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## Item 03 – GRI Universal Standards Project – Revised GRI 102: Section 4. Governance

### For GSSB discussion

<b>Date</b>	17 March 2021
<b>Meeting</b>	25 March 2021
<b>Project</b>	GRI Universal Standards Project
<b>Description</b>	<p>This document presents the revised draft of Section 4. Governance in <i>GRI 102: About the Organization</i> following the public comment feedback. Key changes are highlighted in comment boxes within the document. Minor editorial changes have not been highlighted, but a draft tracking all changes to the text has been included in the Annex.</p> <p>Please note that several changes are pending subject to feedback from ICGN and ongoing internal review. These will be presented to the GSSB for review ahead of its meeting in April 2021. In addition, the GSSB is requested to review the Standards Division's research and proposals on annual total compensation ratio on pages 24-27.</p> <p>The public comments to this draft can be found here: <a href="https://www.globalreporting.org/media/s0bbizo2/item-05-public-comments-to-revisions-gri-102-in-the-universal-standards-exposure-draft.pdf">https://www.globalreporting.org/media/s0bbizo2/item-05-public-comments-to-revisions-gri-102-in-the-universal-standards-exposure-draft.pdf</a></p>



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# 1 Explanatory note

2 The following significant revisions below have been made in response to public comment feedback.  
3 Additional revisions made in response to public comment feedback are explained in comment boxes.  
4 Editorial revisions have been made to the text to improve clarity and consistency with the GRI Style  
5 Guide and are flagged in comment boxes.

## 6 Section 4. Governance

- 7 • Consolidated disclosures GOV-7 'Role of the highest governance body in setting purpose,  
8 values, and strategy' and GOV-10 'Identification and management of impacts' with GOV-4  
9 'Responsibilities for sustainable development', see lines 92-109, 336-360, 397-408 and 469-  
10 489.
- 11 • Moved requirements on delegation and internal resources into a separate disclosure to  
12 distinguish between responsibilities of the highest governance body for sustainable  
13 development and those existing in the rest of the organization, see lines 113-127 and 365-  
14 389.
- 15 • Replaced the term 'sustainable development topics' with 'impacts on the economy,  
16 environment, and people, including on their human rights' for consistency with the terminology  
17 used in the GRI Standards. A shorthand 'impacts on the economy, environment, and people'  
18 has been used in the formulations of disclosures, for conciseness and feasibility of  
19 translations.
- 20 • Revised sequence of disclosures to improve flow. Section starts with general disclosures on  
21 structure and composition, followed by provisions in relation to governance of sustainability,  
22 and ends with provisions on evaluation and performance.

23 In addition, Disclosure GOV-14 'Annual total compensation ratio' remains under development. The  
24 Standards Division has included a summary of research conducted in response to public comment  
25 feedback and proposals on how to address the feedback on pages 24-27.

26 **Revised GRI 102: About the**  
 27 **Organization**

28 **Table of contents**

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**Commented [SD1]:** Type of change: editorial revision.

Revised sequence of disclosures to improve flow. Section starts with general disclosures on structure and composition, followed by provisions in relation to governance of sustainability, and ends with provisions on evaluation and performance.

## Section 4. Governance

The disclosures in this section provide transparency on the governance structure, composition, roles, and remuneration. The information reported under these disclosures is important to ensure the accountability of governance bodies and senior executives with respect to sustainable development and the organization's impacts on the economy, environment, and people, including impacts on their human rights.

The *International Corporate Governance Network (ICGN) Global Governance Principles* set out expectations for organizations in relation to governance.

### Disclosure GOV-1 Governance structure and composition

#### Requirements

The organization shall:

- a. describe its governance structure, including committees of the highest governance body;
- b. list the committees of the highest governance body that are responsible for decision-making on and overseeing the management of impacts on the economy, environment, and people;
- c. describe the composition of the highest governance body and its committees by:
  - i. executive and non-executive members;
  - ii. independence;
  - iii. tenure of members on the governance body;
  - iv. number of other significant positions and commitments held by each member, and the nature of the commitments;
  - v. gender;
  - vi. representation of under-represented social groups;
  - vii. competencies relating to sustainable development that are relevant to the organization and the sector in which it operates;
  - viii. stakeholder representation.

#### Guidance

Placeholder text: See reference X in the [Bibliography section for more information on independence criteria for governance bodies](#).

**Commented [SD2]: Type of change:** editorial revision.

The term 'sustainable development topics' has been replaced with 'impacts on the economy, environment, and people, including on their human rights' for consistency with the terminology used in the GRI Standards. A shorthand 'impacts on the economy, environment, and people' has been used in the formulations of disclosures, for conciseness and feasibility of translations.

**Commented [SD3]: Revision pending feedback from ICGN:** expansion of diversity criteria either in the requirement or guidance.

Respondents to the public comment suggested to expand diversity criteria to age, disability, marriage and civil partnership, civil registration gender, race, religion or belief, sex and sexual orientation, geographical diversity.

**Commented [SD4]: Revision pending feedback from ICGN:** clarification of the term 'independence'.

**Commented [SD5]: Revision pending feedback from ICGN:** clarification of the term 'significant position'.

74 **Disclosure GOV-2 Nomination and selection of the**  
75 **highest governance body**

76 **Requirements**

77 The organization shall:

- 78 a. describe the nomination and selection processes for the highest governance  
79 body and its committees;
- 80 b. describe the criteria used for nominating and selecting highest governance body  
81 members, including whether and how the following are taken into consideration:
- 82 i. views of stakeholders (including shareholders);
- 83 ii. diversity;
- 84 iii. independence;
- 85 iv. expertise and experience relating to sustainable development.

86 **Disclosure GOV-3 Chair of the highest governance**  
87 **body**

88 **Requirements**

89 The organization shall:

- 90 a. report whether the chair of the highest governance body is also a senior  
91 executive in the organization;
- 92 b. if the chair is also a senior executive, explain their function within the  
93 organization's management, the reasons for this arrangement, and how conflicts  
94 of interest are managed.

