GRI STANDARDS

GRI 201: Economic Performance 2016

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TOPIC STANDARD

201

GRI 201: Economic Performance 2016

Topic Standard

Effective Date
This Standard is effective for reports or other materials published on or after 1 July 2018

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Content

Introduction

GRI 201: Economic Performance 2016 contains disclosures for organizations to report information about their economic performance-related impacts, and how they manage these impacts.

The Standard is structured as follows:

- Section 1 contains a requirement, which provides information about how the organization manages its economic performance-related impacts.
- Section 2 contains four disclosures, which provide information about the organization's economic performance-related impacts.
- The Glossary contains defined terms with a specific meaning when used in the GRI Standards. The terms are underlined in the text of the GRI Standards and linked to the definitions.
- The Bibliography lists authoritative intergovernmental instruments and additional references used in developing this Standard.

The rest of the Introduction section provides a background on the topic, an overview of the system of GRI Standards and further information on using this Standard.

Background on the topic

This Standard 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 the Bibliography.

System of GRI Standards

This Standard is part of the GRI Sustainability Reporting Standards (GRI Standards). The GRI Standards enable an organization to report information about its most significant impacts on the economy, environment, and people, including impacts on their human rights, and how it manages these impacts.

The GRI Standards are structured as a system of interrelated standards that are organized into three series: GRI Universal Standards, GRI Sector Standards, and GRI Topic Standards (see Figure 1 in this Standard).

Universal Standards: GRI 1, GRI 2 and GRI 3

GRI 1: Foundation 2021 specifies the requirements that the organization must comply with to report in accordance with the GRI Standards. The organization begins using the GRI Standards by consulting *GRI 1*.

GRI 2: General Disclosures 2021 contains disclosures that the organization uses to provide information about its reporting practices and other organizational details, such as its activities, governance, and policies.

GRI 3: Material Topics 2021 provides guidance on how to determine material topics. It also contains disclosures that the organization uses to report information about its process of determining material topics, its list of material topics, and how it manages each topic.

