GRI STANDARDS

GRI 3: Material Topics 2021

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UNIVERSAL STANDARD

GRI STANDARDS

GRI 3: Material Topics 2021

Universal Standard

Effective Date
This Standard is effective for reports or other materials published on or after 1 January 2023

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

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

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Content

Introduction

GRI 3: Material Topics 2021 provides step-by-step guidance for organizations on how to determine material topics. It also explains how the Sector Standards are used in this process. Material topics are topics that represent an organization's most significant impacts on the economy, environment, and people, including impacts on their human rights.

GRI 3 also contains disclosures for organizations to report information about their process of determining material topics, their list of material topics, and how they manage each of their material topics.

The Standard is structured as follows:
- Section 1 provides step-by-step guidance on how to determine material topics.
- Section 2 contains three disclosures, which provide information about the organization's process of determining material topics, its list of material topics, and how it manages each topic.
- The Glossary contains defined terms with a specific meaning when used in the GRI Standards. The terms are underlined in the text of the GRI Standards and linked to the definitions.
- The Bibliography lists authoritative intergovernmental instruments and additional references used in developing this Standard, as well as resources that the organization can consult.

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

System of GRI Standards

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

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

Universal Standards: GRI 1, GRI 2 and GRI 3
GRI 1: Foundation 2021 specifies the requirements that the organization must comply with to report in accordance with the GRI Standards. The organization begins using the GRI Standards by consulting *GRI 1*.

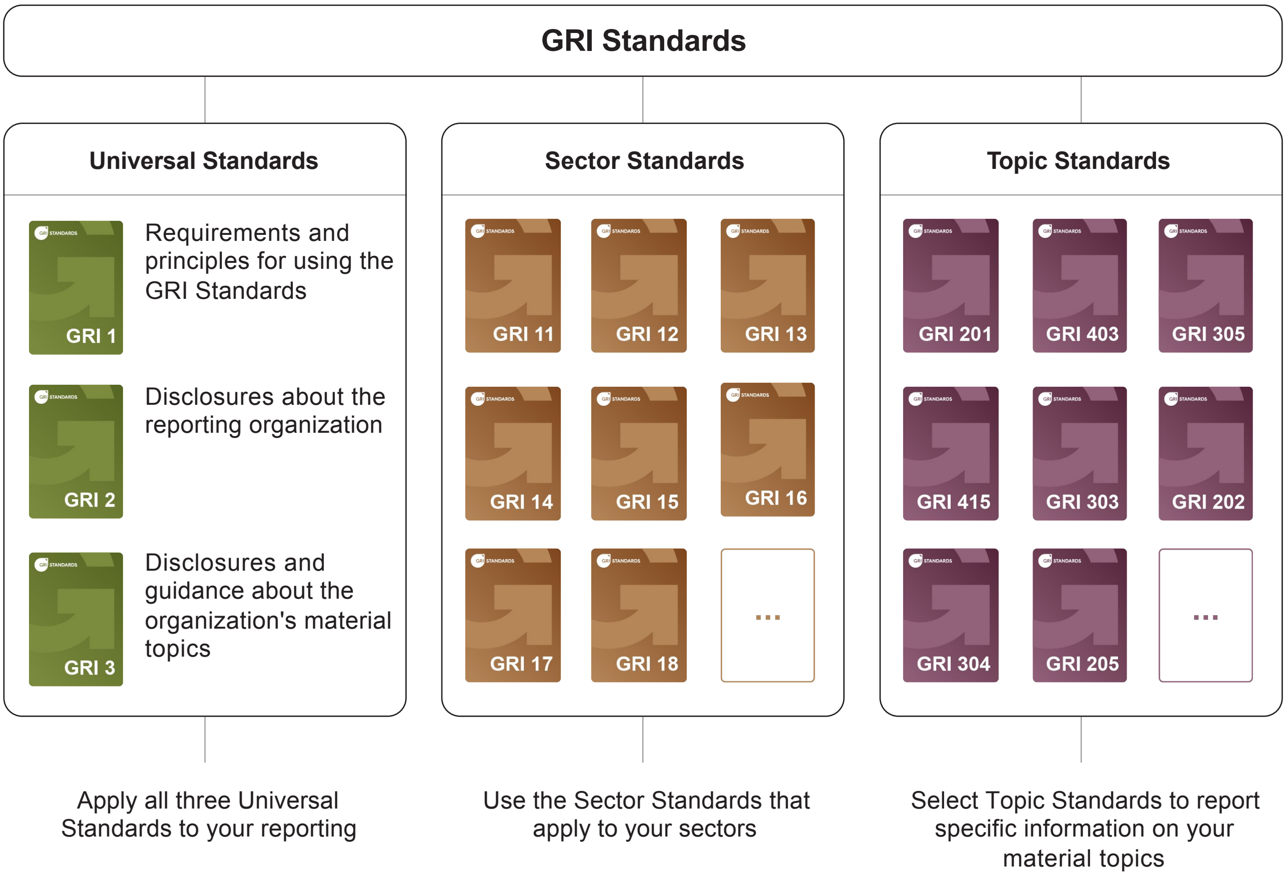
GRI 2: General Disclosures 2021 contains disclosures that the organization uses to provide information about its reporting practices and other organizational details, such as its activities, governance, and policies.

