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Item 08 – GRI Universal Standards Project – Revised GRI 103: Material Topics

For GSSB discussion

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| Date | 8 February 2021 |
| Meeting | 25 February 2021 |
| Project | GRI Universal Standards Project |
| Description | <p>This document presents the revised draft of <i>GRI 103: Material Topics</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><i>Item 09 – GRI Universal Standards Project – Public comment feedback on GRI 103 Material Topics</i> includes the public comments received on <i>GRI 103</i>.</p> |

This document has been prepared by the GRI Standards Division and is made available to observers at meetings of the Global Sustainability Standards Board (GSSB). It does not represent an official position of the GSSB. Board positions are set out in the GRI Sustainability Reporting Standards. The GSSB is the independent standard setting body of GRI. For more information visit www.globalreporting.org.

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This document does not represent an official position of the GSSB

5 Explanatory note

6 The following significant revisions have been made in response to public comment feedback:

7 Section 2. How to determine material topics

- 8 • Revised the introduction to more clearly signal the requirements with respect to material
9 topics, see lines 47-58.
- 10 • Clarified more prominently the importance and role of stakeholder engagement in the process
11 to identify an organization's most significant impacts, see lines 61-62.
- 12 • Added a new section on identifying stakeholders within Step 1, see lines 145-159.
- 13 • Clarified more prominently the various methods an organization can use to identify its
14 negative and positive impacts and added a reference to enterprise risk management systems,
15 see lines 166-180.
- 16 • Clarified why it is recommended to identify negative impacts before identifying positive
17 impacts, in cases where an organization has limited resources available for identifying its
18 impacts, see lines 216-218.
- 19 • Clarified terminology around 'impact' and 'risk', see lines 305-306.
- 20 • Clarified that the organization may choose to prioritize other types of impacts, such as
21 environmental impacts, based on severity also, see lines 347-348.
- 22 • Added additional guidance on setting the threshold to determine which topics are material to
23 report on, see lines 371-376.

24 Section 3. Disclosures on material topics

- 25 • Expanded the guidance for Disclosure MT-1, see lines 439-481.
- 26 • Added a new requirement for organizations to list any topics from the applicable GRI Sector
27 Standard(s) that have been determined as not material and to explain why they are not
28 material, see lines 486-487 and 499-541.
- 29 • Relocated requirements between Disclosure MT-2 and Disclosure MT-3, as per feedback
30 from the regional workshops, see lines 549-553.
- 31 • Expanded the requirement to report whether the organization is involved with negative
32 impacts through its activities or as a result of its business relationships to elicit more
33 information about the activities and business relationships that are involved with the impacts
34 (this replaces the existing topic Boundary requirement), see lines 551-553 and 634-651.
- 35 • Added a new requirement for organizations to report actions to manage actual and potential
36 positive impacts, to make clear that these actions are also to be reported, see line 559.

37 Additional revisions made in response to public comment feedback are explained in comment boxes.

38 The inclusion of a visual representation of the prioritization of material topics will be discussed at the
39 GSSB meeting on 25 February 2021.

40 Other editorial revisions have been made to the text to improve clarity and consistency with the GRI
41 Style Guide and are explained in comment boxes.

Revised GRI 103: Material Topics

Section 1. Introduction

[under review]

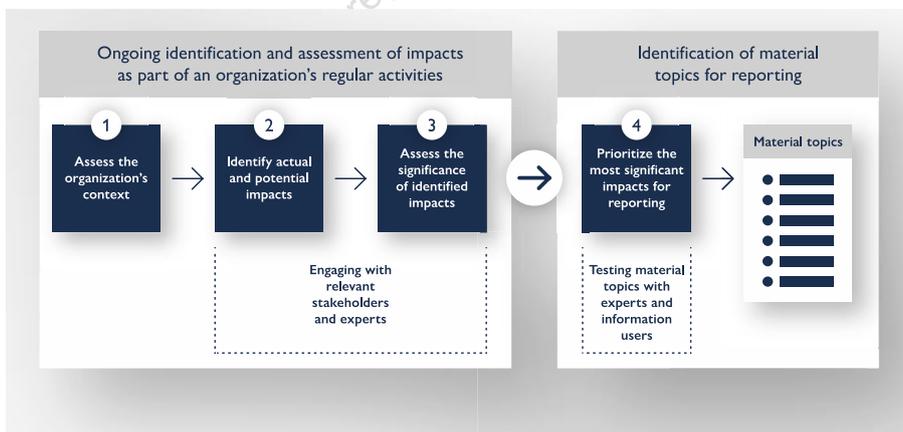
Section 2. How to determine material topics

An organization reporting in accordance with the GRI Standards is required to determine its **material topics**. When doing this, the organization is also required to use the applicable GRI Sector Standard(s) (see [Requirement A-3 in Section 3.1 of GRI 101: Using the GRI Standards](#)).

This section describes the steps that the organization should follow in determining its material topics. Following the steps in this section will help the organization determine its material topics and report the disclosures in [Section 3](#) of this Standard. The steps provide guidance and are not requirements on their own.

The Sector Standards provide information for organizations in a given sector about their most likely material topics. The reporting organization needs to review each topic described in the applicable Sector Standard and determine whether it is material for it to report on. Using the Sector Standards helps the organization determine its materials topics but does not replace the need for the organization to determine its material topics based on its specific circumstances.

Figure 2. Process to determine material topics



The first three steps in the process to determine material topics relate to the organization's ongoing identification and assessment of impacts. This involves engaging with relevant **stakeholders** and experts. These steps are conducted independently of the sustainability reporting process, but they

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

Original wording: "identify material topics".

Commented [SD2]: Type of change: revision following public comment feedback.

Revised the introduction to more clearly signal the requirements with respect to material topics.

Commented [SD3]: Figure 2 will be updated in line with the changes made following public comment feedback and editorial revisions.

Commented [SD4]: Type of change: revision following public comment feedback.

Clarified more prominently the importance and role of stakeholder engagement in the process to identify an organization's most significant impacts.

63 inform the last step. In step 4, the organization prioritizes its most significant impacts for reporting and
64 in this way determines its material topics.

65 In each reporting period, the organization should review its material topics from the previous reporting
66 period to account for changes in the impacts. Changes in impacts can have resulted from changes in
67 its activities and business relationships. This review helps ensure the material topics represent the
68 organization's most significant impacts in each new reporting period.

69 The organization should document the process to determine its material topics. This includes
70 documenting the approach taken, decisions, assumptions, and subjective judgements made, sources
71 analyzed, and evidence gathered. Accurate records help the organization explain its chosen approach
72 and report the disclosures in Section 3 of this Standard. The records facilitate analysis and assurance
73 (see also Verifiability principle in Section 4 of GRI 101: Using the GRI Standards).

74 The approach for each step will vary according to the specific circumstances of the organization, such
75 as its business model; sector; geographic, cultural and legal operating context; ownership structure;
76 and the nature of its impacts. Given these specific circumstances, the steps should be systematic,
77 documented, replicable, and used consistently in each reporting period. The organization should
78 document any changes to the approach together with the rationale for those changes and their
79 implications.

80 In addition, the highest governance body or a senior executive should oversee the process and
81 approve the material topics.

82 **Box 1. Input to financial and value creation reporting**

83 The material topics and impacts that have been identified through this process inform financial and
84 value creation reporting. They provide crucial input to identifying financial risks and opportunities
85 related to the organization's impacts and financial valuation. This in turn helps in making financial
86 materiality judgments about what to recognize in financial statements. See Box 1 in GRI 101: Using
87 the GRI Standards for more information on sustainability reporting and financial and value creation
88 reporting.

89 The next sections describe the four steps in more detail.

90 **Step 1. Understand the organization's context**

91 This step involves the organization creating an initial high-level overview of its activities, business
92 relationships, and stakeholders, and assessing the sustainability context. This provides the
93 organization with critical information for identifying its actual and potential impacts.

94 Relevant departments and functions within the organization can assist in this step: communications,
95 human resources, investor relations, legal and compliance department or functions, marketing and
96 sales, procurement, product development, etc. The GRI Sector Standards also provide useful
97 information.

98 **Activities**

99 The organization should consider the following in relation to its activities:

- 100 • The organization's purpose, value or mission statements, business model, and strategies.
- 101 • The types of activities it carries out (e.g., sales, marketing, manufacturing, distribution) and
102 the geographic locations of these activities.
- 103 • The types of products and services it offers and the markets it serves (i.e., the types of
104 customers and beneficiaries targeted, and the geographic locations where products and
105 services are offered).
- 106 • The sector(s) in which the organization is active and the characteristics of the sector(s) (e.g.,
107 whether it involves informal work, whether it is labor or resource intensive).

Commented [SD5]: Type of change: revision following public comment feedback.

New text added.

Commented [SD6]: Type of change: revision following public comment feedback.

New text added.

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

New text added.

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

New text added.

Commented [SD9]: Type of change: revision following public comment feedback.

New text added.

Commented [SD10]: Type of change: revision following public comment feedback.

New text added.

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- The number of employees, including their employment type (full-time, part-time, or non-guaranteed hours), employment contract (permanent contract or temporary contract), and demographic characteristics (e.g., age, gender, geographic location).
- The number of workers who are not employees and whose work is controlled by the organization, including the types of worker (e.g., agency workers, contractors, self-employed persons, volunteers), their contractual relationship with the organization (whether the organization engages these workers directly or indirectly through a third party), and the work they perform.

Commented [SD12]: Type of change: revision following public comment feedback.

New text added.

116 **Business relationships**

117 The organization's business relationships include relationships with business partners, entities in its value chain (including entities beyond the first tier), and any other entities directly linked to its operations, products, or services. The organization should consider the following in relation to its business relationships:

- The types of business relationships it has (e.g., joint ventures, suppliers, franchisees).
- The types of activities undertaken by those with which it has business relationships (e.g., manufacturing the organization's products, providing security services to the organization).
- The nature of the business relationships (e.g., whether they are based on a long-term or short-term contract, whether they are based on a specific project or event).
- The geographic location where the activities of the business relationships take place.

127 **Sustainability context**

128 The organization should consider the following in order to understand the sustainability context of its activities and business relationships:

- Economic, environmental, human rights, and other societal challenges at local, regional, and global levels related to the organization's sector(s) and the geographic location of its activities and business relationships (e.g., climate change, lack of law enforcement, poverty, political conflict, water stress).
- The organization's responsibility regarding the authoritative intergovernmental instruments with which it is expected to comply.
 136 Examples include the *International Labour Organization (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy*; the *Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises*; the *United Nations (UN) Framework Convention on Climate Change (UNFCCC) Paris Agreement*; the *UN Guiding Principles on Business and Human Rights*; and the *UN International Bill of Human Rights*.
- The organization's responsibility regarding the laws and regulations with which it is expected to comply.

Commented [SD13]: Type of change: editorial revision.

Original wording: "context".

Commented [SD14]: Type of change: revision following public comment feedback.

New text added.

Commented [SD15]: Type of change: editorial revision.

Original wording: "water security".

144 See the Sustainability context principle in [Section 4 of GRI 101: Using the GRI Standards](#).

145 **Stakeholders**

146 The organization should identify who its stakeholders are across its activities and business relationships and engage with them to help identify its impacts.

148 The organization should draw a full list of individuals and groups whose interests are affected or could be affected by the organization's activities. Common categories of stakeholders for organizations are business partners, civil society organizations, consumers, customers, employees and other workers, governments, local communities, non-governmental organizations, shareholders and other investors, suppliers, trade unions, and vulnerable groups.

153 The organization should also consider individuals or groups whom it does not have a direct relationship with (e.g., workers in the supply chain or local communities that live at a distance from the

Commented [SD16]: Type of change: editorial revision.

Reference added in line with the guidance for the Sustainability context principle.

Commented [SD17]: Type of change: revision following public comment feedback.

Added a new section on identifying stakeholders within Step 1.

155 organization's operations) and those who are unable to articulate their views (e.g., future
156 generations).
157 Different lists of stakeholders can be drawn per activity, project, product or service, or other
158 classification that is relevant for the organization.
159 See [Box 2](#) in this Standard for information on engaging with stakeholders.

160 Step 2. Identify actual and potential impacts

161 This step involves the organization identifying its actual impacts (those that have already occurred)
162 and potential impacts (those that could occur but have not yet occurred) on the economy,
163 environment, and people, including impacts on human rights, across the organization's activities and
164 business relationships. This includes negative and positive impacts, short-term and long-term
165 impacts, intended and unintended impacts, and reversible and irreversible impacts.

166 To identify its impacts, the organization can use information from diverse sources. It can use
167 information from its own or third-party assessments of environmental, socioeconomic, and human
168 rights impacts. It can also use information from legal reviews, anti-corruption compliance
169 management systems, financial audits, occupational health and safety inspections, and shareholder
170 filings. In addition, it can use information from any other relevant assessments of business
171 relationships carried out by the organization or by industry or multi-stakeholder initiatives.

172 Further information can be gathered through grievance mechanisms that it has established itself or
173 that have been established by other organizations. It can also use information from broader enterprise
174 risk management systems, provided that these systems identify the organization's impacts on the
175 economy, the environment, and people in addition to identifying impacts on the organization itself.
176 And it can use information from external sources, such as news organizations and civil society
177 organizations.

178 In addition, the organization should seek to understand the concerns of its stakeholders (see [Box 2](#) in
179 this Standard) and consult internal and external experts, such as civil society organizations or
180 academics.

181 Box 2. Engaging with relevant stakeholders and experts¹

182 The organization should seek to understand the concerns of its stakeholders by consulting them
183 directly in a way that takes language and other potential barriers (e.g., cultural differences, gender
184 and power imbalances, divisions within the community) into account. It is important to identify and
185 remove potential barriers to ensure that stakeholder engagement is effective.

186 Engagement with at-risk or vulnerable groups may necessitate specific approaches and need special
187 attention. Such approaches include removing social barriers that limit the participation of women in
188 public fora and removing physical barriers that prevent remotely located communities from attending a
189 meeting.

190 The organization should respect the human rights of all stakeholders and other individuals with whom
191 it engages (e.g., their rights to privacy, freedom of expression, and peaceful assembly and protest)
192 and it should protect them against reprisals (i.e., non-retaliation for raising complaints or concerns).

193 In cases that involve many stakeholders or in those that involve certain types of impact that result in
194 collective harm, broad engagement with stakeholders may not be possible. For example, in the case
195 of corruption, which collectively harms the population of the jurisdiction in which it takes place, or
196 greenhouse gas (GHG) emissions, which contribute to collective, transboundary harm. In such cases,
197 the organization may engage with credible stakeholder representatives or proxy organizations (e.g.,
198 non-governmental organizations, representative public bodies). This is also relevant in cases where

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New text added.

