

Indicator Protocols Set: Economic

Disclosure on Management Approach	
Provide a concise disclosure on the following items. Respond with reference to: • Economic performance • Market presence • Indirect economic impacts	
Policy	State any brief, organization-wide policy (or policies) that define the organization's overall commitment on the areas listed above or state where this can be found in the public domain (e.g. web link).
Responsibility	Identify the most senior position with operational responsibility for economic areas or explain how operational responsibility is divided at the senior level for economic areas.
Management	Identify key elements of management approach, including certifications for economics-related systems obtained from outside parties. Indicate percentage of operations covered by certifications.
Goals & Performance	List organization-wide goals set regarding performance against the economic topics listed above. ¹ Report performance against goals. Use company-specific indicators as needed in addition to the GRI performance indicators.
	Report performance against goals. Use company-specific indicators as needed in addition to the GRI performance indicators.
Awards	Identify relevant awards related to performance on economic issues that the organization has received from external parties.
Fines	Indicate the total amount and number of economics-related civil and criminal fines and other penalties (including imprisonment) assessed against the organization or its directors and officers when in their organizational capacity. Explain what response has been taken to resolve any issue for which significant fines were paid or for which organization's directors or officers were imprisoned.

¹ A 'goal' refers to an organization-wide result which the organization intends to achieve and against which progress can be measured.

Context	Disclose other relevant information required for user to understand organizational performance, including: • Key successes and shortcomings; • Major organizational risks and opportunities related economic issues; and • Major changes in the reporting period to systems or structures to improve performance.
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Performance Indicators

Aspect	Core Indicators	Additional Indicators
Economic Performance	EC1. Economic value generated and distributed, including revenues, operating costs, employee compensation, donations, and other community investments, retained earnings, and payments to capital providers and to governments.	
	EC2. Financial implications of climate change.	
	EC3. Coverage of the organization's defined benefit pension plan obligations.	
	EC4. Financial assistance received from government.	
Market Presence	EC5. Entry level wage compared to local minimum wage for significant locations of operation.	
	EC6. Practices and proportion of spending on locally-based suppliers at significant locations of operation.	
	EC7. Procedures for local hiring, and proportion of senior management in locations of significant operation from the local community.	
Indirect Economic Impacts	EC8. Description of infrastructure investments and services supported that provide public benefit.	EC9. Indirect economic impacts.

Relevance

Performance data generated in response to the economic indicators in this section are expected to illustrate the:

- flow of capital amongst different stakeholders; and
- major economic impacts of the organization throughout society.

An organization's own economic performance is fundamental to understanding the organization and its basis for sustainability. However, this information is already well reported in many countries in annual financial accounts and reports. Financial statements provide information about the financial position, performance and changes in the financial position of an entity. They also indicate the results achieved in managing the financial capital provided to the organization.

What is less reported and often desired by readers of sustainability reports is the organization's contribution to the sustainability of the economic systems within which the organization operates. It is possible for an organization to be financially viable, but to achieve this in a way that creates significant externalities impacting other stakeholders. Economic performance indicators are intended to measure the economic outcomes that result from an organization's activities for a broad range of stakeholders.

The economic indicators in this section are divided into three categories:

- Economic Performance which addresses direct economic impacts of the organization's activities and its economic value added;
- Market Presence which relates to interactions in the context of specific markets; and
- Indirect Economic Impacts which measures impacts that occur as a consequence of the organization's economic activities and transactions.

Within the economics category, there are several linkages between elements of the economic value-added table requested by EC1 and other indicators, particular wages and benefits (EC1c and EC5), transactions with governments (EC1e and EC4), and community investments (EC1f and EC8). The economic indicators are also closely related to indicators from other categories, including:

- EC1(c), EC5 and LA15 regarding wages;
- EC1(c), EC3 and LA3 regarding employee benefits;
- EC1(f), EC6, EC8 and SO1 all relate to interactions with local communities;
- EC2 regarding climate change risk and EN3 (direct energy consumption), EN4, (indirect energy consumption), EN5-8 (energy efficiency and conservation), and EN17 and EN23 (greenhouse gas emissions); and
- EC10 addresses indirect economic impacts and SO1 covers socio-economic impacts on communities.

General References

The International Accounting Standards Board (IASB) web site (www.iasb.org) provides access to information relating to relevant International Financial Reporting Standards.

