



# Item 06 – GRI Topic Standard Project for Labor – Annex – Explanatory Memorandum to the exposure draft Standards for Labor (item 2 to 5)

## For GSSB approval

<b>Date</b>	26 April 2024
<b>Meeting</b>	16 May 2024
<b>Project</b>	GRI Topic Standard Project for Labor
<b>Description</b>	<p>This Annex contains the explanatory memorandum to the following proposed labor exposure drafts:</p> <ul style="list-style-type: none"><li>Item 02 – GRI Topic Standard Project for Labor - Employment</li><li>Item 03 – GRI Topic Standard Project for Labor - Remuneration and Working Time</li><li>Item 04 – GRI Topic Standard Project for Labor - Significant Changes for Workers</li><li>Item 05 – GRI Topic Standard Project for Labor - Control of Work Standard Interpretation to GRI 2</li></ul> <p>The explanatory memorandum sets out the background of the project, the objectives for the review of GRI’s Labor Standards, the proposals of the technical committee as contained in the exposure drafts, and a summary of the GSSB’s involvement and views on the development of the drafts.</p> <p>The drafts and Annex are submitted for GSSB approval.</p> <p>If approved, public exposure is proposed to commence in early June and run until late September 2024.</p>

This document has been prepared by the GRI Standards Division and is made available to observers at meetings of the Global Sustainability Standards Board (GSSB). It does not represent an official position of the GSSB. Board positions are set out in the GRI Sustainability Reporting Standards. The GSSB is the independent standard setting body of GRI. For more information visit [www.globalreporting.org](http://www.globalreporting.org).

# 1 Explanatory memorandum

## 2 Introduction

3 This explanatory memorandum sets out the objectives for the first set of exposure drafts of the Labor  
4 project, the significant proposals contained in the exposure drafts, and a summary of the GSSB's  
5 involvement and views on the development of the following drafts.

- 6 • Item 02 – GRI Topic Standard Project for Labor - Employment
- 7 • Item 03 – GRI Topic Standard Project for Labor - Remuneration and Working Time
- 8 • Item 04 – GRI Topic Standard Project for Labor - Significant Changes for Workers
- 9 • Item 05 – GRI Topic Standard Project for Labor - Control of Work Standard Interpretation to  
10 GRI 2

11 This first set of draft labor-related standards includes new proposed disclosures next to extensive  
12 revision of the [GRI 202 Market Presence 2016](#) (Disclosure 202-1); [GRI 401 Employment 2016](#)  
13 (Disclosures 401-1 to 401-02); [GRI 402 Labor/management Relations 2016](#) (Disclosure 402-1); [GRI](#)  
14 [405 Diversity and Equal Opportunity 2016](#) (Disclosure 405-2).

## 15 Objectives for the project

16 The objective of the [Labor project](#) is to review and revise all GRI labor-related Standards and to  
17 incorporate new issues to reflect the stakeholder expectations for reporting labor-related impacts. In  
18 line with the GSSB's [Due Process Protocol](#), a multi-stakeholder [technical committee](#) was established  
19 in September 2022 to contribute to the review and content development.

20 Due to the focus on labor topics, a technical committee was formed with representation from workers,  
21 employers, and the ILO. Next to this tripartite technical committee, an [advisory group](#) was established  
22 with a broad stakeholder representation to advise and assist the technical committee during the  
23 process.

24 The aim is to align with internationally agreed best practices, the latest developments, and relevant  
25 authoritative intergovernmental instruments related to human rights and labor conditions such as  
26 International Labor Organization (ILO) Conventions and Recommendations; the United Nations (UN)  
27 Guiding Principles on Business and Human Rights (Guiding Principles, UNGPs) and the Organization  
28 for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

29  
30 The project reviews the current contents of existing GRI labor-related disclosures, and it also includes  
31 new labor issues to reflect the stakeholders' expectations related to reporting labor-related impacts to  
32 provide decent work that contributes to sustainable development, poverty alleviation, and dignity to  
33 workers.

