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# **The evolution of the global corporate reporting system and the role of GRI Standards**

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## Executive summary

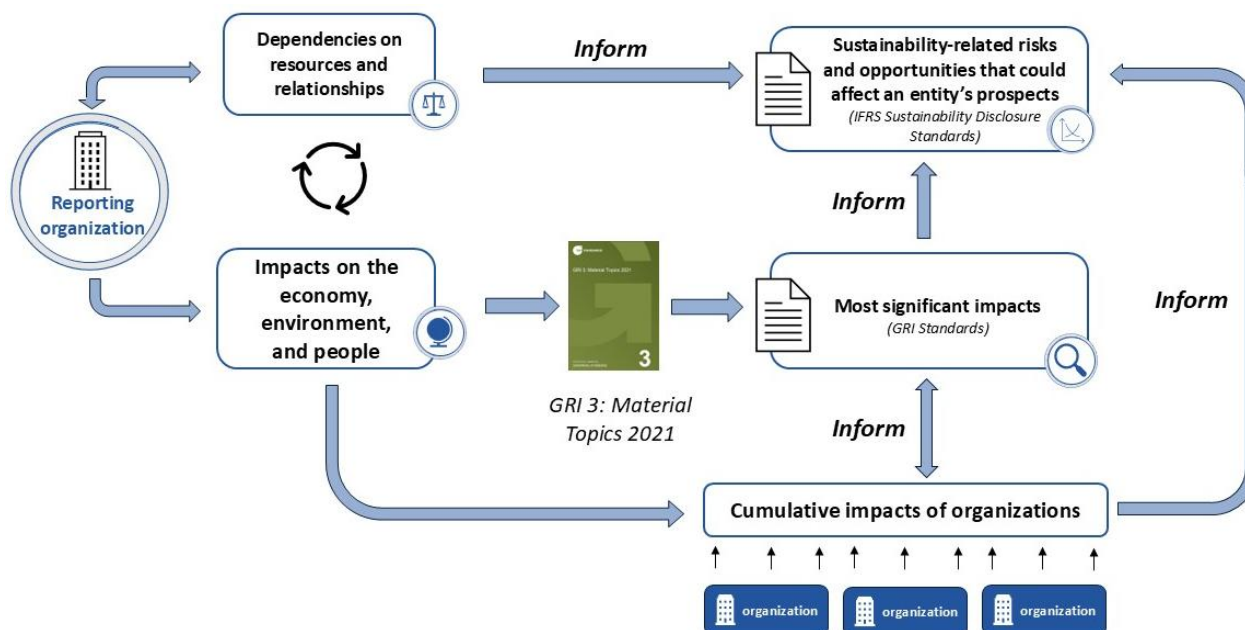
Corporate reporting is undergoing a major transformation, driven by growing stakeholder demands for transparency into impacts, risks, and opportunities, as well as by an increasing number of regulations. Despite these developments, the interaction between financial disclosures and sustainability information remains complex, with limited reporting on how they interact. To overcome this challenge, there is a pressing need for a unified and coherent reporting approach that provides a comprehensive view of organizational performance and advances sustainable development worldwide.

Using GRI Standards and IFRS Sustainability Disclosure Standards together provides a strong foundation for an efficient and comprehensive 'global corporate reporting system'. The GRI Standards – developed by the Global Sustainability Standards Board (GSSB) – focus on an organization's impacts on the economy, environment, and people, providing transparency and accountability to a wide range of stakeholders, including investors and civil society. The IFRS Sustainability Disclosure Standards – developed by the International Sustainability Standards Board (ISSB) – address information about an entity's sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports for making decisions about providing resources to the entity. Reporting under both sets of standards ensures that organizations deliver high-quality, integrated information that supports sustainable development and economic prosperity through better decision-making and accountability.

The GSSB's notion of the global corporate reporting system encompasses the principle that many, if not all, of an organization's most significant impacts lead to risks and opportunities that become financially material over time. By understanding their impacts and dependencies, organizations can more effectively assess and disclose financial risks and opportunities. While financial reporting is widely understood and well established, there is increasing demand for clear insights into the impacts of organizations on the economy, the environment, and people – and how those impacts lead to risks and opportunities for an organization over time. For example, investors are interested in the impacts of individual entities and the broader, cumulative impacts of organizations that may lead to systemic risks across their portfolios. The global corporate reporting system can achieve this through GRI disclosures on an organization's most significant impacts, which inform the reporting of risks and opportunities under the IFRS Sustainability Disclosure Standards. This alignment not only simplifies reporting for organizations but also enhances the consistency and usefulness of information to all users.

