GRI STANDARDS

GSSB

GRI 201: ECONOMIC PERFORMANCE 2016

GRI

201

Contents

About this Standard

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 201: Economic Performance* sets out reporting requirements on the topic of economic performance. 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. *GRI 101: Foundation* *GRI 103: Management Approach* *GRI Standards Glossary* 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.

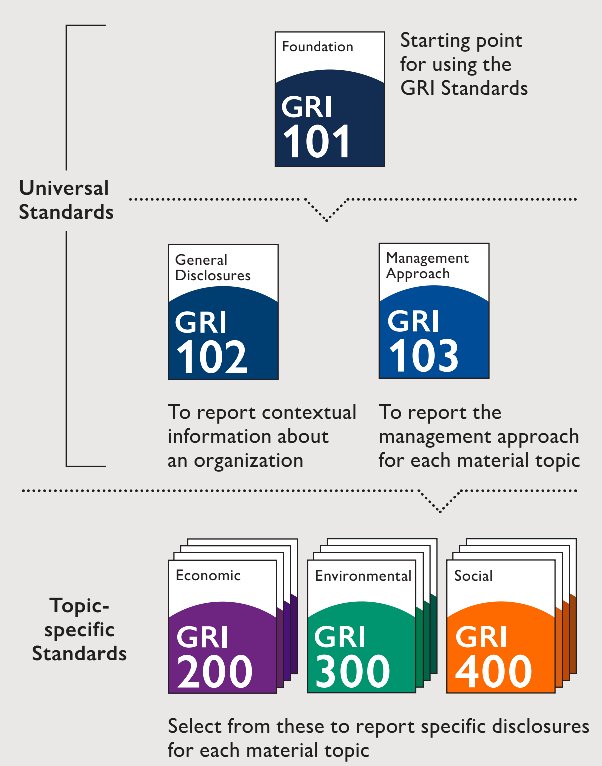
The GRI Standards are structured as a set of interrelated, modular standards. The full set can be downloaded at www.globalreporting.org/standards/.

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 201: Economic Performance* 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 201: Economic Performance*, 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, and on economic systems at local, national, and global levels.

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.

GRI 201 addresses the topic of economic performance. This includes the economic value generated and distributed (EVG&D) by an organization; its defined benefit plan obligations; the financial assistance it receives from any government; and the financial implications of climate change.

These concepts are covered in key instruments of the Organisation for Economic Co-operation and Development: see References.

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

GRI 201: Economic Performance

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 201-1 Direct economic value generated and distributed
- Disclosure 201-2 Financial implications and other risks and opportunities due to climate change
- Disclosure 201-3 Defined benefit plan obligations and other retirement plans
- Disclosure 201-4 Financial assistance received from government

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 economic performance using *GRI 103: Management Approach*.

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 201-1
Direct economic value generated and distributed

Reporting requirements

Disclosure
201-1

The reporting organization shall report the following information:

a. Direct economic value generated and distributed (EVG&D) on an accruals basis, including the basic components for the organization's global operations as listed below. If data are presented on a cash basis, report the justification for this decision in addition to reporting the following basic components:

i. Direct economic value generated: revenues;

ii. Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments;

iii. Economic value retained: 'direct economic value generated' less 'economic value distributed'.

b. Where significant, report EVG&D separately at country, regional, or market levels, and the criteria used for defining significance.

2.1 When compiling the information specified in Disclosure 201-1, the reporting organization shall, if applicable, compile the EVG&D from data in the organization's audited financial or profit and loss (P&L) statement, or its internally audited management accounts.

Guidance

Background

Information on the creation and distribution of economic value provides a basic indication of how an organization has created wealth for stakeholders. Several components of the economic value generated and distributed (EVG&D) also provide an economic profile of an organization, which can be useful for normalizing other performance figures.

If presented in country-level detail, EVG&D can provide a useful picture of the direct monetary value added to local economies.

Guidance for Disclosure 201-1

Revenues

An organization can calculate revenues as net sales plus revenues from financial investments and sales of assets.

Net sales can be calculated as gross sales from products and services minus returns, discounts, and allowances.

Revenues from financial investments can include cash received as:

- interest on financial loans;
- dividends from shareholdings;

Disclosure 201-1
Continued

- royalties;
- direct income generated from assets, such as property rental.

Revenues from sale of assets can include:

- physical assets, such as property, infrastructure, and equipment;
- intangibles, such as intellectual property rights, designs, and brand names.

Operating costs

An organization can calculate operating costs as cash payments made outside the organization for materials, product components, facilities, and services purchased.

Services purchased can include payments to self-employed persons, temporary placement agencies and other organizations providing services. Costs related to workers who are not employees working in an operational role are included as part of services purchased, rather than under employee wages and benefits.

Operating costs can include:

- property rental;
- license fees;
- facilitation payments (since these have a clear commercial objective);
- royalties;
- payments for contract workers;
- training costs, if outside trainers are used;
- personal protective clothing.

The use of facilitation payments is also addressed in *GRI 205: Anti-corruption*.