95 **Disclosure GOV-4 Responsibilities for sustainable**  
96 **development**

97 **Requirements**

98 The organization shall:

- 99 a. describe the role of the highest governance body and of senior executives in  
100 developing, approving, and updating the organization's purpose, value or mission  
101 statements, strategies, policies, and goals related to sustainable development;
- 102 b. describe the role of the highest governance body in overseeing the organization's  
103 due diligence processes to identify and manage impacts on the economy,  
104 environment, and people, including:

**Commented [SD6]: Type of change:** editorial revision.

Moved requirements on delegation and internal resources into a separate disclosure to distinguish between responsibilities of the highest governance body and those existing in the rest of the organization. See lines 114-128.

**Commented [SD7]: Type of change:** revision following public comment feedback.

Deleted exposure draft requirement GOV-3-a 'describe the role and responsibilities of the highest governance body with regard to decision-making for sustainable development topics' based on duplication with the following disclosures:

- Disclosure GOV-10-a requires information on the role of the HGB to oversee processes to identify and manage impacts;
- Disclosure GOV-1-b in the exposure draft requires to report committees responsible for decision-making for sustainable development.

**Commented [SD8]: Type of change:** revision following public comment feedback.

Consolidated Disclosure GOV-7 'Role of the highest governance body in setting purpose, values, and strategy' under this disclosure in response to public feedback about duplication.

**Commented [SD9]: Type of change:** editorial revision.

Consolidated sub-clause to report on the role of the highest governance body to report on its role in due diligence processes directly with the formulation of requirement GOV-4-b. See lines 348-351.

**Commented [SD10]: Type of change:** revision following public comment feedback and editorial revisions.

Consolidated Disclosure GOV-10 'Identification and management of impacts' under this disclosure in response to public comment feedback about duplication.

- 105 i. the role of any committees of the highest governance body that have  
106 specific responsibilities in relation to these processes;
- 107 ii. how the highest governance body considers the outcomes of these  
108 processes;
- 109 c. describe the role of the highest governance body in reviewing the effectiveness of  
110 the organization's processes as described in GOV-4-b, and specify the frequency  
111 of this review.

## 112 Guidance

113 See references 13, 15, 17, and 18 in the [Bibliography section](#).

## 114 Disclosure GOV-5 Delegation of responsibility for 115 managing impacts

### 116 Requirements

117 The organization shall:

- 118 a. describe how the highest governance body delegates responsibility for the  
119 management of impacts on the economy, environment, and people, including:
- 120 i. whether it has appointed any senior executives with responsibility for the  
121 management of impacts;
- 122 ii. whether it has delegated responsibility for the management of impacts to  
123 other employees;
- 124 b. describe the process and frequency for senior executives or other employees to  
125 report back to the highest governance body on the management of impacts on  
126 the economy, environment, and people;
- 127 c. describe the internal resources that the organization has allocated for managing  
128 impacts on the economy, environment, and people.

## 129 Disclosure GOV-6 Role of the highest governance 130 body in sustainability reporting

### 131 Requirements

132 The organization shall:

- 133 a. report the committee of the highest governance body or the senior executive  
134 position that reviews and approves the organization's sustainability reporting and  
135 ensures that the organization reports on its material topics.

Commented [SD11]: Type of change: editorial revision.

Moved requirements on delegation and internal resources into a separate disclosure to distinguish between responsibilities of the highest governance body and those existing in the rest of the organization.

Revised formulations for clarity.

136 **Disclosure GOV-7 Stakeholder consultation with the**  
137 **highest governance body**

138 **Requirements**

139 The organization shall:

- 140 a. describe the processes and frequency for consultation between stakeholders and  
141 the highest governance body in relation to the organization's impacts on the  
142 economy, environment, and people;
- 143 b. if responsibility for stakeholder consultation is delegated, report to whom it is  
144 delegated, and how the feedback received is provided to the highest governance  
145 body.

146 **Disclosure GOV-8 Conflicts of interest**

147 **Requirements**

148 The organization shall:

- 149 a. describe the processes for the highest governance body to ensure that conflicts  
150 of interest are avoided and managed;
- 151 b. report whether conflicts of interest are disclosed to stakeholders, including, as a  
152 minimum, the following conflicts of interest:
- 153 i. **Cross-board membership;**
  - 154 ii. **Cross-shareholding with suppliers and other stakeholders;**
  - 155 iii. **Existence of controlling shareholder;**
  - 156 iv. **Related parties, their relationships, transactions, and outstanding balances.**

**Commented [SD12]:** Revision pending feedback from ICGN: whether disclosure of conflicts of interest themselves is necessary or only of the process how they are disclosed to stakeholders.

**Commented [SD13]:** Revision pending feedback from ICGN: clarification of 'related parties'.

157 **Guidance**

158 See reference 13 in the [Bibliography section](#).

159 **Guidance to GOV-8-b-iii**

160 The organization should use the definition of controlling shareholder applied in the  
161 organization's consolidated financial statements or equivalent documents.

**Commented [SD14]:** Revision pending feedback from ICGN: inclusion of this disclosure given duplication with other disclosures in the GRI Standards that cover communication and resolution processes of concerns related to:

162 **Disclosure GOV-9 Communication of critical**  
163 **concerns**

164 **Requirements**

165 The organization shall:

- anti-corruption ([GRI 205: Anti-corruption 2016](#));
- tax ([GRI 207: Tax 2019](#));
- due diligence and conduct ([RBC-5 Mechanisms for seeking advice and raising concerns](#) and [RBC-4 Grievance mechanisms and other remediation processes](#));
- impacts ([MT-1 Identification of material topics and related impacts](#)).

- 166 a. describe the processes for communicating critical concerns to the highest  
167 governance body;
- 168 b. report the total number and the nature of critical concerns that were  
169 communicated to the highest governance body during the reporting period;
- 170 c. describe the mechanisms used to address and resolve critical concerns.

## 171 **Guidance**

172 Critical concerns include concerns about the organization's impacts that are raised by  
173 stakeholders through grievance mechanisms. They also include concerns about responsible  
174 business conduct in the operations of the organization and its business relationships, which  
175 are identified through other mechanisms that the organization has set up for individuals to  
176 seek advice and raise concerns. See the [Guidance sections in RBC-4 and RBC-5](#) for more  
177 information.