In preparing responses to the Economic indicators, data should be compiled from figures presented in the organization's audited financial accounts or its internally audited management accounts wherever possible. In all cases the data should be compiled using either:

- the relevant International Financial Reporting Standards (IFRS) and Interpretations of Standards, published by the International Accounting Standards Board (IASB), or:
- national or regional standards recognized internationally for the purpose of financial reporting.

The reporting organization should state clearly which standards were applied and provide clear references to the appropriate sources.

Definitions

Significant locations of operation

This refers to locations where single-market revenues, costs, stakeholder payments, production, or employee numbers represent a share of the organization's global total sufficient to be particularly important to decision-making by the organization or its stakeholders. Combined, these locations would likely represent the majority of the above figures. Reporting organizations should identify and explain the specific criteria applied for significance.

EC1. *Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and to governments.*

1. Relevance

Data on the creation and distribution of economic value provide a basic indication of how the organization has created wealth for its stakeholders. Several of the components of the Economic Value Generated and Distributed (EVG&D) table also provide an economic profile or context of the reporting organization, which might be useful for normalizing other performance figures. If presented in country-level detail, EVG&D can provide a useful picture of direct monetary value added to local economies.

2. Compilation

2.1. Presentation

The EVG&D data should be compiled where possible from data presented in the organization's audited financial or profit and loss (P&L) statement, or its internally audited management accounts. It is also recommended that the economic value data be presented on an accruals basis in a table which includes the following basic components for the organization's global operations:

Component	Comment
<i>Economic value generated</i>	
a) Revenues	Net sales plus revenues from financial investments, sales of assets
<i>Economic value distributed</i>	
b) Operating costs	Payments to suppliers, non-strategic investments
c) Employee wages and benefits	Total monetary outgoings on the employee workforce. Current payments, not future commitments
d) Payments to providers of capital	All financial payments made to the organization's providers of capital
e) Payments to government (by country – see note below)	Gross taxes and royalties
f) Community investments	Voluntary contributions and investment of funds in the broader community. Includes donations.
<i>Economic value retained</i> (calculated as Economic value generated less economic value distributed)	Investments, equity release, etc.

To aid with the assessment of local economic impacts, EVG&D at a country or market level should be presented separately where significant. Reporting organizations should identify and explain criteria for defining significance.

2.2. Guidance on EVG&D Table Line Entries

a) Revenues:

- Net sales equal gross sales from products and services minus returns, discounts, and allowances.
- Revenue from financial investments includes cash received as interest on financial loans, as dividends from shareholdings, as royalties and as direct income generated from assets (e.g., property rental).
- Revenues from sale of assets include physical assets (property, infrastructure, equipment) and intangibles (e.g., intellectual property rights, designs, and brand names).

b) Operating costs:

- Cash payments outside the reporting organization for materials, product components, facilities, and services purchased. This includes property rental, license fees, facilitation payments, payments for contract workers, employee training costs (where outside trainers are used), employee protective clothing, etc.

c) Employee wages and benefits:

- Total payroll means employee salaries, including amounts paid to government institutions (employee taxes, levies and unemployment funds) on behalf of employees. Non-employees working in an operational role should normally not be included here but under Operating Costs as a service purchased.
- Total benefits include regular contributions, (e.g. to pensions, insurance, company vehicles, private health), as well as other employee support such as housing, interest-free loans, public transport assistance, educational grants, and redundancy payments. They do not include training, costs of protective equipment or other cost items directly related to the employee's job function.

d) Payments to providers of capital:

- Dividends to all shareholders
- Interest payments made to providers of loans.

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

e) Payments to government:

- All company taxes (corporate, income, property, etc.) and related penalties paid at the international, national and local levels. Taxes included should be on a cash paid basis. This figure should include deferred taxes because they may not be paid. For organizations operating in more than one country, report taxes paid by country.

f) Community investments:

- Voluntary donations and investment of funds in the broader community where the target beneficiaries are external to the company. These include contributions to charities, NGOs and research institutes (non-related to the company's commercial R&D), funds to support community infrastructure

(e.g., recreational facilities) and direct costs of social programs (including arts and educational events). The amount included should account for actual expenditures in the reporting period, not commitments.

