



Item 12 – GRI Guidance Project: Relationships between Impacts, Risks and Opportunities – Draft project proposal

For GSSB discussion and approval

Date	05 March 2025
Meeting	20 March 2025
Project	GRI Guidance Project on Impacts, Risks and Opportunities
Description	<p>This document sets out the draft project proposal to develop guidance on the relationship between impacts, risks, and opportunities for GSSB discussion and approval to send to the GRI Board and Stakeholder Council for feedback.</p> <p>Once feedback (if any) from the GRI Supervisory Board and Stakeholder Council has been received and incorporated, the Standards Division will present the proposal to the GSSB for final approval, in accordance with the GSSB Due Process Protocol.</p> <p>Please note: the development and submission of this draft project proposal marks the intention of the GRI Guidance Project to provide practical guidance for users of the GRI Standards. The commencement date of this project has not been determined and is subject to resource availability.</p>

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.

Contents

Project background	3
Existing coverage in GRI literature	3
The need for further work.....	5
Project objectives	5
Project approach	6
Division of responsibilities	7
Timeline.....	7

This document does not represent an official position of the GSSB

1 Project background

2 *GRI 1: Foundation 2021* provides the central concept of 'impact' that underpins the raison d'être of
3 GRI Standards. While the definition of impact is clear and provides the basis for reporting
4 requirements set in GRI Standards, its relationship to risks and opportunities to the organization
5 needs further guidance. *GRI 3: Material Topics 2021* sets out the process for identifying actual and
6 potential impacts to determine the material topics for the organization to report.

7 The interaction of the GRI Standards with other reporting frameworks, such as the IFRS Sustainability
8 Disclosure Standards and European Sustainability Reporting Standards, has highlighted the need for
9 a more robust understanding of the relationship between impacts, risks, and opportunities.

10 Derivative concepts such as single and double materiality are predicated on correctly identifying and
11 reporting impacts on the economy, environment, people, and risks and opportunities to the
12 organization. There are various claims made by standard setters about sustainability-related impacts
13 being the source of and precursor to, the manifestation of risks and opportunities to the organization.
14 However, workable concepts are still needed to operationalize this process and develop and apply
15 them to standards. In this regard, this project aims to provide guidance to *GRI 3* and related
16 educational materials to inform reporting practices and improve the quality of disclosures. The project
17 will consider the focus and location of the guidance and whether it forms part of the Standard.

18 The Global Sustainability Standards Board (GSSB) has already had three public discussions on its
19 collaboration with the International Sustainability Standards Board (ISSB) on [15 June 2023](#), [14](#)
20 [September 2023](#), and [10 April 2024](#). The most recent discussion focused on potential narrow-scope
21 amendments to *GRI 1* and *GRI 3* and explained how the guidance in *GRI 3* can be extended to
22 identifying risks, opportunities, and dependencies affected by an organization's most significant
23 impacts. Further work is now needed, in light of recent developments, to explain the linkage between
24 concepts as part of the GSSB's broader work to explain the practical steps necessary for corporate
25 reporting to be coherent within global standards.

26 Existing coverage in GRI literature

27 *GRI 1* sets the parameters and concepts that form the basis of sustainability reporting against GRI
28 Standards. Paragraph 2.1 defines and explains 'impact' as follows:

29 In the GRI Standards, impact refers to the effect an organization has or could have on the
30 economy, environment, and people, including effects on their human rights, as a result of the
31 organization's activities or business relationships. The impacts can be actual or potential,
32 negative or positive, short-term or long-term, intended or unintended, and reversible or

33 irreversible. These impacts indicate the organization's negative or positive contribution to
34 sustainable development.

35 The organization's impacts on the economy refer to the impacts on economic systems at
36 local, national, and global levels. An organization can have an impact on the economy
37 through, for example, its competition practices, its procurement practices, and its taxes and
38 payments to governments. The organization's impacts on the environment refer to the
39 impacts on living organisms and non-living elements, including air, land, water, and
40 ecosystems. An organization can have an impact on the environment through, for example,
41 its use of energy, land, water, and other natural resources.