## 178 **Disclosure GOV-10 Collective knowledge of the** 179 **highest governance body**

### 180 **Requirements**

181 The organization shall:

- 182 a. report measures taken to advance the collective knowledge, skills, and  
183 experience of the highest governance body on sustainable development.

## 184 **Disclosure GOV-11 Evaluation of the performance of** 185 **the highest governance body**

### 186 **Requirements**

187 The organization shall:

- 188 a. describe the processes for evaluating the performance of the highest governance  
189 body in relation to the governance of impacts on the economy, environment, and  
190 people;
- 191 b. report whether the evaluation is independent or not, and the frequency of the  
192 evaluations;
- 193 c. describe actions taken in response to the evaluation, such as changes to the  
194 composition of the highest governance body and organizational practices.

## 195 **Disclosure GOV-12 Remuneration policies**

### 196 **Requirements**

197 The organization shall:

198 a. describe the remuneration policies for members of the highest governance body  
199 and senior executives, including:

200 i. fixed pay and variable pay;

201 ii. sign-on bonuses or recruitment incentive payments;

202 iii. termination payments;

203 iv. clawbacks;

204 v. retirement benefits;

205 b. describe how the remuneration policies for members of the highest governance  
206 body and senior executives relate to their objectives and performance in relation  
207 to overseeing impacts on the economy, environment, and people.

## 208 Guidance

### 209 *Guidance to GOV-12-a*

210 Fixed pay and variable pay can include performance-based pay, equity-based pay, bonuses,  
211 and deferred and vested shares.

212 Termination payments are all payments and benefits given to a departing senior executive or  
213 member of the highest governance body whose appointment is terminated. Termination  
214 payments extend beyond monetary payments, from transferring property to automatic or  
215 accelerated vesting of incentives.

216 Clawbacks are a repayment of previously received compensation that a senior  
217 executive or highest governance body member is required to make to their employer in the  
218 event that certain conditions of employment or goals are not met.

219 If the organization uses performance-based pay, it should describe how remuneration for  
220 senior executives is designed to reward long-term performance.

221 If the organization uses termination payments, it should explain whether:

- 222 • notice periods for highest governance body members and senior executives are  
223 different from those for other employees;
- 224 • termination payments for highest governance body members and senior executives  
225 are different from those for other employees;
- 226 • whether departing highest governance body members and senior executives receive  
227 payments other than those related to the notice period;
- 228 • whether any mitigation clauses are included in the termination arrangements.

229 The organization should report the differences between the retirement benefit schemes and  
230 the contribution rates for the highest governance body members, senior executives, as  
231 compared to other employees.

## 232 Disclosure GOV-13 Process for determining 233 remuneration

### 234 Requirements

235 **The organization shall:**

- 236 a. describe the process for designing its remuneration policies and for determining  
237 remuneration;
- 238 b. report whether independent highest governance body members or an  
239 independent remuneration committee oversees the process for determining  
240 remuneration;
- 241 c. describe how the views of stakeholders (including shareholders) regarding  
242 remuneration are sought and taken into consideration;
- 243 d. report the results of votes on remuneration policies and proposals, if applicable;
- 244 e. report whether remuneration consultants are involved in determining  
245 remuneration and, if so, report any relationships between the remuneration  
246 consultants and the organization, its highest governance body, or senior  
247 executives.

Commented [SD15]: Revision pending feedback from ICGN: clarification of 'relationships with remuneration consultants'.

## 248 **Disclosure GOV-14 Annual total compensation ratio**

Commented [SD16]: Revision pending feedback from ICGN: methodology for reporting annual total compensation ratio.

### 249 **Requirements**

250 **The organization shall:**

- 251 a. report the ratio of the annual total compensation for the organization's highest-  
252 paid individual in each country of significant operations to the median annual  
253 total compensation for all employees (excluding the highest-paid individual) in  
254 the same country;
- 255 b. report the ratio of the percentage increase in annual total compensation for the  
256 organization's highest-paid individual in each country of significant operations to  
257 the median percentage increase in annual total compensation for all employees  
258 (excluding the highest-paid individual) in the same country.

### 259 **Guidance**

#### 260 **Guidance to GOV-14**

261 Annual total compensation includes salary, bonus, stock awards, option awards, non-equity  
262 incentive plan compensation, change in pension value, and nonqualified deferred  
263 compensation earnings provided over the course of a year.

264 When calculating the ratios, the organization should:

- 265 • for each country of significant operations:
- 266 – list types of compensation included;
  - 267 – specify whether full-time and part-time employees are included;
  - 268 – specify whether full-time equivalent pay rates are used for each part-time  
269 employee;
- 270 • depending on the organization's remuneration policies and availability of data,  
271 consider all of the following:

- 272 (i) base salary, which is the sum of guaranteed, short-term, and non-variable cash  
273 compensation;
- 274 (ii) total cash compensation, which is the sum of the base salary and cash  
275 allowances, bonuses, commissions, cash profit-sharing, and other forms of  
276 variable cash payments;
- 277 (iii) direct compensation, which is the sum of total cash compensation and total fair  
278 value of all annual long-term incentives, such as stock option awards, restricted  
279 stock shares or units, performance stock shares or units, phantom stock shares,  
280 stock appreciation rights, and long-term cash awards.

281 **Annex 1. Revisions with track**  
282 **changes**

283 **Section 4. Governance**

284 ~~The disclosures in this section provide T~~ransparency on the governance structure,  
285 composition, roles, and remuneration. ~~The information reported under these disclosures~~ is  
286 important to ensure the accountability of ~~the relevant governance~~ bodies and ~~individuals~~  
287 ~~senior executives~~ with respect to ~~the organization's contribution to~~ sustainable development  
288 ~~and the organization's impacts on the economy, environment, and people, including impacts~~  
289 ~~on their human rights.~~

290 ~~The International Corporate Governance Network (ICGN) Global Governance Principles set~~  
291 ~~out expectations for organizations in relation to governance.~~

292 ~~In the disclosures in this section the term 'sustainable development topics' refers to topics~~  
293 ~~that reflect the organization's impacts on the economy, environment, and people, including~~  
294 ~~impacts on human rights.~~

