























**TaylorWessing** 







Towards mandated financial and sustainability reporting on equal footing

Recent International reporting developments and GRI's role

Peter Paul van de Wijs, Chief External Affairs January 28, 2022



#### Why

GRI exists to help organizations be transparent and take responsibility for their impacts so that we can create a sustainable future.

#### How

We create the global common language for organizations to report their impacts. This enables informed dialogue and decision making around those impacts.

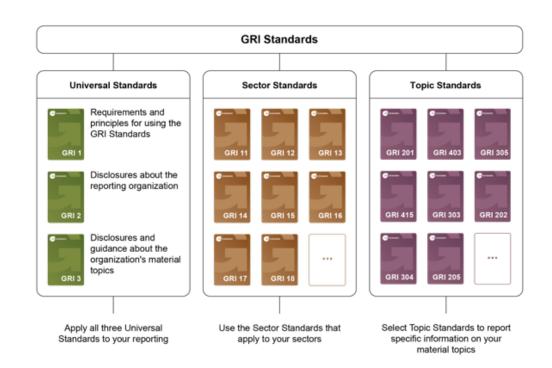
#### What

- GRI is the global standard setter for impact reporting.
- Through an independent, multi-stakeholder process
- We maintain the world's most comprehensive set of sustainability reporting standards.
- The GRI Standards are available as a free public good.

### Who we are

#### The GRI Standards

- The GRI Standards are a modular system comprising three series of standards: the revised Universal Standards, the new Sector Standards, and the adapted Topic Standards
- The new Sector Standards increase the quality, completeness, and consistency of reporting by organizations within sectors
- There are now 31 Topic Standards.
   An organization selects the Topic
   Standards that correspond to the material topics it has determined for reporting.
- The updated GRI Standards are made freely available to any organization. Currently available in English, translations will be available over the course of the year





### **Global trend**

Drive towards the creation of a comprehensive corporate reporting regime based on a two-pillar reporting structure and a core set of common standards for each pillar and on equal footing

- Pillar 1 Strengthened financial reporting
   Focus: impact on companies disclosures addressing the financial implications of sustainability issues
- Pillar 2 Sustainability reporting
   Focus: all impacts a company is having on society and the environment and hence their contributions towards the goal of sustainable development

### **Double materiality**

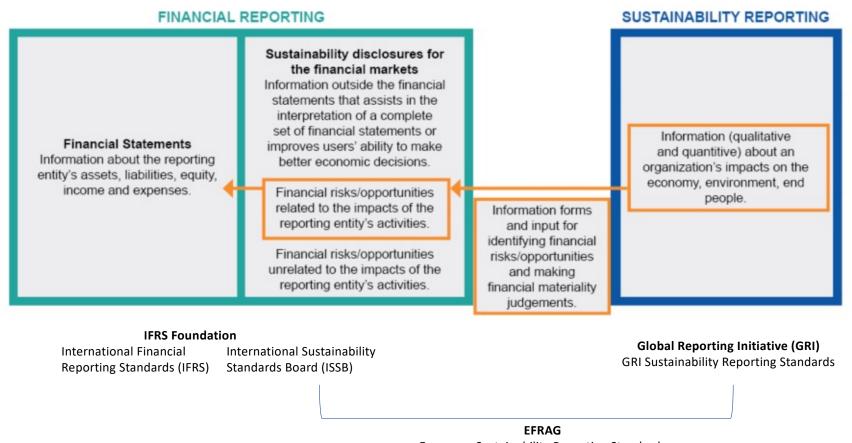
The guiding principle for sustainability reporting

- Companies need to consider materiality from two perspectives
  - economic, environmental and social impact of the company's activities on all stakeholders
  - 2. the impact of sustainability issues on the value of the company
- Each direction of double materiality needs to be considered in its own right
  - It is <u>not</u> about the convergence of the two perspectives that renders an issue as material
- Financial and sustainability standards must be developed and governed in their own right and a mechanism is needed to address questions of **connectedness** between the two
- A company should start with the assessment of the outward impact followed by the identification of the subset of information which is financially material to the company and of interest to financially focused stakeholder groups

