GRI STANDARDS

GRI GSSB

# **GRI 203:** INDIRECT ECONOMIC IMPACTS 2016

GRI 203

# Contents



### About this Standard

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| **Responsibility** | This Standard is issued by the Global Sustainability Standards Board (GSSB). Any feedback on the GRI Standards can be submitted to standards@globalreporting.org for the consideration of the GSSB. |
| **Scope** | *GRI 203: Indirect Economic Impacts* sets out reporting requirements on the topic of indirect economic impacts. This Standard can be used by an organization of any size, type, sector or geographic location that wants to report on its impacts related to this topic. |
| **Normative references** | This Standard is to be used together with the most recent versions of the following documents.<br>*GRI 101: Foundation*<br>*GRI 103: Management Approach*<br>*GRI Standards Glossary*<br><br>In the text of this Standard, terms defined in the Glossary are underlined. |
| **Effective date** | This Standard is effective for reports or other materials published on or after 1 July 2018. Earlier adoption is encouraged. |

**Note:** This document includes hyperlinks to other Standards. In most browsers, using **'ctrl' + click** will open external links in a new browser window. After clicking on a link, use **'alt' + left arrow** to return to the previous view.

# Introduction

## A. Overview

This Standard is part of the set of GRI Sustainability Reporting Standards (GRI Standards). These Standards are designed to be used by organizations to report about their impacts on the economy, the environment, and society.

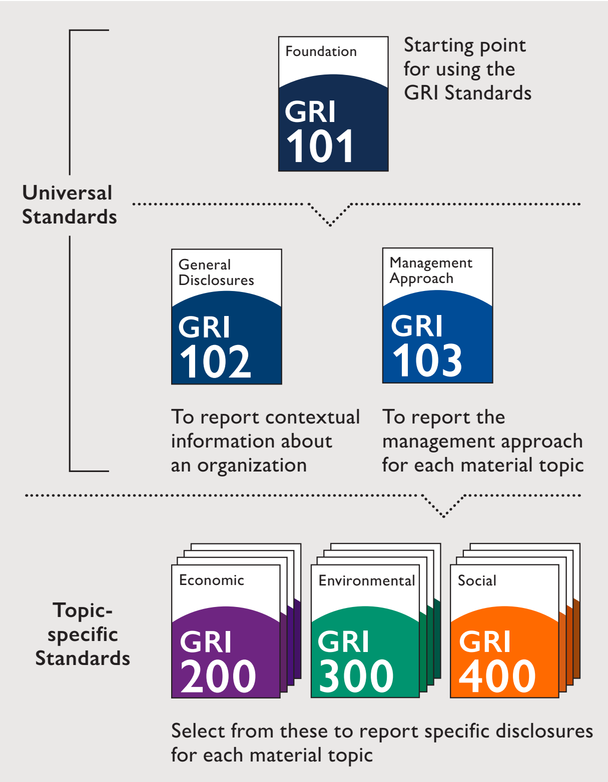
The GRI Standards are structured as a set of interrelated, modular standards. The full set can be downloaded at www.globalreporting.org/standards/.

There are three universal Standards that apply to every organization preparing a sustainability report:

*GRI 101: Foundation*
*GRI 102: General Disclosures*
*GRI 103: Management Approach*

***GRI 101: Foundation* is the starting point for using the GRI Standards. It has essential information on how to use and reference the Standards.**

Figure 1
Overview of the set of GRI Standards




An organization then selects from the set of topic-specific GRI Standards for reporting on its material topics. These Standards are organized into three series: 200 (Economic topics), 300 (Environmental topics) and 400 (Social topics).

Each topic Standard includes disclosures specific to that topic, and is designed to be used together with *GRI 103: Management Approach*, which is used to report the management approach for the topic.

***GRI 203: Indirect Economic Impacts* is a topic-specific GRI Standard in the 200 series (Economic topics).**

## B. Using the GRI Standards and making claims

There are two basic approaches for using the GRI Standards. For each way of using the Standards there is a corresponding claim, or statement of use, which an organization is required to include in any published materials.