295 **Disclosure GOV-1 Governance structure and**  
296 **composition**

297 **Requirements**

298 The organization shall:

- 299 a. describe its governance structure, including committees of the highest  
300 governance body;
- 301 b. ~~report-list~~ the committees of the highest governance body that are responsible for  
302 decision-making on and overseeing the management of ~~sustainable development~~  
303 ~~topics~~impacts on the economy, environment, and people, including on human  
304 rights;
- 305 c. describe the composition of the highest governance body and its committees by:
- 306 i. executive and non-executive members;
- 307 ii. independence;
- 308 iii. tenure of members on the governance body;
- 309 iv. number of each member's other significant positions and commitments  
310 held by each member, and the nature of the commitments;
- 311 v. gender;
- 312 vi. membership representation of under-represented social groups;

**Commented [SD17]:** Type of change: editorial revision.

The term 'sustainable development topics' has been replaced with 'impacts on the economy, environment, and people, including on their human rights' for consistency with the terminology used in the GRI Standards. A shorthand 'impacts on the economy, environment, and people' has been used in the formulations of disclosures, for conciseness and feasibility of translations.

**Commented [SD18]:** Revision pending feedback from ICGN: expansion of diversity criteria either in the requirement or guidance.

Respondents to the public comment suggested to expand diversity criteria to age, disability, marriage and civil partnership, civil registration gender, race, religion or belief, sex and sexual orientation, geographical diversity.

**Commented [SD19]:** Revision pending feedback from ICGN: clarification of the term 'independence'.

**Commented [SD20]:** Revision pending feedback from ICGN: clarification of the term 'significant position'.

- 313 vii. competencies relating to sustainable development ~~topics~~ that are relevant  
314 to the organization and the sector in which it operates;
- 315 viii. stakeholder representation.

## 316 Disclosure GOV-2 Nomination and selection of the 317 highest governance body

### 318 Requirements

319 The organization shall:

- 320 a. describe the nomination and selection processes for the highest governance  
321 body and its committees;
- 322 b. describe the criteria used for nominating and selecting highest governance body  
323 members, including whether and how the following are taken into consideration:
- 324 i. views of stakeholders (including shareholders) ~~are involved~~;
- 325 ii. diversity ~~is considered~~;
- 326 iii. independence ~~is considered~~;
- 327 iv. expertise and experience relating to sustainable development ~~topics are~~  
328 ~~considered~~.

## 329 Disclosure GOV-~~53~~ Chair of the highest governance 330 body

### 331 Requirements

332 The organization shall:

- 333 a. report whether the chair of the highest governance body is also a senior  
334 executive in the organization;
- 335 b. if the chair is also a senior executive, explain their function within the  
336 organization's management, the reasons for this arrangement, and how ~~any~~  
337 conflicts of interest are managed.

## 338 Disclosure GOV-~~43~~ Responsibilities for sustainable 339 development ~~topics and delegation~~

### 340 Requirements

341 The organization shall:

Commented [SD21]: Type of change: editorial revision.

Moved requirements on delegation and internal resources into a separate disclosure to distinguish between responsibilities of the highest governance body and those existing in the rest of the organization. See lines 366-390.

342 a. describe the role of the highest governance body and of senior executives in the  
343 developing, approving, and updating of the organization's purpose, value  
344 or mission statements, strategies, policies, and goals related to sustainable  
345 development;

346 a. describe the role and responsibilities of the highest governance body with regard  
347 to decision-making for sustainable development topics;

348 b. describe the role of the highest governance body in overseeing the organization's  
349 due diligence processes to identify and manage impacts on the economy,  
350 environment, and people, including on human rights, including:

351 i. the role of the highest governance body in due diligence processes;

352 ii. the role of any committees of the highest governance body with that have  
353 specific responsibilities in relation to these processes;

354 iii. how the highest governance body considers and reviews the outcomes of  
355 these processes;

356 c. report whether stakeholder consultation is used to support the role of the highest  
357 governance body as described in GOV-4-b-a;

358 d. specify the frequency of reporting to the highest governance body on the  
359 organization's processes as described in GOV-4-b;

360 e. describe the role of the highest governance body in reviewing the effectiveness of  
361 the organization's processes as described in GOV-4-b, and specify the frequency  
362 of this review.

## 363 Guidance

### 364 Background

365 See references 13, 15, 17, and 18 in the Bibliography references section.

## 366 Disclosure GOV-5 Delegation of responsibility and 367 internal resources for managing impacts for 368 sustainable development

### 369 Requirements

370 The organization shall:

371 a. describe how the highest governance body delegates ~~report whether the~~  
372 ~~organization it has appointed any senior executives with responsibility for~~  
373 ~~sustainable development topics~~ the management of impacts on the economy,  
374 ~~environment, and people, including on human rights, including;~~

375 i. whether it has appointed any senior executives with responsibility for the  
376 management of impacts;

**Commented [SD22]: Type of change:** revision following public comment feedback.

Consolidated Disclosure GOV-7 'Role of the highest governance body in setting purpose, values, and strategy' under this disclosure in response to public feedback about duplication.

**Commented [SD23]: Type of change:** revision following public comment feedback.

Deleted based on duplication with the following disclosures:

- Disclosure GOV-10-a requires information on the role of the HGB to oversee processes to identify and manage impacts;
- Disclosure GOV-1-b in the exposure draft requires to report committees responsible for decision-making for sustainable development.

**Commented [SD24]: Type of change:** revision following public comment feedback and editorial revisions.

Consolidated Disclosure GOV-10 'Identification and management of impacts' under this disclosure in response to public comment feedback about duplication.

**Commented [SD25]: Type of change:** editorial revision.

Consolidated under requirement GOV-4-b, see lines 102-108.

**Commented [SD26]: Type of change:** editorial revision.

Deleted as repetitive of Disclosure GOV-7, see lines 399-410.

**Commented [SD27]: Type of change:** editorial revision.

Deleted as repetitive of Disclosure GOV-5-d, see lines 388-390.

**Commented [SD28]: Type of change:** editorial revision.

Moved requirements on delegation and internal resources into a separate disclosure to distinguish between responsibilities of the highest governance body and those existing in the rest of the organization.

Revised formulations for clarity.

