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Transition to GRI Standards

Item 10 – Exposure draft of SRS 403: Indirect economic impacts

For GSSB approval

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Project	Transition to GRI Standards
Description	As part of the move to become a standard setter, the Global Sustainability Standards Board (GSSB) has decided that the G4 Guidelines need to be transitioned to GRI Sustainability Reporting Standards. This paper presents an exposure draft of SRS 403: <i>Indirect economic impacts</i> , for GSSB approval. Key changes are highlighted within comment boxes throughout this document. A summary of the key changes is provided in an Annex .

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.

1 **Sustainability Reporting Standard 403:**
2 **Indirect economic impacts 2016**

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

3 Contents

4	Introduction	4
5	A. Overview of the GRI Sustainability Reporting Standards.....	4
6	B. Responsibility for this Standard	5
7	C. Scope	6
8	D. Using this Standard	6
9	E. Normative references.....	6
10	F. Effective date	7
11	G. Background context	7
12	SRS 403: Indirect economic impacts	8
13	1. Management approach disclosures.....	8
14	2. Topic-specific disclosures.....	9
15	Infrastructure investments and services supported	9
16	Significant indirect economic impacts.....	10

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17 **Introduction**

18 *A. Overview of the GRI Sustainability Reporting Standards*

19 The GRI Sustainability Reporting Standards (GRI Standards) are designed to be used by
 20 organizations to report about their impacts on the economy, the environment, and society.

21 The GRI Standards are structured as a set of interrelated standards. They are intended to be
 22 used together to help an organization prepare a sustainability report which is based on the
 23 Reporting Principles and focuses on material topics. This ensures that the organization provides
 24 a complete picture of its impacts in the report, and that the report includes contextual
 25 information to understand these impacts and how they are managed.

26 Organizations can also choose to use individual GRI Standards or their content to report on
 27 specific sustainability information.

28 **Figure 1 Overview of the set of GRI Standards**



29 The GRI Standards are divided into six series.

Series	Description
100: Foundation	<i>SRS 101: Foundation</i> is the starting point for using the set of GRI Standards. It is required to be complied with by any organization making a claim that its sustainability report has been prepared in accordance with the GRI Standards. <i>SRS 101</i> outlines the process to be followed in order to prepare a sustainability report using the GRI Standards. It also sets out the Reporting Principles for defining report content and quality, and specifies the different claims that an organization can make about its use of the GRI Standards.
200: General disclosures	<i>SRS 201: General disclosures</i> is used to report contextual information about an organization and its sustainability reporting practices. This includes information about an organization's profile, strategy, ethics and integrity, governance, stakeholder engagement practices, and reporting process.
300: Management approach	<i>SRS 301: Management approach</i> is used to report information about how an organization manages its material topics. This Standard is designed to be used together with each material topic, including those covered by the topic-specific Standards (series 400, 500, and 600), as well as other material topics identified by an organization. Applying <i>SRS 301</i> with each material topic allows an organization to provide a narrative description about how it manages the material topics and related impacts; this is in addition to reporting topic-specific disclosures.
400, 500, and 600: topic-specific Standards	The 400, 500, and 600 series are topic-specific Standards, which are used to report information on economic, environmental, and social topics (e.g., 'Water' or 'Indirect economic impacts'). An organization applies the Reporting Principles for defining report content from <i>SRS 101: Foundation</i> to identify its material economic, environmental, and social topics. These material topics form the basis for the sustainability report and determine which of the topic-specific Standards will need to be used.

30 *B. Responsibility for this Standard*

31 This Standard is issued by the Global Sustainability Standards Board (GSSB). It is part of the set
32 of GRI Sustainability Reporting Standards (GRI Standards). The GSSB is an independent
33 standard-setting body created by GRI. It has responsibility for setting globally-accepted
34 sustainability reporting standards, according to a due process. More information on GRI's
35 standard-setting process can be found here:

36 <https://www.globalreporting.org/information/about-gri/governance-bodies/Global-Sustainability-Standard-Board/Pages/default.aspx>
37

38 Any feedback or comments on the GRI Standards can be submitted to
39 standards@globalreporting.org for the consideration of the GSSB.

40 *C. Scope*

41 *SRS 403: Indirect economic impacts* sets out reporting requirements on the topic of indirect
42 economic impacts, including infrastructure investments and services supported. It is part of the
43 series of GRI Standards designed to elicit information about specific economic topics.

44 This Standard applies to any reporting organization that has identified Indirect economic impacts
45 as a material topic, and wishes to report on its impacts related to this topic.

