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Item 04 – GRI 17: Capital Markets Sector 2027

For GSSB approval

Date	27 August 2026
Meeting	17 September 2026
Project	GRI Sector Standard Project for Financial Services
Description	This document presents *GRI 17: Capital Markets Sector 2027* for approval. A summary of key changes from the exposure draft is provided in the explanatory note at the beginning of the document. This document is complemented by Item 06 – GRI Sector Standards Project for Financial Services – basis for conclusions, which summarizes the significant issues raised during the public comment period and the GSSB responses to these. **Effective date** As part of this approval, the GSSB is asked to consider the proposed effective date of January 2029 (see line 107) for *GRI 17: Capital Markets Sector 2027*. This effective date allows for an ample transition period, ensuring sufficient time for capital market organizations to incorporate GRI 17, as well as the new and revised labor standards, referenced in topics 17.15, 17.16, and 17.17, and start collecting data for any topics and disclosures they may not yet be reporting on.

Explanatory note

This section summarizes the key changes in *GRI 17: Capital Markets Sector 2027*, compared to the exposure draft. These changes are recommended by the technical committee based on discussions following the public consultation. Please note that only key changes that change disclosure expectations are listed in this summary; minor changes to wording are not included.

Incorporating sustainability in investment

- Additional recommendations added to disclosure 17.0.2 (Assets under management) to report a breakdown of assets under management by passively vs actively managed assets, as well as the share of assets under management outsourced to external asset managers.
- New disclosure 17.0.4 (Material topics associated with investees) added to report information on material topics and related trade-offs associated with investees.
- New disclosure 17.0.7 (Sustainability in investment mandates with asset managers) added to report how outsourced investment activities are monitored, and how the requirements of mandates align with an organization's approach to incorporating sustainability.
- Additional recommendations added to disclosure 17.0.10 (Proxy voting on sustainability topics) to report proxy voting policies and guidelines, the approach to managing and monitoring proxy advisors, rationale of voting decisions, and the approach to shareholder resolutions.
- Additional recommendations added to disclosures 17.0.12 (Engagement with relevant actors) to report list of relevant actors engaged, practices used, topics covered, desired outcomes, and how these are monitored.

<u>Additional sector recommendations on investee stewardship</u>

- For these recommendations, which appear on the management level of all topics, an additional recommendation was added on the scope of targets, in terms of investees covered or the percentage of the portfolio they represent.

<u>Topic 17.2 Biodiversity</u>

- Disclosure 17.2.3 (Most significant impacts in the investment portfolio) was expanded to include how organizations identify and assess activities from investees that lead to the direct drivers of biodiversity loss.
- Disclosure 17.2.4 (Investees in sectors leading to biodiversity loss) was amended to focus on portfolio exposure to investees in sectors with the most significant negative impacts on biodiversity.
- Disclosure XX.2.5 in the exposure draft (Investees that have set targets to minimize negative impacts on biodiversity) was removed.

<u>Topic 17.3 Water and effluents</u>

Overall, the additional sector reporting was amended to align more closely with the additional sector reporting on biodiversity, to reflect consistent expectations across nature-related topics.

- New disclosure 17.3.3 (Most significant water impacts in the investment portfolio) was added to report how organizations assess portfolios for the most significant water impacts.
- New disclosure 17.3.4 (Investees with the most significant negative water impacts) was added to report organizations' exposure to investees in sectors with the most significant water impacts.
- New disclosure 17.3.5 (Investees in areas with water stress) was added to report exposure to investees with sites located in areas of water stress.
- New disclosure 17.3.6 (Investees with water stewardship activities) was added to report positive water impacts in organizations' portfolios.
- Disclosures XX.3.3 (Average amount of water consumed by investees) and XX.3.4 (Percentage of investees with sites located in areas of high water stress without a water management policy) in the exposure draft were removed to reflect ongoing review of the SFDR, resulting in such indicators being less relevant for organizations in the sector.

<u>Topic 17.4 Waste</u>

- New sector recommendation was added to 17.4.1 on the management level to report an organization's policies for providing investments to organizations that generate hazardous waste.
- New sector recommendation was added to 17.4.1 on the management level on how organizations incentivize the application of the waste management hierarchy and the adoption of circularity measures through their investments.
- New sector recommendation was added to 17.4.1 on the management level to report the goals and targets for providing investments to organizations that take action, including circularity measures, to prevent waste generation and manage significant impacts from waste generated.
- Disclosure 17.4.3 (Investees' hazardous waste) was updated to an absolute metric, replacing XX.4.3 in the exposure draft.

Topic 17.6 Client privacy and data security

- The additional sector recommendations to 17.6.1 on the management level addressing cybersecurity were expanded to include: governance and oversight processes, monitoring and review mechanisms, and participation in cybersecurity alliances and adoption of shared protocols.
- The additional sector recommendations to 17.6.1 on the management level addressing client data use were expanded to include: client consent, use of client data in analytics, artificial intelligence, and machine learning, and governance and oversight mechanisms for monitoring and review of artificial intelligence, machine learning models, and third-party data processing.

Topic 17.8 Local communities and rights of Indigenous Peoples

- Disclosure 17.8.3 (Violations of Indigenous Peoples' rights in investee infrastructure projects) was expanded to request a description of each violation, as well as remediation actions taken.

Topic 17.9 Conflict-affected and high-risk areas

- New sector recommendation to 17.9.1 on the management level was added to report on stakeholder engagement. This recommendation is mirrored across relevant human rights topics.

Topic 17.10 Non-discrimination and equal opportunity

- New sector recommendation to 17.10.1 on the management level was added to report on stakeholder engagement. This recommendation is mirrored across relevant human rights topics.

Topic 17.11 Forced or compulsory labor

- New sector recommendation to 17.11.1 on the management level was added to report on stakeholder engagement. This recommendation is mirrored across relevant human rights topics.

Topic 17.12 Child labor

- New sector recommendation to 17.12.1 on the management level was added to report on stakeholder engagement. This recommendation is mirrored across relevant human rights topics.

Topic 17.13 Freedom of association and collective bargaining

- New sector recommendation to 17.13.1 on the management level was added to report on stakeholder engagement. This recommendation is mirrored across relevant human rights topics.

Topic 17.14 Occupational health and safety

- New sector recommendation to 17.14.1 on the management level was added to report on stakeholder engagement. This recommendation is mirrored across relevant human rights topics.

Topic 17.18 Economic impacts

- New sector recommendation was added to 17.18.1 on the management level to report indicators used to track the effectiveness of investments that have the objective of generating positive economic impacts, as well as examples of their effectiveness.

GRI 17: Capital Markets Sector 2027

EFFECTIVE DATE: 1 JANUARY 2029

SECTOR STANDARD

GRI 17: Capital Markets Sector 2027

Sector Standard

Effective Date

This Standard is effective for reports or other materials published on or after 1 January 2029.

Responsibility

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

Due Process

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

Legal Liability

This document, designed to promote sustainability reporting, has been developed by the Global Sustainability Standards Board (GSSB) through a unique multi-stakeholder consultative process involving representatives from organizations and report information users from around the world. While the GRI Supervisory Board, Management Board, and GSSB encourage the use of the GRI Sustainability Reporting Standards (GRI Standards) and related Interpretations by all organizations, the preparation and publication of reports based fully or partially on the GRI Standards and related Interpretations are the full responsibility of those producing them. Neither the GRI Supervisory Board, Management Board, GSSB, nor Stichting Global Reporting Initiative (GRI) can assume responsibility for any consequences or damages resulting directly or indirectly from the use of the GRI Standards and related Interpretations in the preparation of reports, or the use of reports based on the GRI Standards and related Interpretations.

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Contents

Introduction

GRI 17: Capital Markets Sector 2027 provides information for organizations in the capital markets sector about their likely material topics. These topics are likely to be material for organizations in the capital markets sector on the basis of the sector's most significant impacts on the economy, environment, and people, including on their human rights.

GRI 17 also contains a list of disclosures for organizations in the capital markets sector to report in relation to each likely material topic. This includes disclosures from the GRI Topic Standards and other sources.

The Standard is structured as follows:

- Section 1 provides a high-level overview of the capital markets sector, including its activities, business relationships, context, and the connections between the United Nations Sustainable Development Goals (SDGs) and the likely material topics for the sector.
- Section 2 outlines the topics that are likely to be material for organizations in the capital markets sector and therefore potentially merit reporting. For each likely material topic, the sector's most significant impacts are described and disclosures to report information about the organization's impacts in relation to the topic are listed.
- The Glossary contains defined terms with a specific meaning when used in the GRI Standards. The terms are underlined in the text and linked to the definitions.
- The Bibliography lists authoritative intergovernmental instruments and additional references used in developing this Standard, listed by topic. It also lists further resources that the organization can consult.

The rest of the Introduction section provides an overview of the sector this Standard applies to, an overview of the system of GRI Standards, and further information on using this Standard.

Sector this Standard applies to

GRI 17 applies to organizations in the capital markets sector undertaking any of the following:

- Asset ownership
- Asset management
- Wealth management
- Custodian activities
- Investment advisory

This Standard can be used by any organization in the capital markets sector, regardless of size, type, geographic location, or reporting experience.

The organization must use all applicable Sector Standards for the sectors in which it has substantial activities.

Sector classifications

Table 1 lists industry groupings relevant to the capital markets sector covered in this Standard in the Global Industry Classification Standard (GICS®) [5], the Industry Classification Benchmark (ICB) [3], the International Standard Industrial Classification of All Economic Activities (ISIC) [6], and the Sustainable Industry Classification System (SICS®) [4].[1] The table is intended to assist an organization in identifying whether GRI 17 applies to it and is for reference only.

[1] The relevant industry groupings in the Statistical Classification of Economic Activities in the European Community (NACE) [1] and the North American Industry Classification System (NAICS) [2] can also be established through available concordances with the International Standard Industrial Classification (ISIC).

Table 1. Industry groupings relevant to the capital markets sector in other classification systems

Classification system	Classification number	Classification name
GICS®	40203010	Asset Management & Custody Banks
	40203030	Diversified Capital Markets
ICB	30202000	Diversified Financial Services
	30202010	Asset Managers & Custodians
ISIC	642	Activities of holding companies and financial conduits
	643	Activities of trusts, funds and similar financial entities
	6499	Other financial services activities
	653	Pension funding
	6619	Other activities auxiliary to financial service activities
	663	Fund management activities
SICS®	FN-AC	Asset Management & Custody Activities

System of GRI Standards

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

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

Universal Standards: GRI 1, GRI 2 and GRI 3

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

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

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

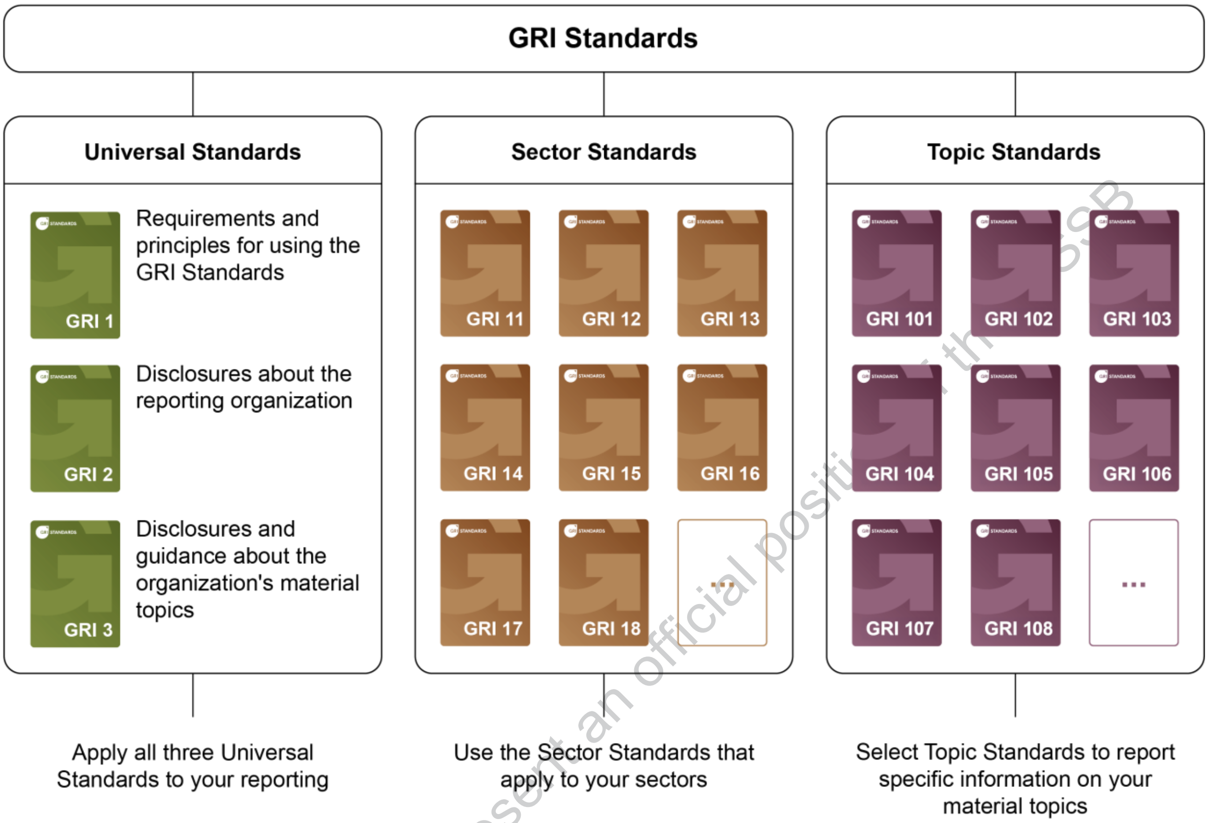
Sector Standards

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

Topic Standards

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

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



Using this Standard

An organization in the capital markets sector reporting in accordance with the GRI Standards is required to use this Standard when determining its material topics and then when determining what information to report for the material topics.

Determining material topics

Material topics represent an organization's most significant impacts on the economy, environment, and people, including their human rights.

Section 1 of this Standard provides contextual information that can help the organization in identifying and assessing its impacts.

Section 2 outlines the topics that are likely to be material for organizations in the capital markets sector. The organization is required to review each topic described and determine whether it is a material topic for it.

The organization needs to use this Standard when determining its material topics. However, circumstances for each organization vary, and the organization needs to determine its material topics according to its specific circumstances, such as its business model; geographic, cultural, and legal operating context; ownership structure; and the nature of its impacts. Because of this, not all topics listed in this Standard may be material for all organizations in the capital markets sector. See *GRI 3: Material Topics 2021* for step-by-step guidance on how to determine material topics.

If the organization has determined any of the topics included in this Standard as not material, then the organization is required to list them in the GRI content index and explain why they are not material.

See Requirement 3 in *GRI 1: Foundation 2021* and Box 5 in *GRI 3* for more information on using Sector Standards to determine material topics.

Determining what to report

For each material topic, an organization reports information about its impacts and how it manages these impacts.

Once an organization has determined a topic included in this Standard to be material, the Standard also helps the organization identify disclosures to report information about its impacts relating to that topic.

For each topic in section 2 of this Standard, a reporting sub-section is included. These sub-sections list disclosures from the GRI Topic Standards that are relevant to the topic. They may also list additional sector disclosures and recommendations for the organization to report. This is done in cases where the Topic Standards do not provide disclosures, or where the disclosures from the Topic Standards do not provide sufficient information about the organization’s impacts in relation to a topic. These additional sector disclosures and recommendations may be based on other sources. Figure 2 illustrates how the reporting included in each topic is structured.

The organization is required to report the disclosures from the Topic Standards listed for those topics it has determined to be material. If any of the Topic Standards disclosures listed are not relevant to the organization’s impacts, the organization is not required to report them. However, the organization is required to list these disclosures in the GRI content index and provide ‘not applicable’ as the reason for omission for not reporting the disclosures. See Requirement 6 in *GRI 1: Foundation 2021* for more information on reasons for omission.

The additional sector disclosures and recommendations outline further information which has been identified as relevant for organizations in the capital markets sector to report in relation to a topic. The organization should provide sufficient information about its impacts in relation to each material topic, so that information users can make informed assessments and decisions about the organization. For this reason, reporting these additional sector disclosures and recommendations is encouraged, however it is not a requirement.

When the organization reports additional sector disclosures, it is required to list them in the GRI content index (see Requirement 7 in *GRI 1*).

If the organization reports information that applies to more than one material topic, it does not need to repeat it for each topic. The organization can report this information once, with a clear explanation of all the topics it covers.

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

See Requirement 5 in *GRI 1* for more information on using Sector Standards to report disclosures.

GRI Sector Standard reference numbers

GRI Sector Standard reference numbers are included for all disclosures listed in this Standard, both those from GRI Standards and additional sector disclosures. When listing the disclosures from this Standard in the GRI content index, the organization is required to include the associated GRI Sector Standard reference numbers (see Requirement 7 in *GRI 1: Foundation 2021*). This identifier helps information users assess which of the disclosures listed in the applicable Sector Standards are included in the organization’s reporting.

Defined terms

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

References and resources

The authoritative intergovernmental instruments and additional references used in developing this Standard, as well as further resources that may help report on likely material topics and can be consulted by the organization are listed in the Bibliography. These complement the references and resources listed in *GRI 3: Material Topics 2021* and in the GRI Topic Standards.

Figure 2. Structure of reporting included in each topic

Reporting on local communities

If the organization has determined local community is a material topic, this section lists the disclosures that have been identified as relevant for reporting on the topic by the oil and gas sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF #
Management of the topic		
GRI 3: Material Topics	Disclosure 3-3 Management of material topics Additional sector recommendations • Describe the means for identifying stakeholders and engaging with local communities. • List the vulnerable groups that the organization has identified. • List any collective or individual rights that the organization has determined to be of particular concern to the local communities.[7] • Describe the approach of the organization to engaging with vulnerable groups, including: - How it seeks to ensure engagement is meaningful, and - How it seeks to ensure safe and equitable gender participation.	11.15.1
Topic Standards disclosures		
GRI 413: Local Communities 2016	Disclosure 413-1 Operations with local community engagement, impact assessments, and development programs	11.15.2
	Disclosure 413-2 Operations with significant actual and potential negative impacts on local communities Additional sector recommendations • Describe impacts on the health of local communities as a result of exposure to pollution caused by the organization's operations or use of hazardous substances.	11.15.3
Additional sector disclosures		
Report the number and type of grievances filed by local communities, including: • the percentage of these grievances that were addressed and resolved; • the percentage of grievances that were resolved through remediation.		11.15.4

1 Management of the topic
The organization is required to report how it manages each material topic using Disclosure 3-3 in *GRI 3: Material Topics 2021*.

2 Topic Standard disclosures
Disclosures from the GRI Topic Standards that are relevant to the topic are listed here. When the topic is determined by the organization as material, it is required to report these disclosures (if they are relevant to its impacts) or explain why they are not applicable in the GRI content index. See the Topic Standard for the content of the disclosure, including requirements, recommendations, and guidance.

3 Additional sector recommendations
Additional sector recommendations may be listed. These complement Topic Standard disclosures and Disclosure 3-3 with sector-specific reporting expectations. These are recommended to report, but not required.

4 Additional sector disclosures
Additional sector disclosures may be listed. Reporting these, together with any Topic Standard disclosures, ensures the organization provides sufficient information about its impacts in relation to the topic. These are recommended to report, but not required.

5 Sector Standard reference numbers
GRI Sector Standard reference numbers are required to be included in the GRI content index. This helps information users assess which of the disclosures listed in the Sector Standards are included in the organization's reporting.

1. Sector profile

Capital markets cover financial markets where capital is raised and deployed through various financial instruments, including debt and equity. In 2024, the global bond market was estimated at approximately USD 139 trillion [14], while the global fixed-income market outstanding totaled USD 145 trillion, and the global equity market capitalization was USD 126.7 trillion [11]. The capital markets sector comprises organizations that influence and direct the allocation of capital to other organizations and activities in all sectors of the economy, with varying levels of investment discretion.