34 The revised labor disclosures will facilitate the organization to disclose its impacts regarding:

- 35 • How the organization manages the labor impacts with employees, with workers who are not  
36 employees and whose work is controlled by the organization, and with workers in the  
37 business relationships, enhancing accountability and trust with workers and other  
38 stakeholders.
- 39  
40 • The implementation of international labor standards, including fundamental labor rights, by  
41 offering decent work and dignified working conditions, as well as the involvement of workers'  
42 representatives in developing and implementing policies.

- 43           • Its approach to human rights is to provide work that cares about its workers in terms of  
44           decent remuneration and working time, employment conditions, skills, career development,  
45           and work-life balance, improving workers' satisfaction and retention of talent.

46   The labor project is divided into three thematic set standards to allow targeted messaging and  
47   stakeholder engagement during the Public Comment Periods and to ensure the workload is  
48   manageable for the stakeholders and GRI reporters all over the world reviewing the draft Standards  
49   during public inquiry, the GSSB, the technical committee, the advisory group, the GRI Standards  
50   Division, and other GRI divisions.

### 51   **Set 1 - Employment Practices and Conditions**

52   This set of standards asks how the organization manages its employment conditions and  
53   relationships. This includes working time, remuneration, employment practices such as recruitment,  
54   performance management and termination, data, and worker privacy, as well as how the organization  
55   responds to changes that substantially affect workers.

56   Set 1 includes three Topic Standards and one standard interpretation.

- 57           ○ Employment
- 58           ○ Remuneration and Working Time
- 59           ○ Significant Changes for Workers
- 60           ○ Control of Work Standard Interpretation to *GRI 2*

61   This first set of labor exposure drafts is sent for discussion and approval at the May 2024 meeting of  
62   the GSSB.

### 63   **Set 2 - Working life and career development**

64   This set of standards focuses on the equal treatment and the development of an organization's  
65   workers. It asks how the organization responds to the training and education programs and their  
66   effectiveness, family-related policies at the workplace, and measures to provide work-life balance and  
67   an inclusive and diverse environment.

68   Set 2 includes the following Topic Standards:

- 69           ○ Training and Education
- 70           ○ Working Parents and Caregivers
- 71           ○ Diversity, Inclusion and Equal Opportunity

72   The second set of labor exposure drafts is planned to be sent for discussion and approval by the  
73   GSSB in Q4 2024.

### 74   **Set 3 - Workers Rights and Protections**

75   This set of standards focuses on four of the ILO's Fundamental Principles and Rights at work. In  
76   addition, it has a specific standard to target labor rights and working conditions for workers in  
77   business relationships with a due diligence approach.

78   Set 3 includes the following Topic Standards:

- 79           ○ Child Labor
- 80           ○ Forced or Compulsory Labor
- 81           ○ Non-discrimination
- 82           ○ Freedom of Association and Collective Bargaining
- 83           ○ Workers of Business Relationships

84   The third set of labor exposure drafts is planned to be sent to the GSSB in the first half of 2025.

## 85   **Summary of the proposals**

86   For more information on the project, consult the [project proposal](#) and the [technical committee](#) and  
87   [advisory group](#) biographies.

88 The scope of the workers set 1 of the standards are the organizations' employees and workers who  
89 are not employees and whose work is controlled by the organization (hereafter workers who are not  
90 employees). Workers of the organization's business relationships are in the scope of set 3 of labor  
91 standards and, therefore, are not included in this set of labor standards.

92 The key revisions and new proposed disclosures and guidance for the first set of exposure draft  
93 standards are summarized as follows:

#### 94 **1) General proposed change**

95 This first set of draft labor-related standards includes new proposed disclosures next to an extensive  
96 revision of:

- 97 - [GRI 202: Market Presence 2016](#) (Disclosure 202-1);
  - 98 - [GRI 401: Employment 2016](#) (Disclosures 401-1 to 401-02);
  - 99 - [GRI 402: Labor/management Relations 2016](#) (Disclosure 402-1);
  - 100 - [GRI 405: Diversity and Equal Opportunity 2016](#) (Disclosure 405-2).
- 101 • The revised draft Employment (Item 02) includes the revision of *GRI 401: Employment 2016*  
102 (Disclosures 401-1).
  - 103 • The new proposed draft Remuneration and Working Time (Item 03) includes the revision of  
104 *GRI 202: Market Presence 2016* (Disclosure 202-1), *GRI 401: Employment 2016* (Disclosure  
105 401-2), and *GRI 405: Diversity and Equal Opportunity 2016* (Disclosure 405-2).
  - 106 • The revised Standard Significant Changes for Workers (Item 04) is a revision of *GRI 402:*  
107 *Labor and Management Relations 2016* (Disclosure 402-1).
  - 108 • A new draft, Standard Interpretation to *GRI 2: Control of work* (Item 05), is proposed to clarify  
109 and provide information on how to apply and interpret the 'control of work' concept when  
110 implementing the GRI labor standards.

#### 111 **2) Summary of proposals Employment (item 2)**

112 An exposure draft for **GRI EMPL: Employment** has been developed in line with the project objectives  
113 set out above. Notable changes and inclusions in this exposure draft are summarized below:

114 **Non-standard Employment.** The increase in non-standardized forms of employment implies that the  
115 organization may have positive and negative impacts depending on how it implements international  
116 labor standards and practices for the different types of employees and workers who are not  
117 employees. The disclosure asks the organization to report on how it prevents employees and workers  
118 who are not employees from disguised employment. The organization describes actions taken to  
119 transition employees from temporary employment to permanent and how the organization reports how  
120 it monitors third parties with respect to international labor standards. (See GRI: Employment EMPL 1)

121 **Apprenticeships and internships.** Apprenticeships and internships help workers acquire valuable  
122 work experience, skills, and opportunities to access further work opportunities. However, they can  
123 also expose workers, especially young workers, to exploitative conditions. This disclosure requests  
124 the organization to report on its policy on apprenticeships and internships, providing details on  
125 remuneration, duration of paid leave, and entitlements to paid annual, sick, and family-related leaves  
126 such as maternity leave. (See GRI: Employment EMPL 2)

127 **Fair Recruitment.** Fair recruitment ensures that workers' rights are respected and prevents abusive  
128 practices such as excessive fees, deceptive contracts, and unfair treatment during the recruitment  
129 process. This disclosure asks the organization to report how it monitors the direct and indirect  
130 recruitment of job seekers, employees, and workers who are not employees, which is fair and  
131 adheres to international labor standards. This includes no recruitment or related fees, obtaining  
132 informed consent, and providing access to effective grievance mechanisms and remediation  
133 processes. The organization reports any incidents concerning recruitment, including the number and  
134 type of incidents and the actions taken to remediate and prevent such incidents. (See GRI:  
135 Employment EMPL 3 and EMPL 8)

136 **Performance management systems and performance reviews.** When an effective performance  
137 management system exists, workers can improve their skills and employability and receive training  
138 and development opportunities to advance their careers. The organization reports how it ensures its  
139 performance management system is objective and impartial, respects fundamental principles and  
140 rights at work, and any appeals process. The organization must also disclose the impacts resulting  
141 from performance reviews, such as the percentage of employees and workers who are not employees  
142 who received a performance review, reasons why some workers did not receive a review, and the  
143 number of appeals submitted. (See GRI: Employment EMPL 4 and EMPL 9)

144 **Personal data protection and privacy of workers.** The aim of the disclosure is for the  
145 organization to report on the personal data protection and privacy policies of its employees and  
146 workers who are not employees. This includes collecting, processing, and monitoring personal data,  
147 obtaining consent from workers, and involving worker representatives in policy development and  
148 implementation. (See GRI: Employment EMPL 5)

149 **Employment termination.** This new management disclosure aims to increase accountability on the  
150 termination of employment or work. The termination policy is related to job security. The organization  
151 discloses its termination policy, including crucial aspects such as valid reasons for termination, the  
152 procedure for termination, any safeguards against wrongful and unfair termination, and the procedure  
153 for appeal for workers. (See GRI: Employment EMPL 6)