46 SRS 403 can be used by an organization of any size, type, sector, or geographic location.

47 *D. Using this Standard*

48 Requirements, recommendations, and guidance

49 Throughout the GRI Standards, specific terms are used to signify requirements,
50 recommendations, and guidance.

- 51 • **Requirements:** These are mandatory instructions and are denoted using '**shall**.' These
52 can include process or methodology requirements, as well as disclosure requirements
53 (i.e., information to be reported).
- 54 • **Recommendations:** These are cases where a particular course of action is
55 encouraged or recommended, but not required. They are denoted using '**should**.'
- 56 • **Guidance:** These sections include background context and examples to help
57 organizations better understand the requirements. They also describe possible,
58 achievable, or allowed scenarios for reporting information; these are signified using
59 '**can**'. A different background color denotes 'Guidance' sections throughout the GRI
60 Standards. Guidance is not required, but organizations are encouraged to consult the
61 'Guidance' sections whenever it is useful.

62 A reporting organization needs to comply with all relevant requirements in order to claim that
63 its report has been prepared in accordance with the GRI Standards. See Table 2 of *SRS 101:
64 Foundation* for more information. It is not necessary to comply with recommendations or
65 guidance in order to make an 'in accordance' claim.

66 *E. Normative references*

67 The documents below are normatively referenced in this Standard and are required to be used
68 together for its application. For documents with a date given, only the listed version applies. For
69 undated references, the latest version of the document applies.

- 70 *SRS 101: Foundation*
- 71 *SRS 301: Management approach*
- 72 *GRI Standards Glossary of terms*

73 *F. Effective date*

74 SRS 403: *Indirect economic impacts* becomes effective for all reports published on or after 1
75 January 2018. Earlier adoption of this Standard is encouraged.

76 *G. Background context*

77 In the context of the GRI Standards, the economic dimension of sustainability concerns an
78 organization's impacts on the economic conditions of its stakeholders. It also concerns an
79 organization's impacts on economic systems at the local, national, and global level. It does not
80 focus on the financial condition of an organization.

81 The Standards in the Economic series (400) address the flow of capital among different
82 stakeholders, and the main economic impacts of an organization throughout society.

83 SRS 403 addresses indirect economic impacts, which are the additional consequence of the
84 direct financial transactions that occur between an organization and its stakeholders. They also
85 result when an organization invests in infrastructure or services.

86 These indirect economic impacts can be monetary or non-monetary, and can have diverse
87 effects on the economy. They include impacts, such as shifts in local employment due to
88 operation relocation, or increased availability of products and services for those on low incomes.

89 Indirect economic impacts are particularly important to assess in relation to local communities
90 and regional economies. They are an important part of an organization's role as an agent of
91 socio-economic change, particularly in developing economies.

Commented [SD1]:

Type of change: Clarification [Clarifying topic descriptions]

Source: G4 RPSD p. 48; G4 IM pp. 67, 80 and 249

92 SRS 403: Indirect economic impacts

93 1. Management approach disclosures

94 Reporting requirements

95 1.1 The reporting organization shall report its management approach for indirect economic
96 impacts as specified in *SRS 301: Management approach*.

97 **Guidance 1.1**

98 Reporting on the management approach, as well as completing topic-specific disclosures for all material
99 topics, is required for any organization that wishes to make a claim of being in accordance with the GRI
100 Standards. The management approach is a narrative explanation of how an organization manages the topic,
101 associated impacts, and stakeholders' reasonable expectations and interests.

102 This Standard is therefore designed to be used together with *SRS 301: Management approach* in order to
103 provide a full disclosure of an organization's impacts for a given topic. SRS 301 specifies how to report on
104 an organization's management approach and what information to include.

105 Reporting recommendations

106 1.2 The reporting organization should:

107 1.2.1 **describe** work undertaken to understand indirect economic impacts at the
108 national, regional, or local level; and

109 1.2.2 **explain** whether it conducted a community needs assessment to determine the
110 need for infrastructure and other services, and describe the results of the
111 assessment.

Commented [SD2]:

Type of change: Clarification

Guidance added to explain the new structure.

Commented [SD3]:

Type of change: Change in instructive verb

Original wording:

Describe work undertaken to understand indirect economic impacts at national, regional, or local level.

Source: G4 IM p. 78

Commented [SD4]:

Type of change: Change in instructive verb

Original wording:

Explain whether the organization conducted a community needs assessment to determine the need for infrastructure and other services. If so, **describe** the results of the assessment.

