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Item 01 – Briefing note

For GSSB information and discussion

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Description	This briefing note serves as input for the discussion with Clara Barby, Chief Executive, Impact Management Project (IMP). This document was submitted by the Impact Management Project.

Briefing note

For the Global Sustainability Standards Board

January 2020

Background

About the Impact Management Project

The Impact Management Project (IMP) provides a forum for consensus-building between organisations who share a vision of getting to global, generally accepted, principles, frameworks and standards for measuring, managing and disclosing impacts on people, the environment and the economy (“impacts”). The IMP is a not-for-profit timebound¹ initiative, sponsored by governments, foundations, corporates, and asset managers and owners². The IMP was formed in 2016 to facilitate discussion among a wide variety of disciplines about the technical definition of “impact” and related types of data required for measurement and disclosure³. Participants ranged from companies and investors, to social scientists, to development experts, to policymakers, to standard-setting organisations.

In late 2018, the IMP began facilitating a network of 13 organisations (the “Structured Network”), who have a shared vision of getting to global consensus on how to measure, manage and report impacts. Organisations in the IMP Structured Network (“Members”) include: B Lab; Global Impact Investing Network (GIIN); Global Reporting Initiative (GRI); Global Steering Group for Impact Investment (GSG); International Finance Corporation (IFC); Organisation for Economic Co-operation and Development (OECD); Principles for Responsible Investment (PRI); Sustainability Accounting Standards Board (SASB); Social Value International (SVI); United Nations Development Programme (UNDP); United Nations Environment Programme - Finance Initiative (UNEP-FI); United Nations Global Compact (UNGC); and the World Benchmarking Alliance (WBA).

This Structured Network is facilitated to enable: (1) exchange of knowledge among Members; (2) identification of opportunities for synergy and coordination of content that supports enterprises and investors to develop a complete practice; and (3) exploration of the feasibility of co-creation of content, if and when that makes sense for Members. What Members produce individually is not by default endorsed or restricted by the other Members in any way. Members of the Structured Network are invited based on⁴:

- i. An explicit commitment to setting standards, where standards are defined as a resource that provides, for common and repeated use, rules, guidelines or characteristics with which compliance is not mandatory but to which organisations demonstrate adherence.⁵ The document may prescribe specific levels of attainment against which organisations can be compared.
- ii. A stakeholder consultation process in relation to their standards;
- iii. A commitment to ongoing improvement, including reference to scope and limitations of the deliverable(s);
- iv. The pursuit of global applicability

The Global Reporting Initiative (“GRI”) has been a Member of, and participating in, regular meetings of the Structured Network since its launch during the UN General Assembly in September 2018.

¹ The IMP is a five year project, designed to run from 2016 to year end 2021

² For a list of funders, see <https://impactmanagementproject.com/about/>

³ Such as the relationship between activities, outputs, outcomes, and social/ecological thresholds

⁴ Per the Terms of Reference developed and agreed on by all Members of the IMP Structured Network in December 2018

⁵ Source: ISEAL

This paper describes three opportunities to make substantial progress in 2020. We are presenting these opportunities for consideration to the GSSB because their achievement will require a commitment of time from the Standards team.

Objectives for 2020

Three deliverables are proposed for consensus-building among Members of the Structured Network in 2020. These objectives are being proposed based on (1) their potential to make major progress towards the vision of the network⁶, as agreed by Members during 2019, (2) their complementary nature and (3) their realistic potential for delivery by 2021.

The rest of this briefing note provides context on each deliverable to support discussion at the upcoming GSSB meeting in February 2020. These deliverables are being discussed during the bi-annual meeting of the Structured Network's Leadership Committee, which comprises the CEOs or equivalent leadership of all Members and is taking place in Paris on January 28th, 2020. The deliverables will then be explored in further detail during a technical retreat for Members on 10-14th February, 2020. *This technical retreat will recognise that participants come from organisations with significant stakeholder consultation processes and governance structures – and that any consensus achieved among participants during the retreat should therefore be considered only as prework for each organisation's own consultation processes.*

For each objective below, to facilitate consideration by the GSSB, we have provided a hypothesis of the technical result that could emerge if participating organisations reach consensus on the deliverable. We have also proposed the process, including the related ask from the GRI Standards team. The final result will be at the discretion of Members, with the process subject to discussion at the upcoming meetings described above, as well as the GSSB's own deliberation.

