gssbsecretariat@globalreporting.org

Item 13 – The evolution of the global corporate reporting system and the role of GRI Standards

For GSSB discussion

Date	05 March 2025
Meeting	20 March 2025
Description	This paper explores the evolving global corporate reporting system, highlighting the role of GRI Standards in ensuring organizations effectively communicate both financial and sustainability-related impacts, aligning with IFRS S Standards to enhance transparency, accountability, and decision-making for all stakeholders.

This document does not represent an official position of the GSSB

This document has been prepared by the GRI Standards Division and is made available to observers at meetings of the Global Sustainability Standards Board (GSSB). It does not represent an official position of the GSSB. Board positions are set out in the GRI Sustainability Reporting Standards. The GSSB is the independent standard setting body of GRI. For more information visit www.globalreporting.org.

© GRI 2025

Contents

A changing landscape for corporate reporting 3
A unified approach for better corporate reporting 4
What do we mean by a ‘global system’? 5
Adapting sustainability reporting for different needs 6
Sources of sustainability-related information 7

This document does not represent an official position of the GSSB

A changing landscape for corporate reporting

Investors, policymakers, and many other stakeholders increasingly demand information about financial performance alongside environmental and social impacts. However, the boundaries between this information and corporate reporting are not easily determined. In this context, the collaboration between the Global Sustainability Standards Board (GSSB) and the International Sustainability Standards Board (ISSB) marks a crucial step in shaping corporate reporting to meet stakeholders' evolving demands.

The GSSB previously discussed the alignment between GRI and IFRS Standards in June and September 2023. As a result, the Standards Division was asked to develop guidance on how organizations can use *GRI 3: Material Topics 2021* to identify their most significant impacts. This work is ongoing in collaboration with the Taskforce on Nature-related Financial Disclosures (TNFD) and the Sustainability Standards Board of Japan (SSBJ). The paper supporting Item 6 on the GSSB's September 2023 agenda states that most, if not all, of an organization's impacts will eventually translate into risks and opportunities. Additionally, both an organization's individual impacts and the cumulative impacts of organizations over time can affect the resources and relationships they depend on. Therefore, understanding an organization's impacts is a necessary first step in identifying the risks and opportunities that arise from them.

This paper further examines the role of GRI Standards in advancing the changing global system[1] of corporate reporting. The document examines 'corporate reporting' as a way to refer to general-purpose reports that organizations use to communicate with stakeholders, encompassing both financial and sustainability reporting. To remain relevant and effective, these reports are adapting to the growing demands for transparency and accountability from both public and private actors. For instance, policymakers have recently embraced corporate reporting as a tool to capture broader social and environmental information, while capital providers increasingly demand transparency on the impacts of the business model.

Regulatory requirements and voluntary frameworks are also changing to require information about impacts on the economy, environment, and people, including their human rights, as well as the interactions between sustainability-related dependencies, risks, and opportunities. This has seen policymakers turn to corporate reporting standards that embrace both the impact-orientated approach pioneered by GRI and the GSSB, and the financial materiality approach more recently adopted by the IFRS Foundation and ISSB. A key milestone in this evolution is the European Sustainability Reporting Standards (ESRS), developed in collaboration with GRI and the IFRS Foundation, which marked a significant step in expanding the mandatory adoption of sustainability-related disclosures based on the concept of 'double materiality'. This concept aligns strongly with GRI's mission to ensure

This document does not represent an official position of the GSSB

[1] The building blocks approach was set out by the International Federations of Accountants and built on the 'core and more' concept developed by Accountancy Europe. See Enhancing Corporate Reporting: Sustainability Building Blocks | IFAC.

35 transparency and accountability in societal and environmental impacts alongside financial
36 performance.

37 This paper explains how GRI Standards can support the shift toward a more comprehensive
38 corporate reporting system worldwide by ensuring organizations report meaningful information that
39 reflects both financial and sustainability-related impacts. GRI Standards are developed for all types of
40 organizations, but this paper only deals with a subset of these organizations, namely large-listed
41 companies[2].

42 A unified approach for better corporate reporting

43 GRI Standards are at the forefront of robust sustainability reporting that provides a global language
44 needed by capital providers, accountants, analysts, and civil society. They are a critical part of the
45 global system and, to that end, a Memorandum of Understanding[3] (MOU) between GRI and the IFRS
46 Foundation was signed in 2022. This agreement set the **ambition for developing two**
47 **complementary sets of standards to create a global corporate reporting language addressing**
48 **both financial and impact information**. On 24 May 2024, the IFRS Foundation/ISSB and
49 GRI/GSSB further agreed that they would pilot working together to identify and align common
50 disclosures for thematic and sector standards for biodiversity disclosures.