Organizations in the sector, including asset managers, wealth managers, and custodians, play distinct roles in the investment process while managing investments and safeguarding financial assets. Asset owners and asset managers are generally subject to a fiduciary duty in their operations. This entails making investment decisions in the best interests of their beneficiaries and clients.[2]

Asset owners are characterized by their investment discretion, which includes making decisions about allocating all or most of their assets. Asset owners, including pension funds, sovereign wealth funds, high-net-worth individuals, family offices, endowments, and foundations, often act with long-term investment motivation. They are frequently accountable to beneficiaries or the government. Asset owners establish pre-agreed or marketed investment objectives with asset managers to balance risk and generate expected financial returns.

Sector activities and business relationships

Through their activities and business relationships, organizations can have an effect on the economy, environment, and people and, in turn, make negative or positive contributions to sustainable development. When determining its material topics, the organization should consider the impacts of both its activities and its business relationships. See section 1 in *GRI 3: Material Topics 2021* for more information.

Activities

The impacts of an organization vary according to the types of activities it undertakes. The following list outlines some of the key activities of the capital markets sector, as defined in this Standard. This list is not exhaustive.

Asset manager selection: Assessing an asset manager's investment returns, governance practices, and policies on incorporating sustainability in their investment practices for its selection. Asset owners and managers regularly conduct selection processes to mandate asset management services.

Asset management: Managing a client's assets to reach agreed objectives – financial and beyond – through portfolio construction, investment decision-making, active ownership, and stewardship. Risk assessment processes are implemented as part of asset management. These include screening investments by researching to evaluate organizations' financial health, governance practices, and sustainability commitments before investing.

Investment advisory: Consulting and advising on custodian activities, investment policy development, strategic asset allocation, investment research, and investment manager selection, appointment, and monitoring. Services provided do not include active asset management.

Wealth management: Managing a client's portfolio and financial planning, as well as tax planning, estate planning, and retirement strategies. Services are provided primarily to high-net-worth individuals.

Custodian activities: Safeguarding and holding assets on behalf of clients, including settling trades, maintaining ownership records, and managing cash accounts linked to custody services.

[2] In the GRI Standards, customers are understood to include end-customers (consumers) as well as business-to-business customers. In this Standard, 'client' is used instead of 'customer' to align with commonly used sector terminology. When referring to 'clients' generally in this Standard, it covers both retail clients (end-customers or consumers) and institutional clients (business-to-business customers).

Impact investing: Investing with the intention to generate positive and measurable impacts on the environment and people alongside a financial return [12].

Thematic investing: Selecting assets to access specified trends [12]. Sustainability-related thematic investments access trends concerning the environment and people.

Investee stewardship: Using investor rights and influence to protect and enhance overall long-term value for clients and beneficiaries, including the common economic, social, and environmental assets on which their interests depend [12]. Investee stewardship tools include engagement and voting. Engagement can be conducted individually or collaboratively with other asset owners or managers. Individual engagement refers to direct engagement between an organization and a current or potential investee to address responsible business conduct issues, such as engaging the investee's management to take action to prevent, mitigate, or remedy impacts. Voting comprises the formal right to vote on management or shareholder resolutions to express approval or disapproval on relevant matters.

Product and service development: Developing new investment products, including structuring them and providing services such as investment advisory, to meet clients' evolving needs.

Fundraising and marketing: Promoting and selling investment products and services to clients directly or through distributors, such as brokers.

Business relationships

An organization's business relationships include relationships that it has with business partners, with entities in its value chain including those beyond the first tier, and with any other entities directly linked to its operations, products, or services. The following types of business relationships are prevalent in the capital markets sector and are relevant when identifying the impacts of organizations in the sector.

Institutional clients include businesses such as corporations, non-profit organizations, governments, and asset owners such as pension funds and sovereign wealth funds.

Investees are public and private organizations, including businesses such as corporations, governments, and sovereigns, that capital markets organizations invest in for a financial return on behalf of their clients.

Distributors are organizations that provide sales channels for the organization's products and services, such as brokers.

Suppliers are organizations that provide a range of products and services to capital markets organizations to run their operations. These include data providers, analysts, and rating agencies.

Investment consultants include financial experts who guide asset owners and managers by providing investment product recommendations, strategic advice, and comprehensive planning services.

The sector and sustainable development

Organizations in the capital markets sector function as stewards of clients' money and play an instrumental role in promoting sustainable and responsible investment practices, contributing to environmental protection and respecting human rights [9]. Organizations in the sector can have impacts on sustainable development through two primary levers: investment decisions and stewardship activities. Investment encompasses decisions on asset allocation, which includes pricing capital, structuring investments, and divestment. Stewardship activities involve engagement with investees and public policy.

Some investors are driven by the recognition of system-level risks, such as climate change, that endanger common assets, like the environment, on which long-term investor returns depend. While incorporating sustainability into investment may be considered through the lens of risks and opportunities, organizations may extend their focus beyond profits and investment returns to their impacts and those of their investees on the economy, environment, and people, including human rights. Defining sustainability objectives and commitments, and incorporating sustainability considerations into investment policies and practices, are increasingly common in the sector. Incorporating sustainability can also lead to the creation of innovative financial instruments that support sustainable development and mitigate negative impacts. Examples include green bonds, sustainability-linked bonds, and blended finance structures. The sector can positively influence corporate behavior with investee stewardship. Through engagement and voting, organizations can foster positive shifts in responsible business conduct and limit negative impacts from their investees.

The capital markets sector is increasingly shaped by emerging technologies, such as artificial intelligence (AI), which are transforming business models, operations, and value chains through innovations like algorithmic trading, AI-driven risk analytics, and blockchain-based settlement systems. These developments can have negative impacts on the economy, environment, and people. For example, increasing AI use can increase emissions related to greater data processing and data infrastructure, and lead to bias in investment decisions when AI algorithms are trained on historical financial data, reinforcing existing inequalities across regions and leading to underinvestment in emerging markets.

Climate change mitigation and the need for a just transition are among the sector's main sustainable development challenges. Changes in capital flows are necessary to achieve net-zero emissions by 2050. Limiting global warming to well below 2°C while pursuing efforts to limit it to 1.5°C above pre-industrial levels requires an estimated USD 4.7 trillion annual investment in climate solutions between 2021 and 2050 [13]. The sector can invest in renewable energy and energy-efficient technologies, support the transition of carbon-intensive industries, and promote science-based transition plans. Additionally, emerging green technologies offer new investment opportunities with reasonably predictable returns for investors [17]. In addition to contributing to climate change mitigation, organizations can support climate change adaptation by allocating capital to adaptation solutions. This is increasingly important as the physical impacts of climate change are felt across many geographic locations and are set to worsen with further global warming, resulting in additional negative economic, environmental, and social impacts.

Similarly, the sector plays an important supportive role in halting and reversing biodiversity loss by increasing financial resources for nature-based solutions, conservation, and restoration efforts, including in emerging markets and developing economies [8]. The Kunming-Montreal Global Biodiversity Framework underscores the potential of leveraging private finance and investment in biodiversity, and mandates that large financial services organizations assess and disclose their impacts on biodiversity.

A thorough, proactive, and ongoing integration of human rights into investment strategies ensures that investments align with ethical standards, prevent and mitigate negative impacts, and safeguard investors' interests and the well-being of local communities and other stakeholders. Conducting human rights due diligence on potential and current investments is motivated by various factors, including owner mandates, investment policies and strategies, and expectations set by authoritative instruments [7] [16]. Organizations in the sector are expected to respect workers' rights and provide a safe and healthy working environment in line with the International Labor Organisation's Declaration on Fundamental Principles and Rights at Work. Organizations in the sector can influence the employment practices of their investees [15]. When organizations in the sector place financial pressures on investees, this can lead to lower-quality jobs or to layoffs.

Organizations play an essential role in upholding ethical standards for good governance. Corruption and financial crime pose significant barriers to investment in sustainable development, with profound implications for economic development and employment opportunities in many countries. When public policy engagement is not carried out in a responsible, fair, and transparent manner, the interests of some organizations can have a disproportionate impact on policymaking.

Governments worldwide are implementing legislation to ensure organizations in the sector contribute to meaningful societal value, including national roadmaps and strategies for sustainable finance and regulatory adjustments [18]. Accordingly, stakeholder expectations and regulatory demands for transparent sustainability information about investment products and services from the sector are increasing.

Sustainable Development Goals

The Sustainable Development Goals (SDGs), part of the 2030 Agenda for Sustainable Development adopted by the 193 United Nations (UN) member states, comprise the world's comprehensive plan of action for achieving sustainable development [10].

Since the SDGs and targets associated with them are integrated and indivisible, organizations in the capital markets sector have the potential to contribute to all SDGs by enhancing their positive impacts, or by preventing and mitigating their negative impacts on the economy, environment, and people.

The capital markets sector plays a fundamental role in achieving Goal 8: Decent Work and Economic Growth and supporting Goal 10: Reduced Inequalities. By providing the capital organizations need to expand and innovate, the sector helps create jobs and stimulate economic growth. Effective capital allocation is crucial as it directs financial resources towards investments that drive economic development. The sector is also important to achieving Goal 9: Industry, Innovation and Infrastructure by providing the financing necessary for organizations, sovereigns, and sub-sovereigns involved in infrastructure development and technological innovation.

The sector is particularly relevant to achieving Goal 7: Affordable and Clean Energy and supporting Goal 13: Climate Action. For example, organizations support the transition to a low-carbon economy by channeling investments towards renewable energy projects.

The sector is also involved with the impacts of corruption and financial crime, which can affect the achievement of Goal 16: Peace, Justice and Strong Institutions. Ensuring transparency and integrity in financial transactions is essential for building strong institutions and promoting peaceful, inclusive societies.

Table 2 presents connections between the likely material topics for the capital markets sector and the SDGs. These linkages were identified based on an assessment of the impacts described in each likely material topic and the targets associated with each SDG.

Table 2 is not a reporting tool but presents connections between the capital markets sector's significant impacts and the goals of the 2030 Agenda for Sustainable Development.

Table 2. Linkages between the likely material topics for the capital markets sector and the SDGs

Likely material topic	**Corresponding SDGs**
Topic 17.1 Climate change	Goal 1: No Poverty
	Goal 3: Good Health and Well-being
	Goal 5: Gender Equality
	Goal 7: Affordable and Clean Energy
	Goal 8: Decent Work and Economic Growth
	Goal 11: Sustainable Cities and Communities
	Goal 13: Climate Action
	Goal 14: Life Below Water
	Goal 15: Life on Land
	Goal 17: Partnerships for the Goals
Topic 17.2 Biodiversity	Goal 2: Zero Hunger
	Goal 6: Clean Water and Sanitation
	Goal 12: Responsible Consumption and Production
	Goal 14: Life Below Water
	Goal 15: Life on Land
Topic 17.3 Water and effluents	Goal 3: Good Health and Well-being
	Goal 6: Clean Water and Sanitation
	Goal 12: Responsible Consumption and Production
	Goal 14: Life Below Water
	Goal 15: Life on Land

Topic 17.4 Waste	Goal 3: Good Health and Well-being
	Goal 6: Clean Water and Sanitation
	Goal 11: Sustainable Cities and Communities
	Goal 12: Responsible Consumption and Production
	Goal 14: Life Below Water
	Goal 15: Life on Land
Topic 17.5 Financial health and inclusion	Goal 1: No Poverty
	Goal 2: Zero Hunger
	Goal 3: Good Health and Well-being
	Goal 4: Quality Education
	Goal 5: Gender Equality
	Goal 8: Decent Work and Economic Growth
	Goal 9: Industry, Innovation and Infrastructure
	Goal 10: Reduced Inequalities
Topic 17.6 Client privacy and data security	Goal 16: Peace, Justice and Strong Institutions
Topic 17.7 Marketing and labeling	Goal 12: Responsible Consumption and Production
	Goal 16: Peace, Justice and Strong Institutions
Topic 17.8 Local communities and rights of Indigenous Peoples	Goal 1: No Poverty
	Goal 2: Zero Hunger
	Goal 5: Gender Equality
	Goal 11: Sustainable Cities and Communities
	Goal 14: Life Below Water
	Goal 15: Life on Land
	Goal 16: Peace, Justice and Strong Institutions
Topic 17.9 Conflict-affected and high-risk areas	Goal 8: Decent Work and Economic Growth
	Goal 16: Peace, Justice and Strong Institutions
Topic 17.10 Non-discrimination and equal opportunity	Goal 5: Gender Equality
	Goal 8: Decent Work and Economic Growth
	Goal 10: Reduced Inequalities
	Goal 16: Peace, Justice and Strong Institutions
Topic 17.11 Forced or compulsory labor	Goal 8: Decent Work and Economic Growth
	Goal 16: Peace, Justice and Strong Institutions
Topic 17.12 Child labor	Goal 8: Decent Work and Economic Growth
	Goal 16: Peace, Justice and Strong Institutions
Topic 17.13 Freedom of association and collective bargaining	Goal 8: Decent Work and Economic Growth
	Goal 16: Peace, Justice and Strong Institutions
Topic 17.14 Occupational health and safety	Goal 3: Good Health and Well-being
	Goal 8: Decent Work and Economic Growth

Topic 17.15 Employment	Goal 5: Gender Equality Goal 8: Decent Work and Economic Growth Goal 10: Reduced Inequalities
Topic 17.16 Remuneration and working time	Goal 5: Gender Equality Goal 8: Decent Work and Economic Growth Goal 10: Reduced Inequalities
Topic 17.17 Significant changes for workers	Goal 8: Decent Work and Economic Growth Goal 16: Peace, Justice and Strong Institutions
Topic 17.18 Economic impacts	Goal 1: No Poverty Goal 2: Zero Hunger Goal 5: Gender Equality Goal 8: Decent Work and Economic Growth Goal 9: Industry, Innovation and Infrastructure Goal 10: Reduced Inequalities Goal 17: Partnerships for the Goals
Topic 17.19 Corruption and financial crime	Goal 10: Reduced Inequalities Goal 16: Peace, Justice and Strong Institutions Goal 17: Partnerships for the Goals
Topic 17.20 Anti-competitive behavior	Goal 10: Reduced Inequalities Goal 16: Peace, Justice and Strong Institutions
Topic 17.21 Tax	Goal 1: No Poverty Goal 10: Reduced Inequalities Goal 17: Partnerships for the Goals
Topic 17.22 Public policy	Goal 13: Climate Action Goal 16: Peace, Justice and Strong Institutions Goal 17: Partnerships for the Goals

2. Likely material topics

This section comprises the likely material topics for the capital markets sector. Each topic describes the sector’s most significant impacts related to the topic and lists disclosures that have been identified as relevant for reporting on the topic by capital markets organizations. The organization is required to review each topic in this section and determine whether it is a material topic for the organization and then determine what information to report for its material topics.

Disclosures on incorporating sustainability in investment activities

GRI 17: Capital Markets Sector 2027 includes disclosures on how organizations can incorporate sustainability across their investment activities, providing important contextual information on their likely material topics.

Sustainability can be incorporated into investment activities by integrating related criteria into analysis, decision-making, and portfolio construction, supported by appropriate, timely data and consideration of its limitations. Investment strategies, such as thematic and impact investing, can help direct capital toward initiatives that generate positive environmental and social impacts. Stewardship approaches, including engagement with investees and proxy voting, can further support the promotion of sustainable practices and the management of negative impacts. Engagement may also focus on relevant actors, such as experts, bodies, or initiatives, including policymakers, standard setters, and industry associations.

Through due diligence on current and potential investees, the organization can address negative impacts associated with its investment activities and inform its policies, stewardship practices, screening approaches, and capital allocation. This includes considering trade-offs between material sustainability topics and the long-term implications of investment decisions. Asset owners’ and managers’ fiduciary duties and mandates often include consideration of the long-term implications of their investment decisions, which may contribute to system-level impacts [31]. Where necessary, due diligence processes may lead to escalation or divestment when investees fail to prevent or mitigate negative impacts.

The additional sector disclosures in this section complement *GRI 3: Material Topics 2021* (Disclosures 3-1 and 3-3) on identifying and managing actual and potential impacts across activities, business relationships, and material topics.

Box 1. Capital markets organizations’ involvement with the negative impacts of investees

Organizations in the capital markets sector are expected to identify actual and potential negative impacts on the economy, environment, and people, including on human rights, across their activities and business relationships, including those beyond the first tier, and assess how they may be involved with these impacts. This includes assessing the negative impacts from investees and those in their value chains [27] [24] [26] [25] [28].

Capital markets organizations can contribute to the negative impacts of their investees when their activities incentivize or facilitate them. Their operations, products, or services can also be directly linked to negative impacts through their business relationships[3]. The nature of this involvement determines how the organization is expected to address the impacts and whether it has a responsibility to provide for or cooperate in their remediation (see section 2.3 in *GRI 1: Foundation 2021*).

[3] Box 1 addresses how capital markets organizations can be involved with the negative impacts of their investees by contributing to those impacts or where their operations, products, or services are directly linked to the negative impacts through their business relationships. However, capital markets organizations can also have a negative impact if their activities result in the impact on their own. See Box 3 in *GRI 3: Material Topics 2021* for more information on causing, contributing, or being directly linked to negative impacts.

Factors that may be used to determine whether a capital markets organization is contributing to an investee’s negative impact include:

- whether the capital markets organization is incentivizing the harm;
- whether the capital markets organization is facilitating the harm;
- the quality of the capital markets organization's due diligence processes.

For example, a capital markets organization would likely contribute to a negative impact if it knew, or should have known, of potential human rights violations associated with an investee, but failed to require, encourage, or support the prevention or mitigation of the impact.

Even if a capital markets organization has not contributed to a negative impact, the impact may still be directly linked to its operations, products, or services through a business relationship [29]. For example, where a pension fund holds a minority shareholding in an organization using commodities sourced with forced labor, negative human rights impacts associated with forced labor can be directly linked to the pension fund through its investment in that organization.

A capital markets organization’s involvement with a negative impact can change over time. If it identifies, becomes aware, or should have known of a negative impact directly linked to its operations, products, or services through a business relationship and fails to take adequate steps to seek to prevent or mitigate the impact, its inaction may allow the impact to continue and, therefore, contribute to it.

Disclosures on incorporating sustainability in investment

Additional sector disclosures	SECTOR STANDARD REF. NO.
Type of organization, asset manager selection, and client types: Report whether the organization is an asset owner, asset manager, or another type of capital markets organization. Report whether assets are managed by the organization or externally through asset managers and, if asset managers are used, the criteria for selecting and monitoring them. For asset managers, report: • the percentage breakdown of client[4] types and how they are defined, including all types of institutional and retail clients; • whether the organization has wholesale channels.[5]	17.0.1
Assets under management: Report the total monetary value of assets under management[6] at the end of the reporting period, and a percentage breakdown of this total by: • asset classes; • sectors, including the public sector, and report the sector classification system used;	17.0.2

[4] In the GRI Standards, customers are understood to include end-customers (consumers) as well as business-to-business customers. In this Standard, ‘client’ is used instead of ‘customer’ to align with commonly used sector terminology. When referring to ‘clients’ generally in this Standard, it covers both retail clients (end-customers [consumers]) and institutional clients (business-to-business customers).

[5] Wholesale channels include distributors, such as advisors or platforms, that purchase products from the organization in bulk and sell them to retail clients.

[6] Assets under management (AUM) refers to the total market value of all assets that an organization or financial institution manages on behalf of its clients. This figure includes uncalled commitments, such as those in private equity or infrastructure, policyholders’ funds, off-balance-sheet assets, and the institution’s portion of joint venture (JV) assets where relevant. AUM is typically reported at market value, but if market value is unavailable, the latest net realizable value estimate may be used.