42 The organization's impacts on people refer to the impacts on individuals and groups, such as
43 communities, vulnerable groups, or society. This includes the impacts the organization has on
44 people's human rights. An organization can have an impact on people through, for example,
45 its employment practices (e.g., the wages it pays to employees), its supply chain (e.g., the
46 working conditions of workers of suppliers), and its products and services (e.g., their safety or
47 accessibility). Individuals or groups that have interests that are affected or could be affected
48 by the organization's activities are referred to as stakeholders (see section 2.4 in this
49 Standard for more information).

50 The impacts on the economy, environment, and people are interrelated. For example, an
51 organization's impacts on the economy and environment can result in impacts on people and
52 their human rights. Similarly, an organization's positive impacts can result in negative impacts
53 and vice versa. For example, an organization's positive impacts on the environment can lead
54 to negative impacts on people and their human rights.

55 The Standard also explains the nexus between impacts, risks, and opportunities to organizations,
56 which may become financially material. This relationship is elaborated on in the context of
57 determining material topics under *GRI 3* in Box 1:

58 The material topics and impacts that have been determined through this process inform
59 financial and value-creation reporting. They provide crucial input for identifying financial risks
60 and opportunities related to the organization's impacts, and for financial valuation. This helps
61 make financial materiality judgments about what to recognize in financial statements.

62 **While most, if not all, of the impacts that have been identified through this process will**
63 **eventually become financially material, sustainability reporting is also highly relevant**
64 **in its own right as a public interest activity and is independent of the consideration of**
65 **financial implications. It is therefore important for the organization to report on all the**
66 **material topics that it has determined using the GRI Standards. These material topics**

67 **cannot be deprioritized on the basis of not being considered financially material by the**
68 **organization.**

69 See Box 1 in *GRI 1: Foundation 2021* for more information on sustainability reporting and
70 financial and value creation reporting.

71 This final statement in *GRI 3* about the transmission of impacts into financial effects presupposes a
72 high correlation between the most significant impacts of an organization on economy, environment,
73 and people and those likely to have a financial effect on the organization.

74 **The need for further work**

75 The expansion of financial reporting to include sustainability-related risks and opportunities to the
76 organization and distinctions being drawn in reporting perspectives, such as single and double
77 materiality, have underscored the need to be more precise about the objective of sustainability
78 reporting as promoted by GRI and financial reporting and how in combination they meet the
79 information needs of users of corporate reports. Developing and articulating the relationship between
80 impacts, risks, and opportunities is needed because blending sustainability-related information in
81 corporate reporting is a source of confusion for preparers and users who struggle to make the link. An
82 unfortunate consequence of recent developments is that 'impacts' and 'risks and opportunities' are
83 presented as binary and unrelated constructs. This is inconsistent with how organizations typically
84 utilize their materiality assessment and identify significant impacts in their risk management and
85 mitigation. The project will also be useful for the GSSB in its interoperability work and in determining
86 what disclosures should be included in sustainability reporting based on a clearer articulation of the
87 relationship between disclosures on impacts, risks, and opportunities.

88 This project and its outputs are also likely to be timely, given the current attempts to rationalize the
89 reporting of impacts on the basis that reporting sustainability-related risks and opportunities is
90 sufficient for discharging an organization's accountability obligations to its stakeholders, including
91 investors.

92 **Project objectives**

93 The primary objective is to provide guidance on the link between impacts, risks, and opportunities,
94 building on the existing definitions and guidance from *GRI 1* and *GRI 3* while connecting to
95 established financial reporting practices set out in the IFRS Standards.