The global corporate reporting system operates through a network of key actors, including international and national standard-setters (such as GSSB, ISSB, IASB, IAASB, and EFRAG), regulators and policymakers, professional bodies, reporting organizations, and users of corporate reports, such as investors and citizens. Each plays a critical role in ensuring the system produces consistent, comparable, and decision-useful information on both financial performance and sustainability. EFRAG has demonstrated the value of an approach that combines GRI Standards and IFRS Sustainability Disclosure Standards.

**Figure 1. How impacts and dependencies inform risks and opportunities in the global corporate reporting system**



## Introduction

The global corporate reporting system is evolving. Investors, regulators, and other key stakeholders, including civil society, increasingly expect organizations to provide a more complete picture of their performance, one that integrates financial results alongside impacts on the economy, environment, and people.

These growing expectations are driving more regulatory requirements for sustainability information. At the same time, increasing demand for transparency is reshaping reporting practices. In this context, the concept of double materiality is gaining prominence, recognizing that organizations must report on both the impact of their activities on people and the environment, as well as how sustainability issues affect their financial performance. However, the interaction between financial disclosures and sustainability information remains complex and fragmented. This complexity has generally been driven by divergent standards, overlapping disclosure requirements, and limited interoperability between financial and sustainability reporting frameworks. In this context, the collaboration between the Global Sustainability Standards Board (GSSB) and the International Sustainability Standards Board (ISSB) marks a crucial step toward meeting stakeholders' growing expectations. Their respective standards offer complementary frameworks for navigating the evolving global reporting landscape, supported by the efforts of preparers, users, assurance providers, and regulators alike.

It is essential to distinguish between the objectives of the two standard setters, as they determine the focus of their standards and how they interact with each other. The objective of the standards set by the GSSB is to provide transparency and accountability for the most significant impacts of the reporting entity on the economy, environment, and people. In other words, how the entity contributes

to sustainable development – meeting today’s needs without compromising the ability of future generations to meet theirs. The GRI Standards are focused on meeting the information needs of diverse stakeholder groups, such as investors and civil society organizations. In contrast, the purpose of reporting in accordance with the IFRS Sustainability Disclosure Standards set by the ISSB is to provide information about an entity’s sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports, notably existing and potential investors, lenders, and other creditors, in making decisions relating to providing resources to the entity.<sup>1</sup>

In this paper, the need for reporting under both GRI Standards and IFRS Sustainability Disclosure Standards is emphasized, and the aim is to explore how applying both sets of standards is a necessary condition for transparent and effective reporting of organizational performance and significant impacts. For example, an organization may use GRI Standards to address the impacts of its transition plans on workers and communities, while using IFRS Sustainability Disclosure Standards to disclose climate-related risks that could affect its future cash flows.

The GSSB has approved a related project to provide practical guidance on the relationship between impacts, risks, opportunities, and dependencies, to clarify how organizations’ most significant impacts (*GRI 3: Material Topics 2021*) give rise to sustainability-related risks and opportunities, and may result in financial effects. This paper supports that work by clarifying the role of GRI Standards in the global corporate reporting system and how organizations’ individual and cumulative impacts can affect the resources and relationships on which they depend. As explained in *GRI 1: Foundation 2021*, many, if not all, of these impacts eventually translate into risks and opportunities. These impacts are not the only source of sustainability-related risks and opportunities, but they can have significant financial consequences, both individually and when combined with the cumulative impacts of many organizations over time. Understanding an organization’s most significant impacts is therefore a necessary step in identifying risks and opportunities that affect it.

This evolution of corporate reporting is driven by the impact-oriented approach pioneered by GRI and the GSSB, and the expansion of the financial materiality approach adopted by the IFRS Foundation and ISSB. Recent developments, such as the European Sustainability Reporting Standards (ESRS), developed in collaboration with GRI and the IFRS Foundation, reflect this shift and the move toward mandatory sustainability disclosures. The ESRS integrate these two approaches: GRI Standards capture how the organization’s activities impact the economy, environment, and people (‘impact materiality’ in ESRS), and the IFRS Sustainability Disclosure Standards focus on reporting material information to investors on sustainability-related risks and opportunities that could reasonably affect an entity’s prospects (‘financial materiality’ in ESRS). The ESRS refer to the combination of these two approaches as ‘double materiality’, emphasizing that impact materiality informs financial materiality.

