

16 October 2024

Professor Carol Adams, *Chair*
Global Sustainability Standards Board (GSSB)
Barbara Strozzi 101
1083 HN
Amsterdam
The Netherlands
By email - Labor@globalreporting.org

Dear Professor Adams

GRI Topic Standards Project for Labor

Deloitte Touche Tohmatsu Limited welcomes the opportunity to respond to the Labor exposure drafts (EDs) issued by the Global Reporting Initiative's (GRI) Global Sustainability Standards Board (GSSB).

Human capital is essential for business success and therefore an important consideration for entities – not only in their direct operations, but across their global value chains. For example, a Deloitte [report](#) observes that today, for many entities, ‘nothing is more important than people, from workers and contractors to customers and community members. These human connections drive everything of value to an organisation, including revenue, innovation and intellectual property, efficiency, brand relevance, productivity, retention, adaptability, and risk’.

The use of human capital by entities leads to actual or potential positive and negative impacts on people, which are of widespread interest to many stakeholders, including policy makers, leading to increasing focus on the nature of those impacts and the actions entities are taking to address them. In addition to impacts that arise from direct operations, stakeholders are also interested to understand the effects on people of new business models based on technology, increased use of informal workforces, and working conditions and human rights across entities' value chains.

We therefore think it is appropriate that the GSSB is proposing to increase the range of matters on human capital that is addressed in the GRI Standards, including both on employees and workers who are not employees but are in an employment relationship with an entity.

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Comments on the proposals

Our comments on the proposals are included in the Appendix and are uploaded to the GRI response platform. Of these, our overall comments include the following.

- *Definition of employee:* The definition of employee (including the categories of employee that should be included in the calculation of the total employed) is frequently defined in law at jurisdictional level. While the categories of employee are set out in GRI 2 7-a, which is not part of this consultation, we think further consideration should be given to the definition applied in the GRI Standards in relation to a different approach that could be mandated by law or regulation. This could also be an important consideration for some metrics that would be required by these proposals – for example, the methodology for calculating the gender pay gap could be mandated by regulation. In those instances, we think it is important that the GSSB permits an entity to use the definition of employees that are mandated locally instead of the definition set out in the GRI Standards. In our experience, it is likely that data is collected on the basis of locally mandated definitions of employee. We recommend this is included as a general provision in the GRI Standards.
- *Control of work:* While we think the proposed interpretation of ‘control of work’ is clear, we consider it is not sufficient. Rather, we recommend that the GSSB reconsider the ‘control of work’ concept itself. We agree that it is important for the GRI Standards to address employees, and workers who are not defined as employees but who have some form of contractual relationship with an entity – i.e., its non-employees or informal workers. We think this concept would be better expressed as workers who are not employees but who have an employment relationship with the entity. This would include for example interns, agency workers, self-employed contractors (including those who are contracted on ‘zero hours’ bases) and employees of joint ventures. As such, the definition would not include customers or suppliers, and therefore exclude business-to-business relationships. For these types of business relationships, the GSSB could cross-reference to existing standards (e.g. GRI 414 *Supplier Social Assessment*) and/or consider introducing additional disclosure of policies relating to due diligence over suppliers and business partners in respect of consideration for their employees, any codes of conduct required of suppliers, and any actions taken to monitor performance such as annual returns or audits, together with incidences of negative impacts on suppliers’ workers that are reported to the entity.

Given that the proposals include extensive revisions and additions to existing GRI Standards, we recommend that an effective date for the new standards should allow entities sufficient time to get ready to apply them, including setting up data collection systems and processes.

Wider corporate reporting ecosystem

We think it is systemically important and critical that the GSSB uses this opportunity while it is developing its standards and *before they are finalised* to promote alignment with wider developments in sustainability reporting. In particular, we think this is a prime opportunity for

the GRI to work closely with the International Sustainability Standards Board (ISSB) as it commences its research work on human capital. We believe the GRI and the ISSB should work closely through the existing collaboration agreement between the ISSB and the GRI to help accelerate the development of the ISSB's own standards and, before each finalises its own standards, for the two Boards to demonstrate how the two sets can be applied together by preparers.

As noted above, definitions and disclosure requirements on human capital may be prescribed in legal and regulatory frameworks at the jurisdictional level, including in jurisdictional standards such as the European Sustainability Reporting Standards. This suggests the need for further and continuing dialogue and alignment with policy makers and regulators at jurisdictional levels.

We also recommend that the GRI works closely with the newly-established Taskforce on Inequality and Social-related Financial Disclosures (TISFD) to support alignment on reporting of impacts relating to people (and to society more broadly).

If you have any questions, please contact Veronica Poole on +44 020 7007 0884 or vepoole@deloitte.co.uk, or Neil Stevenson on +44 020 7007 5636 or neilstevenson@deloitte.co.uk.