Source: G4 IM p. 78

112 **2. Topic-specific disclosures**

113 **Guidance 2**

114 In preparing responses to the disclosures in the Economic series (400), it can be helpful to compile the
 115 information from figures in the organization’s audited financial statements, wherever possible, or its
 116 internally-audited management accounts. Data can be compiled using either:

- 117 • the relevant International Financial Reporting Standards (IFRS) and Interpretations of Standards,
 118 published by the International Accounting Standards Board (IASB) (specific IFRSs are referenced for
 119 some of the disclosures); or
- 120 • national or regional standards recognized internationally for the purpose of financial reporting.

Commented [SD5]: Source: G4 IM p. 67

121 **Infrastructure investments and services supported**

122 **Guidance**

123 This disclosure concerns the impact that the reporting organization’s infrastructure investments and
 124 services supported have on its stakeholders and the economy.

125 The impacts of infrastructure investment can extend beyond the organization’s own operations and over a
 126 longer timescale. Such investments can include transport links, utilities, community social facilities, health
 127 and welfare centers, and sports centers. Along with investment in its own operations, this is one measure
 128 of the organization’s capital contribution to the economy.

Commented [SD6]: Source: G4 IM p. 79

129 **Reporting requirements**

130 2.1 The reporting organization shall report the following information for Disclosure 403-1:

Commented [SD7]: Source: G4 RPSD p. 50

Disclosure 403-1	
a.	Extent of development of significant infrastructure investments and services supported.
b.	Current or expected impacts on communities and local economies, including positive and negative impacts.
c.	Whether these investments and services are commercial, in-kind, or pro bono engagements.

131 **Reporting recommendations**

132 2.2 When compiling the information specified in Disclosure 403-1, the reporting organization
 133 should disclose:

- 134 2.2.1 the size, cost and duration of each significant infrastructure investment or
 135 service supported; and
- 136 2.2.2 the extent to which different communities or local economies are impacted by
 137 the organization’s infrastructure investments and services supported.

Commented [SD8]:

Type of change: Change in instructive verb

Original wording:
 Identify the size, cost and duration of each significant infrastructure investment or service supported that has been implemented.

If different communities or local economies are impacted by the organization’s operations, collect this information.

Source: G4 IM p. 79

138 **Significant indirect economic impacts**

139 **Reporting requirements**

140 2.3 The reporting organization shall report the following information for Disclosure 403-2:

Commented [SD9]: Source: G4 RPSD p. 51

Disclosure 403-2	
a.	Examples of significant identified indirect economic impacts of the reporting organization, including positive and negative impacts.
b.	Significance of the indirect economic impacts in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas.

141 **Guidance 2.3**

Commented [SD10]: Source: G4 IM pp. 80-81

142 This disclosure concerns the spectrum of indirect economic impacts that the reporting organization can
143 have on its stakeholders and the economy.

144 Examples of significant indirect economic impacts, both positive and negative, can include:

- 145 • changes in the productivity of organizations, sectors, or the whole economy (such as through greater
146 adoption of information technology);
- 147 • economic development in areas of high poverty (such as changes in the total number of dependents
148 supported through the income of a single job);
- 149 • economic impacts from improving or deteriorating social or environmental conditions (such as the
150 increasing costs of pollution, or changing the job market in an area converted from small farms to
151 large plantations);
- 152 • availability of products and services for those on low incomes (such as setting preferential pricing of
153 pharmaceuticals to support a healthier, economy-participating population; or, conversely, setting
154 pricing structures that exceed the economic capacity of low income users);
- 155 • enhanced skills and knowledge in a professional community or in a geographic location (such as when
156 shifts in an organization's needs attract additional skilled workers to an area, who, in turn, drive a
157 local need for new learning institutions);
- 158 • number of jobs supported in the supply or distribution chain (such as the employment impacts on
159 suppliers as a result of an organization's growth or contraction);
- 160 • stimulating, enabling, or limiting foreign direct investment (such as when an organization changes the
161 infrastructure or services it provides in a developing country, which then leads to changes in foreign
162 direct investment in the region);
- 163 • economic impacts from a change in operation or activity location (such as the impact of outsourcing
164 jobs to an overseas location); and
- 165 • economic impacts from the use of products and services (such as economic growth resulting from the
166 use of a particular product or service).