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

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

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

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



Using this Standard

An organization reporting in accordance with the GRI Standards is required to determine its material topics and report all disclosures in this Standard. The organization is required to report Disclosure 3-3 Management of material topics for each material topic.

Reasons for omission are only permitted for Disclosure 3-3.

If the organization cannot comply with Disclosure 3-3 or with a requirement in Disclosure 3-3 (e.g., because the required information is confidential or subject to legal prohibitions), then the organization is required to specify this in the GRI content index, and provide a reason for omission with an explanation. See Requirement 6 in *GRI 1: Foundation 2021* for more information on reasons for omission.

If the organization cannot report the required information about an item specified in a disclosure because the item (e.g., committee, policy, practice, process) does not exist, it can comply with the requirement by reporting this to be the case. The organization can explain the reasons for not having this item, or describe any plans to develop it. The disclosure does not require the organization to implement the item (e.g., developing a policy), but to report that the item does not exist.

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

Requirements, guidance and defined terms
The following apply throughout the GRI Standards:

Requirements are presented in **bold font** and indicated by the word 'shall'. An organization must comply with requirements to report in accordance with the GRI Standards.

Requirements may be accompanied by guidance.

Guidance includes background information, explanations, and examples to help the organization better understand the requirements. The organization is not required to comply with guidance.

The Standards may also include recommendations. These are cases where a particular course of action is encouraged but not required.

The word ‘should’ indicates a recommendation, and the word ‘can’ indicates a possibility or option.

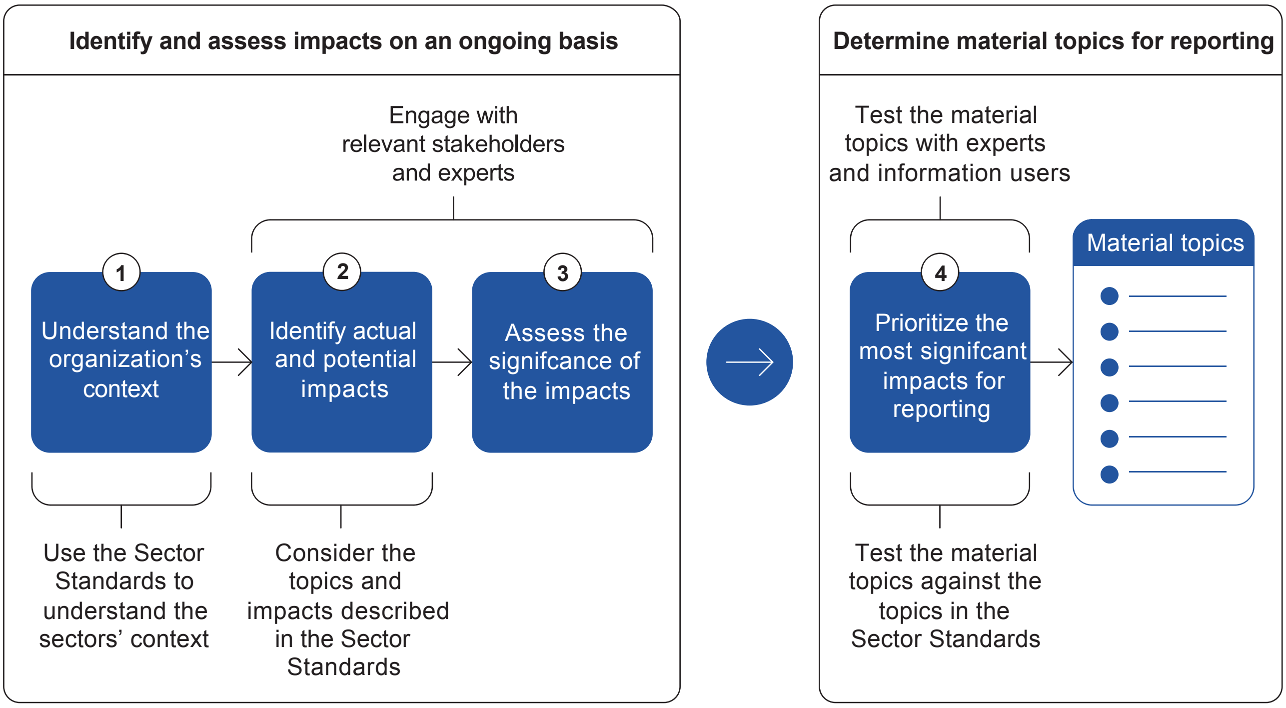
Defined terms are underlined in the text of the GRI Standards and linked to their definitions in the Glossary. The organization is required to apply the definitions in the Glossary.

1. Guidance 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 Standards (see Requirement 3 in *GRI 1: Foundation 2021* and Box 5 in this Standard).

This section describes the four steps that the organization should follow in determining its material topics (see Figure 2). Following the steps in this section helps the organization determine its material topics and report the disclosures in section 2 of this Standard. The steps provide guidance and are not requirements on their own.