154 **Hiring and turnover metrics.** The objective of this disclosure is for the organization to report on the  
155 implementation of the recruitment process, including internal and external recruitment, employee  
156 turnover, and tenure. It also gives insights into the organization's workplace culture, stability, worker  
157 satisfaction, and the processes to capture and retain talent. Therefore, the organization reports a  
158 more detailed breakdown of information. Under this disclosure, the organization reports the ratio of  
159 new employees recruited and the total number and percentage of employee turnover in terms of  
160 employee type, age group, gender, and region. Furthermore, the organization shall describe the most  
161 common reasons for voluntary turnover and termination of employment. New information includes  
162 internal recruitment rate and number of employees by the length of tenure, employee type and region,  
163 and total number and turnover rate for the most common types of workers who are not employees.  
164 (See GRI: Employment EMPL 7)

### 165 **3) Summary of proposals and changes related to Remuneration and Working Time (item 3)**

166 An exposure draft for **GRI REWO:** Remuneration and working time has been developed in line with  
167 the project objectives set out above. Notable changes and inclusions in this exposure draft are  
168 summarized below:

169 **Policies to determine Remuneration and Working Time.** These two disclosures focus on how the  
170 organization manages two key parts of the relationship with workers: the amount earned by the  
171 workers and the conditions regarding the number of hours of work and how those hours are arranged  
172 when workers are at the organization's disposal.

173 The organization reports its policies to determine remuneration and working time and how to ensure  
174 the involvement of worker's representatives. Remuneration policies cover the principle of equal  
175 remuneration for work of equal value and the differences in each policy between different types of  
176 employees and different types of workers who are not employees. Furthermore, the organization  
177 reports its policies regarding the remuneration's components, such as basic pay considering the cost-  
178 of-living estimates and other payments in cash and in-kind, overtime, and deductions. Concerning  
179 working time, the organization shall report on its working time policies, taking into account regular  
180 working hours, rest hours, overtime, annual leave, working time arrangements, and the needs of  
181 vulnerable workers. (See GRI: Remuneration and Working Time REWO 1 and 2)

182 **Transparency of remuneration and working time to workers.** Effective communication between  
183 the organization and its workers may result in favorable impacts such as trust and work satisfaction.  
184 The new management disclosure focuses on ensuring workers understand their remuneration and  
185 working hours. (See GRI: Remuneration and Working Time REWO 3)

186 **Inclusion of cost-of-living estimates in the new disclosure Remuneration of Workers.** This topic  
187 disclosure aims to understand how the organization remunerates its workers. Due to the importance  
188 of the organization providing decent remuneration, the disclosure includes comparing the basic pay  
189 against cost-of-living estimates. When reporting under this disclosure, the organization reports  
190 different remuneration-related information. For example, median gross hourly basic pay by employee  
191 category and the number of employees, and by the number of workers who are not employees who  
192 are paid at the minimum wage. To be accountable for paying decent remuneration, the organization  
193 reports the number and percentage of employees whose basic pay is at or above the cost-of-living  
194 estimates and commitments to address the gaps between these basic pay and cost-of-living  
195 estimates. (See GRI: Remuneration and Working Time REWO 4)

196 **Basic pay gap.** This disclosure aims to identify differences in basic pay between men and  
197 women. However, it also allows the organization to report how it is inclusive of transgender and non-  
198 binary employees in its reporting of the gender pay gap or reporting other pay gaps associated with  
199 vulnerable workers. The outcome of the disclosure is that the organization reports the discrepancies  
200 in gross pay and hourly pay for each employee category. (See GRI: Remuneration and Working Time  
201 REWO 5)

202 **More extensive approach to social protection coverage.** Social security is fundamental for  
203 improving job quality, increasing human dignity, and reducing poverty, inequalities, and vulnerability of  
204 workers and their families. When reporting under this topic disclosure, the organization reports its  
205 contributions to different types of social protection, as well as the number, percentage, and types of  
206 employees who are not covered by public programs or benefits. The reporting information is  
207 complemented by the requirement to report on actions to increase social protection coverage and  
208 contributions made to relevant authorities for workers who are not employees. (See GRI:  
209 Remuneration and Working Time REWO 6)

210 **Working time metrics.** Under this disclosure, the organization reports information that shows how it  
211 monitors working time to make decisions on the potential negative impacts of excessive working time.  
212 As part of responding to new challenges due to globalization and technological advances and the  
213 growing number of women seeking paid labor, this disclosure also requests information related to  
214 work-life balance, such as working time arrangements and annual leave. (See GRI: Remuneration  
215 and Working Time REWO 7)

