



Barbara Strozziiaan 336
1083 HN Amsterdam
The Netherlands
gssbsecretariat@globalreporting.org

GSSB Summary of the virtual meeting held on 5 November 2020

Approved by the GSSB on 3 December 2020

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2 Participants

3 Present:

Name	Constituency
Judy Kuszewski	Chair
Robyn Leeson	Vice-Chair
Loredana Carta	Labor
Peter Colley	Labor
Kirsten Margrethe Hovi	Business enterprise
Vincent Kong	Business enterprise
Rama Krishnan Venkateswaran	Investment institution
Joseph Martin	Business enterprise
Tung-Li (Tony) Mo	Civil society organization
Jennifer Princing	Business enterprise
Corli le Roux	Mediating institution
Gustavo Sinner	Mediating institution
Kenton Swift	Civil society organization
Michel Washer	Business enterprise

4 Apologies:

Name	Constituency
Evan Harvey	Investment institution

5 In attendance from GRI:

Name	Position
Bastian Buck	Chief of Standards
Laura Espinach	Head of Technical Development

6 List of abbreviations

IFRS	International Financial Reporting Standards
GSSB	Global Sustainability Standards Board
SD	Standards Division

7 Action items

GSSB	
Session 2	<ul style="list-style-type: none"> • GSSB to communicate to the SD any further issues from the public comment feedback on the key concepts section of the Universal Standards exposure draft that it would like discussed at future meetings. • GSSB to communicate any issues arising from the public comment feedback relevant to the meeting on 19 November 2020 by close of business on 17 November.
Standards Division	
Session 2	<ul style="list-style-type: none"> • SD to pursue Scenario 2 (see Session 2 summary) as a strategy, and to explore how this can be elaborated in the Universal Standards. • SD to liaise with the Chair and other colleagues to produce an article elaborating some of the issues arising from the public comment feedback, and GRI's activities in this regard.

8 Session 1: Welcome

9 GSSB Chair Judy Kuszewski (henceforth the Chair) welcomed the GSSB and presented an overview
10 of the meeting agenda.

11 Session 2: GRI Universal Standards

12 Project update: Key concepts

13 The GSSB was presented with [Item 01– Public comments on key concepts in the Universal](#)
14 [Standards exposure draft](#) for information.

15 The Standards Division (SD) presented the GSSB with an overview of the public comment feedback
16 on key concepts in the Universal Standards exposure draft and identified three issues for further
17 discussion: double materiality, stakeholder engagement, and greenwashing.

18 **Double materiality**

19 The SD presented the perspective of the EU Non-Financial Reporting Directive on double materiality
20 and the perspective of the International Financial Reporting Standards (IFRS) on the relationship
21 between sustainability reporting and financial reporting. The SD gave its assessment on this
22 relationship and suggested viewing the relationship taking the overall future of reporting into account.

23 Financial reporting is made up of *financial statements* and *other financial reporting*. Other financial
24 reporting is information outside the financial statements that assists in the interpretation of the
25 financial statements or improves users' ability to make better economic decisions. Information from
26 sustainability reporting provides one form of input for identifying the financial risks and opportunities
27 discussed in other financial reporting.

28 Several GSSB members expressed that the double materiality approach was not an appropriate way
29 forward for GRI. GSSB members mentioned that all outward impacts of a company have inward
30 financial consequences for the company, and suggested that the focus of GRI should not be to
31 disassociate sustainability reporting from financial reporting but, as recommended by the SD, to
32 emphasize how sustainability reporting can feed information into the financial materiality process and
33 financial reporting.

34 A GSSB member raised a concern that disregarding the company's economic sustainability in the
35 sustainability reporting process would leave GRI open to criticism that it is unconcerned about the
36 inward financial impacts resulting from a company's outward impacts. The member also noted that
37 GRI appears to be ceding substantial territory to others. Another GSSB member commented that
38 sustainability reporting in itself is not enough for an organization to take long-term strategic decisions;
39 information covered in other financial reporting is essential. GRI needs to decide how it wants to align
40 itself with other standard setters in this area, to contribute to building a bridge between an
41 organization's outward impacts and internal strategic needs.

42 The SD explained that it did not intend to suggest that there is no connection between an
43 organization's contribution to sustainable development and the longevity of its business model. While
44 financial reporting is not currently part of the Standards, the SD is becoming increasingly aware of the
45 need to explain the relevance and financial implications of an organization's outward impacts for the
46 organization's financial health.

47 A GSSB member suggested that given that most outward impacts have an inward financial impact on
48 a company, a collaborative approach is needed to reach a common understanding of the relationship
49 between the different types of reporting. The Chair also highlighted the opportunity for GRI not only to
50 strengthen its own Standards, but to contribute to ongoing public debate on the relationship between
51 sustainability reporting and financial reporting.