- 96 This project will:
- 97 • Identify and describe the relationship between an organization’s most significant impacts and
98 its sustainability-related risks and opportunities and determine what should be amended in the
99 Standards or issued as separate guidance materials.
 - 100 • Provide evidence and authoritative references for these concepts and assertions, which will
101 be consolidated into guidance to support the application of *GRI 3*. Two forms of guidance are
102 proposed: how to identify risks and opportunities that flow from most significant impacts and
103 how to use impact disclosure in financial reporting.
 - 104 • Inform the GSSB’s relationship with other corporate reporting standard setters, particularly the
105 ISSB and the International Public Sector Accounting Standards (IPSASB) on the global level
106 as well as jurisdictional standard setters that (consider to) require disclosure of impacts on
107 economy, environment, and people.

108 Project approach

109 The project will be conducted in accordance with the [GSSB Due Process Protocol](#). As the output of
110 the project is robust and useful guidance, it is proposed that it will have three phases:

- 111 • **Exposure draft development phase (3 + 6 months)** to establish a multi-stakeholder project
112 working group (WG) to contribute to the project’s development and ensure the output is
113 robust and useful for strengthening GRI Standards and promoting high-quality sustainability
114 reporting. As part of this phase, it will be important to review and synthesize existing materials
115 on sustainability-related impacts, risks, and opportunities in authoritative sources to support
116 the development of an exposure draft.
- 117 • **Public consultation phase (3 months)** to engage with GRI stakeholder networks to evaluate
118 the usefulness of the guidance developed and to modify it as appropriate to make it fit for
119 purpose. It is proposed that this phase will include an extensive outreach program to not only
120 promote the guidance but also strengthen how it is understood and applied in practice.
- 121 • **Comments and final draft phase (3 months)** to finalize the project and due process steps to
122 deliver the guidance. It is also likely that educational and other materials can be developed on
123 the basis of the guidance.

124 **Division of responsibilities**

125 The Standards Division will lead the work with the WG and review what guidance needs to be added
126 to *GRI 3*, develop an exposure draft based on the expert discussions, and propose to the GSSB an
127 exposure draft of the Standard, along with an assessment of potential implications for other GRI
128 Standards.

129 Given the importance of this project, particularly for the GSSB interoperability work, it is
130 recommended that the GSSB identify one of its members to act as a sponsor of this project.

131 The Standard Division will review the comments received on exposure with the WG and propose
132 amendments to the draft accordingly. The final draft will be submitted to the GSSB for final approval.

133 **Timeline**

134 The project is expected to run for 15 months from the commencement date to the approval of the final
135 Standard.

136 The commencement date of this project has not been determined and is subject to resource
137 availability. It will require resources beyond a director to assist with developing and drafting materials
138 and planning and coordination of stakeholder engagement. Table 1, on the following page, outlines
139 the anticipated project duration. The commencement date and the predicted dates of other key
140 milestones will be confirmed once known.

141 **Assumptions and risks**

- 142 1. The following assumptions and risks have been considered in developing the project's scope,
143 timeline, and expected outcomes.
- 144 2. The Standards Division has assumed that resources are allocated to the project in a timely
145 manner to allow for its milestones to be met.
- 146 3. It is also assumed that the formation of a WG can be expedited as per the timeline. Given the
147 level of interest in this project, it should be possible to identify the members of the WG on time
148 and submit them to the GSSB for consideration and approval.
- 149 4. To maintain the project's relevance, engagement with IFRS Foundation, IPSASB, and
150 jurisdictional standard setters will be important to ensure this work reflects the latest
151 developments in their standard-setting activities. This dependency on the input of related
152 standard setters will receive special attention during the project implementation.

Table 1: Estimated duration of GRI 3 Guidance Project¹

Phase	~Duration (month)	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13	Month 14	Month 15
Project commencement	1	█														
Open call and recruitment of WG	3	█	█	█												
GSSB approval of WG memberships				◆												
Content development by WG	3				█	█	█									
GSSB approval of exposure draft	1							◆								
Public comment period	3								█	█	█					
Analysis of public comments and revision of draft	4												█	█	█	█
GSSB approval of final standard																◆

¹ Project scheduling changes may occur over the course of the project, including extensions to the duration of project due to approval processes or other circumstances.