167 Annex I. Summary of key changes for SRS 403: Indirect economic 168 impacts

169 This section summarizes changes made to this GRI Standard compared to the G4 Guidelines. These can include the following types:

- 170 • Change in location
- 171 • Clarification – changes or additions to text to improve clarity
- 172 • Employee/worker terminology revision
- 173 • Changes to instructive verbs – to clarify the intent of guidance text that comes from the G4 Implementation Manual
- 174 • Deleted text – the text is duplicated, unnecessary or obsolete
- 175 • Other

176 Each of these changes is listed in the tables below and highlighted within comment boxes throughout this Standard.

177 A number of structural and other minor changes have been applied globally throughout the GRI Standards. These include new Introduction sections or
178 minor wording changes to the disclosure requirements. These changes are explained in greater detail in the following document [reference to be provided];
179 they are not listed in this summary of changes. This document [reference to be provided] also provides rationales for those clarifications that have been
180 applied globally throughout the GRI Standards (e.g., clarifying the definition of Boundary, clarifying topic descriptions).

181 Legend

182 The source of original G4 text is:

183 G4 RPSD = [G4 Guidelines – Reporting Principles and Standard Disclosures](#)

184 G4 IM = [G4 Guidelines – Implementation Manual](#)

Changes in location, clarifications, employee/worker terminology, and other				
SRS clause number	SRS section	Type of change	Description or rationale	Source of original G4 text
N/A	Introduction G	Clarification	Clarifying topic descriptions.	G4 RPSD p. 48 G4 IM pp. 67, 80 and 249
Guidance I.1	Management approach disclosures	Clarification	Guidance added to explain the new structure.	N/A
2.3	Significant indirect economic impacts	Clarification	Clarifying the use of the term 'impacts'. The following text from the Indicator Relevance section has been deleted as a result: For management purposes, indirect economic impacts are an important indication of where risks to reputation may develop, or where opportunities may emerge to expand market access or a social license to operate.	G4 IM p. 80

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Changes to instructive verbs				
To clarify the intent of guidance text that comes from the G4 Implementation Manual				
SRS clause number	SRS section	SRS wording	Original G4 text	Source of original G4 text
1.2.1	Management approach disclosures	The reporting organization should: describe work undertaken to understand indirect economic impacts at the national, regional, or local level;	Describe work undertaken to understand indirect economic impacts at national, regional, or local level.	G4 IM p. 78
1.2.2	Management approach disclosures	The reporting organization should: explain whether it conducted a community needs assessment to determine the need for infrastructure and other services, and describe the results of the assessment.	Explain whether the organization conducted a community needs assessment to determine the need for infrastructure and other services. If so, describe the results of the assessment.	G4 IM p. 78
2.2.1	Infrastructure investments and services supported	The reporting organization should disclose: the size, cost and duration of each significant infrastructure investment or service supported;	Identify the size, cost and duration of each significant infrastructure investment or service supported that has been implemented.	G4 IM p. 79
2.2.2	Infrastructure investments and services supported	The reporting organization should disclose: the extent to which different communities or local economies are impacted by the organization's infrastructure investments and services supported.	If different communities or local economies are impacted by the organization's operations, collect this information.	G4 IM p. 79

Deleted text	
Deleted text	Source of original G4 text
<p><i>[The following text from the G4 Implementation Manual has been deleted because it duplicates Disclosure 403-2-b]</i></p> <p>Explain the significance of the indirect economic impacts in the context of external benchmarks and stakeholder priorities, such as national and internal standards, protocols, and policy agendas.</p>	G4 IM p. 78
<p><i>[The following text from the Indicator Compilation section has been deleted because it duplicates Disclosure 403-1-b]</i></p> <p>Identify both the current and expected impacts of each infrastructure investment or service supported. Collect information on both positive and negative impacts on the community or local economies.</p>	G4 IM p. 79
<p><i>[The following text from the Indicator Compilation section has been deleted because it duplicates Disclosure 403-1-c]</i></p> <p>Identify the financial arrangements associated with each of the infrastructure investments or services supported. Break these down into the three categories of commercial, in kind or pro-bono.</p>	G4 IM p. 79
<p><i>[The following text has been deleted from Disclosure 403-2-a because it duplicates the Indicator Compilation]</i></p> <p>These may include:</p> <ul style="list-style-type: none"> • Changing the productivity of organizations, sectors, or the whole economy • Economic development in areas of high poverty • Economic impact of improving or deteriorating social or environmental conditions • Availability of products and services for those on low incomes • Enhancing skills and knowledge amongst a professional community or in a geographical region • Jobs supported in the supply chain or distribution chain • Stimulating, enabling, or limiting foreign direct investment • Economic impact of change in location of operations or activities • Economic impact of the use of products and services 	G4 RPSD p. 51