or elements outside the organization where significant impact occurs) and whether the presentation of information is reasonable and appropriate. These topics are related to report quality, and are addressed in greater detail under the Principles of Accuracy and Balance.

‘Scope’ refers to the range of sustainability topics covered in a report. The sum of the topics and Standard Disclosures reported should be sufficient to reflect significant economic, environmental and social impacts. It should also enable stakeholders to assess the organization’s performance. In determining whether the information in the report is sufficient, the organization should consider both the results of stakeholder engagement processes and broad-based societal expectations that may not have surfaced directly through stakeholder engagement processes.

‘Topic Boundary’ refers to the description of where impacts occur for each material topic. In setting the Topic Boundaries, an organization should consider impacts within and outside of the organization. Topic Boundaries vary based on the topics reported.

‘Time’ refers to the need for the selected information to be complete for the time period specified by the report. As far as practicable, activities, events, and impacts should be presented for the reporting period in which they occur. This includes reporting on activities that produce minimal short-term impact, but which have a significant and reasonably foreseeable cumulative effect that may become unavoidable or irreversible in the longer term (such as bio-accumulative or persistent pollutants). In making estimates of future impacts (both positive and negative), the reported information should be based on well-reasoned estimates that reflect the likely size and nature of impacts. Although such estimates are by nature subject to uncertainty, they provide useful information for decision-making as long as the basis for estimates is clearly disclosed and the limitations of the estimates are clearly acknowledged. Disclosing the nature and likelihood of such impacts, even if they may only materialize in the future, is consistent with the goal of providing a balanced and reasonable representation of the organization’s economic, environmental and social performance.

Tests:

(a) The report takes into account impacts within and outside of the organization, and covers and prioritizes all material information on the basis of the Principles of Materiality, Sustainability Context, and Stakeholder Inclusiveness

(b) The information in the report includes all significant impacts in the reporting period, and reasonable estimates of significant future impacts when those impacts are reasonably foreseeable and may become unavoidable or irreversible

(c) The report does not omit relevant information that influences or informs stakeholder assessments or decisions, or that reflects significant economic, environmental and social impacts
Process for Defining Report Content

Introduction

To begin the process of defining the content of a report, the organization is required to select material topics. This section describes the steps that the organization may follow, using the Reporting Principles for Defining Report Content, to identify material topics and their material impacts.

After this identification, the organization will be able to define the Indicators and Disclosures on Management Approach (DMA) to be reported.

Important initial definitions

In the GRI Standards:

(a) The range of topics covered in a report is called the ‘Scope’

(b) The description of where impacts occur for each material topic is called ‘Topic Boundary’

(c) ‘Topic’ refers to any possible sustainability subject

Important initial remarks

It is crucial to document the process for defining report content, including the organization’s methodologies, assumptions, and decisions taken. Accurate records facilitate analysis and assurance, help to fulfill the General Disclosures in the section ‘Identified Material Aspects and Boundaries’ (Implementation Manual pp. 31-42), and enable the organization to explain its chosen approach.

Inevitably, the process for defining report content requires subjective judgments. The organization is expected to be transparent about its judgments. This enables internal and external stakeholders to understand the process for defining report content. The organization’s senior decision-makers are expected to be actively involved in the process for defining report content, and should approve any associated strategic decisions.

DEFINING MATERIAL TOPICS AND BOUNDARIES: THE PROCESS

This section describes the steps that the organization may go through in order to define the specific content of the report.

The steps described here have been designed to offer Guidance on how to implement the Principles for Defining Report Content.

Although following the steps is not a requirement to be ‘in accordance’ with the GRI Standards, the implementation of the Reporting Principles is a requirement. The Reporting Principles are

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III For a list of topics covered in the GRI Standards, see Reporting Principles and Standard Disclosures p. 9 and p. 44, and Implementation Manual p. 62.
fundamental to achieving transparency in sustainability reporting and therefore should be applied by all organizations when preparing a sustainability report.

The Principles for Defining Report Content are to be applied to identify the information to be disclosed, by considering the organization's activities, impacts, and the substantive expectations and interests of its stakeholders. There are four Principles for Defining Report Content: Materiality, Stakeholder Inclusiveness, Sustainability Context and Completeness. Each Reporting Principle has two components: a definition, and a description of how and why to apply the Principle. Both components should be considered by the organization.

Figure 2 indicates which of these Reporting Principles is applicable in the different process steps. Stakeholder Inclusiveness applies to the whole process, in varying degrees.

**FIGURE 2 Defining material topics and Boundaries - process overview**

[Insert Figure 2]

The methodology applied in the steps varies according to the individual organization. Specific circumstances such as business model, sector, geographic, cultural and legal operating context, ownership structure, and the size and nature of impacts affect how the organization identifies the material topics and other material topics to be reported. Considering the organization’s specificities, the steps to define report content are expected to be systematic, documented and replicable, and used consistently in each reporting period. Changes to the assessment approach, and their implications, are expected to be documented.

**STEP 1: IDENTIFICATION – OVERVIEW**

The process begins with **Identification** of the topics and any other relevant topics, and their Boundaries, which might be considered to be reported on. This identification is based on the Principles of Sustainability Context and Stakeholder Inclusiveness. When assessing the range of potentially relevant topics, the organization should use the tests that underlie these two Principles. The organization should identify topics and any other relevant topics based on the impacts related to all of its activities, products, services, and relationships, regardless of whether these impacts occur within or outside of the organization.

While the organization new to sustainability reporting is likely to focus on impacts that occur within the organization, a broader consideration of the impacts outside of the organization should become feasible as reporting practice matures.

**STEP 2: PRIORITIZATION – OVERVIEW**

The next step in defining report content is **Prioritization** of the topics and any other relevant topics from Step 1, to identify those that are material and therefore to be reported on. Prioritization should be based on the Principles of Materiality and Stakeholder Inclusiveness. When assessing the level of priority, the organization should use the tests that underlie these two Principles.

**STEP 3: VALIDATION – OVERVIEW**

This step is followed by **Validation** where the Principles of Completeness and Stakeholder Inclusiveness are applied to finalize the identification of the report content. When validating the identified material topics (or other material topics), the organization should use the tests that underlie these two Principles.
The outcome of these first three steps is a list of material topics (and other material topics) and their Boundaries. The final list of material topics (and other material topics) will lead the organization to defining a list of Specific Standard Disclosures related to them, which should be disclosed in its report.

**STEP 4: REVIEW – OVERVIEW**

Finally, after the report has been published, it is important that the organization undertakes a review of its report – Step 4. This review takes place as the organization is preparing for the next reporting cycle. A review may focus not only on the topics that were material in the previous reporting period but also consider again the Principles of Stakeholder Inclusiveness and Sustainability Context. The findings inform and contribute to the Identification Step for the next reporting cycle.

At the end of this guidance text, a summary of the actions to be taken for each Step is presented.

**Step 1 Identification**

1.1 IDENTIFYING RELEVANT TOPICS

Before defining the list of material topics or other material topics, organizations are advised to consider an initial broad list of topics that merit inclusion in the report. These are ‘relevant topics’.

‘Relevant topics’ are those that may reasonably be considered important for reflecting the organization’s relevant economic, environmental and social impacts; or influencing the assessments and decisions of stakeholders. All such topics potentially merit to be considered for inclusion in a sustainability report.

All GRI Aspects and related Standard Disclosures under each Category in the Guidelines and the GRI Sector Disclosures can be considered at this stage as the initial list of topics for this step. See Tables 1 or 5 in Reporting Principles and Standard Disclosures p. 9 or p. 44, and Table 1 in Implementation Manual p. 62 for an overview of all GRI Aspects.

The GRI Sector Disclosures can be found at www.globalreporting.org/reporting/sector-guidance

The identification of relevant topics involves considering the relevant impacts related to all of the organization’s activities, products, services, and relationships, regardless of whether these impacts occur within or outside of the organization.

For each identified relevant topic, the organization has to assess the impacts related to it and identify the Boundary. The Boundary of a topic specifies where the impacts occur: within or outside of the organization. Boundaries should be described in sufficient detail to identify:

(a) Where exactly within the organization itself the impacts occur

(b) Where outside of the organization the impacts occur

The organization’s identification of relevant topics is expected to be systematic and may consider the precautionary principle. In addition, where practicable the organization is advised to apply a scientific and internationally validated approach to measurement, and rely on proven expertise and authoritative research.
In assessing the range of potentially relevant topics, the organization should use the tests that underlie the Principles of Sustainability Context and Stakeholder Inclusiveness.