Employee wages and benefits

An organization can calculate employee wages and benefits as total payroll (including employee salaries and amounts paid to government institutions on behalf of employees) plus total benefits (excluding training, costs of protective equipment or other cost items directly related to the employee's job function).

Amounts paid to government institutions on behalf of employees can include employee taxes, levies, and unemployment funds.

Total benefits can include:

- regular contributions, such as to pensions, insurance, company vehicles, and private health;
- other employee support, such as housing, interest-free loans, public transport assistance, educational grants, and redundancy payments.

Payments to providers of capital

An organization can calculate payments to providers of capital as dividends to all shareholders, plus interest payments made to providers of loans.

Interest payments made to providers of loans can include:

- interest on all forms of debt and borrowings (not only long-term debt);
- arrears of dividends due to preferred shareholders.

Payments to government

An organization can calculate payments to governments as all of the organization's taxes plus related penalties paid at the international, national, and local levels. Organization taxes can include corporate, income, and property.

Payments to government exclude deferred taxes, because they may not be paid.

If operating in more than one country, the organization can report taxes paid by country, including the definition of segmentation used.

Community investments

Total community investments refers to actual expenditures in the reporting period, not commitments. An organization can calculate community investments as voluntary donations plus investment of funds in the broader community where the target beneficiaries are external to the organization. Voluntary donations and investment of funds in the broader community where the target beneficiaries are external to the organization can include:

- contributions to charities, NGOs and research institutes (unrelated to the organization's commercial research and development);
- funds to support community infrastructure, such as recreational facilities;
- direct costs of social programs, including arts and educational events.

If reporting infrastructure investments, an organization can include costs of goods and labor, in addition to capital costs, as well as operating costs for support of ongoing facilities or programs. An example of support for ongoing facilities or programs can include the organization funding the daily operations of a public facility.

Community investments exclude legal and commercial activities or where the purpose of the investment is exclusively commercial (donations to political parties can be included, but are also addressed separately in more detail in *GRI 415: Public Policy*).

Disclosure 201-1
Continued

Community investments also exclude any infrastructure investment that is driven primarily by core business needs, or to facilitate the business operations of an organization. Infrastructure investments driven primarily by core business needs can include, for example, building a road to a mine or a factory. The calculation of investment can include infrastructure built outside the main business activities of the organization, such as a school or hospital for workers and their families.

See references 5, 6, 7 and 9 in the References section.

Disclosure 201-2

Financial implications and other risks and opportunities due to climate change

Reporting requirements

Disclosure
201-2

The reporting organization shall report the following information:

a. Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including:

- **i. a description of the risk or opportunity and its classification as either physical, regulatory, or other;**
- **ii. a description of the impact associated with the risk or opportunity;**
- **iii. the financial implications of the risk or opportunity before action is taken;**
- **iv. the methods used to manage the risk or opportunity;**
- **v. the costs of actions taken to manage the risk or opportunity.**

2.2 When compiling the information specified in Disclosure 201-2, if the reporting organization does not have a system in place to calculate the financial implications or costs, or to make revenue projections, it shall report its plans and timeline to develop the necessary systems.

Reporting recommendations

2.3 When compiling the information specified in Disclosure 201-2, the reporting organization should report the following additional characteristics for the identified risks and opportunities:

2.3.1 A description of the risk or opportunity driver, such as a particular piece of legislation, or a physical driver, such as water scarcity;

2.3.2 The projected time frame in which the risk or opportunity is expected to have substantive financial implications;

2.3.3 Direct and indirect impacts (whether the impact directly affects the organization, or indirectly affects the organization via its value chain);

2.3.4 The potential impacts generally, including increased or decreased:

2.3.4.1 capital and operational costs;

2.3.4.2 demand for products and services;

2.3.4.3 capital availability and investment opportunities;

2.3.5 Likelihood (the probability of the impact on the organization);

2.3.6 Magnitude of impact (if occurring, the extent to which the impact affects the organization financially).

Guidance

Guidance for Disclosure 201-2

Risk and opportunities due to climate change can be classified as:

- physical
- regulatory
- other

Physical risks and opportunities can include:

- the impact of more frequent and intense storms;
- changes in sea level, ambient temperature, and water availability;
- impacts on workers – such as health effects, including heat-related illness or disease, and the need to relocate operations.

Disclosure 201-2
Continued

Other risks and opportunities can include the availability of new technologies, products, or services to address challenges related to climate change, as well as changes in customer behavior.

Methods used to manage the risk or opportunity can include:

- carbon capture and storage;
- fuel switching;
- use of renewable and lower carbon footprint energy;
- improving energy efficiency;
- flaring, venting, and fugitive emission reduction;
- renewable energy certificates;
- use of carbon offsets.

Background

Climate change presents risks and opportunities to organizations, their investors, and their stakeholders.

As governments move to regulate activities that contribute to climate change, organizations that are directly or indirectly responsible for emissions face regulatory risks and opportunities. Risks can include increased costs or other factors impacting competitiveness. However, limits on greenhouse gas (GHG) emissions can also create opportunities for organizations as new technologies and markets are created. This is especially the case for organizations that can use or produce energy and energy-efficient products more effectively.

See references 2, 3 and 4 in the References section.

