Towards mandated financial and sustainability reporting on equal footing

GRI’s vision on sustainability reporting

Peter Paul van de Wijs, Chief External Affairs
May 5, 2022
Who we are

Why
GRI exists to help organizations be transparent and take responsibility for their impacts so that we can create a sustainable future. 25 years this year!

How
We create the global common language for organizations to report their impacts. This enables informed dialogue and decision making around those impacts.

What
• GRI is the global standard setter for impact reporting.
• Through an independent, multi-stakeholder process
• We maintain the world’s most comprehensive set of sustainability reporting standards.
• The GRI Standards are available as a free public good.
The GRI Standards

• The GRI Standards are a modular system comprising three series of standards: the revised Universal Standards, the new Sector Standards, and the adapted Topic Standards.

• The new Sector Standards increase the quality, completeness, and consistency of reporting by organizations within sectors.

• There are now 31 Topic Standards. An organization selects the Topic Standards that correspond to the material topics it has determined for reporting.

• The updated GRI Standards are made freely available to any organization. Currently available in English, translations will be available over the course of the year.
GRI influencing global policies

More than 160 policies in over 60 countries and regions reference or require GRI for reporting

- Governments (governmental department, agency)
- Stock Exchanges & Financial Market Regulators only
- Both
Many stock exchanges reference or require GRI
Global trend

Drive towards the creation of a comprehensive corporate reporting regime based on a two-pillar reporting structure and a core set of common standards for each pillar and on equal footing

- Pillar 1 – Strengthened financial reporting
  Focus: impact on companies disclosures addressing the financial implications of sustainability issues

- Pillar 2 – Sustainability reporting
  Focus: all impacts a company is having on society and the environment and hence their contributions towards the goal of sustainable development
Double materiality

The guiding principle for sustainability reporting

• Companies need to consider materiality from two perspectives
  1. economic, environmental and social impact of the company’s activities on all stakeholders
  2. the impact of sustainability issues on the value of the company

• Each direction of double materiality needs to be considered in its own right
  • It is not about the convergence of the two perspectives that renders an issue as material

• Financial and sustainability standards must be developed and governed in their own right and a mechanism is needed to address questions of connectedness between the two

• A company should start with the assessment of the outward impact followed by the identification of the subset of information which is financially material to the company and of interest to financially focused stakeholder groups
Vision of a global system

Additions and limited adaptation

**Individual jurisdictions**

**Global**

**FINANCIAL REPORTING**

- **Financial Statements**
  - Information about the reporting entity’s assets, liabilities, equity, income and expenses.
  - Sustainability disclosures for the financial markets
    - Information assists in the interpretation of financial statements or improves users’ ability to make better economic decisions.
  - Financial risks/opportunities related to the impacts of the reporting entity’s activities.
  - Financial risks/opportunities unrelated to the impacts of the reporting entity’s activities.

**SUSTAINABILITY REPORTING**

- Information (qualitative and quantitative) about an organization’s impacts on the economy, environment, and people.

**IFRS Foundation**
- International Financial Reporting Standards (IFRS)

**International Sustainability Standards Board (ISSB)**
- GRI Sustainability Reporting Standards

**Global Reporting Initiative (GRI)**
- GRI Sustainability Reporting Standards
In practice

*(clearing the soup ...)*
## Two Complementary Initiatives

<table>
<thead>
<tr>
<th><strong>EU – CSRD</strong></th>
<th><strong>IFRS - ISSB</strong></th>
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<tbody>
<tr>
<td><strong>Audience</strong></td>
<td>Investors</td>
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<tr>
<td>All users of sustainability reporting and affected stakeholders, including with respect to potential future impacts</td>
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<tr>
<td><strong>Scope</strong></td>
<td>Climate first, then other ESG matters</td>
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<tr>
<td>All sustainable development issues – including the impact of an organisation’s products and services and its broader value chain.</td>
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<td><strong>Materiality</strong></td>
<td>Financial Materiality/Enterprise Value Creation - Information material to investors, lenders and other creditors</td>
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<td>Double materiality – including material impact of an organisation on sustainable development as well as how these impacts influence value creation.</td>
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<td><strong>Foundation</strong></td>
<td>TCFD recommendations and the prototype standard</td>
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| ‘Overarching principles’  
  i) support an inclusive range of stakeholders; and  
  ii) principles-based. Build on initiatives that have similar goals | |
| **Timing** | |
| 21 April 2021 | 8 March 2021 | Announcement of strategic direction |
| 1st half of 2022 | 22 March – November 2021 | Technical Readiness Working Group |
| June 15, 2022 | November 2021 (COP 26) | Technical proposal for climate standard |
| November 2022 | | Establishment of new board ISSB announced |
| 2023 | March 2022 | VRF (SASB/IIRC) and CDSB to merge into ISSB |
| 2024 * | December 2022 | Public consultation on draft Climate Standard |
| 2024 * | | Standard launched |

*Note: the final implementation date for companies is still being negotiated the preparation time for companies could be extended a year. In 2025 the first reports would be published over 2024*
Initiative 1
Trilogue Negotiations

Per 11.4.2022

No disagreement on
- The need for the ESRS
- The content and ambition of the standards

Priority negotiation topics
- scope, especially whether non-EU companies should be captured
- desire to protect SMEs from unnecessary administrative burden
- audit regime and whether there should be a strict separation between audit and assurance service providers
Initiative 2
IFRS Foundation to addresses investor information needs in regard to sustainability information

IFRS Foundation announces International Sustainability Standards Board, consolidation with CDSB and VRF, and publication of prototype disclosure requirements

As world leaders meet in Glasgow for COP26, the UN global summit to address the critical and urgent issue of climate change, the IFRS Foundation Trustees (Trustees) announce three significant developments to provide the global financial markets with high-quality disclosures on climate and other sustainability issues:

- The formation of a new International Sustainability Standards Board (ISSB) to develop—in the public interest—a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors’ information needs;

Related information
Erkki Liikanen’s COP26 speech
Feedback Statement on proposed amendments to the IFRS Foundation’s Constitution
IFRS Foundation and GRI to align capital market and multi-stakeholder standards

Published date: 24 March 2022

Agreement to create an interconnected approach for sustainability disclosures

The IFRS Foundation and Global Reporting Initiative (GRI) have announced today a collaboration agreement under which their respective standard setting boards, the International Sustainability Standards Board (ISSB) and the Global Sustainability Standards Board (GSSB), will seek to coordinate their work programmes and standard-setting activities.
THANK YOU

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