GRI 103: MANAGEMENT APPROACH
2016

GRI
103

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 103: Management Approach* sets out reporting requirements about the approach an organization uses to manage a material topic. This Standard can be used by an organization of any size, type, sector or geographic location.
Normative references	This Standard is to be used together with the most recent versions of the following documents. *GRI 101: Foundation* *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:
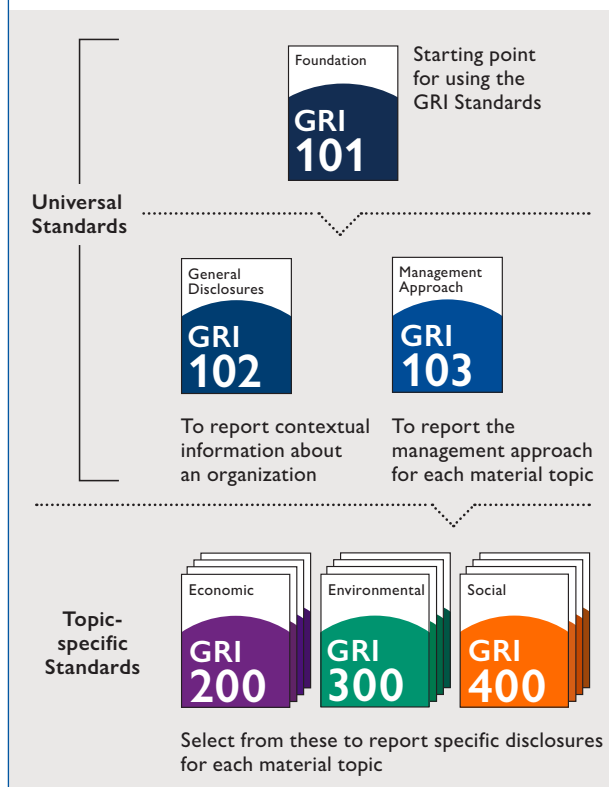
GRI 101: Foundation
GRI 102: General Disclosures
GRI 103: Management Approach

> ***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

Universal Standards

Foundation
GRI 101
Starting point for using the GRI Standards

General Disclosures
GRI 102
To report contextual information about an organization

Management Approach
GRI 103
To report the management approach for each material topic

Topic-specific Standards

Economic
GRI 200

Environmental
GRI 300

Social
GRI 400

Select from these to report specific disclosures for each material topic

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 this Standard (*GRI 103: Management Approach*), to report the management approach for the topic.

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 103: Management Approach*, to report its management approach for each material topic.

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

Management approach disclosures enable an organization to explain how it manages the economic, environmental and social impacts related to material topics. This provides narrative information about how the organization identifies, analyzes, and responds to its actual and potential impacts.

Disclosure about an organization's management approach also provides context for the information reported using topic-specific Standards (series 200, 300 and 400). This can be especially useful for explaining quantitative information to stakeholders.

The reporting requirements in this Standard have a generic form, and can be applied to a wide variety of topics. An organization preparing a report in accordance with the GRI Standards is required to report its management approach for each material topic using this Standard. Topic-specific Standards can also contain additional reporting requirements, reporting recommendations and/or guidance for reporting management approach information about the topic in question.

GRI 103:
Management Approach

This Standard includes general requirements and disclosures for reporting the management approach for material topics. These are set out in the Standard as follows:

- General requirements for reporting the management approach
- Disclosure 103-1 Explanation of the material topic and its Boundary
- Disclosure 103-2 The management approach and its components
- Disclosure 103-3 Evaluation of the management approach

General requirements for reporting the management approach

Reporting requirements

1.1 **If management approach disclosures are combined for a group of material topics, the reporting organization shall state which topics are covered by each disclosure.**

1.2 **If there is no management approach for a material topic, the reporting organization shall describe:**

    1.2.1 **any plans to implement a management approach; or**

    1.2.2 **the reasons for not having a management approach.**

Guidance

Guidance for clause 1.1

If an organization's management approach or its components, such as policies or specific actions, apply to more than one material topic, the narrative description does not need to be repeated for each topic. Such information can be provided once in a report, with a clear explanation of the topics it covers.

Disclosure 103-1
Explanation of the material topic and its Boundary

Reporting requirements

Disclosure
103-1

For each <u>material topic</u>, the reporting organization shall report the following information:

a. An explanation of why the topic is material.

b. The Boundary for the material topic, which includes a description of:

    i. where the impacts occur;

    ii. the organization's involvement with the impacts. For example, whether the organization has caused or contributed to the impacts, or is directly linked to the impacts through its business relationships.

c. Any specific limitation regarding the topic Boundary.

....