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. During these steps, the organization identifies and assesses its impacts regularly, as part of its day-to-day activities, and while engaging with relevant stakeholders and experts. These ongoing steps allow the organization to actively identify and manage its impacts as they evolve and as new ones arise. The first three steps are conducted independently of the sustainability reporting process, but they inform the last step. In Step 4, the organization prioritizes its most significant impacts for reporting and, in this way, determines its material topics.

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

The organization should document its process of determining material topics. This includes documenting the approach taken, decisions, assumptions, and subjective judgments made, sources analyzed, and evidence gathered. Accurate records help the organization explain its chosen approach and report the disclosures in section 2 of this Standard. The records facilitate analysis and assurance. See the Verifiability principle in *GRI 1* for more information.

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

The organization's highest governance body should oversee the process and review and approve the material topics. If the organization does not have a highest governance body, a senior executive or group of senior executives should oversee the process and review and approve the material topics.

Box 1. Input to financial and value creation reporting

The material topics and impacts that have been determined through this process inform financial and value creation reporting. They provide crucial input for identifying financial risks and opportunities related to the organization's impacts, and for financial valuation. This in turn helps in making financial materiality judgments about what to recognize in financial statements.

While most, if not all, of the impacts that have been identified through this process will eventually become financially material, sustainability reporting is also highly relevant in its own right as a public interest activity and is independent of the consideration of financial implications. It is therefore important for the organization to report on all the material topics that it has determined using the GRI Standards. These material topics cannot be deprioritized on the basis of not being considered financially material by the organization.

See Box 1 in *GRI 1: Foundation 2021* for more information on sustainability reporting and financial and value creation reporting.

The following sections describe the four steps to determine material topics in more detail.

Step 1. Understand the organization's context

In this step, the organization creates an initial high-level overview of its activities and business relationships, the sustainability context in which these occur, and an overview of its stakeholders. this provides the organization with critical information for identifying its actual and potential impacts.

The organization should consider the activities, business relationships, stakeholders, and sustainability context of all the entities it controls or has an interest in (e.g., subsidiaries, joint ventures, affiliates), including minority interests.

Relevant departments and functions within the organization that can assist in this step include communications, human resources, investor relations, legal and compliance departments or functions, marketing and sales, procurement, and product development. The GRI Sector Standards describe the sectors' context and they can also assist in this step.

Activities
The organization should consider the following in relation to its activities:
- The organization's purpose, value or mission statements, business model, and strategies.
- The types of activities it carries out (e.g., sales, marketing, manufacturing, distribution) and the geographic locations of these activities.
- The types of products and services it offers and the markets it serves (i.e., the types of customers and beneficiaries targeted, and the geographic locations where products and services are offered).
- The sectors in which the organization is active and their characteristics (e.g., whether they involve informal work, whether they are labor or resource intensive).
- The number of employees, including whether they are full-time, part-time, non-guaranteed hours, permanent or temporary, and their 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 (i.e., whether the organization engages these workers directly or indirectly through a third party), and the work they perform.

Business relationships
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 locations where the activities of the business relationships take place.

Sustainability context
The organization should consider the following 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 sectors 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.
  Examples include the *International Labour Organization (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy* [1]; the *Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises* [3]; the *United Nations (UN) Framework Convention on Climate Change (FCCC) Paris Agreement* [4]; the *UN Guiding Principles on Business and Human Rights* [5]; and the *UN International Bill of Human Rights* [6].
- The organization's responsibility regarding the laws and regulations with which it is expected to comply.

See the Sustainability context principle in *GRI 1: Foundation 2021* for more information.

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

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. The organization can further distinguish between individuals and groups whose human rights are affected or could be affected, and individuals and groups with other interests.

When identifying its stakeholders, the organization should ensure it identifies any individuals or groups 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 organization's operations) and those who are unable to articulate their views (e.g., future generations) but whose interests are affected or could be affected by the organization's activities.

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

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

Step 2. Identify actual and potential impacts

In this step, the organization identifies its actual and potential impacts on the economy, environment, and people, including impacts on their human rights, across the organization's activities and business relationships. Actual impacts are those that have already occurred, and potential impacts are those that could occur but have not yet occurred. These impacts include negative and positive impacts, short-term and long-term impacts, intended and unintended impacts, and reversible and irreversible impacts.

To identify its impacts, the organization can use information from diverse sources. It can use information from its own or third-party assessments of impacts on the economy, environment, and people, including impacts on their human rights. It can also use information from legal reviews, anti-corruption compliance management systems, financial audits, occupational health and safety inspections, and shareholder filings. It can also use information from any other relevant assessments of business relationships carried out by the organization or by industry or multi-stakeholder initiatives.

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

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

Box 2. Engaging with relevant stakeholders and experts

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

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

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

Broad engagement with stakeholders may not be possible in cases that involve many stakeholders or in cases that involve impacts resulting in collective harm. For example, broad engagement may not be possible in the case of corruption, which collectively harms the population of the jurisdiction in which it takes place or greenhouse gas (GHG) emissions, which contribute to collective transboundary harm.

