



What You Need to Know about the Updated 2021 GRI Standards



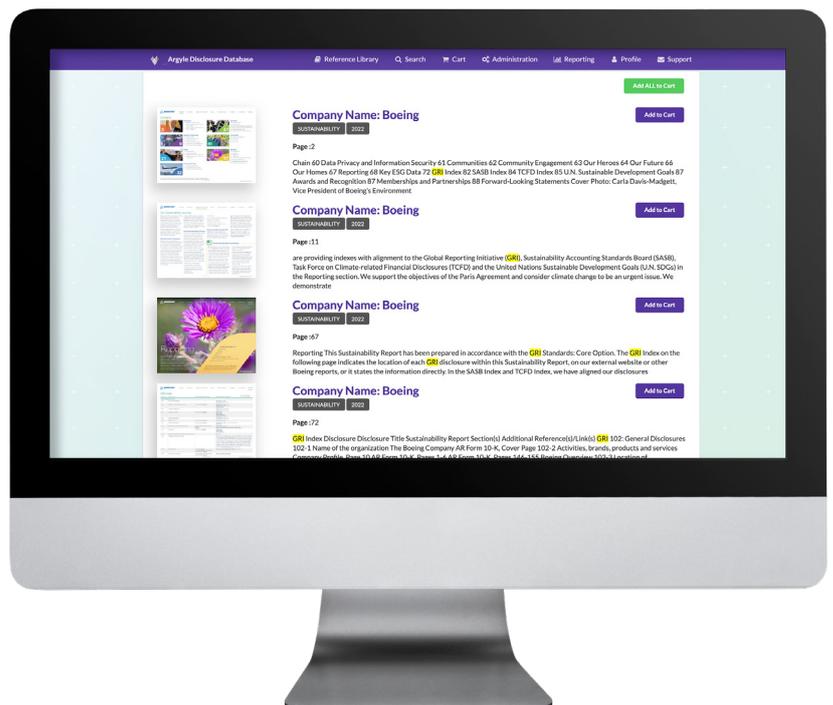
IN THIS THOUGHT PIECE

In this thought piece we discuss the new 2021 Global Reporting Initiative (GRI) Standards, which take effect for all Environmental, Social and Governance (ESG) or Sustainability reports published after January 1, 2023.

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Introduction



Launched in 1997, the Global Reporting Initiative (GRI)'s Standards were the first set of voluntary corporate standards developed globally to assist organizations in publicly disclosing how they contribute to sustainable development. As of January 2022, **over 10,000 reporting organizations covering more than 100 countries** – including over 70% of the Fortune Global 500 – used or referenced the GRI Standards to create their ESG or sustainability reports.

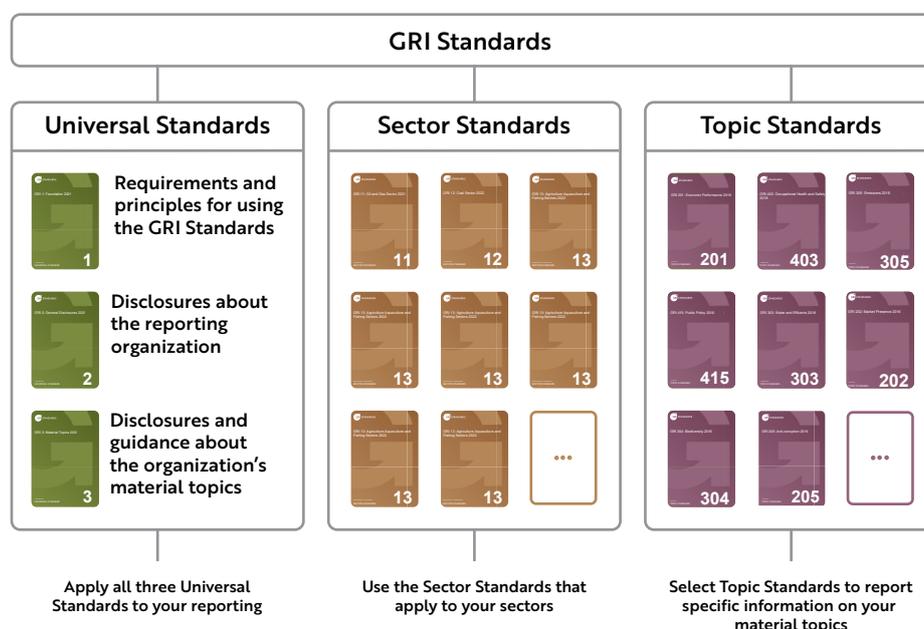
After two years of development and public feedback, the **Global Sustainability Standards Board (GSSB)** released updated GRI standards in October 2021 – the first major update to the standards since 2016. A variety of changes were made to the modular system of interconnected standards in order to align them with recent updates in sustainable development and reporting, including expectations for responsible business conduct set out in the **United Nations (UN) Guiding Principles on Business and Human Rights** and the **Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises**.