51 The MOU also established a clear commitment from the GSSB and ISSB to reinforce the global
52 system of corporate reporting together, where GRI Standards and IFRS S Standards provide a
53 complete and comprehensive basis for communicating with an organization's stakeholders. This
54 approach provides an accepted and consistent approach to reporting on sustainability matters, which
55 clearly conveys an organization's financial performance along with the impact it has on the economy,
56 environment, and people. It is based on coherent corporate reporting where GRI impact disclosures
57 inform IFRS S Standards disclosures on dependencies, risks, and opportunities, which are extending
58 financial reporting to include sustainability-related risks and opportunities within the corporate report
59 'to meet the needs of capital providers'[4]. This simplifies life for reporters and report users, facilitates
60 the uptake of both sets of standards, and provides a strong response to achieving proportionality in
61 corporate reporting. It also provides organizations with more complete information to monitor and
62 manage impacts, risks, opportunities and dependencies, thus enhancing their competitiveness.

This document does not represent an official position of the GSSB

[2] The Preface to International Public Sector Accounting Standards states that government business enterprises should apply IFRS Standards.

[3] The signed MOU is not in the public domain and its content is summarized in a press release on 24 March 2024.

[4] The notion of a 'capital provider' is based on information relevant to a 'reasonable investor', so it is a narrow interpretation based on potential effects on future cash flows in the short-term. Investors take a wider view of what they consider relevant in their decision-making.

What do we mean by a ‘global system’?

This paper, and corporate reporting in general, commonly uses the term ‘global system’, but its intended meaning is not always clear. ‘Financial’ and ‘sustainability’ reporting are also used without precision, as is ‘global baseline’, which is unhelpful in understanding how interoperability of standards should work within the global system. A clear description of the global system begins by identifying the key stakeholders, their roles in how it operates, and how they interact together, which is detailed below.

Table 1: Stakeholders in the global system

Stakeholder	Role
Standard-setters (GSSB, IASB, ISSB, IAASB, IESBA and IPSASB)	Set reporting requirements to promote high-quality, consistent, and comparable corporate reports based on a rigorous multi-stakeholder due process.
Policymakers and regulators (at supra and national levels such as the UN, IOSCO, and national governments)	Establish corporate reporting requirements and norms within a jurisdiction typically drawing on global standards and norms, either as the basis for reporting or by adapting or creating comparability and equivalence with local requirements.
Professional bodies (IFAC, national accounting bodies, and other professional organizations)	Establish conditions and rules for membership of the profession. Their members are involved in the preparation and external assurance of corporate reports.
Organizations (including large-listed companies that produce general-purpose corporate reports)	Responsible for the preparation of reports and compliance with jurisdictional and reporting standard requirements, sometimes across multiple jurisdictions.
Users (investors and other stakeholders who rely on general-purpose corporate reports)	Consumers of the information for the purposes of holding organizations to account and for decision-making.

This document does not represent an official position of the GSSB

It is important to note that ‘users’ in the global system, even within a stakeholder group, are not homogenous in terms of their information needs. For example, some investors are interested in understanding the sustainability-related risks and opportunities of the reporting entity, along with its impacts on the economy, environment, and people, either because that is part of their investment thesis or because of the expressed preference of asset owners. Long-term investors, such as insurance companies and pension funds, have long understood that impacts translate into risks and opportunities that can directly affect the viability of the individual organization and whole sectors.

78 Impact reporting is also valuable for system-level analysis of trends, risks, and opportunities likely to
79 affect financial systems' and society's viability and stability.

80 Therefore, presenting impacts, risks, and opportunities as discrete and unconnected information
81 prevents stakeholders from understanding how to navigate corporate reports. For that reason, a
82 global system is emerging that provides users with a more comprehensive understanding of an
83 entity's performance and its impacts, through the sustainability-related information reported under GRI
84 and IFRS S Standards. The information reported under GRI Standards is critical for the global system
85 because it acknowledges the cumulative impacts of organizations over time, along with the
86 interrelationship between impacts as a potential driver of the organization's risks and opportunities.
87 This is achieved by organizations subsequently producing sustainability-related information that
88 serves the information needs of all stakeholders in the global system.