In such cases, the organization may engage with credible stakeholder representatives or proxy organizations (e.g., non-governmental organizations, trade unions). This is also relevant in cases where engaging with individuals could undermine certain rights or collective interests. For example, when considering a decision to restructure or shut down a factory, it may be important for an organization to engage with trade unions to mitigate the employment impacts of the decision. In such a case, engaging with individual workers could undermine the right of workers to form or join trade unions and to bargain collectively.

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

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

See references [2] and [5] in the Bibliography.

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

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

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

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

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

As part of the initial assessment or scoping exercise, the organization should consider impacts commonly associated with its sectors, its products, geographic locations, or with specific organizations (i.e., impacts associated with a specific entity of the organization, or with an entity it has a business relationship with, such as a poor history of conduct in relation to respecting human rights). It should also consider impacts it has been involved with or knows it is likely to be involved with. In addition to the GRI Sector Standards, the organization can use the *Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Business Conduct* [2] and the OECD sectoral guidance on due diligence [13] for information on impacts commonly associated with sectors, products, geographic locations, and specific organizations. It can also use reports from governments, environmental agencies, international organizations, civil society organizations, workers' representatives and trade unions, national human rights institutions, media, or other experts.

See references [2], [3], [5] and [13] in the Bibliography.

Box 3. Causing, contributing, or being directly linked to negative impacts

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

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

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

Even if an organization does not cause or contribute to a negative impact, its operations, products, or services may be **'directly linked to'** a negative impact by its business relationships. For example, if the organization uses cobalt in its products that is mined using child labor, the negative impact (i.e., child labor) is directly linked to the organization's products through the tiers of business relationships in its supply chain (i.e., through the smelter and minerals trader, to the mining enterprise that uses child labor), even though the organization has not caused or contributed to the negative impact itself. 'Direct linkage' is not defined by the link between the organization and the other entity, and is therefore not limited to direct contractual relationships, such as 'direct sourcing'.

The way the organization is involved with negative impacts determines how it should address the impacts and whether it has a responsibility to provide for or cooperate in their remediation (see section 2.3 in *GRI 1: Foundation 2021*).

See references [2] and [5] in the Bibliography. For additional guidance and examples, see the *Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Business Conduct* [2], pages 70-72, and the United Nations' (UN) *The Corporate Responsibility to Respect Human Rights: An Interpretive Guide* [15], pages 15-18.

Identifying positive impacts

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

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

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

Step 3. Assess the significance of the impacts

The organization may identify many actual and potential impacts. In this step, the organization assesses the significance of its identified impacts to prioritize them. Prioritization enables the organization to take action to address the impacts and also to determine its material topics for reporting. Prioritizing impacts for action is relevant where it is not feasible to address all impacts at once.

Assessing the significance of the impacts involves quantitative and qualitative analysis. How significant an impact is will be specific to the organization and will be influenced by the sectors in which it operates, and its business relationships, among other factors. In some instances, this may need a subjective decision. The organization should consult with relevant stakeholders (see Box 2 in this Standard) and business relationships to assess the significance of its impacts. The organization should also consult relevant internal or external experts.

Assessing the significance of negative impacts
The significance of an actual negative impact is determined by the severity of the impact. The significance of a potential negative impact is determined by the severity and likelihood of the impact.

The combination of the severity and the likelihood of a negative impact can be referred to as 'risk'. The assessment of the significance of the impacts can be included within broader enterprise risk management systems, provided that these systems assess the impacts the organization has on the economy, the environment, and people, in addition to assessing risks for the organization itself.

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

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

The scale of a negative impact (i.e., how grave the impact is) can depend on whether the impact leads to non-compliance with laws and regulations or with authoritative intergovernmental instruments with which the organization is expected to comply. For example, if a negative impact leads to a violation of human rights or fundamental rights at work or to non-compliance with the reductions in greenhouse gas (GHG) emissions to be achieved under the *United Nations (UN) Framework Convention on Climate Change (FCCC) Paris Agreement* [4], the scale of this impact can be considered greater.

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

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

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

See references [2], [3], [4] and [5] in the Bibliography.

Likelihood
The likelihood of a potential negative impact refers to the chance of the impact happening. The likelihood of an impact can be measured or determined qualitatively or quantitatively. It can be described using general terms (e.g., very likely, likely) or mathematically using probability (e.g., 10 in 100, 10%) or frequency over a given time period (e.g., once every three years).[1]

Human rights
In the case of potential negative human rights impacts, the severity of the impact takes precedence over its likelihood. For example, an organization operating a nuclear power facility may prioritize the potential impact related to loss of life in cases of natural disasters affecting the power facility, even though natural disasters are less likely to occur than other incidents.

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

When prioritizing other types of impacts, such as potential negative environmental impacts, the organization may also choose to prioritize highly severe negative impacts even though they may be less likely to occur.

Assessing the significance of positive impacts
The significance of an actual positive impact is determined by the scale and scope of the impact. The significance of a potential positive impact is determined by the scale and scope as well as the likelihood of the impact.

