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GRI Sector Standard Project for Financial Services – Banking, Capital markets, and Insurance

FAQs

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1. Why three Standards and not one Standard for financial services?

Despite the high level of integration, the banking, capital markets, and insurance sectors do carry out distinct activities and operate under different regulatory regimes, which necessitates dedicated Sector Standards. These Standards approach common impacts from the perspective of each sector, as well as address topics that are distinct to the sectors.

2. What is the scope of these Standards?

The Sector Standards for banking, capital markets and insurance apply to organizations in these sectors who direct capital flows across the economy. This includes holding financial assets, providing financing and risk management, and facilitating capital allocation through services such as brokerage and investment consultancy.

The banking exposure draft applies to organizations undertaking:

- Consumer banking
- Commercial banking
- Corporate banking
- Investment banking

The capital markets exposure draft applies to organizations undertaking:

- Asset ownership
- Asset management
- Wealth management
- Custodian activities
- Investment advisory

The insurance exposure draft applies to organizations undertaking:

- Life insurance
- Non-life insurance
- Reinsurance
- Insurance intermediation, for example, by agents and brokers.

3. Some organizations do business in more than one of these sectors. Will they have to report on more than one of the Standards?

A key objective of this project is to align disclosures across the Standards where impacts are the same across sectors. This helps reduce the reporting burden for organizations operating in multiple sectors. Based on technical committee recommendations, the exposure drafts propose a structure that allows banking and insurance organizations with investment activities to report on those activities within the Banking and Insurance Sector Standards, respectively. Other activities are covered only within their respective sector standards (e.g., insurance activities are included only in the Insurance Sector Standard).

4. What is the relationship between the Financial Services Sector Standards and other relevant initiatives in the sector?

The GRI Financial Services Sector Standards provide a framework for assessing material impacts and have been informed and developed considering global sustainability initiatives, and key instruments for the financial services sector.

These Sector Standards are informed by general authoritative instruments such as the OECD Guidelines on Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and instruments relevant for specific topics, such as the Paris Climate Agreement, and the Kunming-Montreal Biodiversity Framework, which shape sustainability reporting expectations. Additionally, the Standards are informed by relevant global frameworks, such as the UNEP Finance Principles for

Responsible Banking (PRB), Principles for Responsible Investment (PRI) and Principles for Sustainable Insurance (PSI), promoting best practices in banking, investment, and insurance.

Building on existing relevant instruments and frameworks, the Sector Standards complement other tools while offering a unique contribution to enhance transparency and accountability regarding the financial services sector's impacts on the economy, environment, and people.

5. Which topics are identified as likely to be material for these sectors?

The following topics are included as likely to be material for these sectors:

- 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 *(banking and capital markets)*
- 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 (*insurance)*
- Incorporating sustainability in investment (*insurance; in banking and capital markets these disclosures are included in the section 'incorporating sustainability in (banking and) investment').*

6. How were these likely material topics selected considering that financial services organization can be connected to virtually all impacts through their business relationships?

Likely material topics represent the sector's most significant impacts on the economy, environment, and people, either through their own activities or their business relationships, such as those with investees. The exposure drafts include the most significant impacts as identified by the technical committees, with significance determined by both severity and likelihood. The drafts reflect topics commonly reported by financial services organizations, identified through input from the technical committees, peer reviews, and GRI Standard's division research, including sustainability reports and sector initiatives. Severity is determined based on the scale, scope, and irremediable nature of the impact. A topic can be material where the severity of the impact outweighs the likelihood of it occurring. For example, if an investee is involved in a significant negative impact, the topic can still be material to the financial services organization, even if the investee represents only a small portion of its portfolio.

7. Why do these Sector Standards consider impacts via business relationships, especially those of customers and investees?

Organizations reporting in accordance with GRI must consider all their potential and actual impacts via their own activities and their business relationships. This requirement reflects GRI's alignment with authoritative instruments such as the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for MNEs. Both of these instruments outline that organizations must seek to prevent or mitigate impacts with which they are involved via their business relationships.

Such impacts are particularly relevant for the financial services sector, which does not undertake manufacturing or production. Instead, financial organizations can be connected to many impacts by providing products, services, and investments to organizations in other sectors.

8. How are the impacts of financial services organizations' customers and investees considered in these Sector Standards?

The three exposure drafts include disclosures on how organizations assess and manage impacts through their institutional customers and investees, such as impact assessments at portfolio and transaction levels, engagement and stewardship practices, and how sustainability is incorporated into investment, banking, and insurance decisions. These disclosures are placed before the likely material topics section in the draft Standards and complement *GRI 3-1 Process to determine material topics* and *GRI 3-3 Management of material topics*, about how organizations identify and manage actual and potential impacts across their activities and business relationships.

Additionally, all likely material topics include additional sector reporting, primarily to address financial services organizations' impacts through business relationships with their institutional customers and investees.