Guidance

Guidance for Disclosure 103-1-a

Material topics are those that reflect an organization's significant economic, environmental and social impacts; or that substantively influence the assessments and decisions of stakeholders. The list of material topics is reported in Disclosure 102-47 of *GRI 102: General Disclosures*. For more information on identifying material topics, see *GRI 101: Foundation.*

The explanation of why the topic is material can include:

- a description of the significant impacts identified and the reasonable expectations and interests of stakeholders regarding the topic;

- a description of the process, such as <u>due diligence</u>, that the organization used to identify the impacts related to the topic.

Guidance for Disclosure 103-1-b

Organizations might be involved with impacts either through their own activities or as a result of their business relationships with other entities. An organization preparing a report in accordance with the GRI Standards is expected to report not only on impacts it causes, but also on impacts it contributes to, and impacts that are directly linked to its activities, products or services through a business relationship.[1] In the context of this GRI Standard, an organization's business relationships can include relationships with

business partners, entities in its <u>value chain</u>, and any other non-State or State entity directly linked to its business operations, products or services.[2]

The topic Boundary is the description of where the impacts for a material topic occur, and the organization's involvement with these impacts.

When describing 'where the impacts occur', the organization can identify the entities where impacts occur, which can be entities in the organization,[3] and/or entities with which it has a business relationship, such as entities in its value chain. The entities can be grouped based on their attributes, such as their type, location, or position in the value chain. Examples include 'customers using washing machines manufactured by the organization', 'chemical suppliers in region X', or 'trading subsidiaries of the organization'.

Example of impacts that occur in the organization:

- The subsidiary of an organization operates in a water-stressed area and uses large amounts of water, which has significantly impacted on the availability of water for the local communities in the area. In this case, the description of the topic Boundary would identify the specific subsidiary (where the impacts occur) and the fact that the impact is caused by the activities of this subsidiary (the organization's involvement).

---

[1] These concepts are based on the following instruments:
- Organisation for Economic Co-operation and Development (OECD), *OECD Guidelines for Multinational Enterprises,* 2011.
- United Nations (UN), 'Guiding Principles on Business and Human Rights, Implementing the United Nations "Protect, Respect and Remedy" Framework', 2011.

[2] Source: United Nations (UN), 'Guiding Principles on Business and Human Rights, Implementing the United Nations "Protect, Respect and Remedy" Framework', 2011.

[3] These are the entities included in the organization's consolidated financial statements or equivalent documents, as reported under Disclosure 102-45 of *GRI 102: General Disclosures.*

Example of impacts that occur as a result of the organization's business relationships with other entities:

• An organization discovers through its due diligence that a number of its suppliers in region X do not uphold basic health and safety standards at the factories where its products are being manufactured. The organization has identified potential significant impacts on the health and safety of its suppliers' workers. In this case, the description of the topic Boundary would identify the organization's suppliers or group of suppliers in region X manufacturing its products (where the impacts occur), and the fact that the impacts are directly linked to the organization's products via its relationship with those suppliers (the organization's involvement).

In situations where the organization does not have leverage[4] over the entities that cause or contribute to these impacts, the organization is still expected to report on these impacts and how it has responded to them.

The topic Boundary can vary by topic.

Guidance for Disclosure 103-1-c

In some cases, if the Boundary of a topic extends beyond the organization, it may not be possible to report some topic-specific disclosures. For example, if the Boundary for a topic includes part of the supply chain, the organization might not be able to access the necessary information from suppliers. In these cases, to prepare a report in accordance with the GRI Standards, the organization is still required to report its management approach for the topic, but can use the recognized reasons for omission for topic-specific disclosures. See *GRI 101: Foundation* for more information on reasons for omission.

---

[4] Leverage is considered to exist where the organization has the ability to effect change in the wrongful practices of an entity that causes a harm. Source: United Nations (UN), 'Guiding Principles on Business and Human Rights, Implementing the United Nations "Protect, Respect and Remedy" Framework', 2011.

Disclosure 103-2
The management approach and its components

Disclosure 103-2

For each <u>material topic</u>, the reporting organization shall report the following information:

a. An explanation of how the organization manages the topic.

b. A statement of the purpose of the management approach.

c. A description of the following, if the management approach includes that component:

    i. Policies

    ii. Commitments

    iii. Goals and targets

    iv. Responsibilities

    v. Resources

    vi. <u>Grievance mechanisms</u>

    vii. Specific actions, such as processes, projects, programs and initiatives

Guidance

Guidance for Disclosure 103-2

The reporting organization is expected to provide sufficient information for report users to understand its approach to managing the material topic and its impacts.