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

Likelihood
The likelihood of a potential positive impact refers to the chance of the impact happening. The likelihood of an impact can be measured or determined qualitatively or quantitatively. It can be described using general terms (e.g., very likely, likely) or mathematically using probability (e.g., 10 in 100, 10%) or frequency over a given time period (e.g., once every three years).[2]

Step 4. Prioritize the most significant impacts for reporting

In this step, to determine its material topics for reporting, the organization prioritizes its impacts based on their significance.

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

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

The significance of an impact is the sole criterion to determine whether a topic is material for reporting. The

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

organization cannot use difficulty in reporting on a topic or the fact that it does not yet manage the topic as criteria to determine whether or not to report on the topic. In cases where the organization does not manage a material topic, it can report the reasons for not doing so or any plans to manage the topic to comply with the requirements in Disclosure 3-3 Management of material topics in this Standard.

While some topics can cover both negative and positive impacts, it may not always be possible to compare the two. Additionally, negative impacts cannot be offset by positive impacts. The organization should therefore prioritize negative impacts separately from positive impacts.

Even if the organization has not prioritized an actual or potential negative impact for reporting, it may still be responsible for addressing the impact in line with applicable laws, regulations, or authoritative intergovernmental instruments. See section 2.3 in *GRI 1: Foundation 2021* for more information.

Box 4. Grouping impacts into topics

Grouping impacts into topics, like 'water and effluents', helps the organization report in a cohesive way about multiple impacts related to the same topic.

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

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

Testing the material topics
The organization should test its selection of material topics against the topics in the applicable GRI Sector Standards. This helps the organization ensure that it has not overlooked any topics that are likely to be material for its sectors.

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

The organization should seek external assurance to assess the quality and credibility of its process of determining material topics. See section 5.2 in *GRI 1* for more information on seeking external assurance.

This testing process results in a list of the organization's material topics.

Approval of the material topics
The organization's highest governance body should review and approve the list of material topics. If such a body does not exist, the list should be approved by a senior executive or group of senior executives in the organization.

Determining what to report for each material topic
Once the organization has determined its material topics, it needs to determine what to report for each material topic. See Requirement 4 and Requirement 5 in *GRI 1* for information about how to report on material topics.

Box 5. Using GRI Sector Standards to determine material topics

The GRI Sector Standards provide information for organizations about their likely material topics. The topics have been identified on the basis of the sectors' most significant impacts, using multi-stakeholder expertise, authoritative intergovernmental instruments, and other relevant evidence.

The organization is required to use the applicable Sector Standards when determining its material topics (see Requirement 3-b in *GRI 1: Foundation 2021*). Using the Sector Standards is not a substitute for the process of determining material topics, but an aid. The organization still needs to consider its own specific circumstances when determining its material topics.

The organization is required to review each topic described in the applicable Sector Standards and determine whether it is a material topic for the organization.

There can be cases where a topic included in the applicable Sector Standards is not material for the organization. This may be because the organization assesses the specific impacts the topic covers to be absent. It may also be because, compared to other impacts of the organization, the ones that the topic covers are not among the most significant.

For example, an organization in the oil and gas sector is required to use *GRI 11: Oil and Gas Sector 2021* when determining its material topics. One of the topics included in this Sector Standard is land and resource rights. Oil and gas projects often require land for operations, access routes, and distribution. This can lead to impacts such as involuntary resettlement of local communities, which can involve their physical displacement and economic displacement through lost access to resources. However, if the organization's oil and gas projects do not result in these impacts and will not result in these impacts in the future, the organization may determine that the topic of land and resource rights is not a material topic for the organization. In such a case, the reporting organization is required to explain why it has determined that this topic, which is likely to be material for organizations in the oil and gas sector, is not a material topic for the organization.

If any of the topics that are included in the applicable Sector Standards have been determined by the organization as not material, the organization is required to list them in the GRI content index and explain why they are not material (see Requirement 3-b-ii in *GRI 1*). This explanation helps information users understand why the organization has determined that topics that are likely to be material for the organization's sectors are not material in its specific circumstances.

A brief explanation in the GRI content index of why the topic is not material is sufficient to comply with Requirement 3-b-ii in *GRI 1*. In the previous example, the organization could explain that land and resource rights is not a material topic because its existing oil and gas projects are located in uninhabited areas, and there are no plans to start projects in new areas.

2. Disclosures on material topics

The disclosures in this section provide information about the organization's material topics, how the organization has determined these topics, and how it manages each material topic. Material topics are topics that represent the organization's most significant impacts on the economy, environment, and people, including impacts on their human rights. Section 1 of this Standard provides guidance on how to determine material topics and helps in understanding and reporting the disclosures in this section.

Disclosure 3-1 Process to determine material topics

REQUIREMENTS

The organization shall:

a. describe the process it has followed to determine its material topics, including:

- **i. how it has identified actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights, across its activities and business relationships;**
- **ii. how it has prioritized the impacts for reporting based on their significance;**

b. specify the stakeholders and experts whose views have informed the process of determining its material topics.

GUIDANCE

This disclosure requires information on how the organization has determined its material topics. The list of material topics is reported under Disclosure 3-2 in this Standard.