Yours sincerely

A handwritten signature in black ink, appearing to read 'V Poole', with a stylized flourish extending to the right.

Veronica Poole

Deloitte Global IFRS and Corporate Reporting Leader
Deloitte Touche Tohmatsu Limited

Appendix

Detailed comments on specific proposals in the exposure drafts

Generic comments
<p>The definition of employee (including the categories of employee that should be included in the calculation of the total employed) is frequently defined in law at jurisdictional level. While the categories of employee are set out in GRI 2 7-a, which is not part of this consultation, we think further consideration should be given to the definition applied in the GRI Standards in relation to a different approach that could be mandated by law or regulation. This could also be an important consideration for some metrics that would be required by these proposals – for example, the methodology for calculating the gender pay gap could be mandated by regulation. In those instances, we think it is important that the GSSB permits an entity to use the definition of employees that are mandated locally instead of the definition set out in the GRI Standards. In our experience, it is likely that data is collected on the basis of locally mandated definitions of employee. We recommend this is included as a general provision in the GRI Standards.</p>
<p>We recommend methodologies in the EDs clarify which categories of employee should be included in the calculation of metrics that include total employees. The EDs do not cross-reference the GRI 2 7-a disclosure on total employees and the categories that are required there in the calculation. Therefore, in the ED it is not clear what an entity should include in its calculation when applying these Labor Standards and whether the approach should be consistent with its GRI 2 disclosures.</p> <p>Furthermore, if using the GRI 2 total in these proposals, it would include temporary employees. Including (or not including) them in some calculations could lead to an underlying bias – for example, the number of temporary employees who commence and end their employment within the reporting period could significantly affect metrics on turnover and termination and reduce usefulness of the information (especially on underlying trends). Without being more specific, entities might apply their own formulas, which would reduce comparability.</p>
<p>A number of the disclosure requirements specify disaggregation by ‘significant location’ or similar. We think that the GSSB should develop additional guidance to clarify what should be considered ‘significant’ to reduce uncertainty and promote comparability. For example, guidance could suggest consideration of proportion of total employees in a location, or an absolute number. The guidance should prescribe whether the same approach should be applied or not for all instances of ‘significant locations’ (generally, we would think the same approach would be required in the interests of consistency and efficient preparation of disclosures).</p> <p>In addition, we caution that for some of the disclosures, an entity may not have the required information at the level of detail prescribed in order to be able to disaggregate by ‘significant location,’ particularly on non-employees. An important consideration here for the GSSB is to weigh up the value of information by location to users versus cost-efficient data gathering by reporting entities.</p>
<p>The proposals include requirements to disclose information based on gender. However, there are many other forms of diversity that are important to society, and where entities may have impacts. Therefore, we recommend that the proposals include the measurement and disclosure of other forms of diversity relating to an entity’s impacts.</p>

Remuneration and Working Time Exposure draft	
<i>Overall</i>	
We suggest that disclosures relevant to working time could be considered, such as hybrid and flexible working arrangements and wellbeing considerations.	
<i>Disclosure REWO 1: Policies to determine remuneration</i>	
REWO 1-a-ii	<p>We suggest more specific guidance be developed to support calculation of cost of living estimates. While we consider that the factors that could be included in the calculation are appropriate, it would be unlikely that any two entities would apply them consistently. While we do not think it is possible or desirable to be overly prescriptive, given the inherent difficulties of calculating cost of living levels and the variables in different types of economy (including the level of public services available to people free of charge), we think it would be helpful to expand on the guidance and/or to encourage application of particular methodologies (rather than only signpost them).</p> <p>We also suggest consideration be given to limiting the need for overly-granular disclosures on the methodology applied, given that the factors considered could vary by each jurisdiction.</p>
<i>Disclosure REWO 3: Recruitment policies</i>	
REWO 3-a-iv	While it is clear why job seekers might raise grievances, we think it would be helpful to clarify the circumstances that are envisaged when workers (i.e. employees) would be likely to raise grievances about the recruitment processes pre-employment.
<i>Disclosure REWO 4: Remuneration of Workers</i>	
REWO 4-a	We observe that calculating the median gross hourly basic pay for significant locations may be challenging for entities. For example, they may not have access to the detailed payroll data of subsidiaries but only receive the information as an aggregated total.
REWO 4-b, c	<p>We recommend further guidance should be provided to determine an applicable local minimum wage in the absence of a determination set out in legislation or otherwise commonly applied (e.g., through collective bargaining). For example, in the European Sustainability Reporting Standards (ESRS) topical standard ESRS S1 <i>Own Workforce</i>, ESRS S1:AR 73 provides some practical guidance that could be adapted to be applicable globally.</p> <p>On REWO 4-c, we think it may be difficult for entities to obtain consistently the information required on workers who are not employees.</p> <p>The guidance should also address how an entity should approach the calculation for individuals such as part-time and fixed-term employees, and contractors.</p>
REWO 4-d	See our overall comment above on 'significant location.'
REWO 4-g	See our overall comment above on 'significant location.'