• geographic locations; • low-, middle-, and high-income countries, and report the definition used for this; • passively and actively managed assets. Report the share of the total monetary value of assets under management outsourced to external managers, in the following ranges: less than 20%, 20-50%, and more than 50%. Report the investment threshold used by the organization for reporting the breakdown of assets under management.	
Process to identify and assess impacts from investees: Describe the process to identify and assess actual and potential <u>impacts</u> from investees at the individual investment level, including: • how the process differs by relevant categories, including asset class and investment size; • how often the process is carried out and the rationale for that frequency; • how the organization assesses its involvement with the actual and potential negative impacts of its investees (see Box 1 in this Standard).	17.0.3
Material topics associated with investees: List the organization's <u>material topics</u> that are material as a result of the impacts from investees. Describe the approach to identify, assess, and manage connections and trade-offs between these material topics. Describe examples of trade-offs encountered between material topics and how the trade-offs were managed.	17.0.4
Strategy and commitments: Describe the following information about the organization's strategy and definitions related to incorporating sustainability in investment: • how impacts on the economy, environment, and people are considered in its investment strategy and business model; • how it relates to fulfilling the organization's fiduciary duties or equivalent obligations; • minimum standards and exclusion policies; • how sustainable investment is defined, including any regional or national taxonomies, or labeling regimes it applies or is subject to. Report the organization's commitments, objectives, and targets related to sustainability in investment, including: • the timelines over which they apply; • how they are set.	17.0.5
Implementation of strategy and commitments: Describe how the organization implements its strategy and commitments related to sustainability in investment, including: • how sustainability-related information is used in investment processes, including research, valuation, structuring, screening approaches, and portfolio construction; • how its sustainable investment objectives are achieved through impact investments; • how its sustainable investment objectives are achieved through sustainability-related thematic investments;	17.0.6

• how its sustainable investment objectives are achieved through other investment instruments with a specific sustainability focus,[7] and the criteria used to define these instruments;[8] • how information on actual and potential impacts of investees is integrated into decision-making for new and existing investments. Report the percentage breakdown of the total monetary value of assets under management at the end of the reporting period allocated to: • impact investments; • sustainability-related thematic investments; • other investment instruments with a specific sustainability focus.	
Sustainability in investment mandates with asset managers: Describe how investment mandates with asset managers align with the organization's approach and timelines for incorporating sustainability in investment, including: • monitoring processes used to track the effectiveness of the mandates, and benchmarks; • indicators used to evaluate the performance of asset managers; • the frequency and objectives of performance reviews of asset managers; • incentives.	17.0.7
Governance and functions for sustainability in investment: Report the governance bodies and functions throughout the organization that are responsible for incorporating sustainability in investment, including: • their relevant collective knowledge, skills, and experience; • the number of full-time equivalent (FTE) employees responsible for incorporating sustainability in investment and for investee stewardship; • how remuneration policies and performance reviews for the individuals in those governance bodies and functions relate to the organization's sustainable investment objectives and any differences in incentive structures and performance reviews across functions, particularly investment and stewardship.	17.0.8
Investee stewardship on sustainability: Describe the approach to investee stewardship on sustainability topics, including: • topics selected for stewardship; • criteria for selecting investees for stewardship; • practices used, including collective and direct engagement, and how they differ by relevant categories, such as asset class and investment size; • how direct engagement with investees is defined; • the number of investees directly engaged; • how the stewardship approach is reviewed when actions taken to address negative impacts are ineffective, including escalation processes and changes to capital allocated; • how the organization monitors stewardship approaches for externally managed assets to ensure alignment with its own approach.	17.0.9
Proxy voting on sustainability topics: Describe the approach to proxy voting on sustainability topics, including: • policies and guidelines for proxy voting; • the approach to managing and monitoring proxy advisors;[9]	17.0.10

[7] Examples of investment instruments with a specific sustainability focus include green, climate, and social bonds.

[8] Examples of criteria for specifying investment instruments with a specific sustainability focus include the International Capital Market Association Principles and the Climate Bonds Standard.

[9] Proxy advisors provide investors with extensive research, data, analysis, peer-comparative information and voting recommendations. Proxy advisors can also support with processing, tracking, and transmitting voting ballots.

• the topics of votes cast during the reporting period; • the rationale of voting decisions, with links where publicly available; • whether and how voting outcomes inform adjustments to investment or stewardship approaches; • the approach to shareholder resolutions, including whether resolutions are filed or co-filed, the topics addressed, and how they align with the broader stewardship and proxy voting strategy; • how proxy voting approaches for externally managed assets are monitored for alignment with the organization's approach. Report the percentage of eligible proxy votes that were cast during the reporting period.	
Data collection on impacts from investees: Describe the approach to collecting data on impacts from investees to inform investment decisions, including: • whether and what primary data is collected; • whether and how third-party data is used, including from data providers and stakeholders; • how data gaps are addressed, including the use of proxies and estimates; • limitations of third-party data and their effect on investment decisions; • actions taken to improve data quality.	17.0.11
Engagement with relevant actors: Describe the approach to engagement with relevant actors on incorporating sustainability in investment, including: • a list of relevant actors, such as experts, bodies, or initiatives engaged, including policymakers, standard-setters, and industry associations; • practices used, including public consultation and direct engagement; • topics covered; • desired outcomes of the engagement and how the outcomes are monitored. Describe how the engagement with relevant actors informs and aligns with the organization's policies and commitments for incorporating sustainability into investment.	17.0.12

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Topic 17.1 Climate change

Climate change refers to long-term shifts in the climate system, primarily driven by greenhouse gas (GHG) emissions from human activities. Organizations contribute to climate change, particularly through non-renewable energy consumption across the value chain, and are responsible for mitigating and adapting to its impacts, including by developing transition and adaptation plans aligned with just transition principles. This topic covers GHG emissions, energy consumption, actions taken to mitigate and adapt to climate change, and impacts on workers, local communities, and Indigenous Peoples.

Climate change requires actions that strengthen resilience and address vulnerability to impacts while aiming to limit global warming to 1.5°C above pre-industrial levels [38]. Organizations in the capital markets sector may be involved with climate change impacts through their activities and as a result of their business relationships in all sectors of the economy.

Aligning financial flows with low greenhouse gas (GHG) emission pathways and climate-resilient development requires capital markets organizations to assess the consistency of their investments with the internationally agreed climate goals under the Paris Agreement [37]. In this context, organizations need to develop transition and adaptation plans. This includes integrating climate impacts, risks, and opportunities, including those related to biodiversity and people [41], across value chains and into their governance, management systems, and investment decisions [37].

The capital markets sector can support the transition to a low-carbon economy by providing products and services that enable investees to reduce GHG emissions, implement credible transition strategies, and phase out fossil fuels. Organizations in the sector can support capital mobilization towards renewable energy, low-emissions technologies, and other transition-enabling investments, while redirecting finance away from new or expanded oil, coal, and gas projects, including liquefied natural gas (LNG), and supporting the decarbonization of emissions-intensive sectors, where viable transition pathways exist [45]. Organizations can also support mitigation efforts by using stewardship at different stages of the investment process. This can encourage investees in GHG emissions-intensive sectors to adopt science-based transition plans and GHG emissions reduction targets aligned with internationally agreed climate goals [42] [40]. In addition, organizations can engage with industry associations, regulators, and policymakers to support the transition to a low-carbon economy [43].

Organizations in the sector can contribute to climate adaptation and resilience by providing financing for climate solutions, including climate change-resilient infrastructure, cooling systems, and activities safeguarding the natural environment, such as biodiversity restoration (see topic 17.2 Biodiversity). Supporting adaptation efforts also implies assessing the impacts of sectors and activities exposed to the current and future physical effects of climate change, which are more likely to harm people and the environment [37]. This also involves identifying those sectors and activities that require adaptation strategies, especially in geographic locations most vulnerable to climate change.

Organizations can support a fair and inclusive transition to a low-carbon economy by developing policies and criteria for assessing investees' transition plans in GHG emissions-intensive sectors [40]. They should also consider the impacts of the plans on workers (see topic 17.15 Employment and 17.17 Significant changes for workers), local communities, and Indigenous Peoples (see topic 17.8 Local communities and rights of Indigenous Peoples). Impacts can be positive, such as new skill sets provided to workers that lead to improved social and economic opportunities, or negative, such as changes that increase the severity and likelihood of adverse human rights impacts [39]. Managing these impacts in a way that is fair and inclusive contributes to a just transition. When considering transition impacts from investees, special consideration should be given to vulnerable groups, such as women in indigenous, rural, and low-income communities (see topics 17.8 Local communities and rights of Indigenous Peoples and 17.5 Financial health and inclusion) [44].

The primary focus of GHG emissions accounting for organizations in the sector is Scope 3 Category 15, as most of the sector's GHG footprint stems from financing GHG emissions-intensive sectors. Organizations can set short-, medium-, and long-term GHG emissions reduction targets, and track and report their progress against those targets [40].

Reporting on climate change

If the organization has determined climate change to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO.
Management of the topic		
GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics *Additional sector recommendations* • Report the goals and targets for investing in organizations that undertake climate change mitigation and adaptation activities. • For investee stewardship related to climate change, report: - targets and indicators for evaluating progress; - the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent; - examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.	17.1.1
Topic Standard disclosures		
GRI 102: Climate Change 2025	Disclosure 102-1 Transition plan for climate change mitigation *Additional sector recommendations* • When reporting transition plan-related policies, include: - policies for investing in organizations that undertake new, or expand existing, oil, gas, and coal projects; - policies for managing the early retirement of oil-, gas-, and coal-related of investees' assets; - policies for investing in other GHG emissions-intensive sectors,[10] other than oil, gas, and coal, and a breakdown by sector; - any investments and business relationships excluded from the transition plan-related policies, and the rationale for these exclusions. • Describe the policies to evaluate the transition plans of investees, including: - which sectors the policies apply to; - the criteria to assess the quality of the transition plan in line with the latest scientific evidence on limiting global warming; - the criteria to assess just transition principles in the transition plan.	17.1.2
	Disclosure 102-2 Climate change adaptation plan *Additional sector recommendations* • Describe the policies for investing in climate change adaptation and resilience, including investments: - aimed at mitigating the physical effects of climate change; - aimed at remediating the physical effects of climate change; - that lead or could lead to impacts on workers, local communities, Indigenous Peoples, and biodiversity.	17.1.3

[10] Apart from oil, gas, and coal, other GHG emission-intensive sectors include, but are not limited to, agriculture, aluminum, cement, commercial and residential real estate, iron and steel, power generation, and transport [41].

	• Describe how the organization assesses the impacts on people and the environment associated with the climate change-related risks of investees.	
	Disclosure 102-4 GHG emissions reduction targets and progress *Additional sector recommendations* • When reporting the short-, medium-, and long-term GHG emissions reduction targets for Scope 3 Category 15, include: - targets that apply to the oil, gas, and coal sectors; - targets that apply to other GHG emissions-intensive sectors; - actions taken or planned to expand target coverage across all sectors; - any investments excluded from these targets, and the rationale for any exclusions. • Report the monetary value of the investment portfolio at the end of the reporting period, and the percentage of its total value, allocated to investees that the Scope 3 Category 15 targets apply to, and a breakdown by sector. • When reporting the progress towards Scope 3 Category 15 targets, include: - targets that apply to the oil, gas, and coal sectors; - targets that apply to other GHG emissions-intensive sectors; - whether progress towards targets resulted from decarbonization initiatives or from changes in portfolios. • Report whether an independent third party has validated Scope 3 Category 15 targets and related progress.	17.1.4
	Disclosure 102-5 Scope 1 GHG emissions	17.1.5
	Disclosure 102-6 Scope 2 GHG emissions	17.1.6
	Disclosure 102-7 Scope 3 GHG emissions *Additional sector recommendations* • When reporting Scope 3 Category 15 emissions, include: - both financed and facilitated emissions; - total financed emissions, and a breakdown of this total by asset class and sector; - total facilitated emissions, and a breakdown of this total by facilitation activity and sector; • Report the monetary value of the investment portfolio at the end of the reporting period and the percentage of its total value, allocated to investees covered in Scope 3 Category 15 calculations.	17.1.7
	Disclosure 102-8 GHG emissions intensity Additional sector recommendations: • Report GHG emissions intensity ratio(s) for Scope 3 Category 15, including the gross GHG emissions in metric tons of CO_2 equivalent (the numerator) and the organization-specific metric (the denominator).	17.1.8
	Disclosure 102-10 Carbon credits	17.1.9
Additional sector disclosures		
Investees in GHG emissions-intensive sectors: Report the monetary value of the investment portfolio at the end of the reporting period, and the percentage of its total value, allocated to investees that:		17.1.10

• operate in the oil, gas, and coal sectors, and a breakdown by sector; • received investments for new or expansion projects related to oil, gas, and coal sectors, and a breakdown by geographic location; • operate in other GHG emissions-intensive sectors, and a breakdown by sector.	
Investees with transition plans: Report the monetary value of the investment portfolio at the end of the reporting period, and the percentage of its total value, allocated to investees with both transition plans and gross GHG emissions reduction targets, and a breakdown by sector.	17.1.11
Investees' transition plans aligned with just transition principles: Report the monetary value of the investment portfolio at the end of the reporting period, and the percentage of its total value, allocated to investees that have transition plans aligned with just transition principles.	17.1.12
Investees with climate change mitigation and adaptation activities: Report the monetary value of the investment portfolio at the end of the reporting period, and the percentage of its total value, allocated to investees that: • undertake renewable energy projects, and a breakdown by geographic location; • undertake other climate change mitigation activities, and a breakdown by sector and geographic location; • undertake climate change adaptation activities, and a breakdown by sector and geographic location. Report the taxonomies and definitions that the organization uses to classify climate change mitigation and adaptation activities.	17.1.13

References and resources

GRI 102: Climate Change 2025 lists authoritative intergovernmental instruments, additional references, and resources relevant to reporting on this topic.

The authoritative instruments and additional references used in developing this topic, as well as resources that may be helpful for reporting on climate change by the capital markets sector are listed in the Bibliography.

Topic 17.2 Biodiversity

Biodiversity is the variability among living organisms. It includes diversity within species, between species and of ecosystems. Biodiversity not only has intrinsic value, but is also vital to human health, food security, economic prosperity, and mitigation of climate change and adaptation to its impacts. This topic covers impacts on biodiversity, including genetic diversity, animal and plant species, and ecosystems.

Biodiversity and ecosystem services provide the foundation for economic activities to operate, either directly or through their supply chains [62] [56]. Healthy ecosystems provide essential services like clean air, water filtration, and erosion prevention, which are fundamental to human and animal well-being. Organizations in the capital markets sector may be involved with biodiversity impacts mainly as a result of their business relationships in all sectors of the economy.

Organizations are expected to align their policies, strategies, and decision-making processes, including investing, with global biodiversity goals and targets [61] [55]. The Kunming-Montreal Global Biodiversity Framework urges organizations across sectors, including financial institutions, to help halt and reverse biodiversity loss [53]. This requires adopting new business models, enabling the redirection of financing from harmful activities towards those that protect and restore natural ecosystems, and enhancing reporting transparency. Organizations in the capital markets sector can help halt and reverse biodiversity loss by incorporating biodiversity and ecosystem services considerations into investment activities, including risk assessment, capital allocation, and valuation. For example, organizations can consider how impacts on gene and species diversity affect the ecosystem services that beneficiaries rely on, such as freshwater from a river or timber from a forest. Organizations can also increase financing for nature-based solutions that protect, sustainably manage, and restore biodiversity and its related ecosystem services [59] [54]. For example, organizations can develop financial instruments that embed biodiversity in their terms [63], such as carbon-based dividends with high biodiversity requirements and biodiversity credits. This can help close the biodiversity finance gap by meeting the necessary costs of conserving and restoring genetic diversity, species, and ecosystems worldwide [61].

The Kunming-Montreal Global Biodiversity Framework also sets out expectations for organizations to identify, monitor, and assess biodiversity-related impacts across their activities and business relationships [53]. Capital markets organizations can select the sectors in the investment portfolio with biodiversity impacts and identify investees whose activities or those of their value chains lead or could lead to the direct drivers of biodiversity loss, these include: land and sea use change; exploitation of natural resources (see topic 17.3 Water and effluents); climate change (see topic 17.1 Climate change); pollution (see topic 17.4 Waste); and invasive alien species.

For example, investees sourcing, processing, and selling agricultural commodities may contribute to deforestation through their activities or business relationships, adversely affecting biodiversity and ecosystem services [60]. Biodiversity impacts are more likely to occur where investees' activities are located in or near ecologically sensitive areas (see Table 1 in *GRI 101: Biodiversity 2024*).

By identifying the direct drivers of biodiversity loss in the investment portfolio, capital markets organizations can also address the nexus between biodiversity and other impacts, such as disruptions of water cycles (see topic 17.3 Water and effluents). Organizations can further conduct investee stewardship of investees that undertake activities that lead or could lead to direct drivers of biodiversity loss, and encourage them to take action to halt or reverse biodiversity loss in their operations and business relationships. For example, by deciding against expanding the site or undertaking efforts to reduce land disturbance [63]. Organizations in the capital markets sector can further enhance their impact by collaborating with other stakeholders to align financing activities with global biodiversity goals and targets, including industry initiatives, regulators, and policymakers [58].

Reporting on biodiversity

If the organization has determined biodiversity to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO.
Management of the topic		
GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics *Additional sector recommendations* • Report the goals and targets for investing in organizations that undertake biodiversity conservation, restoration, and protection activities. • For investee stewardship related to biodiversity, report: - targets and indicators for evaluating progress; - the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent; - examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.	17.2.1
Topic Standard disclosures		
GRI 101: Biodiversity 2024	Disclosure 101-1 Policies to halt and reverse biodiversity loss *Additional sector recommendations* • Describe the policies for investing in organizations that: - undertake activities that lead or could lead to biodiversity loss, and a breakdown by sector; - have sites in or near ecologically sensitive areas, and a breakdown by sector; - conserve, restore, and protect biodiversity, and a breakdown by sector; - use genetic resources and associated traditional knowledge held by Indigenous Peoples and local communities, and how the organization assesses that investees comply with access and benefit-sharing regulations and measures. • Report any investments excluded from these policies and the rationale for these exclusions.	17.2.2
Additional sector disclosures		
Most significant biodiversity impacts in investment portfolios: Describe the process to identify and assess the most significant positive and negative impacts on biodiversity from investees, including: • the sectors and the extent of their value chains covered; • the taxonomies and definitions used to select sectors for the assessment; • the organization's plans to improve or expand the scope of the assessment over the short-, medium-, and long-term. For sectors with the most significant actual and potential negative impacts on biodiversity, describe the process to identify and assess activities from investees that lead to: • land and sea use change; • exploitation of natural resources; • pollution; • invasive alien species.		17.2.3

Report the indicators used to assess the activities of investees that lead or could lead to direct drivers of biodiversity loss.[11] Report the monetary value of the investment portfolio at the end of the reporting period, and the percentage of its total value, that has been assessed for the most significant positive and negative impacts on biodiversity.	
Investees in sectors leading to biodiversity loss: Report the monetary value of the investment portfolio at the end of the reporting period, and the percentage of its total value, allocated to investees in sectors with the most significant negative impacts on biodiversity, and a breakdown by sector.	17.2.4
Investees with sites in or near ecologically sensitive areas: Report the monetary value of the investment portfolio at the end of the reporting period, and the percentage of its total value, allocated to investees that have sites in or near ecologically sensitive areas.	17.2.5
Investees that halt and reverse biodiversity loss Report the monetary value of the investment portfolio at the end of the reporting period, and the percentage of its total value, allocated to investees that: • take action to minimize negative impacts on biodiversity that were not avoided • restore or rehabilitate degraded ecosystems; • conserve ecosystems; • undertake climate change mitigation or adaptation activities that contribute to biodiversity protection. Report the taxonomies and definitions that the organization uses to classify activities that halt and reverse biodiversity loss.	17.2.6

References and resources

GRI 101: Biodiversity 2024 lists authoritative intergovernmental instruments, additional references, and resources relevant to reporting on this topic.