The organization is required to use the applicable GRI Sector Standards when determining its material topics. If any of the topics that are included in the applicable Sector Standards have been determined by the organization as not material, the organization is required to list them in the GRI content index and explain why they are not material. See Requirement 5 and Requirement 7 in *GRI 1: Foundation 2021* and Box 5 in this Standard for more information.

In the absence of applicable Sector Standards, the organization should explain how it has considered impacts commonly associated with its sectors, and whether any of these impacts have been determined as not material, together with an explanation for why this is the case. The organization should also explain how it has considered impacts commonly associated with its products and geographic locations. See section 1 in this Standard and the Sector Standards for guidance on impacts commonly associated with sectors, products, and geographic locations.

Guidance to 3-1-a-i

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

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

Disclosure 2-12 in *GRI 2: General Disclosures 2021* requires information on the role of the highest governance body in overseeing the organization's due diligence and other processes to identify its impacts on the economy, environment, and people.

Guidance to 3-1-a-ii

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

The significance of an actual negative impact is determined by the severity of the impact (scale, scope, and irremediable character), while the significance of a potential negative impact is determined by the severity and likelihood of the impact. In the case of potential negative human rights impacts, the severity of the impact takes precedence over its likelihood.

The significance of an actual positive impact is determined by the scale and scope of the impact, while the significance of a potential positive impact is determined by its scale and scope as well as its likelihood.

See section 1 in this Standard for more guidance on assessing the significance of impacts.

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

The organization should also describe how it has defined the threshold to determine which topics are material for reporting, and whether it has tested its selection of material topics with potential information users and experts. The organization is required to report whether the highest governance body is responsible for reviewing and approving the reported information, including the organization's material topics, under Disclosure 2-14 in *GRI 2*. The organization should explain any changes to its initial selection of material topics following internal approval and testing with potential information users and experts.

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

Guidance to 3-1-b
Requirement 3-1-b enables the organization to explain how engagement with stakeholders and experts informs the ongoing identification and assessment of its impacts.

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

Disclosure 3-2 List of material topics

REQUIREMENTS

The organization shall:

a. list its material topics;

b. report changes to the list of material topics compared to the previous reporting period.

GUIDANCE

This disclosure requires information on the organization's material topics. The process of determining material topics is reported under Disclosure 3-1 in this Standard.

The organization is required to include the material topics listed under this disclosure in the GRI content index. If the organization has determined any of the topics included in the applicable Sector Standards as not material, then the organization is required to list them in the content index and explain why they are not material. See Requirement 5 and Requirement 7 in *GRI 1: Foundation 2021* for more information.

Guidance to 3-2-a

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

Guidance to 3-2-b

Requirement 3-2-b enables the organization to explain why a topic that it determined as material in the previous reporting period is no longer considered to be material or why a new topic has been determined as material for the current reporting period.

Disclosure 3-3 Management of material topics

REQUIREMENTS

For each material topic reported under Disclosure 3-2, the organization shall:

a. describe the actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights;

b. report whether the organization is involved with the negative impacts through its activities or as a result of its business relationships, and describe the activities or business relationships;

c. describe its policies or commitments regarding the material topic;

d. describe actions taken to manage the topic and related impacts, including:

i. actions to prevent or mitigate potential negative impacts;
ii. actions to address actual negative impacts, including actions to provide for or cooperate in their remediation;
iii. actions to manage actual and potential positive impacts;

e. report the following information about tracking the effectiveness of the actions taken:

i. processes used to track the effectiveness of the actions;
ii. goals, targets, and indicators used to evaluate progress;
iii. the effectiveness of the actions, including progress toward the goals and targets;
iv. lessons learned and how these have been incorporated into the organization's operational policies and procedures;

f. describe how engagement with stakeholders has informed the actions taken (3-3-d) and how it has informed whether the actions have been effective (3-3-e).

GUIDANCE

This disclosure requires the organization to explain how it manages each of its material topics. This means that the organization is required to report this disclosure for each of its material topics. The requirements in this disclosure apply to every material topic.

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

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

If the organization cannot report the required information about an item specified in this disclosure because the item (e.g., policy, action) does not exist, it can comply with the requirement by reporting this to be the case. The organization can explain the reasons for not having this item or describe any plans to develop it. The disclosure does not require the organization to implement the item (e.g., developing a policy), but to report that the item does not exist.

If the organization does not manage a material topic, it can comply with the requirements under this disclosure by explaining the reasons for not managing the topic or describing any plans to manage it.

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

Describing negative impacts

The organization can describe:

- whether the negative impacts are actual or potential;
- the time frame of the negative impacts (i.e., whether the negative effects are short-term or long-term and when they are likely to arise);
- whether the negative impacts are systemic (e.g., child labor or forced labor in countries where the organization operates or sources materials from) or are related to individual incidents (e.g., an oil spill);
- the economic resources, environmental resources, and stakeholders (without identifying specific individuals) that are negatively affected or could be negatively affected, including their geographic location.