Proposed deliverable 1: GRI and SASB, working with the OECD⁷, jointly describe (1) the **set⁸ of corporate accounting and reporting standards** that meets the needs of the full range of audiences for such information, (2) the **roles of different organisations' standards** within that, and (3) the **features and governance** of an international standard-setter, or architecture of standard-setters, needed to steward that set of standards. This 'set' of standards could initially be illustrated through a white paper on a few specific industries, which would demonstrate a practical approach for users and the architecture for a full set of standards. *Please see Appendix A for the rationale for a set of standards, as deliberated by Members of the Structured Network to-date, which would acknowledge the range of audiences and use cases for corporate accounting and reporting.*

Proposed process: GRI and SASB work with the OECD throughout 2020 to describe the set of standards, with a view to creating a set of standards for corporate measurement and disclosure that could

⁶Members have a shared vision of global consensus on how to measure, manage and report impacts, and a mission to achieve this by coordinating specific member-led content.

⁷These standard-setting organisations have invested in the rigorous due process, involving multi-stakeholder consultations and governance, that is required for achieving global standards.

⁸Alternative terms that have been discussed include conceptual framework and principles, all of which can be perceived as conflicting with existing Member-specific content, whereas the intention is for this effort to result in an explanation of how such content can work in concert to provide the full range of information to meet the needs of different users. The IMP team has therefore used the term 'set' as a placeholder, with the final and most appropriate terminology to be decided by the Members who lead this work in due course.

become the basis for an OECD/G7 framework akin to BEPS⁹. This would build on OECD's mandate and track record of negotiating standards surrounding social responsibility with all of its industrial economy member countries, as well as creating soft law that other countries abide by. Other Members of the Structured Network are invited to provide input throughout the process, especially to make the most of opportunities to coordinate content (see Deliverable 2 below).

Potential result: A set of global, generally accepted standards for corporate measurement and disclosure, jointly described by GRI and SASB with the OECD. The standards could be endorsed by the G7 Declaration in 2021¹⁰ under the UK's Presidency, potentially following the precedent and structure of the OECD-G20 BEPS framework. In addition, a set of standards on climate could be presented as part of a COP 26 Declaration in late 2020, which is also co-hosted by the UK.

Ask of the GSSB: Assuming that GRI continues to engage in these discussions through its CEO and external affairs and policy team, the ask of GSSB is that the GRI Standards team provides the external affairs and policy team with the critical technical feedback necessary for this work to represent the GRI Standards appropriately and fully. In addition, should the potential result be achieved, GSSB would be asked to engage in the process of considering whether a high-level oversight body should be established to support the ongoing engagement between organisations on a set of global standards for corporate measurement and disclosure, including design of the long-term funding model.

Deliverable 2: A description of the wider landscape of principles, frameworks and standards with which business and investors can engage. This description will explain the relationship between standards of corporate measurement and disclosure and the standards of other Members, such as principles of practice for investors, valuation frameworks, and integrated reporting.

Process: During an upcoming retreat from February 10-14th, Members will have the opportunity to explore how far consensus can be reached on the landscape of standards, with a view to presenting the findings to the CEOs/equivalent leadership of all Members at the next Structured Network's Leadership Committee¹¹ meeting.

Potential result: A joint publication by all Members, with target completion date of October 2020.

Ask of the GSSB: Assuming that GRI continues to engage in these discussions through its CEO and external affairs and policy team, the ask of GSSB is that the GRI Standards team provides the external affairs and policy team with the critical technical feedback necessary to represent the GRI Standards during the exploration and development of this deliverable.

Deliverable 3: A short technical glossary, which would enable a shared description of the landscape described above. The intention of this effort is to see if *consensus* is possible on technical terms, *not* to create new definitions where existing definitions exist. As illustrated in Appendix B to this briefing note, the starting point has been to review all existing definitions, and only suggest consensus-building on

⁹The OECD/G20 Inclusive Framework for Base erosion and profit shifting (BEPS) has brought together 135 countries and jurisdictions to collaborate on the implementation of 15 measures to tackle tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment.

¹⁰ This potential result is suggested because the July 2019 G7 Declaration, under France's Presidency, publicly declared support from the G7 countries for the ongoing efforts of the international community to define a common framework for measuring impact based on the work done by members of the IMP.

¹¹ The Committee comprising the CEOs or equivalent leadership of all Members of the Structured Network

definitions where there are discrepancies, or if Members agree that existing widely-used definitions could have a more detailed definition to guide measurement and disclosure.

Process: During an upcoming retreat from February 10-14th, Members will have the opportunity to explore how far consensus can be reached on the landscape of standards, with a view to presenting the findings to the CEOs/equivalent leadership of all Members at the next Structured Network's Leadership Committee meeting.

Potential result: a joint publication by all Members, along with consistent use of technical terms by Members with target completion date of October 2020.