The authoritative instruments and additional references used in developing this topic, as well as resources that may be helpful for reporting on biodiversity by the capital markets sector are listed in the Bibliography.

[11] Disclosure 101-6 Direct drivers of biodiversity loss in *GRI 101: Biodiversity 2024* includes information on the direct drivers of biodiversity loss and indicators to assess the activities that lead or could lead to the direct drivers.

Topic 17.3 Water and effluents

Recognized as a human right, access to fresh water is essential for human life and well-being. The amount of water withdrawn and consumed by an organization and the quality of its discharges can have impacts on ecosystems and people. This topic covers impacts related to the withdrawal and consumption of water and the quality of water discharged.

Water demand has exceeded the amount that can naturally be replenished, exceeding safe limits. As a result, parts of the world's water resources, including surface and groundwater, wetlands, and glaciers, have been depleted to an extent that returning to baseline conditions is no longer possible [82]. Organizations in the capital markets sector may be involved with water-related impacts mainly as a result of their business relationships in all sectors of the economy. These can include sovereign and sub-sovereign entities, which form a substantial part of new issuances and debt stocks [79].

Investees are likely to have significant impacts on water quality and availability when they withdraw and consume water intensively and discharge effluents in areas with water stress, where water demand exceeds supply [79]. They can also have impacts on water quality and availability when they expand into vulnerable landscapes, for example, by altering freshwater geomorphology and nutrient composition, and limiting access to freshwater. The expansion of activities that contribute to extreme weather events (see topic 17.1 Climate change) and biodiversity loss (see topic 17.2 Biodiversity) further depletes water resources and can affect human and animal health. For local communities and Indigenous Peoples, limited access to freshwater can lead to negative impacts on food security and livelihoods (see topic 17.8 Local communities and rights of Indigenous Peoples). Similarly, water use that affects water quality and availability can affect trade and migration flows while exacerbating geopolitical instability [82] (see topic 17.9 Conflict-affected and high-risk areas).

Organizations in the capital markets sector can screen prospective projects for significant water impacts, with the aim of avoiding financing projects that harm important water resources or rely on unsustainable reservoirs [82]. They can also fund municipalities and infrastructure that reduces water loss, improves effluent discharge quality, and supports desalination projects in water-stressed areas.

Organizations in the capital markets sector can address water-related impacts by incorporating considerations into their financing decisions, such as adaptation to hydrological conditions when a return to baseline is no longer possible [78]. They can also encourage investee stewardship in water-intensive sectors and activities to further identify impacts on water quality and availability. These can include agricultural, extractive and manufacturing industries, water-intensive electricity generation, and knowledge-based services such as data centers [82]. In addition, organizations can incentivize investees to sustainably manage their water use by reducing water withdrawal and consumption, and improving effluent discharge, thereby mitigating negative impacts on water quality and availability [79] [81] [80].

Reporting on water and effluents

If the organization has determined water and effluents to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO.
Management of the topic		
GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics *Additional sector recommendations* • Describe the policies for investing in organizations with actual or potential negative impacts on water, including in areas with water stress. • Describe the policies for investing in organizations that contribute to water stewardship. • Report the goals and targets for investing in organizations that contribute to water stewardship. • For investee stewardship related to water and effluents, report: - targets and indicators for evaluating progress; - the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent; - examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.	17.3.1
Topic Standard disclosures		
GRI 303: Water and Effluents 2018	Disclosure 303-1 Interactions with water as a shared resource	17.3.2
Additional sector disclosures		
Most significant water impacts in investment portfolios: Describe the process to identify and assess the most significant water impacts from investees, including: • how the organization identifies water-intensive sectors and the extent of their value chains covered; • the taxonomies and definitions used to select sectors for the assessment; • how the organization identifies areas with water stress; • the organization's plans to improve or expand the scope of the assessment over the short-, medium-, and long-term. Report the indicators the organization uses to assess water withdrawal, discharge, and consumption of investees.[12] Report the monetary value of the investment portfolio at the end of the reporting period, and the percentage of its total value, that has been assessed for the most significant positive and negative water impacts.		17.3.3
Investees with the most significant negative water impacts:		17.3.4

[12] *GRI 303: Water and Effluents 2018* includes indicators on water withdrawal, discharge, and consumption.

Report the monetary value of the investment portfolio at the end of the reporting period, and the percentage of its total value, allocated to investees in sectors with the most significant negative water impacts, and a breakdown by sector.	
Investees in areas with water stress: Report the monetary value of the investment portfolio at the end of the reporting period, and the percentage of its total value, allocated to investees with sites located in areas with water stress.	17.3.5
Investees with water stewardship activities: Report the monetary value of the investment portfolio at the end of the reporting period, and the percentage of its total value, allocated to investees with water stewardship activities. Report the taxonomies and definitions that the organization uses to classify water stewardship activities.	17.3.6

References and resources

GRI 303: Water and Effluents 2018 lists authoritative intergovernmental instruments and additional references relevant to reporting on this topic.

The additional references and resources used in developing this topic that may be helpful for reporting on water and effluents by the capital markets sector are listed in the Bibliography.

Topic 17.4 Waste

Waste refers to anything that a holder discards, intends to discard, or is required to discard. When inadequately managed, waste can have negative impacts on the environment and human health, which can extend beyond the locations where waste is generated and discarded. This topic covers impacts from waste and the management of waste.

By 2050, annual global waste is projected to reach 3.4 billion tons, while over 30% of solid waste streams fail to meet environmentally safe treatment standards [96]. Organizations in the capital markets sector may be involved with waste-related impacts mainly as a result of their business relationships in all sectors of the economy.

Capital markets organizations may be involved with impacts related to waste through investments in other organizations with unsustainably managed waste that may contaminate the environment and have negative impacts on ecosystems, as well as on human and animal health. Waste contributes to pollution by releasing harmful substances into the environment, as does the discharge of effluents and other pollutants, which degrade water quality (see topic 17.3 Water and effluents). Other negative impacts associated with waste can include greenhouse gas emissions and biodiversity loss (see topics 17.1 Climate change and 17.2 Biodiversity). Incorporating waste management and circularity considerations into investment analysis, decision-making, engagement, and stewardship can lead to improved waste management practices, increased resource efficiency, and prolonged product use.

Understanding waste-related impacts of their investees empowers organizations in the capital markets sector to gauge and increase the overall circularity of their investment portfolio [93]. They can identify, prevent, and mitigate potential waste-related impacts of investees by conducting due diligence to identify high-waste sectors, especially those with low recycling rates or high volumes of hazardous waste and chemicals, including persistent organic pollutants [90]. Organizations can further assess negative waste-related impacts by evaluating the policies and plans of investees to manage waste. Sustainable waste management practices include actions taken to prevent waste generation and minimize negative impacts, including on people, during waste collection, transport, sorting, treatment, and disposal [94] [95]. A sound waste management approach follows the waste management hierarchy, which prioritizes prevention or reduction, then reuse, recycling, other recovery (including energy recovery), and final disposal [88].

In addition, organizations can use their influence to encourage investees to manage waste sustainably and adopt circular economy principles, such as reducing plastic waste [92]. This shift can be supported by dedicated investment products and services designed to scale up innovations [89]. For example, waste reduction bonds can generate positive impacts by funding new waste reduction projects or refinancing existing ones that meet eligibility criteria [91]. Organizations can also report on waste from their own activities, including electronic waste, when it is deemed material.

Reporting on waste

If the organization has determined waste to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO.
Management of the topic		
GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics *Additional sector recommendations* • Describe the policies for investing in organizations that generate hazardous waste. • Describe how the organization incentivizes the application of the waste management hierarchy and the adoption of circularity measures through its investments. • Report the goals and targets for investing in organizations that take action, including circularity measures, to prevent waste generation and manage significant impacts from waste generated. • For investee stewardship related to waste, report: - targets and indicators for evaluating progress; - the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent; - examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.	17.4.1
Topic Standard disclosures		
GRI 306: Waste 2020	Disclosure 306-2 Management of significant waste-related impacts	17.4.2
Additional sector disclosures		
Investees' hazardous waste: Report the total weight of hazardous waste generated by investees in metric tons.		17.4.3

References and resources

GRI 306: Waste 2020 lists authoritative intergovernmental instruments and additional references relevant to reporting on this topic.

The authoritative instrument and additional references used in developing this topic, as well as resources that may be helpful for reporting on waste by the capital markets sector are listed in the Bibliography.

Topic 17.5 Financial health and inclusion

Financial health is the ability of an individual, household, or organization to effectively handle current financial commitments and risks while enabling the achievement of future financial goals. Financial inclusion guarantees affordable and effective access for all individuals and organizations to use suitable financial products and services. This topic covers an organization's approach to financial health and inclusion.

Organizations in the capital markets sector may be involved with impacts related to financial health and inclusion through their activities or as a result of their business relationships in all sectors of the economy. Organizations can support financial health and inclusion by providing clients and beneficiaries with access to affordable and suitable investment products and services.

Impacts on financial health and inclusion are enhanced when these investment products and services target underserved groups with limited or no access to these products. These groups can include low-income households and remote communities (see topic 17.8 Local communities and rights of Indigenous Peoples), and vulnerable groups, such as women and populations vulnerable to climate change-related impacts (see topic 17.1 Climate change). Access to understandable and affordable investment and pension products is crucial for income generation and clients' long-term planning, including beneficiaries of pension plans [103]. This can support sustainable development by reducing poverty and addressing economic inequalities.

Capital markets, particularly private equity and debt, can also have impacts on financial health and inclusion by providing dedicated funding for micro-, small-, and medium-sized enterprises (MSMEs), thereby supporting broader economic development. Institutional investors can play an additional role in supporting MSMEs by investing in strategies that target these groups and ensuring a steady flow of funds to these organizations. Organizations in the sector can also allocate capital to support the economic viability of underserved and vulnerable groups, including investing in microfinance or microinsurance.

The design and implementation of policies, procedures, products, and services that emphasize client protection, including appropriate dispute-resolution and redress mechanisms, have impacts on financial health and inclusion. Organizations are expected to provide fair products, services, and client support without discrimination or bias, and to clearly communicate pricing, terms, and conditions [102] (see topics 17.10 Non-discrimination and equal opportunity and 17.7 Marketing and labeling).

Limited financial literacy may have negative impacts on financial health and inclusion, including through misunderstandings of relevant terms, conditions, and risks. Financial education can strengthen clients' financial literacy and behaviors, particularly for first-time users, supporting their access to and understanding of suitable products. Organizations in the capital markets sector can support financial literacy by targeting programs to underserved and vulnerable groups, as well as to those excluded from the formal financial system. Additionally, organizations can invest in innovative technologies that improve access to investment products and services for both organizations and individuals. Digital financial services can improve access to financial services [104]. However, ensuring that all clients benefit from these services requires education to improve digital literacy, as some groups may risk exclusion due to limited access to or understanding of digital tools.

Distribution and sales channels, including employees and non-employee workers, brokers, and third-party platforms, may have negative impacts on financial health and inclusion by failing to consider clients' financial health when recommending or selling products or when processing their complaints. Organizations in the capital markets sector can take targeted actions for distributors, such as implementing incentive and training programs that encourage them to promote clients' financial health and inclusion.

Reporting on financial health and inclusion

If the organization has determined financial health and inclusion to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO.
Management of the topic		

GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics
	
	Additional sector recommendations
	• Describe the approach to assessing the financial health of the organization's clients[13] and investees, and report the financial health-related metrics or scores used.
	• Describe actions targeted at employees and non-employee workers, distributors, and third-party platforms aimed at promoting clients' and investees' financial health and inclusion.
	• Describe the dispute-resolution and redress mechanisms for complaints relating to financial health and inclusion.
	• For pension funds, describe engagement with beneficiaries and trustees to support informed decision-making on pension products and services.
	• Describe whether and how the organization is involved in initiatives and partnerships aimed at enhancing financial health and inclusion.
	• For investee stewardship related to financial health and inclusion, report:
	  - targets and indicators for evaluating progress;
	  - the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent;
	  - examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.
		17.5.1

Additional sector disclosures		
Underserved and vulnerable groups: Report the underserved and vulnerable groups the organization intends to reach through its financial health and inclusion policies, and describe the process used to identify these groups.		17.5.2
Actions to improve access to investment products and services: Describe how the organization addresses the needs of the underserved and vulnerable groups identified in 17.5.2, including through: • product and service design; • improving access to investment products and services; • financial education and financial and digital literacy initiatives, including the number of individuals reached by each initiative.		17.5.3
Financial health and inclusion complaints: Report the number of complaints related to financial health and inclusion, and:		17.5.4

[13] In the GRI Standards, customers are understood to include end-customers (consumers) as well as business-to-business customers. In this Standard, 'client' is used instead of 'customer' to align with commonly used sector terminology. When referring to 'clients' generally in this Standard, it covers both retail clients (end-customers or consumers) and institutional clients (business-to-business customers).

• a breakdown of this total by substantiated and unsubstantiated complaints; • a breakdown of this total by type of complaint; • a breakdown of this total by type of complainant;[14] • any observed trends by complaint type.	
Assets allocated to MSMEs: Report the percentage of assets under management allocated to micro-, small-, and medium-sized enterprises (MSMEs). Report the organization's definition used for 'MSMEs'.	17.5.5

References and resources

The additional references and resources used in developing this topic resources that may be helpful for reporting on financial health and inclusion by the capital markets sector are listed in the Bibliography.

[14] For example, retail clients or individuals denied access to a product or service.

Topic 17.6 Client privacy and data security

Client privacy and data security refers to a client's right to the protection of their data and personal information from losses, data breaches, misuse, or use for purposes other than initially intended. This topic covers the impacts on client privacy and the loss of client data.

Financial services is one of the most data-intensive industries in the world [115], collecting vast amounts of client data, including personal information about spending habits, health, and assets. Organizations in the capital markets sector may be involved with impacts related to client privacy and data security through their activities or as a result of their business relationships in all sectors of the economy.

Digital infrastructure and systems are essential for organizations in the sector to provide services and handle sensitive client information. Data-sharing arrangements, such as those used in open finance, which expand data access and sharing beyond payment data to other areas of financial activity, enable clients to access a wide range of products and services through digital systems by efficiently sharing client data between providers [116]. Integrated cybersecurity measures, such as encryption, firewalls, and secure authentication protocols, strengthen the organization's client privacy and data security strategy across business units and business relationships. These measures also help in preventing exposure or misuse of confidential client information, such as financial details and personal identifiers. Participation in cybersecurity alliances and the use of shared protocols for timely client notification help ensure that measures protect clients against new threats, while keeping clients informed.

Open finance has potential negative impacts on data protection, for instance, where the quality of providers' security systems and governance may not be consistent or where providers operate across multiple jurisdictions, with varying data protection laws, resulting in inconsistent levels of client protection.

Digital financial services have increased the datasets available to capital markets organizations, enabling them to offer tailored products and services for specific client groups, thereby enhancing financial health (see topic 17.5 Financial health and inclusion). Conversely, with detailed client information, organizations can target clients with tailored products and services that are not in their best interests, while data loss or misuse through scams or cyberattacks can result in financial loss and emotional distress for clients (see topic 17.19 Corruption and financial crime).

Client data, when combined with externally sourced data such as social media, can be used in artificial intelligence (AI) and machine learning (ML) applications that aim to avoid human bias, but may instead reinforce or exacerbate it. This results in discrimination or unfair treatment of specific client groups based on their behaviors or preferences [114] (see topic 17.10 Non-discrimination and equal opportunity).

Ethical data use entails implementing safeguards and oversight mechanisms that ensure fairness, privacy, and accountability when using client data in analytics, AI, and ML models, as well as in third-party data processing [117]. By providing clear and transparent information about data handling and privacy policies, organizations can help clients understand how their data is used, make informed decisions about their personal information, and build client trust (see topic 17.7 Marketing and labeling).

Organizations in the sector can also have impacts on client privacy through their investees, particularly those managing large amounts of data that could be hacked or used to identify and exploit client behavioral biases. This creates a systematic risk that technology firms may use client data in ways that destabilize societies and cause conflict. By undertaking due diligence on data governance and management systems of current and potential investments, organizations can identify potential impacts in their value chains and influence investees to implement data protection practices.

Reporting on client privacy and data security

If the organization has determined client privacy and data security to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO.
Management of the topic		
GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics *Additional sector recommendations* • Describe the approach to client[15] privacy and data security when sharing client data with business partners. • Describe the approach to cybersecurity procedures in relation to client privacy and data security, and when sharing client data with business partners, including: - governance and oversight processes; - monitoring and review mechanisms; - participation in cybersecurity alliances and adoption of shared protocols. • Describe the client support provided in relation to client privacy and data security, including: - how clients can access, correct, restrict, or delete personal data; - educational programs; - support provided to clients affected by the organization's data breaches. • Describe the approach to ethical data use, including: - management of client consent; - use of client data in analytics, artificial intelligence, and machine learning; - governance and oversight mechanisms for monitoring and review of artificial intelligence, machine learning models, and third-party data processing. • For investee stewardship related to client privacy and data security, report: - targets and indicators for evaluating progress; - the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent; - examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.	17.6.1
Topic Standard disclosures		

[15] In the GRI Standards, customers are understood to include end-customers (consumers) as well as business-to-business customers. In this Standard, 'client' is used instead of 'customer' to align with commonly used sector terminology. When referring to 'clients' generally in this Standard, it covers both retail clients (end-customers or consumers) and institutional clients (business-to-business customers).

GRI 418: Customer Privacy 2016	Disclosure 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data[16] *Additional sector recommendations* • Report the number of clients affected by the identified leaks, thefts, or losses of client data, and the percentage of affected clients that are retail clients.	17.6.2

References and resources

GRI 418: Customer Privacy 2016 lists authoritative intergovernmental instruments relevant to reporting on this topic.

The additional references and resources used in developing this topic that may be helpful for reporting on client privacy and data security by the capital markets sector are listed in the Bibliography.

[16] Organizations in the capital markets sector should understand this disclosure in relation to their clients.

Topic 17.7 Marketing and labeling

Marketing and labeling refers to the information communicated when selling products and services to clients, which can influence their decision-making. This topic covers the impacts of the organization's product and service information, marketing communication, and labeling.

Organizations in the capital markets sector may be involved with impacts related to marketing and labeling when communicating terms of products and services through their activities or as a result of their business relationships in all sectors of the economy.

The way product information is communicated can affect a client's ability to fully understand a product or service and make informed decisions. Where organizations or their distributors, such as brokers, misstate or omit essential information, clients may purchase products they do not understand, need, or that do not meet their investment objectives. Long, complex terms can lead clients to accept products that undermine their financial health (see topic 17.5 Financial health and inclusion).

Aggressive, high-pressure sales may result in negative impacts on clients by leading them to purchase products that are not in their best interests, including through misselling, where clients receive exaggerated statements about a potential investment. These impacts may arise from a conflict of interest between the organization or its distributors and the client and may be exacerbated by internal and commercial pressures, such as brokers' remuneration policies and sales over clients' needs.

Organizations can also mislead their clients through greenwashing, which occurs when sustainability claims about their operations, products, or services are exaggerated or incorrect, ultimately reducing funding for genuine sustainable development. Anti-greenwashing regulations and sustainability taxonomies can help clients make more informed decisions by providing them with more credible environmental and social information (see Disclosures on incorporating sustainability in investment). However, these regulatory developments are jurisdiction-specific and can result in inconsistencies in this information across countries.

Prevention and mitigation of misleading statements or omissions in the marketing and labeling of products and services include adherence to applicable regulations and codes of conduct by organizations and their distributors, thereby strengthening client protection [125]. Organizations can also implement mechanisms to manage marketing and labeling-related impacts, such as relevant training and internal systems that signal abnormal sales levels linked to mis-selling practices, and procedures to prevent conflicted transactions [126].