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<sup>1</sup> IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (paragraph 1 and Appendix A).

The paper explores the role of GRI Standards in shaping the evolution of the global corporate reporting system. It uses the term ‘corporate reporting’ to refer to general-purpose reports<sup>2</sup> that organizations increasingly use to communicate with stakeholders, encompassing both financial and sustainability reporting. In some jurisdictions, a trend has already emerged toward integrating key information into a single report, such as an integrated report prepared in line with the principles in the Integrated Reporting Framework.<sup>3</sup> In this paper, general-purpose reporting refers to information for stakeholders who rely on publicly available information rather than being able to demand specific information from organizations. Policymakers are increasingly looking at these general-purpose reports as a tool to capture broader sustainability-related information, while investors are increasingly demanding greater clarity on how environmental and social impacts affect business models and long-term performance.

Corporate reporting can be more effective and relevant when it encompasses organizations’ most significant impacts, providing consistent and meaningful information on financial performance and sustainability outcomes. This enables stakeholders to make informed decisions in an increasingly complex global reporting landscape, necessitating that organizations report against multiple frameworks to meet the information needs of their stakeholders. The evolving governance of the standards setters within this global system should provide a basis for simplification and streamlining corporate reporting practices.<sup>4</sup> In addition, by illustrating how impact reporting informs and strengthens financial reporting, this work can support organizations in jurisdictions transitioning from standalone sustainability reporting toward more integrated reporting for a broad stakeholder audience.

GRI Standards are developed for all types of organizations, but this paper only deals with a subset of these organizations, namely, large-listed companies.<sup>5</sup>

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<sup>2</sup> This paper acknowledges that organizations ‘report’ in many different ways through social media and other mechanisms, but, here, it is solely concerned with formal reports approved by their governance bodies.

<sup>3</sup> Integrated Reporting Framework (2021) see <https://integratedreporting.ifrs.org/resource/international-ir-framework/>. The work of the International Integrated Reporting Council is now part of the IFRS Foundation. The primary purpose of an integrated report is to explain to providers of financial capital how an organization creates, preserves or erodes value over time. While the IR Framework was developed predominantly for the needs of capital providers, its multi-capital approach has relevance for reporting to wider stakeholders. Some integrated reports use GRI disclosures to explain how value is created and depleted for all key stakeholders.

<sup>4</sup> For example, when the GHG Protocol is used, applying IFRS S2 Climate-related Disclosures and *GRI 102: Climate Change 2025* leads to the same GHG emissions data.

<sup>5</sup> The preface to International Public Sector Accounting Standards states that government business enterprises should apply IFRS Accounting Standards.

## A unified approach for better corporate reporting

GRI Standards are at the forefront of defining and shaping robust sustainability reporting by providing a global language that capital providers, accountants, analysts, and civil society need. They are a critical part of the global system, and, to that end, a Memorandum of Understanding (MOU)<sup>6</sup> between GRI and the IFRS Foundation was signed in [2022](#). This agreement established the **ambition to develop two complementary sets of standards to create a global corporate reporting language addressing financial and impact information**. On [24 May 2024](#), the IFRS Foundation/ISSB and GRI/GSSB further agreed to pilot working together, starting with biodiversity disclosures.

The MOU established a clear commitment from the GSSB and ISSB to reinforce the global system of corporate reporting together, where GRI Standards and IFRS Sustainability Disclosure Standards provide a complete and comprehensive basis for communicating with an organization's stakeholders. This approach provides an accepted and consistent direction to reporting on sustainability matters, which conveys an organization's sustainability-related risks and opportunities, along with the impacts it has on the economy, environment, and people. It is based on coherent corporate reporting where GRI impact disclosures inform IFRS Sustainability Disclosure Standards disclosures on risks and opportunities, which are extending financial reporting to include sustainability-related risks and opportunities within the corporate report 'to meet the needs of capital providers'.<sup>7</sup> This streamlines processes for reporters and report users, facilitates the uptake of both sets of standards, and provides a strong response to achieving proportionality in corporate reporting. It also provides organizations with more complete information to assess and manage impacts, risks, opportunities, and dependencies, thus enhancing their competitiveness. By aligning the standards, reporting requirements can be applied in a way that is proportionate to the size and complexity of the organization – for example, allowing smaller organizations to focus on the most material issues without being overburdened by extensive disclosures required of larger, more complex entities. This approach is consistent with the prevailing global trend to report information that is relevant from both a financial and an impact perspective,<sup>8</sup> which will be further explored through the GSSB project on the connection between impacts, risks, and opportunities.