- For infrastructure investments, the calculation of the total investment should include costs for goods and labor in addition to capital costs. For support of ongoing facilities or programs (e.g., an organization funds the daily operations of a public facility), the reported investment should include operating costs.
- This excludes legal and commercial activities or where the purpose of the investment is exclusively commercial. Donations to political parties should also be included and are addressed under GRI Indicator SO5. Facilitation payments should not be included since these have a clear commercial objective and should be included under Operating Costs.
- Any infrastructure investment which is primarily driven by core business needs (e.g., building a road to a mine or factory) or to facilitate the business operations of the organization should not be included. The calculation of investment may include infrastructure built outside the main business activities of the reporting organization such as a school, or hospital for employees and their families.

3. Definitions

None

4. Documentation

Finance, treasury, or accounting departments should have the information that this indicator requires.

5. References

- International Accounting Standard (IAS) 12 on Income Taxes, IAS 14 on segment Reporting, IAS 18 on Revenues, and IAS 19 on Employee Benefits should be consulted.

EC2. *Financial implications of climate change.*

1. Relevance

Climate change presents risks and opportunities to organizations, their investors, and their stakeholders. Organizations may face physical risks due to changes in the climate system and weather patterns. These risks may include the impact of increased storms; changes in water availability; changes in temperature; and impacts of health effects, such as heat-related illness or disease, on the workforce. As governments move to regulate the activities that cause climate change, organizations directly or indirectly responsible for emissions face regulatory risk, as these policies may increase costs and affect competitiveness. Limits on greenhouse gas emissions will also create opportunities for organizations as new technologies and markets are created, especially for organizations that can more efficiently use or produce energy and energy products.

2. Compilation

- 2.1 State whether the organization's senior governance body considered climate change and the risks and opportunities it presents to the organization.
- 2.2 State risks or opportunities posed by climate change that have potential financial implications for the organization, including:
 - Risks due to physical changes associated with climate change (e.g., impacts of modified weather patterns, heat-related illness); and
 - Regulatory risks (e.g., the cost of activities and systems to comply with new regulations).
- 2.3 State whether management has quantitatively estimated the financial implications of climate change for the organization. If yes, explain implications and the tools or procedures used to make the quantification.

3. Definitions

None

4. Documentation

None

5. References

None

EC3. *Coverage of the organization's defined benefit plan obligations.*

1. Relevance

The stability of pensions is essential to employees who rely on future benefits as part of their retirement plans, and also has a broader economic significance. When an organization has not fully considered pension plan benefit obligations and has not implemented an associated financial plan, uncertain economic situations can adversely affect an organization's financial performance. Partially funded pension plans can place pressure on an organization's future earnings or, in some cases, could contribute to bankruptcy. Conversely, a properly funded pension plan can attract and maintain a stable workforce and support long-term financial planning and stability for the organization and its workforce.

2. Compilation

- 2.1 State whether defined benefit pension plan obligations are fully covered.
- 2.2 If not, explain whether and when full coverage is expected, and the strategy for reaching full coverage.
- 2.3 Different jurisdictions (e.g., countries) have varying interpretations and guidance regarding calculations used to determine plan coverage. Calculate in accordance with the regulations and methods for relevant jurisdictions, and report an aggregated total. Consolidation techniques should be the same as applied in preparing the financial accounts of the organization.

3. Definitions

Full coverage

Plan assets meet or exceed plan obligations.

4. Documentation

Finance or accounting departments should have the information that this indicator requires.

5. References

- International Accounting Standard (IAS) 19 on Employee Benefits should be consulted.

EC4. *Financial assistance received from government.*

1. Relevance

This indicator provides a measure of host governments' contribution towards the reporting organization. The amounts received from a government, in comparison with taxes paid, can provide a useful measure in support of a balanced picture of the transactions between the reporting organization and government.

2. Compilation

- 2.1 State estimated aggregate financial value on an accruals basis of:
- a. tax relief/credits;
 - b. subsidies;
 - c. investment grants, research and development grants, and other relevant types of grants;
 - d. awards;
 - e. royalty holidays;
 - f. financial incentives; and
 - g. other financial benefits received or receivable from any government for any operation.

3. Definitions

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

4. Documentation

None

5. References

- International Accounting Standard (IAS) 20 on Accounting for Government Grants and Disclosure of Government Assistance should be consulted.