The updated 2021 GRI Standards take effect for all ESG reports published after January 1, 2023, though organizations were invited to use them sooner. The 2021 GRI Standards can be **downloaded as a set** from the GRI website, along with a separate GRI Standards Glossary and **mapping of the 2021 to the 2016 Standards**.

2021 GRI Standards: What's New and Different

UPDATED UNIVERSAL STANDARDS AND TOPIC STANDARDS, PLUS NEW SECTOR STANDARDS

The 2021 GRI Standards are organized into three series: Universal Standards (renumbered from 2016), Sector Standards (new) and Topic Standards (revised).¹



“The Universal Standards apply to all organizations and comprise three Standards: GRI 1: Foundation 2021, GRI 2: General Disclosures 2021, and GRI 3: Material Topics 2021. The Universal Standards guide reporters on how to report with the Standards, and they contain requirements and reporting principles that all organizations must comply with to report in accordance with the GRI Standards.”²

GRI 2: General Disclosures 2021 contains disclosures that a company uses to provide information about its reporting practices and other organizational details, such as its activities, governance, and policies. Thirteen new disclosures were added in Section 3 Governance that ask for information about a company's governance structure and composition, nomination and selection process of the highest governance body, roles, and remuneration. Among other revisions, GRI 2: General Disclosures 2021 has new disclosures focused on a company's sustainability-related policy commitments and how they are embedded throughout the enterprise's activities and business relationships; processes to remediate negative impacts, including how the

¹ Infographic adopted from GRI 2: General Disclosures 2021, p. 6.

² Global Reporting Initiative. (April 2022). *GRI Universal Standards 2021 Frequently Asked Questions (FAQ)*, p. 4.

company's highest governance body oversees due diligence around negative impacts; compliance with law and regulations; information on entities both upstream and downstream in a company's value chain; and more detailed information on both employees and workers who are not employees but whose work is controlled by the organization.

GRI 2: General Disclosure 2021 now asks a company to disclose the entities (i.e., parent company and subsidiaries) included in its sustainability reporting rather than the entities included in its consolidated financial statement. If there are differences between these lists of entities, organizations are asked to specify what the differences are. Organizations must also now explain the reasons why their reporting periods for financial reporting and sustainability reporting do not align, if applicable.

Revised or New Definitions of Four Key Concepts

Under GRI 1: Foundation 2021, GRI revised or added definitions for four key concepts that are instrumental to its reporting framework: impact, material topic, due diligence and stakeholder.

- **Impact:** the effect an organization has or could have on the economy, environment, and people, including effects on their human rights, as a result of the organization's activities or business relationships. Impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, and reversible or irreversible.
- **Material topic:** those topics that an organization prioritizes for reporting solely because they represent its most significant impacts on the economy, environment, and people, including impacts on their human rights. GRI focuses on impact materiality and considers sustainability reporting independent of the consideration of financial implications.
- **Due diligence:** the process through which an organization identifies, prevents, mitigates and accounts for its actual and potential negative impacts on the economy, environment, and people, including impacts on their human rights. The organization should address potential negative impacts through prevention or mitigation. It should address actual negative impacts through remediation in cases where the organization identifies it has caused or contributed to those impacts.
- **Stakeholder:** individuals or groups that have interests that are affected or could be affected by an organization's activities. Common categories of stakeholders for organizations are business partners, civil society organizations, consumers, customers, employees and other workers, governments, local communities, non-governmental organizations, shareholders and other investors, suppliers, trade unions, and vulnerable groups.