Reporting on marketing and labeling

If the organization has determined marketing and labeling to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO.
Management of the topic		
GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics *Additional sector recommendations* • Describe actions taken to assist clients[17] in understanding investment products and services terms and associated fees, including training for employees, non-employee workers, and distributors. • Describe how the organization monitors the marketing communications practices of its distributors when selling and promoting its investment products and services. • Describe how the organization informs potential and current clients at the pre-sale stage about conflicts of interest, including remuneration policies based on the number of products, services, and investments sold. • Describe the dispute resolution and redress mechanisms for client complaints regarding marketing and labeling, including: - mislabeling of investment products and services; - mis-selling practices by the organization's employees, non-employee workers, and distributors. • For investee stewardship related to marketing and labeling, report: - targets and indicators for evaluating progress; - the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent; - examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.	17.7.1
Topic Standard disclosures		
GRI 417: Marketing and Labeling 2016	Disclosure 417-2 Incidents of non-compliance concerning product and service information and labeling *Additional sector recommendations* • Report the number of incidents of non-compliance with regulations or voluntary codes concerning product and service information and labeling that remained unresolved at the end of the reporting period.	17.7.2
	Disclosure 417-3 Incidents of non-compliance concerning marketing communications *Additional sector recommendations* • Report the number of incidents of non-compliance with regulations or voluntary codes concerning marketing communications that remained unresolved at the end of the reporting period.	17.7.3

[17] In the GRI Standards, customers are understood to include end-customers (consumers) as well as business-to-business customers. In this Standard, 'client' is used instead of 'customer' to align with commonly used sector terminology. When referring to 'clients' generally in this Standard, it covers both retail clients (end-customers or consumers) and institutional clients (business-to-business customers).

References and resources

GRI 417: Marketing and Labeling 2016 lists authoritative intergovernmental instruments and additional references relevant to reporting on this topic.

The authoritative instrument used in developing this topic that may be helpful for reporting on marketing and labeling by the capital markets sector are listed in the Bibliography.

Topic 17.8 Local communities and rights of Indigenous Peoples

Local communities and Indigenous Peoples comprise individuals living or working in areas that are affected, or that could be affected by an organization’s activities. Indigenous Peoples are at higher risk of experiencing negative impacts more severely as a result of an organization’s activities. This topic covers socioeconomic and human rights impacts on local communities and the rights of Indigenous Peoples, including in relation to cultural heritage and health.

Organizations in the capital markets sector may be involved with impacts on local communities and the rights of Indigenous Peoples as a result of their business relationships in all sectors of the economy.

Impacts on local communities and the rights of Indigenous Peoples can stem from investing in infrastructure projects and other economic activities. These activities may lead to environmental degradation, displacement, involuntary resettlement, or changes in land use, which can be exacerbated by climate change (see topic 17.1 Climate change). Such impacts can affect the cultural preservation and livelihoods of local communities and Indigenous Peoples. They may also be associated with threats to human rights defenders and other stakeholders involved in or affected by these contexts, including exposure to retaliation.

The nature and severity of impacts may vary within local communities and Indigenous Peoples. Women and girls, for example, can face specific challenges such as exclusion from decision-making and consultation processes, or increased exposure to violence during displacement or changes in land use. Negative impacts can be particularly severe for Indigenous Peoples, undermining their relationship with ancestral lands, territories, and resources (see topic 17.2 Biodiversity). Therefore, organizations are expected to uphold Indigenous Peoples’ right to free, prior, and informed consent (FPIC) and safeguard the rights to self-determination and participation [132], consistent with the United Nations Declaration on the Rights of Indigenous Peoples [129]. These impacts can be worse in conflict-affected and high-risk areas, where weak governance and security conditions heighten risks to communities and Indigenous Peoples (see topic 17.9 Conflict-affected and high-risk areas).

As part of their human rights due diligence, organizations are expected to determine their involvement with negative impacts related to local communities and rights of Indigenous Peoples [130] [131]. The way an organization is involved with negative impacts of its business relationships determines how it is expected to address them, including whether it has a responsibility to provide for or cooperate in remediation (see Box 1) and use leverage to prevent or mitigate those impacts [130].

In doing so, organizations can further assess how investees engage with stakeholders and encourage meaningful engagement with local communities and Indigenous Peoples. Meaningful engagement involves transparent, responsive, and ongoing two-way communication. This includes consultation processes that are culturally appropriate and accessible in local languages, enabling the participation of underrepresented groups, such as women and ethnic minorities [127] [128]. Organizations can also set investment policies that safeguard local communities and the rights of Indigenous Peoples, and engage with investees or with local communities and Indigenous groups.

The sector can also support the economic development of local communities and Indigenous Peoples by providing access to finance for organizations and activities with inherent social benefits, such as housing, healthcare, transport, and telecommunications. Increasing access to finance for Indigenous Peoples, women, and small- and medium-sized enterprises can support job creation and have positive social impacts (see topics 17.18 Economic impacts and 17.5 Financial health and inclusion). In addition, responsible business practices can help local communities through actions such as microfinance and community development projects that promote shared economic benefits and local participation.

Reporting on local communities and rights of Indigenous Peoples

If the organization has determined local communities and rights of Indigenous Peoples to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO.
Management of the topic		
GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics *Additional sector recommendations* • Describe the approach to managing negative impacts from investees on local communities and the rights of Indigenous Peoples, including whether and how the organization: – assesses if its investees conduct meaningful engagement with affected and potentially affected stakeholders; – assesses the extent to which investees obtain free, prior, and informed consent (FPIC) from Indigenous Peoples with regard to activities that may affect their rights; – assesses the policies and actions taken by investees to prevent, mitigate, and remediate negative impacts; – assesses the effectiveness of safeguards implemented by investees for the protection of human rights defenders or other stakeholders exposed to retaliation; – engages with stakeholders of its investees, either directly or through proxies or experts, and how these are selected; – uses its engagement with stakeholders of its investees to inform actions taken by the organization; – uses its assessment of investees' management of negative impacts to inform actions taken by the organization. • For investee stewardship related to local communities and rights of Indigenous Peoples, report: – targets and indicators for evaluating progress; – the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent; – examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.	17.8.1
Additional sector disclosures		
Violations of Indigenous Peoples' rights in investee infrastructure projects: Report the number of incidents where Indigenous Peoples' rights were violated in infrastructure projects of investees. Describe each violation of Indigenous Peoples' rights, including remediation actions taken.		17.8.2

References and resources

GRI 411: Rights of Indigenous Peoples 2016 and *GRI 413: Local Communities 2016* list authoritative intergovernmental instruments and additional references relevant to reporting on this topic.

The authoritative instruments and additional references used in developing this topic, as well as resources that may be helpful for reporting on local communities and rights of Indigenous Peoples by the capital markets sector are listed in the Bibliography.

Topic 17.9 Conflict-affected and high-risk areas

When operating and providing services in conflict-affected and high-risk areas, organizations are more likely to be involved in human rights and legal violations and be implicated in corruption and financial flows contributing to conflict. This topic covers an organization's approach and impacts related to operating in or providing services to conflict-affected and high-risk areas.

Conflicts over territory, resources, and power can occur within or across national borders, and can take different forms such as occupation or civil war, while high-risk areas may be characterized by political instability, repression, institutional weakness, and insecurity [155] [148]. In conflict-affected and high-risk areas (CAHRAs)[18], organizations are expected to respect international humanitarian law and applicable sanctions, while respecting human rights [149] [147].

Organizations in the capital markets sector may be involved with impacts in CAHRAs through their activities or as a result of their business relationships in all sectors of the economy. Due to the severity of impacts on human rights in CAHRAs, organizations can face distinct legal risks when they become complicit in state-sponsored conduct.

Capital markets organizations can be involved with negative impacts in CAHRAs through their investment portfolios, such as those that finance natural resource extraction or supply chains that source materials from politically unstable areas [143]. The activities of investees can place additional pressure, particularly through water use and agricultural expansion. The increased resource pressure can heighten the risk of geopolitical tensions and associated economic instability [156]. This, in turn, exacerbates the loss of livelihoods and causes the displacement of local communities, particularly for Indigenous Peoples and women (see topic 17.8 Local communities and rights of Indigenous Peoples).

Similarly, in contexts of political repression, the use of private security companies and surveillance technologies by investees may lead to unlawful detention, persecution, and violations of privacy, as well as limits on freedom of association (see topic 17.13 Freedom of association and collective bargaining) [150] [153]. Private sector investments may also inadvertently intensify conflicts through engagement and strategic partnerships with sovereign wealth funds operating in conflict-prone countries [146].

Capital markets organizations can also be involved with other negative impacts in CAHRAs by financing investees in the defense sector that supply weapons to these areas. Organizations can assess the extent to which these investees comply with relevant embargoes, sanctions, and regulations, such as the UN Arms Trade Treaty [144]. Special consideration should be given to weapons regulated under international humanitarian law, including treaties, such as the UN Treaty on the Prohibition of Nuclear Weapons [145] [139] [140]. Alongside ongoing conflict analysis, organizations can adopt policies aligned with international weapons treaties and human rights standards to manage actual and potential negative impacts.

Organizations in the capital markets sector can have positive impacts in CAHRAs by supporting sustainable development, by providing access to capital for economic recovery, and reconstruction [149]. Organizations can contribute to peace and stability through investment instruments, such as peace bonds, that support sustainable development in fragile contexts while minimizing negative impacts locally [147].

Organizations operating in CAHRAs, especially in contexts of social tension and weak governance, are expected to apply heightened human rights due diligence. This includes going beyond standard procedures to conduct a deeper analysis of the conflict context and the organization's interaction with it, commonly described as a conflict-sensitivity approach [154]. For capital market organizations, a conflict analysis includes regularly monitoring geopolitical developments in geographic locations represented in their investment portfolios. It also involves using external data sources, such as

[18] According to the Organisation for Economic Co-operation and Development (OECD), conflict-affected and high-risk areas are identified by the presence of armed conflict, widespread violence, or other risks of harm to people. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure, and widespread violence [113g].

corruption indexes, screening third-party organizations, and assessing activities that may exacerbate conflict drivers, including security and natural resources [150] [151]. Capital markets organizations can also enhance their due diligence by requiring their investees to strengthen their own processes to identify conflict-related impacts, and assess whether investees meaningfully engage with affected stakeholders [142].

Organizations in the capital markets sector are expected to assess whether they may become involved in fraud, sanctions evasion, or other illicit activities through their investments [141]. As part of their due diligence processes, they may consider adjusting or ceasing investments, or engaging in divestment, when mitigation efforts in CAHRAs have been ineffective [155] [152].

Reporting on conflict-affected and high-risk areas

If the organization has determined conflict-affected and high-risk areas to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO.
Management of the topic		
GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics *Additional sector recommendations* • Describe the organization's due diligence expectations for investees operating in conflict-affected and high-risk areas, including expectations to respect international humanitarian law. • Describe how the organization assesses investees' due diligence and compliance with international humanitarian law in conflict-affected and high-risk areas, and how this process informs investment decisions. • Describe the organization's policies for investing in organizations in the defense sector, including: - the types of weapons included and excluded from these policies; - how these policies align with international weapon treaties, international humanitarian law, and relevant regulations; - how these policies align with the organization's policy and commitment to respect human rights. • Describe the approach to managing negative impacts from investees related to conflict-affected and high-risk areas, including whether and how the organization: - assesses if its investees conduct meaningful engagement with affected and potentially affected stakeholders; - assesses the policies and actions taken by investees to prevent, mitigate, and remediate negative impacts; - assesses the effectiveness of safeguards implemented by investees for the protection of human rights defenders or other stakeholders exposed to retaliation; - engages with stakeholders of its investees, either directly or through proxies or experts, and how these are selected; - uses its engagement with stakeholders of its investees to inform actions taken by the organization; - uses its assessment of investees' management of negative impacts to inform actions taken by the organization. • For investee stewardship related to conflict-affected and high-risk areas, report: - targets and indicators for evaluating progress; - the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent; - examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.	17.9.1
Additional sector disclosures		
Investees in conflict-affected and high-risk areas: Describe how the organization's investments may: • exacerbate negative impacts in conflict-affected and high-risk areas;		17.9.2

• Contribute to preventing, mitigating, or remediating negative impacts in conflict-affected and high-risk areas. Describe how the organization monitors its investment portfolio for actual and potential impacts related to conflict-affected and high-risk areas, including data sources used and assumptions made. Report the monetary value of the investment portfolio at the end of the reporting period, and the percentage of its total value, allocated to investees operating in conflict-affected and high-risk areas.	
Divestment from conflict-affected and high-risk areas: Report examples where conflict analysis led to: • decisions to adjust or stop investment decisions; • investees being divested.	17.9.3

References and resources

The authoritative instruments and additional references used in developing this topic, as well as resources that may be helpful for reporting on conflict-affected and high-risk areas by the capital markets sector are listed in the Bibliography.

Topic 17.10 Non-discrimination and equal opportunity

Freedom from discrimination is a human right and a fundamental right at work. Discrimination can impose unequal burdens on individuals or deny fair opportunities on the basis of individual merit. This topic covers impacts from discrimination and an organization's practices related to equal opportunity.

Organizations in the capital markets sector may be involved with impacts related to discrimination and equal opportunity through their activities or as a result of their business relationships in all sectors of the economy.

Discrimination against employees and non-employee workers within the capital markets sector can take various forms, such as hiring bias, unfair promotion opportunities, and unfair workload distribution. It can occur based on ethnicity, religion, gender, or disability and result in unfair remuneration among employees and non-employee workers (see topic 17.16 Remuneration and working time) [166].

Discrimination can occur between a capital markets organization and its clients, or between the organization's distributors, such as brokers, and its clients, through unequal treatment or access to investment products and services (see topic 17.5 Financial health and inclusion). Organizations may engage in discriminatory practices when selecting other organizations to invest in, potentially by basing decisions on their owners' background or other attributes, such as ethnicity or gender. Asset owners and allocators can discriminate when selecting asset managers, and asset managers and owners can discriminate when allocating and pricing capital.

The negative impacts on non-discrimination and equal opportunity may be more prevalent in certain sectors and geographic locations, where certain groups are more likely to face exclusion from products or services based on gender or ethnicity. When capital markets organizations invest in or procure products and services from organizations in these sectors or locations, they are more likely to be involved with such impacts.

As part of their human rights due diligence, organizations are expected to determine their involvement with impacts related to discrimination and unequal opportunity [165]. The way an organization is involved with negative impacts through its business relationships determines how it is expected to address them, including whether it has a responsibility to provide for or cooperate in remediation (see Box 1) and use leverage to prevent or mitigate them [165].

Organizations' leverage can include engaging with investees [165]. Organizations can also assess whether investees engage meaningfully with stakeholders, which involves transparent, responsive, and ongoing two-way communication [164]. The sector can also use its stewardship of investees to improve corporate practices and public disclosures related to discrimination and equal opportunity.

Reporting on non-discrimination and equal opportunity

If the organization has determined non-discrimination and equal opportunity to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO.
Management of the topic		
GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics *Additional sector recommendations* • Describe the initiatives to promote equal opportunities for employees and non-employee workers. • Describe the training initiatives for employees and non-employee workers, and distributors aimed at promoting non-discriminatory practices towards clients.[19] • Describe the approach to managing negative impacts from investees related to non-discrimination and equal opportunity, including whether and how the organization: – assesses if its investees conduct meaningful engagement with affected and potentially affected stakeholders; – assesses the policies and actions taken by investees to prevent, mitigate, and remediate negative impacts; – assesses the effectiveness of safeguards implemented by investees for the protection of human rights defenders or other stakeholders exposed to retaliation; – engages with stakeholders of its investees, either directly or through proxies or experts, and how these are selected; – uses its engagement with stakeholders of its investees to inform actions taken by the organization; – uses its assessment of investees' management of negative impacts to inform actions taken by the organization. • For investee stewardship related to non-discrimination and equal opportunity, report: – targets and indicators for evaluating progress; – the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent; – examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.	17.10.1
Topic Standard disclosures		
GRI 405: Diversity and Equal Opportunity 2016	Disclosure 405-1 Diversity of governance bodies and employees	17.10.2

[19] In the GRI Standards, customers are understood to include end-customers (consumers) as well as business-to-business customers. In this Standard, 'client' is used instead of 'customer' to align with commonly used sector terminology. When referring to 'clients' generally in this Standard, it covers both retail clients (end-customers or consumers) and institutional clients (business-to-business customers).

GRI 406: Non-discrimination 2016	Disclosure 406-1 Incidents of discrimination and corrective actions taken *Additional sector recommendations* • Report a breakdown of the number of incidents of discrimination during the reporting period by: – incidents against employees and non-employee workers; – incidents against clients; – incidents against investees; – incidents against other stakeholders.	17.10.3

References and resources

GRI 405: Diversity and Equal Opportunity 2016 and *GRI 406: Non-discrimination 2016* list authoritative intergovernmental instruments relevant to reporting on this topic.

The authoritative instruments and additional references used in developing this topic, as well as resources that may be helpful for reporting on non-discrimination and equal opportunity by the capital markets sector are listed in the Bibliography.

Topic 17.11 Forced or compulsory labor

Forced or compulsory labor is work or service which is exacted from any person under the menace of penalty and for which a person has not offered themselves voluntarily. Freedom from forced or compulsory labor is a human right and a fundamental right at work. This topic covers an organization’s approach to identifying and addressing forced or compulsory labor across its value chain.

In 2021, around 50 million people were estimated to be involved with compulsory labor, with 27.6 million of these individuals subjected to forced labor [172]. Organizations in the capital markets sector may be involved with impacts related to forced or compulsory labor through their activities or as a result of their business relationships in all sectors of the economy.

The negative impacts of forced or compulsory labor may be more prevalent in certain sectors and geographic locations. When capital markets organizations invest in or procure products and services from organizations in these sectors or locations, they are more likely to become involved with such impacts. Organizations may also be involved with negative impacts when outsourcing services to organizations that use forced or compulsory labor, such as cleaning, security, or facilities management. Vulnerable groups, such as migrant workers, are also the most susceptible to forced and compulsory labor [171].

As part of their human rights due diligence, organizations are expected to determine their involvement with negative impacts related to forced or compulsory labor [170]. The way an organization is involved with negative impacts as a result of its business relationships determines how it is expected to address them, including whether it has a responsibility to provide for or cooperate in remediation (see Box 1) and use leverage to prevent or mitigate them [170].

Organizations’ leverage can include making informed investment decisions, exercising stewardship with investees, and engaging in dialogues with policymakers as well as with other actors. To increase their leverage, organizations in the capital markets sector can engage with other actors that address impacts related to forced or compulsory labor, such as civil society organizations or sector-wide initiatives. Organizations can also assess whether investees engage meaningfully with stakeholders, which involves transparent, responsive, and ongoing two-way communication [169].

Reporting on forced or compulsory labor

If the organization has determined forced or compulsory labor to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO.
Management of the topic		
GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics *Additional sector recommendations* • Describe the approach to managing negative impacts from investees on forced or compulsory labor, including whether and how the organization: - assesses if its investees conduct meaningful engagement with affected and potentially affected stakeholders; - assesses the policies and actions taken by investees to prevent, mitigate, and remediate negative impacts; - assesses the effectiveness of safeguards implemented by investees for the protection of human rights defenders or other stakeholders exposed to retaliation; - engages with stakeholders of its investees, either directly or through proxies or experts, and how these are selected; - uses its engagement with stakeholders of its investees to inform actions taken by the organization; - uses its assessment of investees' management of negative impacts to inform actions taken by the organization. • For investee stewardship related to forced or compulsory labor, report: - targets and indicators for evaluating progress; - the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent; - examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.	17.11.1
Topic Standard disclosures		
GRI 409: Forced or Compulsory Labor 2016	Disclosure 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	17.11.2

References and resources

GRI 409: Forced or Compulsory Labor 2016 lists authoritative intergovernmental instruments relevant to reporting on this topic.