1.2 DETERMINING BOUNDARIES FOR RELEVANT TOPICS

This section explains concepts that will help to determine Boundaries of relevant topics and material topics.

The impacts that make a topic relevant can occur within or outside of the organization, or both.

‘Boundary’ refers to the description of where impacts occur for each relevant topic (potentially material topic). In setting the Boundaries, an organization should consider impacts within and outside of the organization. Topic Boundaries vary.

a. Within the organization

Impacts that make a topic relevant can occur within the organization. In the GRI Standards, ‘within the organization’ means the group of entities that are reported in G4-17.

These impacts do not always occur throughout the entire organization. During this step, the organization needs to evaluate in which entities within the organization the impact occurs. Refer to General Disclosure G4-20.

b. Outside of the organization

Impacts that make a topic relevant can occur outside of the organization. There is no exhaustive list of outside parties to be considered in this process. Instead, the organization should attempt to capture the instances where a relevant impact occurs. These relevant impacts can be described as direct or indirect for some topics or as caused by, contributed to, or linked to the organization for others.

For assessment purposes, the impacts that make the topic relevant outside of the organization can be grouped by their geographical location or the nature of the organization’s relationship to them (such as suppliers in country X). Refer to General Disclosure G4-21.

c. Within and outside of the organization

Impacts that make a topic relevant can occur within and outside of the organization. When describing the Boundaries for such topics, organizations should combine the considerations for determining Boundaries within the organization and outside of the organization, as explained earlier.

At the end of Step 1, the organization will have identified a list of relevant topics, along with their Boundaries. In the next step, this list is assessed for materiality, reporting priority, and level of coverage in the report.
Step 2 Prioritization

2.1 WHAT TO ANALYZE

After considering a list of relevant topics which might be covered in the report – which is likely to be a list containing a selection of GRI Aspects and GRI Sector Disclosures that are complemented, if needed, by other topics – the organization has to prioritize them. This involves considering the significance of their economic, environmental and social impacts or their substantive influence on the assessments and decisions of stakeholders.

For simplicity, the ‘relevant topics’ identified in Step 1 are referred to as ‘Aspects’ from now on.

The definition of the Materiality Principle states: “The report should cover topics that:

(a) Reflect the organization’s significant economic, environmental and social impacts; or

(b) Substantively influence the assessments and decisions of stakeholders”

Consequently, to determine if a topic is material, qualitative analysis, quantitative assessment and discussion are needed. The organization’s strategy and the context of its activities are important parts of this analysis and discussion.

The fact that a topic is difficult to quantify does not mean that the topic is not material. The decision of what is possible to be reported on for an identified material topic is to be considered later. The focus now is the analysis considering the points above.

The prioritization should be based on the Principles of Materiality and Stakeholder Inclusiveness. When assessing the level of priority, the organization should use the tests that underlie these two Principles.

2.2 ANALYSIS OF ‘INFLUENCE ON STAKEHOLDER ASSESSMENTS AND DECISIONS’ AND ‘SIGNIFICANCE OF THE ORGANIZATION’S ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS’

To implement the Materiality Principle, each topic should be assessed on ‘Influence on stakeholder assessments and decisions’ and ‘Significance of organization’s economic, environmental and social impacts’.

These viewpoints might overlap to some extent with respect to internal stakeholders. The interests and expectations of stakeholders that are invested specifically in the success of the organization (such as of workers, shareholders, and suppliers) inform the analysis of both viewpoints.

a. Influence on stakeholder assessments and decisions

The analysis of this viewpoint includes the assessment of the views expressed by stakeholders before and during the reporting period.
By applying the Principle of Stakeholder Inclusiveness, the organization should be able to identify and consider its key stakeholders and their respective views and interests, and how their views may affect decisions on the report content. The analysis requires the organization to translate the varied opinions of different stakeholders into a series of decisions on what to include and exclude from its report.

The GRI Standards require disclosure on stakeholder engagement under G4-24 to G4-27 (Reporting Principles and Standard Disclosures pp. 29-30, and Implementation Manual pp. 43-44). The organization is required to describe how stakeholders are identified and prioritized, how their input has been used or not used, and how different expectations and interests are assessed, as well as the organization’s rationale behind the chosen approach.

Stakeholder views may be drawn from existing, ongoing engagement mechanisms, as well as from stakeholder engagement that is initiated specifically for defining sustainability report content. Throughout the engagement process the Principle of Stakeholder Inclusiveness is applied in detail.

The stakeholder engagement process described here aims to identify topics that are important to key stakeholders and to recognize gaps between the perceptions of the organization and stakeholders. Topics of high significance to key stakeholders should be considered material, especially those topics that concern the stakeholders’ own interests.

The nature of the organization’s impact and the Topic Boundary are considered when defining the geographical focus of engagement. The stakeholder engagement process has to be appropriate to the stakeholder group. Stakeholder engagement also identifies the interests of stakeholders who are unable to articulate their views (such as future generations, fauna, ecosystems). The organization should identify a process for taking such views into account in determining materiality, including the interests of stakeholders with whom it may not be in constant or obvious dialogue.

The proper stakeholder engagement process is two-way in nature, systematic and objective. Some engagement processes with specific stakeholder groups, such as workers and communities, are expected to be independent of management and include mechanisms for stakeholders to express collective views relevant to their location.

The analysis of the topics identified by stakeholders may include:

(a) Each stakeholder group’s perception of the organization’s impact on that stakeholder group
(b) Each stakeholder group’s perception of the group’s dependency on the organization
(c) The geographical location of stakeholders, and the significance of the topic to their region
(d) The diversity and range of stakeholders who express interest and/or are affected
(e) The expectations of stakeholders regarding action and response to a topic
(f) The expectations of stakeholders regarding transparency on a particular topic

In addition, prioritizing stakeholders requires an analysis of how stakeholders relate to the organization and to the topic being considered. This process may include the degree to which stakeholders:

(a) Are interested in, affected by, or have potential to be affected by the impacts of an organization’s activities, products, services, and relationships
(b) Have the ability to influence outcomes within the organization

(c) Are invested in the success/failure of the organization

An organization’s activities, products, services, and relationships lead to economic, environmental and social impacts. Some of these sustainability impacts are visible to stakeholders, who express an interest in them directly. But not all sustainability impacts are recognized by stakeholders. Some impacts may be slow and cumulative. Others occur at a distance from stakeholders, so that causal links may not be clear.

b. Significance of the organization’s economic, environmental and social impacts

The aim of this analysis is to prioritize those topics that may positively or negatively influence the organization’s ability to deliver on its vision and strategy.

To prioritize topics for reporting, the organization’s assessment includes, among others, the following elements:

(a) The likelihood of an impact related to a topic

(b) The severity of an impact related to a topic

(c) The likelihood of risks or opportunities arising from a topic

(d) How critical the impact or topic is for the long-term performance of the organization

(e) The opportunity for the organization to grow or gain advantage from the impact or topic

Elements of this information may be available through established internal policies, practices and procedures (such as strategy, KPIs, risk assessments, and financial reports), as well as regulatory disclosure.

Among other possible elements, the analysis may include:

(a) Current and future financial and non-financial implications

(b) Impacts on the strategies, policies, processes, relationships and commitments of the organization

(c) Impacts on competitive advantage/management excellence

2.3 DETERMINING MATERIAL TOPICS

a. Thresholds

After completing the analysis of ‘Influence on stakeholder assessments and decisions’ and ‘Significance of the organization’s economic, environmental and social impacts’, the organization should be able to identify topics with respect to both these viewpoints.

The organization now defines thresholds (criteria) that render a topic material. The analysis of the two viewpoints should be reflected in these thresholds.

The definition of thresholds by the organization has a significant effect on the report. It is important that the thresholds and underlying criteria are clearly defined, documented and communicated by the organization.
This determination involves discussion, qualitative analysis and quantitative assessment to understand how significant a topic is.

The fact that a topic is difficult to quantify does not mean that the topic is not material. The decision of what is possible to be reported on for identified material topics is to be considered later.

In defining thresholds, the organization needs to make a decision on how to address topics that are more significant in one viewpoint than the other. A topic does not have to be highly significant in both viewpoints to be deemed a priority for reporting.