### **Double Materiality**



A company should start with the assessment of the outward impact



**European Sustainability Reporting Standards** 

#### Initiative 1

Global leader

# The Green Deal from European Union requires an update of the Non-Financial Reporting Directive

**Climate pact** 





### **Corporate Sustainability Reporting Directive – draft**

GRI

Released by EU Commission: 21 April 2021



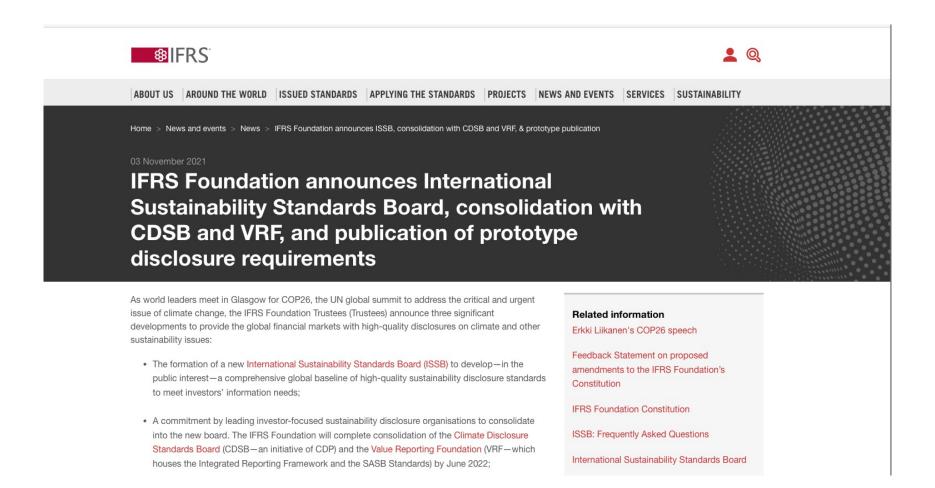
"This standardisation of non-financial reporting is paramount in enabling us to improve our processes as shareholder, investor and lender, both in the initial appraisal of the counterparties that we finance, and in the shareholder dialogue we conduct to foster key issues and to accelerate the in-depth transformation of business models for a more sustainable economy.

To ensure the usability of the data disclosed and the competitiveness of EU companies, the convergence with the sustainability standards globally will also be key."

Eric Lombard, CEO Caisse des Dépôts



# Initiative 2 IFRS Foundation to addresses investor information needs



### GRI

## **Two Complementary Initiatives**

	EU – CSRD	IFRS
Audience	All users of sustainability reporting and affected stakeholders, including with respect to potential future impacts	Investors
Scope	All sustainable development issues – including the impact of an organisation's products and services and its broader value chain.	Climate first, then other ESG matters
Materiality	<b>Double materiality</b> – including material impact of an organisation on sustainable development as well as how these impacts influence value creation.	<b>Financial Materiality/Enterprise Value Creation</b> - Information material to investors, lenders and other creditors
Foundation	'Overarching principles' i) support an inclusive range of stakeholders; and ii) principles-based. Build on initiatives that have similar goals	TCFD recommendations and the prototype standard
Timing	<ul> <li>31 January 2021</li> <li>Final input EFRAG to the European Commission.</li> <li>21 April 2021</li> <li>Commission adoption and submission of the legislative proposal (Level 1 Draft) to the Parliament,</li> <li>2nd half of 2021</li> <li>formal 'trilogue' meetings (interinstitutional negotiations)</li> <li>June 15, 2022</li> <li>L1 legislation adopted under the French Presidency of the Council</li> <li>November 2022</li> <li>Initial set of European non-financial reporting standards ready</li> <li>2023</li> <li>first year of reporting on initial set of standards (TBC)</li> <li>second set of standards for reporting year 2024 (reported on in 2025)</li> </ul>	<ul> <li>8 March 2021</li> <li>22 March –         November 2021</li> <li>Technical Readiness Working Group         <ul> <li>Technical proposal for climate standard</li> <li>Proposal for transition of expertise to formal standard setting under ISSB</li> </ul> </li> <li>30 April - 29 July 2021</li> <li>Public consultation period on draft proposed amendments to the Foundation's constitution necessary to establish a new board (ISSB)</li> <li>November 2021         <ul> <li>VRF (SASB/IIRC) and CDSB to merge into ISSB</li> </ul> </li> <li>November 2021         (COP 26)</li> <li>Public consultation on draft Climate Standard</li> </ul>