Commented [SD19]: Type of change: editorial revision.

New text added.

Commented [SD20]: Type of change: revision following public comment feedback.

New text added.

Commented [SD21]: Type of change: revision following public comment feedback.

Reference to "shareholder filings" added.

Commented [SD22]: Type of change: revision following public comment feedback and change in location.

Clarified more prominently the various methods an organization can use to identify its negative and positive impacts and added a reference to enterprise risk management systems.

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

New text added.

¹ This guidance is based on the United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011 and the Organisation for Economic Co-operation and Development (OECD), *OECD Due Diligence Guidance for Responsible Business Conduct*, 2018.

199 engaging with individuals could undermine certain rights or collective interests. For example, when
200 considering a decision to restructure or shut down a factory, it may be important for the organization
201 to engage with trade unions to mitigate the employment impacts of the decision. In such case,
202 engaging with individual workers could undermine the right of workers to form or join trade unions and
203 to bargain collectively.

204 The degree of impact on stakeholders may inform the degree of engagement. The organization
205 should prioritize the most severely affected or potentially affected stakeholders for engagement.

206 Where direct consultation is not possible, the organization should consider reasonable alternatives,
207 such as consulting credible independent experts, for example, national human rights institutions,
208 human rights and environmental defenders, trade unions, and other members of civil society.

209 In this step, the organization needs to consider the impacts described in the applicable GRI Sector
210 Standard and determine whether these impacts apply to it.

211 Impacts may change over time as the organization's activities, business relationships, and context
212 evolve. New activities, new business relationships, and major changes in operations or the operating
213 context (e.g., new market entry, product launch, policy change, wider changes to the organization)
214 could lead to changes in the organization's impacts. For this reason, the organization should keep
215 assessing its context and identifying its impacts on an ongoing basis.

216 In cases where an organization has limited resources available for identifying its impacts, it should
217 first identify its negative impacts, before identifying positive impacts, to ensure it complies with
218 applicable laws, regulations, and authoritative intergovernmental instruments.

219 **Identifying negative impacts**

220 This guidance is based on the *UN Guiding Principles on Business and Human Rights*, the *OECD*
221 *Guidelines for Multinational Enterprises*, and the *OECD Due Diligence Guidance for Responsible*
222 *Business Conduct*.

223 Identifying actual and potential negative impacts with which the organization is involved or could be
224 involved is the first step of due diligence. The organization should consider actual and potential
225 impacts that it causes or contributes to through its activities, as well as actual and potential impacts
226 that are directly linked to its operations, products, or services by its business relationships (see [Box 3](#)
227 in this Standard).

228 In some cases, the organization might be unable to identify actual and potential negative impacts
229 across all its activities and business relationships. This could be, for example, because it has diverse
230 or multiple global operations or because its value chain comprises many entities. In these cases, the
231 organization may carry out an initial assessment or scoping exercise to identify general areas across
232 its activities and business relationships (e.g., product lines, suppliers located in specific geographic
233 locations) where negative impacts are most likely to be present and significant. Once the organization
234 has conducted the initial assessment or scoping exercise, it can identify and assess actual and
235 potential negative impacts for these general areas.

236 As part of the initial assessment or scoping exercise, the organization should consider impacts
237 commonly associated with its sector, its products, geographic locations, or with specific organizations.
238 It should also consider impacts it has been involved with or knows it is likely to be involved with. In
239 addition to the GRI Sector Standards, the organization can use the *OECD Due Diligence Guidance*
240 *for Responsible Business Conduct* and the OECD sectoral guidance on due diligence² for information
241 on impacts commonly associated with sectors, products, geographic locations, and specific
242 organizations. It can also use reports from governments, environmental agencies, international
243 organizations, civil society organizations, workers' representatives and trade unions, national human
244 rights institutions, media, or other experts.

Commented [SD24]: Type of change: editorial revision (new text added).

Commented [SD25]: Type of change: revision following public comment feedback.

Clarified why it is recommended to identify negative impacts before identifying positive impacts, in cases where an organization has limited resources available for identifying its impacts.

Commented [SD26]: Type of change: editorial revision (new text added).

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

Original wording: "sector-specific, product-specific, geographic-level, and enterprise-level impacts".

² <http://mneguidelines.oecd.org/sectors/>

245 **Box 3. Causing, contributing, or being directly linked to negative impacts³**

246 An organization **'causes'** a negative impact if its activities on their own result in the impact. For
247 example, if the organization pays a bribe to a foreign public official, or if it withdraws water from a
248 water-stressed aquifer without replenishing the water level.

249 An organization **'contributes to'** a negative impact if its activities cause, facilitate, or incentivize
250 another entity to cause the impact. An organization can also contribute to a negative impact if its
251 activities in combination with the activities of other entities cause the impact. For example, if the
252 organization sets a short lead time for a supplier to deliver a product, despite knowing from
253 experience that this production time is not feasible, this could result in excessive overtime for the
254 supplier's workers. In this case, the organization could contribute to negative impacts on the health
255 and safety of these workers.

256 An organization can cause or contribute to a negative impact through its actions as well as its failure
257 to take action (e.g., failure to prevent or mitigate a potential negative impact).

258 Even if an organization does not cause or contribute to a negative impact, its operations, products, or
259 services could be **'directly linked to'** a negative impact by its business relationship. For example, if
260 the organization uses cobalt in its products that is mined using child labor, the negative impact (i.e.,
261 child labor) is directly linked to the organization's products through the tiers of business relationships
262 in its supply chain (i.e., through the smelter and minerals trader, to the mining enterprise that uses
263 child labor), even though the organization has not caused or contributed to the negative impact itself.

264 The way an organization is involved with negative impacts determines how the organization should
265 address an impact and whether it has a responsibility to provide for or cooperate in its remediation
266 (see [Section 2.3 of GRI 101: Using the GRI Standards](#)).

267 For additional guidance and examples, see the [OECD Due Diligence Guidance for Responsible](#)
268 [Business Conduct](#), pages 70-72, and the [UN's The Corporate Responsibility to Respect Human](#)
269 [Rights: An Interpretive Guide](#), pages 15-18.

270 **Identifying positive impacts**

271 To identify its actual and potential positive impacts, the organization should assess the manner in
272 which it contributes or could contribute to sustainable development through its activities, for example,
273 through its products, services, investments, procurement practices, employment practices, or tax
274 payments. This also includes assessing how the organization can shape its purpose, business model,
275 and strategies so that it delivers positive impacts that contribute toward the goal of sustainable
276 development.

277 An example of a positive impact is an organization adopting measures that lower the cost of
278 renewable energy for customers, thereby contributing to mitigating climate change. Another example
279 is an organization choosing an area with high unemployment to open a new facility so that it can hire
280 and train unemployed members of the local community, and in this way contribute to job creation and
281 community development.

282 The organization should consider any negative impacts that could result from activities that aim for a
283 positive contribution to sustainable development. Negative impacts cannot be offset by positive
284 impacts. For example, a renewable energy installation might reduce a region's dependence on fossil
285 fuels and bring energy to underserved communities. But if it displaces local indigenous communities
286 from their lands or territories without their consent, this negative impact needs to be addressed and
287 remediated, and it cannot be compensated by the positive impacts.

³ These concepts come from the United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011 and the Organisation for Economic Co-operation and Development (OECD), *OECD Due Diligence Guidance for Responsible Business Conduct*, 2018.

Commented [SD28]: Type of change: revision following public comment feedback.
References added for organizations to consult additional guidance and examples.

Commented [SD29]: Type of change: revision following public comment feedback.
New text added.

Commented [SD30]: Type of change: revision following public comment feedback.
New text added.

Commented [SD31]: Type of change: revision following public comment feedback.
New text added.

Commented [SD32]: Type of change: revision following public comment feedback.
Original wording: "their historical and cultural lands".
Wording has been aligned with the UN Declaration on the Rights of Indigenous Peoples.

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

288 **Step 3. Assess the significance of the impacts**

289 The organization may identify many actual and potential impacts. This step involves the organization
290 assessing the significance of its identified impacts to prioritize them. Prioritization enables the
291 organization to take action in order to address the impacts and also to determine its material topics for
292 reporting. Prioritizing impacts for action is relevant where it is not feasible to address all impacts at
293 once.

294 Assessing the significance of the impacts involves quantitative and qualitative analysis. How
295 significant an impact is will be specific to the organization and will be influenced by its sector(s) and
296 business relationships, among other factors. In some instances, this may need a subjective decision.
297 The organization should consult with relevant stakeholders (see [Box 2](#) in this Standard) and business
298 relationships to assess the significance of its impacts. The organization should also consult relevant
299 internal or external experts.

300 **Assessing the significance of negative impacts**

301 This guidance is based on the *UN Guiding Principles on Business and Human Rights*, the *OECD*
302 *Guidelines for Multinational Enterprises*, and the *OECD Due Diligence Guidance for Responsible*
303 *Business Conduct*.

304 The significance of an actual negative impact is assessed based on its severity. The significance of a
305 potential negative impact is assessed based on its severity and likelihood. The combination of the
306 severity and the likelihood of occurrence of a negative impact can be referred to as 'risk'.

307 Severity

308 The severity of an actual or potential negative impact is determined by the following characteristics:

- 309 • Scale: how grave the impact is.
- 310 • Scope: how widespread the impact is, for example, the number of individuals affected or the
311 extent of environmental damage.
- 312 • Irremediable character: how hard it is to counteract or make good the resulting harm.

313 The scale of a negative impact (i.e., how grave the impact is) can depend on whether the impact
314 leads to non-compliance with laws and regulations or with authoritative intergovernmental instruments
315 with which the organization is expected to comply. For example, if a negative impact leads to a
316 violation of human rights or fundamental rights at work, or to non-compliance with the reductions in
317 GHG emissions to be achieved under the *UNFCCC Paris Agreement*, the scale of this impact can be
318 considered greater.

319 The scale of a negative impact can also depend on the context in which the impact takes place. For
320 example, the scale of the impact of an organization's water withdrawal can depend on the area from
321 which water is withdrawn. The scale will be greater if water is withdrawn from an area affected by
322 water stress, compared to an area that has abundant water resources to meet the demands of water
323 users and ecosystems.

324 Any of the three characteristics (scale, scope, and irremediable character) can make an impact
325 severe. But it is often the case that these characteristics are interdependent: the greater the scale or
326 the scope of an impact, the less remediable it is.

327 The severity – and therefore the significance – of an impact are not absolute concepts. The severity of
328 an impact should be assessed in relation to the other impacts of the organization. For example, the
329 organization should compare the severity of the impacts of its greenhouse gas (GHG) emissions
330 against the severity of its other impacts. The organization should not assess the significance of its
331 GHG emissions in relation to global GHG emissions, as that comparison could lead to the misleading
332 conclusion that the organization's emissions are not significant.

333 Likelihood

334 The likelihood of a potential negative impact refers to the chance of the impact happening. The
335 likelihood of an impact can be measured or determined qualitatively or quantitatively. It can be

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

New text added.

Commented [SD35]: Type of change: revision following public comment feedback.

New text added.

Commented [SD36]: Type of change: revision following public comment feedback.

Clarified terminology around 'impact' and 'risk'.

336 described using general terms (e.g., very likely, likely) or mathematically using probability (e.g., 10 in
337 100 or 10%) or frequency over a given time period (e.g., once every three years).⁴

338 Human rights

339 In the case of potential negative human rights impacts, the severity of the impact takes precedence
340 over its likelihood. For example, a nuclear power facility may prioritize the potential impact related to
341 loss of life in cases of natural disasters, even though natural disasters are less likely to occur than
342 other incidents would be.

343 The severity of a negative human rights impact is not limited to physical harm. Severe impacts can
344 occur in relation to any human right. For example, interfering with, damaging, or destroying a sacred
345 space without consultation or agreement with the people for whom the space has spiritual importance
346 can have a severe impact on people's cultural rights.

347 The organization may choose to prioritize other types of impacts, such as environmental impacts,
348 based on severity, as well.

349 **Assessing the significance of positive impacts**

350 The significance of an actual positive impact is assessed based on its scale and scope. The
351 significance of a potential positive impact is assessed based on its scale and scope as well as its
352 likelihood.

353 Scale and scope

354 In the case of positive impacts, the scale of an impact refers to how beneficial the impact is or could
355 be, and the scope refers to how widespread the impact is or could be (e.g., the number of individuals
356 or the extent of environmental resources that are or could be positively affected).

357 Likelihood

358 The likelihood of a potential positive impact refers to the chance of the impact happening. The
359 likelihood of an impact can be measured or determined qualitatively or quantitatively. It can be
360 described using general terms (e.g., very likely, likely) or mathematically using probability (e.g., 10 in
361 100 or 10%) or frequency over a given time period (e.g., once every three years).⁵

362 **Step 4. Prioritize the most significant impacts for reporting**

363 This step involves the organization prioritizing its impacts based on their significance, in order to
364 determine material topics for reporting.

365 **Setting a threshold to determine which topics are material**

366 The significance of an impact is assessed in relation to the other impacts the organization has
367 identified. The organization should arrange its impacts from most to least significant and define a cut-
368 off point or threshold to determine which of the impacts it will focus its reporting on. The organization
369 should document this threshold. To facilitate prioritization, the organization should group the impacts
370 into topics (see [Box 4](#) in this Standard).

371 For example, in order to set a threshold an organization first groups its impacts into X number of
372 topics and ranks them from highest to lowest priority based on their significance. The organization
373 then needs to determine how many of the topics it will report on, starting with those that have highest
374 priority. How to set the threshold is up to the organization. For transparency, the organization can
375 provide a visual representation of the prioritization that shows the initial list of topics it has identified
376 and the threshold it has set for reporting.

377 The significance of an impact is the sole criterion for determining whether a topic is material for
378 reporting. The organization cannot use difficulty in reporting on a topic or the fact that it does not yet

Commented [SD37]: Type of change: revision following public comment feedback.

Clarified that the organization may choose to prioritize other types of impacts, such as environmental impacts, based on severity also.

Commented [SD38]: Type of change: revision following public comment feedback.

Added additional guidance on setting the threshold to determine which topics are material to report.

⁴ International Organization for Standardization (ISO), *ISO 31000:2018 Risk management – Guidelines*, 2018.

⁵ International Organization for Standardization (ISO), *ISO 31000:2018 Risk management – Guidelines*, 2018.

379 manage the topic as criteria for determining whether or not to report on the topic. In cases where the
380 organization does not manage a material topic, it is required to report the reasons for not doing so, or
381 any plans to manage the topic, under [Disclosure MT-3](#).

382 While some topics can cover both negative and positive impacts, the organization should prioritize
383 negative impacts separately from positive impacts, as negative impacts cannot be offset by positive
384 impacts.