UPDATED GUIDANCE TO HELP ORGANIZATIONS IDENTIFY, ASSESS AND DISCLOSE ON MATERIAL TOPICS

As is evident from its definition of "material topics," GRI continues to use **impact materiality, not financial materiality**. As GRI explains, "material topics are now those topics that an organization prioritizes for reporting solely because they represent its most significant impacts on the economy, environment, and people, including impacts on their human rights," due to its activities and business relationships. In fact, GRI stresses that **sustainability reporting is independent of the consideration of financial implications**, though impacts may also be or become financially material and therefore inform financial and value creation reporting.³ (In comparison, the US Securities Exchange Commission (SEC), SASB Standards and recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) use financial materiality.)

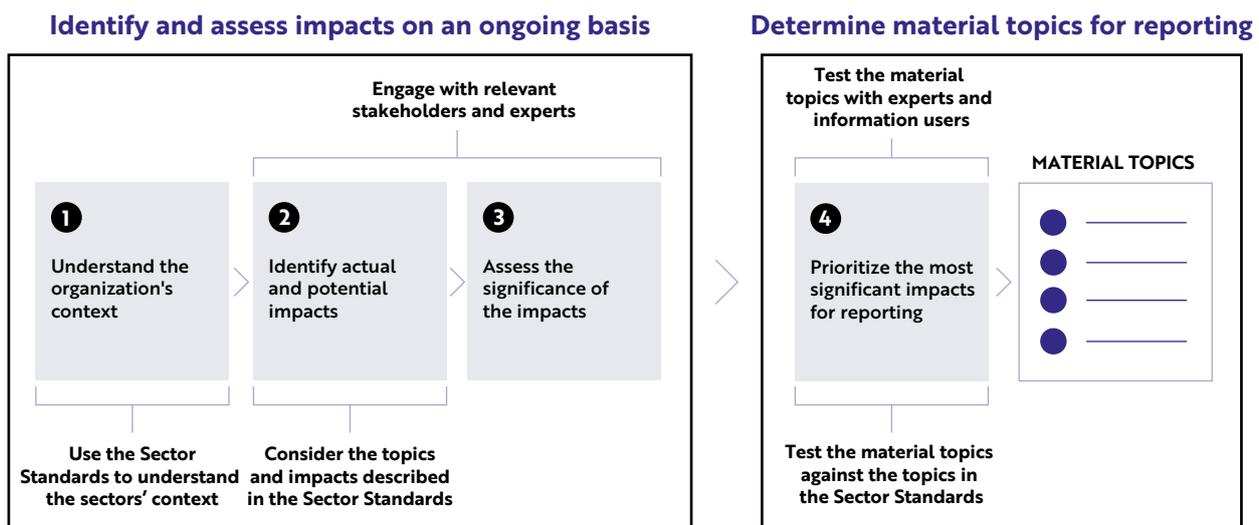
³ GRI 1: Foundation 2021, pages 8-9.

The 2021 GRI Standards make clear that **stakeholder engagement alone is not enough to identify and prioritize material topics**. Organizations should focus on their actual and potential impacts on the economy, environment, and people, including impacts on human rights. GRI recommends that organizations identify the negative impacts they cause or contribute to first as it's the first step of due diligence, then their positive impacts. Organizations can prioritize impacts by assessing the (1) severity of the negative impact (scale, scope, irremediable character, etc.) and (2) likelihood of the impact. In the case of potential negative human rights impacts, the severity of the impact takes precedence over its likelihood.

