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Transition to GRI Standards

Working draft of topic Boundary

For GSSB discussion

Date	28 July 2016
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About this working draft	This draft incorporates editorial improvements and initial changes from public comment feedback.

Discussion document - This document does not represent an official position of the GSSB

Summary of public comment feedback on topic Boundary

This section summarizes the public feedback received on the Exposure Draft of topic Boundary. This includes comments received via the online consultation platform, as well as comments received via offline submissions and through 13 in-person stakeholder workshops held during the public comment period.

Comments	Action taken by Standards Division
<p>Changes to the disclosure</p> <p>In general, respondents welcomed the proposal to relocate the topic Boundary to the Management Approach Standard, as well as the intention to clarify this disclosure. However, the majority of respondents that commented on the topic Boundary still thought that the disclosure could be simplified even further.</p> <p>Among these respondents, some questioned the usefulness of the requested information; others indicated that the requirement to list the entities that cause the impacts and to provide their geographic location is too burdensome. Some respondents suggested explaining the topic Boundary from a 'value chain' perspective (rather than using the 'within' and 'outside' concept), as many organizations are already familiar with, and are applying, this approach.</p> <p>Other individual comments asked for GRI to give guidance on the inclusion of joint ventures and to clarify the limit of responsibility along the value chain.</p>	<p>The Standards Division proposes to simplify the topic Boundary disclosure as follows: 'A description of which entities in the organization and/or its value chain cause the significant impacts related to the material topic (the topic Boundary)'.</p> <p>This proposal takes away the requirement to 'list' the entities that cause the impacts and to provide their geographic location. In the guidance section, it is explained how an organization can group entities by their attributes (e.g., location, types of entities).</p> <p>The proposal also takes away the concept of 'within' and 'outside', in favor of a 'value chain' approach.</p>
<p>Terminology</p> <p>Many respondents considered the terminology used for topic Boundary to be too complicated and technical, and suggested simplifying this. This included the terms 'within', 'outside', 'entity' and 'topic Boundary'. A few respondents suggested asking simpler, prosaic questions instead such as 'who is causing the impact'.</p>	<p>The Standards Division proposes to replace the term 'outside' for 'value chain'. For the term 'entity', the Standards Division proposes to keep this term for referring to the entities that an organization is comprised of.</p> <p>The GSSB is asked to consider dropping the term 'topic Boundary'; and to consider alternative wording for 'entities in the value chain' (e.g., parties, elements, areas) or to clarify this term with more guidance and examples.</p>
<p>Examples</p> <p>Many respondents asked for examples and visuals of the topic Boundary to be provided in the Standard.</p>	<p>The Standards Division has included examples of how to define and report the topic Boundary in the Guidance section.</p>

Working draft of topic Boundary

Disclosure 301-I Explanation of the material topic and its Boundaries

Reporting requirements

I.1 For each material topic, the reporting organization shall report the following information for Disclosure 301-I:

Disclosure 301-I

- a. An explanation of why the topic is material.
- b. A description of which entities in the organization and/or its value chain cause the significant impacts related to the material topic (the topic Boundary).
- c. Any specific limitation regarding the topic Boundary.

Guidance

Guidance for Disclosure 301-I-b (topic Boundary)

An organization preparing a report in accordance with the GRI Standards is expected to report not only on significant impacts that it causes directly, but also on impacts caused by entities in its value chain which it has either contributed to, or is directly linked to through a business relationship. The topic Boundary is the description of which entities in the organization and/or its value chain cause the significant impacts related to the material topic.

Significant impacts caused by the reporting organization: When the organization causes a significant impact directly, the topic Boundary is the description of which specific entities in the organization cause the impact. These could include one, some or all of the entities that the organization is comprised of, such as parent, subsidiaries or joint ventures.¹

- For example, if a subsidiary of an organization operates in a water-stressed area and uses large amounts of water, that entity might be causing a significant impact on the availability of water for a local community. In this case, the topic Boundary is the description of the specific subsidiary that causes the impact.

Significant impacts caused by entities in the value chain: A significant impact can also be caused by other entities in the organization's value chain (e.g., supplier, customer). The organization is expected to report on these impacts when it has contributed to the impact, or when the impact is directly linked to the organization's activities, products or services through a business relationship,² such as a supplier contract. In these cases, the topic Boundary is the description of which entities in the organization's value chain cause the impact.

¹ For impacts caused by the organization, the organization considers all the entities included in its consolidated financial statements or equivalent documents, as reported under Disclosure 201-45 of GRI 201: General Disclosures.

² These concepts are based on the following instruments:

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

Commented [SD11]: QUESTION FOR GSSB

Public feedback indicates that the term 'topic Boundary' is too complicated and technical.

To simplify this further, would the GSSB recommend dropping the term 'topic Boundary', and instead having the prosaic formulation 'a description of which entities cause the impact'?

Commented [SD12]: FOR GSSB FEEDBACK

The topic Boundary disclosure has been revised and simplified based on public feedback. For a summary of the public feedback and actions taken, please see the summary at the beginning of this paper.