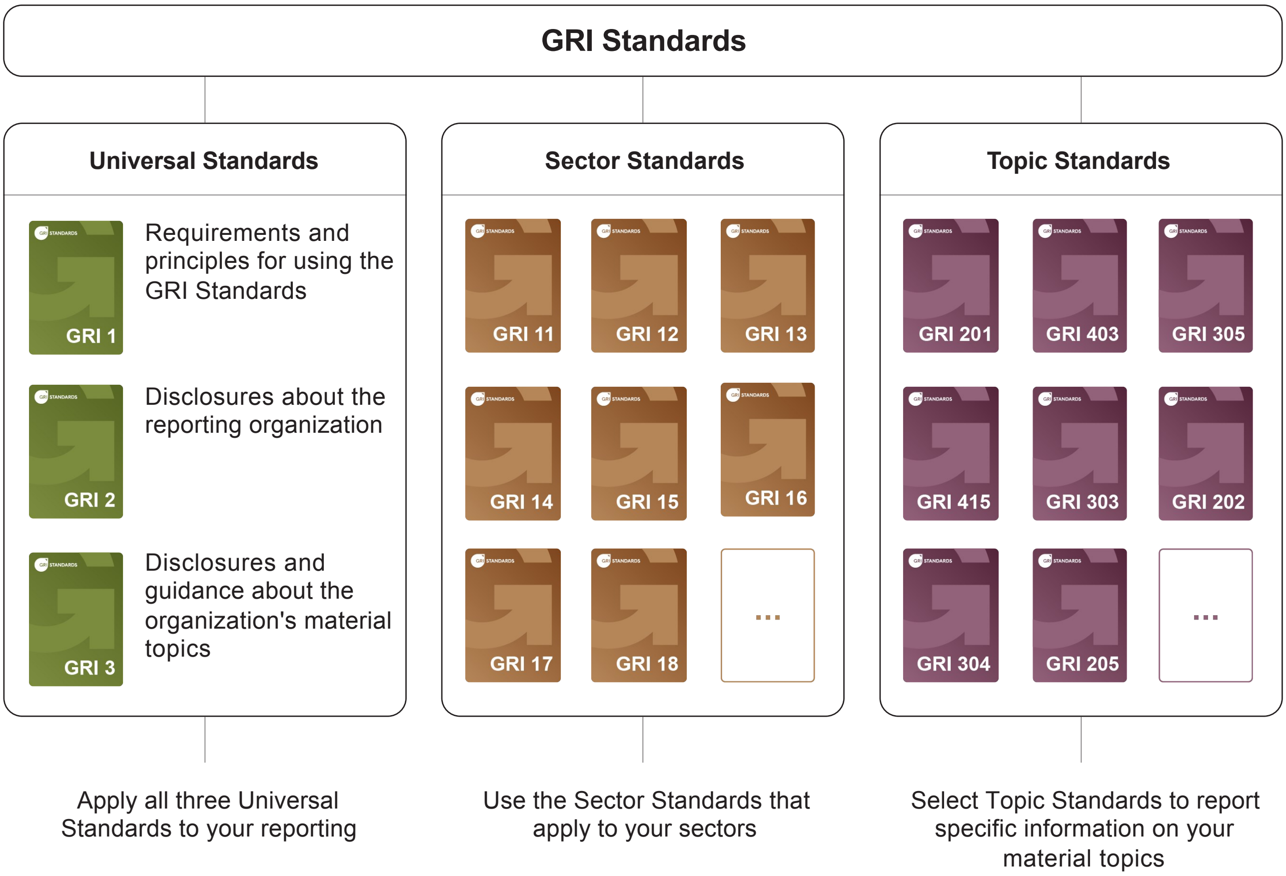
Sector Standards

The Sector Standards provide information for organizations about their likely material topics. The organization uses the Sector Standards that apply to its sectors when determining its material topics and when determining what to report for each material topic.

Topic Standards

The Topic Standards contain disclosures that the organization uses to report information about its impacts in relation to particular topics. The organization uses the Topic Standards according to the list of material topics it has determined using *GRI 3*.

Figure 1. GRI Standards: Universal, Sector and Topic Standards



Using this Standard

This Standard can be used by any organization – regardless of size, type, sector, geographic location, or reporting experience – to report information about its economic performance-related impacts.

An organization reporting in accordance with the GRI Standards is required to report the following disclosures if it has determined economic performance to be a material topic:

- Disclosure 3-3 in *GRI 3: Material Topics 2021* (see clause 1.1 in this Standard);
- Any disclosures from this Topic Standard that are relevant to the organization's economic performance-related impacts (Disclosure 201-1 through Disclosure 201-4).

See Requirements 4 and 5 in *GRI 1: Foundation 2021*.

Reasons for omission are permitted for these disclosures.

If the organization cannot comply with a disclosure or with a requirement in a disclosure (e.g., because the required information is confidential or subject to legal prohibitions), the organization is required to specify the disclosure or the requirement it cannot comply with, and provide a reason for omission together with an explanation in the GRI content index. See Requirement 6 in *GRI 1: Foundation 2021* for more information on reasons for omission.

If the organization cannot report the required information about an item specified in a disclosure because the item (e.g., committee, policy, practice, process) does not exist, it can comply with the requirement by reporting this to be the case. The organization can explain the reasons for not having this item, or describe any plans to develop it. The disclosure does not require the organization to implement the item (e.g., developing a policy), but to report that the item does not exist.

If the organization intends to publish a standalone sustainability report, it does not need to repeat information that it has already reported publicly elsewhere, such as on web pages or in its annual report. In such a case, the organization can report a required disclosure by providing a reference in the GRI content index as to where this information can be found (e.g., by providing a link to the web page or citing the page in the annual report where the information has been published).

Requirements, guidance and defined terms
The following apply throughout this Standard:

Requirements are presented in **bold font** and indicated by the word 'shall'. An organization must comply with requirements to report in accordance with the GRI Standards.

Requirements may be accompanied by guidance.

Guidance includes background information, explanations, and examples to help the organization better understand the requirements. The organization is not required to comply with guidance.

The Standards may also include recommendations. These are cases where a particular course of action is encouraged but not required.

The word ‘should’ indicates a recommendation, and the word ‘can’ indicates a possibility or option.

Defined terms are underlined in the text of the GRI Standards and linked to their definitions in the Glossary. The organization is required to apply the definitions in the Glossary.