<i>Disclosure REWO 5 Basic gender pay gap</i>	
REWO 5-a:	We think that basing the disclosure on average gross basic hourly pay is helpful, but we question if this would provide the full picture. For example, additional payments (extra hours, bonuses, etc.) could considerably affect the gender pay gap if they tended to be made to a particular group. We therefore suggest that the GSSB consider additional disclosure requirements (either metrics or further qualitative disclosure) on any substantial difference to the pay gap that might arise from additional payments.
<i>Disclosure REWO 7 Monitoring working time</i>	
REWO 7-a, b, e, f	Consideration should be given as to whether entities are likely to be able to obtain the information about working hours and annual leave taken, particularly for non-employees. In particular, this information may be more readily available in locations subject to specific working time regulations than in others that may not have similar regulations. Guidance may be needed when information is not available.
Employment Exposure draft	
<i>Disclosure EMPL 7 New hires and turnover</i>	
EMPL 7-a	With reference to our overall comment above, consideration should be given as to which categories of employee are included in the calculation (or whether disaggregated information is helpful). The inclusion of temporary workers who commenced and ended their employment within the reporting period could introduce significant differences to ratios and could obscure underlying trends across reporting periods.
EMPL 7-c:	<p>We recommend the disclosure requirement is more specific as to whether it is referencing voluntary turnover during the reporting period or over time more generally. We observe that entities may not have this information on a structured or complete basis (for example, employees may not provide a reason as to why they are leaving). While some entities may gather information from employees who resign, this may not be implemented across an entity or a group on a consistent basis and it may not be complete information (e.g. it may be voluntary for an employee to state their reasons for leaving an employer, or under cultural norms, it may not be the practice for employees to share this information).</p> <p>While the requirement is for a narrative disclosure, we nevertheless consider the information could be unreliable and difficult for an entity to verify.</p> <p>For some entities, employee satisfaction surveys may be a more reliable source of information on underlying drivers of employee retention. This is currently referenced at line 687ff but is not built into the disclosure requirements – it would be useful to consider adding this specifically as a voluntary disclosure to support EMPL 7-c.</p>
EMPL 7-d	We recommend the disclosure requirement is more specific as to whether it is referencing termination of employment during the reporting period or over time more generally. As with EMPL 7-c, we observe that entities may not have this information on a structured or complete basis (for example, the reasons for termination may not be captured). We consider that guidance would be helpful to support this disclosure requirement – for example, it would be helpful to users to understand whether termination during the reporting period was related to specific changes to an entity's

	structure, such as a merger, acquisition or disposal, operational efficiencies, or changes of location of operations, or downsizing in response to market or cost pressures.
EMPL 7-g	The disclosure requirement is not sufficiently clear in its reference to ‘the total number of... the most common types of workers who are not employees.’ We think the reference is intended to be to the number of these workers whose services are no longer used by the entity during the reporting period (i.e., related to turnover), complimenting the requirement to disclose the turnover rate. But it could be read that it is asking for the total number of these workers, which would be a duplication of GRI 2-8a. It is also not clear what is meant by ‘common types’ nor how the totals used in the calculations as set out in this disclosure requirement should relate to the total number of workers that would be disclosed under GRI 2-8a. (Logically, the numbers used should be the same.) We also think more consideration should be given to the underlying nature of turnover in this category. For example, interns or self-employed workers (e.g., contractors) may work with an entity for a very short period of time (including starting and ending their relationship with the entity in the same reporting period), while others may have an ongoing relationship with the entity. We recommend thought is given as to how these different types of workers are included in the calculations.
<i>Disclosure EMPL 8 Incidents related to recruitment</i>	
EMPL 8-a	We think it would be helpful to provide further examples of the types of ‘formal process’ the GSSB has in mind (for example, whistle-blowing channels, or complaints to professional bodies, organised labour, or regulators). Further consideration should be given as to whether it is useful to combine legal or formal action in the same total as matters identified through the entity’s own monitoring or self-reporting systems. It would be normal practice to identify formal actions separately. We also question how complete the data would be on incidents identified by the entity itself, especially if the incidents arise through monitoring procedures rather than through a formal reporting mechanism.
<i>Disclosure EMPL 9 Performance reviews</i>	
EMPL 9-a and 9-b	These metrics presume people management systems have been put in place to capture the data. While it is more likely an entity’s systems would capture information about its own employees, we are less certain that systems would record information about workers who are not employees. Furthermore, we would not see it would necessarily be the responsibility of the entity to conduct performance reviews for categories of workers such as agency workers or self-employed contractors. Therefore, we question the practicability of this disclosure.
EMPL 9-c	We are not certain entities would be able to capture this information in a structured way, particularly for workers who are not employees. It might be more useful to understand the underlying policies about performance reviews including how an entity would address reviews that were not undertaken.
EMPL 9-d	We consider this disclosure requirement is not useful as currently drafted as a) it presumes an appeals system has been put in place and b) it is not clear what is intended by ‘appeal’ – is it a formal complaint raised to management or to another body such as a director of a committee that oversees people management? We recommend that guidance should clarify what is meant by ‘appeal’ and that an entity is required to