1. The GRI Standards can be used as a set to prepare a sustainability report that is in accordance with the Standards. There are two options for preparing a report in accordance (Core or Comprehensive), depending on the extent of disclosures included in the report.

   An organization preparing a report in accordance with the GRI Standards uses this Standard, *GRI 203: Indirect Economic Impacts*, if this is one of its material topics.

2. Selected GRI Standards, or parts of their content, can also be used to report specific information, without preparing a report in accordance with the Standards. Any published materials that use the GRI Standards in this way are to include a 'GRI-referenced' claim.

**See Section 3 of *GRI 101: Foundation* for more information on how to use the GRI Standards, and the specific claims that organizations are required to include in any published materials.**

## C. Requirements, recommendations and guidance

The GRI Standards include:

**Requirements.** These are mandatory instructions. In the text, requirements are presented in **bold font** and indicated with the word 'shall'. Requirements are to be read in the context of recommendations and guidance; however, an organization is not required to comply with recommendations or guidance in order to claim that a report has been prepared in accordance with the Standards.

**Recommendations.** These are cases where a particular course of action is encouraged, but not required. In the text, the word 'should' indicates a recommendation.

**Guidance.** These sections include background information, explanations and examples to help organizations better understand the requirements.

An organization is required to comply with all applicable requirements in order to claim that its report has been prepared in accordance with the GRI Standards. See *GRI 101: Foundation* for more information.

## D. Background context

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

The Standards in the Economic series (200) address the flow of capital among different stakeholders, and the main economic impacts of an organization throughout society.

An economic impact can be defined as a change in the productive potential of the economy that has an influence on a community's or stakeholder's well-being and longer-term prospects for development. *GRI 203* addresses indirect economic impacts, which are the additional consequences of the direct impact of financial transactions and the flow of money between an organization and its stakeholders. *GRI 203* also addresses the impacts of an organization's infrastructure investments and services supported.

Indirect economic impacts can be monetary or non-monetary, and are particularly important to assess in relation to local communities and regional economies.

The disclosures in this Standard can provide information about an organization's indirect economic impacts, and how it manages them.

# GRI 203: Indirect Economic Impacts

This Standard includes disclosures on the management approach and topic-specific disclosures. These are set out in the Standard as follows:

- Management approach disclosures (this section references *GRI 103*)
- Disclosure 203-1 Infrastructure investments and services supported
- Disclosure 203-2 Significant indirect economic impacts

## 1. Management approach disclosures

Management approach disclosures are a narrative explanation of how an organization manages a material topic, the associated impacts, and stakeholders' reasonable expectations and interests. Any organization that claims its report has been prepared in accordance with the GRI Standards is required to report on its management approach for every material topic, as well as reporting topic-specific disclosures for those topics.

Therefore, this topic-specific Standard is designed to be used together with *GRI 103: Management Approach* in order to provide full disclosure of the organization's impacts. *GRI 103* specifies how to report on the management approach and what information to provide.

### Reporting requirements

**1.1 The reporting organization shall report its management approach for indirect economic impacts using *GRI 103: Management Approach*.**

### Reporting recommendations

1.2 The reporting organization should:

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

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

# 2. Topic-specific disclosures

An organization is expected to compile information for economic disclosures using figures from its audited financial statements or from its internally-audited management accounts, whenever possible. Data can be compiled using, for example:

- the relevant International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB), and the Interpretations developed by the IFRS Interpretations Committee (specific IFRS are referenced for some of the disclosures);
- the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants (IFAC);
- national or regional standards recognized internationally for the purpose of financial reporting.

## Disclosure 203-1
## Infrastructure investments and services supported

### Reporting requirements

Disclosure
203-1

**The reporting organization shall report the following information:**

**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 where relevant.**

**c. Whether these investments and services are commercial, in-kind, or pro bono engagements.**

### Reporting recommendations

2.1 When compiling the information specified in Disclosure 203-1, the reporting organization should disclose:

2.1.1 the size, cost and duration of each significant infrastructure investment or service supported;

2.1.2 the extent to which different communities or local economies are impacted by the organization's infrastructure investments and services supported.