1. Topic management disclosures

An organization reporting in accordance with the GRI Standards is required to report how it manages each of its material topics.

An organization that has determined economic performance to be a material topic is required to report how it manages the topic using Disclosure 3-3 in *GRI 3: Material Topics 2021* (see clause 1.1 in this section).

This section is therefore designed to supplement – and not replace – Disclosure 3-3 in *GRI 3*.

REQUIREMENTS

1.1 The reporting organization shall report how it manages economic performance using Disclosure 3-3 in *GRI 3: Material Topics 2021*.

2. Topic 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

REQUIREMENTS

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.

Compilation requirements

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;
- 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 2016*.

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 2016*).

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 Bibliography.

Disclosure 201-2 Financial implications and other risks and opportunities due to climate change

REQUIREMENTS

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.

Compilation requirements

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.

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 supply chain or entities downstream from it);
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.

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 other 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 Bibliography.

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

REQUIREMENTS

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.

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 Bibliography.

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

REQUIREMENTS

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.

Compilation requirements

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 Bibliography.

Glossary

This glossary provides definitions for terms used in this Standard. The organization is required to apply these definitions when using the GRI Standards.

The definitions included in this glossary 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.

business partner
entity with which the organization has some form of direct and formal engagement for the purpose of meeting its business objectives

Source: Shift and Mazars LLP, *UN Guiding Principles Reporting Framework*, 2015; modified

Examples: affiliates, business-to-business customers, clients, first-tier suppliers, franchisees, joint venture partners, investee companies in which the organization has a shareholding position

Note: Business partners do not include subsidiaries and affiliates that the organization controls.

business relationships
relationships that the organization has with business partners, with entities in its value chain including those beyond the first tier, and with any other entities directly linked to its operations, products, or services

Source: United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011; modified

Note: Examples of other entities directly linked to the organization's operations, products, or services are a non-governmental organization with which the organization delivers support to a local community or state security forces that protect the organization's facilities.

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 practice

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

human rights

rights inherent to all human beings, which include, at a minimum, the rights set out in the *United Nations (UN) International Bill of Human Rights* and the principles concerning fundamental rights set out in the *International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work*

Source: United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011; modified

Note: See Guidance to 2-23-b-i in *GRI 2: General Disclosures 2021* for more information on 'human rights'.

impact
effect the organization has or could have on the economy, environment, and people, including on their human rights, which in turn can indicate its contribution (negative or positive) to sustainable development

Note 1: Impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, and reversible or irreversible.

Note 2: See section 2.1 in *GRI 1: Foundation 2021* for more information on 'impact'.

material topics
topics that represent the organization's most significant impacts on the economy, environment, and people, including impacts on their human rights

Note: See section 2.2 in *GRI 1: Foundation 2021* and section 1 in *GRI 3: Material Topics 2021* for more information on 'material topics'.

supplier
entity upstream from the organization (i.e., in the organization's supply chain), which provides a product or service that is used in the development of the organization's own products or services

Examples: brokers, consultants, contractors, distributors, franchisees, home workers, independent contractors, licensees, manufacturers, primary producers, sub-contractors, wholesalers

Note: A supplier can have a direct business relationship with the organization (often referred to as a first-tier supplier) or an indirect business relationship.

supply chain
range of activities carried out by entities upstream from the organization, which provide products or services that are used in the development of the organization's own products or services

sustainable development / sustainability
development that meets the needs of the present without compromising the ability of future generations to meet their own needs

Source: World Commission on Environment and Development, *Our Common Future*, 1987

Note: The terms 'sustainability' and 'sustainable development' are used interchangeably in the GRI Standards.

value chain
range of activities carried out by the organization, and by entities upstream and downstream from the organization, to bring the organization's products or services from their conception to their end use

Note 1: Entities upstream from the organization (e.g., suppliers) provide products or services that are used in the development of the organization's own products or services. Entities downstream from the organization (e.g., distributors, customers) receive products or services from the organization.

Note 2: The value chain includes the supply chain.

worker
person that performs work for the organization

Examples: employees, agency workers, apprentices, contractors, home workers, interns, self-employed persons, sub-contractors, volunteers, and persons working for organizations other than the reporting organization, such as for suppliers

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

Bibliography

This section lists authoritative intergovernmental instruments and additional references used in developing this Standard.

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