



# **GRI Sector Standard Project for Financial Services –Explanatory Memorandum to the exposure drafts for Banking, Capital Markets, and Insurance**

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This explanatory memorandum sets out the objectives of the GRI Sector Standards Project for Financial Services. It also includes the significant proposals contained in the exposure drafts and summarizes the Global Sustainability Standards Board's (GSSB) involvement and views on the development of the following exposure drafts:

- GRI Sector Standard Project for Financial Services – Banking
  - GRI Sector Standard Project for Financial Services – Capital Markets
  - GRI Sector Standard Project for Financial Services – Insurance
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## Objectives for the project

The financial services sector was identified as a priority for a reporting standard by the GSSB in 2020 due to its wide-ranging impacts on the environment, people, and economies on both local and global scales.

The project's primary objective is to develop Sector Standards for banking, capital markets, and insurance that improve transparency on the impacts of organizations in these sectors to enable complete and consistent reporting. The reason for developing these three Standards within the bounds of a single project is the similarity of impacts, which stems from the common nature of products and services that organizations in these sectors offer, namely facilitating financial transactions, risk management, and allocating capital towards investments. Among large financial services providers, there is a fair amount of integration across the three sectors. For example, insurance and banking organizations can be active in capital markets through their investment activities. Despite the commonalities across banking, capital markets, and insurance, organizations in these sectors also carry out distinct activities and operate under different regulatory regimes, necessitating dedicated Sector Standards.

These Standards aim to identify and describe the topics likely to be material for reporting by organizations in the banking, capital markets, and insurance sectors based on the following:

- their most significant impacts;
- evidence provided and authoritative references on these impacts; and
- relevant disclosures listed for reporting.

Three technical committees (TCs) have been appointed for [banking](#), [capital markets](#), and [insurance](#) to contribute to the development of the exposure drafts, as laid out by the [GSSB due process protocol](#). Each committee consists of 13 experts across the financial services sectors, representing civil society, mediating institutions, business enterprises, and labor and investment institutions. These committees collaborate through a cross-sector exchange on impacts common to all three sectors.

For more information on the project, consult the [project proposal](#) and [terms of reference](#).

## Significant proposals

Exposure drafts for the banking, capital markets, and insurance sectors have been developed in line with the project objectives set out above.

Notable inclusions related to the likely material topics, sector reporting, and key areas of focus in the exposure drafts are summarized below:

### 1. Investment activities in the banking and insurance exposure drafts

Disclosures on impacts arising from investment activities are most relevant to the capital markets sector. However, recognizing that many organizations in the banking and insurance sectors also undertake investment activities, related disclosures have been included in the banking and insurance exposure drafts. This approach streamlines reporting by enabling organizations in the banking and insurance sectors with investment activities to report on these through a single Sector Standard.

### 2. Involvement with impacts through customers and investees

Organizations in the banking, capital markets, and insurance sectors are involved with impacts on the economy, environment, and people, including human rights, through their own activities or business relationships. By providing products, services, and investments, organizations are involved with the impacts of their institutional customers and investees and their respective value chains. With customers and investees spanning all economic sectors, transparency in how financial services organizations manage these impacts and incorporate sustainability considerations into lending, investment, and insurance decisions is critical for assessing their contribution to sustainable development.

50 The three exposure drafts include disclosures for incorporating sustainability and assessing and  
51 managing impacts from customers and investees. The additional sector disclosures complement  
52 Disclosure 3-1 Process to determine material topics and Disclosure 3-3 Management of material  
53 topics in *GRI 3: Material Topics 2021*, and are included in the following sections in each exposure  
54 draft:

- 55 • Banking: 'Disclosures on incorporating sustainability in banking and investment' (see pages  
56 15-18);
- 57 • Capital markets: 'Disclosures on incorporating sustainability in investment' (see pages 15-18);
- 58 • Insurance: 'Disclosures on impacts from customers and investees' (see pages 16-18).

59 In addition to these disclosures, each likely material topic separately lists an additional sector  
60 recommendation on customer engagement and investee stewardship related to the topic.

61 While these disclosures are similar across the three sectors in addressing how impacts from  
62 customers and investees are managed, the scope and focus vary to reflect sector-specific  
63 practices. The sections on incorporating sustainability in banking and investment include  
64 disclosures on policies, structures, processes, and products, given their significance for  
65 contextualizing subsequent information disclosed. The level of detail in these disclosures for the  
66 banking and capital markets sectors was not deemed relevant for insurance, given the sector's  
67 focus on risk management.