The fact that a topic is difficult to quantify does not mean that the topic is not material. The decision of what is possible to be reported on for identified material topics is to be considered later.

In defining thresholds, the organization needs to make a decision on how to address topics that are more significant in one viewpoint than the other. A topic does not have to be highly significant in both viewpoints to be deemed a priority for reporting.

Emerging issues – topics that may become relevant over time – are an example of this. Significance within one viewpoint is more important than convergence between the different viewpoints, and establishing a lowest common denominator is to be avoided. In addition, as noted earlier, topics of high significance to key stakeholders concerning their own interests are expected to be considered material for reporting.

For a visual representation of this identification, in Figure 6 the area between the two axes includes the topics identified during the Identification Step. Here, the topics are placed with respect to the ‘Influence on stakeholder assessments and decisions’ and ‘Significance of the organization’s economic, environmental and social impacts’. All the topics within the chart should be considered in the Prioritization Step.

FIGURE 6 Visual representation of prioritization of topics

[Insert Figure 6]

b. Level of coverage

Level of coverage refers to the prominence, amount of data and narrative explanation disclosed by the organization about a material topic. DMA, Indicators, or a combination of the two represent different levels of coverage.

The organization may consider the following as examples of how it may address level of coverage according to relative reporting priority:

(a) Topics with low reporting priority may be topics reported to fulfill regulatory or other reporting requirements. It may be decided to not include them in the report if not material.

(b) Topics with medium reporting priority should be considered for inclusion in the report. It may be decided to not include them in the report if not material.

(c) Topics with high reporting priority should be reported on in detail.

DMA allow for the discussion of challenges and dilemmas where the organization does not have a management approach for the material topic (see Reporting Principles and Standard Disclosures p. 45).

In addition, Indicators should be reported in combination with the DMA for material topics for which impacts occur within the organization.

For material topics for which impacts occur outside of the organization, Indicators are expected to be reported where data quality and availability allows.
At the end of the Prioritization Step the organization has established a list of all the material topics to be included in the report, along with their Boundaries and their level of coverage.

The organization should report if information presented for a DMA or Indicator does not cover the Boundary identified for the material topic in General Disclosures G4-20 and G4-21 (Reporting Principles and Standard Disclosures p. 29, and Implementation Manual p. 41).

**Step 3 Validation**

The Validation Step assesses all identified material topics against the Principle of ‘Completeness’ prior to gathering the information to be reported.

The Validation Step involves assessing the material topics against:

(a) Scope – the range of topics covered in a report

(b) Topic Boundaries – the description of where impacts occur for each material topic

(c) Time – the completeness of selected information with respect to the reporting period

Validation is undertaken with the aim of ensuring a report provides a reasonable and balanced representation of the organization’s sustainability performance, including both its positive and negative impacts.

The Principles of Completeness and Stakeholder Inclusiveness are applied here to finalize the identification of report content. When validating the identified material topics (or other material topics), the organization should use the tests that underlie these two Principles.

It is critical for the list of material topics identified for inclusion in the report to be approved by the relevant internal senior decision-makers at the organization. Some organizations may choose to involve external stakeholders in this authorization.

Once the identified material topics list has been approved, the identified material topics require translation into Standard Disclosures – DMA and Indicators – to report against. After the Validation Step, the organization gathers the information to be reported for each material topic, and assembles the final report. In gathering the information, the Principles for Defining Report Quality apply (Reporting Principles and Standard Disclosures pp. 17-18, and Implementation Manual pp. 13-16). The organization determines the topics for which there are already management and performance information available, and those for which it still needs to establish management approaches and performance measurement systems.\textsuperscript{VII}

The organization may identify material topics that are not covered by the topics list and Indicators in the GRI Standards neither by the GRI Sector Disclosures. To address these topics, the organization may apply the Generic DMA. The organization may also use – complementary to the Generic DMA – alternative indicators, also sector specific ones, or develop their own indicators.

Organization-specific indicators included in the report should be subject to the same Reporting Principles and have the same technical rigor as GRI’s Standard Disclosures.

\textsuperscript{VII} If a topic has been identified as material and the organization lacks sufficient information to report on it, the sustainability report should state what action will be taken to resolve the gap, and the timeframe for doing so.
The organization may also take the approach of assessing the Indicators for materiality during the Validation Step. If an Indicator is deemed material yet the topic it belongs to was not identified as material, the topic should be considered material.

**Step 4 Review**

A review takes place after the report has been published, and the organization is preparing for the next reporting cycle. The Review focuses on the topics that were material in the previous reporting period and also considers stakeholder feedback. The findings inform and contribute to the Identification Step for the next reporting cycle.

The Principles of Stakeholder Inclusiveness and Sustainability Context, and their associated tests in this GRI Standard, inform the review of a report. They serve as checks regarding the presentation and evaluation of report content, as well as checks for the reporting process as a whole.

The organization may choose to engage internal and external stakeholders to check whether the report content provides a reasonable and balanced picture of the organization’s impacts and its sustainability performance, and if the process by which the report content was derived reflects the intent of the Reporting Principles.

**PROCESS FOR DEFINING REPORT CONTENT – SUMMARY**

**Step 1: Identification**

(a) Consider the GRI Aspects list and other topics of interest

(b) Apply the Principles of Sustainability Context and Stakeholder Inclusiveness: Identify the topics – and other relevant topics – based on the relevant economic, environmental and social impacts related to all of the organization’s activities, products, services, and relationships, or on the influence they have on the assessments and decisions of stakeholders

(c) Identify where the impacts occur: within or outside of the organization

(d) List the topics and other topics considered relevant, and their Boundaries

**Step 2: Prioritization**

(a) Apply the Principles of Materiality and Stakeholder Inclusiveness: Assess each topic and other topic considered relevant for:

   (i) the significance of the organization’s economic, environmental and social impacts

   (ii) the influence on stakeholder assessments and decisions

(b) Identify the material topics by combining the assessments

(c) Define and document thresholds (criteria) that render a topic material

(d) For each material topic identified, decide the level of coverage, the amount of data and narrative explanation to be disclosed
(e) List the material topics to be included in the report, along with their Boundaries and the level of coverage.

**Step 3: Validation**

(a) Apply the Principles of Completeness and Stakeholder Inclusiveness: Assess the list of material topics against Scope, Topic Boundaries and Time to ensure that the report provides a reasonable and balanced representation of the organization’s significant economic, environmental and social impacts, and enables stakeholders to assess the organization’s performance.

(b) Approve the list of identified material topics with the relevant internal senior decision-maker.

(c) Prepare systems and processes to gather the information needed to be disclosed.

(d) Translate the identified material topics into Standard Disclosures – DMA and Indicators – to report against.

(e) Determine which information is available and explain those for which it still needs to establish management approaches and measurements systems.

**Step 4: Review**

(a) Apply the Principles of Sustainability Context and Stakeholder Inclusiveness: Review the topics that were material in the previous reporting period.

(b) Use the result of the review to inform Step 1 Identification for the next reporting cycle.

See also ‘Definitions of Key Terms’:

Aspect, Aspect Boundary, Scope, Topic (See Glossary in Implementation Manual, p. 244)

FIGURE 7 Defining material topics and Boundaries - process overview

[Insert Figure 7]
The following documents informed the development of this GRI Standard. Organizations are encouraged to be familiar with these documents, as they can improve understanding of the disclosure requirements.


About this version

This section presents a tracked version of Sustainability Reporting Standard 2: Content Principles, formerly the G4 Principles for Defining Report Content.

It includes a summary of the changes applied. This summary is to be read in conjunction with Item 18 – Transition to GRI Standards – Proposals and mock-ups in development, available for download on the GRI website (www.globalreporting.org).

The proposed terminology for the GRI Standards has not been fully implemented throughout the original G4 text in this mock-up. The G4 content also includes references to sections of G4 that will change in the GRI Standards.

New text in the mock-ups will continue to evolve. It is not a final proposal for wording. Instead, it is intended to convey the type of information that users will need. It is also a place to ‘trial’ different terms and formulations.

Decisions about the text, and firm proposals for it, will be made during the forthcoming phase of editorial review. This will include decisions on the tone of voice to be used in the GRI Standards, and the preferred ways to construct sentences and express ideas.

The use of verbs in the GRI Standards will also be covered during the editorial review. In G4, verbs such as ‘can’, ‘may’ or ‘might’ are used interchangeably. In keeping with standard-setting practice, these verbs will be given fixed meanings in the GRI Standards. Each mock-up has a section where the proposed meanings are explained.