Ask of the GSSB: Assuming that GRI continues to engage in these discussions through its CEO and external affairs and policy team, the ask of GSSB is that the GRI Standards team provides the external affairs and policy team with the critical technical feedback necessary to represent the GRI Standards during the exploration and development of this deliverable. If a majority of Members reach consensus on technical terms that have any unnecessary discrepancy with terms currently used in the GRI Standards, or provide additional useful detail to complement GRI's existing glossary, the GSSB is asked to consider this work as part of ongoing development of the GRI Standards.

Appendix A – Context on Deliverable 1

Introduction

The deliverable hypothesised is (1) the **set¹² of corporate accounting and reporting standards** that meets the needs of the full range of audiences for such information, (2) the **roles of different organisations' standards** within that, and (3) the **features and governance** of an international standard-setter, or architecture of standard-setters, needed to steward that set of standards. The rationale for this deliverable, as discussed by Members of the Structured Network to-date, is to acknowledge that corporate performance data needs to enable a variety of users to make decisions, whose objectives vary¹³ – from holding companies accountable, to creation and protection of value for shareholders, to making a positive contribution to global goals, such as the SDGs.

Why a 'set' of standards?

In a world of perfect, transparent information and appropriate pricing of all externalities, one might assume that all impacts would also be *financially* material – and therefore that one standard would serve as sufficient for all users of companies' data, regardless of the user's objective. However, so long as *all* externalities are not priced, companies' need specific frameworks and data standards to serve different users' objectives. Commonly observed objectives and related use cases for companies' social, environmental and economic performance data are:

- **To enable accountability:** Regulators, civil society organisations and sustainability-minded consumers and investors use data to demonstrate that companies are being held accountable for avoiding or reducing negative outcomes that matter to people and the planet, regardless of whether all of those outcomes are (yet) considered financially material. *For example, a national regulator requiring specific data on aspects of working conditions from companies in certain industries.*
- **To reveal near-term financial risk or opportunity:** Many companies and investors use data to identify and manage those outcomes that matter to people or the environment that have relatively near-term consequences for financial performance – and which are therefore financially material. *For example, the systematic and explicit inclusion of financially material ESG factors into investment analysis and investment decisions, which has had market growth of over 70% in the past two years, with a total value estimated to be around \$17.5 trillion in assets.*
- **To identify risks and opportunities for long-term value creation:** Some companies and investors use data to identify and manage those outcomes that matter to people or the planet that represent risks in the longer-term, or present opportunities for financial outperformance through higher growth, profitability or competitive advantage – which are therefore also financially material over a longer-term timeframe. *For example, as George Serafeim wrote in Institutional Investor: “incremental improvements in most (financially) material ESG factors converge over time into industrywide best practices... and therefore do not confer any long-term competitive advantage on a single company within the industry”.*

¹²Alternative terms that have been discussed include conceptual framework and principles, all of which can be perceived as conflicting with existing Member-specific content, whereas the intention is for this effort to result in an explanation of how such content can work in concert to provide the full range of information to meet the needs of different users. The IMP team has therefore used the term 'set' as a placeholder, with the final and most appropriate terminology to be decided by the Members who lead this work in due course.

¹³ Users can and often do combine such objectives

- **To achieve positive impact on global goals, such as the SDGs:** Increasingly, regulators, as well as businesses, investors and consumers who want to play their part, are also using data to demonstrate companies' positive outcomes, as well as reduced negative outcomes, that relate to goals that governments agree are most important to people or the planet. There is a particular interest in which business models contribute to a significant positive change in outcomes for underserved populations. Interest in this data has grown with the urgency and ambition of the 2030 target for the Sustainable Development Goals (SDGs). *For example, as the Journal of International Business Policy has said: "a major challenge with the present approach adopted by many major companies that embrace the SDGs is that they are still largely focusing on 'avoiding harm' goals: limiting waste, reducing pollution, not violating human rights. Not unimportant, but not enough to make the SDG project successful. Positive contributions that go beyond 'business as usual' also have to be made, such as increasing people's access to health, education and water and sanitation."*

The use cases described above determine the range of social, environmental and economic performance data that a company might need to provide to meet the needs of different users of its information. The working hypothesis, as deliberated by Members of the Structured Network to-date, is that:

- Many regulators, as well as public funders of standards, will recognise that there are various users of companies' data and they have different objectives and use cases, and will likely not favour any one objective and use case described above
- The 'dotted line' around which social, environmental and economic outcomes that matter to people and the environment already constitute *financially* material information will move over time if transparency and regulation increases – and may also look different depending on the timeframe that the user of the data is considering.

What could a 'set' of standards look like?