	disclose whether there is such a system in place. We think that a more useful metric would be the number of appeals that were upheld through the defined channels rather than how many appeals were made.
<i>Disclosure EMPL 10 Incidents related to personal data protection and privacy</i>	
EMPL 10-a and 10-b	See our comments on EMPL 8-1 above on incidents and formal complaints.
Significant Changes for Workers Exposure Draft	
<i>Overall</i>	
<p>We consider the ED is confusing at points as to whether it is referring to an entity's overall policies in relation to significant changes generally (such as a mass termination) or the specific policies and arrangements that were applied in relation to a specific change that occurred during the reporting period. For example, in SICH 1, a) and c) would appear to be more about policy while b) requires disclosure of actions taken, which implies the disclosure would be in relation to a specific event during the reporting period. Furthermore, the ED does not appear to require a factual disclosure when such an event occurred during the reporting period and to require information about its nature. This would be essential information to users in understanding how the entity considered and managed the impacts of such a change on people.</p> <p>In the interest of focusing on material information, we think it is more useful to users for this standard to be applicable in the event of significant changes occurring during the reporting period to understand a) the overall policies and approaches put in place by an entity to manage such significant changes at that point in time, b) the nature of the change that occurred during the reporting year and c) how the entity managed its impacts on people (bearing in mind that specific arrangements could have been made outside existing overall policies, depending on the nature of the change, the jurisdiction(s) in which it happened and the impacts that needed to be addressed).</p>	
<i>Disclosure SICH 1 Management of significant changes for workers</i>	
SICH 1-a	We suggest that reference could also be made to engagement with employee groups that may be established within an entity that are not included in the definition of workers' representatives.
<i>Disclosure SICH 2 Minimum consultation and notice periods</i>	
SICH 2-b	See the above overall comment on inconsistency of approach to policy versus description of actions taken in relation to actual changes in the reporting period.
<i>Disclosure SICH 3 Redeployment and training</i>	
SICH 3-b	We think the disclosure requirements should be clearer. As suggested above, we think it would be helpful first for an entity to disclose any significant changes that occurred during the reporting period, and to explain their nature. Second, we think it would be helpful to state more clearly the requirement to disclose the number of employees whose employment was terminated – this requirement is currently positioned in 3-b alongside redeployment. We suggest the number of employees who have been redeployed is a separate disclosure requirement, for clarity.

	<p>In the guidance, we think the formula is wrong as it replicates the formula used for 3-a and should instead reference termination.</p> <p>Either in this ED, or in the Employment ED, we recommend consideration is given to a disclosure on any injured employees who were retrained and redeployed within the workplace (for example, following a work-related injury that would prevent an individual from continuing in a current role).</p>
SICH 3-c	See our overall comment above on 'significant location.'

Interpretation of Control of Work Exposure Draft

While we think the proposed interpretation is clear and we agree that the examples provided would not constitute 'control of work' as set out in GRI 2, we consider it is not sufficient. Rather, we recommend that the GSSB reconsider the 'control of work' concept itself. We agree that it is important for the GRI Standards to address employees, and workers who are not defined as employees but who have some form of contractual relationship with an entity – i.e., its non-employees or informal workers. We observe that the use of an 'informal workforce' by entities, and impacts on these groups, is a matter of increasing interest to stakeholders including policy makers and it therefore an area of importance for disclosure.

We think this concept would be better expressed as workers who are not employees but who have an employment relationship with the entity. This would include for example interns, agency workers, self-employed contractors (including those who are contracted on 'zero hours' bases) and employees of joint ventures. As such, the definition would not include customers or suppliers, and therefore exclude business-to-business relationships.

For these types of business relationships, the GSSB could cross-reference to existing standards (e.g. GRI 414 *Supplier Social Assessment*) and/or introduce additional disclosure of policies relating to due diligence over suppliers and business partners in respect of consideration for their employees, any codes of conduct required of suppliers, and any actions taken to monitor performance such as annual returns or audits, together with incidences of negative impacts on suppliers' workers that are reported to the entity.