The authoritative instruments and additional references used in developing this topic, as well as resources that may be helpful for reporting on forced or compulsory labor by the capital markets sector are listed in the Bibliography.

Topic 17.12 Child labor

Child labor is defined as work that deprives children of their childhood, their potential, and their dignity, and that is harmful to their development, including by interfering with their education. It is a violation of human rights and can lead to lifelong negative impacts. Abolition of child labor is a fundamental principle and right at work. This topic covers an organization's approach to identifying and addressing child labor across its value chain.

Around 138 million children were engaged in child labor in 2024, with 54 million subjected to dangerous and hazardous work [178]. Organizations in the capital markets sector may be involved with impacts related to child labor through their activities or as a result of their business relationships in all sectors of the economy.

The negative impacts of child labor may be more prevalent in certain sectors and geographic locations where parents' remuneration is insufficient to meet cost-of-living estimates. When capital markets organizations invest in or procure products and services from organizations in these sectors or locations, they are more likely to become involved with such impacts. They may also be involved with impacts when outsourcing services, such as cleaning or facilities management, to organizations that use child labor.

As part of their human rights due diligence, organizations are expected to determine their involvement with such impacts [177]. The way an organization is involved with negative impacts as a result of its business relationships determines how it is expected to address them, including whether it has a responsibility to provide for or cooperate in remediation (see Box 1) and use leverage to prevent or mitigate them [177].

Organizations' leverage can include making informed investment decisions, exercising stewardship with investees, and engaging in dialogues with policymakers and other actors. To increase leverage, organizations in the capital markets sector can engage with other actors that address child labor impacts, such as civil society organizations or sector-wide initiatives.

Organizations can also assess whether investees engage meaningfully with stakeholders, which involves transparent, responsive, and ongoing two-way communication [176].

Reporting on child labor

If the organization has determined child labor to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO
Management of the topic		
GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics *Additional sector recommendations* • Describe the approach to managing negative impacts from investees on child labor, including whether and how the organization: - assesses if its investees conduct meaningful engagement with affected and potentially affected stakeholders; - assesses the policies and actions taken by investees to prevent, mitigate, and remediate negative impacts; - assesses the effectiveness of safeguards implemented by investees for the protection of human rights defenders or other stakeholders exposed to retaliation; - engages with stakeholders of its investees, either directly or through proxies or experts, and how these are selected; - uses its engagement with stakeholders of its investees to inform actions taken by the organization; - uses its assessment of investees' management of negative impacts to inform actions taken by the organization. • For investee stewardship related to child labor, report: - targets and indicators for evaluating progress; - the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent; - examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.	17.12.1
Topic Standard disclosures		
GRI 408: Child Labor 2016	Disclosure 408-1 Operations and suppliers at significant risk for incidents of child labor	17.12.2

References and resources

GRI 408: Child Labor 2016 lists authoritative intergovernmental instruments relevant to reporting on this topic.

The authoritative instruments and additional references used in developing this topic, as well as resources that may be helpful for reporting on child labor by the capital markets sector are listed in the Bibliography.

Topic 17.13 Freedom of association and collective bargaining

Freedom of association and collective bargaining are human rights and fundamental rights at work. They include the rights of employers and workers to form, join, and run their own organizations without prior authorization or interference, and to collectively negotiate working conditions and terms of employment. This topic covers an organization’s approach and impacts related to freedom of association and collective bargaining.

Organizations in the capital markets sector may be involved with impacts related to freedom of association and collective bargaining through their activities or as a result of their business relationships in all sectors of the economy.

Organizations in the capital markets sector play an important role in shaping labor practices that enable or prevent freedom of association and collective bargaining, including through outsourcing or offshoring certain job functions and the use of casual or contract labor. These practices, particularly when they involve locations with weaker labor protections or employment arrangements lacking social protection, can have impacts on freedom of association and collective bargaining [183] (see topics 17.15 Employment and 17.17 Significant changes for workers).

The negative impacts on freedom of association and collective bargaining may be more prevalent in certain sectors and geographic locations [187], where organizations violate workers' rights, such as obstructing union activity [183]. When capital markets organizations invest in or procure products and services from organizations in these sectors or locations, they are more likely to become involved with such impacts.

As part of their human rights due diligence, organizations are expected to determine their involvement with negative impacts related to freedom of association and collective bargaining, including in conflict-affected and high-risk areas [184] [186] (see topic 17.9 Conflict-affected and high-risk areas). The way an organization is involved with negative impacts as a result of its business relationships determines how it is expected to address them, including whether it has a responsibility to provide for or cooperate in remediation (see Box 1) and use leverage to prevent or mitigate them [182].

Organizations’ leverage can include making informed investment decisions, exercising stewardship with investees, and engaging in dialogues with policymakers and other actors. To increase their leverage, organizations in the capital markets sector can engage with other stakeholders that address impacts related to freedom of association and collective bargaining, such as trade unions or global union federations, across these topics [185].

Organizations can also assess whether investees engage meaningfully with stakeholders, which involves transparent, responsive, and ongoing two-way communication [181].

Reporting on freedom of association and collective bargaining

If the organization has determined freedom of association and collective bargaining to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO
Management of the topic		
GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics *Additional sector recommendations* • Describe the approach to managing negative impacts from investees related to freedom of association and collective bargaining, including whether and how the organization: – assesses if its investees conduct meaningful engagement with affected and potentially affected stakeholders; – assesses the policies and actions taken by investees to prevent, mitigate, and remediate negative impacts; – assesses the effectiveness of safeguards implemented by investees for the protection of human rights defenders or other stakeholders exposed to retaliation; – engages with stakeholders of its investees, either directly or through proxies or experts, and how these are selected; – uses its engagement with stakeholders of its investees to inform actions taken by the organization; – uses its assessment of investees’ management of negative impacts to inform actions taken by the organization. • For investee stewardship related to freedom of association and collective bargaining, report: – targets and indicators for evaluating progress; – the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent; – examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.	17.13.1
Topic Standard disclosures		
GRI 407: Freedom of Association and Collective Bargaining 2016	Disclosure 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	17.13.2

References and resources

GRI 407: Freedom of Association and Collective Bargaining 2016 lists authoritative intergovernmental instruments relevant to reporting on this topic.

The authoritative instruments and additional references used in developing this topic, as well as resources that may be helpful for reporting on freedom of association and collective bargaining by the capital markets sector are listed in the Bibliography.

Topic 17.14 Occupational health and safety

Healthy and safe work conditions are recognized as a human right and a fundamental right at work. Occupational health and safety involves the prevention of physical and mental harm to workers and the promotion of workers' health. This topic covers impacts related to workers' health and safety.

An estimated 2.78 million workers die each year from a work-related injury or ill health, while an additional 374 million workers suffer from non-fatal work-related incidents [191]. Organizations in the capital markets sector may be involved with occupational health and safety impacts through their activities or as a result of their business relationships in all sectors of the economy.

Organizations can have negative impacts on the mental and physical health of their employees and non-employee workers due to excessive workloads, commercial pressures, and job insecurity, which can lead to stress, burnout, and anxiety. Harassment and bullying at work can further exacerbate mental and physical health issues and violate human rights. Inequality in pay or opportunities, as well as discrimination, can also increase stress and worsen existing mental health conditions (see topic 17.10 Non-discrimination and equal opportunity). Long working hours and certain flexible work arrangements in the capital markets sector, such as remote work, can have negative impacts on employees' and non-employee workers' well-being and work-life balance (see topic 17.16 Remuneration and working time).

Organizations can integrate mental health into their occupational health and safety management systems to comprehensively address psychosocial risks. This involves prioritizing collective actions, engaging employees and non-employee workers to identify and manage impacts, and ensuring compliance with legal frameworks. Manager training in mental health awareness and communication, and worker training in mental health literacy, are also critical for a healthy workplace [193].

Organizations in the capital markets sector may be involved with negative occupational health and safety impacts as a result of business relationships, such as investing in or procuring products or services from other organizations that fail to meet proper workplace safety standards. In addition, the sector may be involved with negative impacts when outsourcing services, such as cleaning or facilities management. Negative impacts on occupational health and safety may also be more prevalent in certain sectors and geographic locations. When capital markets organizations invest in or procure goods and services from organizations in these sectors or locations, they are more likely to become involved with such impacts.

The most vulnerable to occupational health and safety impacts include those in precarious employment, informal workers, employees of micro-, small-, and medium-enterprises (MSMEs), and workers from marginalized groups, such as migrant workers and racial minorities [192].

As part of their human rights due diligence, organizations are expected to determine their involvement with negative impacts related to occupational health and safety [190]. The way an organization is involved with negative impacts as a result of its business relationships determines how it is expected to address them, including whether it has a responsibility to provide for or cooperate in remediation (see Box 1) and use leverage to prevent or mitigate them [190]. Leverage can include engaging with investees [190]. Organizations can also assess whether investees engage meaningfully with stakeholders, which involves transparent, responsive, and ongoing two-way communication [189].

Reporting on occupational health and safety

If the organization has determined occupational health and safety to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO.
Management of the topic		
GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics *Additional sector recommendations* • Describe the approach to managing negative impacts from investees on occupational health and safety, including whether and how the organization: - assesses if its investees conduct meaningful engagement with affected and potentially affected stakeholders; - assesses the policies and actions taken by investees to prevent, mitigate, and remediate negative impacts; - assesses the effectiveness of safeguards implemented by investees for the protection of human rights defenders or other stakeholders exposed to retaliation; - engages with stakeholders of its investees, either directly or through proxies or experts, and how these are selected; - uses its engagement with stakeholders of its investees to inform actions taken by the organization; - uses its assessment of investees' management of negative impacts to inform actions taken by the organization. • For investee stewardship related to occupational health and safety, report: - targets and indicators for evaluating progress; - the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent; - examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.	17.14.1
Topic Standard disclosures		
GRI 403: Occupational Health and Safety 2018	Disclosure 403-1 Occupational health and safety management system	17.14.2
	Disclosure 403-2 Hazard identification, risk assessment, and incident investigation	17.14.3
	Disclosure 403-3 Occupational health services	17.14.4
	Disclosure 403-4 Worker participation, consultation, and communication on occupational health and safety	17.14.5
	Disclosure 403-5 Worker training on occupational health and safety	17.14.6
	Disclosure 403-6 Promotion of worker health	17.14.7
	Disclosure 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	17.14.8

	Disclosure 403-8 Workers covered by an occupational health and safety management system	17.14.9
	Disclosure 403-9 Work-related injuries	17.14.10
	Disclosure 403-10 Work-related ill health	17.14.11

References and resources

GRI 403: Occupational Health and Safety 2018 lists authoritative intergovernmental instruments and additional references relevant to reporting on this topic.

The authoritative instruments and additional references used in developing this topic, as well as resources that may be helpful for reporting on occupational health and safety by the capital markets sector are listed in the Bibliography.

Topic 17.15 Employment

Remuneration is the gross amount paid to a worker and includes basic pay, as well as additional cash or in-kind payments, such as overtime and pay bonuses, which should ensure gender equality and non-discrimination. Working time is the time associated with productive job activities and the arrangement of this time during a specified period. This topic covers an organization's approach to remuneration and working time, including social protection.

Organizations in the capital markets sector may be involved with impacts related to employment through their activities or as a result of their business relationships in all sectors of the economy.

Organizations in the capital markets sector have impacts on employment through employment arrangements, recruitment practices, termination policies, and performance management. Impacts related to employment practices can affect both employees and non-employee workers, including agency workers, apprentices, and contractors to whom services are outsourced, such as client service or IT support. By outsourcing activities, organizations can reduce labor costs or bypass collective agreements (see topic 17.13 Freedom of association and collective bargaining) that are in place for employees, potentially increasing disparities between employees and non-employee workers.

The transition to a low-carbon economy can also influence employment practices within organizations in the sector, for example, through evolving skill requirements or organizational restructuring (see topic 17.1 Climate change).

Employee and non-employee worker data is vital in contractual obligations, personnel administration, and human resources functions. Organizations may monitor employees and non-employee workers to track work hours, optimize processes, and evaluate performance. When employee and non-employee monitoring is poorly managed, fails to comply with applicable laws, or is conducted without informing affected workers, it can encroach on their privacy. By implementing strong cybersecurity measures and adhering to data protection regulations, organizations uphold their commitment to protecting the privacy of employees and non-employee workers [196].

Organizations in the capital markets sector also facilitate employment in other sectors by providing access to financial services and capital (see topic 17.18 Economic impacts) [195]. Organizations may be involved with negative impacts related to employment by investing in organizations with inadequate policies and practices, such as precarious employment contracts or insufficient safeguards to protect workers' personal data. Conversely, organizations in the sector can contribute to positive impacts by investing in other organizations with high-quality employment practices. Organizations in the capital markets sector are expected to use their leverage to encourage responsible employment practices across their business relationships, such as through investee stewardship [197].

Reporting on employment

If the organization has determined employment to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO
Management of the topic		
GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics *Additional sector recommendations* • For investee stewardship related to employment, report: - targets and indicators for evaluating progress; - the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent; - examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.	17.15.1
Topic Standard disclosures		
GRI 104: Employment 2027	Disclosure 104-1 Employment arrangements	17.15.2
	Disclosure 104-2 Apprenticeship and internship policies	17.15.3
	Disclosure 104-3 Recruitment practices	17.15.4
	Disclosure 104-4 Performance management	17.15.5
	Disclosure 104-5 Personal data protection and privacy policies	17.15.6
	Disclosure 104-6 Termination policies	17.15.7
	Disclosure 104-7 New hires and turnover	17.15.8
	Disclosure 104-8 Incidents in recruitment and employment arrangements	17.15.9
	Disclosure 104-9 Performance reviews	17.15.10
	Disclosure 104-10 Incidents in data protection and privacy	17.15.11

References and resources

GRI 104: Employment 2027 lists authoritative intergovernmental instruments and additional references relevant to reporting on this topic.

The additional references and resources used in developing this topic that may be helpful for reporting on employment by the capital markets sector are listed in the Bibliography.

Topic 17.16 Remuneration and working time

Remuneration is the gross amount paid to a worker and includes basic pay, as well as additional cash or in-kind payments, such as overtime and pay bonuses, which should ensure gender equality and non-discrimination. Working time is the time associated with productive job activities and the arrangement of this time during a specified period. This topic covers an organization's approach to remuneration and working time, including social protection.

Organizations in the capital markets sector may be involved with impacts related to remuneration and working time through their activities or as a result of their business relationships in all sectors of the economy. Impacts related to remuneration and working time are not limited to employees and extend to non-employee workers, including agency workers, apprentices, and contractors to whom services are outsourced, such as client service or IT support.

Organizations in the capital markets sector can have remuneration practices characterized by disproportionately high salaries, bonuses, and incentive schemes for certain positions. Such remuneration practices can encourage excessive risk-taking, particularly when bonuses are tied to short-term results without adequate consideration for long-term stability or environmental and human rights impacts. The remuneration disparity between senior executives and other employees and non-employee workers raises concerns about income inequality.

Remuneration practices can also differ based on gender. Globally, men employed in financial services earn, on average, 22% higher incomes than women with the same profiles. The gender pay gap is notably higher among senior executives in the financial services sector than in other sectors [201] (see topic 17.10 Non-discrimination and equal opportunity).

Long working hours are common for organizations in the capital markets sector. With the advent of digitalization and post-COVID adaptations, telework has seen a significant uptake in the sector. While telework can have positive impacts on work-life balance, it can also exacerbate issues related to extended working hours, contributing to psychosocial impacts and stress [200] (see topic 17.14 Occupational health and safety). Organizations can address the negative impacts of long working hours by prioritizing the well-being of employees and non-employee workers, including promoting leave and rest hours and fostering a healthy work-life balance. In addition to addressing remuneration and working time-related impacts, organizations can enhance the overall well-being of employees and non-employee workers by implementing comprehensive social protection measures, such as unemployment and retirement benefits.

Capital markets organizations may also be involved with impacts related to remuneration and working time by investing in or procuring products and services from business relationships with inadequate policies and practices, such as not paying a living wage. In many jurisdictions, organizations can significantly influence the remuneration practices of their investees through proxy voting on company remuneration policies. Organizations can use their leverage to encourage their investees to adopt responsible remuneration and working time-related practices and policies, such as through stewardship activities [202].

Reporting on remuneration and working time

If the organization has determined remuneration and working time to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO.
Management of the topic		
GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics *Additional sector recommendations* • For investee stewardship related to remuneration and working time, report: - targets and indicators for evaluating progress; - the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent; - examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.	17.16.1
Topic Standard disclosures		
GRI 105: Remuneration and Working Time 2027	Disclosure 105-1 Remuneration policies	17.16.2
	Disclosure 105-2 Working time policies	17.16.3
	Disclosure 105-3 Transparency of remuneration and working time	17.16.4
	Disclosure 105-4 Remuneration	17.16.5
	Disclosure 105-5 Gender pay gap	17.16.6
	Disclosure 105-6 Social protection coverage	17.16.7
	Disclosure 105-7 Working time	17.16.8

References and resources

GRI 105: Remuneration and Working Time 2027 lists authoritative intergovernmental instruments and additional references relevant to reporting on this topic.

The additional references and resources used in developing this topic that may be helpful for reporting on remuneration and working time by the capital markets sector are listed in the Bibliography.

Topic 17.17 Significant changes for workers

A significant change for workers is an alteration in the organization’s operational pattern that can have a significant positive or negative impact on them. This topic covers an organization's impacts related to significant changes for workers.

Organizations in the capital markets sector may be involved with impacts related to significant changes for workers through their activities or as a result of their business relationships in all sectors of the economy.

Transformations for organizations in the capital markets sector, such as automation, the deployment of new technologies, including generative artificial intelligence, increasing industry concentration, and globalization, can result in job displacement and income insecurity [205]. The transition to a low-carbon economy can also drive significant changes for employees and non-employee workers, including through shifts in business models and evolving skill requirements (see topic 17.1 Climate change). Significant changes may require redeployment, upskilling, and reskilling of employees and non-employee workers.

Digitalization in financial services can contribute to significant changes for workers, including through the decentralization of labor in the sector [205]. By outsourcing activities, organizations can reduce labor costs or bypass collective agreements that are in place for employees, potentially increasing disparities between employees and non-employee workers (see topics 17.15 Employment and 17.13 Freedom of association and collective bargaining).

Mergers, acquisitions, and restructuring can have impacts on employees and non-employee workers, including increased job insecurity, higher job stress and workload, and a rise in disguised employment. These changes can also lead to mass terminations, which require worker consultation and notice period regulations [204].

Through their investments, organizations in the sector can influence investees to undertake restructuring, thereby affecting workers. Significant changes for workers can occur in mergers and acquisitions, especially those led by private equity firms. This highlights the importance of addressing their impacts on workers and ensuring adherence to employment-related standards. Organizations can use their leverage, such as through investee stewardship, to encourage their business relationships to adopt responsible practices with regard to significant changes for workers [206].

Reporting on significant changes for workers

If the organization has determined significant changes for workers to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO.
Management of the topic		
GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics *Additional sector recommendations* • For investee stewardship related to significant changes for workers, report: - targets and indicators for evaluating progress; - the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent; - examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.	17.17.1
Topic Standard disclosures		
GRI 106: Significant Changes for Workers 2027	Disclosure 106-1 Management of significant changes	17.17.2
	Disclosure 106-2 Time period for worker consultations	17.17.3
	Disclosure 106-3 Training and redeployment	17.17.4

References and resources

GRI 106: Significant Changes for Workers 2027 lists authoritative intergovernmental instruments and additional references relevant to reporting on this topic.