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<sup>6</sup> The signed MOU is not in the public domain and its content is summarized in a [press release](#) on 24 May 2024.

<sup>7</sup> 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.

<sup>8</sup> The Corporate Sustainability Reporting Directive (CSRD) 2022/2464/EU refers to the concept of 'double materiality' to signify the need to report on financial performance and impacts. A [global survey](#) of reporting by the International Federation of Accountants (IFAC, 2025) found that reporting on both impact and financial materiality is now the norm in most jurisdictions.

# How the global corporate reporting system operates

This paper, and corporate reporting in general, commonly uses the term ‘global corporate reporting system’, but its intended meaning is not always clear. ‘Financial’ and ‘sustainability’ reporting are also used without precision, as is ‘global baseline’. A clearer understanding of the global system begins by identifying the key actors, their roles in how it operates, and how they interact with one another, as detailed below.

**Table 1: The global corporate reporting system’s key actors**

<b>Key actor</b>	<b>Role</b>
<b>Global standard-setters (GSSB, IAASB, IASB, IESBA, ISSB, and IPSASB)</b>	Set reporting requirements to promote high-quality, consistent, and comparable corporate reports based on a specified due process.
<b>National and local standard-setters (EFRAG,<sup>9</sup> SSBJ)</b>	Set reporting requirements to promote high-quality, consistent, and comparable corporate reports for companies operating in a specific jurisdiction based on a specified due process, including by adapting, adopting, or endorsing global standards.
<b>Corporate sustainability and disclosure frameworks (GHG Protocol, SBTi, TNFD)</b>	Provide guidance for measuring, managing, and disclosing information on impacts, risks, and opportunities.
<b>Policymakers and regulators (at supra, national and sub-national levels, such as the UN, IOSCO, national governments, securities commissions, and stock exchanges)</b>	Develop, implement, enforce, and supervise compliance with, reporting laws, regulations, and rules within a jurisdiction, typically drawing on global standards, either as the basis for reporting or developing national standards or by creating equivalence between these standards and local requirements.
<b>Professional bodies (IFAC, national accounting bodies, and other professional organizations)</b>	Establish conditions and rules for membership in the profession. Their members are involved in the preparation and external assurance of corporate reports.

<sup>9</sup> EFRAG is a supra-national standard setter and the CSRD extends reporting to companies in third countries with major operations in the EU.

<b>Organizations (including large-listed companies that produce general-purpose corporate reports)</b>	Responsible for preparing reports and ensuring compliance with jurisdictional and reporting standard requirements, sometimes across multiple jurisdictions.
<b>Users (investors and other key actors, including citizens, who rely on general-purpose corporate reports)</b>	Consumers of the information for the purposes of holding organizations to account and for decision-making.

This last group of actors, referred to as ‘users’ in the global system, is not homogeneous 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 individual organization and sectors’ viability. Impact reporting is also valuable for system-level analysis of trends, risks, and opportunities likely to affect financial systems’ and society’s viability and stability. This, in turn, can benefit individuals who want to invest sustainably as well as citizens who would benefit from a stable, sustainable, and inclusive economic system.

Therefore, presenting impacts, risks, and opportunities as discrete and unconnected information prevents stakeholders from understanding how to navigate corporate reports. For that reason, a global system is emerging that provides users with a more comprehensive understanding of an organization’s impacts, risks, and opportunities reported under GRI Standards and IFRS Sustainability Disclosure Standards. The information reported under GRI Standards is critical for the global system because it acknowledges the cumulative impacts of organizations over time, along with the interrelationship between impacts as a potential driver of the organization’s risks and opportunities. This is achieved by organizations subsequently producing sustainability-related information that serves the information needs of all stakeholders in the global system.