Stakeholder engagement is one important way organizations can identify and assess their impacts. In addition, the 2021 GRI Standards stress that organizations can also use information from a variety of other sources, starting with a review of material topics from the previous reporting period. Organizations can also gather input from their own or third-party impact assessments, legal reviews, financial audits, shareholder filings, health and safety inspections, supplier assessments, grievance mechanisms, enterprise risk management systems, and external sources like government and environmental agencies, international organizations, news organizations, civil society organizations, and other experts.

While GRI 3: Material Topics 2021 provides **step-by-step guidance on how organizations can determine material topics**, using this process is not required.

GRI Recommended Process to Determine Material ESG Topics⁴



GRI 3: Material Topics 2021 also contains disclosures a company uses to report:

1) **Disclosure 3-1:** Process of determining material topics.

- Reviewing the GRI Sector Standard(s) that apply to its sector(s) and determining whether each topic in the applicable Sector Standard(s) is a material topic for the organization.
- Listing in the GRI content index any topics from the applicable Sector Standard(s) that the organization has determined are not material and explaining why they are not material.

2) **Disclosure 3-2:** A list of material topics. The list should also be included in the GRI content index.

⁴ GRI 3: Material Topics 2021, p. 7.

3) **Disclosure 3-3:** How the organization manages each material topic.

- a) Reporting whether it is involved with identified negative impacts through its activities (direct) or as a result of its business relationships (indirect through the value chain) and describing the activities or business relationships. GRI provides more detail in GRI 3: Material Topics 2021 on concepts like “causing, contributing, or being directly linked to negative impacts.”
- b) Its policies and commitments regarding the material topics.
- c) Its actions taken to prevent, mitigate, and remediate negative impacts, including how the company tracks the effectiveness of actions taken.

As a result of these revisions regarding material topics, **the materiality matrix in GRI 101: Foundation 2016 is not part of the 2021 update.** As GRI explains,

“...the revisions to the concept of ‘material topic’ eliminate the need for a matrix as the concept no longer encompasses two independent criteria. When using the revised Universal Standards, an organization can provide a visual representation of the prioritization of material topics that shows the initial list of topics the organization has identified and the threshold set for reporting.”⁵

Instead of a matrix, a company can group its impacts into topics (e.g., business activity, stakeholder category, type of business relation, economic or environmental resource, etc.), then arrange them from most to least significant. The 2021 GRI Standards recommend prioritizing negative impacts separately from positive impacts. Finally, the company can define and use a “cut-off point or threshold” to determine which of its impacts it will focus on in its reporting. Thresholds are at the discretion of the company, but the 2021 GRI Standards require a description of how the company has defined its thresholds, whether it has tested its selection of material topics with potential information users and experts, and how its final list of material topics may have changed following both internal approval from the highest governance body and testing.⁶

⁵ Global Reporting Initiative. (April 2022). *GRI Universal Standards 2021 Frequently Asked Questions (FAQ)*, p. 17-18.

⁶ *GRI 3: Material Topics 2021*, p. 13-17.

Example list of priority topics

	CORE BUSINESS/ PRODUCT	ECONOMIC	ENVIRONMENT	LABOR	SOCIAL	
Significance	Negative Impact	<ul style="list-style-type: none"> – Supply Chain Risks and Disruptions – Product Disclosure & Labeling – Transportation 	<ul style="list-style-type: none"> – Global Trade & Geopolitical Risk – Tax Strategy – Data Security & Data Privacy Breaches 	<ul style="list-style-type: none"> – Biodiversity and Ecosystem Services Loss, including – Deforestation & Conversion – Materials Usage – GHG Emissions – Water Withdrawals and Consumption – Water Effluents – Wastes of All Types (Food, Operational, etc.) 	<ul style="list-style-type: none"> – Human Rights & Labor Conditions – Occupational Health & Safety – Pay Equity Gaps 	<ul style="list-style-type: none"> – Public Policy Engagement or Political Activity Misaligned to Public ESG Goals
	Both Positive and Negative Impact	<ul style="list-style-type: none"> – Technology & Innovation – Supply Chain Management 	<ul style="list-style-type: none"> – Financial Performance 	<ul style="list-style-type: none"> – Technology & Innovation 	<ul style="list-style-type: none"> – Human Capital Management 	<ul style="list-style-type: none"> – Technology & Innovation
	Positive Impact	<ul style="list-style-type: none"> – Alternative Products & Green Chemistry – Supply Chain Traceability and Responsible Sourcing – Food Safety & Quality 	<ul style="list-style-type: none"> – Compliance & Ethics – Data Security and Data Privacy Management – Climate Strategy – Transparency 	<ul style="list-style-type: none"> – Circular Economy & Product Stewardship – Sustainable & Regenerative Agriculture – Smallholder Farms – Energy management – Water management 	<ul style="list-style-type: none"> – Diversity, Equity & Inclusion – Living Wages – Green Jobs 	<ul style="list-style-type: none"> – Community Engagement & Charitable Giving – Environmental & Social Justice – Food Security & Affordable Nutrition