385 Even if the organization has not prioritized an actual or potential negative impact for reporting, it may
386 still have a responsibility to address the impact in line with applicable laws, regulations, or
387 authoritative intergovernmental instruments (see [Section 2.3 of GRI 101: Using the GRI Standards](#) for
388 more information).

389 **Box 4. Grouping impacts into topics**

390 Grouping impacts into topics, like 'water and effluents', helps the organization report in a cohesive
391 way on multiple impacts that relate to the same topic.

392 The organization can group impacts into topics according to general categories that relate to a
393 business activity, stakeholder category, type of business relationship, or an economic or
394 environmental resource. For example, an organization's activities result in water pollution, which
395 causes negative impacts on both ecosystems and on local communities' access to safe drinking
396 water. The organization can group these impacts into the topic of 'water and effluents' as both
397 impacts relate to its use of water.

398 The organization can refer to the topics in the GRI Topic Standards and the GRI Sector Standards.
399 These topics provide a useful reference for understanding the range of impacts that can be covered in
400 each topic. For impacts or topics that are not covered by the GRI Standards, the organization can
401 refer to other sources, such as authoritative intergovernmental instruments or industry standards.

402 **Testing the material topics**

403 The organization should test its selection of material topics against the topics in the applicable Sector
404 Standard. This helps the organization ensure that it has not overlooked any topics that are likely to be
405 material for its sector.

406 The organization should also test its selection of material topics with potential information users and
407 experts who understand the organization or its sector(s) and have insight into one or more of the
408 material topics. This can help the organization validate the threshold it has set to determine which
409 topics are material to report. Examples of experts the organization can consult are academics,
410 consultants, investors, lawyers, national institutions, and non-governmental organizations.

411 In addition, the organization should seek external assurance to assess the quality and credibility of
412 the process for identifying material topics. See [Section 5.2 in GRI 101: Using the GRI Standards](#) for
413 more information on seeking external assurance.

414 The outcome of the testing results in a list of the organization's material topics.

415 **Approval of the material topics**

416 The organization's highest governance body or a senior executive should approve the list of material
417 topics.

418 **Determining what to report for each material topic**

419 Once the organization has determined its material topics, it needs to determine what to report for
420 each material topic. See Requirements [A-4](#) and [A-5](#) in Section 3.1 of [GRI 101: Using the GRI](#)
421 [Standards](#) for information on how to report on material topics.

Commented [SD39]: Type of change: revision following public comment feedback.

Original wording: "While some topics can cover both negative and positive impacts, the organization may prioritize negative impacts separately from positive impacts, as negative impacts need to be discussed independently and cannot be offset by positive impacts."

Commented [SD40]: Type of change: revision following public comment feedback.

New text added.

Commented [SD41]: Type of change: revision following public comment feedback.

New text added.

Commented [SD42]: Type of change: editorial revision (new text added).

Commented [SD43]: Type of change: revision following public comment feedback.

New text added.

Commented [SD44]: Type of change: revision following public comment feedback.

New text added.

Commented [SD45]: Type of change: revision following public comment feedback.

New text added.

Commented [SD46]: Type of change: revision following public comment feedback.

New text added.

422 Section 3. Disclosures on material 423 topics

424 In the disclosures of this section, the organization is required to report its material topics, how it has
425 determined these topics, and how it manages each topic. Material topics are topics that represent the
426 organization's most significant impacts on the economy, environment, and people, including impacts
427 on human rights. [Section 2](#) of this Standard provides guidance on how to determine material topics
428 and helps understand and report on the disclosures in this section.

429 Disclosure MT-1 Process to determine material topics

430 Requirements

431 The organization shall:

- 432 a. describe the process it has followed to determine its material topics, including:
- 433 i. how it has identified actual and potential, negative and positive impacts on the
434 economy, environment, and people, including impacts on human rights, across its
435 activities and business relationships;
- 436 ii. how it has prioritized the impacts for reporting based on their significance;
- 437 b. specify the stakeholders and experts whose views have informed the process to
438 determine its material topics.

439 Guidance

440 Guidance to MT-1

441 This disclosure requires information on how the organization has determined its material topics. The
442 list of material topics is to be reported under [Disclosure MT-2](#).

443 Guidance to MT-1-a-i

444 The organization should describe the methods it has used to identify its impacts, for example,
445 environmental, socioeconomic, and human rights impact assessments, grievance mechanisms, or
446 using information from external sources, such as civil society organizations. In addition, the
447 organization should describe the sources and the evidence it has used to identify the impacts.

448 The organization should also describe the scope it has defined when identifying the impacts, for
449 example, whether it has identified short-term as well as long-term impacts. It should also describe any
450 limitations or exclusions, for example, whether it has excluded business relationships from certain
451 parts of its value chain when identifying the impacts.

452 [Disclosure GOV-10 in GRI 102: About the Organization](#) requires information on the role of the highest
453 governance body in overseeing the organization's processes to identify its impacts.

454 Guidance to MT-1-a-ii

455 The organization should describe how it has assessed the significance of the impacts, including any
456 assumptions and subjective judgements it has made.

457 The significance of an actual negative impact is assessed based on its severity (scale, scope, and
458 irremediable character), while the significance of a potential negative impact is assessed based on its
459 severity and likelihood. In the case of potential negative human rights impacts, the severity of the
460 impact takes precedence over its likelihood.

Commented [SD47]: Type of change: revision following public comment feedback.

New text added.

Commented [SD48]: Type of change: editorial revision (new text added).

Commented [SD49]: Type of change: revision following public comment feedback.

New text added.

461 The significance of an actual positive impact is assessed based on its scale and scope, while the
462 significance of a potential positive impact is assessed based on its scale and scope as well as its
463 likelihood.

464 See [Section 2](#) of this Standard for more guidance on assessing the significance of impacts.

465 The organization should explain if it has used a different approach to prioritize its impacts, for
466 example, if it has prioritized potential negative environmental impacts based on severity only.

467 The organization should also describe how it has defined the threshold to determine which topics are
468 material for reporting and whether it has tested its selection of material topics with potential
469 information users and experts. [Disclosure GOV-11 in GRI 102](#) requires information on the committee
470 of the highest governance body or senior executive position that formally reviews and approves the
471 organization's sustainability reporting and ensures that the organization reports all material topics.

472 The organization should explain any changes to its initial selection of material topics following the
473 testing with external parties and the internal approval.

474 For transparency, the organization can provide a visual representation of the prioritization that shows
475 the initial list of topics it has identified and the threshold it has set for reporting.

476 **Guidance to MT-1-b**

477 MT-1-b enables the organization to explain how engagement with stakeholders and experts informs
478 the ongoing identification and assessment of its impacts.

479 The organization can report whether and how it has prioritized stakeholders for engagement and the
480 methods used to engage with them. It can also report any conflicting interests that have arisen among
481 different stakeholders and how the organization has resolved these conflicting interests.

482 **Disclosure MT-2 List of material topics**

483 **Requirements**

484 **The organization shall:**

- 485 a. list its material topics;
486 b. list any topics from the applicable GRI Sector Standard(s) that have been determined as
487 not material and explain why they are not material;
488 c. report changes to the list of material topics compared to the previous reporting period.

489 **Guidance**

490 **Guidance to MT-2**

491 This disclosure requires information on the organization's material topics. Information on how the
492 organization has determined its material topics is to be reported under [Disclosure MT-1](#).

493 The organization is also required to include the material topics listed under this disclosure in the GRI
494 content index (see [Requirement A-6 in Section 3.1 of GRI 101: Using the GRI Standards](#)).

495 **Guidance to MT-2-a**

496 The organization can group material topics by relevant categories if this helps communicate its
497 impacts better. For example, the organization can indicate which of its material topics represent its
498 negative human rights impacts.

499 **Guidance to MT-2-b**

500 The organization is required to use the applicable GRI Sector Standard(s) when determining its
501 material topics (see [Requirement A-3 in Section 3.1 of GRI 101: Using the GRI Standards](#)).

Commented [SD50]: Type of change: revision following public comment feedback.

Added guidance for organizations to explain if they have used a different approach to prioritize their impacts than that outlined in Section 2.

Commented [SD51]: Type of change: editorial revision (new text added).

Commented [SD52]: Type of change: revision following public comment feedback.

New text added.

Commented [SD53]: Type of change: revision following public comment feedback.

New text added.

Commented [SD54]: Type of change: editorial revision.

Original wording: "report the material topics identified".

Commented [SD55]: Type of change: revision following public comment feedback.

Added a new requirement for organizations to list any topics from the applicable GRI Sector Standard(s) that have been determined as not material and to explain why they are not material.

Commented [SD56]: Type of change: editorial revision (change in location).

Requirement relocated from Disclosure MT-1.

Commented [SD57]: Type of change: revision following public comment feedback.

Original wording: "Examples of categories include negative human rights impacts, impacts in the supply chain, or impacts on the environment."

Number of examples has been limited to one so as to not give the impression that these categories are mutually exclusive.

Commented [SD58]: Type of change: revision following public comment feedback.

Guidance revised in line with new requirement MT-2-b.

502 The Sector Standards provide information for organizations in a given sector about their most likely
503 material topics. The topics have been identified on the basis of the sector's most significant impacts,
504 using multi-stakeholder expertise, authoritative instruments, and other relevant evidence.

505 The organization needs to review each topic described in the applicable Sector Standard and
506 determine whether it is material for it to report on. If any of the topics that are included in the
507 applicable Sector Standard have been determined by the organization as not material, the
508 organization is required to report this along with an explanation. This explanation provides information
509 users with an understanding of why topics that have been identified by experts, instruments, and
510 evidence as likely to be material for the sector have been determined by the organization as not
511 material.

512 There can be cases where a topic included in the applicable Sector Standard is not material for an
513 organization. This could be because the specific impacts the topic covers were assessed to be absent
514 or because, compared to other impacts of the organization, the ones that the topic covers are not
515 among the most significant.

516 For example, an organization in the oil and gas sector is required to use the GRI Oil and Gas Sector
517 Standard when determining its material topics. One of the topics included in this Sector Standard is
518 land use and resettlement. Oil and gas projects often require land for operations, access routes, and
519 distribution. This can lead to impacts such as involuntary resettlement of local communities, which
520 can involve their physical displacement as well as economic displacement for them through having
521 lost access to resources. However, if the organization's oil and gas projects do not result in these
522 impacts and will not result in these impacts in the future, the organization may determine that the topic
523 of land use and resettlement is not material for it to report on. In this case, the organization is required
524 to explain why it has determined that this topic, which is likely material for organizations in the oil and
525 gas sector, is not material to report on.

526 A brief explanation of why the topic is not material is sufficient. Adding to the previous example, the
527 organization could explain that land use and resettlement is not a material topic because its existing
528 oil and gas projects are located in uninhabited areas and there are no plans to start projects in new
529 areas.

530 The organization is required to list all the likely material topics identified in the applicable Sector
531 Standard in the GRI content index (see [Requirement A-6 in Section 3.1 of GRI 101: Using the GRI](#)
532 [Standards](#)) and for each of these topics, to indicate whether it has determined the topic to be material
533 or not. The explanation of why any of these topics are determined to not be material can also be
534 included directly in the GRI content index.

535 In the absence of an applicable Sector Standard, the organization should explain how it has
536 considered impacts commonly associated with its sector, and whether any of these impacts have
537 been determined as not material to report on, along with an explanation of why this is the case.

538 The organization should also explain how it has considered impacts commonly associated with its
539 [products](#) and geographic locations.

540 See [Section 2](#) of this Standard and the Sector Standards for guidance on impacts commonly
541 associated with sectors, products, and geographic locations.

542 **[Guidance to MT-2-c](#)**

543 MT-2-c enables the organization to explain why a topic that it determined as material in the previous
544 reporting period is no longer considered to be material, or why a new topic has been determined as
545 material for the current reporting period.

Commented [SD59]: Type of change: editorial revision (change in location).

Guidance relocated from Disclosure MT-1.

546 **Disclosure MT-3 Management of material topics**

547 **Requirements**

548 For each **material topic** reported under **Disclosure MT-2**, the organization shall:

- 549 a. **describe the actual and potential, negative and positive impacts on the economy,**
550 **environment, and people, including impacts on human rights;**
- 551 b. **report whether the organization is involved with the negative impacts through its activities**
552 **or as a result of its business relationships, and describe the activities or business**
553 **relationships;**
- 554 c. **describe its policies or commitments regarding the topic;**
- 555 d. **describe actions taken to manage the topic and related impacts, including:**
- 556 i. **actions to prevent or mitigate potential negative impacts;**
- 557 ii. **actions to address actual negative impacts, including actions to provide for or**
558 **cooperate in their remediation;**
- 559 iii. **actions to manage actual and potential positive impacts;**
- 560 e. **report the following information on the effectiveness of the actions taken:**
- 561 i. **processes used to track the effectiveness of the actions;**
- 562 ii. **goals, targets, and indicators used to evaluate progress;**
- 563 iii. **evidence of whether or not the actions have been effective, including progress**
564 **toward the goals and targets;**
- 565 iv. **lessons learned and how these have been incorporated into the organization's**
566 **operational policies and procedures;**
- 567 f. **describe how engagement with stakeholders has informed the actions taken (MT-3-d) and**
568 **how it has informed whether the actions have been effective (MT-3-e).**

569 **Guidance**

570 **Guidance to MT-3**

571 This disclosure requires the organization to explain how it manages each of its **material topics**.

572 The requirements in this disclosure apply to every material topic. This means that the organization is
573 required to report this disclosure for each of its material topics.

574 In addition to this disclosure, there may also be disclosures and guidance in the Topic Standards and
575 Sector Standards that address reporting on how the organization manages a topic. For example,
576 some Topic Standards contain disclosures about specific actions or methods to manage a topic. The
577 organization does not need to repeat this information under Disclosure MT-3 if it is already reported
578 under another disclosure. The organization can report the information once and provide a reference to
579 this information to fulfill the corresponding MT-3 requirements.

580 If the organization's approach to managing a material topic, such as its policies or actions taken,
581 applies to other material topics, the organization does not need to repeat this information for each
582 topic. The organization can report this information once, with a clear explanation of all the topics it
583 covers.

584 **If the organization is unable to report information about an item (e.g., a policy or action) as required**
585 **under the disclosure because the item does not exist, it can meet the requirement by reporting this to**

Commented [SD60]: Type of change: editorial revision.

The requirement for organizations to explain the reason for not managing a material topic or any plans to manage it has been removed, as this duplicates the guidance that will be provided at the introduction of every Standards. This guidance will clarify that if an organization is unable to report information about an item, e.g., a policy or action, as required under the disclosure because the item does not exist, it can meet the requirement by reporting this to be the case and explaining the reason for not having the item and/or describing any plans to develop it. This guidance has been cross-referenced in the guidance for this disclosure. See lines 584-591.