### 68 3. Likely material topics

69 A total of 22 topics have been identified as likely to be material for most or all organizations in the  
70 banking and capital markets sectors, while 23 topics have been identified for the insurance sector.  
71 Of these, 21 topics are common across all three sectors, reflecting the significant overlap in  
72 shared impacts. The likely material topics identified cover the sectors' most significant impacts via  
73 their own activities and their business relationships, including beyond the first tier.

74 Three of the likely material topics diverge among the banking, capital markets, and insurance  
75 sectors:

- 76 • **Conflict-affected and high-risk areas** is included for banking and capital markets but not for  
77 insurance.
  - 78 ○ The insurance TC deemed the topic of conflict-affected and high-risk areas not  
79 material for the insurance sector. Although the topic can be material for the  
80 investment activities of insurance organizations, it is less relevant for insurance  
81 activities. Insurance does not directly finance activities that could exacerbate conflict-  
82 related impacts but assesses and manages the risks to be supported or excluded.
- 83 • **Public and customer health and safety** is included for insurance but not for banking and  
84 capital markets.
  - 85 ○ The insurance TC deemed this topic material for the sector because of insurers' role  
86 in using their risk expertise to support public and customer health and safety through  
87 product and service design, incentives, risk awareness, and disaster preparedness  
88 efforts. This topic could also be relevant for banking and capital markets for impacts  
89 through business relationships, such as through lending or investing to organizations  
90 involved with negative health and safety impacts. However, this topic was not  
91 considered material for most or all organizations in those sectors.
- 92 • **Incorporating sustainability in investment** is included for insurance but not for banking and  
93 capital markets.
  - 94 ○ The insurance TC opted to include detailed disclosures on investment separately  
95 under this likely material topic, as investing is not a core activity for all organizations  
96 in the insurance sector. This allows organizations to report these disclosures only if  
97 deemed material by the organization, i.e., for their investment activities.
  - 98 ○ The banking exposure draft includes these disclosures in the section 'Disclosures on  
99 incorporating sustainability in banking and investment' (see pages 15-18). This  
100 section's scope includes investment and lending activities, and these disclosures are  
101 expected to be reported by all organizations in the banking sector.
  - 102 ○ The capital markets exposure draft includes these disclosures in the section  
103 'Disclosures on incorporating sustainability in investment' (see pages 15-18). The

104 scope of this section focuses on investment activities, and these disclosures are  
105 expected to be reported by all organizations in the capital markets sector.

106 See [Table 1](#) for the list of likely material topics, including differences between the three sectors.

#### 107 4. Likely material topics that do not have corresponding Topic Standards or applicable Topic 108 Standard disclosures

109 Most likely material topics in the exposure draft have corresponding GRI Topic Standards or  
110 Topic Standard disclosures. Five topics in the proposed exposure drafts do not have a  
111 corresponding GRI Topic Standard or applicable Topic Standard disclosures. Three of these are  
112 introduced as new topics in the GRI Standards:

- 113 • **Financial health and inclusion** (included in banking, capital markets, and insurance)
  - 114 ○ This topic has no corresponding Topic Standard or contents in previous Sector
  - 115 Standards and focuses on an organization's approach to promoting financial health
  - 116 and inclusion. Reporting on this topic focuses on organizations' actions and
  - 117 processes aimed at improving access to and usage of financial products and services
  - 118 for targeted customer groups.
- 119 • **Public and customer health and safety** (included in insurance)
  - 120 ○ This topic has no corresponding Topic Standard or contents in previous Sector
  - 121 Standards. This topic differs from *GRI 416: Customer Health and Safety 2016* by
  - 122 addressing how insurers can use their risk expertise (e.g., flood risk data) to educate
  - 123 and protect customers and the broader public. The topic also highlights insurers' role
  - 124 in customer education on health and safety impacts.
- 125 • **Incorporating sustainability in investment** (included in insurance)
  - 126 ○ This topic has no corresponding Topic Standard or contents in previous Sector
  - 127 Standards. It focuses on how organizations define and manage sustainability impacts
  - 128 through asset allocation and stewardship to reduce negative impacts and enhance
  - 129 positive ones.
- 130 • **Conflict-affected and high-risk areas** (included in banking and capital markets)
  - 131 ○ This topic builds on Topic 14.25 'Conflict-affected and high-risk areas' (*GRI 14*),
  - 132 which focuses on organizations' own activities and upstream business relationships.
  - 133 While maintaining the scope of the organization's own activities, the topic emphasizes
  - 134 downstream business relationships. This topic covers an organization's approach and
  - 135 impacts on operating or providing services to customers and investees in conflict-
  - 136 affected and high-risk areas. Reporting on this topic addresses due diligence
  - 137 expectations and adherence to international humanitarian law for customers and
  - 138 investees. It also covers portfolio exposure, contextual information on how lending
  - 139 and investment portfolios are exposed to these areas, and the organization's
  - 140 approach to providing investment products and services to defense sector investees.
- 141 • **Local communities and rights of Indigenous Peoples** (banking, capital markets and insurance)
  - 142 ○ Since the disclosures included in *GRI 411: Rights of Indigenous Peoples 2016* and
  - 143 *GRI 413: Local Communities 2016* focus on an organization's operations and do not
  - 144 address business relationships or the value chain, they were not deemed relevant for
  - 145 reporting for these sectors. Instead, the additional sector reporting focused on
  - 146 managing impacts from an organization's customers and investees.

