Item 06 – Development of guidance to identify risks and opportunities that arise from impacts

For GSSB discussion

Date 31 August 2023

Meeting 14 September 2023

Description This exploratory paper aims to seek input from the GSSB on the need to develop guidance for reporters on how to identify risks and opportunities that arise from impacts.
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Background

The Global Sustainability Standards Board (GSSB) has discussed over the course of 2023 the changing reporting landscape and developed its position on how the GRI Standards relate to other reporting standards.

The GSSB’s view is that most, if not all, of the impacts of an organization will eventually translate into risks and opportunities. Furthermore, an organization’s impacts, and the cumulative impacts of organizations over time, can also have an effect on the resources and relationships that the organization depends on. Understanding an organization’s impacts is a necessary first step in identifying risks and opportunities that result from those impacts. The material topics and related impacts determined with the GRI Standards therefore provide crucial input for identifying the risks and opportunities that arise from an organization’s impacts.

These developments have given rise to a demand for practical guidance for reporters on how to use the materiality process based on impacts in *GRI 3: Material Topics 2021* to identify related risks and opportunities under a financial materiality lens. This is evidenced by the growing demand from reporters for such guidance as well as the proliferation of initiatives, from standards setters, non-profit organizations, and commercial services firms to develop similar guidance.

The GSSB has made a reservation in the 2023-2025 Work Program for the development of guidance to address implementation issues identified by the users of the GRI Standards and it is committed to cooperating with global and jurisdictional standard-setting bodies to ensure complementarity and interoperability between standards.

An invitation has been extended to the International Sustainability Standards Board (ISSB) to develop joint guidance on how reporters can use the *GRI 3* materiality process based on impacts to identify related risks and opportunities to report under the IFRS Sustainability Disclosure Standards. The ISSB have advised that the development of such joint guidance is not possible under the IFRS due process as it may extend or contradict the contents in IFRS S1 or S2, as the GRI Standards are not one of the specific sources of guidance for identifying sustainability-related risks and opportunities listed in IFRS S1.

While joint guidance together with the colleagues of the ISSB continues to be the preferred outcome in principle, the GSSB needs to now assess how guidance on this matter can be developed unilaterally and/or with other partners. The Standards Division is seeking feedback from the GSSB on the development of such guidance, including on the possible scope and format of the guidance.
Development of the guidance

Possible scope of the guidance

The aim of the guidance would be to explain how GRI reporters can use their existing impact-based materiality process based on GRI 3 to identify related risks and opportunities under a financial materiality lens.

The guidance could also consider how the impacts of an organization and the cumulative impacts of organizations affect an organization’s dependencies. An organization’s dependencies on resources and relationships are also a source of risks and opportunities.

The guidance would be standard-agnostic and enable GRI reporters to identify risks and opportunities related to their impacts for reporting together with any financial materiality or double materiality-based standard.

Possible format of the guidance

This guidance could be developed as authoritative guidance or non-authoritative guidance.

Authoritative guidance is subject to the GSSB’s Due Process Protocol and can take the form of a GRI Standard or a Standard Interpretation, for example by revising or expanding GRI 3.

Non-authoritative guidance is not subject to the GSSB Due Process Protocol. Non-authoritative guidance is therefore not part of the suite of GRI Standards and as such reporters are not required to consult it when reporting in accordance with the GRI Standards.

The Standards Division recommends that non-authoritative guidance be developed in a first instance.

Developing non-authoritative guidance would allow the GSSB to develop and test the guidance, before deciding whether to integrate it into the GRI Standards.