Removed requirement: "e. if the organization does not manage a material topic, explain the reason for not managing the topic or describe any plans to manage it".

Commented [SD61]: Type of change: revision following public comment feedback.

Expanded the requirement to report whether the organizations is involved with negative impacts through its activities or as a result of its business relationships to elicit more information about the activities and business relationships (this replaces the existing topic Boundary requirement).

See corresponding guidance at lines 634-651.

Commented [SD62]: Type of change: revision following public comment feedback.

Requirements "a" and "b" have been relocated from Disclosure MT-2 following feedback from regional workshops.

Commented [SD63]: Type of change: revision following public comment feedback.

Added a new requirement for organizations to report actions to manage actual and potential positive impacts, to make clear that these actions are also to be reported.

Commented [SD64]: Type of change: editorial revision.

Original wording: "evidence of the extent to which the actions taken have been effective, including progress toward the goals and targets;"

586 be the case. The disclosure does not require the organization to implement the item, such as the
587 policy, but to report if it does not exist. Additionally, the organization can explain the reason for not
588 having the item and/or describe any plans to develop it.

589 If the organization does not manage a material topic, it can meet the requirements under this
590 disclosure by explaining the reason for not managing the topic and/or describing any plans to manage
591 it.

592 **Guidance to MT-3-a**

593 MT-3-a enables the organization to indicate if a topic is material because of negative impacts, positive
594 impacts, or both. MT-3-a does not require a list of all the impacts identified or a detailed description of
595 the impacts. Instead, the organization can provide a high-level overview of the impacts it has
596 identified.

597 Describing negative impacts

598 The organization can describe:

- 599 • whether the negative impacts are actual or potential, and for potential impacts, whether they
600 are short-term or long-term;
- 601 • whether the impacts are systemic (e.g., child labor or forced labor in countries where the
602 organization operates or sources inputs from) or are related to individual incidents (e.g., an oil
603 spill);
- 604 • the stakeholders (without identifying specific individuals) or economic or environmental
605 resources that are affected or could be affected, and their geographic location.

606 Reporting on negative impacts can help the organization demonstrate that it recognizes these impacts
607 and that it has taken action or intends to take action to address them. The organization may have
608 concerns about reporting on negative impacts even if these impacts are publicly known. In cases
609 where negative impacts are publicly known, failure to acknowledge these impacts and to explain how
610 they are being addressed could have consequences for the organization financially, operationally, or
611 reputationally. If the organization is unable to disclose specific information (e.g., because of
612 stakeholders' right to privacy), it can provide the information in aggregated or anonymized form, or it
613 can make a reference to the impacts commonly associated with its sector, its products, or geographic
614 locations.

615 Describing positive impacts

616 The organization can describe:

- 617 • whether the positive impacts are actual or potential, and for potential impacts, whether they
618 are short-term or long-term;
- 619 • the activities that result in the positive impacts (e.g., products, services, investments,
620 procurement practices);
- 621 • the stakeholders (without identifying specific individuals) or economic or environmental
622 resources that benefit or could benefit, and their geographic location.

623 **Guidance to MT-3-b**

624 The way an organization is involved with negative impacts determines the organization's responsibility
625 toward addressing the impacts (see [Section 2.3 of GRI 101: Using the GRI Standards](#)). MT-3-b
626 provides contextual information to understand the actions taken by the organization in order to
627 manage its negative impacts (reported under requirement [MT-3-d-i](#) and [MT-3-d-ii](#)).

628 MT-3-b requires the organization to report whether it is involved with the negative impacts through its
629 activities or as a result of its business relationships. Where possible, the organization should also
630 report whether it is or could be causing or contributing to the negative impacts through its activities, or
631 whether the impacts are or could be directly linked to its operations, products, or services by its
632 business relationships even if it has not contributed to them. See [Box 3](#) in Section 2 of this Standard
633 for more information on causing, contributing, or being directly linked to negative impacts.

Commented [SD65]: Type of change: editorial revision (new text added).

Commented [SD66]: Type of change: revision following public comment feedback.

Guidance relocated from Disclosure MT-2.

Commented [SD67]: Type of change: revision following public comment feedback.

New text added.

Commented [SD68]: Type of change: revision following public comment feedback.

New text added.

Commented [SD69]: Type of change: editorial revision (new text added).

Commented [SD70]: Type of change: revision following public comment feedback.

New text added.

Commented [SD71]: Type of change: editorial revision (new text added).

Commented [SD72]: Type of change: revision following public comment feedback.

Guidance relocated from Disclosure MT-2.

634 MT-3-b also requires describing the activities or business relationships. This enables the organization
635 to indicate if the impacts related to a material topic are widespread in the organization's activities or
636 business relationships, or if the impacts concern specific activities or business relationships.

637 If the impacts concern specific activities, the organization should describe the types of activities (e.g.,
638 manufacturing, retail) and their geographic location. If the impacts concern specific business
639 relationships, the organization should describe the types of business relationships (e.g., suppliers of
640 raw materials, franchisees), their position in the value chain, and their geographic location.

641 For example, if the organization has identified that its activities at specific sites could cause water
642 pollution, it should describe the types of activities carried out at these sites and the geographic
643 location of these sites. Or if the organization has identified that it is directly linked to child labor by the
644 business relationships in its supply chain, it should specify the types of suppliers using child labor
645 (e.g., sub-contractors doing embroidery work for the organization's products) and the geographic
646 location of these suppliers.

647 The organization can provide additional contextual information for understanding the extent of its
648 impacts. Adding to the previous examples, the organization can report how many of its sites could
649 cause water pollution (e.g., 60% of sites, 5 out of 12 sites) or the proportion of production these sites
650 represent, or it can report the estimated number of sub-contractors using child labor that do
651 embroidery work for the organization.

652 **Guidance to MT-3-c**

653 MT-3-c requires a description of policies or commitments the organization has developed specifically
654 for the topic, in addition to the policy commitments reported under Disclosure RBC-2 in GRI 102:
655 About the Organization. If the organization has described its policies for a material topic under
656 Disclosure RBC-2, it can provide a reference to this information under MT-3-c and does not need to
657 repeat the information. See Disclosure RBC-2 for guidance on how to report on policies.

658 When reporting on commitments, the organization should provide a statement of intent to manage the
659 topic, or explain:

- 660 • the organization's stance on the topic;
- 661 • whether the commitment to manage the topic is based on regulatory compliance or extends
662 beyond it;
- 663 • compliance with authoritative intergovernmental instruments related to the topic.

664 **Guidance to MT-3-d**

665 MT-3-d enables the organization to explain how it responds to its impacts. MT-3-d does not require a
666 detailed description of actions taken in relation to each impact. Instead, the organization can provide a
667 high-level overview of how it manages its impacts.

668 The organization should report how it integrates the findings from its identification and assessment of
669 impacts across relevant internal functions and processes, including:

- 670 • the level and function within the organization that has been assigned responsibility for
671 managing the impacts;
- 672 • the internal decision-making, budget allocation, and oversight processes (e.g., internal audit)
673 to enable effective actions to manage the impacts.

674 Disclosure GOV-10 in GRI 102 requires information on the role of the highest governance body in
675 overseeing the organization's processes to manage its impacts.

676 The organization should also report how it manages actual impacts that were identified in previous
677 reporting periods and which it continues to manage during the current reporting period.

Commented [SD73]: Type of change: revision following public comment feedback.

Guidance revised in line with the changes to the requirement. The requirement now elicits more information about the activities and business relationships involved with the negative impacts (this replaces the existing topic Boundary requirement).

Commented [SD74]: Type of change: revision following public comment feedback.

New text added.

Commented [SD75]: Type of change: revision following public comment feedback.

New text added.

Commented [SD76]: Type of change: editorial revision (new text added).

Commented [SD77]: Type of change: revision following public comment feedback.

New text added.

678 **Guidance to MT-3-d-i**

679 The organization should report:

- 680 • examples of actions taken to prevent or mitigate potential negative impacts (e.g.,
681 adaptation/modification measures, facility upgrading, training, red-flag systems);
- 682 • approaches taken to prevent or mitigate systemic negative impacts;
- 683 • how the organization applies the precautionary principle, including:
 - 684 – how the organization proactively informs the public about potential negative impacts of its
685 activities, products, and services, and how it deals with related questions and complaints;
 - 686 – the organization’s support or contribution to scientific research related to evaluating
687 potential negative impacts of its activities, products, and services;
 - 688 – the organization’s participation in collaborative efforts to share knowledge and to prevent
689 negative impacts of its activities, products, and services;
- 690 • how the organization uses or increases its leverage to motivate its business relationships to
691 prevent or mitigate potential negative impacts. For example, whether it uses or increases its
692 leverage by enforcing contractual requirements, implements incentives (such as future
693 orders), provides training and support, or actively collaborates with other actors to motivate its
694 business relationships to prevent or mitigate potential negative impacts;
- 695 • whether the organization has terminated a business relationship because it lacks the leverage
696 to prevent or mitigate potential negative impacts and, if so, whether it has assessed if
697 terminating the relationship could itself result in negative impacts.

698 See [Guidance to RBC-2-a-iii in GRI 102](#) for more information on 'precautionary principle'.

699 **Guidance to MT-3-d-ii**

700 The organization should report:

- 701 • examples of actions taken to remediate actual negative impacts, including examples of
702 specific remedies or types of remedy provided;
- 703 • how grievance mechanisms or other remediation processes (reported under Disclosure RBC-
704 5 in [GRI 102](#)) have made it possible for actual negative impacts to be remediated.

705 See [Disclosure RBC-5](#) for more information on grievance mechanisms and other remediation
706 processes.

707 **Guidance to MT-3-e**

708 MT-3-e enables the organization to report on the effectiveness of its actions to manage its impacts.
709 Tracking the effectiveness of its actions is necessary for an organization so that it can learn if its
710 policies and processes are being implemented optimally. It is also necessary for knowing if it has
711 responded effectively to its impacts and to drive continuous improvement.

712 The organization should also report information on the effectiveness of its actions to manage actual
713 impacts from previous reporting periods. This applies in cases where the organization has assessed
714 the effectiveness of these actions or derived lessons during the current reporting period.

715 **Guidance to MT-3-e-i**

716 Processes used to track the effectiveness of actions can include internal or external auditing or
717 verification, impact assessments, measurement systems, stakeholder feedback, grievance
718 mechanisms, external performance ratings, and benchmarking.

719 **Guidance to MT-3-e-ii**

720 When reporting on goals and targets, the organization should report:

- 721 • how the goals and targets are set;

Commented [SD78]: Type of change: revision following public comment feedback.

New text added.

- 722 • whether and how the goals and targets take into account the sustainability context in which
- 723 the impacts take place (e.g., the limits and demands placed on environmental resources,
- 724 social and economic objectives and goals);
- 725 • whether the goals and targets are informed by expectations in authoritative intergovernmental
- 726 instruments and, where relevant, by scientific consensus;
- 727 • whether goals and targets are mandatory (based on legislation) or voluntary. If they are
- 728 mandatory, the organization can list the relevant legislation;
- 729 • the organization's activities or business relationships to which the goals and targets apply;
- 730 • the baseline for the goals and targets;
- 731 • the timeline for achieving the goals and targets.

732 Targets can be qualitative (e.g., implementing a management system by a certain date) or

733 quantitative (e.g., reducing GHG emissions by a certain percentage by a certain date).

734 The indicators used to evaluate progress can also be qualitative or quantitative. Quantitative

735 indicators can bring precision and enable comparisons. Qualitative information is often needed to put

736 quantitative information into context, enable its interpretation, and determine which comparisons and

737 conclusions are likely to be most valid. The Topic Standards and Sector Standards include qualitative

738 and quantitative indicators.

739 **Guidance to MT-3-e-iii**

740 The organization should report examples that give evidence of whether or not the actions have been

741 effective, such as the outcomes of internal or external auditing or verification, data collected through

742 measurement systems, and stakeholder feedback. The evidence should show that there is a credible

743 link between the specific action taken by the organization and the effective management of impacts.

744 For example, to show the effectiveness of the actions it has taken to support its suppliers with

745 improving their working conditions, the organization can report survey feedback from the suppliers'

746 workers showing that working conditions have improved. Additional evidence the organization can

747 provide include data showing a decrease in the number of incidents identified through independent

748 audits.

749 Similarly, to demonstrate the effectiveness of its actions to improve the quality of its water discharge,

750 the organization can report data showing a decrease in the concentration of total dissolved solids

751 (mg/L) in the water discharge.

752 When reporting progress toward its goals and targets, the organization should report whether

753 progress is satisfactory or not. If a goal or target has not been achieved, the organization should

754 explain why.

755 **Guidance to MT-3-e-iv**

756 Managing impacts is typically an ongoing challenge requiring continuous improvement based on

757 learning from practice.

758 MT-3-e-iv does not require a detailed description of lessons learned in relation to each material topic.

759 Instead, the organization can provide examples to show how it incorporates lessons learned in order

760 to manage impacts more successfully in the future.

761 For instance, the organization can provide examples of lessons learned that have led to changes in its

762 policies or practices (e.g., training for workers, giving additional attention to the performance of

763 suppliers), or that have led to plans for such changes, in order to manage impacts more successfully

764 in the future.

765 Lessons learned may be derived from the organization's own processes (e.g., root cause analysis),

766 from its business relationships, or from stakeholder or expert feedback.

Commented [SD79]: Type of change: revision following public comment feedback.

Original wording: "whether and how the goals and targets take into account the context in which the impacts take place and are informed by expectations in internationally recognized instruments and, where relevant, by scientific consensus;"

Changes made in line with the changes to the Sustainability context principle.

Commented [SD80]: Type of change: editorial revision (new text added).

Commented [SD81]: Type of change: revision following public comment feedback.

New text added.

Commented [SD82]: Type of change: revision following public comment feedback.

New text added.

767 **Guidance to MT-3-f**

768 The organization can explain, for example, whether and how affected stakeholders have been
769 involved in determining an appropriate remedy for a negative impact, or how stakeholder feedback is
770 used to assess the effectiveness of the actions taken.