377 i.ii. whether it has delegated responsibility for the management of impacts to  
378 other employees;

379 b. describe the process and frequency for senior executives or other employees to  
380 report back for reporting to the highest governance body on the management of  
381 impacts on the economy, environment, and people;

382 a. describe how management of sustainable development topics impacts is  
383 delegated from the highest governance body to senior executives and other  
384 employees;

385 b.c. describe the internal resources that the organization has allocated for  
386 managing sustainable development topics impacts on the economy, environment,  
387 and people, including on human rights;

388 —describe the process and specify the frequency for reporting to the highest  
389 governance body on sustainable development topics impacts on the economy,  
390 environment, and people, including on human rights.

Commented [SD29]: Revision pending feedback from ICGN: clarification of 'internal resources'.

## 391 Disclosure GOV-56 Role of the highest governance 392 body in sustainability reporting

### 393 Requirements

394 The organization shall:

- 395 a. report the committee of the highest governance body or the senior executive  
396 position that formally reviews and approves the organization's sustainability  
397 reporting and ensures that the organization reports on all identified its material  
398 topics.

## 399 Disclosure GOV-76 Stakeholder consultation on 400 sustainable development topics with the highest 401 governance body

### 402 Requirements

403 The organization shall:

- 404 a. describe the processes and frequency for consultation between stakeholders and  
405 the highest governance body on sustainable development topics with regard in  
406 relation to the organization's impacts on the economy, environment, and people,  
407 including on human rights;
- 408 b. if responsibility for stakeholder consultation is delegated, report to whom it is  
409 delegated, and how the feedback received is provided to the highest governance  
410 body.

## 411 Disclosure GOV-68 Conflicts of interest

### 412 Requirements

413 The organization shall:

- 414 a. describe the processes for the highest governance body to ensure that conflicts  
415 of interest are avoided and managed;
- 416 b. report whether conflicts of interest are disclosed to stakeholders, including, ~~at a~~  
417 minimum, the following conflicts of interest:
- 418 i. Cross-board membership;
  - 419 ii. Cross-shareholding with suppliers and other stakeholders;
  - 420 iii. Existence of controlling shareholder;
  - 421 iv. Related parties, their relationships, transactions, and outstanding balances.

Commented [SD30]: Revision pending feedback from ICGN: whether disclosure of conflicts of interest themselves is necessary or only of the process how they are disclosed to stakeholders.

Commented [SD31]: Revision pending feedback from ICGN: clarification of 'related parties'.

### 422 Guidance

#### 423 Background

424 See reference 13 in the Bibliography references section.

#### 425 Guidance to GOV-68-b-iii

426 The organization should use the definition of controlling shareholder applied in the  
427 organization's consolidated financial statements or equivalent documents.

## 428 Disclosure GOV-912 Communication of critical 429 concerns

### 430 Requirements

431 The organization shall:

- 432 a. describe the processes for communicating critical concerns with regard to  
433 sustainable development topics to the highest governance body;
- 434 b. report the total number and the nature of critical concerns that were  
435 communicated to the highest governance body during the reporting period;
- 436 c. describe the mechanisms used to address and resolve critical concerns.

Commented [SD32]: Revision pending feedback from ICGN: inclusion of this disclosure given duplication with other disclosures in the GRI Standards that cover communication and resolution processes of concerns related to:

- anti-corruption (GRI 205: Anti-corruption 2016);
- tax (GRI 207: Tax 2019);
- due diligence and conduct (RBC-5 Mechanisms for seeking advice and raising concerns and RBC-4 Grievance mechanisms and other remediation processes);
- impacts (MT-1 Identification of material topics and related impacts).

### 437 Guidance

438 Critical concerns include concerns about the organization's impacts that are raised by  
439 stakeholders through grievance mechanisms. They also include concerns about responsible  
440 business conduct in the operations of the organization and its business relationships, which  
441 are identified through other mechanisms that the organization has set up for individuals to  
442 seek advice and raise concerns. See the Guidance sections in RBC-4 and RBC-5 for more  
443 information.

444 **Disclosure GOV-7 Role of the highest governance**  
445 **body in setting purpose, values, and strategy**

446 **Requirements**

447 ~~The organization shall:~~

- 448 ~~a. describe the role of the highest governance body and of senior executives in the~~  
449 ~~development, approval, and updating of the organization's purpose, value or~~  
450 ~~mission statements, strategies, policies, and goals related to sustainable~~  
451 ~~development topics.~~

452 **Disclosure GOV-108 Collective knowledge of the**  
453 **highest governance body**

454 **Requirements**

455 The organization shall:

- 456 a. report measures taken to develop-advance the collective knowledge, skills, and  
457 experience of the highest governance body on sustainable development ~~topics~~.

458 **Disclosure GOV-911 Evaluation of the performance**  
459 **of the highest governance body**

460 **Requirements**

461 The organization shall:

- 462 a. describe the processes for evaluating the performance of the highest governance  
463 body with respect in relation to the governance of sustainable development  
464 topics impacts on the economy, environment, and people, including on human  
465 rights;
- 466 b. report whether the evaluation is independent or not, and the frequency of the  
467 evaluations;
- 468 c. describe actions taken in response to the evaluation, such as any including, as a  
469 minimum, changes to in membership the composition of the highest governance  
470 body and organizational practices.

Commented [SD33]: Type of change: revision following public comment feedback.

Consolidated with GOV-4 'Responsibilities for sustainable development' in response to public comment feedback about duplication.