Reporting information about negative impacts can help the organization demonstrate that it recognizes these impacts and has taken action or intends to address them. The organization may have concerns about reporting information about negative impacts even if these impacts are publicly known. In cases where negative impacts are publicly known, failure to acknowledge these impacts and to explain how they are being addressed could have consequences for the organization financially, operationally, or reputationally. If the organization is unable to disclose specific information (e.g., because of stakeholders' right to privacy), it can provide the information in aggregated or anonymized form, or it can make a reference to the impacts commonly associated with its sectors, its products, or geographic locations. [11]

Describing positive impacts

The organization can describe:

- whether the positive impacts are actual or potential;
- the time frame of the positive impacts (i.e., whether the positive effects are short-term or long-term and when they are likely to arise);
- the activities that result in the positive impacts (e.g., products, services, investments, procurement practices);
- the economic resources, environmental resources, and stakeholders (without identifying specific individuals) that are positively affected or could be positively affected, including their geographic location.

Guidance to 3-3-b

The way the organization is involved with negative impacts determines how it should address the impacts and whether it has a responsibility to provide for or cooperate in their remediation (see section 2.3 in *GRI 1: Foundation 2021*). Requirement 3-3-b provides contextual information that aids an understanding of the actions taken by the organization to manage its negative impacts. The actions taken are reported under 3-3-d-i and 3-3-d-ii.

Under requirement 3-3-b, the organization is required to report whether it is involved with the negative impacts through its 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 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 3 in this Standard for more information on causing, contributing, or being directly linked to negative impacts.

Under requirement 3-3-b, the organization is also required to describe 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.

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), 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, five 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 3-3-c
Requirement 3-3-c entails describing the policies or commitments the organization has developed specifically for the topic, in addition to the policy commitments reported under Disclosure 2-23 in *GRI 2: General Disclosures 2021*. If the organization has described its policies for a material topic under Disclosure 2-23, it can provide a reference to this information under 3-3-c and does not need to repeat the information. See Disclosure 2-23 in *GRI 2* for guidance on how to report information about policies.

When reporting its commitments regarding the material topic, the organization should provide a statement of intent to manage the topic or explain:
- 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 authoritative intergovernmental instruments related to the topic.

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

The organization should report how it integrates the findings from its identification and assessment of impacts across relevant internal functions and processes, including:
- the level and function within the organization that has been assigned responsibility for managing the impacts;
- the internal decision-making, budget allocation, and oversight processes (e.g., internal audit) to enable effective actions to manage the impacts.

Disclosure 2-12 and Disclosure 2-13 in *GRI 2* require information on the role of the highest governance body in overseeing the management of the organization's impacts and on how it delegates responsibility for this.

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

Guidance to 3-3-d-i
The organization should report:
- examples of actions taken to prevent or mitigate potential negative impacts (e.g., adaptation/modification measures, facility upgrading, training, red-flag systems);
- approaches taken to prevent or mitigate systemic negative impacts;
- how the organization applies the precautionary principle, including:
  - how the organization proactively informs the public about potential negative impacts of its activities, products, and services, and how it deals with related questions and complaints;
  - the organization's support or contribution to scientific research related to evaluating potential negative impacts of its activities, products, and services;
  - the organization's participation in collaborative efforts to share knowledge and to prevent negative impacts of its activities, products, and services;
- how the organization uses or increases its leverage to motivate its business relationships to prevent or mitigate potential negative impacts. For example, whether the organization uses

or increases its leverage by enforcing contractual requirements, implements incentives such as future orders, provides training and support, or actively collaborates with other actors to motivate its business relationships to prevent or mitigate potential negative impacts;
- whether the organization has terminated a business relationship because it lacks the leverage to prevent or mitigate potential negative impacts and, if so, whether it has assessed if terminating the relationship could itself result in negative impacts.

See Guidance to 2-23-a-iii in *GRI 2* for more information on 'precautionary principle'.

Guidance to 3-3-d-ii
The organization should report:
- examples of actions taken to remediate actual negative impacts, including examples of specific remedies or types of remedy provided;
- how grievance mechanisms or other remediation processes (reported under Disclosure 2-25 in *GRI 2*) have made it possible for actual negative impacts to be remediated.

See Disclosure 2-25 in *GRI 2* for more information on processes to remediate negative impacts.

Guidance to 3-3-e
Requirement 3-3-e enables the organization to report information about the effectiveness of its actions to manage its impacts. Tracking the effectiveness of its actions is necessary for an organization to learn if its policies and processes are being implemented optimally. It is also necessary for knowing if it has responded effectively to its impacts and to drive continuous improvement.

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

Guidance to 3-3-e-i
Processes used to track the effectiveness of actions can include internal or external auditing or verification, impact assessments, measurement systems, stakeholder feedback, grievance mechanisms, external performance ratings, and benchmarking.

Guidance to 3-3-e-ii
When reporting on goals and targets, the organization should report:
- how the goals and targets are set;
- whether and how the goals and targets take into account the sustainability context in which the impacts take place (e.g., sustainable development goals and conditions, the limits and demands placed on environmental resources). See the Sustainability context principle in *GRI 1* for more information;
- whether the goals and targets are informed by expectations in authoritative intergovernmental instruments and, where relevant, by scientific consensus;
- whether goals and targets are mandatory (based on legislation) or voluntary. If they are mandatory, the organization can list the relevant legislation;
- the organization's activities or business relationships to which the goals and targets apply;
- the baseline for the goals and targets;
- the timeline for achieving the goals and targets.