771 **Annex. Revisions with track changes**

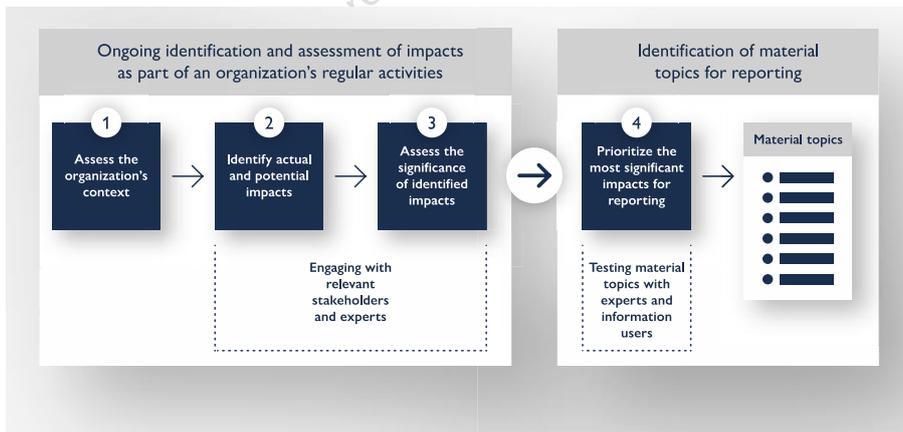
772 **Section 2. Identifying How to**
773 **determine material topics**

774 [An organization reporting in accordance with the GRI Standards is required to determine its material](#)
775 [topics. When doing this, the organization is also required to use the applicable GRI Sector](#)
776 [Standard\(s\) \(see Requirement A-3 in Section 3.1 of GRI 101: Using the GRI Standards\).](#)

777 This section describes the steps that the organization should [go through](#) ~~follow~~ in [order to](#)
778 ~~identify/determining~~ its material topics; ~~following these~~. [Following the steps in this section will help](#)
779 [the organization determine its material topics and report the disclosures in Section 3 of this Standard.](#)
780 [The steps provide guidance and are not a requirement requirements on their own.](#)

781 [The Sector Standards provide information for organizations in a given sector about their most likely](#)
782 [material topics. The reporting organization needs to review each topic described in the applicable](#)
783 [Sector Standard and determine whether it is material for it to report on. Using the Sector Standards](#)
784 [helps the organization determine its materials topics but does not replace the need for the](#)
785 [organization to determine its material topics based on its specific circumstances.](#)

786 **Figure 2. Steps for identifying Process to determine material topics**



787 The first three [of these steps](#) ~~steps in the process to determine material topics~~ relate to the
788 organization's ongoing identification and assessment of impacts ~~as part of its regular activities in~~
789 ~~order to manage its impacts~~. [This involves engaging with relevant stakeholders and experts](#). [These](#)
790 [three steps in turn](#) ~~steps are conducted independently of the sustainability reporting process, but they~~

791 inform the last step, which is the identification of material topics for reporting. In step 4, the
792 organization prioritizes its most significant impacts for reporting and in this way determines its material
793 topics.

794 In subsequent reporting periods each reporting period, the organization should review the previously
795 identified material topics from the previous reporting period to account for changes in the impacts.
796 Changes in impacts can have resulted from changes in its activities and business relationships that
797 lead to a change in its impacts. This review helps to ensure the material topics are still representative
798 of represent the organization's most significant impacts in each new reporting period.

799 The organization should document the process to determine its material topics. This includes
800 documenting the approach taken, decisions, assumptions, and subjective judgements made, sources
801 analyzed, and evidence gathered. Accurate records help the organization explain its chosen approach
802 and report the disclosures in Section 3 of this Standard. The records facilitate analysis and assurance
803 (see also Verifiability principle in Section 4 of GRI 101: Using the GRI Standards).

804 The approach applied for each step will vary according to the specific circumstances of the
805 organization, such as its business model; sector; geographic, cultural and legal operating context;
806 ownership structure; and the nature of its impacts. Given these specific circumstances, the
807 organization steps should use a be systematic, documented, replicable, and documented approach to
808 identify its material topics, used consistently in each reporting period. The organization should
809 document any changes to the approach together with the rationale for those changes and their
810 implications. In particular, the organization should:

- 811 • document the process for identifying its material topics, including the approach, assumptions,
812 and decisions taken. Accurate records help the organization to fulfil relevant disclosures and
813 to explain its chosen approach, and they facilitate analysis and assurance;
- 814 • apply the steps to identify material topics consistently over time, and document any changes
815 to the approach along with their implications;
- 816 • be transparent about any subjective judgments it has made in the process to identify material
817 topics.

818 In addition, the highest governance body or a senior executive should oversee the process and
819 approve the identified material topics.

820 **Box 1. Input to financial and value creation reporting**

821 The material topics and impacts that have been identified through this process inform financial and
822 value creation reporting. They provide crucial input to identifying financial risks and opportunities
823 related to the organization's impacts and financial valuation. This in turn helps in making financial
824 materiality judgments about what to recognize in financial statements. See Box 1 in GRI 101: Using
825 the GRI Standards for more information on sustainability reporting and financial and value creation
826 reporting.

827 The next sections describe the four steps in more detail.

828 **Step 1. Assess Understand the organization's context**

829 This step involves the organization assessing creating an initial high-level overview of its activities
830 and, business relationships, and stakeholders, and assessing the sustainability context in which these
831 take place. This provides the organization with critical information for identifying its actual and
832 potential impacts.

833 Relevant departments and functions within the organization can assist with assessing its activities and
834 business relationship and their context, for example, in this step: communications, human resources,
835 investor relations, legal and compliance department or functions, marketing and sales, procurement,
836 and product development, etc. The GRI Sector Standards also provide useful contextual information
837 for the organization's sector(s).

838 **Assessing Activities**

839 The organization should [assess/consider](#) the following [for/in relation to](#) its [own](#)-activities:

- 840 • [The organization's purpose, value or mission statements, business model, and strategies.](#)
- 841 • The types of activities it carries out (e.g., sales, marketing, manufacturing, distribution) and
842 the geographic locations of these activities.
- 843 • The types of [products](#) and [services](#) it offers; and the markets [served/it serves](#) (i.e., the types of
844 customers and beneficiaries targeted, and the geographic locations where products and
845 services are offered).
- 846 • The sector(s) in which the organization is active and the characteristics of the sector(s) (e.g.,
847 whether it involves informal work, [or/whether it](#) is labor or resource intensive).
- 848 • The number of [employees](#), including their employment type ([full-time or, part-time, or non-](#)
849 [guaranteed hours](#)), employment contract ([permanent contract](#) or [temporary contract](#)), and
850 demographic characteristics (e.g., [age](#), gender, [age](#), geographic location).
- 851 • The number of [workers](#) who are not employees [that perform and whose](#) work [is controlled](#)
852 [by](#) the organization, including the types of worker (e.g., agency workers, contractors, self-
853 employed persons, volunteers), their contractual relationship with the organization (whether
854 the organization engages these workers directly or indirectly through a third party), and the
855 [nature of](#) work they perform.

856 **Assessing Business relationships**

857 The organization's business relationships include relationships with [business partners](#), entities in its
858 [value chain](#) (including entities beyond the first tier), and any other entities directly linked to its
859 operations, products, or services. The organization should [assess/consider](#) the following [for/in relation](#)
860 [to](#) its business relationships:

- 861 • The types of business relationships it has (e.g., joint ventures, [suppliers](#), franchisees).
- 862 • The types of activities undertaken by [these/those with which it has](#) business relationships
863 (e.g., manufacturing the organization's products, providing security services to the
864 organization).
- 865 • The nature of the business relationships (e.g., whether they are based on a long-term or
866 short-term contract, [or/whether they are](#) based on a specific project or event).
- 867 • The geographic location [where the activities](#) of the business relationships [take place](#).

868 **Assessing Sustainability context**

869 The organization should [assess/consider](#) the following in order to understand the [sustainability](#) context
870 [in which/of](#) its activities and business relationships [take place](#):

- 871 • Economic ~~conditions, societal issues, and~~ environmental, [human rights, and other societal](#)
872 challenges at local, regional, and global levels related to the organization's sector(s) and the
873 geographic location~~s~~ of its activities and business relationships (e.g., ~~poverty, political conflict,~~
874 ~~water security,~~ climate change, lack of law enforcement, [poverty, political conflict, water](#)
875 [stress](#)).
- 876 • The organization's responsibility [in relation to/regarding](#) the [international standards and](#)
877 [agreements/authoritative intergovernmental instruments](#) with which it is expected to comply;
878 [for example,](#)

879 [Examples include the International Bill of Human Rights; the International Labour](#)
880 [Organization \(ILO\); Tripartite Declaration of Principles concerning Multinational Enterprises](#)
881 [and Social Policy; the Organisation for Economic Co-operation and Development \(OECD\);](#)
882 [OECD Guidelines for Multinational Enterprises; or the United Nations \(UN\); Framework](#)
883 [Convention on Climate Change \(UNFCCC\) Paris Agreement; the UN Guiding Principles on](#)
884 [Business and Human Rights; and the UN International Bill of Human Rights.](#)

885 • The organization's responsibility ~~in relation to~~regarding the laws and regulations with which it
886 is expected to comply.

887 • ~~The organization's vision and mission, strategy, business model, and policy commitments for~~
888 ~~responsible business conduct.~~

889 See the Sustainability context principle in Section 4 of GRI 101: Using the GRI Standards.

890 Stakeholders

891 The organization should identify who its stakeholders are across its activities and business
892 relationships and engage with them to help identify its impacts.

893 The organization should draw a full list of individuals and groups whose interests are affected or could
894 be affected by the organization's activities. Common categories of stakeholders for organizations are
895 business partners, civil society organizations, consumers, customers, employees and other workers,
896 governments, local communities, non-governmental organizations, shareholders and other investors,
897 suppliers, trade unions, and vulnerable groups.

898 The organization should also consider individuals or groups whom it does not have a direct
899 relationship with (e.g., workers in the supply chain or local communities that live at a distance from the
900 organization's operations) and those who are unable to articulate their views (e.g., future
901 generations).

902 Different lists of stakeholders can be drawn per activity, project, product or service, or other
903 classification that is relevant for the organization.

904 See Box 2 in this Standard for information on engaging with stakeholders.

905 **Step 2. Identify actual and potential impacts**

906 This step involves the organization identifying its actual impacts (those that have already occurred)
907 and potential, ~~negative and positive~~ impacts (those that could occur but have not yet occurred) on the
908 economy, environment, and people, including impacts on human rights, across ~~its own~~the
909 organization's activities and its business relationships. This includes negative and positive impacts,
910 short-term and long-term impacts, intended and unintended impacts, and reversible and irreversible
911 impacts.

912 To identify its ~~actual and potential negative~~ impacts, the organization can use information from diverse
913 sources. It can use information from its own or third-party assessments of environmental, ~~socio-~~
914 economicsocioeconomic, and human rights ~~impact assessments, impacts.~~ It can also use information
915 from legal reviews, anti-corruption compliance management systems, financial audits, occupational
916 health and safety inspections, and ~~shareholder filings.~~ In addition, it can use information from any
917 other relevant assessments of its business relationships. ~~It can use~~ carried out by the organization or
918 by industry or multi-stakeholder initiatives.

919 Further information can be gathered through grievance mechanisms that it has established itself or
920 that have been established by other organizations. It can also use information from ~~broader enterprise~~
921 risk management systems, provided that these systems identify the organization's impacts on the
922 economy, the environment, and people in addition to identifying impacts on the organization itself.
923 And it can use information from external sources, such as news organizations and civil society
924 organizations.

925 In order to identify its impacts accuratelyIn addition, the organization should seek to understand the
926 concerns of its stakeholders (see Box 12 in this Standard). ~~The organization can also and~~ consult with
927 internal ~~experts as well as with~~and external experts, such as civil society organizations or academics.

Commented [SD83]: This guidance was previously under 'Identifying negative impacts'. It has been relocated here following public comment feedback. The move has not been tracked to clearly show the changes to the original text.

928 **Box 42. Engaging with relevant stakeholders and experts⁶**

929 The organization should seek to understand the concerns of its stakeholders by consulting them
930 directly in a way that takes language and other potential barriers into account. Identifying and
931 removing potential barriers to stakeholder engagement (e.g., language and (e.g., cultural differences,
932 gender and power imbalances, divisions within the community) into account. It is important to identify
933 and remove potential barriers to ensure that stakeholder engagement is effective.

934 Engagement with at-risk or vulnerable groups might call for may necessitate specific approaches and
935 need special attention, such as. Such approaches that remove include removing social barriers
936 limiting that limit the participation of women in public fora, or approaches that remove the and
937 removing physical barriers preventing that prevent remotely located communities from attending a
938 meeting.

939 The organization should respect the human rights of all stakeholders and other individuals with whom
940 it engages with (e.g., their rights to privacy, freedom of expression, and peaceful assembly and
941 protest) and it should protect them against reprisals (i.e., non-retaliation for raising complaints or
942 concerns).

943 In situations cases that involve many stakeholders or in those that involve certain types of impact that
944 result in collective harm, broad engagement with stakeholders might may not be possible. For
945 example, in the case of corruption, which collectively harms the population^s of the jurisdiction in which
946 it takes place, or greenhouse gas (GHG) emissions, which contribute to collective, transboundary
947 harm. In thesesuch cases, the organization may engage with credible stakeholder representatives or
948 proxy organizations (e.g., non-governmental organizations, representative public bodies). This is also
949 relevant in situations cases where engaging with individuals could undermine certain rights or
950 collective interests. For example, when considering a decision to restructure or shut down a factory, it
951 may be important for the organization to engage with trade unions to mitigate the employment
952 impacts of the decision. This is because in this situation In such case, engaging with individual
953 workers could undermine the right of workers to form or join trade unions and to bargain collectively.

954 The degree of impact on stakeholders may inform the degree of engagement. The organization
955 should prioritize the most severely affected or potentially affected stakeholders for engagement.

956 Where direct consultation is not possible, the organization should consider reasonable alternatives,
957 for example, such as consulting credible independent experts, such as for example, national human
958 rights institutions, human rights and environmental defenders, trade unions, and other members of
959 civil society.

960 In this step, the organization needs to consider the impacts described in the applicable GRI Sector
961 Standard and determine whether these impacts apply to it.

962 Impacts may change over time as the organization's activities and, business relationships, and their
963 context evolve. For example, New activities or, new business relationships or, and major decisions or
964 changes in operations or the operating context (e.g., new market entry, product launch, policy
965 change, or wider changes to the organization) could lead to changes in the organization's impacts.
966 For this reason, the organization should identify keep assessing its context and identifying its impacts
967 on an ongoing basis.

968 In situations cases where an organization has limited resources available for identifying its impacts, it
969 should start by identifying first identify its negative impacts, before moving onto identifying positive
970 impacts, to ensure it complies with applicable laws, regulations, and authoritative intergovernmental
971 instruments.

972 **Identifying negative impacts**

⁶ This guidance is based on the United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011 and the Organisation for Economic Co-operation and Development (OECD), *OECD Due Diligence Guidance for Responsible Business Conduct*, 2018.