471 **Disclosure GOV-10 Identification and management**  
472 **of impacts**

473 **Requirements**

474 **The organization shall:**

- 475 **a. describe the role of the highest governance body in overseeing the organization's**  
476 **processes to identify and manage sustainable development topics and their**  
477 **related impacts, including:**  
478  
479 **i. the role of the highest governance body in due diligence processes;**  
480 **ii. the role of any committees of the highest governance body with specific**  
481 **responsibilities for these processes;**  
482 **iii. how the highest governance body considers and reviews the outcomes**  
483 **of these processes;**  
484  
485 **b. report whether stakeholder consultation is used to support the role of the highest**  
486 **governance body as described in GOV-10 a;**  
487 **c. specify the frequency of reporting to the highest governance body on the**  
488 **organization's processes as described in GOV-10 a;**  
489 **d. describe the role of the highest governance body in reviewing the effectiveness of**  
490 **the organization's processes as described in GOV-10 a, and specify the frequency**  
491 **of this review.**

492 **Guidance**

493 *Background*

494 **See references 13, 15, 17, and 18 in the References section.**

495 **Disclosure GOV-11 Role of the highest governance**  
496 **body in sustainability reporting**

497 **Requirements**

498 **The organization shall:**

- 499 **a. report the committee of the highest governance body or senior executive**  
500 **position that formally reviews and approves the organization's sustainability**  
501 **reporting and ensures that the organization reports all identified material**  
502 **topics.**

503 **Guidance**

504 *Guidance to GOV-11*

505 **The organization is also required to include in its sustainability reporting a statement by the**  
506 **highest governance body or most senior executive position acknowledging their**

**Commented [SD34]:** Type of change: revision following public comment feedback.

Consolidated with GOV-4 'Responsibilities for sustainable development' in response to public comment feedback about duplication.

**Commented [SD35]:** Type of change: editorial revision (moved disclosure).

responsibility that the reported information has been prepared in accordance with the GRI Standards or with reference to the GRI Standards, depending on the case. See Sections 3.1 and 3.2 of GRI 101: Using the GRI Standards.

## Disclosure GOV-12 Communication of critical concerns

### Requirements

The organization shall:

- a. describe the processes for communicating critical concerns with regard to sustainable development topics to the highest governance body;
- b. report the total number and nature of critical concerns that were communicated to the highest governance body during the reporting period;
- c. describe the mechanisms used to address and resolve critical concerns.

## Disclosure GOV-13<sup>2</sup> Remuneration policies

### Requirements

The organization shall:

- a. describe the remuneration policies for members of the highest governance body ~~members~~ and senior executives, including:
  - i. fixed pay and variable pay, ~~such as performance-based pay, equity-based pay, bonuses, and deferred and vested shares~~;
  - ii. sign-on bonuses or recruitment incentive payments;
  - iii. termination payments;
  - iv. clawbacks;
  - v. retirement benefits, ~~such as the difference between benefit schemes and contribution rates for the highest governance body members, senior executives, and all other employees~~;
- b. describe how ~~performance criteria in~~ the remuneration policies for members of the highest governance body ~~members~~ and senior executives relate to their objectives and performance in relation to for governance and management of overseeing impacts on the economy, environment, and people, including on human rights ~~sustainable development topics~~.

### Guidance

~~Background~~

~~Guidance to GOV-12<sup>3</sup>~~

Commented [SD36]: Type of change: editorial revision (moved disclosure).

Commented [SD37]: Type of change: editorial revision (moved to guidance), see lines 551-552.

Commented [SD38]: Type of change: editorial revision (moved to guidance), see lines 571-581.

540 ~~If the organization uses performance-related pay, it should describe how remuneration for~~  
541 ~~senior executives is designed to reward long-term performance.~~

542 ~~If the organization uses termination payments, it should explain whether:~~

- 543 • ~~notice periods for highest governance body members and senior executives are~~  
544 ~~different from those for other employees;~~
- 545 • ~~termination payments for highest governance body members and senior executives~~  
546 ~~are different from those for other employees;~~
- 547 • ~~any payments other than those related to the notice period are paid to departing~~  
548 ~~highest governance body members and senior executives;~~  
549 ~~— any mitigation clauses are included in the termination arrangements.~~

550 **Guidance to GOV-12-a**

551 ~~Fixed pay and variable pay can include performance-based pay, equity-based pay, bonuses,~~  
552 ~~and deferred and vested shares.~~

553 ~~If the organization uses performance-related pay, it should describe how remuneration for~~  
554 ~~senior executives is designed to reward long-term performance.~~

555 ~~Retirement benefits can include the difference between benefit schemes and contribution~~  
556 ~~rates for the highest governance body members, senior executives, and all other employees.~~

557 ~~Termination payments are all payments and benefits given to a departing senior executive or~~  
558 ~~member of the highest governance body whose appointment is terminated. Termination~~  
559 ~~payments extend beyond monetary payments, from transferring property to automatic or~~  
560 ~~accelerated vesting of incentives.~~

561 ~~Clawbacks are a repayment of previously received compensation that required to be made~~  
562 ~~by a senior executive or member of the highest governance body member is required to~~  
563 ~~make to their employer in the event that certain conditions of employment or goals are not~~  
564 ~~met.~~

565 ~~If the organization uses performance-related based pay, it should describe how remuneration~~  
566 ~~for senior executives is designed to reward long-term performance.~~

567 ~~If the organization uses termination payments, it should explain whether:~~

- 568 • ~~notice periods for highest governance body members and senior executives are~~  
569 ~~different from those for other employees;~~
- 570 • ~~termination payments for highest governance body members and senior executives~~  
571 ~~are different from those for other employees;~~
- 572 • ~~whether departing highest governance body members and senior executives receive~~  
573 ~~payments other than those related to the notice period;~~
- 574 • ~~whether any mitigation clauses are included in the termination arrangements.~~

575  
576 ~~Clawbacks are a repayment of previously received compensation required to be made by~~  
577 ~~a senior executive or member of the highest governance body to their employer in the event~~  
578 ~~certain conditions of employment or goals are not met. The organization should report the~~  
579 ~~differences. Retirement benefits can include the difference between the retirement benefit~~  
580 ~~schemes and benefit schemes and the contribution rates for the highest governance body~~  
581 ~~members, senior executives, as compared to and all other employees.~~

582 **Disclosure GOV-143** Process for determining  
583 remuneration

584 **Requirements**

585 The organization shall:

- 586 a. describe ~~the~~ process for [designing its remuneration policies and for](#)  
587 [determining remuneration](#) ~~and for determining, including its remuneration~~  
588 [policies](#);
- 589 b. report whether independent ~~members of the highest governance body~~ [members](#)  
590 or an independent remuneration committee oversees the [process for determining](#)  
591 [remuneration](#) ~~process~~;
- 592 c. describe how the views of [stakeholders](#) (including shareholders) regarding  
593 remuneration are sought and taken into ~~account~~ [consideration](#);
- 594 d. report the results of votes on remuneration policies and proposals, if applicable;
- 595 e. report whether remuneration consultants are involved in determining  
596 remuneration and, if so, report any relationships ~~between the~~ [that the](#)  
597 remuneration consultants ~~have with~~ [and](#) the organization, its highest governance  
598 body, or [senior executives](#).