Guidance for Disclosure 103-2-b

The purpose of the management approach can be to avoid, mitigate, or remediate negative impacts, or to enhance positive impacts.

Reporting recommendations

1.3   When reporting on policies as specified in Disclosure 103-2-c-i, the reporting organization should provide an abstract, summary, or link to the publicly-available policies that cover the topic, as well as the following information:

    1.3.1   The range and location of entities covered by the policies;

    1.3.2   An identification of the person or committee responsible for approving the policies;

    1.3.3   Any references the policies make to international standards and widely-recognized initiatives;

    1.3.4   The date of issue and last review date of the policies.

1.4   When reporting on commitments as specified in Disclosure 103-2-c-ii, the reporting organization should provide a statement of intent to manage the impacts for the topic, or explain:

    1.4.1   the organization's position towards the topic;

    1.4.2   whether the commitment to manage the topic is based on regulatory compliance or extends beyond it;

    1.4.3   compliance with international standards and widely-recognized initiatives related to the topic.

1.5　When reporting on goals and targets as specified in Disclosure 103-2-c-iii, the reporting organization should provide the following information:

　　1.5.1　The baseline and context for goals and targets;

　　1.5.2　The range and location of entities included in the goals and targets;

　　1.5.3　The expected result (quantitative or qualitative);

　　1.5.4　The expected timeline for achieving each goal and target;

　　1.5.5　Whether goals and targets are mandatory (based on legislation) or voluntary. If they are mandatory, the organization should list the relevant legislation.

1.6　When reporting on responsibilities as specified in Disclosure 103-2-c-iv, the reporting organization should explain:

　　1.6.1　who is assigned responsibility for managing the topic;

　　1.6.2　whether the responsibility is linked to performance assessments or incentive mechanisms.

1.7　When reporting on resources as specified in Disclosure 103-2-c-v, the reporting organization should explain the resources allocated for managing the topic, such as financial, human or technological, as well as the rationale for the allocation.

1.8　When reporting on grievance mechanisms as specified in Disclosure 103-2-c-vi, the reporting organization should explain for each grievance mechanism reported:

　　1.8.1　The ownership of the mechanism;

　　1.8.2　The purpose of the mechanism and its relationship to other grievance mechanisms;

　　1.8.3　The organization's activities that are covered by the mechanism;

　　1.8.4　The intended users of the mechanism;

　　1.8.5　How the mechanism is managed;

　　1.8.6　The process to address and resolve grievances, including how decisions are made;

　　1.8.7　The effectiveness criteria used.

1.9　When reporting on specific actions as specified in Disclosure 103-2-c-vii, the reporting organization should explain:

　　1.9.1　the range of entities covered by each of the actions and their location;

　　1.9.2　whether the actions are ad hoc or systemic;

　　1.9.3　whether the actions are short, medium, or long-term;

　　1.9.4　how actions are prioritized;

　　1.9.5　whether the actions are part of a due diligence process and aim to avoid, mitigate, or remediate the negative impacts with respect to the topic;

　　1.9.6　whether actions take international norms or standards into account.

Guidance

Guidance for clause 1.6

The disclosure of the highest governance body's responsibilities for economic, environmental, and social topics is covered in Section 4 of *GRI 102: General Disclosures*.

Guidance for clause 1.7

This explanation can include expenditures to prevent, mitigate and remediate impacts. This includes, for example, expenditures on equipment, maintenance, operating materials and services, training and education, external certification of management systems, research and development, or the installation of new technologies.

Guidance for clause 1.8

This Standard covers grievance mechanisms that are linked to the reporting organization. Such mechanisms can be industry, multi-stakeholder or other collaborative initiatives. They can also be processes established by the organization.

Mechanisms established by the organization are referred to as 'operational-level' grievance mechanisms. These can occur at the organization level or at a lower level, such as a site or project level.

When explaining the ownership of the mechanisms, the organization can indicate whether the grievance mechanism is an operational mechanism, or whether it is a collaborative mechanism established by, or formally involving, other organizations.

Grievance mechanisms can serve multiple purposes, which include:

- providing remedy when negative impacts occur;
- helping to identify negative impacts;
- informing the effectiveness of the organization's management approach.

As such, information on grievance mechanisms can also be useful for reporting Disclosures 103-1 and 103-3 of this Standard.

In situations where the use of the grievance mechanism precludes access to judicial or other non-judicial mechanisms, or can interfere with the legitimate role of trade unions, the organization is expected to disclose this.

The management of a grievance mechanism can depend on whether the grievance mechanism is an operational mechanism, or whether it involves other organizations. The organization can disclose whether stakeholders, including suppliers, community organizations or trade unions, are involved in the design of the mechanism. It can also disclose whether stakeholders have a role in monitoring the effectiveness of the mechanism.