89 Adapting sustainability reporting for different needs

90 Information about sustainability-related matters is relevant to different elements within a corporate
91 report. For example, an environmental impact may originate from a disclosure in *GRI 102: Climate*
92 *Change and Just Transition*[5] and be included in a sustainability report, but the related climate
93 information may be added to a financial report as evidence for a sustainability-related risk and, at
94 some point, emerge as an input to asset impairment indicators in applying *IAS 36 Impairment of*
95 *asset*s in preparing the financial statements. *GRI 102* also emphasizes social impacts, notably the
96 equitable nature of a just transition. From a financial reporting perspective, understanding the financial
97 effects of the climate transition is critical, both in terms of mitigating climate change-related risks and
98 making the business more resilient. For instance, disclosing information about an organization's
99 expenditure on its transition plan in the current reporting period is particularly relevant for
100 stakeholders to assess its progress in ameliorating the impacts of climate change. This helps
101 stakeholders understand the current and potential effects on the organization's future cash flows,
102 financial performance, and position[6]. In other words, climate change-related information can be
103 captured as an impact and then used to further explain dependencies, risks, and opportunities in
104 terms of financial effects recognized in financial statements.

105 *GRI 102* is just the most recent example illustrating how a GRI Standard can uncover sustainability-
106 related risks and opportunities that emerge from the organization's most significant impacts. Without
107 this kind of impact information, organizations would struggle to effectively identify their exposure to
108 financial material risks or opportunities until they manifest, which can result in reduced
109 competitiveness, higher long-term costs, and other unforeseen financial consequences. When
110 adopting any GRI Standard to explain dependencies, risks, and opportunities, the organization can
111 produce these beneficial insights and, therefore, strengthen their operations. The Standards also aim

This document does not represent an official position of the GSSB

[5] This is the tentative working title of the Standard that is yet to be approved by the GSSB.

[6] See IFRS S2, paragraph 14.

to prevent double reporting of sustainability information, as uniformity would not benefit users or preparers.

Sources of sustainability-related information

Using GRI Standards and IFRS S Standards together fosters a global system where connectivity of information exists between different types of corporate reporting, ensuring high-quality and relevant information for accountability and decision-making. The effectiveness of this emerging global system depends on designing impact disclosures that minimize overlapping requirements, particularly where organizations operate across jurisdictions and report using different information sources. To address this, it is important to understand how GRI Standards and IFRS S Standards link to the three key types of information that stakeholders seek in corporate reports:

(a) **Financial statements and notes** (IFRS S Standards set by the IASB) – Information that reflects transactions and other events resulting from business relationships recorded in the accounting system and summarized in financial statements. IFRS S Standards are concerned with promoting efficient capital markets.[7]

(b) **Dependencies, risks, opportunities** (IFRS S Standards set by the ISSB) – These are an extension of the financial report because this information is relevant to understanding sustainability-related matters that are likely to have a financial effect in the future (what is included within 'financial reporting' continues to be expanded and is driven by a range of considerations by regulators and other capital market actors about what should be included at a given point in time[8]). Dependencies of the business model on resources and relationships required for the business model[9] may be considered too 'systemic' and not emerge as a 'risk' to the reporting entity, but they can **transform** into significant financial risks over time. Risks and opportunities might arise from the business model's dependencies, impacts, and other aspects.

(c) **Impacts on economy, environment, and people to promote sustainable development** (GRI Standards set by the GSSB) – This includes impacts on the economy, environment, and people, including impacts on their human rights, captured through the main accounting

This document does not represent an official position of the GSSB

---

[7] IFRS Constitution (2021).

[8] The analysis used in this paper is drawn from an assessment of IFRS S1 and S2 where, particularly in IFRS S2, the ISSB includes information for Scope 3 emissions, which fall outside typical boundaries currently considered 'financial information'. This is different to the information about impacts when presented in accordance with GRI Standards and separate from IFRS Sustainability Disclosure Standards.

[9] The concept of 'dependencies' is referenced but not developed in the corporate reporting literature. The most obvious examples are extractive business models that take natural resources, like water (as is the case with textiles), and operate on the assumption that it has no scarcity value (and its regulatory pricing often does not adequately reflect this), which in areas of water scarcity is a significant opportunity cost to local communities and other consumers relying on its availability. It is different in character to an externality because it relates to the vulnerability of a business model to resource scarcity.

139 system and/or information systems such as human resources, environmental management
140 accounting, enterprise risk management, and others for environmental and human-related
141 impacts. GRI Standards emphasize the role of these impacts and their contribution to
142 sustainable development.

143 The quality and clarity of this information shape the global system's usefulness and credibility.
144 However, standards can establish the needed foundation for high-quality corporate reporting, built on
145 all stakeholders working together to enhance and reinforce their effectiveness. To achieve this, the
146 global system needs to ensure coherence of corporate reporting, where GRI impact disclosures
147 inform reporting of risks and opportunities under IFRS S Standards. This alignment will simplify
148 reporting for organizations, facilitate the adoption of both standards, and, most importantly, better
149 serve users' information needs.

This document does not represent an official position of the GSSB