Commented [SD39]: Revision pending feedback from ICGN: clarification of 'relationships with remuneration consultants'.

599 **Disclosure GOV-154** Annual total compensation  
600 ratio

601 **Requirements**

602 The organization shall:

- 603 a. report the ratio of the annual total compensation for the organization's highest-  
604 paid individual in each country of significant operations to the median annual  
605 total compensation for all [employees](#) (excluding the highest-paid individual) in  
606 the same country;
- 607 b. report the ratio of the percentage increase in annual total compensation for the  
608 organization's highest-paid individual in each country of significant operations to  
609 the median percentage increase in annual total compensation for all employees  
610 (excluding the highest-paid individual) in the same country.

Commented [SD40]: Revision pending feedback from ICGN and further internal discussion: methodology for reporting annual total compensation ratio.

Please see research on pages 24-27.

611 **Guidance**

612 **Guidance to GOV-145**

613 [Annual total compensation includes salary, bonus, stock awards, option awards, non-equity](#)  
614 [incentive plan compensation, change in pension value, and nonqualified deferred](#)  
615 [compensation earnings provided over the course of a year.](#)

616 When calculating the ratios, the organization should:

- 617 • for each country of significant operations:

- 618 – list types of compensation included;
- 619 – specify whether full-time and part-time employees are included;
- 620 – specify whether full-time equivalent pay rates are used for each part-time
- 621 employee;
- 622 • depending on the organization’s remuneration policies and availability of data,
- 623 consider all of the following ~~components~~:
- 624 (iv) ~~the~~ base salary, which is the sum of guaranteed, short-term, and non-variable
- 625 cash compensation;
- 626 (v) total cash compensation, which is the sum of ~~(i)~~ the base salary and, together
- 627 with cash allowances, bonuses, commissions, cash profit-sharing, and other
- 628 forms of variable cash payments;
- 629 (vi) direct compensation, which is the sum of ~~(ii)~~ total cash compensation and,
- 630 together with total fair value of all annual long-term incentives, such as stock
- 631 option awards, restricted stock shares or units, performance stock shares or
- 632 units, phantom stock shares, stock appreciation rights, and long-term cash
- 633 awards.

634 **Annex 2. Research on annual total**  
635 **compensation ratio**

636 19 respondents made comments on Disclosure GOV-15 'Annual total compensation ratio'.  
637 Respondents have raised concerns around feasibility of reporting the information, its meaningfulness  
638 and relevance to sustainable development, clarity, and made alternative proposals.

639 **Eight respondents commented on feasibility; they argued that reporting this information is:**

- 640 • Subject to confidentiality or security concerns;
- 641 • Not feasible for every country of significant operation, especially for MNEs;
- 642 • Not feasible for SMEs;
- 643 • Not feasible due to absence of properly integrated HR systems.

644 **Eight respondents commented on the meaningfulness; they argued that this information:**

- 645 • Is subject to limitations and does not provide an indication of unfair or inequitable  
646 compensation. Consider situations, when:
  - 647 ○ A CEO oversees operations of multiple countries but is based in one country;
  - 648 ○ Companies due to the nature of work in their sector are set up to employ senior  
649 manager staff with a number of low skilled staff leading to large salary differentiations  
650 (e.g., airport 'outposts' or banks);
- 651 • Limits cross-sectoral comparability due to variability in the employer base;
- 652 • Disclosure GOV-15-b (ratio of the percentage of increase) is not relevant if ratio of total  
653 annual compensation is disclosed.

654 **Two respondents commented on the clarity; they submitted that:**

- 655 • The term 'significant operations' is unclear;
- 656 • It is unclear whether to report a 'lump sum' amount when reporting compensation.

657 **Seven respondents made alternative proposals; they suggested to require to report:**

- 658 • Gender pay parity for various levels of management roles;
- 659 • Comparison of CEO's compensation to average employee's compensation;
- 660 • Comparison of CEO's compensation to the average median income of the country in which  
661 the CEO is resident;
- 662 • Changes in the ratio compared to the previous year, the rationale for changes, and any  
663 observations on how this ratio compares with peer organizations in the same industry;
- 664 • Require disclosure of actual salary with USD conversion applied to highlight regional  
665 compensation disparages within the same organization;
- 666 • Equal pay for equal work.

668 **Standards Division's assessment:**

- 669 1) Feasibility concerns related to confidentiality are now addressed with the decision to permit  
670 reasons for omission for GRI 102;
- 671 2) Please review the research on remuneration practice and its conclusions below.

672 Table 1 presents an overview of requirements to report on remuneration in other instruments.

673 Table 1. Overview of requirements in other instruments

Source	Requirement	Highest paid individual	Median or mean
US SEC <sup>1</sup>	One ratio, covering all global operations	PEO (Principal Executive Officer)	Median
UK Gov <sup>2</sup>	One ratio, covering UK operations	Chief Executive Officer	Median
DJSI <sup>3,4</sup>	One ratio, covering all global operations	Chief Executive Officer	Median (preferred) or mean
Workforce Disclosure Initiative <sup>5</sup>	One ratio for HQ, global and/or individual country level	Chief Executive Officer	Median
CWC Guidelines <sup>6</sup>	Unclear	Chief Executive Officer	Median

674 Table 2 presents an overview of current remuneration reporting practice from a sample of eight  
675 companies with global operations.

676 Table 2. Reporting practice

Company	# ratios provided	Global vs country ratios	Calculation method	Calculation explanation provided
Coca Cola European Partners <sup>7</sup>	1	- Europe	Undisclosed	CEO to employee pay ratio
Nestle <sup>8</sup>	1	- Global	Average (although they use the term median)	We have provided the ratio of the annual total compensation for the company's highest paid individual and the median annual compensation for all employees globally. Median is an estimate based on 2019 Company total worldwide salaries and welfare expenses of CHF 15 794 million and average number of 291 000 employees. [Omission provided in the content index: We have not provided a country-level breakdown as that is outside the scope of our global report.]