### Guidance

*Background*

This disclosure concerns the impact that an organization's infrastructure investments and services supported have on its stakeholders and the economy.

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

# Disclosure 203-2

## Significant indirect economic impacts

### Reporting requirements

Disclosure
203-2

**The reporting organization shall report the following information:**

a. **Examples of significant identified indirect economic impacts of the 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.**

### Guidance

*Guidance for Disclosure 203-2*

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

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

- changes in the productivity of organizations, sectors, or the whole economy (such as through greater adoption of information technology);
- economic development in areas of high poverty (such as changes in the total number of dependents supported through the income of a single job);
- economic impacts of improving or deteriorating social or environmental conditions (such as changing job market in an area converted from small farms to large plantations, or the economic impacts of pollution);
- availability of products and services for those on low incomes (such as preferential pricing of pharmaceuticals, which contributes to a healthier population that can participate more fully in the economy; or pricing structures that exceed the economic capacity of those on low incomes);
- enhanced skills and knowledge in a professional community or in a geographic location (such as when shifts in an organization's needs attract additional skilled workers to an area, who, in turn, drive a local need for new learning institutions);
- number of jobs supported in the supply or distribution chain (such as the employment impacts on suppliers as a result of an organization's growth or contraction);
- stimulating, enabling, or limiting foreign direct investment (such as when an organization changes the infrastructure or services it provides in a developing country, which then leads to changes in foreign direct investment in the region);
- economic impacts from a change in operation or activity location (such as the impact of outsourcing jobs to an overseas location);
- economic impacts from the use of products and services (such as economic growth resulting from the use of a particular product or service).

# Glossary

This Glossary includes definitions for terms used in this Standard, which apply when using this Standard. These definitions 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.

## impact

In the GRI Standards, unless otherwise stated, 'impact' refers to the effect an organization has on the economy, the environment, and/or society, which in turn can indicate its contribution (positive or negative) to sustainable development.

**Note 1:** In the GRI Standards, the term 'impact' can refer to positive, negative, actual, potential, direct, indirect, short-term, long-term, intended, or unintended impacts.

**Note 2:** Impacts on the economy, environment, and/or society can also be related to consequences for the organization itself. For example, an impact on the economy, environment, and/or society can lead to consequences for the organization's business model, reputation, or ability to achieve its objectives.

## infrastructure

facilities built primarily to provide a public service or good rather than a commercial purpose, and from which an organization does not seek to gain direct economic benefit

**Note:** Examples of facilities can include water supply facilities, roads, schools, and hospitals, among others.

## material topic

topic that reflects a reporting organization's significant economic, environmental and social impacts; or that substantively influences the assessments and decisions of stakeholders

**Note 1:** For more information on identifying a material topic, see the Reporting Principles for defining report content in *GRI 101: Foundation*.

**Note 2:** To prepare a report in accordance with the GRI Standards, an organization is required to report on its material topics.

**Note 3:** Material topics can include, but are not limited to, the topics covered by the GRI Standards in the 200, 300, and 400 series.

## sector

subdivision of an economy, society or sphere of activity, defined on the basis of some common characteristic

**Note:** Sector types can include classifications such as the public or private sector, and industry specific categories such as the education, technology, or financial sectors.

## services supported

services that provide a public benefit either through direct payment of operating costs or through staffing the facility or service with an organization's own employees

**Note:** Public benefit can also include public services.

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## Legal liability

This document, designed to promote sustainability reporting, has been developed by the Global Sustainability Standards Board (GSSB) through a unique multi-stakeholder consultative process involving representatives from organizations and report information users from around the world. While the GRI Board of Directors and GSSB encourage use of the GRI Sustainability Reporting Standards (GRI Standards) and related Interpretations by all organizations, the preparation and publication of reports based fully or partially on the GRI Standards and related Interpretations are the full responsibility of those producing them. Neither the GRI Board of Directors, GSSB nor Stichting Global Reporting Initiative (GRI) can assume responsibility for any consequences or damages resulting directly or indirectly from the use of the GRI Standards and related Interpretations in the preparation of reports, or the use of reports based on the GRI Standards and related Interpretations.

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