52 A GSSB member commented that explanations of the relevance of sustainability reporting to business
53 would be welcome given the present public debate on the matter, and that the GRI is well-placed to
54 do this. Another member suggested that when defining impact in the Universal Standards, it is

55 beneficial to be mindful of how it translates into the financial language around risk and opportunities,
56 and that there is also an opportunity to experiment with this in early work on the Sector Standards.
57 The member also pointed to the public comment feedback in favor of greater use of graphics in
58 explaining concepts such as materiality.

59 **Proposed scenarios**

60 The SD proposed two scenarios for the GSSB's consideration regarding GRI's task and role within
61 the overall future of reporting:

- 62 • Scenario 1: GRI Standards incorporate disclosure of financial risk resulting from
63 organizations' outward impacts
- 64 • Scenario 2: Information reported through GRI Standards feeds into organizations' other
65 financial reporting

66 The SD emphasized that a core assumption of Scenario 2 is that GRI will play a more active role in
67 explaining the importance of sustainability reporting as a key input for financial risk assessment, and
68 in collaborating more actively with counterparts in developing ways to feed sustainability reporting into
69 other financial reporting.

70 A number of GSSB members spoke in support of Scenario 2, but stressed the importance of GRI's
71 undertaking to make the value of sustainability reporting clearer to the financial community, and to
72 more actively collaborate with counterparts. One GSSB member commented that while it was easy to
73 identify that aspects of sustainability can have an inward financial impact on a company, this is
74 extremely difficult to quantify. Scenario 2 offers a better option, because financial quantification of risk
75 is often purely speculative, and to enter into that field would result in endless debate.

76 A GSSB member requested clarification as to whether Scenario 2 means maintaining what has been
77 proposed in the Universal Standards exposure draft. The SD confirmed that while the current direction
78 will be maintained, GRI acknowledges the feedback and will strengthen its efforts in explaining how
79 the information derived from sustainability reporting is a key input for financial risk assessment and for
80 other financial reporting. The SD will also examine options for how this can be elaborated in the
81 Universal Standards.

82 The Chair pointed to GRI's ongoing dialogue with standard setters involved in other financial
83 reporting, and its keen interest in exploring practical aspects of joint standard-setting activities as part
84 of its strategy.

85 The GSSB's support for scenario 2 was inferred by consensus.

86 **Stakeholder engagement**

87 The SD gave its assessment of the public comment feedback pertaining to stakeholder engagement.
88 The SD recommended maintaining what has been proposed in the Universal Standards exposure

89 draft, but clarifying the importance and role of stakeholder engagement in the process to identify an
90 organization's most significant impacts more prominently within GRI 101.

91 A number of GSSB members expressed agreement with the SD's assessment and recommendations.

92 One GSSB member commented that the SD's assessment of feedback and revisions addresses an
93 earlier concern that reporting organizations might cherry-pick stakeholders to determine what is
94 material. The member further raised the issue of distinguishing between stakeholders that have rights
95 and those that have interests, and questioned whether the Universal Standards conflated rights with
96 interests. The member suggested further discussion with the SD to examine if and how the two need
97 to be separated.

98 The SD confirmed that the issue of rights and interests was scheduled for discussion by the Human
99 Rights Technical Committee in December, and that the SD would subsequently propose a solution to
100 the GSSB.

101 **Greenwashing**

102 The SD gave its assessment of the public comment feedback regarding the risk of greenwashing,
103 pointing out that the changes proposed in the exposure draft added rigor to both Universal Standards
104 and Sector Standards to reduce greenwashing. The SD suggested that the GSSB may consider
105 adopting a comply or explain approach to Sector Standards (this is scheduled for discussion in
106 December).

107 A GSSB member acknowledged that greenwashing is always a risk, but commented that it wasn't a
108 particularly significant risk in this context, and awaited more detailed discussion at a later meeting.

109 **Next steps**

110 The SD invited the GSSB to communicate any further issues from the public comment feedback that it
111 would like presented at future meetings.

112 The Chair recommended producing an article or other public communication to elaborate some of
113 GRI's activities that address the issues arising from the public comment feedback regarding the
114 relationship between sustainability reporting and financial reporting.

115 The SD presented a schedule of theme-related discussions to be held with the GSSB through
116 November and December.

117 **Actions**

- 118 • GSSB to communicate to the SD any further issues from the public comment feedback on the
119 key concepts section of the Universal Standards exposure draft that it would like discussed at
120 future meetings.
- 121 • GSSB to communicate any issues arising from the public comment feedback relevant to the
122 meeting on 19 November 2020 by close of business on 17 November.

- 123 • SD to pursue Scenario 2 as a strategy, and to explore how this can be elaborated in the
124 Universal Standards.
- 125 • SD to liaise with the Chair and other colleagues to produce an article elaborating some of the
126 issues arising from the public comment feedback, and GRI's activities in this regard.

127 **Session 3: Any other business and**
128 **close of meeting**

129 No other business was raised and the Chair close the meeting at 14.35 CET (Central European
130 Time).