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Item 02 – Draft Project Proposal for the Review of *GRI 201: Economic Performance*, *GRI 202: Market Presence*, and *GRI 203: Indirect Economic Impacts*

For comments and feedback

Date	12 April 2017
Meeting	26 April 2017
Project	Review of <i>GRI 201: Economic Performance</i> , <i>GRI 202: Market Presence</i> , and <i>GRI 203: Indirect Economic Impacts</i>
Description	<p>This paper sets out the draft project proposal for the review of GRI's economic disclosures, including content within <i>GRI 201: Economic Performance</i>, <i>GRI 202: Market Presence</i>, and <i>GRI 203: Indirect Economic Impacts</i>.</p> <p>It is presented to the GSSB, the GRI Stakeholder Council and the GRI Board for input and comments – with the aim of bringing a final proposal to the GSSB for approval in May 2017.</p>

This document has been prepared by the GRI Standards Division. It is provided as a convenience to observers at meetings of the Global Sustainability Standards Board (GSSB), to assist them in following the Board's discussion. It does not represent an official position of the GSSB. Board positions are set out in the GRI Sustainability Reporting Standards. The GSSB is the independent standard-setting body of GRI. For more information visit www.globalreporting.org.

About this paper

The Global Sustainability Standards Board (GSSB) has identified *GRI 201: Economic Performance* as a priority standard for review in its [2017-2019 Work Program](#). The scope of this review was originally intended to also include new content related to tax and payments to governments.

This draft project proposal incorporates initial feedback from the GSSB on a [discussion paper](#) prepared by the Standards Division, which was discussed during a public meeting on 21 March 2017. During this meeting, the GSSB agreed:

- To broaden the scope of the review to also include the content from *GRI 202: Market Presence* and *GRI 203: Indirect Economic Impacts*, given that these standards are closely-related to *GRI 201* and would likely require similar expertise to review
- To launch a separate project focused on developing new content related to Tax and Payments to Governments, with the expectation that this would run in parallel to the review of *GRI 201*, *GRI 202*, and *GRI 203*. New content on Tax and Payments to Governments could then potentially be incorporated back into these revised standards, or could be developed as its own standard.
- To scope the first phase of this project as a holistic review of the topics and themes that should be covered underneath the economic (200) series of GRI Standards, and then to develop specific standards or disclosures based on these initial findings.

Input requested

In addition to any general comments on the project proposal, feedback is requested on the following questions:

1. Do you have suggested changes or additions to the provisional list of topics that might be covered within the scope of 'economic impacts'? (see [lines 67-77](#))
2. Are you aware of additional frameworks or methodologies for evaluating the socio-economic impacts of organizations, which the GSSB should review and consider as part of this project? (see [lines 85-90](#)).
3. Are there specific organizations, individuals, or content areas that should be represented within the Technical Committee for the first phase of this project?

21 Project background

22 In November 2016, the GSSB approved and published its three-year [Work Program](#) for 2017-
23 2019, including a schedule of priority standards to review in 2017. These Standards were
24 selected based on stakeholder feedback and a consideration of national and international
25 developments. *GRI 201: Economic Performance* was identified for review based primarily on
26 feedback received from the public comment period and from GSSB members during the
27 'Transition to Standards' initiative in 2016. This feedback indicated that the current disclosures in
28 *GRI 201* are unclear and inconsistently interpreted, and would benefit from a thorough content
29 review.

30 To help inform the scope of this project, the GRI Standards Division carried out initial research
31 into current reporting practice on GRI's economic disclosures. This research suggested that the
32 disclosures within *GRI 201: Economic Performance*, *GRI 202: Market Presence*, and *GRI 203: Indirect
33 Economic Impacts* are closely-related and that the distinctions across these topics are not always
34 clearly understood by reporters. In addition, the Standards Division noted that to review each
35 of these Standards would likely require similar technical expertise within a Project Working
36 Group or Technical Committee.

37 Based on these points, the GSSB determined during its 21-22 March 2017 meeting to expand the
38 scope of the review project to include *GRI 202: Market Presence* and *GRI 203: Indirect Economic
39 Impacts* as well as *GRI 201: Economic Performance*.

40 Furthermore, since the disclosures in *GRI 201*, *GRI 202*, and *GRI 203* were last updated in 2006
41 (with the publication of the GRI G3 Guidelines), there have been a number of international
42 developments related to how organizations should identify, manage, and report on their impacts
43 on the economy. The OECD Guidelines for Multinational Enterprises (published in 2011) sets
44 out a clear expectation for businesses to take responsibility not only for impacts they cause
45 directly, but also those they contribute to or are linked to through their business relationships.
46 This concept has already been incorporated into GRI's disclosures on topic Boundary in *GRI
47 103: Management Approach*. However, in the context of GRI's economic disclosures, this means
48 that organizations are expected to report not only on their direct impacts on the economy, but
49 also those they are linked to, for example through their supplier relationships.