The additional references used in developing this topic that may be helpful for reporting on significant changes for workers by the capital markets sector are listed in the Bibliography.

Topic 17.18 Economic impacts

An organization’s impacts on the economy refers to how it affects economic systems, including the economic well-being of its stakeholders, through its operations, quality of products and services, and business relationships at local, national, and global levels.

Organizations in the capital markets sector may be involved with economic impacts through their own activities or as a result of their business relationships in all sectors of the economy.

Investment strategies and practices can have negative economic impacts at local and national levels [216]. Business expansion may lead to job losses as investments in automation replace workers. Newly created jobs may not provide decent employment or adequate remuneration, as documented in solar and electric vehicle supply chains [215], which can lead to economic and social instability (see topic 17.16 Remuneration and working time). Regional economies dependent on the fossil fuel sector may experience other negative economic impacts when capital is redirected to renewable energies, such as persistent declines in real gross domestic product and net exports [210].

Policies that prioritize short-term financial goals and encourage high-risk practices can trigger financial crises that cascade across economies [214]. The broader process of financialization, where financial services and instruments become increasingly dominant, can distort real economy activity, create asset bubbles, and increase inequality. In some contexts, institutional investment in single-family homes has made it harder for local communities to purchase property [207]. Developing countries with high public debt, often perceived as high-risk, may also face higher capital costs, limiting their ability to invest and grow [217]. In addition, when capital markets organizations concentrate investment on wealthy clients or large corporations, through preferential access to opportunities or complex financial products, they may exacerbate negative impacts by limiting opportunities for less wealthy clients or smaller organizations to grow their wealth, contributing to wider wealth gaps. Government interventions in times of economic crisis, such as quantitative easing, can also increase wealth inequality by disproportionately benefiting asset holders and the financial services sectors [208] [211]. Organizations in the sector may receive other government assistance, including bailouts in times of crisis, tax credits, and financial incentives and guarantees, aimed at promoting public trust and supporting long-term positive economic impacts.

Through capital allocation, organizations in the sector promote the expansion of new and existing businesses, stimulate innovation and infrastructure development, and support sector diversity, which can enhance economic productivity and create new jobs in the public and private sectors. Additionally, investment by the sector can foster entrepreneurship and competition, particularly in developing economies and underserved groups (see topic 17.5 Financial health and inclusion) [212] [209]. By facilitating capital mobility, organizations link international markets, which fosters global economic integration and funding for products and services in underserved regions, both domestically and internationally. Asset owners are particularly incentivized to promote healthy, resilient economies and an environment in pursuit of long-term financial returns for their beneficiaries [213]. By directing capital to investments with a sustainability focus, the sector can allocate capital to organizations and projects with positive impacts on the economy, environment, and people, such as investing in female-led businesses or transition finance solutions in high-emitting sectors (see topic 17.1 Climate change). Organizations in the sector that also provide or manage pension funds can support long-term financial security and economic inclusion for their beneficiaries (see topic 17.5 Financial health and inclusion).

Organizations in the sector can have large, sometimes cross-border operations that generate positive economic impacts through revenue and operating costs, distributed as worker salaries and tax payments to governments. Organizations can have additional impacts on the employees’ long-term economic well-being and financial health by providing retirement plans. Organizations’ investment behavior provides central banks and regulators insight into the financial stability of the economy.

The economic impacts of the capital markets sector on individuals and micro-, small-, and medium-sized enterprises (MSMEs) are reflected in financial health and inclusion (see topic 17.5 Financial health and inclusion). Investee stewardship on issues like decent work and climate change may increase investee organizations’ awareness of how their impacts can support or hinder economic development.

Reporting on economic impacts

If the organization has determined economic impacts to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO.
Management of the topic		
GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics *Additional sector recommendations* • Describe how the organization's policies and commitments for the design and allocation of its investments: - promote positive economic impacts; - prevent negative economic impacts. • For investments with an explicit objective of generating positive economic impacts, report: - indicators used to track the effectiveness of these investments; - examples of their effectiveness. • For investee stewardship related to economic impacts, report: - targets and indicators for evaluating progress; - the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent; - examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.	17.18.1
Topic Standard disclosures		
GRI 201: Economic Performance 2016	Disclosure 201-1 Direct economic value generated and distributed	17.18.2
	Disclosure 201-3 Defined benefit plan obligations and other retirement plans	17.18.3
	Disclosure 201-4 Financial assistance received from government *Additional sector recommendations* • Report, by country, the total monetary value of: - government guarantees; - government bailouts. • Describe government interventions[20] that supported the organization during an economic crisis.	17.18.4

References and resources

GRI 201: Economic Performance 2016 lists authoritative intergovernmental instruments and additional references relevant to reporting on this topic.

The additional references and resources used in developing this topic that may be helpful for reporting on economic impacts by the capital markets sector are listed in the Bibliography.

[20] For example, quantitative easing and corporate bond purchases.

Topic 17.19 Corruption and financial crime

Corruption refers to how an organization manages the potential of being involved in practices such as bribery, facilitation payments, fraud, extortion, collusion, money laundering, and offering or receiving inducements to act dishonestly or illegally. Closely related to corruption, financial crime includes various forms of theft and misuse for economic gain. This topic covers the impacts of corruption and financial crime.

Losses from corruption are estimated to exceed 5% of global gross domestic product (GDP), diverting funds from essential public services such as education and healthcare [226]. Organizations in the capital markets sector may be involved with impacts related to corruption and financial crime through their activities or as a result of their business relationships in all sectors of the economy [223].

Capital markets organizations can become involved in corruption when they engage in illicit activities, such as market manipulation or exerting undue influence to attract clients and secure business. Additionally, misuse of assets by organizations can cause significant losses for clients. Organizations may also be implicated in corruption and financial crime by handling capital derived from illicit activities, which can facilitate money laundering, or by being used to channel capital to criminal activities, such as human trafficking or terrorism [228] [225]. These activities can distort capital markets, enable fraudulent investment vehicles, and erode fair competition. Limited transparency around financial flows compounds the resulting economic and societal harm [230].

Criminals can target organizations' systems and clients' data for unauthorized use, leading to financial losses, privacy breaches, and manipulation of clients' behavioral biases when operating online (see topic 17.6 Client privacy and data security) [177] [224]. Protection measures are increasingly important as cybercrime grows alongside the sector's digitalization [227].

Organizations can identify corruption and financial crime by adopting suitable policies and procedures, incorporating the three lines of defense – management controls, risk and compliance oversight, and independent audit assurance – and applying these to their own activities and in business relationships [230]. Policies and procedures applied to the organization's activities can address where they do business, their clients, products, and services, and how they obtain and retain clients, and their engagement with business partners. Policies and procedures applied to the organization's business partners can mandate compliance with relevant standards and regulations, verify adherence through independent assessments, and implement contractual anti-money laundering clauses that grant audit access. Regulations focusing on financial crimes may require further measures, including enhanced due diligence for politically exposed persons [229].

Furthermore, the sector can address the negative impacts of corruption by aligning with existing regulations and stakeholder initiatives and by participating in anti-bribery and corruption initiatives [223]. Through investee stewardship, organizations can also encourage existing or prospective investees to have robust anti-corruption policies and practices.

Reporting on corruption and financial crime

If the organization has determined corruption and financial crime to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO.
Management of the topic		
GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics *Additional sector recommendations* • For investee stewardship related to corruption and financial crime, report: - targets and indicators for evaluating progress; - the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent; - examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.	17.19.1
Topic Standard disclosures		
GRI 205: Anti-corruption 2016	Disclosure 205-1 Operations assessed for risks related to corruption	17.19.2
GRI 205: Anti-corruption 2016	Disclosure 205-2 Communication and training about anti-corruption policies and procedures	17.19.3
GRI 205: Anti-corruption 2016	Disclosure 205-3 Confirmed incidents of corruption and actions taken	17.19.4
Additional sector disclosures		
Activities assessed for financial crime: Report the number and percentage of functions assessed for financial crime risks. Report the functions identified as at higher risk by the risk assessment and the forms of financial crime identified.		17.19.5
Communication and training about financial crime policies and procedures: Report the number and percentage of governance body members to whom the organization's financial crime policies and procedures have been communicated, and a breakdown of this total by region. Report the number and percentage of employees to whom the organization's financial crime policies and procedures have been communicated, and a breakdown of this total by employee category and region. Report the number and percentage of business partners to whom the organization's financial crime policies and procedures have been communicated, and a breakdown of this total by type of business partner and region.		17.19.6

Describe whether the organization's financial crime policies and procedures have been communicated to any other persons or organizations. Report the number and percentage of governance body members that have received training on the prevention of financial crime, and a breakdown of this total by region. Report the number and percentage of employees that have received training on the prevention of financial crime, and a breakdown of this total by employee category and region.	
Suspicious activities related to financial crime: Report the number of: • suspicious activities related to financial crime detected; • suspicious activities related to financial crime that have been investigated; • confirmed incidents of financial crime. Describe the nature of the confirmed incidents of financial crime.	17.19.7
Client funds lost due to financial crime: Report the total monetary value of client funds lost to financial crime during the reporting period and the percentage of this total that had not been reimbursed to clients as of the end of the reporting period.	17.19.8

References and resources

GRI 205: Anti-corruption 2016 lists authoritative intergovernmental instruments and additional references relevant to reporting on this topic.

The authoritative instruments and additional references used in developing this topic, as well as resources that may be helpful for reporting on corruption and financial crime by the capital markets sector are listed in the Bibliography.

Topic 17.20 Anti-competitive behavior

Anti-competitive behavior refers to actions by an organization that can result in collusion with potential competitors, abuse of dominant market position or exclusion of potential competitors, thereby limiting the effects of market competition. This can include fixing prices or coordinating bids, creating market or output restrictions, imposing geographic quotas, and allocating clients, suppliers, geographic areas, or product lines. This topic covers impacts as a result of anti-competitive behavior.

Competition is a fundamental principle for client protection [233]. Fair, efficient, and competitive markets provide clients with a wide range of financial products and services, and encourage organizations to deliver quality products and services at competitive prices [233]. Organizations in the capital markets sector may be involved with impacts related to anti-competitive behavior through their activities or as a result of their business relationships in all sectors of the economy.

Capital markets organizations can be involved in anti-competitive behavior through collaborative agreements with competitors, investment practices, and market concentration [234] [235]. In 2016, the sector saw less than 2% of economic actors control up to 80% of economic value, representing a 20% increase in capital concentration since the 2008 global economic crisis [234]. By investing in already concentrated industries or organizations with dominant market positions, the capital markets sector can contribute to market concentration and monopolistic practices, thereby limiting growth opportunities and creating barriers to entry for potential competitors.

Organizations can influence investees to take anti-competitive actions, such as restricting output, raising prices [236] or pursuing mergers and acquisitions. These practices can result in negative impacts related to industry concentration, eroding trust and confidence in the financial system.

Organizations can implement policies, procedures, and functions to identify, manage, and report anti-trust and monopoly practices across business units and subsidiaries. Specialized training for members of governance bodies, management, and employees on anti-competitive behavior, along with clear guidelines about collaboration and information exchanges, can ensure that business units are aware of and comply with relevant policies and regulations. Organizations may also address anti-competitive behavior by changing governance bodies, oversight processes, and the structure of functions. Through investee stewardship, organizations can further encourage investees to adopt robust anti-competition policies and practices.

Reporting on anti-competitive behavior

If the organization has determined anti-competitive behavior to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO.
Management of the topic		
GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics *Additional sector recommendations* • Describe actions taken to prevent market concentration via the organization's own activities and its investees. • For investee stewardship related to anti-competitive behavior, report: - targets and indicators for evaluating progress; - the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent; - examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.	17.20.1
Topic Standard disclosures		
GRI 206: Anti-competitive Behavior 2016	Disclosure 206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices *Additional sector recommendations* • Describe the nature of the legal actions reported. • Describe the corrective actions taken in response to the legal actions for anti-competitive behavior, including: - changes to governance bodies and oversight processes; - restructuring managerial and leadership positions,[21] business units, or teams; - training for members of governance bodies, management, and employees.	17.20.2

References and resources

GRI 206: Anti-competitive Behavior 2016 lists authoritative intergovernmental instruments relevant to reporting on this topic.

The authoritative instrument and additional references used in developing this topic, as well as resources that may be helpful for reporting on anti-competitive behavior by the capital markets sector are listed in the Bibliography.

[21] Managerial and leadership positions refer to roles with responsibility for planning, directing, coordinating, and overseeing the work of others, including guiding teams or units toward organizational objectives. These positions typically include senior, middle, and other management levels as classified under the International Standard Classification of Occupations (ISCO), by the International Labour Organization (ILO).

Topic 17.21 Tax

Tax is subject to legal requirements and stakeholder expectations regarding sound tax practices. Tax avoidance and evasion strategies can deprive governments of revenue needed to implement public policy and invest in public services, undermining tax compliance more broadly. Tax transparency promotes trust and credibility in an organization's tax practices and the tax system. This topic covers the impacts of an organization’s tax practices and the transparency in implementing them.

Tax revenue plays a crucial role in financing public goods and services, supporting social protection systems, and facilitating investments in public infrastructure [241]. In 2023, corporate profits estimated at USD 1 trillion were redirected to tax havens worldwide, with 25% of global offshore financial wealth remaining untaxed [238]. Organizations in the capital markets sector may be involved with tax-related impacts through their activities or as a result of their business relationships in all sectors of the economy.

Organizations may use legitimate tax strategies, such as relocating profits, to mitigate tax liabilities [240] and illegitimate strategies, such as tax evasion. Some of these practices can significantly reduce government revenues. This is particularly relevant for many developing countries where collected tax revenue is already below levels considered necessary for effective state functioning [241].

Organizations in the capital markets sector play a crucial role in withholding tax on behalf of their clients when investments yield profits. Due to its complexity, this responsibility is often delegated to custodian banks, which can lead to errors and result in either over- or underpayment of clients’ taxes. Proactively managing withholding taxes enables asset managers to minimize discrepancies, unlock benefits for their clients, and reduce the likelihood of overpaid taxes, thereby maximizing returns [239]. With their investees, organizations can encourage responsible tax practices by undertaking stewardship and engagement on the topic of tax with various actors, including investees, policymakers, and other stakeholders [242]. This can include requesting transparent disclosure of an investee's tax approach and payments and holding them accountable for irresponsible business conduct that may be motivated by tax reasons.

As taxpayers, organizations in the capital markets sector are responsible for their own tax liabilities. Therefore, they must adhere to tax legislation to fulfill their obligations to stakeholders and meet sound tax practice standards. By transparently reporting their tax approach, organizations can disclose the use of legitimate tax structures and build trust with clients, tax authorities, and other stakeholders.

Reporting on tax

If the organization has determined tax to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO
Management of the topic		
GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics *Additional sector recommendations* • For investee stewardship related to tax, report: - targets and indicators for evaluating progress; - the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent; - examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.	17.21.1
Topic Standard disclosures		
GRI 207: Tax 2019	Disclosure 207-1 Approach to tax	17.21.2
	Disclosure 207-2 Tax governance, control, and risk management *Additional sector recommendations* • Describe how the organization's tax governance and control framework addresses the tax practices of its investees and, if applicable, custodian banks.	17.21.3
	Disclosure 207-3 Stakeholder engagement and management of concerns related to tax	17.21.4
	Disclosure 207-4 Country-by-country reporting	17.21.5

References and resources

GRI 207: Tax 2019 lists authoritative intergovernmental instruments and additional references relevant to reporting on this topic.

The additional references and resources used in developing this topic that may be helpful for reporting on tax by the capital markets sector are listed in the Bibliography.

Topic 17.22 Public policy

An organization can participate in public policy development, directly or through an intermediary organization, by means of lobbying or making financial or in-kind contributions to political parties, politicians, or causes. While an organization can encourage the development of public policy that benefits society, participation can also be associated with corruption, bribery, undue influence, or an imbalanced representation of the organization's interests. This topic covers an organization's approach to public policy advocacy and the impacts that can result from the influence an organization exerts.

Organizations in the capital markets sector may be involved with impacts related to public policy through their activities or as a result of their business relationships in all sectors of the economy.

Capital markets organizations can exert influence directly through financial support to political parties, election campaigns, research initiatives, and think tanks [249]. Organizations can also engage in regulatory consultations or indirectly through industry alliances and affiliated associations. Revolving door practices can cause negative public policy-related impacts when organizations hire individuals previously employed by financial regulators and vice versa [246]. This practice can significantly shape public policy across a wide range of topics, including client protection, potentially leading to regulations that favor a sector or a selected few organizations. This can result in higher prices for financial products and greater barriers to entry for competitors [247], with far-reaching impacts that undermine the broader economy's financial stability (see topics 17.20 Anti-competitive behavior and 17.18 Economic impacts).

Enhancing consistency and accountability regarding lobbying efforts, such as transparency in relation to meetings with regulators [246] and political contributions, can prevent and mitigate negative public policy impacts. This includes reporting conflicts between an organization's stated sustainability commitments and opposing advocacy efforts [250], and avoiding 'astroturfing' tactics in which an interest group orchestrates false grassroots support to influence public policy on a topic.

Organizations in the capital markets sector can positively support the public political process by engaging in debates that benefit society at large. This helps create momentum for other sectors and investors by creating an enabling environment to fulfill sustainability-related commitments [250]. In addition, organizations can encourage their investees to participate in public policy engagement that promotes environmental and social responsibility. This can include stewardship of investees' public policy engagement and advocating for stronger alignment between those practices and sustainability commitments [248].

Reporting on public policy

If the organization has determined public policy to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the capital markets sector.

STANDARD	DISCLOSURE	SECTOR STANDARD REF. NO.
Management of the topic		
GRI 3: Material Topics 2021	Disclosure 3-3 Management of material topics *Additional sector recommendations* • Describe the policy on employment, or appointment to governance bodies, of former public officials. • Describe the policy on in-kind political contributions. • Describe the escalation policy for addressing misalignments between the organization's public policy positions and the public policy positions of affiliated third parties. • For investee stewardship related to public policy, report: - targets and indicators for evaluating progress; - the scope of targets, in terms of the number of investees covered or the percentage of the portfolio they represent; - examples of the effectiveness of investee stewardship, including where desired outcomes were not achieved.	17.22.1
Topic Standard disclosures		
GRI 415: Public Policy 2016	Disclosure 415-1 Political contributions	17.22.2
Additional sector disclosures		
Resources allocated to public policy engagement: Report the total monetary value of the expenditure on public policy engagement activities during the reporting period and as a percentage of the total operational expenditure for that period.		17.22.3

References and resources

GRI 415: Public Policy 2016 lists authoritative intergovernmental instruments relevant to reporting on this topic.

The additional references and resources used in developing this topic that may be helpful for reporting on public policy by the capital markets sector are listed in the Bibliography.