In the mock-ups, these meanings have not yet been applied throughout the original G4 text. The editorial review will include an assessment of the intended meaning behind each verb used interchangeably in G4, and any repercussions that might arise from changing it.

The mock-ups use the standard GRI branding. The GRI Standards will have distinct branding, design and layout, including visuals and infographics.

Summary of changes

Formatting legend

- Blue underlined: New, amended or combined text (i.e., several G4 texts remade into one)
- Regular text: Existing text or text that has been moved
- Red strike through: Text deleted permanently
- Regular strike through: Text deleted from its G4 location and moved elsewhere

Relocating G4 content

- The process guidance for defining Material Aspects and Boundaries (Implementation Manual, pp. 31-40) has been incorporated into this GRI Standard (see line numbers 1149-1526)
The following definitions from the ‘Definitions of Key Terms’ section of G4 (Implementation Manual, p. 244) have been added to the ‘Terms and Definitions’ section of this GRI Standard:


The following definition from the ‘Glossary’ section of G4 (Implementation Manual, pp. 244-254) has been added to the ‘Terms and Definitions’ section of this GRI Standard: ‘Reporting period’ (see line numbers 908-909)

References have been consolidated in the section ‘References’

**Removing unnecessary G4 guidance**

- Section headings from guidance texts have been removed (‘GUIDANCE’)

**Updating G4 content**

In certain sections of this mock-up, the following new terms have been trialed:

- The term ‘Aspect’ has been changed to ‘topic’
- The term ‘Aspect Boundary’ has been changed to ‘Topic Boundary’
- The term ‘GRI Guidelines’ has been changed to ‘GRI Standard(s)’
- The term ‘General Standard Disclosure’ has been changed to ‘General Disclosure’
Sustainability Reporting Standard 2: Content Principles: [Publication Year]
Summary information for users of this GRI Standard

This Sustainability Reporting Standard (GRI Standard) is issued by the Global Sustainability Standards Board (GSSB). It is part of the set of GRI Sustainability Reporting Standards, or SRSs.

The GSSB is an independent operating entity within GRI. It has responsibility for setting globally-accepted sustainability reporting standards, according to a formally-defined due process, exclusively in the public interest.

The GSSB also develops materials to support and improve the use of the SRSs. This includes Guidance publications, FAQ documents and Interpretations, with the latter also developed according to due process. As a component of the due process, Basis for Conclusions documents are created for each GRI Standard.

The SRSs are designed to be used by organizations for compiling and reporting sustainability information.

- set out disclosure requirements for sustainability information
- specify Reporting Principles, methods and practices to adhere to when formulating the disclosures

The SRSs are suitable for use by organizations of any size, type, sector or geographical location.

Using the SRSs in conjunction

Each GRI Standard in the set of SRSs has been designed to be used in conjunction with others. The exact combination of SRSs to be used by an organization depends on whether the organization is:

- preparing a report ‘in accordance’ with the SRSs, or
- making use of individual SRSs to report on a particular topic or topics

This GRI Standard is to be read in conjunction with the following SRSs:

- SRS 1: Conceptual Framework
- SRS 3: Quality Principles

SRS 1: Conceptual Framework gives essential information on using the SRSs.

This GRI Standard and SRS 3: Quality Principles set out the Reporting Principles which underpin the practice of sustainability reporting, guiding choices on which information to report and how.

Therefore, organizations are required to be familiar with SRS 1, SRS 2 and SRS 3 before using any other GRI Standard.

Complete information on the combined use of SRSs is given in SRS 1: Conceptual Framework.

Where the term 'sustainability' is used in the SRSs, it is intended to be understood as sustainable development. See the World Commission on Environment and Development. Our Common Future. Oxford: Oxford University Press, 1987, p.43.
All text in a GRI Standard has equal authority.

The Reporting Principles are presented in bold font.

The specified methods and practices for applying the Principles are presented in regular font, following each Principle.

The verbs used in the text have the following meanings:

Can = Capability: a particular scenario or course of action is achievable or applicable.

May = Permission: a particular scenario or course of action is permitted when using the GRI Standard.

Might = Possibility: a particular scenario or course of action is possible.

Should = Recommendation: a particular scenario or course of action is recommended and encouraged.

Where a term is defined in the Terms and Definitions section of a GRI Standard, organizations are to adhere to that definition.

Where a document is referenced without its date of publication, the reference applies to the most recent edition.
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Purpose

This GRI Standard sets out the Principles for Defining Report Content. It specifies the methods and practices for applying each Principle. It also presents tests that can be used to assess the application of each Principle.

There are two types of Reporting Principles to be applied when using the SRSs: the Principles for Defining Report Content, set out in this GRI Standard, and the Principles for Defining Report Quality, which are set out in SRS 3: Quality Principles.

The Reporting Principles are fundamental to achieving transparency when reporting sustainability information. Therefore, they are to be applied by all organizations when using the set of SRSs, and when using an individual GRI Standard.

The Principles for Defining Report Content establish the processes for identifying topics to be reported. This involves considering an organization’s activities, impacts, and the substantive expectations and interests of its stakeholders.

The Principles are divided into two groups: Principles for Defining Report Content and Principles for Defining Report Quality.

The Principles for Defining Report Content describe the process to be applied to identify what content the report should cover by considering the organization’s activities, impacts, and the substantive expectations and interests of its stakeholders.

The Principles for Defining Report Quality guide choices on ensuring the quality of information in the sustainability report, including its proper presentation. The quality of the information is important to enable stakeholders to make sound and reasonable assessments of performance, and take appropriate actions.

Each of the Principles consists of a definition, an explanation on how to apply the Principle and tests. The tests are intended to serve as tools for self-diagnosis, but not as specific disclosures to report against.
Terms and Definitions

Aspect-Topic Boundary

Refers to the description of where impacts occur for each material Aspect-topic. In setting the Aspect-Topic Boundaries, an organization should consider impacts within and outside of the organization. Aspect-Topic Boundaries vary based on the Aspects-topics reported.

Material Aspects-topics

Material Aspects-topics are those that reflect the organization’s significant economic, environmental and social impacts; or that substantively influence the assessments and decisions of stakeholders. To determine if an Aspect-topic is material, qualitative analysis, quantitative assessment and discussion are needed.

Reporting period

Reporting period is the specific time span covered by the information reported.

Reporting Principle

Concepts that describe the outcomes a report should achieve and that guide decisions made throughout the reporting process, such as which Indicators to respond to, and how to respond to them.

Scope

The range of Aspects-topics covered in a report.

Stakeholders

Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the organization’s activities, products, and services; and whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives. This includes entities or individuals whose rights under law or international conventions provide them with legitimate claims vis-à-vis the organization.

Stakeholders can include those who are invested in the organization (such as employees, shareholders, suppliers) as well as those who have other relationships to the organization (such as vulnerable groups within local communities, civil society).
Principles for Defining Report Content

The following Reporting Principles are set out below: Stakeholder Inclusiveness, Sustainability Context, Materiality, and Completeness.

These Principles establish the processes for identifying topics to be reported.

These Principles are designed to be used in combination to define the report content. The implementation of all these Principles together is described under the Guidance of G4-18 on pp. 31-40 of the Implementation Manual.

Stakeholder Inclusiveness

**Principle:** The organization should identify its stakeholders, and explain how it has responded to their reasonable expectations and interests.

**Guidance**

**Applying the Principle:**

Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the organization’s activities, products, and services; and whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives. This includes entities or individuals whose rights under law or international conventions provide them with legitimate claims vis-à-vis the organization.

Stakeholders can include those who are invested in the organization (such as employees, shareholders, suppliers) as well as those who have other relationships to the organization (such as vulnerable groups within local communities, civil society).

The reasonable expectations and interests of stakeholders are a key reference point for many decisions in the preparation of the report. However, not all of an organization’s stakeholders will use the report. This presents challenges in balancing the specific interests and expectations of stakeholders who can reasonably be expected to use the report with broader expectations of accountability to all stakeholders.

For some decisions, such as the report Scope or Aspect Topic Boundaries, the organization considers the reasonable expectations and interests of a wide range of stakeholders. There may be, for example, stakeholders who are unable to articulate their views on a report and whose concerns are presented by proxies. There may also be stakeholders who choose not to express views on reports because they rely on different means of communication and engagement.