Targets can be qualitative (e.g., implementing a management system by a certain date) or quantitative (e.g., reducing greenhouse gas [GHG] emissions by a certain percentage by a certain date).

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

Guidance to 3-3-e-iii
Requirement 3-3-e-iii enables the organization to show the extent to which the actions taken have been effective. Information on the effectiveness of the actions can be obtained, for example,

from the outcomes of internal or external auditing or verification, data collected through measurement systems, and stakeholder feedback. The organization should show that there is a credible link between the specific action taken by the organization and the effective management of impacts.

For example, to show the effectiveness of its actions to support its suppliers with improving their working conditions, the organization can report survey feedback from the suppliers' workers showing that working conditions have improved. Additional information the organization can provide includes data showing a decrease in the number of incidents identified through independent audits.

Similarly, to demonstrate the effectiveness of its actions to improve the quality of its water discharge, the organization can report data showing a decrease in the concentration of total dissolved solids (mg/L) in the water discharge.

When reporting progress toward its goals and targets, the organization should report whether progress is satisfactory or not. If a goal or target has not been achieved, the organization should explain why.

Guidance to 3-3-e-iv
Managing impacts is typically an ongoing process requiring continuous improvement based on learning from practice.

The organization is not required to provide a detailed description of lessons learned in relation to each material topic. Instead, the organization can provide examples to show how it incorporates lessons learned to manage impacts more successfully in the future.

For example, the organization can briefly describe lessons learned that have led to changes in its policies or practices (e.g., training for workers, giving additional attention to the performance of suppliers), or that have led to plans for changes that will manage impacts more successfully in the future.

Lessons learned may be derived from the organization's own processes (e.g., root cause analysis), from its business relationships, or from stakeholder or expert feedback.

Guidance to 3-3-f
The organization can explain, for example, whether and how affected stakeholders have been involved in determining an appropriate remedy for a negative impact or how stakeholder feedback is used to assess the effectiveness of the actions taken.

Glossary

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

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

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

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

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

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

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

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

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

child
person under the age of 15 years, or under the age of completion of compulsory schooling, whichever is higher

Note 1: Exceptions can occur in certain countries where economies and educational facilities are insufficiently developed, and a minimum age of 14 years applies. These countries of exception are specified by the International Labour Organization (ILO) in response to a special application by the country concerned and in consultation with representative organizations of employers and workers.

Note 2: The ILO *Minimum Age Convention,* 1973, (No. 138), refers to both child labor and young workers.

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

Source: Organisation for Economic Co-operation and Development (OECD), *OECD Guidelines for Multinational Enterprises*, 2011; modified
United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011; modified

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

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

or practice

full-time employee
employee whose working hours per week, month, or year are defined according to national law or practice regarding working time

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

grievance
perceived injustice evoking an individual's or a group's sense of entitlement, which may be based on law, contract, explicit or implicit promises, customary practice, or general notions of fairness of aggrieved communities

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

grievance mechanism
routinized process through which grievances can be raised and remedy can be sought

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

Note: See Guidance to Disclosure 2-25 in *GRI 2: General Disclosures 2021* for more information on 'grievance mechanism'.

highest governance body
governance body with the highest authority in the organization

Note: In some jurisdictions, governance systems consist of two tiers, where supervision and management are separated or where local law provides for a supervisory board drawn from non-executives to oversee an executive management board. In such cases, both tiers are included under the definition of highest governance body.

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

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

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

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

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

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

indigenous peoples
indigenous peoples are generally identified as:

- tribal peoples in independent countries whose social, cultural and economic conditions distinguish them from other sections of the national community, and whose status is

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

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

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

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

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

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

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

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

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

non-guaranteed hours employee
employee who is not guaranteed a minimum or fixed number of working hours per day, week, or month, but who may need to make themselves available for work as required

Source: ShareAction, *Workforce Disclosure Initiative Survey Guidance Document*, 2020; modified

Examples: casual employees, employees with zero-hour contracts, on-call employees

part-time employee
employee whose working hours per week, month, or year are less than the number of working hours for full-time employees

permanent employee
employee with a contract for an indeterminate period (i.e., indefinite contract) for full-time or part-time work

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

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

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

reporting period
specific time period covered by the reported information

Examples: fiscal year, calendar year

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

temporary employee
employee with a contract for a limited period (i.e., fixed term contract) that ends when the specific time period expires, or when the specific task or event that has an attached time estimate is completed (e.g., the end of a project or return of replaced employees)

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

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

Note 2: The value chain includes the supply chain.

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

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

Note: Vulnerabilities and impacts can differ by gender.

worker
person that performs work for the organization

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

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

Bibliography

This section lists authoritative intergovernmental instruments and additional references used in developing this Standard, as well as resources that can be consulted the organization.

Authoritative instruments:

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