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Exposure draft of *SRS 403: Indirect economic impacts*

19 April 2016

Comments to be received by 17 July 2016

The G4 Guidelines are being transitioned to a set of modular Sustainability Reporting Standards (GRI Standards). This exposure draft of *SRS 403: Indirect economic impacts* is published by the Global Sustainability Standards Board (GSSB), the independent standard-setting body of GRI. This draft is published for comment only and may change based on public feedback before its official release.

Any interested party can submit comments on this draft by 17 July 2016. Comments should be submitted in writing, and only comments in English will be considered. Please refer to the Transition to Standards website [here](#) for additional information and a link to the online consultation platform.

Comments are to be submitted via the online platform if possible. In exceptional cases, if comments cannot be submitted online, they can be sent to standards@globalreporting.org.

All comments received will be considered a matter of public record. Comments will be made available on the GRI website along with the name of the individual or organization that submitted the comment, the country, and constituency group.

This exposure draft of *SRS 403: Indirect economic impacts* contains the Indirect Economic Impacts Aspect from the G4 Guidelines along with guidance from the G4 Implementation Manual. Key changes are highlighted within comment boxes throughout this draft, and the location of original G4 text is provided as below:

- G4 RPSD = Text has been sourced from the [G4 Guidelines – Reporting Principles and Standard Disclosures](#)
- G4 IM = Text has been sourced from the [G4 Guidelines – Implementation Manual](#)

A summary of the key changes related to this Standard is provided in an [Annex](#).

For more information, or to view and download the full set of GRI Standards exposure drafts, visit the [Transition to Standards website](#).

Explanatory memorandum

This explanatory memorandum sets out the objectives of the Transition to Standards, the significant proposals contained within this exposure draft of *SRS 403: Indirect economic impacts*, and a summary of the GSSB's involvement and views on the development of this draft.

Objectives for the Transition to Standards

The following objectives were considered during the development of this exposure draft:

- devising a modular format that allows the Standards to be updated independently when the need arises and that facilitates continuous improvement
- ensuring minimal disruption of G4 disclosure requirements and their methodologies
- preserving the Reporting Principles and the focus on materiality
- clarifying certain G4 concepts and disclosures that are not clearly understood by users, based on available G4 FAQs and GSSB input
- clarifying what is required, versus what is recommended or what is just guidance
- reducing unnecessary duplication of content
- making individual elements of G4 easier to find
- allowing for flexibility in reporting options and formats

In addition, the transition to Standards offers an opportunity to increase the overall user-friendliness and the technical quality and robustness of the Standards.

Significant proposals and changes in *SRS 403: Indirect economic impacts*

This draft Standard incorporates the disclosures and guidance from the Indirect Economic Impacts Aspect in the G4 Guidelines and Implementation Manual. This content has been revised and restructured in line with the project objectives set out above. Notable changes in this draft Standard are summarized below:

- A new 'Background context' section has been developed in the Introduction, which includes a description of the topic. This content is based on the text from the 'Relevance' sections in G4 but has been revised to update the content and align it with authoritative intergovernmental instruments, where applicable. In particular, mentions of risks to the organization (such as reputation) have been removed.
- Content from the introductory text to the Economic Category of G4 has been added to the Introduction of this draft Standard. This text asks organizations to compile data for economic disclosures using relevant international financial reporting standards. This content is currently proposed to be included in the Introduction to each Standard in the Economic series (series 400).
- Throughout the draft Standard, there are clear distinctions between requirements (denoted using 'shall'), recommendations (denoted using 'should') and guidance, which is identified with a specific background color. These changes are consistent with standard-setting practice and will make it more clear for users which content is required in each Standard. For an overview

of G4 guidance text that has been included as reporting requirements or recommendations in this draft Standard, see the [Annex](#).

- The G4 Aspect-specific management approach guidance for this topic has been included as reporting recommendations in this draft Standard.

Additional detail on these proposals can be found in the background document on the Transition to Standards, available on the [online consultation platform here](#).