The reasonable expectations and interests of these stakeholders should still be acknowledged in decisions about the content of the report. However, other decisions, such as the level of detail required to be useful to stakeholders, or expectations of different stakeholders about what is required to achieve clarity, may require greater emphasis on those who can reasonably be expected to use the report. It is important to document the processes and approach taken in making these decisions.

The process of stakeholder engagement may serve as a tool for understanding the reasonable expectations and interests of stakeholders. Organizations typically initiate different types of stakeholder engagement as
part of their regular activities, which can provide useful inputs for decisions on reporting. These may include, for example, stakeholder engagement for the purpose of compliance with internationally recognized standards, or informing ongoing organizational or business processes. In addition, stakeholder engagement may also be implemented specifically to inform the report preparation process. Organizations may also use other means such as the media, the scientific community, or collaborative activities with peers and stakeholders. These means help the organization better understand stakeholders’ reasonable expectations and interests.

When the process of stakeholder engagement is used for reporting purposes, it should be based on systematic or generally accepted approaches, methodologies, or principles. The overall approach should be sufficiently effective to ensure that stakeholders’ information needs are properly understood.

It is important that the process of stakeholder engagement is capable of identifying direct input from stakeholders as well as legitimately established societal expectations. An organization may encounter conflicting views or differing expectations among its stakeholders, and may need to be able to explain how it balanced these in reaching its reporting decisions.

For the report to be assurable, it is important to document the process of stakeholder engagement. The organization documents its approach for defining which stakeholders it engaged with, how and when it engaged with them, and how engagement has influenced the report content and the organization’s sustainability activities.

Failure to identify and engage with stakeholders is likely to result in reports that are not suitable, and therefore not fully credible, to all stakeholders. In contrast, systematic stakeholder engagement enhances stakeholder receptivity and the usefulness of the report. Executed properly, it is likely to result in ongoing learning within the organization and by external parties, as well as increase accountability to a range of stakeholders. Accountability strengthens trust between the organization and its stakeholders. Trust, in turn, fortifies report credibility.

**Tests:**

- The organization can describe the stakeholders to whom it considers itself accountable
- The report content draws upon the outcomes of stakeholder engagement processes used by the organization in its ongoing activities, and as required by the legal and institutional framework in which it operates
- The report content draws upon the outcomes of any stakeholder engagement processes undertaken specifically for the report
- The stakeholder engagement processes that inform decisions about the report are consistent with the Scope and **Aspect**

**Sustainability Context**

**Principle:** The report should present the organization’s performance in the wider context of sustainability.

**Guidance:**

**Applying the Principle:**
Information on performance should be placed in context. The underlying question of sustainability reporting is how an organization contributes, or aims to contribute in the future, to the improvement or deterioration of economic, environmental and social conditions, developments and trends at the local, regional or global level. Reporting only on trends in individual performance (or the efficiency of the organization) fails to respond to this underlying question. Reports should therefore seek to present performance in relation to broader concepts of sustainability. This involves discussing the performance of the organization in the context of the limits and demands placed on environmental or social resources at the sector, local, regional, or global level. For example, this can mean that in addition to reporting on trends in eco-efficiency, an organization may also present its absolute pollution loading in relation to the capacity of the regional ecosystem to absorb the pollutant.

This concept is often most clearly articulated in the environmental arena in terms of global limits on resource use and pollution levels. However, it may also be relevant with respect to social and economic objectives such as national or international socio-economic and sustainable development goals. For example, an organization may report on employee wages and social benefit levels in relation to nationwide minimum and median income levels, and the capacity of social safety nets to absorb those in poverty or those living close to the poverty line.

Organizations operating in a diverse range of locations, sizes, and sectors need to consider how to best frame their overall organizational performance in the broader context of sustainability. This may require distinguishing between topics or factors that drive global impacts (such as climate change) and those that have more regional or local impacts (such as community development). When reporting on topics that have positive or negative local impacts, it is important to provide insight into how the organization affects communities in different locations. Similarly, distinctions may need to be made between trends or patterns of impacts across the range of operations versus contextualizing performance location by location.

The organization’s own sustainability and business strategy provides the context in which to discuss performance. The relationship between sustainability and organizational strategy should be made clear, as should the context within which performance is reported.

**Tests:**

- The organization presents its understanding of sustainable development and draws on objective and available information as well as measures of sustainable development for the topics covered in the report
- The organization presents its performance with reference to broader sustainable development conditions and goals, as reflected in recognized sectoral, local, regional, or global publications
- The organization presents its performance in a manner that attempts to communicate the magnitude of its impact and contribution in appropriate geographical contexts
- The report describes how sustainability topics relate to long-term organizational strategy, risks, and opportunities, including supply chain topics

**Materiality**

**Principle:** The report should cover Aspects/topics that:

- Reflect the organization’s significant economic, environmental and social impacts; or
Substantively influence the assessments and decisions of stakeholders

**Guidance**

**Applying the Principle:**

Organizations are faced with a wide range of topics on which they could report. Relevant topics are those that may reasonably be considered important for reflecting the organization’s economic, environmental and social impacts, or influencing the decisions of stakeholders, and, therefore, potentially merit inclusion in the report. Materiality is the threshold at which Aspects-topics become sufficiently important that they should be reported. Beyond this threshold, not all material Aspects-topics are of equal importance and the emphasis within a report should reflect the relative priority of these material Aspects-topics.

In financial reporting, materiality is commonly thought of as a threshold for influencing the economic decisions of those using an organization’s financial statements, investors in particular. The concept of a threshold is also important in sustainability reporting, but it is concerned with a wider range of impacts and stakeholders. Materiality for sustainability reporting is not limited only to those Aspects-topics that have a significant financial impact on the organization.

Determining materiality for a sustainability report also includes considering economic, environmental and social impacts that cross a threshold in affecting the ability to meet the needs of the present without compromising the needs of future generations. These material Aspects-topics often have a significant financial impact in the short term or long term on an organization. They are therefore also relevant for stakeholders who focus strictly on the financial condition of an organization.

A combination of internal and external factors should be used to determine whether an Aspect-topic is material, including factors such as the organization’s overall mission and competitive strategy, concerns expressed directly by stakeholders, broader social expectations, and the organization’s influence on upstream (such as supply chain) and downstream (such as customers) entities. Assessments of materiality should also take into account the basic expectations expressed in the international standards and agreements with which the organization is expected to comply.

These internal and external factors should be considered when evaluating the importance of information for reflecting significant economic, environmental and social impacts, or stakeholder decision making. A range of established methodologies may be used to assess the significance of impacts. In general, ‘significant impacts’ refer to those that are a subject of established concern for expert communities, or that have been identified using established tools such as impact assessment methodologies or life cycle assessments.

Impacts that are considered important enough to require active management or engagement by the organization are likely to be considered to be significant.

The report should emphasize information on performance regarding the most material Aspects-topics. Other relevant topics can be included, but should be given less prominence in the report. The process by which the relative priority of Aspects-topics was determined should be explained.

In addition to guiding the selection of Aspects-topics to report, the Materiality Principle also applies to the use of Indicators.

When disclosing performance data, there are varying degrees of comprehensiveness and detail that could be provided in a report. Overall, decisions on how to report data should be guided by the importance of the information for assessing the performance of the organization, and facilitating appropriate comparisons.

Reporting on material Aspects-topics may involve disclosing information used by external stakeholders that differs from the information used internally for day-to-day management purposes. However, such
information does indeed belong in a report, where it may inform assessments or decision-making by stakeholders, or support engagement with stakeholders that may result in actions that significantly influence performance or address key topics of stakeholder concern.

Tests:

In defining material Aspects topics, the organization takes into account the following factors:

- Reasonably estimable sustainability impacts, risks, or opportunities (such as global warming, HIV-AIDS, poverty) identified through sound investigation by people with recognized expertise, or by expert bodies with recognized credentials in the field
- Main sustainability interests and topics, and Indicators raised by stakeholders (such as vulnerable groups within local communities, civil society)
- The main topics and future challenges for the sector reported by peers and competitors
- Relevant laws, regulations, international agreements, or voluntary agreements with strategic significance to the organization and its stakeholders
- Key organizational values, policies, strategies, operational management systems, goals, and targets
- The interests and expectations of stakeholders specifically invested in the success of the organization (such as employees, shareholders, and suppliers)
- Significant risks to the organization
- Critical factors for enabling organizational success
- The core competencies of the organization and the manner in which they may or could contribute to sustainable development

Prioritizing

- The report prioritizes material Aspects topics and Indicators

FIGURE 1 Visual representation of prioritization of Aspects topics

[Insert Figure 1]

Completeness

Principle: The report should include coverage of material Aspects topics and their Boundaries, sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess the organization’s performance in the reporting period.