Threshold

The Topic Standards contain disclosures for the organization to report information about its impacts in relation to specific topics. Organizations select Topic Standards according to their list of material topics determined using GRI 3. The Topic Standards 200, 300 and 400 retained their series numbering, though updates were made to specific disclosures.

Increased Focus on Human Rights

The 2021 GRI Standards update includes expanded disclosures covering more than 30 specific subjects related to human rights, including non-discrimination, freedom of association, forced labor and the right to privacy. As a result, the human rights components of the 2021 GRI Standards align with **Shift and Mazars' UN Guiding Principles Reporting Framework** and the **Corporate Human Rights Benchmark**. As GRI explains,

The most acute impacts an organization can have on people are those that negatively affect their human rights. Human rights impacts cross a threshold as compared to other types of impacts, in that they affect basic human dignity and equality. Human rights impacts by businesses are also prevalent to date and will likely continue to be in the future. As a result, this makes human rights impacts one of the most vital types of impacts for the GRI Standards to address.⁷

Topic Standard GRI 412: Human Rights Assessment 2016 has been removed as its contents were revised and incorporated into GRI 1: Universal Standards 2021. GRI is now in the process of **reviewing its remaining human rights-related Topic Standards** for possible revision going forward.

New Sector Standards

The **new Sector Standards** were developed to assist organizations in determining their likely material topics based on their sector's most significant ESG impacts, including on human rights. The Sector Standards outline not only a sector's significant ESG impacts, but also its relevant disclosures in the GRI Topic Standards. Organizations must:

- Use the Sector Standards that apply to the sector in which it has substantial activities when determining its material topics and what information to report for each topic. As a result, more than one Sector Standard may be applicable.
- Report on the topics it has determined as material. However, any topics in the applicable Sector Standard(s) the company determines as not material are required to be listed in the GRI content index, along with a short explanation of why they are not material.
- Understand that they cannot use only the disclosures in their applicable Sector Standard(s) as their only material ESG topics. "Using Sector Standards is not a substitute for an organization's own process for identifying material topics."⁸

GRI anticipates **developing 40 sector standards**, starting with those sectors with the greatest impact. As of September 2022, GRI had released three: GRI 11: Oil and Gas Sector 2021; GRI 12: Coal Sector 2022; and GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022. A Sector Standard for Mining is currently under development, with the next sectors prioritized for completion to include food and beverage, textiles and apparel, banking, insurance, asset management, utilities, renewable energy, forestry and metal processing.

⁷ GRI online course *Reporting with GRI Standards 2021 Update*.

⁸ *Global Reporting Initiative*. (April 2022). *GRI Universal Standards 2021 Frequently Asked Questions (FAQ)*, p. 19.

No more “Core” or “Comprehensive”

Participating organizations must now indicate if they are “in accordance” or “with reference” when responding to the GRI Standards, replacing the previous Core and Comprehensive options.