Glossary

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

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

anti-competitive behavior
action of the organization or employees that can result in collusion with potential competitors, with the purpose of limiting the effects of market competition

Examples: allocating customers, suppliers, geographic areas, and product lines; coordinating bids; creating market or output restrictions; fixing prices; imposing geographic quotas

anti-trust and monopoly practice
action of the organization that can result in collusion to erect barriers for entry to the sector, or another collusive action that prevents competition

Examples: abuse of market position, anti-competitive mergers, cartels, price-fixing, unfair business practices

basic pay
fixed, minimum amount paid to a worker for performing their duties

Note: Basic pay excludes any additional remuneration, such as payments for overtime working or bonuses.

breach of customer privacy
non-compliance with existing legal regulations and (voluntary) standards regarding the protection of customer privacy

business partner
entity with which the organization has some form of direct and formal engagement for the purpose of meeting its business objectives

Source: Shift and Mazars LLP, *UN Guiding Principles Reporting Framework*, 2015; modified

Examples: affiliates, business-to-business customers, clients, first-tier suppliers, franchisees, joint venture partners, investee companies in which the organization has a shareholding position

Note: Business partners do not include subsidiaries and affiliates that the organization controls.

business relationships
relationships that the organization has with business partners, with entities in its value chain including those beyond the first tier, and with any other entities directly linked to its operations, products, or services

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

Note: Examples of other entities directly linked to the organization's operations, products, or services are a non-governmental organization with which the organization delivers support to a local community or state security forces that protect the organization's facilities.

catchment
area of land from which all surface runoff and subsurface water flows through a sequence of streams, rivers, aquifers, and lakes into the sea or another outlet at a single river mouth, estuary, or delta

Source: Alliance for Water Stewardship (AWS), *AWS International Water Stewardship Standard, Version 1.0*, 2014; modified

Note: Catchments include associated groundwater areas and might include portions of waterbodies (such as lakes or rivers). In different parts of the world, catchments are also referred to as ‘watersheds’ or ‘basins’ (or sub-basins).

circularity measures

measures taken to retain the value of products, materials, and resources and redirect them back to use for as long as possible with the lowest carbon and resource footprint possible, such that fewer raw materials and resources are extracted and waste generation is prevented

collective bargaining

all negotiations that take place between one or more employers or employers’ organizations, on the one hand, and one or more workers’ organizations (e.g., trade unions), on the other, for determining working conditions and terms of employment or for regulating relations between employers and workers

Source: International Labour Organization (ILO), *Collective Bargaining Convention*, 1981 (No. 154); modified

conflict of interest

situation where an individual is confronted with choosing between the requirements of their function in the organization and their other personal or professional interests or responsibilities

corruption

‘abuse of entrusted power for private gain’, which can be instigated by individuals or organizations

Source: Transparency International, *Business Principles for Countering Bribery*, 2011

Note: Corruption includes practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering. It also includes an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the enterprise’s business. This can include cash or in-kind benefits, such as free goods, gifts, and holidays, or special personal services provided for the purpose of an improper advantage, or that can result in moral pressure to receive such an advantage.

customer privacy

right of the customer to privacy and personal refuge

Examples: the obligation to observe confidentiality; the protection of data; the protection of information or data from misuse or theft; the use of information or data for their original intended purpose only, unless specifically agreed otherwise

Note: Customers are understood to include end-customers (consumers) as well as business-to-business customers.

discrimination

act and result of treating persons unequally by imposing unequal burdens or denying benefits instead of treating each person fairly on the basis of individual merit

Note: Discrimination can also include harassment, defined as a course of comments or actions that are unwelcome, or should reasonably be known to be unwelcome, to the person towards whom they are addressed.

due diligence

process to identify, prevent, mitigate, and account for how the organization addresses its actual and potential negative impacts

Source: Organisation for Economic Co-operation and Development (OECD), *OECD Guidelines for Multinational Enterprises*, 2011; modified United Nations (UN), *Guiding*

Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework, 2011; modified

Note: See section 2.3 in *GRI 1: Foundation 2021* for more information on 'due diligence'.

effluent
treated or untreated wastewater that is discharged

Source: Alliance for Water Stewardship (AWS), *AWS International Water Stewardship Standard*, Version 1.0, 2014

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

employee category
breakdown of employees by level (such as senior management, middle management) and function (such as technical, administrative, production)

Note: This information is derived from the organization's own human resources system.

exposure
quantity of time spent at or the nature of contact with certain environments that possess various degrees and kinds of hazard, or proximity to a condition that might cause injury or ill health (e.g., chemicals, radiation, high pressure, noise, fire, explosives)

forced or compulsory labor
all work and service that is exacted from any person under the menace of any penalty and for which the said person has not offered herself or himself voluntarily

Source: International Labour Organization (ILO), *Forced Labour Convention*, 1930 (No. 29); modified

Note 1: The most extreme examples of forced or compulsory labor are slave labor and bonded labor, but debts can also be used as a means of maintaining workers in a state of forced labor.

Note 2: Indicators of forced labor include withholding identity papers, requiring compulsory deposits, and compelling workers, under threat of firing, to work extra hours to which they have not previously agreed

freedom of association
right of employers and workers to form, to join and to run their own organizations without prior authorization or interference by the state or any other entity

freshwater
water with concentration of total dissolved solids equal to or below 1,000 mg/L

Source: Environmental management — Water footprint — Principles, requirements and guidelines. Geneva: ISO, 2014; modified
United States Geological Survey (USGS), Water Science Glossary of Terms, *water.usgs.gov/edu/dictionary.html,* accessed on 1 June 2018; modified
World Health Organization (WHO), *Guidelines for Drinking-water Quality*, 2017; modified

governance body
formalized group of individuals responsible for the strategic guidance of the organization, the effective monitoring of management, and the accountability of management to the broader organization and its stakeholders

greenhouse gas (GHG)
gas that contributes to the greenhouse effect by absorbing infrared radiation

Note: GHGs are the seven gases covered by the Kyoto Protocol: carbon dioxide (CO_2); methane (CH_4); nitrous oxide (N_2O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); sulfur hexafluoride (SF_6); and nitrogen trifluoride (NF_3).

groundwater
water that is being held in, and that can be recovered from, an underground formation

Source: International Organization for Standardization. ISO 14046:2014. *Environmental management — Water footprint — Principles, requirements and guidelines. Geneva: ISO, 2014*; modified

hazardous waste
waste that possesses any of the characteristics contained in Annex III of the Basel Convention, or that is considered to be hazardous by national legislation

Source: United Nations Environment Programme (UNEP), *Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal*, 1989

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

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

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

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

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

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

Indigenous Peoples
Indigenous Peoples are generally identified as:

- tribal peoples in independent countries whose social, cultural and economic conditions distinguish them from other sections of the national community, and whose status is regulated wholly or partially by their own customs or traditions or by special laws or regulations;
- peoples in independent countries who are regarded as indigenous on account of their descent from the populations which inhabited the country, or a geographical region to which the country belongs, at the time of conquest or colonization or the establishment of present state boundaries and who, irrespective of their legal status, retain some or all of their own social, economic, cultural and political institutions.

Source: International Labour Organization (ILO), *Indigenous and Tribal Peoples Convention*, 1989 (No. 169)

local community
individuals or groups of individuals living or working in areas that are affected or that could be affected by the organization’s activities

Note: The local community can range from those living adjacent to the organization's operations to those living at a distance.

marketing communication

combination of strategies, systems, methods, and activities used by the organization to promote its reputation, brands, products, and services to target audiences

Examples: advertising, personal selling, promotion, public relations, social media, sponsorship

material topics

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

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

mitigation

action(s) taken to reduce the extent of a negative impact

Source: United Nations (UN), *The Corporate Responsibility to Respect Human Rights: An Interpretive Guide*, 2012; modified

Note: The mitigation of an actual negative impact refers to actions taken to reduce the severity of the negative impact that has occurred, with any residual impact needing remediation. The mitigation of a potential negative impact refers to actions taken to reduce the likelihood of the negative impact occurring.

non-employee worker

individual whose work is controlled by the organization, but who does not have an employment relationship with it

Note 1: Control of work implies that the organization directs the work performed or has control over the means or methods for performing the work. The type of contractual relationship between the organization and the worker (e.g., employment agency, contractor) does not determine whether the organization controls the work.

Note 2: See Guidance to Disclosure 2-8 and the Control of Work Standard Interpretation to *GRI 2: General Disclosures 2021* for more information on 'non-employee worker'.

occupational health and safety management system

set of interrelated or interacting elements to establish an occupational health and safety policy and objectives, and to achieve those objectives

Source: International Labour Organization (ILO), *Guidelines on Occupational Safety and Health Management Systems*, ILO-OSH 2001, 2001

product and service information and labeling

information and labeling are used synonymously, and describe communication delivered with the product or service, describing its characteristics

remedy / remediation

means to counteract or make good a negative impact or provision of remedy

Source: United Nations (UN), *The Corporate Responsibility to Respect Human Rights: An Interpretive Guide, 2012*; modified

Examples: apologies, financial or non-financial compensation, prevention of harm through injunctions or guarantees of non-repetition, punitive sanctions (whether criminal or administrative, such as fines), restitution, restoration, rehabilitation

remuneration

gross amount paid to workers, including basic pay and additional payments in cash and in-kind, such as overtime pay and bonuses

Note 1: remuneration can also be referred to as wages or salary.

Note 2: Examples of additional payment amounts include those based on years of service, bonuses including cash and equity such as stocks and shares, benefit payments, overtime, time owed, and any additional allowances, such as transportation, living and childcare allowances.

reporting period

specific time period covered by the reported information

Examples: fiscal year, calendar year

Scope 2 GHG emissions

indirect greenhouse gas (GHG) emissions from the generation of purchased or acquired electricity, heating, cooling and steam consumed by the organization

Source: World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD), *GHG Protocol Scope 2 Guidance,* 2015 and *GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard*, 2011

Scope 3 GHG emissions

indirect greenhouse gas (GHG) emissions (not included in Scope 2 GHG emissions) that occur in the organization's upstream and downstream value chain

Source: World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD), *GHG Protocol Scope 2 Guidance, 2015 and GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard*, 2011

seawater

water in a sea or in an ocean

Source: International Organization for Standardization. ISO 14046:2014. *Environmental management — Water footprint — Principles, requirements and guidelines*. Geneva: ISO, 2014; modified

senior executive

high-ranking member of the management of the organization, such as the Chief Executive Officer (CEO) or an individual reporting directly to the CEO or the highest governance body

severity (of an impact)

The severity of an actual or potential negative impact is determined by its scale (i.e., how grave the impact is), scope (i.e., how widespread the impact is), and irremediable character (how hard it is to counteract or make good the resulting harm).

Source: Organisation for Economic Co-operation and Development (OECD), *OECD Due Diligence Guidance for Responsible Business Conduct*, 2018; modified *United Nations (UN), The Corporate Responsibility to Respect Human Rights: An Interpretive Guide*, 2012; modified

Note: See section 1 in *GRI 3: Material Topics 2021* for more information on 'severity'.

stakeholder

individual or group that has an interest that is affected or could be affected by the organization's activities

Source: Organisation for Economic Co-operation and Development (OECD), *OECD Due Diligence Guidance for Responsible Business Conduct*, 2018; modified

Examples: business partners, civil society organizations, consumers, customers, employees and other workers, governments, local communities, non-governmental organizations, shareholders and other investors, suppliers, trade unions, vulnerable groups

Note: See section 2.4 in *GRI 1: Foundation 2021* for more information on 'stakeholder'.

substantiated complaint

written statement by regulatory or similar official body addressed to the organization that identifies breaches of customer privacy, or a complaint lodged with the organization that has been recognized as legitimate by the organization

supplier

entity upstream from the organization (i.e., in the organization's supply chain), which provides a product or service that is used in the development of the organization's own products or services

Examples: brokers, consultants, contractors, distributors, franchisees, home workers, independent contractors, licensees, manufacturers, primary producers, sub-contractors, wholesalers

Note: A supplier can have a direct business relationship with the organization (often referred to as a first-tier supplier) or an indirect business relationship.

supply chain
range of activities carried out by entities upstream from the organization, which provide products or services that are used in the development of the organization's own products or services

surface water
water that occurs naturally on the Earth's surface in ice sheets, ice caps, glaciers, icebergs, bogs, ponds, lakes, rivers, and streams

Source: CDP, CDP Water Security Reporting Guidance, 2018; modified

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

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

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

third-party water
municipal water suppliers and municipal wastewater treatment plants, public or private utilities, and other organizations involved in the provision, transport, treatment, disposal, or use of water and effluent

value chain
range of activities carried out by the organization, and by entities upstream and downstream from the organization, to bring the organization's products or services from their conception to their end use

Note 1: Entities upstream from the organization (e.g., suppliers) provide products or services that are used in the development of the organization's own products or services. Entities downstream from the organization (e.g., distributors, customers) receive products or services from the organization.

Note 2: The value chain includes the supply chain.

vulnerable group
group of individuals with a specific condition or characteristic (e.g., economic, physical, political, social) that could experience negative impacts as a result of the organization's activities more severely than the general population

Examples: children and youth; elderly persons; ex-combatants; HIV/AIDS-affected households; human rights defenders; Indigenous Peoples; internally displaced persons; migrant workers and their families; national or ethnic, religious and linguistic minorities; persons who might be discriminated against based on their sexual orientation, gender identity, gender expression, or sex characteristics (e.g., lesbian, gay, bisexual, transgender, intersex); persons with disabilities; refugees or returning refugees; women

Note: Vulnerabilities and impacts can differ by gender.

waste
anything that the holder discards, intends to discard, or is required to discard

Source: United Nations Environment Programme (UNEP), *Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal*, 1989

Note 1: Waste can be defined according to the national legislation at the point of generation.

Note 2: A holder can be the reporting organization, an entity in the organization's value chain upstream or downstream (e.g., supplier or consumer), or a waste management organization, among others.

water consumption

sum of all water that has been withdrawn and incorporated into products, used in the production of crops or generated as waste, has evaporated, transpired, or been consumed by humans or livestock, or is polluted to the point of being unusable by other users, and is therefore not released back to surface water, groundwater, seawater, or a third party over the course of the reporting period

Source: CDP, *CDP Water Security Reporting Guidance*, 2018; modified

Note: Water consumption includes water that has been stored during the reporting period for use or discharge in a subsequent reporting period.

water discharge

sum of effluents, used water, and unused water released to surface water, groundwater, seawater, or a third party, for which the organization has no further use, over the course of the reporting period

Note 1: Water can be released into the receiving waterbody either at a defined discharge point (point-source discharge) or dispersed over land in an undefined manner (non-point-source discharge).

Note 2: Water discharge can be authorized (in accordance with discharge consent) or unauthorized (if discharge consent is exceeded).

water stewardship

use of water that is socially equitable, environmentally sustainable, and economically beneficial, achieved through a stakeholder-inclusive process that involves facility- and catchment-based actions

Source: Alliance for Water Stewardship (AWS), *AWS International Water Stewardship Standard*, Version 1.0, 2014; modified

Note: Good water stewards understand their own water use; catchment context; and shared risk in terms of water governance, water balance, and water quality; and engage in meaningful individual and collective actions that benefit people and nature. Further:

- Socially equitable water use recognizes and implements the human right to water and sanitation and helps ensure human wellbeing and equity;
- Environmentally sustainable water use maintains or improves biodiversity and ecological and hydrological processes at the catchment level;
- Economically beneficial water use contributes to long-term efficiency, and development and poverty alleviation for water users, local communities, and society at large.

water stress

ability, or lack thereof, to meet the human and ecological demand for water

Source: CEO Water Mandate, *Corporate Water Disclosure Guidelines*, 2014

Note 1: Water stress can refer to the availability, quality, or accessibility of water.

Note 2: Water stress is based on subjective elements and is assessed differently depending on societal values, such as the suitability of water for drinking or the requirements to be afforded to ecosystems.

Note 3: Water stress in an area may be measured at catchment level at a minimum.

water withdrawal

sum of all water drawn from surface water, groundwater, seawater, or a third party for any use over the course of the reporting period

worker

person that performs work for the organization

Examples: employees, agency workers, apprentices, contractors, home workers, interns, self-employed persons, sub-contractors, volunteers, and persons working for organizations other than the reporting organization, such as for suppliers

Note: In the GRI Standards, in some cases, it is specified whether a particular subset of workers is required to be used.

worker consultation

seeking of workers' views before making a decision

Note 1: Worker consultation might be carried out through workers' representatives.

Note 2: Consultation is a formal process, whereby management takes the views of workers into account when making a decision. Therefore, consultation needs to take place before the decision is made. It is essential to provide timely information to workers or their representatives in order for them to provide meaningful and effective input before decisions are made. Genuine consultation involves dialogue.

Note 3: Worker participation and worker consultation are two distinct terms with specific meanings. See definition of 'worker participation'.

worker participation

workers' involvement in decision-making

Note 1: Worker participation might be carried out through workers' representatives.

Note 2: Worker participation and worker consultation are two distinct terms with specific meanings. See definition of 'worker consultation'.

worker representative

person who is recognized as such under national law or practice, whether they are:

- a trade union representative, namely, a representative designated or elected by trade unions or by members of such unions; or
- an elected representative, namely, a representative who is freely elected by the workers of the undertaking in accordance with provisions of national laws, regulations, or collective agreements, whose functions do not include activities which are recognized as the exclusive prerogative of trade unions in the country concerned.

Source: International Labour Organization (ILO), Workers' Representatives Convention, 1971 (No. 135)

work-related hazard

source or situation with the potential to cause injury or ill health

Source: International Labour Organization (ILO) *Guidelines on Occupational Safety and Health Management Systems*, 2001; modified

International Organization for Standardization. ISO 45001:2018. *Occupational health and safety management systems — Requirements with guidance for use*. Geneva: ISO, 2018; modified

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Note: Hazards can be:

- physical (e.g., radiation, temperature extremes, constant loud noise, spills on

floors or tripping hazards, unguarded machinery, faulty electrical equipment);
- ergonomic (e.g., improperly adjusted workstations and chairs, awkward movements, vibration);
- chemical (e.g., exposure to solvents, carbon monoxide, flammable materials, or pesticides);
- biological (e.g., exposure to blood and bodily fluids, fungi, bacteria, viruses, or insect bites);
- psychosocial (e.g., verbal abuse, harassment, bullying);
- related to work-organization (e.g., excessive workload demands, shift work, long hours, night work, workplace violence).

work-related incident
occurrence arising out of or in the course of work that could or does result in injury or ill health

Source: International Organization for Standardization. ISO 45001:2018. *Occupational health and safety management systems — Requirements with guidance for use*. Geneva: ISO, 2018; modified

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Note 1: Incidents might be due to, for example, electrical problems, explosion, fire; overflow, overturning, leakage, flow; breakage, bursting, splitting; loss of control, slipping, stumbling and falling; body movement without stress; body movement under/with stress; shock, fright; workplace violence or harassment (e.g., sexual harassment).

Note 2: An incident that results in injury or ill health is often referred to as an 'accident'. An incident that has the potential to result in injury or ill health but where none occurs is often referred to as a 'close call', 'near-miss', or 'near-hit'.

work-related injury or ill health
negative impacts on health arising from <u>exposure</u> to <u>hazards</u> at work

Source: International Labour Organization (ILO), *Guidelines on Occupational Safety and Health Management Systems*, ILO-OSH 2001, 2001; modified

Note 1: 'Ill health' indicates damage to health and includes diseases, illnesses, and disorders. The terms 'disease', 'illness', and 'disorder' are often used interchangeably and refer to conditions with specific symptoms and diagnoses.

Note 2: Work-related injuries and ill health are those that arise from exposure to hazards at work. Other types of incident can occur that are not connected with the work itself. For example, the following incidents are not considered to be work related:

- a worker suffers a heart attack while at work that is unconnected with work;
- a worker driving to or from work is injured in a car accident (where driving is not part of the work, and where the transport has not been organized by the employer);
- a worker with epilepsy has a seizure at work that is unconnected with work.

Note 3: Traveling for work: Injuries and ill health that occur while a worker is traveling are work related if, at the time of the injury or ill health, the worker was engaged in work activities 'in the interest of the employer'. Examples of such activities include traveling to and from customer contacts; conducting job tasks; and entertaining or being entertained to transact, discuss, or promote business (at the direction of the employer).

Working at home: Injuries and ill health that occur when working at home are work related if the injury or ill health occurs while the worker is performing work at home, and the injury or ill health is directly related to the performance of work rather than the general home environment or setting.

Mental illness: A mental illness is considered to be work related if it has been notified voluntarily by the worker and is supported by an opinion from a licensed healthcare professional with appropriate training and experience stating that the illness is work related.

For more guidance on determining ‘work-relatedness’, see the United States Occupational Safety and Health Administration, Determination of work-relatedness 1904.5, https://www.osha.gov/pls/oshaweb/owadisp.show_document?p_table=STANDARDS&p_id=9636, accessed on 1 June 2018.

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