Guidance

Applying the Principle:

Completeness primarily encompasses the dimensions of scope, boundary, and time. The concept of completeness may also be used to refer to practices in information collection (for example, ensuring that compiled data includes results from all entities within the organization and entities, groups of entities, or elements outside the organization where significant impact occurs) and whether the presentation of information is reasonable and appropriate. These topics are related to report quality, and are addressed in greater detail under the Principles of Accuracy and Balance.
‘Scope’ refers to the range of sustainability Aspectstopics covered in a report. The sum of the Aspects topics and Standard Disclosures reported should be sufficient to reflect significant economic, environmental and social impacts. It should also enable stakeholders to assess the organization’s performance. In determining whether the information in the report is sufficient, the organization should consider both the results of stakeholder engagement processes and broad-based societal expectations that may not have surfaced directly through stakeholder engagement processes.

‘Aspect–Topic Boundary’ refers to the description of where impacts occur for each material Aspect topic. In setting the Aspect–Topic Boundaries, an organization should consider impacts within and outside of the organization. Aspect–Topic Boundaries vary based on the Aspects topics reported.

‘Time’ refers to the need for the selected information to be complete for the time period specified by the report. As far as practicable, activities, events, and impacts should be presented for the reporting period in which they occur. This includes reporting on activities that produce minimal short-term impact, but which have a significant and reasonably foreseeable cumulative effect that may become unavoidable or irreversible in the longer term (such as bio-accumulative or persistent pollutants). In making estimates of future impacts (both positive and negative), the reported information should be based on well-reasoned estimates that reflect the likely size and nature of impacts. Although such estimates are by nature subject to uncertainty, they provide useful information for decision-making as long as the basis for estimates is clearly disclosed and the limitations of the estimates are clearly acknowledged. Disclosing the nature and likelihood of such impacts, even if they may only materialize in the future, is consistent with the goal of providing a balanced and reasonable representation of the organization’s economic, environmental and social performance.

Tests:

- The report takes into account impacts within and outside of the organization, and covers and prioritizes all material information on the basis of the Principles of Materiality, Sustainability Context, and Stakeholder Inclusiveness
- The information in the report includes all significant impacts in the reporting period, and reasonable estimates of significant future impacts when those impacts are reasonably foreseeable and may become unavoidable or irreversible
- The report does not omit relevant information that influences or informs stakeholder assessments or decisions, or that reflects significant economic, environmental and social impacts
Process for Defining Report Content

Introduction

To begin the process of defining the content of a report, the organization is required to select material Aspects topics. This section describes the steps that the organization may follow, using the Reporting Principles for Defining Report Content, to identify material Aspects topics and their material impacts.

After this identification, the organization will be able to define the Indicators and Disclosures on Management Approach (DMA) to be reported.

Important initial definitions

In the Guidelines GRI Standards:

- The range of Aspects topics covered in a report is called the 'Scope'
- The description of where impacts occur for each material Aspects topic is called 'Aspects Topic Boundary'
- ‘Topic’ refers to any possible sustainability subject. The word ‘Aspect’ is used in the Guidelines to refer to the list of subjects covered by the Guidelines, for which GRI Indicators and DMA have been developed

Important initial remarks

- It is crucial to document the process for defining report content, including the organization’s methodologies, assumptions, and decisions taken. Accurate records facilitate analysis and assurance, help to fulfill the General Standard Disclosures in the section ‘Identified Material Aspects and Boundaries’ (Implementation Manual pp. 31-42), and enable the organization to explain its chosen approach
- Inevitably, the process for defining report content requires subjective judgments. The organization is expected to be transparent about its judgments. This enables internal and external stakeholders to understand the process for defining report content. The organization’s senior decision-makers are expected to be actively involved in the process for defining report content, and should approve any associated strategic decisions

DEFINING MATERIAL ASPECTS TOPICS AND BOUNDARIES: THE PROCESS

This section describes the steps that the organization may go through in order to define the specific content of the report.

The steps described here have been designed to offer Guidance on how to implement the Principles for Defining Report Content.

Although following the steps is not a requirement to be ‘in accordance’ with the Guidelines GRI Standards, the implementation of the Reporting Principles is a requirement. The Reporting Principles are fundamental

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to achieving transparency in sustainability reporting and therefore should be applied by all organizations when preparing a sustainability report.

The Principles for Defining Report Content are to be applied to identify the information to be disclosed, by considering the organization’s activities, impacts, and the substantive expectations and interests of its stakeholders. There are four Principles for Defining Report Content: Materiality, Stakeholder Inclusiveness, Sustainability Context and Completeness (see Reporting Principles and Standard Disclosures pp. 16-17, and Implementation Manual pp. 9-13). Each Reporting Principle has two components: a definition, and a description of how and why to apply the Principle. Both components should be considered by the organization.

Figure 2 indicates which of these Reporting Principles is applicable in the different process steps. Stakeholder Inclusiveness applies to the whole process, in varying degrees.

FIGURE 2 Defining material Aspects topics and Boundaries - process overview

The methodology applied in the steps varies according to the individual organization. Specific circumstances such as business model, sector, geographic, cultural and legal operating context, ownership structure, and the size and nature of impacts affect how the organization identifies the material Aspects topics and other material topics to be reported. Considering the organization’s specificities, the steps to define report content are expected to be systematic, documented and replicable, and used consistently in each reporting period. Changes to the assessment approach, and their implications, are expected to be documented.

STEP 1: IDENTIFICATION – OVERVIEW

The process begins with Identification of the Aspects topics and any other relevant topics, and their Boundaries, which might be considered to be reported on. This identification is based on the Principles of Sustainability Context and Stakeholder Inclusiveness. When assessing the range of potentially relevant topics, the organization should use the tests that underlie these two Principles. The organization should identify Aspects topics and any other relevant topics based on the impacts related to all of its activities, products, services, and relationships, regardless of whether these impacts occur within or outside of the organization.

While the organization new to sustainability reporting is likely to focus on impacts that occur within the organization, a broader consideration of the impacts outside of the organization should become feasible as reporting practice matures.

STEP 2: PRIORITIZATION – OVERVIEW

The next step in defining report content is Prioritization of the Aspects topics and any other relevant topics from Step 1, to identify those that are material and therefore to be reported on. Prioritization

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should be based on the Principles of Materiality and Stakeholder Inclusiveness. When assessing the level of priority, the organization should use the tests that underlie these two Principles.

**STEP 3: VALIDATION – OVERVIEW**

This step is followed by Validation where the Principles of Completeness and Stakeholder Inclusiveness are applied to finalize the identification of the report content. When validating the identified material Aspects (or other material topics), the organization should use the tests that underlie these two Principles.

The outcome of these first three steps is a list of material Aspects (and other material topics) and their Boundaries. The final list of material Aspects (and other material topics) will lead the organization to defining a list of Specific Standard Disclosures related to them, which should be disclosed in its report.

**STEP 4: REVIEW – OVERVIEW**

Finally, after the report has been published, it is important that the organization undertakes a review of its report – Step 4. This review takes place as the organization is preparing for the next reporting cycle. A review may focus not only on the Aspects that were material in the previous reporting period but also consider again the Principles of Stakeholder Inclusiveness and Sustainability Context. The findings inform and contribute to the Identification Step for the next reporting cycle.

At the end of this guidance text, a summary of the actions to be taken for each Step is presented.

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**Step 1 Identification**

**1.1 IDENTIFYING RELEVANT TOPICS**

Before defining the list of material Aspects (or other material topics), organizations are advised to consider an initial broad list of topics that merit inclusion in the report. These are ‘relevant topics’.

‘Relevant topics’ are those that may reasonably be considered important for reflecting the organization’s relevant economic, environmental and social impacts; or influencing the assessments and decisions of stakeholders. All such topics potentially merit to be considered for inclusion in a sustainability report.

All GRI Aspects and related Standard Disclosures under each Category in the Guidelines and the GRI Sector Disclosures can be considered at this stage as the initial list of topics for this step. See Tables 1 or 5 in Reporting Principles and Standard Disclosures p. 9 or p. 44, and Table 1 in Implementation Manual p. 62 for an overview of all GRI Aspects.

