



Barbara Strozziiaan 336
1083 HN Amsterdam
The Netherlands
gssbsecretariat@globalreporting.org

Item 09 – Recommended revisions to GRI 103: Management Approach 2016 (Paper C)

For GSSB discussion

Date	10 September 2019
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Project	Review of GRI's universal Standards
Description	This document presents the GRI Standards Division's recommended revisions to <i>GRI 103: Management Approach 2016</i> , for the review of the Global Sustainability Standards Board (GSSB).

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.

Contents

2	Introduction	3
3	Section 1. Methodology.....	4
4	Section 2. Summary of general findings	4
5	Section 3. Recommended revisions to GRI 103	6
6	Section 4. Mock-up of the revised GRI 103 disclosures	12

This document does not represent an official position of the GSSB

7 Introduction

8 *About this document*

9 This document presents the GRI Standards Division's recommended revisions to *GRI 103: Management Approach 2016*, for the review of the Global Sustainability Standards Board (GSSB). It
10 forms part of the [project to review GRI's universal Standards](#), as approved by the GSSB at its
11 meeting on 25-26 March 2019.

12 **Section 1** presents the methodology followed by the Standards Division.

13 **Section 2** presents a summary of general findings about *GRI 103*.

14 **Section 3** presents an overview of recommended revisions for each disclosure in *GRI 103*, the
15 supporting rationale, and stakeholder feedback. This section also includes a question addressed to
16 the GSSB asking whether there is agreement about the recommended revisions (at page 11).

17 **Section 4** presents a mock-up of the revised *GRI 103* disclosures, as per the revisions outlined in
18 Section 3.

19 It is advised to have the universal Standards available for reference when reading through the
20 recommended revisions:

- 21 • [GRI 101: Foundation 2016](#)
- 22 • [GRI 102: General Disclosures 2016](#)
- 23 • [GRI 103: Management Approach 2016](#)
- 24

25 *Background*

26 The primary objective of revising *GRI 103* is to incorporate the due diligence concept (based upon
27 the United Nations *Guiding Principles on Business and Human Rights* and the OECD *Guidelines for*
28 *Multinational Enterprises* and the *Due Diligence Guidance for Responsible Business Conduct*), and to make
29 other appropriate revisions based on stakeholder feedback.

30 This objective is driven by the [Recommendations of the GRI Technical Committee on Human Rights Disclosure](#) (Technical Committee).

31 See the [Project Proposal for the review of GRI's universal Standards](#) for more information.

33 Section 1. Methodology

34 In addition to the recommendations of the Technical Committee, the following activities have
35 informed the recommended revisions for *GRI 103*:

- 36 1. Analysis of technical enquires received by the Standards Division since the launch of the GRI
37 Standards. These consisted of 21 enquiries related to *GRI 103* and ‘topic Boundary’
- 38 2. Interviews with experts, reporting organizations, and other stakeholders
- 39 3. A survey on GRI’s universal Standards
- 40 4. Review of reports claiming to be prepared in accordance with the GRI Standards

41 See Item 06 – Introduction to recommended revisions to GRI’s universal Standards, for more
42 information on the methodology.

43 Section 2. Summary of general findings

44 This section presents general feedback gathered on *GRI 103* through the activities listed in Section 1.
45 Specific recommended revisions to the disclosures in *GRI 103* in response to this general feedback
46 are presented in Section 3.

47 Overall feedback indicates that the management approach disclosures continue to be instrumental
48 for organizations to describe their approach for managing their material topics. Report users
49 indicated that the management approach shows whether and how an organization is responding to
50 sustainability issues, and that it provides forward-looking information (which complements historical
51 data) and necessary contextual information to interpret the quantitative performance data.

52 Stakeholders indicated the following challenges to reporting the management approach disclosures
53 for each material topic:

- 54 • **High variability in reporting:** There is vast variety in how the management approach is
55 reported, ranging from a single line to several pages. The expected level of detail for the
56 disclosed information is not clear. Clarifying the minimum information to be reported will
57 improve comparability.
- 58 • **Feasibility of reporting for each material topic:** It is not feasible to report the
59 components and evaluation of the management approach for each material topic. The
60 requirements are unclear, and organizations do not have this information.