See the Annex for the Exposure Draft wording.

Commented [SD13]: FOR GSSB FEEDBACK

The topic Boundary guidance has been revised based on the proposed changes to the disclosure. In addition, it now includes examples of topic Boundary and how to report it, including guidance on how to group entities by their attributes. The guidance retains the main concepts in the UN Guiding Principles and OECD Guidelines, such as 'causing', 'contributing to' or being 'directly linked to' an impact.

See the Annex for the Exposure Draft wording.

Commented [SD14]: FOR GSSB FEEDBACK

Feedback from the workshops as well as from the GSSB, indicates that the term 'entity' is not clear.

The Standards Division proposes to continue using the term 'entity' for 'within the organization'. 'Entity' is used in G4-17, which is the basis for defining the 'within' of an organization. And it's consistent with terminology used in financial reporting standards.

For 'value chain', the GSSB might consider other formulations such as: 'parties in the value chain', 'elements of the value chain' or 'value chain elements or areas'. Alternatively, the Standards Division can work on clarifying the term 'entities in the value chain' by providing more guidance and examples.

Revised topic Boundary

- 25 • For example, an organization discovers through its due diligence that a number of its suppliers in Southeast Asia do
26 not uphold basic health and safety standards at the factories where its products are being manufactured. The
27 organization has identified a potential significant impact on the health and safety of its suppliers' workers. In this
28 case, the topic Boundary is the description of the suppliers in Southeast Asia manufacturing its products that cause
29 the impact.
- 30 Other examples can include the impacts caused by customers using the organization's products or services.
- 31 In some cases, the organization may not have influence over the entities in its value chain that cause the
32 impacts. However, the organization is still expected to report on these impacts when it has contributed to the
33 impact, or when the impact is directly linked to the organization through its activities, products or services
34 through a business relationship. The organization is also expected to report how it has responded to these
35 impacts using GRI 301.
- 36 The description of the topic Boundary can group entities based on their attributes, such as their type, location,
37 or position in the value chain. Examples include 'customers using washing machines manufactured by the
38 organization', 'chemical suppliers in region X', or 'trading subsidiaries of the organization'.
- 39 The organization is required to report the topic Boundary for each material topic, and the topic Boundary can
40 vary by topic.
- 41 See references 2, 3 and 4 in the References section.

42 Annex. Exposure Draft of topic Boundary

43 *Extract of the Exposure Draft of SRS 301: Management Approach (Topic Boundary)

44 Explanation of the material topic and its Boundaries

45 Reporting requirements

46 I.1 For each material topic, the reporting organization shall report the following information for
47 Disclosure 301-I:

Commented [SD5]: Source: G4 RPSD pp. 29, 46

Disclosure 301-I

- a. An explanation of why the topic is material.
- b. Whether the topic Boundary is within the organization, outside of the organization, or both, and:
 - i. if the topic Boundary is within the organization, list the entities or groups of entities that cause the impacts related to the topic; and/or
 - ii. if the topic Boundary is outside of the organization, list the entities, groups of entities or elements that cause the impacts related to the topic, including their geographic location.
- c. Any specific limitation regarding the topic Boundary.

Commented [SD6]:

Type of change: Change in location

Source: G4 RPSD p. 29

Commented [SD7]: Source: G4 IM p. 64

Commented [SD8]: Type of change: Clarification
[Clarifying the definition of topic Boundary]

48 Guidance I.1

49 Topic Boundary

50 Organizations might be involved with impacts either through their own activities or as a result of their
51 business relationships with other parties. The concept of the topic Boundary refers to the entities that cause
52 the impacts related to a material topic. These entities can be within the organization (i.e., the entities included
53 in the organization's consolidated financial statements or equivalent documents, as reported under Disclosure
54 201-45 of SRS 201: General disclosures), outside of the organization (e.g., suppliers or clients), or both.

55 The Boundary of a material topic is defined as within the organization if the organization or an entity it owns
56 or controls (e.g., subsidiary) has caused a significant impact on the economy, the environment or society.

57 The Boundary of a material topic is defined as outside of the organization if an outside entity (e.g., supplier,
58 client) has caused a significant impact on the economy, the environment or society that the reporting
59 organization has either contributed to, or is linked to, via a business relationship.

60 The concept of defining topic Boundaries outside of the organization is due to the fact that organizations are
61 increasingly expected to take responsibility for impacts where:

- 62 • the organization has contributed to, or is seen as contributing to, the impact through its activities or
63 decisions, but this impact has been caused directly by another party; and

Revised topic Boundary

- 64 • the organization is involved solely because the impact is directly linked to its operations, products or services
65 by a business relationship (even if the organization has not contributed to that impact).
66 Even if the organization does not have influence or leverage over the entities causing these impacts, the
67 organization is still expected to report on these impacts and how it has responded to them.
68 The Boundary is to be defined for each material topic and it can vary by topic.
69 See references 2, 3 and 4 in the References section.

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