EC5. *Entry level wage compared to local minimum wage for significant locations of operation.*

1. Relevance

This indicator helps demonstrate how an organization contributes to the economic well-being of employees in different locations and demonstrates one of the ways that the organization invests in employees. The indicator also gives an indication of the competitiveness of the organization's wage offerings and information relevant for assessing the effect of the wage on the local labor market. Offering wages above the minimum can be one factor in building strong community relations, employee loyalty, and strengthening license to operate.

2. Compilation

- 2.1 In percentage terms, compare local minimum wage to the reporting organization's entry level wage.
- 2.2 The entry level wage should be defined by the full-time wage offered to an employee in the lowest employment category. Intern or apprentice wages should not be considered.
- 2.3 For organizations that only offer salaried employment, the salary should be converted into an hourly estimate for the purposes of reporting on this indicator.
- 2.4 The reporter should explain where a local minimum wage is absent or variable. In circumstances where different minimums could be used as a reference, the organization should explain which minimum wage is being used for comparison.

3. Definitions

Local minimum wage

Minimum wage refers to compensation per hour or other unit of time for employment allowed under law. Since some countries have numerous minimum wages (e.g., by state/province, by employment category) the reporting organization is asked to identify which minimum wage it is using for comparison.

4. Documentation

None

5. References

None

EC6. *Practices and proportion of spending on locally-based suppliers at significant locations of operation.*

1. Relevance

The influence an organization can have on a local economy goes beyond direct jobs and payment of wages and taxes. By supporting local business in the supply chain, an organization can indirectly attract additional investment to the local economy.

Reporting organizations can gain or retain their 'social license to operate' in part through demonstrating positive local economic impacts. Local sourcing can be a strategy to help ensure supply, support a stable local economy, and can prove more efficient for remote settings. The proportion of local spending can be an important factor for explaining local economic contribution and maintaining community relations. However, the overall impact of local sourcing will also depend on the sustainability performance of the supplier.

2. Compilation

- 2.1 State whether the organization has a policy or common practices for preferring locally based suppliers either organization-wide or for specific locations. Explain the factors that influence supplier selection (e.g., costs, environmental and social performance) in addition to their geographic location.
- 2.2 If so, state percentage of procurement budget used for significant locations of operation that is spent on suppliers that are local to that operation (e.g., % of goods and supplies purchased locally). Local purchases can be made either from a budget managed at the location of operation or at the organization's headquarters.
- 2.3 Calculations of percentages should be based on invoices or commitments made during the reporting period (i.e., accruals accounting).
- 2.4 The reporting organization should state its geographic definition of local.

3. Definitions

Locally-based suppliers

Providers of materials, products and services that are based in the same geographical market as the reporting organization, such that no trans-national payments to the supplier are made. The geographical definition of local may vary since in some circumstances cities, regions within a country, and even small countries could be reasonably viewed as 'local'.

4. Documentation

None

5. References

None

EC7. *Procedures for local hiring, and proportion of senior management hired from the local community in locations of significant operation.*

1. Relevance

Ensuring that senior management is populated with local residents contributes to capacity building in the local community and can contribute to the connection between the organization and an area. Diversity within a management team and the inclusion of members from the location can enhance the human capital base of the organization, and contribute to the economic benefit to the local community and ability to understand local needs.

2. Compilation

- 2.1 State whether the organization has a policy or common practices for preferring to hire local residents in locations of significant operations.
- 2.2 If so, state the proportion of senior management in locations of significant operation from the local community.
- 2.3 For calculating a percentage, the indicator should be compiled based on full-time equivalents.

3. Definitions

Local

Local refers to individuals either born in or who have the legal right to reside indefinitely (e.g., naturalized citizens, permanent visa holders) in the same geographic market as the operation. Reporting organizations can choose their own definition of local since in some cases cities, regions, and even small countries could classify as local, but the definition should be clearly disclosed.

4. Documentation

None

5. References

None

EC8. *Description of infrastructure investments and services supported that provide public benefit.*

1. Relevance

As well as generating and distributing economic value, an organization can affect an economy through its investments in infrastructure. The impacts of infrastructure investment can extend beyond the scope of the organization's own business operations and over a longer timescale. This might include transport links, utilities, community social facilities, sports centers, health and welfare centers, etc. Along with investment in its own operations, this is one measure of an organization's capital contribution to the economy.