#### 216 **4) Summary of proposals and changes related to Significant Changes for workers (item 4)**

217 An exposure draft for **GRI SICH: Significant Changes for Workers** has been developed in line with the  
218 project objectives set out above. Notable changes and inclusions in this exposure draft are  
219 summarized below:

220 **Management of significant changes for workers.** Significant changes in the organization may  
221 result in negative or positive impacts on workers. The organization aims to report how it handles  
222 significant changes that may result in positive impacts, such as career opportunities, new skills, and  
223 job satisfaction, or negative impacts, such as mass termination. The disclosure requires a description  
224 of processes and mitigation efforts on how the organization manages significant changes affecting  
225 employees and workers who are not employees, including consultations with workers'  
226 representatives. In cases where significant changes result in mass termination, the  
227 organization shall report how it manages the termination of employees and workers. In addition, any  
228 measures taken to lessen the adverse impacts of significant changes, including staff redeployment,  
229 upskilling, and workforce planning, shall be reported. (See GRI: Significant Changes for Workers  
230 SICH 1)

231 **Minimum consultation and notice periods to workers' representatives.** Reporting on notice  
232 periods and consultation with workers before the implementation of mass termination offers  
233 transparency on how the organization communicates on time and offers meaningful dialogue with  
234 workers' representatives. The organization shall provide the number of weeks' notice and weeks  
235 taken in consultation with workers before implementing mass termination. If notice periods and

236 consultation provisions are specified within any collective bargaining agreements, those shall also be  
237 reported. (See GRI: Significant Changes for Workers SIC 2)

238 **Redeployment and Training.** The objective is to increase transparency regarding the actions taken  
239 by the organization to ensure employees can obtain quality jobs after implementing significant  
240 changes. The organization shall report on the number and percentage of employees who received  
241 training for up-skilling and reskilling, as well as the total number and percentage of redeployed and  
242 terminated employees. (See GRI: Significant Changes for Workers SIC 3)

## 243 **5) Summary of the proposal for a new Standard Interpretation to GRI 2 related to Control of** 244 **work (item 5)**

245 The GRI Standards require organizations to report the number of workers who are not employees and  
246 whose work is controlled by the organization. However, there is some ambiguity on whether  
247 organizations should classify workers in their business relationships as workers who are not  
248 employees as this subset of workers. The Interpretation Statement clarifies that an organization's  
249 instructions or terms to its business relationships regarding specific materials or work methods for  
250 product manufacturing or service delivery do not necessarily constitute direct control of work. It also  
251 gives additional information regarding the principle of control of work.

### 252 **New terms and relevant definitions**

253 The revised and new disclosures require updating some of the terms according to the most recent  
254 developments in labor rights and protections. The proposal is to include new and revised terms in the  
255 GRI Glossary, such as:

- 256 • **Workers who are not employees**
- 257 • **Significant Changes**
- 258 • **Employee Category**

### 259 **More extensive guidance through the standards**

260 Each disclosure comes with more detailed guidance, examples, templates, and references to facilitate  
261 the reporting to the organization.

## 262 **GSSB involvement and views on the development of** 263 **this draft**

264 The GSSB appointed one of its members as GSSB sponsor and technical committee member for this  
265 project.

266 The GSSB sponsor is strongly involved in the technical committee process and has attended all of  
267 their meetings and many subgroup meetings.

268 The exposure draft is scheduled to be presented for approval to the GSSB at its meeting on 16 May  
269 2024.

270 All GSSB meetings are recorded and made available on the [GSSB GRI YouTube channel](#).

## 271 **Note on reading this document**

272 This document includes generic text used in all GRI Standards. This text is highlighted in grey and  
273 cannot be changed – please do not comment on this text.

274 Underlined terms in the draft Standard indicate terms for which definitions have been provided. Most  
275 of these terms are already defined in the *GRI Standards Glossary* – these are highlighted in grey and  
276 cannot be changed. The proposed new definitions are not highlighted in grey and are open for review.