973 The guidance ~~in this section on identifying negative impacts~~ is based on the *UN Guiding Principles*
974 *on Business and Human Rights*, the *OECD Guidelines for Multinational Enterprises*, and the *OECD*
975 *Due Diligence Guidance for Responsible Business Conduct*.

976 Identifying ~~the~~ actual and potential negative impacts with which the organization is *involved* or could
977 be involved is the first step of *due diligence*. The organization should consider actual and potential
978 impacts *that it causes* or *contributes to* through its *own* activities, as well as ~~those actual and potential~~
979 *impacts* that are *directly linked* to its operations, *products*, or *services* by its business relationships
980 (see *Box 23 in this Standard*).

981 In some cases, the organization might be unable to identify actual and potential negative impacts
982 across all its activities and business relationships. *This could be*, for example, because it has diverse
983 or multiple global operations or because its *value chain* comprises ~~a large number of many~~ entities. In
984 these cases, the organization may carry out an initial assessment or scoping exercise to identify
985 general areas across its activities and business relationships (e.g., *product lines, suppliers located in*
986 *specific geographic locations*) where negative impacts are most likely to be present and significant.
987 *Once* the organization *has conducted the initial assessment or scoping exercise*, it can ~~then~~ identify
988 and assess *specific* actual and potential negative impacts for these *general* areas.

989 As part of *this* initial assessment or scoping exercise, the organization ~~can~~ *should* consider *sector-*
990 *specific, product-specific impacts commonly associated with its sector, its products*, geographic-level,
991 *and enterprise-level impacts, as well as other locations, or with specific organizations. It should also*
992 *consider* impacts it has ~~been involved with~~ or knows it is likely to ~~face~~ *be involved with*. *In*
993 *addition to* the GRI Sector Standards ~~identify impacts that are most likely to be present and significant~~
994 *for organizations in a given sector*, the organization can also use the *OECD Due Diligence Guidance*
995 *for Responsible Business Conduct* and the OECD *sector-specific sectoral guidance on due diligence*⁷
996 *guidance* for information on *sector-specific, product-specific impacts commonly associated with*
997 *sectors, products*, geographic-level, *and enterprise-level impacts, as well as locations, and specific*
998 *organizations. It can also use* reports from governments, environmental agencies, international
999 organizations, civil society organizations, *workers'* representatives and trade unions, national human
1000 rights institutions, media, or other experts.

1001 **Box 23. Causing, contributing, or being directly linked to negative impacts**⁸

1002 An organization **'causes'** a negative *impact* if its activities on their own result in the impact. For
1003 example, if the organization pays a bribe to a foreign public official, or if it withdraws water from a
1004 water-stressed aquifer without replenishing the water level.

1005 An organization **'contributes to'** a negative impact if its activities cause, facilitate, or incentivize
1006 another entity to cause the impact. An organization can also contribute to a negative impact if its
1007 activities in combination with the activities of other entities cause the impact. For example, if the
1008 organization sets a short lead time for a *supplier* to deliver a *product*, despite knowing from *past*
1009 experience that this production time is not feasible, this could ~~contribute to result in~~ excessive overtime
1010 for the supplier's *workers*. In this case, the organization could contribute to negative impacts on the
1011 health and safety of these workers.

1012 An organization can cause or contribute to a negative impact through its actions as well as its failure
1013 to take action (e.g., failure to prevent or *mitigate* a *potential* negative impact ~~that the organization~~
1014 *could have foreseen*).

1015 Even if an organization does not cause or contribute to a negative impact, its operations, products, or
1016 *services* could be *connected to a negative impact of a business relationship. In this case, the*
1017 *organization's operations, products, or services are 'directly linked to'* a negative impact by its
1018 business relationship. For example, if the organization ~~sources and~~ uses cobalt in its products that is
1019 mined using child labor, the negative impact (i.e., child labor) is directly linked to the organization's
1020 products through the tiers of business relationships in its *supply chain* (i.e., *withthrough* the smelter,

⁷ <http://mneguidelines.oecd.org/sectors/>

⁸ These concepts come from the United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011 and the Organisation for Economic Co-operation and Development (OECD), *OECD Due Diligence Guidance for Responsible Business Conduct*, 2018.

1021 ~~and~~ minerals trader, ~~or to the~~ mining enterprise that uses child labor), even though the organization
1022 has not caused or contributed to the negative impact itself.

1023 The way an organization is involved with negative impacts ~~is important for determining~~determines
1024 how the organization should address an impact and whether it has a responsibility to provide for or
1025 cooperate in its remediation (see Section 2.3 of GRI 101: Using the GRI Standards).

1026 For additional guidance and examples, see the OECD Due Diligence Guidance for Responsible
1027 Business Conduct, pages 70-72, and the UN's The Corporate Responsibility to Respect Human
1028 Rights: An Interpretive Guide, pages 15-18.

1029 **Identifying positive impacts**

1030 To identify its actual and potential positive impacts, the organization should assess the manner in
1031 which it contributes or could contribute to sustainable development through its own activities, for
1032 example, through its products, services, investments, procurement practices, ~~as an~~
1033 employer~~employment practices~~, or ~~as a taxpayer~~tax payments. This also includes assessing how the
1034 organization can shape its purpose, business model, and strategies so that it delivers positive impacts
1035 that contribute toward the goal of sustainable development.

1036 Examples~~An example of a positive impacts could be~~impact is an organization adopting measures that
1037 lower the cost of renewable energy for customers, ~~or thereby contributing to mitigating climate change.~~
1038 Another example is an organization choosing an area with high unemployment to open a new facility
1039 so that it can hire and train unemployed members of the local community, and in this way contribute
1040 to job creation and community development.

1041 The organization should consider any negative impacts that could result from activities that aim for a
1042 positive contribution to sustainable development. Negative impacts cannot be offset by ~~other~~ positive
1043 impacts. For example, a renewable energy installation might reduce a region's dependence on fossil
1044 fuels and bring energy to underserved communities. But if it displaces local indigenous communities
1045 from their historical and cultural lands or territories without their consent, this negative impact needs
1046 to be addressed and remediated, and it cannot be offset/compensated by the ~~other~~ positive impacts.

1047 **Step 3. Assess the significance of identifiedthe impacts**

1048 The organization ~~might~~may identify many actual and potential impacts. This step involves the
1049 organization assessing the significance of its identified impacts to prioritize them ~~for action and also to~~
1050 prioritize them for reporting in Step 4. Prioritization enables the organization to take action in order to
1051 address the impacts and also to determine its material topics for reporting. Prioritizing impacts for
1052 action is relevant where it is not feasible to address all impacts at once.

1053 Assessing the significance of the impacts involves quantitative and qualitative analysis. How
1054 significant an impact is will be specific to the organization, and will be influenced by its sector(s), and
1055 business relationships, among other factors. In some instances, this ~~can necessitate~~may need a
1056 subjective decision. ~~Therefore,~~ The organization should consult with relevant stakeholders (see Box
1057 4.2 in this Standard) and business relationships ~~on how to determine~~assess the significance of its
1058 identified impacts. The organization ~~can~~should also consult relevant internal or external experts ~~as~~
1059 needed.

1060 **Assessing the significance of negative impacts**

1061 The guidance in this section on assessing the significance of negative impacts~~This guidance~~ is based
1062 on the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational
1063 Enterprises, and the OECD Due Diligence Guidance for Responsible Business Conduct.

1064 The significance of an actual negative impact is assessed ~~by considering~~based on its severity. The
1065 significance of a potential negative impact is assessed ~~by considering~~based on its severity ~~as well as~~
1066 ~~its~~and likelihood. The combination of the severity and the likelihood of occurrence of a negative
1067 impact can be referred to as 'risk'.

1068 Severity

- 1069 The severity of an actual or potential negative impact is determined by the following characteristics:
- 1070 • Scale: how grave the impact is.
 - 1071 • Scope: how widespread the impact is, for example, the number of individuals affected or the
1072 extent of environmental damage.
 - 1073 • Irremediable character: how hard it is to counteract or make good the resulting harm.

1074 The scale of a negative impact (i.e., how grave the impact is) can depend on whether the impact
1075 leads to non-compliance with ~~the~~ laws and regulations or with ~~the international standards and~~
1076 ~~agreements authoritative intergovernmental instruments~~ with which the organization is expected to
1077 comply. For example, if a negative impact leads to a violation of human rights or fundamental rights at
1078 work, or ~~to~~ non-compliance with the reductions in GHG emissions to be achieved under the ~~UNFCCC~~
1079 ~~Paris Agreement~~, the scale of this impact can be considered greater.

1080 The scale of a negative impact can also depend on the context in which the impact takes place. For
1081 example, the scale of the impact of an organization's water withdrawal can depend on the area from
1082 ~~where~~ which water is withdrawn. The scale will be greater if water is withdrawn from an area affected
1083 by water stress, compared to an area that has abundant water resources to meet the demands of
1084 ~~ecosystems and other~~ water users ~~and ecosystems~~.

1085 Any of the three characteristics (scale, scope, and irremediable character) can make an impact
1086 severe. ~~Although~~ But it is often the case that these characteristics are interdependent: the greater the
1087 scale or the scope of an impact, the less remediable it is.

1088 The severity – and therefore the significance – of an impact are not absolute concepts. The
1089 severity of an impact should be assessed ~~relative in relation~~ to the other impacts of the organization
1090 ~~has identified~~. For example, the organization should compare the severity of the impacts of its
1091 greenhouse gas (GHG) emissions against the severity of its other ~~identified~~ impacts. The organization
1092 should not assess the significance of its GHG emissions ~~relative in relation~~ to global GHG ~~emission~~
1093 ~~level~~ emissions, as that comparison could lead to the ~~misleading~~ conclusion that the organization's
1094 emissions are not significant.

1095 Likelihood

1096 The likelihood of a potential negative impact refers to the chance of the impact happening. The
1097 likelihood of an impact can be measured or determined qualitatively or quantitatively, ~~and it~~ can be
1098 described using general terms (e.g., very likely, likely) or mathematically (using a probability, ~~e.g.~~, 10
1099 in 100 or 10%, ~~%)~~ or a frequency over a given time period, ~~e.g.~~, once every three years).⁹

1100 Negative Human rights impacts

1101 In the case of potential negative human rights impacts, the severity of the impact takes precedence
1102 over its likelihood. For example, a nuclear power facility may prioritize the potential impact related to
1103 loss of life in cases of natural disasters, even though natural disasters are less likely to occur than
1104 other incidents ~~at the facility would be~~.

1105 The severity of a negative human rights impact is not limited to physical harm. ~~Severe impacts can~~
1106 ~~occur in relation to~~ any human right ~~can be subject to severe impacts~~. For example, interfering with,
1107 damaging, or destroying a sacred space without consultation or agreement with the people ~~who~~
1108 ~~use for whom~~ the space ~~has spiritual importance~~ can have a severe impact on people's cultural rights.

1109 ~~The organization may choose to prioritize other types of impacts, such as environmental impacts,~~
1110 ~~based on severity, as well.~~

1111 **Assessing the significance of positive impacts**

1112 The significance of an actual positive impact is assessed ~~by considering based on~~ its scale and
1113 scope. The significance of a potential positive impact is assessed ~~by considering based on~~ its scale
1114 and scope ~~on the one hand, and as well as~~ its likelihood ~~on the other~~.

1115 Scale and scope

⁹ International Organization for Standardization (ISO), *ISO 31000:2018 Risk management – Guidelines*, 2018.

1116 In the case of positive impacts, the scale of an impact refers to how beneficial the impact is or ~~would~~
1117 be, and the scope refers to how widespread the impact is or ~~would be~~, ~~for example, (e.g.,~~ the
1118 number of individuals or the extent of environmental resources that are or ~~would be~~ positively
1119 affected.)

1120 *Likelihood*

1121 The likelihood of a potential positive impact refers to the chance of the impact happening. The
1122 likelihood of an impact can be measured or determined qualitatively or quantitatively, ~~and, it~~ can be
1123 described using general terms (e.g., very likely, likely) or mathematically (using a ~~probability,~~ (e.g., 10
1124 in 100 or 10%,%) or a ~~frequency over a given time period,~~ (e.g., once every three years).¹⁰

1125 **Step 4. Prioritize the most significant impacts for reporting**

1126 This step involves the organization prioritizing its impacts based on their significance, in order to
1127 identify/determine material topics for reporting.

1128 **Setting a threshold to determine which topics are material to report**

1129 The significance of an impact is assessed relative in relation to the other impacts the organization has
1130 identified. The organization should arrange the identified impacts from most to least significant, and
1131 define a cut-off point or threshold to determine which of the impacts it will focus its reporting on. The
1132 organization should document this threshold ~~and criteria used when identifying material topics~~. To
1133 facilitate prioritization, the organization should group the identified impacts into topics (see Box 34 in
1134 this Standard).

1135 For example, in order to set a threshold an organization first groups its impacts into X number of
1136 topics and ranks them from highest to lowest priority based on their significance. The organization
1137 then needs to determine how many of the topics it will report on, starting with those that have highest
1138 priority. How to set the threshold is up to the organization. For transparency, the organization can
1139 provide a visual representation of the prioritization that shows the initial list of topics it has identified
1140 and the threshold it has set for reporting.

1141 The significance of an impact is the sole criterion for determining whether a topic is material ~~to report~~
1142 ~~or for reporting~~. The organization cannot use difficulty in reporting on a topic or the fact that it does not
1143 yet manage the topic as ~~the basis/criteria~~ for determining whether or not to report on ~~that~~ topic. In
1144 cases where the organization does not manage a material topic ~~and related impacts, the organization,~~
1145 it is required to report the reasons for not doing so, or any plans to manage the topic, under
1146 Disclosure MT-3.

1147 While some topics can cover both negative and positive impacts, the organization ~~may/should~~
1148 prioritize negative impacts separately from positive impacts, as negative impacts ~~need to be~~
1149 discussed independently and cannot be offset by positive impacts.

1150 Even if the organization has not prioritized an actual ~~and/or~~ potential negative impact for reporting, ~~the~~
1151 organization-it may still have a responsibility to understand how to address the impact in line with ~~the~~
1152 applicable laws, regulations, or internationally recognized/authoritative intergovernmental instruments
1153 (see Section 2.3 of GRI 101: Using the GRI Standards for more information).

1154 **Box 34. Grouping impacts into topics**

1155 Grouping impacts into topics, like 'water and effluents', helps the organization report in a cohesive
1156 way on multiple impacts that relate to the same topic.