GRI outlines nine requirements for reporting in accordance with the 2021 GRI Standards. An organization can still report with reference to the 2021 GRI Standards. GRI provides language organizations should include in their ESG reports for the two options:

- **“In Accordance”:** *[Name of organization] has reported in accordance with the GRI Standards 2021 for the period [reporting period start and end dates].*
- **“With reference”:** *[Name of organization] has reported the information cited in this GRI content index for the period [reporting period start and end dates] with reference to the 2021 GRI Standards.*

Requirements for reporting in accordance with the GRI Standards 2021

- 1 Apply the reporting principles: accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness, and verifiability
- 2 Report the disclosures in *GRI 2: General Disclosures 2021*
- 3 Determine material topics
- 4 Report disclosures in *GRI 3: Material Topics 2021*
- 5 Report the disclosures from the GRI Topic Standards for each material topic
- 6 Provide reasons for omission for disclosures and requirements that the organization cannot comply with
- 7 Publish a GRI content index
- 8 Provide a statement of use
- 9 Notify GRI

Adapted from GRI online course “Reporting with GRI Standards 2021 Update”

More Detailed Guidance on Omissions

An organization reporting in accordance with the 2021 GRI Standards is required to specify any disclosure or requirement within a disclosure it cannot comply with and provide a reason for the omission in the GRI content index. The 2021 GRI Standards have four permitted reasons for omissions, which are only allowed for certain standards and disclosures: **Not Applicable, Legal Prohibitions; Confidentiality Constraints; and Information Unavailable/Incomplete.**

If a company cites the “Information Unavailable/Incomplete” reason for an omission, it can explain the reasons for not having this information available or describe plans to develop the capability to collect the information in the future. GRI elaborates that “the disclosure does not require the organization to implement the item (e.g., developing a policy), but it is required to report that the item does not exist.”⁹

Permitted reasons for omission and required explanations¹⁰

Reason for omission	Required explanation
Not applicable	Explain why the disclosure or the requirement is considered not applicable.
Legal prohibitions	Describe the specific legal prohibitions.
Confidentiality constraints	Describe the specific confidentiality constraints
Information unavailable / incomplete	Specify which information is unavailable or incomplete. When the information is incomplete, specify which part is missing (e.g., specify the entities for which the information is missing). Explain why the required information is unavailable or incomplete. Describe the steps being taken, and the expected time frame, to obtain the information.

Reasons for omission are permitted for all disclosures *except*:

- **Disclosure 2-1** Organizational details
- **Disclosure 2-2** Entities included in the organization’s sustainability reporting
- **Disclosure 2-3** Reporting period, frequency and contact point
- **Disclosure 2-4** Restatements of information
- **Disclosure 2-5** External assurance
- All **GRI 3: Material Topics 2021** disclosures except Disclosure 3-3 Management of material topics

⁹ GRI 1: Foundation 2021.

¹⁰ Adapted from GRI 1: Foundation 2021, p. 14.

Going Forward

GRI is currently collaborating with the **International Sustainability Standards Board (ISSB)**, which assumed management of the SASB Standards in 2022. ISSB is set to issue its first set of voluntary international sustainability standards for corporate reporting in fall 2022. The overall goal is to coordinate their work and standard-setting activities.

GRI is also collaborating with the **European Financial Reporting Advisory Group (EFRAG)** to strengthen alignment between the GRI Standards and the forthcoming EU Sustainability Reporting Standards. And GRI continues to work with **partners like stock exchanges, governments and non-profits** in Africa, Hispanic America, Southeast Asia and elsewhere to increase the use of GRI Standards and the quality of disclosures.

While this international coordination among GRI and other voluntary sustainability reporting organizations is critical if such voluntary standards are to be standardized and streamlined, it remains to be seen how this evolving alignment will impact regulated ESG reporting requirements, especially those in the United States and elsewhere that adhere solely to financial materiality.

Citations



Global Reporting Initiative. (2021). ***A Short Introduction to the GRI Standards.***

Global Reporting Initiative. (April 2022). ***GRI Universal Standards 2021 Frequently Asked Questions (FAQ).***

Global Reporting Initiative. (Accessed September 2022.) Online course ***Reporting with GRI Standards 2021 Update.***

Global Reporting Initiative Standards 2021.



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