## **THANK YOU**



#### VALUE REPORTING FOUNDATION

# Towards a global baseline: The launch of the International Sustainability Standards Board

Neil Stewart, Director of Corporate Outreach neil.stewart@thevrf.org





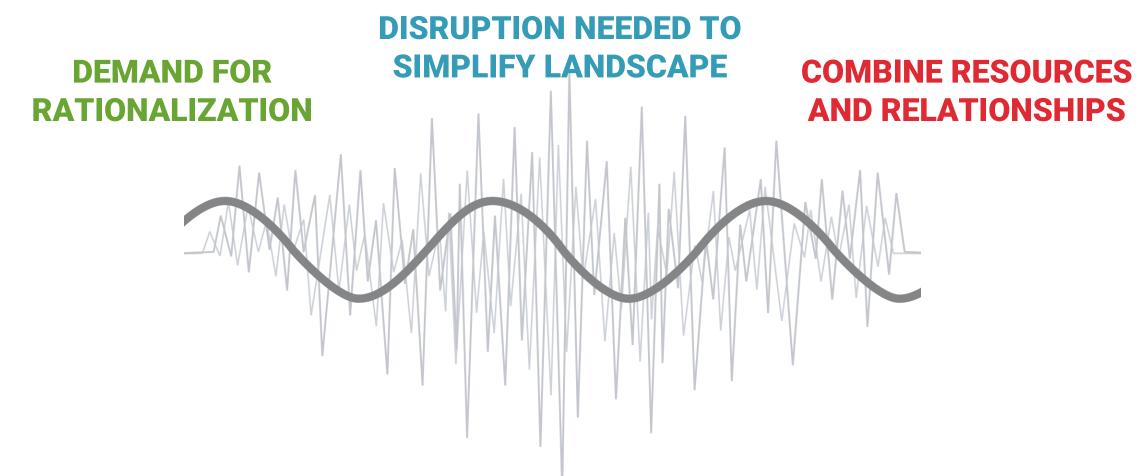


# The Value Reporting Foundation: A robust, market led toolset to support business and investor decision making

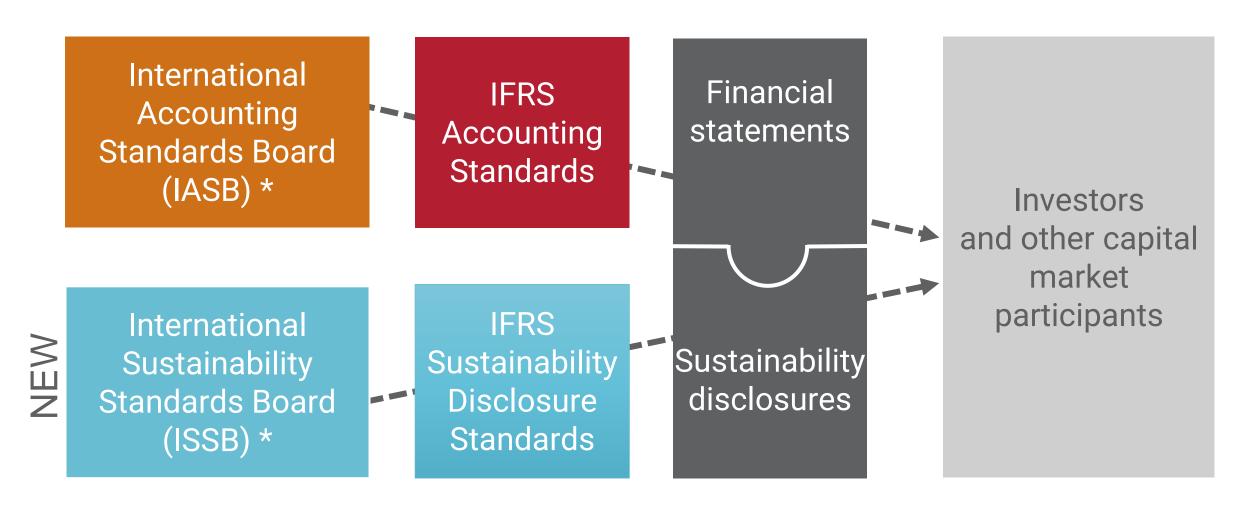




# Why did the Value Reporting Foundation agree to consolidate with IFRS\*?



# Compatible standards to meet investors' needs



<sup>\*</sup> IIRC Council to advise IASB and ISSB on connectivity via fundamental concepts / guiding principles of integrated reporting

# Steps to achieving global capital market standards



# Recommended architecture for ISSB Standards integrates content from all TRWG members into a cohesive whole

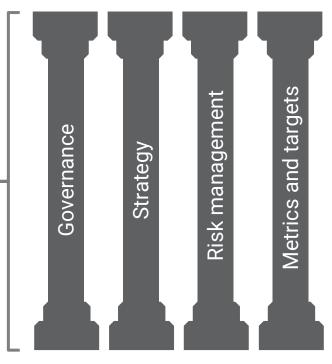
### **General requirements**

(overall sustainability-disclosure requirements)

**Themes** (first: climate)

### **Industry**

(disclosures tailored to industry context)



Disclosures focused on matters critical to the way an entity operates

















## Advice to report preparers



Continue applying the <IR> Framework and SASB Standards



Get familiar with the prototypes – early indication of direction of travel



Be ready to share your views - public consultation early 2022



Plan to engage in ISSB Standards development on an ongoing basis

# International support



11

Finance Ministers and Central Bank Governors from 40+ jurisdictions\* from 6 continents joined the UK in publicly welcoming the announcement of the establishment of the ISSB and its work programme to develop a set of internationally consistent, high-quality, and reliable baseline standards for disclosure of sustainability-related information on enterprise value creation.

<sup>\*</sup> Australia, Brazil, Canada, Chile, China, Costa Rica, Egypt, Ethiopia, European Commission, Fiji, France, Germany, Greece, Guatemala, India, Indonesia, Italy, Jamaica, Japan, Kenya, South Korea, Luxembourg, Maldives, Mexico, Morocco, Netherlands, New Zealand, Nigeria, Paraguay, Philippines, Russia, Saudi Arabia, Seychelles, Singapore, Spain, Switzerland, Tonga, Turkey, UK, Uruguay, USA

#### VALUE REPORTING FOUNDATION

# Thank You

Neil Stewart, Director of Corporate Outreach neil.stewart@thevrf.org