## Adapting sustainability reporting for different needs

Information about sustainability-related matters is relevant to different sections within a corporate report, from descriptions on strategy and governance to financial statements. For example, reporting on an environmental impact may originate from a *GRI 102: Climate Change 2025* disclosure and be included in a sustainability report. However, the related climate information may be added to a financial report as evidence of a sustainability-related risk and, at some point, emerge as an input to asset impairment indicators in applying *IAS 36 Impairment of assets* in preparing the financial statements. *GRI 102* also emphasizes social impacts, notably the equitable nature of a just transition. From a financial reporting perspective, understanding the financial effects of the climate transition is

critical, both in terms of mitigating climate change-related risks and making the business more resilient. For instance, disclosing information about an organization's expenditure on its transition plan in the current reporting period is particularly relevant for stakeholders to assess its progress in ameliorating the impacts of climate change. This also helps stakeholders understand the current and potential effects of climate-related risks and opportunities on the organization's strategy and decision-making.<sup>10</sup> In other words, climate change-related information can be captured as an impact and then used to further explain dependencies, risks, and opportunities in terms of financial effects recognized or disclosed in financial statements.

*GRI 101: Biodiversity 2024, GRI 102: Climate Change, and GRI 103: Energy 2025* are the most recent examples illustrating how a GRI Standard can uncover sustainability-related risks and opportunities that emerge from an organization's most significant impacts. Without this kind of impact information, organizations would struggle to effectively identify their exposure to financial material risks or opportunities until they manifest, resulting in reduced competitiveness, higher long-term costs, and other unforeseen financial consequences. When adopting any GRI Standard to explain dependencies, risks, and opportunities, the organization can access beneficial insights and, therefore, strengthen its operations.

## Sources of sustainability-related information

Many, if not all, of an organization's most significant impacts lead to risks and opportunities that become financially material over time. However, these financial consequences are not always captured in corporate reporting – often because organizations are unaware of what their most significant impacts are, or how and when these impacts translate into risks. In addition, the dependencies of the business model on resources and relationships<sup>11</sup> may be considered too 'systemic' and not emerge as a 'risk' to the reporting entity, even though they can eventually become significant financial risks.

Using GRI Standards and IFRS Sustainability Disclosure Standards together fosters a global system where information connectivity 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

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<sup>10</sup> See IFRS S2, paragraph 14.

<sup>11</sup> 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.

Sustainability Disclosure Standards link to the three key types of information that stakeholders seek in corporate reports:

- (a) **Impacts on economy, environment, and people** (GRI Standards set by the GSSB) – Through their activities and business relationships, organizations can have an effect on the economy, environment, and people, and in turn make negative or positive contributions to sustainable development.<sup>12</sup> These impacts are captured through an organization's due diligence and other relevant processes, such as human resources, enterprise risk management, environmental management systems, and occupational health and safety management systems. GRI Standards emphasize the role of these impacts and their contribution to sustainable development. Reporting on these impacts is highly relevant in its own right as a public interest activity, but also a necessary step in determining related financially material issues for organizations.
- (b) **Sustainability-related risks and opportunities** (IFRS Sustainability Disclosure Standards set by the ISSB) – The purpose of reporting in accordance with IFRS Sustainability Disclosure Standards is to provide information about an entity's sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity. Reporting on sustainability-related risks and opportunities is 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.<sup>13, 14</sup> Sustainability-related risks and opportunities might arise from the business model's dependencies, impacts, and other aspects.
- (c) **Financial statements and notes** (IFRS Accounting 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 Accounting Standards are concerned with promoting efficient capital markets.<sup>15, 16</sup>

Bridging the gap between identifying and reporting impacts, risks, and opportunities, along with dependencies, is key to building a global reporting system that is both credible and useful. High-

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<sup>12</sup> GRI 1: Foundation (2021), page 4.

<sup>13</sup> 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.

<sup>14</sup> 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.

<sup>15</sup> [IFRS Constitution](#) (2021).

<sup>16</sup> While many companies prepare financial statements using IFRS Accounting Standards, companies may also use national Generally Accepted Accounting Principles (GAAP).

quality corporate reporting relies on clear standards, supported by key stakeholders working together to enhance and reinforce their effectiveness. To achieve this, the global system can ensure coherence of corporate reporting, where GRI impact disclosures inform reporting of risks and opportunities under IFRS Sustainability Disclosure Standards. This alignment will simplify reporting for organizations, facilitate the adoption of both standards, and, most importantly, better serve users' information needs.