61 As many organizations are integrating sustainability into their business models, they are using
62 the same model for governance, risks, accountability, and processes for all sustainability
63 topics. The requirement to report *GRI 103* for every material topic means that organizations
64 have to repeat the same information for each topic. It would be better to report this
65 disclosure just once under *GRI 102: General Disclosures*.

- 66 • **Feasibility of reporting for large organizations:** It is difficult for large organizations to
67 aggregate management approach disclosures because the approach to manage a topic can
68 differ significantly between regions or businesses.
- 69 • **Prescriptive nature of the requirements:** Not all topics are managed in a way that is
70 structured enough to meet the requirements. The management approach should be more
71 outcome oriented, rather than prescribing a list of items to report (e.g., policies,
72 commitments, goals and targets, responsibilities, resources). If the Standards allow more

73 flexibility and focus instead on the end result, it might make it easier to provide information
74 that is pertinent and accomplishes the desired goal.

75 Clarification was also requested on what information should be disclosed when an
76 organization does not have a component required by the disclosure (e.g., if an organization
77 does not have a particular policy or target, clarify whether nothing needs to be reported or
78 whether the organization needs to state that it does not have a policy or target). See Item
79 11 – Recommended revisions to the GRI reporting model (Paper E), page 19, for a
80 recommendation on how to address this feedback.

81 • **Lack of reporting on negative impacts:** Organizations often do not report on their
82 negative impacts. The management approach disclosures could benefit from a reminder of
83 the importance of balance and the inclusion of negative impacts.

84 • **Requests for additional guidance and examples:** Examples of how to report
85 Disclosures 103-2 and 103-3 should be provided, as is done with Disclosure 103-1,
86 particularly examples of how to report all required disclosures in a concise manner.

87 Section 3. Recommended revisions to GRI 103

Current text	Recommended revisions	Summary of stakeholder feedback
General requirements for reporting the management approach		
<p>1.1 If management approach disclosures are combined for a group of material topics, the reporting organization shall state which topics are covered by each disclosure.</p>	No change	Not applicable (NA)
<p>1.2 If there is no management approach for a material topic, the reporting organization shall describe:</p> <ul style="list-style-type: none"> 1.2.1 any plans to implement a management approach; or 1.2.2 the reasons for not having a management approach. 	No change	NA

Current text	Recommended revisions	Summary of stakeholder feedback
<p>Disclosure 103-1 Explanation of the material topic and its Boundary</p>		
<p>a. An explanation of why the topic is material.</p> <p><i>The guidance section states: 'The explanation of why the topic is material can include: a description of the significant impacts identified and the reasonable expectations and interests of stakeholders regarding the topic'</i></p> <p>b. The Boundary for the material topic, which includes a description of:</p> <ol style="list-style-type: none"> i. where the impacts occur; ii. the organization's involvement with the impacts. For example, whether the organization has caused or contributed to the impacts, or is directly linked to the impacts through its business relationships. <p>c. Any specific limitation regarding the topic Boundary.</p>	<p>Revise as follows, as per the recommendations of the Technical Committee:</p> <p>'A description of the actual and potential negative impacts identified, including how the organization is involved with these impacts, either through its own activities or as a result of its business relationships.'</p> <p>In addition, develop guidance on what this description can cover (e.g., location of the impacts, affected stakeholders).</p> <p>See page 21 in Item 08 – Recommendations for changes to the reporting principles and related concepts (Paper B), for the rationale for this recommended revision.</p>	<p>Stakeholders have indicated that this disclosure is challenging to report or irrelevant. The reason why a topic is material is often self-evident or relates to the outcome of the materiality analysis.</p> <p>It was suggested making this disclosure more specific by requiring a description of:</p> <ul style="list-style-type: none"> • the (positive and/or negative) impacts (currently in guidance); • the location of these impacts; and • the organization's involvement with the impacts (causing, contributing to, or directly to linked through business relationships).