2. Compilation

- 2.1 Explain the extent (e.g., size, cost, duration) of major investments and support, and the current or expected impacts (positive or negative) on communities and local economies.
- 2.2 State whether the reporting organization conducted a community needs assessment to determine infrastructure and other services needed. If so, briefly explain the results of the assessment.

3. Definitions

Infrastructure

Facilities (e.g., water supply facility, road, school, or hospital) built primarily to provide a public service or good rather than a commercial purpose, and from which the organization does not seek to gain direct economic benefit.

Services supported

Providing a public benefit either through direct payment of operating costs or through staffing the facility/service with the reporting organization's own employees.

4. Documentation

None

5. References

None

EC9. *Indirect economic impacts.*

1. *Relevance*

Indirect economic impacts are an important part of the economic influence of an organization in the context of sustainable development. Whereas direct economic impacts and market influence tend to focus on the immediate consequences of monetary flows to stakeholders, indirect impacts include the additional impacts generated as money circulates through the economy. Direct economic impacts are often measured as the value of transactions between the reporting organization and its stakeholders, while indirect economic impacts are the results—sometimes non-monetary—of the transaction. Indirect impacts are an important aspect of an organization's role as a participant or agent in socio-economic change, particularly in developing economies. Indirect impacts are particularly important to assess and report in relation to local communities and regional economies. For management purposes, indirect impacts are an important indication of where reputation risks may develop or where opportunities may emerge to expand market access or a social license to operate.

2. *Compilation*

- 2.1 Because many indirect economic impacts can only be measured over the longer term, it is acceptable for reporting organizations to report yearly performance on some impacts, and report on others at longer intervals.
- 2.2 Disclosure on indirect impacts can be for all or a portion of the reporting organization's operations. The boundary of this indicator should be stated clearly if it differs from other indicators in the report.
- 2.3 Disclosure of indirect economic impacts, both positive and negative, should include a description or analysis of the organization's impact on economic issues of importance to stakeholders, such as:
 - Changing the productivity of organizations, sectors, or the whole economy (e.g., through greater adoption or distribution of information technology)
 - Economic development in areas of high poverty (e.g., number of dependants supported through income from one job)
 - Economic impact of improving or deteriorating social or environmental conditions (e.g., changing job market in an area converted from small family farms to large plantations or the economic impacts of pollution)
 - Availability of products and services for those on low incomes (e.g., preferential pricing of pharmaceuticals contributes to a healthier population that can participate more fully in the economy; pricing structures which exceed the economic capacity of those on low incomes)
 - Enhancing skills and knowledge amongst a professional community or in a geographical region (e.g., need for a supplier base creates a magnet for companies with skilled workers, which in turn engenders new learning institutes)

- Jobs supported in the supply chain (e.g., assessing the impacts of growth or contraction of the organization on its suppliers)
- Stimulating, enabling or limiting foreign direct investment (e.g., expansion or closure of an infrastructure service in a developing country can lead to increased or reduced foreign direct investment)
- Economic impact of change in location of operations or activities (e.g., outsourcing of jobs to an overseas location)
- Economic impact of the use of products and services (e.g., linkage between economic growth patterns and use of particular products and services).

In providing these disclosures, organizations may reference available economic analyses and studies where these have significant interpretive value and provide an insight into an organization's indirect economic impacts. The examples provided in this section are for illustration purposes only. It is not expected that reporting organizations will report on exactly these types of indirect economic impacts.

- 2.4 Identify the activities in the value chain or product/service lifecycle that contributed to the indirect economic impact, for example:
- direct interaction with stakeholders (e.g., employment, training)
 - commercial interactions (e.g., procurement, acquisitions, marketing and sales of products, services and assets)
 - financial investments and payments (e.g., taxes, donations)
 - product research and development, manufacture, distribution, marketing, service and take-back activities
 - the use and end-of-life management of its products and services
- 2.5 Express the significance of the impact in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas.

3. Definitions

Indirect

A consequence of, and in addition to, the direct impact of financial transactions and the flow of money between an organization and its stakeholders.

Economic Impact

A change in the productive potential of the economy which can have an influence on a community's or stakeholder's well being and longer-term prospects for development.

4. Documentation

None

5. References

None