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#### 148 5. Additional sector reporting

149 All likely material topics include additional sector reporting. This additional sector reporting was  
150 identified as critical by the TCs due to the nature of financial services activities and their business  
151 relationships. Additional sector recommendations and disclosures were developed by the TCs or  
152 applied from other normative reporting instruments already used by organizations in the sector to  
153 disclose their impacts. For 19 topics, additional sector reporting is included alongside disclosures  
154 from Topic Standards. For the five topics that do not have corresponding Topic Standards or  
155 applicable disclosures (as noted in point 4), reporting for these topics does not include Topic  
156 Standard disclosures but solely includes additional sector reporting.

#### 157 6. Alignment with current exposure drafts

158 The likely material topics [Climate change](#), [Employment](#), [Remuneration and working time](#), and

159 [Significant changes for workers](#) list relevant disclosures from Topic Standard exposure drafts.  
 160 These disclosures are subject to change based on the final revisions to these Topic Standards.

161 **GSSB involvement and views on the development of this draft**

162 The GSSB has been regularly updated on the content development process for financial services  
 163 through the Chief of Standards updates of Standards development projects in the public GSSB  
 164 meetings. In September 2024, the project lead provided the GSSB with an overview of working  
 165 content in the draft Standards ahead of the submission of the exposure drafts. The meeting  
 166 recordings can be accessed on the GSSB website. In October 2024, the GSSB appointed one of its  
 167 members as the GSSB sponsor for this project.

168 **Superseded publications**

169 The GRI Sector Standards for banking, capital markets, and insurance will be relevant for  
 170 organizations previously using the G4 Financial Services Sector Disclosures. The contents of these  
 171 Sector Disclosures were not updated as part of the transition from the G4 Guidelines to the GRI  
 172 Standards.

173 **Table 1. Likely material topics included in the exposure drafts for**  
 174 **banking, capital markets, and insurance**

175 Note: Reporting on the topics is subject to an organization’s materiality assessment. When  
 176 determining its material topics, a reporting organization in the sector needs to review each topic  
 177 described in the Standard and determine whether it is material for it to report on based on its specific  
 178 circumstances.

179 Not all topics listed in the Standard may be material for all organizations in the sector. For  
 180 organizations reporting in accordance with the GRI Standards, if any of the topics included in the  
 181 Standard are deemed not material, the organization lists them in the GRI Content Index and provides  
 182 a short explanation of why they are not material.

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184 **Table 1. Likely material topics included in the exposure drafts for banking, capital markets,**  
 185 **and insurance**

Likely material topic	Banking exposure draft	Capital markets exposure draft	Insurance exposure draft
Climate change	✓	✓	✓
Biodiversity	✓	✓	✓
Water and effluents	✓	✓	✓
Waste	✓	✓	✓
Financial health and inclusion	✓	✓	✓
Customer privacy and data security	✓	✓	✓

Marketing and labeling	✓	✓	✓
Local communities and rights of Indigenous Peoples	✓	✓	✓
Conflict-affected and high-risk areas	✓	✓	X
Non-discrimination and equal opportunity	✓	✓	✓
Forced or compulsory labor	✓	✓	✓
Child labor	✓	✓	✓
Freedom of association and collective bargaining	✓	✓	✓
Occupational health and safety	✓	✓	✓
Employment	✓	✓	✓
Remuneration and working time	✓	✓	✓
Significant changes for workers	✓	✓	✓
Economic impacts	✓	✓	✓
Prevention of corruption and financial crime	✓	✓	✓
Anti-competitive behavior	✓	✓	✓
Tax	✓	✓	✓
Public policy	✓	✓	✓
Public and customer health and safety	X	X	✓
Incorporating sustainability in investment	X	X	✓