GSSB's involvement and views on the development of this draft

The GSSB discussed the development of *SRS 403: Indirect economic impacts* at its meetings on 3-5th November 2015, 25th February 2016, and 5-7th April 2016. Minutes and live recordings of these meetings are available on the [GSSB website here](#).

For the Transition to Standards, the full GSSB membership oversaw the development of the draft Standards; no additional Project Working Groups were appointed. Therefore the views of the GSSB on the development of this draft Standard are reflected in the summary of main proposals above and in the public exposure draft itself, which was approved by the GSSB for public exposure on 5-7th April 2016. Meeting minutes and a full recording of the meeting can be accessed on the [GSSB website here](#).

Exposure draft for comment

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

Exposure draft for comment only

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18 **Introduction**

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

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

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

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

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



30 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'). To prepare a report in accordance with the GRI Standards, 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.

31 *B. Responsibility for this Standard*

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

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

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

41 C. Scope

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

45 This Standard applies to any reporting organization that has identified the topic of indirect
46 economic impacts as material, and wishes to report on its impacts related to this topic.

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

48 D. Using this Standard

49 Requirements, recommendations, and guidance

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

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

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

68 E. Normative references

69 The documents below are required to be used together for the application of this Standard. For
70 documents with a date given, only the listed version applies. For undated references, the latest
71 version of the document applies.

- 72 SRS 101: *Foundation*
- 73 SRS 301: *Management approach*
- 74 GRI Standards *Glossary of terms*

75 *F. Effective date*

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

78 *G. Background context*

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

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

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

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

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

94 *H. Compiling data for economic disclosures*

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

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

Commented [SD1]:

Type of change: Clarification [Clarifying topic descriptions]

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

Commented [SD2]:

Type of change: Change in location

Source: G4 IM p. 67

104 **SRS 403: Indirect economic impacts**

105 *1. Management approach disclosures*

106 **Reporting requirements**

107 I.1 The reporting organization shall report its management approach for indirect economic
108 impacts as specified in *SRS 301: Management approach*.

109 **Guidance I.1**

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

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

117 **Reporting recommendations**

118 I.2 The reporting organization should:

119 I.2.1 **describe** work undertaken to understand indirect economic impacts at the
120 national, regional, or local level; and

121 I.2.2 **explain** whether it conducted a community needs assessment to determine the
122 need for infrastructure and other services, and describe the results of the
123 assessment.

Commented [SD3]:

Type of change: Clarification

Guidance added to explain the new structure.

Commented [SD4]:

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 [SD5]:

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

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124 **2. Topic-specific disclosures**

125 **Infrastructure investments and services supported**

126 **Guidance**

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

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

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

133 **Reporting requirements**

134 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.

135 **Reporting recommendations**

136 2.2 When compiling the information specified in Disclosure 403-1, the reporting organization
 137 should disclose:

138 2.2.1 the size, cost and duration of each significant infrastructure investment or
 139 service supported; and

140 2.2.2 the extent to which different communities or local economies are impacted by
 141 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

142 **Significant indirect economic impacts**

143 **Reporting requirements**

144 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.

145 **Guidance 2.3**

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

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

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

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

171 **Annex I. Summary of key changes for SRS 403: Indirect economic**
172 ***impacts***

173 This Annex summarizes the key changes found in *SRS 403: Indirect economic impacts*. The following types of change might apply to this Standard:

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

180 These types of change are listed in the tables below and highlighted within comment boxes throughout this Standard. Minor editorial changes are not indicated.

181 A detailed overview of changes applied globally throughout the GRI Standards is available [here](#).

182 The content sourced from the G4 Guidelines can be identified using the following legend:

183 **Legend**

184 G4 RPSD = Text has been sourced from the [G4 Guidelines – Reporting Principles and Standard Disclosures](#)

185 G4 IM = Text has been sourced from the [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
N/A	Introduction H	Change in location	Introductory text to the Economic Category of G4 been added to the Introduction of this draft Standard.	G4 IM p. 67
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 of G4 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

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 of G4]</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