Current text	Recommended revisions	Summary of stakeholder feedback
Disclosure 103-2 The management approach and its components		
<p>a. An explanation of how the organization manages the topic.</p> <p>b. A statement of the purpose of the management approach.</p> <p><i>The guidance section states: 'The purpose of the management approach can be to avoid, mitigate, or remediate negative impacts, or to enhance positive impacts.'</i></p>	<p>Revise as follows, as per the recommendations of the Technical Committee:</p> <ul style="list-style-type: none"> • 'Actions taken to prevent or mitigate potential negative impacts identified.' • 'Actions taken to address actual negative impacts identified, including actions to provide remedy to affected stakeholders.' • 'How engagement with stakeholders, in particular affected and potentially affected stakeholders, has informed the actions to prevent, mitigate, and remediate negative impacts.' <p>Revising these disclosures as per the recommendations of the Technical Committee brings them more in line with the expectation of due diligence and provides more clarity on the specific information that is expected to be reported.</p>	<p>Stakeholder feedback indicated that Disclosure 103-2-b is unclear. General feedback also indicated that there is vast variety in how the management approach is reported, ranging from a single line to several pages. Clarifying the minimum information to be reported will improve comparability.</p>
<p>c. A description of the following, if the management approach includes that component:</p>	<p>See recommended revisions for each of the components under this requirement on the next pages.</p>	<p>Stakeholder feedback indicated that the list of components under this requirement is too long and should be moved into the recommendations, particularly information on responsibilities and resources.</p> <p>Stakeholders suggested adding the following additional components to the list: procedures, strategies, action plans, guidelines, management</p>

Current text	Recommended revisions	Summary of stakeholder feedback
		systems, leadership, context (internal/external factors and stakeholder interests), corporate culture, and risk.
i. Policies	Revise to include information on ‘procedures’, as per stakeholder feedback: ‘Policies and procedures in place to manage the topic.’	Stakeholders suggested adding ‘procedures’ to the list of components.
ii. Commitments	No change, and combine with goals and targets: ‘Any commitments, goals, and targets for the topic.’	NA
iii. Goals and targets	No change, and combine with commitments: ‘Any commitments, goals, and targets for the topic.’ In addition, develop guidance on setting context or science-based goals and targets, to address stakeholder feedback received in relation to the Sustainability Context principle.	See pages 16-17 in Item 08 – Recommendations for changes to the reporting principles and related concepts (Paper B), for stakeholder feedback received on reporting context or science-based information.
iv. Responsibilities	Move to guidance, based on stakeholder feedback that this information is not essential. Information on responsibilities is also required by the general disclosures on Governance in <i>GRI 102: General Disclosures</i> .	Stakeholder feedback indicated that information on ‘responsibilities’ is not essential and should not be required.

Current text	Recommended revisions	Summary of stakeholder feedback
v. Resources	Move to guidance, based on stakeholder feedback that this information is not essential.	Stakeholder feedback indicated that the information on 'resources' is not essential and is often confidential, and should not be required.
vi. Grievance mechanisms	<p>Revise as per the recommendations of the Technical Committee and move to <i>GRI 102</i>.</p> <p>See page 14 in Item 10 – Recommended revisions to GRI 102: General Disclosures 2016 (Paper D), for the recommended revisions to this disclosure.</p>	Stakeholder feedback indicated that grievance mechanisms do not need to be detailed for every material topic, if the reporting organization has mechanisms across the entire organization that cover these material topics. It was suggested that this disclosure could be included <i>GRI 102: General Disclosures</i> .
vii. Specific actions, such as processes, projects, programs and initiatives	Revise as per the recommendations of the Technical Committee. See recommended revisions to Disclosures 103-2-a and b.	See stakeholder feedback for Disclosures 103-2-a and b.
Disclosure 103-3 Evaluation of the management approach		
<p>a. An explanation of how the organization evaluates the management approach, including:</p> <ul style="list-style-type: none"> i. the mechanisms for evaluating the effectiveness of the management approach; ii. the results of the evaluation of the management approach; iii. any related adjustments to the management approach. 	<p>Revise as follows, as per the recommendations of the Technical Committee:</p> <p>'How the effectiveness of the actions taken to prevent, mitigate, and remediate negative impacts is tracked, including:</p> <ul style="list-style-type: none"> • any processes or indicators used to evaluate progress; • evidence that the actions taken have been effective; 	Stakeholder feedback indicated that this disclosure is challenging, particularly for small organizations, and organizations that are not mature or have weak corporate governance. The disclosure is also considered to be unclear about what is to be reported, and it requires extensive information, which is often not compatible with concise reports. It was further noted that this information often goes unreported.

