

GRI's Response to the Eumedion Green Paper: Towards a global standard setter for non-financial reporting

Dear Martijn,

GRI would like to thank Eumedion for the opportunity to respond to the Green Paper. The paper gives an important perspective to the ongoing debate around the standardization and consolidation of non-financial reporting.

GRI is an independent international organization pioneering sustainability reporting for over 20 years. The development of the GRI Sustainability Reporting Standards (GRI Standards) has transformed reporting on sustainability matters from a niche practice into one now adopted by a majority of large listed corporations and other organizations. The GRI Standards are a free public good and available in 11 languages and are used by 75% of the 250 largest reporting companies worldwide¹.

A key aspect of the GRI Standards is their focus on the impacts of an organization on the economy, the environment, and society. Recently, initiatives that look at how selected sustainability issues impact the company have gained traction, such as the Task Force on Climate-Related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB). These are established purely with investors and financial materiality in mind. GRI recognizes the observation according to which, in recent discussion papers by Eumedion and Accountancy Europe², there is an increasing awareness that reporting on 'non-financial' information needs to go beyond what is considered financially material to investors. This is further reinforced by the current developments in the European Union such as the revision of the Non-Financial Reporting Directive, the discussions around a European Standards Agency and the 'double materiality perspective'³ put forward by the European Commission last year. All developments that we strongly support.

Eumedion states that there is no global standard-setter and that there are 'hundreds of frameworks'. While it may be true that there are numerous initiatives, GRI argues that is not justified to define them under one common denominator. Further, we think that there are currently only two initiatives that can be considered global standard-setters on sustainability reporting – GRI and SASB. Both provide principles and metrics for organizations that address global issues. Differences in the definition of materiality, stakeholder involvement, reporting approaches, and governance structures, are all reasons why there are more than one standard-setter.

It is important to understand these communalities and differences. These standards have different approaches to sustainability reporting. As stated by the CEO of SASB in a recent FT article their standards represent a subset of the topics covered by GRI addressing needs from one specific stakeholder. While GRI focuses on the economic, environmental, and social impacts of an organization, SASB focuses purely on investors and what they consider topics financially material to the companies. What is more, the GRI process defines a process for companies to determine what is material to them, where the SASB standards pre-determine material issues by sector. Furthermore, the process of setting standards is different as well; GRI's uses a public, global multi-stakeholder approach governed by an

¹ <https://assets.kpmg/content/dam/kpmg/xx/pdf/2017/10/kpmg-survey-of-corporate-responsibility-reporting-2017.pdf>

² <https://www.accountancyeurope.eu/wp-content/uploads/191220-Future-of-Corporate-Reporting.pdf>

³ https://ec.europa.eu/finance/docs/policy/190618-climate-related-information-reporting-guidelines_en.pdf

independent standard setting body. And, finally the adoption rates of the two standards are widely different with GRI being used globally by over 8.000 companies.

Efforts are underway to harmonize where possible, both publicly through the Corporate Reporting Dialogue, and behind the scenes through continued discussions. But acknowledging the complementary nature of the most widely accepted sustainability reporting initiatives is as important.

To further discuss why GRI believes it already can be considered a global standard setter, and show how we align with the characteristics presented in the Green Paper, these points are considered below.

The INRS needs to address the material information needs of all relevant stakeholders

A multi-stakeholder approach is applied in the development of the GRI Standards to ensure that the information needs of all relevant stakeholders are reflected in the Standards. This includes experts from Civil Society, Labor, Capital Markets, Business, Government, and Academia. GRI agrees that sustainability disclosures should not be only focused on the information needs of investors.

Independence is required and should be embedded in the governance structure

The governance structure of GRI has been mirrored to that of the IFRS to further safeguard the independence of the standard-setting process. This includes a Global Sustainability Standards Board (GSSB) and a Due Process Oversight Committee. The development of our Standards is separated from GRI's other activities through a 'firewall'. Finally, there is a high diversity of revenue streams to ensure funding has minimal influence on the standard-setting process.

The INSB should initially focus on drafting standards for narrative and measurement

Both narrative and measurement are represented in the GRI Standards. GRI strongly believes that, especially in sustainability, context is essential to understand the impacts that a company has on people and the planet. Next to a wide range of topic-specific metrics, a key element of the GRI Standards is a disclosure of the management approach to a specific sustainability topic in which the company describes the narrative around the issue. For example, an indicator that simply measures the total amount of water that a company consumes is meaningless without a description of the level of water stress in the location where the water is consumed.

A sector approach but with judgement of companies

The GRI reporting process includes a materiality assessment in which the company determines on which material topics it should report on. A big part of this process includes stakeholder engagement, in which the company's relevant stakeholders are engaged to understand what they identify as material topics. Because every company has its own context, this is a key process to come to the most material topics. GRI has had sector guidelines alongside its previous iteration of the GRI Reporting Framework G4, and is currently developing Sector Standards to provide additional guidance for companies⁴.

We thank Eumedion for their paper and the opportunity to respond. We are looking forward to continuing this conversation in the coming months and we remain available to answer further questions based on our response.

Sincerely,

GRI External Affairs Team

⁴ <https://www.globalreporting.org/standards/work-program-and-standards-review/gri-sector-program/>