50 In addition, several of the UN Sustainable Development Goals (SDGs) are closely related to
51 impacts of organizations on the economy – for example, Goal 1 (No poverty), Goal 8 (Decent
52 Work and Economic Growth) and Goal 10 (Reduced Inequalities). Although the SDGs were
53 originally developed by governments for governments, business has been identified as having a
54 critical role to play in supporting progress towards the goals. Many businesses are already
55 adopting the SDGs into their sustainability strategy and reporting processes,¹ and are looking for
56 further guidance to understand how their activities contribute towards relevant SDGs and
57 targets.

¹ According to PWC's 2015 report, 'Make it your business: Engaging with the Sustainable Development Goals', 71% of businesses say they are already planning how they will engage with the SDGs. Available at: http://www.pwc.com/gx/en/sustainability/SDG/SDG%20Research_FINAL.pdf

58 Together, these developments suggest that the content in *GRI 201*, *GRI 202*, and *GRI 203* would
59 benefit from a comprehensive review to ensure that GRI's economic standards align with key
60 international instruments and reflect leading practice in disclosure.

61 Project objectives and scope

62 The primary objective of this project is to review the content of *GRI 201*, *GRI 202*, and *GRI 203* in
63 order to ensure these disclosures align with relevant international instruments and reflect leading
64 practice in measuring the economic impacts of organizations.

65 Based on initial desktop research by the Standards Division, there are a variety of topics that could
66 potentially be covered within the scope of economic impacts. These include, for example:

- 67 • impacts of organizations on local labor markets, including job creation, provision of fair
68 wages, training, and skills development
- 69 • impacts on poverty alleviation (for example, through community development, education,
70 employment, or other development projects)
- 71 • monetary flows into local economies (including local procurement)
- 72 • investment in infrastructure and services (often tied in with community investment)
- 73 • securing livelihoods (covering for example the wellbeing, health, and safety of workers and
74 local communities)
- 75 • impacts of business models (including for example, employee-owned businesses, social
76 enterprises, and circular economy-related concepts such as 'products as services')
- 77 • economic contributions of an organization's products and services

78 Many of these issues relate to socio-economic dimensions, as opposed to the purely economic
79 contributions typically covered under financial reporting. Many of these issues are also closely
80 interlinked with community development (currently covered under *GRI 413: Local Communities*),
81 local procurement (covered under *GRI 204: Procurement Practices*) and employment (covered
82 under *GRI 401: Employment*). These three standards are not currently included in the scope of
83 the project, but if the Technical Committee recommends they should also be reviewed, the
84 GSSB will consider and discuss this option.

85 The scope of this project will also aim to consider and, where appropriate, to build off existing
86 methodologies for measuring the economic impacts of organizations. These could include, for
87 example, the [Measuring Impact Framework](#) developed by WBCSD and IFC, the [socio-economic
88 assessment \(SEAT\)](#) toolbox developed by Anglo-American, the [IRIS impact investment metrics](#)
89 developed by the Global Impact Investing Network (GIIN), or the [Poverty Footprint Tool](#)
90 developed by Oxfam and the UN Global Compact.

91 Proposed next steps

92 This review will be carried out in two phases. The first phase will have a broad scope and will
93 seek to develop recommendations on the overarching content areas and disclosures that should
94 be covered in GRI's 200 (economic) series of standards, in order to align with relevant
95 international instruments and methodologies.

96 To help inform the first phase of work, a dedicated Technical Committee will be formed as set
97 out in the GSSB [Due Process Protocol](#). A detailed Terms of Reference for the Technical
98 Committee will be developed, including the objectives, scope, and timeline for their work. The
99 Technical Committee will include experts with specific expertise in understanding and measuring
100 the impacts of organizations on the economy. This phase of work could lead to
101 recommendations to restructure, merge, expand, or retitle the current topics covered under
102 *GRI 201*, *GRI 202*, and *GRI 203*. It could also lead to recommendations to add new content areas
103 or to remove or revise existing disclosures. All recommendations from this Technical
104 Committee will be shared back with the GSSB for consideration.

105 Depending on the outcomes of the first phase of work, the GSSB will then evaluate the need to
106 form additional Technical Committees or Project Working Groups to further develop
107 disclosures for specific topic areas, as recommended by the first phase of work.