Current text	Recommended revisions	Summary of stakeholder feedback
	<ul style="list-style-type: none"> • how engagement with stakeholders, in particular affected and potentially affected stakeholders, has informed how the effectiveness of these actions is tracked; • key lessons learned and how these have been incorporated into the organization's operational policies and procedures.' <p>In addition, develop guidance on what this information can cover (e.g., descriptions of internal review processes such as reporting to committees, review time frames or dates for policies).</p> <p>Revising this disclosure as per the recommendations of the Technical Committee brings it more in line with the expectation of due diligence and provides more clarity as to what specific information is expected to be reported.</p>	<p>It was suggested providing clearer guidance on what is to be reported and to give more freedom in reporting on this disclosure.</p>

Question for the GSSB: Does the GSSB agree with the recommended revisions to *GRI 103*?

88 Section 4. Mock-up of the revised GRI 103 89 disclosures

90 This section presents a mock-up of the recommended revisions to the disclosures in *GRI 103*.

91 Where a term is underlined, it has a definition in the GRI Standards, and where a term is double-
92 underlined, a new definition or a revised definition is being proposed. See the [Recommendations of](#)
93 [the GRI Technical Committee on Human Rights Disclosure](#), pages 27-29, and Item 08 –

94 Recommended revisions to the reporting principles and related concepts (Paper B), page 20, for the
95 proposed definitions.

96 *GRI 103: Management Approach*

97 **General requirements**

98 **Reporting requirements**

99 **1.1 If management approach disclosures are combined for a group of material topics,**
100 **the reporting organization shall state which topics are covered by each disclosure.**

101 **1.2 If there is no management approach for a material topic, the reporting**
102 **organization shall describe:**

103 **1.2.1 any plans to implement a management approach; or**

104 **1.2.2 the reasons for not having a management approach.**

105 **Disclosure 103-IR Policies and commitments**

106 **Reporting requirements**

Disclosure 103-IR

For each material topic, the reporting organization shall report the following information:

- a. Policies and procedures in place to manage the topic.**
- b. Any commitments, goals, and targets for the topic.**

107 **Disclosure 103-2R** Actions to prevent, mitigate, and remediate impacts

108 **Reporting requirements**

Disclosure 103-2R

For each material topic, the reporting organization shall report the following information:

- a. A description of the actual and potential negative impacts identified, including how the organization is involved with these impacts, either through its own activities or as a result of its business relationships.
- b. Actions taken to prevent or mitigate potential negative impacts identified.
- c. Actions taken to address actual negative impacts identified, including actions to provide remedy to affected stakeholders.
- d. How engagement with stakeholders, in particular affected and potentially affected stakeholders, has informed the actions to prevent, mitigate, and remediate negative impacts.

109 **Disclosure 103-3R** Tracking effectiveness

110 **Reporting requirements**

Disclosure 103-3R

For each material topic, the reporting organization shall report the following information:

- a. How the effectiveness of the actions taken to prevent, mitigate, and remediate negative impacts is tracked, including:
 - i. any processes or indicators used to evaluate progress;
 - ii. evidence that the actions taken have been effective;
 - iii. how engagement with stakeholders, in particular affected and potentially affected stakeholders, has informed how the effectiveness of these actions is tracked;
 - iv. key lessons learned and how these have been incorporated into the organization's operational policies and procedures.