The GRI Sector Disclosures can be found at www.globalreporting.org/reporting/sector-guidance

The identification of relevant topics involves considering the relevant impacts related to all of the organization’s activities, products, services, and relationships, regardless of whether these impacts occur within or outside of the organization.

For each identified relevant topic, the organization has to assess the impacts related to it and identify the Boundary. The Boundary of a topic specifies where the impacts occur: within or outside of the organization. Boundaries should be described in sufficient detail to identify:

- Where exactly within the organization itself the impacts occur
- Where outside of the organization the impacts occur
The organization’s identification of relevant topics is expected to be systematic and may consider the precautionary principle\(^v\). In addition, where practicable the organization is advised to apply a scientific and internationally validated approach to measurement, and rely on proven expertise and authoritative research.

In assessing the range of potentially relevant topics, the organization should use the tests that underlie the Principles of Sustainability Context and Stakeholder Inclusiveness.

### 1.2 DETERMINING BOUNDARIES FOR RELEVANT TOPICS

This section explains concepts that will help to determine Boundaries of relevant topics and material aspects.

The impacts that make a topic relevant can occur within or outside of the organization, or both.

‘Boundary’ refers to the description of where impacts occur for each relevant topic (potentially material aspect). In setting the Boundaries, an organization should consider impacts within and outside of the organization. Topic Boundaries vary.

#### a. Within the organization

Impacts that make a topic relevant can occur within the organization. In the Guidelines GRI Standards, ‘within the organization’ means the group of entities that are reported in G4-17.

These impacts do not always occur throughout the entire organization. During this step, the organization needs to evaluate in which entities within the organization the impact occurs. Refer to General Standard Disclosure G4-20.

**FIGURE 3** An example where the topic of anti-corruption is only relevant to certain entities within the organization

#### b. Outside of the organization

Impacts that make a topic relevant can occur outside of the organization. There is no exhaustive list of outside parties to be considered in this process. Instead, the organization should attempt to capture the instances where a relevant impact occurs. These relevant impacts can be described as direct or indirect for some topics or as caused by, contributed to, or linked to the organization for others\(^vi\).

For assessment purposes, the impacts that make the topic relevant outside of the organization can be grouped by their geographical location or the nature of the organization’s relationship to them (such as suppliers in country X). Refer to General Standard Disclosure G4-21.

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FIGURE 4 An example where the topic of child labor is only relevant to certain entities outside of the organization

[Insert Figure 4]

c. Within and outside of the organization

Impacts that make a topic relevant can occur within and outside of the organization. When describing the Boundaries for such topics, organizations should combine the considerations for determining Boundaries within the organization and outside of the organization, as explained earlier.

At the end of the Step 1, the organization will have identified a list of relevant topics, along with their Boundaries. In the next step, this list is assessed for materiality, reporting priority, and level of coverage in the report.

FIGURE 5 An example where the topic of emissions is relevant within and outside of the organization

[Insert Figure 5]

Step 2 Prioritization

2.1 WHAT TO ANALYZE

After considering a list of relevant topics which might be covered in the report – which is likely to be a list containing a selection of GRI Aspects and GRI Sector Disclosures that are complemented, if needed, by other topics – the organization has to prioritize them. This involves considering the significance of their economic, environmental and social impacts or their substantive influence on the assessments and decisions of stakeholders.

For simplicity, the ‘relevant topics’ identified in Step 1 are referred to as ‘Aspects’ from now on.

The definition of the Materiality Principle states: “The report should cover Aspects topics that:

- Reflect the organization’s significant economic, environmental and social impacts; or
- Substantively influence the assessments and decisions of stakeholders”

Consequently, to determine if an Aspect topic is material, qualitative analysis, quantitative assessment and discussion are needed. The organization’s strategy and the context of its activities are important parts of this analysis and discussion.

The fact that a topic is difficult to quantify does not mean that the topic is not material. The decision of what is possible to be reported on for an identified material Aspect topic is to be considered later. The focus now is the analysis considering the points above.

The prioritization should be based on the Principles of Materiality and Stakeholder Inclusiveness. When assessing the level of priority, the organization should use the tests that underlie these two Principles.
To implement the Materiality Principle, each Aspect-topic should be assessed on ‘Influence on stakeholder assessments and decisions’ and ‘Significance of organization’s economic, environmental and social impacts’.

These viewpoints might overlap to some extent with respect to internal stakeholders. The interests and expectations of stakeholders that are invested specifically in the success of the organization (such as of workers, shareholders, and suppliers) inform the analysis of both viewpoints.

### a. Influence on stakeholder assessments and decisions

The analysis of this viewpoint includes the assessment of the views expressed by stakeholders before and during the reporting period.

By applying the Principle of Stakeholder Inclusiveness, the organization should be able to identify and consider its key stakeholders and their respective views and interests, and how their views may affect decisions on the report content. The analysis requires the organization to translate the varied opinions of different stakeholders into a series of decisions on what to include and exclude from its report.

The Guidelines GRI Standards require disclosure on stakeholder engagement under G4-24 to G4-27 (Reporting Principles and Standard Disclosures pp. 29-30, and Implementation Manual pp. 43-44). The organization is required to describe how stakeholders are identified and prioritized, how their input has been used or not used, and how different expectations and interests are assessed, as well as the organization’s rationale behind the chosen approach.

Stakeholder views may be drawn from existing, ongoing engagement mechanisms, as well as from stakeholder engagement that is initiated specifically for defining sustainability report content. Throughout the engagement process the Principle of Stakeholder Inclusiveness is applied in detail.

The stakeholder engagement process described here aims to identify Aspects-topics that are important to key stakeholders and to recognize gaps between the perceptions of the organization and stakeholders. Aspects-Topics of high significance to key stakeholders should be considered material, especially those Aspects-topics that concern the stakeholders’ own interests.

The nature of the organization’s impact and the Aspect-Topic Boundary are considered when defining the geographical focus of engagement. The stakeholder engagement process has to be appropriate to the stakeholder group. Stakeholder engagement also identifies the interests of stakeholders who are unable to articulate their views (such as future generations, fauna, ecosystems). The organization should identify a process for taking such views into account in determining materiality, including the interests of stakeholders with whom it may not be in constant or obvious dialogue.

The proper stakeholder engagement process is two-way in nature, systematic and objective. Some engagement processes with specific stakeholder groups, such as workers and communities, are expected to be independent of management and include mechanisms for stakeholders to express collective views relevant to their location.

The analysis of the Aspects-topics identified by stakeholders may include:

- Each stakeholder group’s perception of the organization’s impact on that stakeholder group
- Each stakeholder group’s perception of the group’s dependency on the organization
- The geographical location of stakeholders, and the significance of the Aspect-topic to their region
In addition, prioritizing stakeholders requires an analysis of how stakeholders relate to the organization and to the Aspect topic being considered. This process may include the degree to which stakeholders:

- Are interested in, affected by, or have potential to be affected by the impacts of an organization’s activities, products, services, and relationships
- Have the ability to influence outcomes within the organization
- Are invested in the success/failure of the organization

An organization’s activities, products, services, and relationships lead to economic, environmental and social impacts. Some of these sustainability impacts are visible to stakeholders, who express an interest in them directly. But not all sustainability impacts are recognized by stakeholders. Some impacts may be slow and cumulative. Others occur at a distance from stakeholders, so that causal links may not be clear.

b. Significance of the organization’s economic, environmental and social impacts

The aim of this analysis is to prioritize those Aspects topics that may positively or negatively influence the organization’s ability to deliver on its vision and strategy.

To prioritize Aspects topics for reporting, the organization’s assessment includes, among others, the following elements:

- The likelihood of an impact related to a topic
- The severity of an impact related to a topic
- The likelihood of risks or opportunities arising from an Aspect topic
- How critical the impact or topic is for the long-term performance of the organization
- The opportunity for the organization to grow or gain advantage from the impact or topic

Elements of this information may be available through established internal policies, practices and procedures (such as strategy, KPIs, risk assessments, and financial reports), as well as regulatory disclosure.

Among other possible elements, the analysis may include:

- Current and future financial and non-financial implications
- Impacts on the strategies, policies, processes, relationships and commitments of the organization
- Impacts on competitive advantage/management excellence

2.3 DETERMINING MATERIAL ASPECTS TOPICS

a. Thresholds

After completing the analysis of ‘Influence on stakeholder assessments and decisions’ and ‘Significance of the organization’s economic, environmental and social impacts’, the organization should be able to identify Aspects topics with respect to both these viewpoints.