1157 The organization can group impacts into topics according to general categories ~~of impacts~~ that relate
1158 to a business activity, a stakeholder category, a type of business relationship, or an economic or
1159 environmental resource. For example, ~~if an organization identifies/organization's activities result in~~
1160 water pollution ~~as one potential, which causes~~ negative ~~impact of its activities; impacts on both~~
1161 ecosystems and ~~the reduced on local communities'~~ access ~~of local communities~~ to safe drinking water

¹⁰ International Organization for Standardization (ISO), ISO 31000:2018 Risk management – Guidelines, 2018.

1162 ~~as another potential negative impact, it can~~. The organization can group these impacts ~~under~~into the
1163 topic of 'water and effluents' ~~as both impacts relate to its use of water~~.

1164 The organization can refer to the ~~topic names included~~topics in the GRI Topic Standards and the GRI
1165 Sector ~~Standard(s) that apply to its sector(s)~~Standards. These topics provide a useful reference for
1166 understanding the range of impacts that can be covered in each topic. For impacts or topics that are
1167 not covered by the GRI Standards, the organization can refer to other sources, such as authoritative
1168 intergovernmental instruments or industry standards.

1169 **Testing the material topics ~~with information users and experts~~**

1170 The organization should test its selection of material topics against the topics in the applicable Sector
1171 Standard. This helps the organization ensure that it has not overlooked any topics that are likely to be
1172 material for its sector.

1173 The organization ~~can~~ should also test its selection of material topics with potential information users
1174 and experts who understand the organization or its ~~sector(s)~~ and have insight into one or more of the
1175 material topics ~~identified~~. This can help the organization validate the threshold it has set to determine
1176 which topics are material to report. Examples of experts the organization can consult ~~include are non-~~
1177 governmental organizations, academics, consultants, ~~investors~~, lawyers, ~~national institutions~~, and
1178 ~~investors~~non-governmental organizations.

1179 In addition, the organization should seek external assurance to assess the quality and credibility of
1180 the process for identifying material topics. See Section 5.2 in *GRI 101: Using the GRI Standards for*
1181 *more information on seeking external assurance*.

1182 The outcome of the testing results in a list of the organization's material topics.

1183 **Approval of ~~the~~ material topics ~~by highest governance body~~**

1184 The organization's ~~highest governance body or a senior executive~~ should approve the ~~identified~~list of
1185 material topics.

1186 **Determining what to report for each material topic**

1187 Once the organization has ~~identified~~ ~~determined~~ its material topics, it needs to determine what to
1188 report for each material topic. See Requirements A-4 and A-5 in Section 3.1 of *GRI 101: Using the*
1189 *GRI Standards* for information on how to report on material topics.

1190 **Section 3. Reporting Disclosures on** 1191 **material topics**

1192 In the disclosures ~~in~~of this section ~~provide information about how~~, the organization ~~has~~
1193 ~~identified~~is required to report its material topics, ~~the material~~how it has determined these topics ~~and~~
1194 ~~related impacts identified~~, and how it manages each ~~material~~topic. Material topics are topics that
1195 ~~reflect~~represent the organization's most significant impacts on the economy, environment, and
1196 people, including impacts on human rights. Section 2 of this Standard provides guidance on
1197 ~~identifying~~how to determine material topics, ~~which help and helps~~ understand ~~these~~and report on
1198 the disclosures in this section.

1199 **Disclosure MT-1 ~~Identification of~~ Process to determine material** 1200 **topics ~~and related impacts~~**

1201 **Requirements**



1202 The organization shall:

- 1203 a. ~~report how~~describe the process it has ~~identified~~followed to determine its material topics,
1204 including:
- 1205 i. how it has identified actual and potential, negative and positive impacts on the
1206 economy, environment, and people, including impacts on human rights, across its
1207 ~~own~~activities and business relationships;
- 1208 ii. how it has prioritized the impacts for reporting based on their significance;
- 1209 b. specify the stakeholders and experts whose views have informed the identification
1210 ~~of~~process to determine its material topics.

1211 **Guidance**

1212 **Guidance to MT-1**

1213 This disclosure ~~covers~~requires information on how the organization has ~~identified~~determined its
1214 material topics and related impacts. The list of material topics and related impacts that the
1215 organization has identified are to be reported under Disclosure MT-2.

1216 **Guidance to MT-1-a-i**

1217 The organization should describe the methods it has used to identify its impacts, for example,
1218 environmental, socio-economic, and human rights impact assessments, grievance mechanisms, or
1219 using information from external sources, such as civil society organizations. In addition, the
1220 organization should describe the sources and the evidence it has used to identify the impacts.

1221 The organization should also describe the scope it has defined when identifying the impacts, for
1222 example, whether it has identified short-term as well as long-term impacts. It should also describe any
1223 limitations or exclusions, for example, whether it has excluded business relationships from certain
1224 parts of its value chain when identifying the impacts.

1225 Disclosure GOV-10 in GRI 102: About the Organization requires information on the role of the highest
1226 governance body in overseeing the organization's processes to identify its impacts.

1227 **Guidance to MT-1-a-ii**

1228 The organization should describe how it has assessed the significance of the impacts ~~identified,~~
1229 including any assumptions and subjective judgements it has made.

1230 The significance of an actual negative impact is assessed based on its severity (scale, scope, and
1231 irreparable character), while the significance of a potential negative impact is assessed based on its
1232 severity and likelihood. In the case of potential negative human rights impacts, the severity of the
1233 impact takes precedence over its likelihood.

1234 The significance of an actual positive impact is assessed based on its scale, and scope, and while
1235 the significance of a potential positive impact is assessed based on its scale and scope as well as its
1236 likelihood.

1237 See Section 2 of this Standard for more guidance on assessing the significance of impacts.

1238 The organization should explain if it has used a different approach to prioritize its impacts, for
1239 example, if it has prioritized potential negative environmental impacts based on severity only.

1240 The organization should also describe how it has defined the threshold to determine which topics are
1241 material ~~to report, for reporting~~ and whether it has tested its selection of material topics with potential
1242 information users and experts. Disclosure GOV-11 in GRI 102 requires information on the committee
1243 of the highest governance body or senior executive position that formally reviews and approves the
1244 organization's sustainability reporting and ensures that the organization reports all material topics.
1245 The organization should explain any changes to its initial selection of material topics following the
1246 testing with external parties and the internal approval.

1247 For transparency, the organization can provide a visual representation of the prioritization that shows
1248 the initial list of topics it has identified and the threshold it has set for reporting.

1249 **Guidance to MT-1-b**

1250 MT-1-b enables the organization to explain how engagement with stakeholders and experts informs
1251 the ongoing identification and assessment of its impacts.

1252 The organization can report whether and how it has prioritized stakeholders for engagement and the
1253 methods used to engage with them. It can also report any conflicting interests that have arisen among
1254 different stakeholders and how the organization has resolved these conflicting interests.

1255 **Disclosure MT-2 List of material topics and related impacts**

1256 **Requirements**

1257 **The organization shall:**

- 1258 a. report the list its material topics it has identified;
1259 b. list any topics from the applicable GRI Sector Standard(s) that have been determined as
1260 not material and explain why they are not material;
1261 c. report changes in to the list of material topics compared to the previous reporting period.

1262 **Guidance**

1263 **Guidance to MT-2**

1264 This disclosure ~~covers~~requires information on the organization's material topics and related impacts
1265 identified by the organization. Information on how the organization has identified-determined its
1266 material topics is to be reported under Disclosure MT-1.

1267 AnThe organization reporting in accordance with the GRI Standards is also required to include the
1268 material topics reported listed under this disclosure in the GRI content index (see Requirement A-6 in
1269 Section 3.1 of GRI 101: Using the GRI Standards).

1270 **Guidance to MT-2-a**

1271 The organization can group material topics by relevant categories if this helps communicate its
1272 impacts better. ExamplesFor example, the organization can indicate which of categories include its
1273 material topics represent its negative human rights impacts, impacts in the supply chain, or impacts
1274 on the environment.

1275 **Guidance to MT-2-b**

1276 The organization should describe how it has considered sector-specific, product-specific, and
1277 geographic-level impacts when identifying its material topics. The organization should also explain
1278 whether and why it does not report on some of these impacts as part of its material topics; for
1279 example, because the specific impact was assessed to be absent or because the impact was not
1280 among the most significant to report on. Reporting this information indicates whether the organization
1281 recognizes sector-specific, product-specific, and geographic-level impacts, and provides information
1282 users with adequate contextual information to assess the organization's selection of material topics.

1283 The organization is required to use the applicable GRI Sector Standard(s) when determining its
1284 material topics (see Requirement A-3 in Section 3.1 of GRI 101: Using the GRI Standards).

1285 The Sector Standards provide information for organizations in a given sector about their most likely
1286 material topics. The topics have been identified on the basis of the sector's most significant impacts,
1287 using multi-stakeholder expertise, authoritative instruments, and other relevant evidence.

Commented [SD84]: This requirement was previously under Disclosure MT-1. It has been relocated to Disclosure MT-2 following public comment feedback. The move has not been tracked to clearly show the changes to the original text.

1288 [The organization needs to review each topic described in the applicable Sector Standard and](#)
1289 [determine whether it is material for it to report on. If any of the topics that are included in the](#)
1290 [applicable Sector Standard have been determined by the organization as not material, the](#)
1291 [organization is required to report this along with an explanation. This explanation provides information](#)
1292 [users with an understanding of why topics that have been identified by experts, instruments, and](#)
1293 [evidence as likely to be material for the sector have been determined by the organization as not](#)
1294 [material.](#)

1295 [There can be cases where a topic included in the applicable Sector Standard is not material for an](#)
1296 [organization. This could be because the specific impacts the topic covers were assessed to be absent](#)
1297 [or because, compared to other impacts of the organization, the ones that the topic covers are not](#)
1298 [among the most significant.](#)

1299 For example, an [organization in the oil and gas projectsector is required to use the GRI Oil and Gas](#)
1300 [Sector Standard when determining its material topics. One of the topics included in this Sector](#)
1301 [Standard is land use and resettlement. Oil and gas projects often requires land for its operations,](#)
1302 [access routes, and distribution. This can lead to impacts such as involuntary resettlement of local](#)
1303 [communities, which can involve their physical displacement as well as economic displacement such](#)
1304 [as loss of for them through having lost access to resources. An organization undertaking anHowever,](#)
1305 [if the organization's oil and gas project would need to consider, in the early stages of due diligence,](#)
1306 [whether the project could result in involuntaryprojects do not result in these impacts and will not result](#)
1307 [in these impacts in the future, the organization may determine that the topic of land use and](#)
1308 [resettlement of communities. If the project does not result in involuntary resettlement of communitiesis](#)
1309 [not material for it to report on. In this case, the organization should still reportis required to explain](#)
1310 [why it has determined that this topic, which is commonly associated withlikely material for](#)
1311 [organizations in the oil and gas sector, wasis not identified as material to report, to make clear that](#)
1312 [the topic was not overlooked on.](#)

1313 [A brief explanation of why the topic is not material is sufficient. Adding to the previous example, the](#)
1314 [organization could explain that land use and resettlement is not a material topic because its existing](#)
1315 [oil and gas projects are located in uninhabited areas and there are no plans to start projects in new](#)
1316 [areas.](#)

1317 [The organization is required to list all the likely material topics identified in the applicable Sector](#)
1318 [Standard in the GRI content index \(see Requirement A-6 in Section 3.1 of GRI 101: Using the GRI](#)
1319 [Standards\) and for each of these topics, to indicate whether it has determined the topic to be material](#)
1320 [or not. The explanation of why any of these topics are determined to not be material can also be](#)
1321 [included directly in the GRI content index.](#)

1322 [In the absence of an applicable Sector Standard, the organization should explain how it has](#)
1323 [considered impacts commonly associated with its sector, and whether any of these impacts have](#)
1324 [been determined as not material to report on, along with an explanation of why this is the case.](#)

1325 [The organization should also explain how it has considered impacts commonly associated with its](#)
1326 [products and geographic locations.](#)

1327 See Section 2 of this Standard and the [GRI Sector Standards](#) for guidance on [sector-specific,](#)
1328 [product-specific, and geographic-level impacts impacts commonly associated with sectors, products,](#)
1329 [and geographic locations.](#)

1330 [Guidance to MT-2-c](#)

1331 [MT-2-c enables the organization shouldto explain why a topic that was identifiedit determined as](#)
1332 [material in the previous reporting period is deemed to no longer considered to be material, or why a](#)
1333 [new topic has been identified-determined as material for the current reporting period.](#)

Commented [SD85]: This guidance was previously under Disclosure MT-1. It has been relocated to Disclosure MT-2 following public comment feedback. The move has not been tracked to clearly show the changes to the original text.

1334 **Disclosure MT-3 Management of material topics and related**
1335 **impacts**

1336 **Requirements**

1337 For each **material topic** reported under **Disclosure MT-2**, the organization shall:

- 1338 a. describe the actual and potential, negative and/or positive **impacts identified** on the
1339 economy, environment, and people, including impacts on **human rights**;
- 1340 b. report whether the organization is involved with the negative impacts through its **own**
1341 activities or as a result of its **business relationships**, and describe the activities or
1342 **business relationships**;
- 1343 c. describe its policies or commitments ~~for~~**regarding** the topic;
- 1344 d. describe actions taken to manage the topic and related **impacts**, ~~in particular~~**including**:
- 1345 i. actions ~~taken~~ to prevent or **mitigate** potential negative impacts;
- 1346 ii. actions ~~taken~~ to address actual negative impacts, including actions to provide for or
1347 cooperate in their **remediation**;
- 1348 **iii. actions to manage actual and potential positive impacts**;
- 1349 e. report the following information ~~about~~**on** the effectiveness of the actions taken:
- 1350 i. processes used to track the effectiveness of the actions ~~taken~~;
- 1351 ii. goals, targets, and indicators used to evaluate progress;
- 1352 iii. evidence of ~~the extent to which~~**whether or not** the actions ~~taken~~ have
1353 ~~been effective~~**been effective**, including progress toward the goals and targets;
- 1354 iv. lessons learned and how these have been incorporated into the organization's
1355 operational policies and procedures;
- 1356 f. describe how engagement with **stakeholders** has informed the actions taken (MT-3-bd)
1357 and **how it has informed** whether the actions ~~taken~~ have been effective (MT-3-c);~~e~~.
- 1358 ~~g. if the organization does not manage a material topic, explain the reason for not managing~~
1359 ~~the topic or describe any plans to manage it.~~

1360 **Guidance**

1361 **Guidance to MT-3**

1362 This disclosure ~~enables~~**requires** the organization to explain how it manages each of its **identified**
1363 **material topics and related impacts**.

1364 The requirements in this disclosure apply to every material topic. ~~An~~**This means that the** organization
1365 ~~preparing a report in accordance with the GRI Standards~~ is required to report this disclosure for each
1366 of its **identified** material topics.