<sup>1</sup> <https://www.law.cornell.edu/cfr/text/17/229.402>; <https://www.sec.gov/corpfin/announcement/guidance-calculation-pay-ratio-disclosure>

<sup>2</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/755002/The\\_Companies\\_Miscellaneous\\_Reporting\\_Regulations\\_2018\\_QA\\_-\\_Publication\\_Version\\_2\\_-\\_1\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/755002/The_Companies_Miscellaneous_Reporting_Regulations_2018_QA_-_Publication_Version_2_-_1_.pdf)

<sup>3</sup> [https://portal.csa.spglobal.com/survey/documents/SAM\\_CSA\\_2020\\_Sample\\_Questionnaire\\_BNK.pdf](https://portal.csa.spglobal.com/survey/documents/SAM_CSA_2020_Sample_Questionnaire_BNK.pdf)

<sup>4</sup> [https://portal.csa.spglobal.com/survey/documents/SAM\\_CSA\\_Companion.pdf](https://portal.csa.spglobal.com/survey/documents/SAM_CSA_Companion.pdf)

<sup>5</sup> <https://shareaction.org/wp-content/uploads/2019/07/2019-WDI-Survey-Guidance.pdf>

<sup>6</sup> [https://www.workerscapital.org/IMG/pdf/cwc\\_guidelines-workers\\_human\\_rights\\_and\\_labour\\_standards\\_final\\_may17.pdf](https://www.workerscapital.org/IMG/pdf/cwc_guidelines-workers_human_rights_and_labour_standards_final_may17.pdf)

<sup>7</sup> <https://www.cocacolaep.com/assets/Sustainability/Documents/72426dd859/2018-Corporate-Data-Tables.pdf>

<sup>8</sup> <https://www.nestle.com/sites/default/files/2020-03/creating-shared-value-nestle-gri-content-index-2019.pdf>

Company	# ratios provided	Global vs country ratios	Calculation method	Calculation explanation provided
Heineken <sup>9</sup>	1	- Global	Average	These ratios are obtained by dividing the 2019 total remuneration for the CEO and CFO by the 2019 average total remuneration of all other employees worldwide.
Philips <sup>10</sup>	1	- Global	Average	The ratio between the annual total compensation for the CEO and the average annual total compensation for an employee (for all employees globally). Based on Employee benefit expenses (EUR 6.3 billion) divided by the average number of employees (72,228 FTE) as reported in the Income from operations. This results in an average annual total compensation cost of EUR 87,321 per employee.
DSM <sup>11</sup>	2	- Netherlands - Global	Average	The ratio of total remuneration, including annual base salary, Short-Term Incentive, Long-Term Incentive and other benefits such as pension (as reported in this Integrated Annual Report) versus the average of total global employee (i.e. including Dutch) remuneration is for the CEO 40:1 (2017: 32:1).
Storaenso <sup>12</sup>	6	- One for each country - No global ratio	Median	The ratio shows how many times larger the highest individual annual total compensation, including incentives, is compared to median compensation.
Hudbay <sup>13</sup>	4	- One for each country - No global ratio	Average	Ratio of annual compensation of highest paid individual to mean total compensation (includes all full-time employees and Peru contract employees).
Naturgy <sup>14</sup>	12	- One for each country - No global ratio	Average	Relationship between the total annual remuneration of the best paid person of the organization in each country where significant operations are carried out with the average annual total remuneration of the entire staff (without counting the best paid person) of the corresponding country.

<sup>9</sup> <https://www.theheinekencompany.com/sites/theheinekencompany/files/Investors/financial-information/results-reports-presentations/heineken-nv-hnv-2019-annual-report.pdf>

<sup>10</sup> <https://www.results.philips.com/publications/ar19/downloads/pdf/en/PhilipsFullAnnualReport2019-English.pdf>

<sup>11</sup> [https://annualreport.dsm.com/ar2018/en\\_US/16-1-13-remuneration-of-managing-board-and-supervisory-board.html](https://annualreport.dsm.com/ar2018/en_US/16-1-13-remuneration-of-managing-board-and-supervisory-board.html)

<sup>12</sup> [https://www.storaenso.com/-/media/Documents/Download-center/Documents/Annual-reports/2018/STORAENSO\\_Annual\\_Report\\_2018.ashx#page=70](https://www.storaenso.com/-/media/Documents/Download-center/Documents/Annual-reports/2018/STORAENSO_Annual_Report_2018.ashx#page=70)

<sup>13</sup> [https://s23.q4cdn.com/405985100/files/doc\\_financials/annual\\_reports/2019/Hudbay-2019-Annual-and-Sustainability-Report.pdf](https://s23.q4cdn.com/405985100/files/doc_financials/annual_reports/2019/Hudbay-2019-Annual-and-Sustainability-Report.pdf)

<sup>14</sup> [https://www.naturgy.com/en/files/IRC\\_ENG\\_ACC.pdf](https://www.naturgy.com/en/files/IRC_ENG_ACC.pdf)

677 **Research conclusions:**

- 678 1) Most instruments reviewed require one ratio, covering all global operations, based on the median  
679 salary.  
680 2) Very few companies report the ratio.  
681 3) Company practice varies, but a majority of the companies in the sample provide a global ratio.  
682 Half of the companies in the sample provide additional ratios.  
683 4) Most companies use the average rather than the median, whereas all the instruments (and GRI)  
684 require the median.

685 **Standards Division's proposal:**

- 686 1) Clarify to report one 'ratio' covering all global operations and remove reference to 'significant  
687 operations'.  
688 2) Retain the median.  
689 3) Clarify in guidance that the identity and remuneration of the highest paid individual does not need  
690 to be disclosed.  
691 4) Permit the use of a different methodology, if the organization is subject to mandatory reporting of  
692 a ratio under national legislation and add a requirement for the organization to explain how the  
693 data has been calculated.  
694 5) Clarify interaction between the definition of 'annual total compensation' and the recommendation  
695 provided to consider base salary, total cash compensation and direct compensation.  
696 6) Do not introduce requirements on gender pay parity as such requirements are covered in *GRI*  
697 *405: Diversity and Equal Opportunity 2016*.