Effectiveness criteria can include whether the grievance mechanism is legitimate, accessible, predictable, equitable, transparent, rights-compatible, and a source of continuous learning. For operational-level mechanisms to be effective, they are expected to be based on engagement and dialogue. For a description of each of these criteria, see Guiding Principle 31 in the United Nations (UN) 'Guiding Principles on Business and Human Rights'. These effectiveness criteria can be applied to grievance mechanisms addressing any economic, environmental, and social topic or impact.

Where relevant, the organization can report the following for each mechanism:

- The total number of grievances filed through the mechanism during the reporting period;
- The number of grievances that were addressed (or reviewed) during the reporting period;
- The number of grievances that were resolved during the reporting period;
- The number of grievances filed through the mechanism prior to the reporting period that were resolved during the reporting period;
- The number of grievances that were resolved by remediation, and how remedy was provided.

If it will provide context on significant negative impacts, the organization can provide a breakdown of the number of grievances by the nature and location of the grievance, and the party that filed the grievance (including: employees, workers who are not employees, and their trade unions; business partners such as suppliers; and civil society or local communities).

Guidance for clause 1.9.6

International norms and standards include the Organisation for Economic Co-operation and Development (OECD) *OECD Guidelines for Multinational Enterprises*, the UN *Protect, Respect and Remedy: a Framework for Business and Human Rights*; and the UN 'Guiding Principles on Business and Human Rights'.

Disclosure 103-3
Evaluation of the management approach

Reporting requirements

> For each <u>material topic</u>, the reporting organization shall report the following information:
>
> a. An explanation of how the organization evaluates the management approach, including:
>
> > i.   the mechanisms for evaluating the effectiveness of the management approach;
> >
> > ii. the results of the evaluation of the management approach;
> >
> > iii. any related adjustments to the management approach.

Guidance

Guidance for Disclosure 103-3-a-i

Mechanisms for monitoring the effectiveness of the management approach can include:

- internal or external auditing or verification (type, system, scope);
- measurement systems;
- external performance ratings;
- benchmarking;
- stakeholder feedback;
- <u>grievance mechanisms</u>.

Guidance for Disclosure 103-3-a-ii

The explanation of these results can include:

- disclosures from the GRI Standards or organization-specific measurements used to report results;
- performance against goals and targets, including key successes and shortcomings;
- how results are communicated;
- challenges and gaps in the management approach;
- any obstacles encountered, unsuccessful endeavors, and any lessons learned in the process;
- progress made in implementing the management approach.

Guidance for Disclosure 103-3-a-iii

Adjustments to the management approach as a result of the evaluation can include:

- changes in the allocation of resources, goals, or targets;
- specific actions aimed at improving performance.

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.

due diligence

In the context of the GRI Standards, 'due diligence' refers to a process to identify, prevent, mitigate and account for how an organization addresses its actual and potential negative impacts.

Note: This definition is based on the Organisation for Economic Co-operation and Development (OECD), *OECD Guidelines for Multinational Enterprises*, 2011, and the United Nations (UN), 'Guiding Principles on Business and Human Rights, Implementing the United Nations "Protect, Respect and Remedy" Framework', 2011.

grievance mechanism

system consisting of procedures, roles and rules for receiving complaints and providing remedy

Note: Effective grievance mechanisms are expected to be legitimate, accessible, predictable, equitable, transparent, rights-compatible, and a source of continuous learning. For operational-level mechanisms to be effective, they are expected to be based on engagement and dialogue. For a description of each of these criteria, see Guiding Principle 31 in the United Nations (UN), 'Guiding Principles on Business and Human Rights, Implementing the United Nations "Protect, Respect and Remedy" Framework', 2011.

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.

value chain

An organization's value chain encompasses the activities that convert input into output by adding value. It includes entities with which the organization has a direct or indirect business relationship and which either (a) supply products or services that contribute to the organization's own products or services, or (b) receive products or services from the organization.

Note 1: This definition is based on United Nations (UN), *The Corporate Responsibility to Respect Human Rights: An Interpretive Guide*, 2012.

Note 2: The value chain covers the full range of an organization's upstream and downstream activities, which encompass the full life cycle of a product or service, from its conception to its end use.

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.

2. United Nations (UN), 'Guiding Principles on Business and Human Rights, Implementing the United Nations "Protect, Respect and Remedy" Framework', 2011.

3. United Nations (UN), *Protect, Respect and Remedy: a Framework for Business and Human Rights*, 2008.

4. United Nations (UN), *Report of the Special Representative of the Secretary-General on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises, John Ruggie,* 2011.

Legal liability

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

Copyright and trademark notice