1367 ~~Besides~~**In addition to** this disclosure, ~~there may also be disclosures and guidance in~~ the Topic
1368 Standards and Sector Standards ~~can also contain disclosures and guidance for that address~~ reporting
1369 ~~on~~ how the organization manages a topic. For example, some Topic Standards contain disclosures
1370 about specific actions or methods to manage ~~impacts for~~ a topic. The organization does not need to
1371 repeat this information under Disclosure MT-3 if it is already reported under another disclosure. The

Commented [SD86]: These requirements were previously under Disclosure MT-2. They have been relocated to Disclosure MT-3 following public comment feedback. The move has not been tracked to clearly show the changes to the original text.

1372 organization can report this information once and provide a reference to this information to fulfill the
1373 corresponding MT-3 requirements.

1374 If the organization's approach to managing a material topic, such as its policies or actions taken,
1375 applies to other material topics, the organization does not need to repeat this information for each
1376 topic. The organization can report this information once, with a clear explanation of all the topics it
1377 covers.

1378 If the organization is unable to report information about an item (e.g., a policy or action) as required
1379 under the disclosure because the item does not exist, it can meet the requirement by reporting this to
1380 be the case. The disclosure does not require the organization to implement the item, such as the
1381 policy, but to report if it does not exist. Additionally, the organization can explain the reason for not
1382 having the item and/or describe any plans to develop it.

1383 If the organization does not manage a material topic, it can meet the requirements under this
1384 disclosure by explaining the reason for not managing the topic and/or describing any plans to manage
1385 it.

1386 **Guidance to MT-3-a**

1387 MT-2-b provides contextual information to understand how the organization manages each material
1388 topic and related impacts (reported under Disclosure MT-3). MT-2-b does not require a detailed
1389 description of impacts or a detailed explanation of how the organization is involved with each negative
1390 impact; the organization can provide a high-level description of the impacts it has identified.

1391 MT-2-b-i covers impacts related to each material topic. MT-3-a enables the organization to indicate if
1392 a topic is material because of negative impacts, positive impacts, or both. MT-3-a does not require a
1393 list of all the impacts identified or a detailed description of the impacts. Instead, the organization can
1394 provide a high-level overview of the impacts it has identified.

1395 Describing negative impacts

1396 The organization can describe:

- 1397 • whether the negative impacts are actual or potential, and for potential impacts, whether they
1398 are short-term or long-term;
- 1399 • whether the impacts are systemic (e.g., child labor or forced labor in countries where the
1400 organization operates or sources inputs from) or are related to individual incidents (e.g., an oil
1401 spill);
- 1402 • the stakeholders (without identifying specific individuals) or economic or environmental
1403 resources that are affected or could potentially be affected, and their geographic location.

1404 Reporting on negative impacts can help the organization demonstrate that it recognizes these impacts
1405 and that it has taken action or intends to take action to address them. The organization might
1406 have concerns about reporting on negative impacts even if these impacts are already publicly known.
1407 In fact, cases where negative impacts are publicly known, failure to acknowledge these impacts and to
1408 explain how they are being addressed could have consequences for the organization (e.g.,
1409 reputationally, financially, operationally), or reputationally. If the organization is unable to disclose
1410 specific information (e.g., because that could affect the of stakeholders' right to privacy of
1411 stakeholders), it can provide the information in aggregated or anonymized form, or it can
1412 describe make a reference to the impacts commonly associated with its sector-specific, product-
1413 specific, its products, or geographic-level impacts locations.

1414 Describing positive impacts

1415 The organization can describe:

- 1416 • whether the positive impacts are actual or potential, and for potential impacts, whether they
1417 are short-term or long-term;
- 1418 • the activities that result in the positive impacts (e.g., products, services, investments,
1419 procurement practices);

- the stakeholders (without identifying specific individuals) or economic or environmental resources that are benefitted/benefit or could potentially be benefitted/benefit, and their geographic location.

Guidance to MT-23-b-ii

The way an organization is involved with negative impacts is important for determining/determines the organization's responsibility toward addressing the impacts (see Section 2.3 of *GRI 101: Using the GRI Standards*). MT-23-b-ii therefore provides contextual information for understanding to understand the actions taken by the organization in order to manage its negative impacts (reported under Disclosure requirement MT-3-d-i and MT-3-d-ii).

MT-23-b-ii requires the organization to report whether it is involved with the negative impacts through its own activities or as a result of its business relationships. Where possible, the organization should also report whether it is or could be causing or contributing to the negative impacts through its own activities, or whether the impacts are or could be directly linked to its operations, products, or services by its business relationships even if it has not contributed to them. See Box 23 in Section 2 of this Standard for more information on causing, contributing, or being directly linked to negative impacts.

MT-3-b also requires describing the activities or business relationships. This enables the organization to indicate if the impacts related to a material topic are widespread in the organization's activities or business relationships, or if the impacts concern specific activities or business relationships.

The organization can also report if the impacts concern specific activities, the organization should describe the types of activities (e.g., manufacturing, retail) and their geographic location. If the impacts concern specific business relationships, the organization should describe the types of business relationships (e.g., suppliers of raw materials, franchisees involved with the identified negative impacts), their position in the value chain, and their geographic location.

For example, if the organization has identified that its activities at specific sites could cause water pollution, it should describe the types of activities carried out at these sites and the geographic location of these sites. Or if the organization has identified that it is directly linked to child labor by the business relationships in its supply chain, it should specify the types of suppliers using child labor (e.g., sub-contractors doing embroidery work for the organization's products) and the geographic location of these suppliers.

The organization can provide additional contextual information for understanding the extent of its impacts. Adding to the previous examples, the organization can report how many of its sites could cause water pollution (e.g., 60% of sites, 5 out of 12 sites) or the proportion of production these sites represent, or it can report the estimated number of sub-contractors using child labor that do embroidery work for the organization.

Guidance to MT-3-ac

MT-3-c requires a description of policies or commitments the organization has developed specifically for the topic, in addition to the policy commitments reported under Disclosures RBC-2 and RBC-3 in *GRI 102: About the Organization* provide guidance on how to report on policies. If the organization's policies for a material topic have been described under Disclosures RBC-2 and RBC-3, the organization, it can provide a reference to this information under MT-3-ac and does not need to repeat the information. See Disclosure RBC-2 for guidance on how to report on policies.

When reporting on commitments, the organization should provide a statement of intent to manage the topic and related impacts, or explain the following:

- the organization's stance on the topic;
- whether the commitment to manage the topic is based on regulatory compliance or extends beyond it;
- compliance with international standards/authoritative intergovernmental instruments related to the topic.

Guidance to MT-3-bd

Commented [SD87]: This guidance was previously under Disclosure MT-2. It has been relocated to Disclosure MT-3 following public comment feedback. The move has not been tracked to clearly show the changes to the original text.

Commented [SD88]: This guidance was previously under Disclosure MT-2. It has been relocated to Disclosure MT-3 following public comment feedback. The move has not been tracked to clearly show the changes to the original text.

1470 MT-3-b provides information to understand how it enables the organization to explain how it responds
1471 to its identified impacts. MT-3-bd does not require a detailed description of actions taken in relation to
1472 each impact; Instead, the organization can provide examples to show a high-level overview of how it
1473 manages its impacts.

1474 The organization should include information on report how it integrates the findings from its
1475 identification and assessment of impacts across relevant internal functions and processes, including:

- 1476 • the level and function within the organization that has been assigned responsibility for
1477 managing the impacts;
- 1478 • the internal decision-making, budget allocation, and oversight processes (e.g., internal audit)
1479 to enable effective actions to manage the impacts.

1480 Disclosure GOV-10 in GRI 102 requires information on the role of the highest governance body in
1481 overseeing the organization's processes to manage its impacts.

1482 The organization should also report how it manages actual impacts that were identified in previous
1483 reporting periods and which it continues to manage during the current reporting period.

1484 **Guidance to MT-3-bd-i**

1485 The organization should report:

- 1486 • examples of actions taken to prevent or mitigate potential negative impacts (e.g.,
1487 adaptation/modification measures, facility upgrading, training, red-flag systems);
- 1488 • approaches taken to prevent or mitigate systemic negative impacts;
- 1489 • how the organization applies the precautionary principle, including:
 - 1490 – how the organization proactively informs the public about potential negative impacts of its
1491 activities, products, and services, and how it deals with related questions and complaints;
 - 1492 – the organization's support or contribution to scientific research related to evaluating
1493 potential negative impacts of its activities, products, and services;
 - 1494 – the organization's participation in collaborative efforts to share knowledge and to prevent
1495 negative impacts of its activities, products, and services;
- 1496 • how the organization uses or increases its leverage to prompt/motivate its business
1497 relationships to prevent or mitigate potential negative impacts. For example, the organization
1498 can use whether it uses or increases its leverage by enforcing contractual requirements,
1499 implementing incentives (such as future orders), providing training and support, or actively
1500 collaborating with other actors to motivate its business relationships to prevent or mitigate
1501 potential negative impacts;
- 1502 • whether the organization has terminated a business relationship because it lacks the leverage
1503 to prevent or mitigate potential negative impacts, and if so, whether it has assessed if
1504 terminating the relationship could itself result in negative impacts.

1505 See Guidance to RBC-2-a-iii in GRI 102: About the Organization for more information on
1506 'precautionary principle'.

1507 **Guidance to MT-3-bd-ii**

1508 The organization should report:

- 1509 • examples of specific actions taken to remediate actual negative impacts, including examples
1510 of specific remedies or types of remedy provided;
- 1511 • how the grievance mechanisms or other remediation processes (reported under Disclosure
1512 RBC-5 in GRI 102: About the Organization) have made it possible for actual negative impacts
1513 to be remediated.

1514 See Disclosure RBC-5 for more information on grievance mechanisms and other remediation
1515 processes.

1516 **Guidance to MT-3-~~e~~-i~~e~~**

1517 MT-3-e enables the organization to report on the effectiveness of its actions to manage its impacts.
1518 Tracking the effectiveness of its actions taken is necessary for an organization ~~to know so that it can~~
1519 learn if its policies and processes are being implemented optimally, ~~to learn whether, it is also~~
1520 necessary for knowing if it has responded effectively to ~~the~~its impacts ~~identified~~, and to drive
1521 continuous improvement.

1522 The organization should also report information on the effectiveness of its actions to manage actual
1523 impacts from previous reporting periods. This applies in cases where the organization has assessed
1524 the effectiveness of these actions or derived lessons during the current reporting period.

1525 **Guidance to MT-3-~~e~~-i**

1526 ~~The~~ Processes used to track the effectiveness of actions taken can include internal or external
1527 auditing or verification, impact assessments, measurement systems, stakeholder feedback, grievance
1528 mechanisms, external performance ratings, and benchmarking.

1529 **Guidance to MT-3-~~ee~~-ii**

1530 When reporting on goals and targets, the organization should report:

- 1531 • how the goals and targets are set;
- 1532 • whether and how the goals and targets take into account the sustainability context in which
1533 the impacts take place (e.g., the limits and demands placed on environmental resources,
1534 social and economic objectives and goals);
- 1535 • whether the goals and targets are informed by expectations in internationally
1536 recognized authoritative intergovernmental instruments and, where relevant, by scientific
1537 consensus;
- 1538 • whether goals and targets are mandatory (based on legislation) or voluntary. If they are
1539 mandatory, the organization can list the relevant legislation;
- 1540 • the organization's activities or business relationships to which the goals and targets apply;
- 1541 • the baseline for the goals and targets;
- 1542 • the timeline for achieving the goals and targets.

1543 Targets can be qualitative, ~~(e.g., the implementation of implementing~~ a management system by a
1544 certain date,) or quantitative, ~~(e.g., reducing GHG emissions by a certain percentage by a certain~~
1545 date.)

1546 The indicators used to evaluate progress can also be qualitative or quantitative. Quantitative
1547 indicators can bring precision and enable comparisons. Qualitative information is often needed to put
1548 quantitative information into context, enable its interpretation, and determine which comparisons and
1549 conclusions are likely to be most valid. The Topic Standards and Sector Standards include qualitative
1550 and quantitative indicators.

1551 **Guidance to MT-3-~~ee~~-iii**

1552 The organization should report examples supported by that give evidence of whether or not the extent
1553 to which specific actions taken have been effective, such as the outcomes of internal or external
1554 auditing or verification, data collected through measurement systems, and stakeholder feedback. The
1555 evidence provided should show that there is a credible link between the specific action taken by the
1556 organization and the effective management of ~~the~~ impacts.

1557 For example, to show the effectiveness of capacity building provided the actions it has taken to
1558 certainly support its suppliers or with improving their working conditions, the organization can report
1559 survey feedback from the suppliers' workers showing that working conditions have improved, ~~together~~
1560 with. Additional evidence the organization can provide include data showing a decrease in the number
1561 of incidents identified through independent audits.

1562 Similarly, to ~~show~~[demonstrate](#) the effectiveness of its actions to improve the quality of [its](#) water
1563 discharge~~d~~, the organization can report data showing a decrease in the concentration of total
1564 dissolved solids (mg/L) in ~~the~~[the](#) water discharge.

1565 When reporting progress toward ~~the~~[its](#) goals and targets, the organization should report whether
1566 progress is satisfactory or not. If a goal or target has not been achieved, the organization should
1567 explain why.

1568 **Guidance to MT-3-~~ee~~-iv**

1569 Managing impacts is typically an ongoing challenge requiring continuous improvement based on
1570 learning [from practice](#).

1571 MT-3-~~ee~~-iv does not require a detailed description of lessons learned in relation to each material
1572 topic; ~~Instead~~, the organization can provide examples to show how it incorporates lessons learned [in](#)
1573 [order to manage impacts more successfully in the future](#).

1574 For instance, the organization can provide examples of lessons learned that have led to changes in [its](#)
1575 [policies or practices](#); ~~(e.g., training for workers, giving additional attention to the performance of~~
1576 [suppliers\), or that have led to plans for such changes, \[in order\]\(#\) to manage impacts more successfully
1577 in the future. ~~Such examples can include a change to a policy, specific training for workers, or~~
1578 \[additional attention given to the performance of suppliers\]\(#\).](#)

1579 Lessons learned ~~might~~[may](#) be derived from the organization's own [activities, processes \(e.g., root](#)
1580 [cause analysis\)](#), [from](#) its business relationships, or [from](#) stakeholder or expert feedback.

1581 **Guidance to MT-3-~~df~~**

1582 The organization can explain, for example, whether and how affected stakeholders have been
1583 involved in determining an appropriate remedy for a negative impact, or how stakeholder feedback is
1584 used to assess the effectiveness of the actions taken.