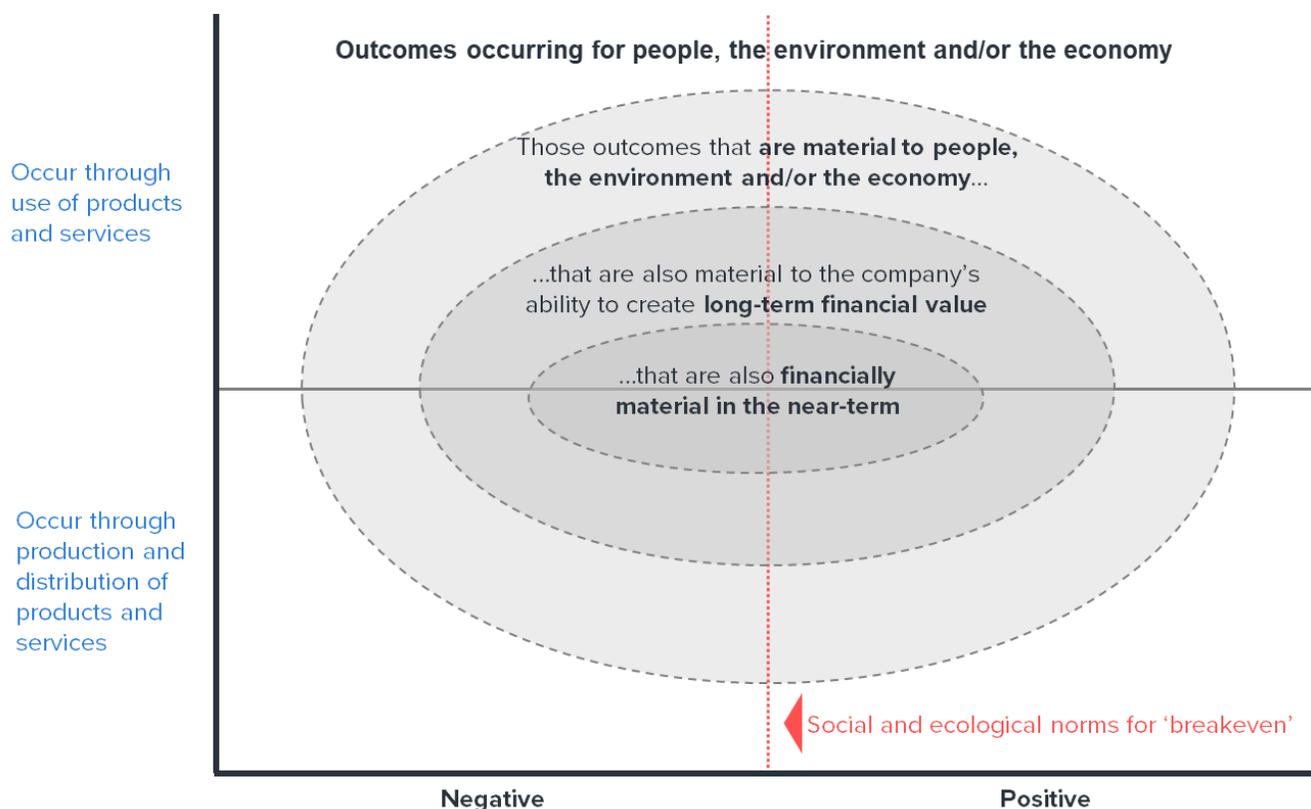
As a result, the working hypothesis (as summarise in Figure 2 below) is that a set of standards would reference the principles, frameworks and data standards that can support companies to collect data on:

1. Outcomes that are material to people, the environment or the economy that occur across a company's full **value chain (Y axis)** – both those occurring through the use of products and services, and those occurring through the production and distribution of products and services
2. Whether those outcomes are **negative or positive (x axis)**, if this can be assessed in relation to a specific ecological or social norms, acknowledging that these thresholds vary by region, perspective and change over time.
3. Which of those outcomes are **financially material**, recognising that what is financially material could be different for each company¹⁴, and could either affect a company's **near-term** or **long-term ability** to create financial value.¹⁵

¹⁴ SASB standards address the sustainability topics that are reasonably likely to have material impacts on the financial condition or operating performance of companies in an industry. SASB recognizes that each company is responsible for determining what information is material and what information should be included in its SEC filings.

¹⁵ As GRI explains: "disclosure about a company's impacts on others forms a necessary basis for identifying financially material information." (GRI GSSB meeting, September 24th 2019)

Figure 2 The working hypothesis, as deliberated by Members to-date, is that a set of global standards will support companies to measure and disclose outcomes that are material to people, the environment or the economy, as well as to determine the financial materiality of outcomes at different time-frames.



Appendix B: A shared technical glossary

To-date, all Members of the Structured Network have indicated that they would be in favour of endorsing a short, shared glossary containing the following technical words:

- A standard (noun)
- Standard (adjective)
- Principle
- Framework
- Indicator
- Metric
- Disclosure
- Outcome
- Impact
- Impact measurement
- Impact management