The organization now defines thresholds (criteria) that render an Aspect topic material. The analysis of the two viewpoints should be reflected in these thresholds.

The definition of thresholds by the organization has a significant effect on the report. It is important that the thresholds and underlying criteria are clearly defined, documented and communicated by the organization.
This determination involves discussion, qualitative analysis and quantitative assessment to understand how significant an Aspect topic is.

The fact that a topic is difficult to quantify does not mean that the topic is not material. The decision of what is possible to be reported on for identified material Aspects topics is to be considered later.

In defining thresholds, the organization needs to make a decision on how to address Aspects topics that are more significant in one viewpoint than the other. An Aspect topic does not have to be highly significant in both viewpoints to be deemed a priority for reporting.

Emerging issues – Aspects topics that may become relevant over time – are an example of this. Significance within one viewpoint is more important than convergence between the different viewpoints, and establishing a lowest common denominator is to be avoided. In addition, as noted earlier, Aspects topics of high significance to key stakeholders concerning their own interests are expected to be considered material for reporting.

For a visual representation of this identification, in Figure 6 the area between the two axes includes the Aspects topics identified during the Identification Step. Here, the Aspects topics are placed with respect to the ‘Influence on stakeholder assessments and decisions’ and ‘Significance of the organization’s economic, environmental and social impacts’. All the Aspects topics within the chart should be considered in the Prioritization Step.

**FIGURE 6 Visual representation of prioritization of Aspects topics**

### b. Level of coverage

Level of coverage refers to the prominence, amount of data and narrative explanation disclosed by the organization about a material Aspect topic. DMA, Indicators, or a combination of the two represent different levels of coverage.

The organization may consider the following as examples of how it may address level of coverage according to relative reporting priority:

- Aspects -Topics with low reporting priority may be Aspects topics reported to fulfill regulatory or other reporting requirements. It may be decided to not include them in the report if not material.
- Aspects -Topics with medium reporting priority should be considered for inclusion in the report. It may be decided to not include them in the report if not material.
- Aspects -Topics with high reporting priority should be reported on in detail.

DMA allow for the discussion of challenges and dilemmas where the organization does not have a management approach for the material Aspect topic (see Reporting Principles and Standard Disclosures p. 45).

In addition, Indicators should be reported in combination with the DMA for material Aspects topics for which impacts occur within the organization.

For material Aspects topics for which impacts occur outside of the organization, Indicators are expected to be reported where data quality and availability allows.

At the end of the Prioritization Step the organization has established a list of all the material Aspects topics to be included in the report, along with their Boundaries and their level of coverage.
The organization should report if information presented for a DMA or Indicator does not cover the boundary identified for the material Aspect topic in General Standard Disclosures G4-20 and G4-21 (Reporting Principles and Standard Disclosures p. 29, and Implementation Manual p. 41).

Step 3 Validation

The Validation Step assesses all identified material Aspects topics against the Principle of ‘Completeness’ (Reporting Principles and Standard Disclosures p. 17, and Implementation Manual pp. 12-13) prior to gathering the information to be reported.

The Validation Step involves assessing the material Aspects topics against:

1. Scope – the range of Aspects topics covered in a report
2. Aspect Topic Boundaries – the description of where impacts occur for each material Aspect topic
3. Time – the completeness of selected information with respect to the reporting period

Validation is undertaken with the aim of ensuring a report provides a reasonable and balanced representation of the organization’s sustainability performance, including both its positive and negative impacts.

The Principles of Completeness and Stakeholder Inclusiveness are applied here to finalize the identification of report content. When validating the identified material Aspects topics (or other material topics), the organization should use the tests that underlie these two Principles.

It is critical for the list of material Aspects topics identified for inclusion in the report to be approved by the relevant internal senior decision-makers at the organization. Some organizations may choose to involve external stakeholders in this authorization. The Validation process should be documented.

Once the identified material Aspects topics list has been approved, the identified material Aspects topics require translation into Standard Disclosures – DMA and Indicators – to report against. After the Validation Step, the organization gathers the information to be reported for each material Aspect topic, and assembles the final report. In gathering the information, the Principles for Defining Report Quality apply (Reporting Principles and Standard Disclosures pp. 17-18, and Implementation Manual pp. 13-16). The organization determines the Aspects topics for which there are already management and performance information available, and those for which it still needs to establish management approaches and performance measurement systems.

The organization may identify material topics that are not covered by the Aspects topics list and Indicators in the Guidelines GRI Standards neither by the GRI Sector Disclosures. To address these topics, the organization may apply the Generic DMA. The organization may also use – complementary to the Generic DMA – alternative indicators, also sector specific ones, or develop their own indicators. Organization-specific indicators included in the report should be subject to the same Reporting Principles and have the same technical rigor as GRI’s Standard Disclosures.

VII If an Aspect topic has been identified as material and the organization lacks sufficient information to report on it, the sustainability report should state what action will be taken to resolve the gap, and the timeframe for doing so.
The organization may also take the approach of assessing the Indicators for materiality during the Validation Step. If an Indicator is deemed material yet the Aspect topic it belongs to was not identified as material, the Aspect topic should be considered material.

**Step 4 Review**

A review takes place after the report has been published, and the organization is preparing for the next reporting cycle. The Review focuses on the Aspects topics that were material in the previous reporting period and also considers stakeholder feedback. The findings inform and contribute to the Identification Step for the next reporting cycle.

The Principles of Stakeholder Inclusiveness and Sustainability Context, and their associated tests in the GRI Standard Guidelines, inform the review of a report. They serve as checks regarding the presentation and evaluation of report content, as well as checks for the reporting process as a whole.

The organization may choose to engage internal and external stakeholders to check whether the report content provides a reasonable and balanced picture of the organization’s impacts and its sustainability performance, and if the process by which the report content was derived reflects the intent of the Reporting Principles.

**PROCESS FOR DEFINING REPORTING CONTENT – SUMMARY**

**Step 1: Identification**

- Consider the GRI Aspects list and other topics of interest
- Apply the Principles of Sustainability Context and Stakeholder Inclusiveness: Identify the Aspects topics – and other relevant topics – based on the relevant economic, environmental and social impacts related to all of the organization’s activities, products, services, and relationships, or on the influence they have on the assessments and decisions of stakeholders
- Identify where the impacts occur: within or outside of the organization
- List the Aspects topics and other topics considered relevant, and their Boundaries

**Step 2: Prioritization**

- Apply the Principles of Materiality and Stakeholder Inclusiveness: Assess each Aspect topic and other topic considered relevant for:
  - the significance of the organization’s economic, environmental and social impacts
  - the influence on stakeholder assessments and decisions
- Identify the material Aspects topics by combining the assessments
- Define and document thresholds (criteria) that render an Aspect topic material
- For each material Aspect topic identified, decide the level of coverage, the amount of data and narrative explanation to be disclosed
- List the material Aspects topics to be included in the report, along with their Boundaries and the level of coverage
Step 3: Validation

- Apply the Principles of Completeness and Stakeholder Inclusiveness: Assess the list of material Aspects topics against Scope, Aspect Topic Boundaries and Time to ensure that the report provides a reasonable and balanced representation of the organization’s significant economic, environmental and social impacts, and enables stakeholders to assess the organization’s performance.

- Approve the list of identified material Aspects topics with the relevant internal senior decision-maker.

- Prepare systems and processes to gather the information needed to be disclosed.

- Translate the identified material Aspects topics into Standard Disclosures – DMA and Indicators – to report against.

- Determine which information is available and explain those for which it still needs to establish management approaches and measurements systems.

Step 4: Review

- Apply the Principles of Sustainability Context and Stakeholder Engagement Inclusiveness: Review the Aspects topics that were material in the previous reporting period.

- Use the result of the review to inform Step 1 Identification for the next reporting cycle.

See also ‘Definitions of Key Terms’:

Aspect, Aspect Boundary, Scope, Topic (See Glossary in Implementation Manual, p. 244)

FIGURE 7 Defining material Aspects topics and Boundaries - process overview

[Insert Figure 7]
The following documents informed the development of this GRI Standard. Organizations are encouraged to be familiar with these documents, as they can improve understanding of the disclosure requirements.