Disclosure 201-3
Defined benefit plan obligations and other retirement plans

Reporting requirements

Disclosure 201-3

The reporting organization shall report the following information:

a. If the plan's liabilities are met by the organization's general resources, the estimated value of those liabilities.

b. If a separate fund exists to pay the plan's pension liabilities:

i. the extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them;

ii. the basis on which that estimate has been arrived at;

iii. when that estimate was made.

c. If a fund set up to pay the plan's pension liabilities is not fully covered, explain the strategy, if any, adopted by the employer to work towards full coverage, and the timescale, if any, by which the employer hopes to achieve full coverage.

d. Percentage of salary contributed by employee or employer.

e. Level of participation in retirement plans, such as participation in mandatory or voluntary schemes, regional, or country-based schemes, or those with financial impact.

Reporting recommendations

2.4 When compiling the information specified in Disclosure 201-3, the reporting organization should:

2.4.1 calculate the information in accordance with the regulations and methods for relevant jurisdictions, and report aggregated totals;

2.4.2 use the same consolidation techniques as those applied in preparing the financial accounts of the organization.

Guidance

Guidance for Disclosure 201-3

The structure of retirement plans offered to employees can be based on:

- defined benefit plans;
- defined contribution plans;
- other types of retirement benefits.

Different jurisdictions, such as countries, have varying interpretations and guidance regarding calculations used to determine plan coverage.

Note that benefit pension plans are part of the International Accounting Standards Board (IASB) *IAS 19 Employee Benefits*, however IAS 19 covers additional topics.

See reference 7 in the References section.

Background

When an organization provides a retirement plan for its employees, these benefits can become a commitment that members of the schemes plan on for their long-term economic well-being.

Defined benefit plans have potential implications for employers in terms of the obligations that need to be met. Other types of plans, such as defined contribution plans, do not guarantee access to a retirement plan or the quality of the benefits. Thus, the type of plan chosen has implications for both employees and employers. Conversely, a properly funded pension plan can help to attract and maintain employees and support long-term financial and strategic planning on the part of the employer.

Disclosure 201-4
Financial assistance received from government

Reporting requirements

Disclosure
201-4

The reporting organization shall report the following information:

a. Total monetary value of financial assistance received by the organization from any government during the reporting period, including:

i. tax relief and tax credits;

ii. subsidies;

iii. investment grants, research and development grants, and other relevant types of grant;

iv. awards;

v. royalty holidays;

vi. financial assistance from Export Credit Agencies (ECAs);

vii. financial incentives;

viii. other financial benefits received or receivable from any government for any operation.

b. The information in 201-4-a by country.

c. Whether, and the extent to which, any government is present in the shareholding structure.

2.5 When compiling the information specified in Disclosure 201-4, the reporting organization shall identify the monetary value of financial assistance received from government through consistent application of generally accepted accounting principles.

Guidance

Background

This disclosure provides a measure of governments' contributions to an organization.

The significant financial assistance received from a government, in comparison with taxes paid, can be useful for developing a balanced picture of the transactions between the organization and government.

See reference 8 in the References section.

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.

defined benefit plan

post-employment benefit plan other than a defined contribution plan

defined contribution plan

post-employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods

employee

individual who is in an employment relationship with the organization, according to national law or its application

financial assistance

direct or indirect financial benefits that do not represent a transaction of goods and services, but which are an incentive or compensation for actions taken, the cost of an asset, or expenses incurred

Note: The provider of financial assistance does not expect a direct financial return from the assistance offered.

full coverage

plan assets that meet or exceed plan obligations

greenhouse gas (GHG)

gas that contributes to the greenhouse effect by absorbing infrared radiation

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.

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.

worker

person that performs work

Note 1: The term 'workers' includes, but is not limited to, employees.

Note 2: Further examples of workers include interns, apprentices, self-employed persons, and persons working for organizations other than the reporting organization, e.g., for suppliers.

Note 3: In the context of the GRI Standards, in some cases it is specified whether a particular subset of workers is to be used.

References

The following documents informed the development of this Standard and can be helpful for understanding and applying it.

Authoritative intergovernmental instruments:

1. Organisation for Economic Co-operation and Development (OECD), *OECD Guidelines for Multinational Enterprises*, 2011.

Other relevant references:

2. Carbon Disclosure Project (CDP), *Guidance for companies responding to the Investor CDP Information Request,* updated annually.
3. Climate Disclosure Standards Board (CDSB), *Climate Change Reporting Framework – Edition 1.1*, October 2012.
4. Climate Disclosure Standards Board (CDSB), *Climate Change Reporting Framework Boundary Update*, June 2012.
5. International Accounting Standards Board (IASB), *IAS 12 Income Taxes*, 2001.
6. International Accounting Standards Board (IASB), *IAS 18 Revenues*, 2001.
7. International Accounting Standards Board (IASB), *IAS 19 Employee Benefits*, 2001.
8. International Accounting Standards Board (IASB), *IAS 20 Accounting for Government Grants and Disclosure of Government Assistance*, 2001.
9. International Accounting Standards Board (IASB), *IFRS 8 Operating Segments*, 2006.

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