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Item 6 – The evolution of the global corporate reporting system and the role of GRI Standards

For GSSB approval

Date	3 July 2025
Meeting	17 July 2025
Description	This paper explores the evolving global corporate reporting system, highlighting the role of GRI Standards in ensuring organizations effectively communicate both financial effects and sustainability-related impacts. It also discusses how GRI Standards align with IFRS S Standards to enhance transparency, accountability, and decision-making for relevant stakeholders. This is an updated version of the paper presented to the GSSB on 15 May 2025 (Item 13). It has been revised based on feedback received during the GSSB meeting on 15 May. For a summary of this feedback, see Item 01 – Draft summary of the GSSB meeting held on 15 May 2025. Key changes made to this paper can be found in: - Table 1: The table was elaborated to reflect the roles of the GSSB and ISSB. A reference to ‘citizens’ was also included. - Lines 14-23: Context added to reflect the GSSB’s and ISSB’s different characteristics. - Lines 24-28: Link created with risks and opportunities. - Lines 42-44 and 52-58: Context added about GSSB and ISSB supporting integrated reporting. - Other edits to improve the readability of the paper. The paper is presented for approval by the GSSB. The staff proposes to solicit feedback from the GRI Governance bodies as a next step to develop the joint GRI position on the global corporate reporting system.

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Introduction

The global corporate reporting system[1] 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 environmental and social impacts. This growing demand for transparency is reshaping reporting practices, but the boundaries between financial disclosures and sustainability information remain complex and often fragmented. At the same time, regulatory requirements are expanding, and organizations need to understand and communicate how their impacts relate to risks, opportunities, and long-term value creation.

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 ISSB's objective is on the sustainability or viability of the reporting entity, highlighting the relevance of financial matters. The purpose of reporting in accordance with its standards is to help users understand the financial effects on the entity of sustainability-related risks and opportunities. 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 sustainable development. In this paper, the need for reporting under both the GSSB and ISSB Standards is assumed, 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.

The GSSB has approved a separate but related project to provide practical guidance on the relationship between impacts, risks and opportunities to further amplify the manner in which an organization's significant impacts (*GRI 3: Material Topics 2021*) are most likely to give rise to sustainability-related risks and opportunities to it and result in potential financial effects. This paper also supports that work by clarifying the role of GRI Standards in the global reporting system and how individual and cumulative impacts can affect the resources and relationships on which organizations depend. As explained in *GRI 1: Foundation 2021*, many, if not all, of these impacts eventually translate into risks and opportunities. Therefore, understanding an organization's impacts is the first step in identifying organizational risks and opportunities.

This evolution of corporate reporting is being driven by the impact-oriented approach pioneered by GRI and the GSSB, as well as the expansion of the financial materiality approach adopted by the IFRS Foundation and ISSB. Recent developments, such as the European Sustainability Reporting

[1] The building blocks approach was set out by the International Federations of Accountants and built on the 'core and more' concept developed by Accountancy Europe. See [Enhancing Corporate Reporting: Sustainability Building Blocks | IFAC].

Standards (ESRS), developed in collaboration with GRI and the IFRS Foundation, accelerate this evolution towards mandatory sustainability disclosures. The ESRS is grounded in the ‘double materiality’ principle, which aligns closely with GRI’s mission to promote transparency and accountability in societal and environmental impacts alongside financial performance.

The paper explores the role of GRI Standards in shaping the global corporate reporting system. It uses the term ‘corporate reporting’ to refer to general-purpose reports[2] that organizations increasingly use to communicate with stakeholders, encompassing both financial and sustainability reporting. In some jurisdictions, there has been a trend towards integrating information in a single report, such as an integrated report prepared in line with the principles in the Integrated Reporting Framework[3]. Here, ‘general purpose’ refers to information for stakeholders who rely on publicly available information rather than being able to demand specific information from organizations. Policymakers are also increasingly looking at this corporate reporting tool to capture broader sustainability-related information, alongside investors demanding greater clarity on how environmental and social impacts affect business models and long-term performance. Corporate reporting remains effective and relevant when adopting an impact-oriented approach, 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, where organizations must 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[4]. In addition, by illustrating how impact reporting informs and strengthens financial reporting, the GSSB and ISSB demonstrate how they can support organizations in jurisdictions transitioning from standalone sustainability reporting toward more integrated reporting.

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

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

[3] Intergrated 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. While the IR Framework was developed predominantly for the needs of capital providers, its multi-capital approach has relevance for reporting to wider stakeholders.

[4] For example, the agreement between the ISSB and GSSB that GHG information prepared in accordance with IFRS S2 Climate Change will satisfy the equivalent disclosures under *GR1 102: Climate Change*

[5] The preface to International Public Sector Accounting Standards states that government business enterprises should apply IFRS 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)[6] 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 that they would pilot working together to identify and align common disclosures for thematic and sector standards for biodiversity disclosures.

The MOU also established a clear commitment from the GSSB and ISSB to reinforce the global system of corporate reporting together, where GRI Standards and IFRS S Standards provide a complete and comprehensive basis for communicating with an organization's stakeholders. This approach provides an accepted and consistent approach to reporting on sustainability matters, which conveys an organization's financial performance 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 S Standards disclosures on dependencies, 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'.[7] This simplifies life 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 monitor and manage impacts, risks, opportunities, and dependencies, thus enhancing their competitiveness. It is also consistent with the prevailing global trend to report information that is relevant from both a financial and an impact perspective.[8]

What do we mean by a 'global system'?

This paper, and corporate reporting in general, commonly uses the term 'global system', but its intended meaning is not always clear. 'Financial' and 'sustainability' reporting are also used without precision, as is 'global baseline', which is unhelpful in understanding how standards interoperability should work within the global system. A clear description of the global system begins by identifying the key actors, their roles in how it operates, and how they interact together, which is detailed below.

[6] The signed MOU is not in the public domain and its content is summarized in a press release on 24 March 2024.

[7] 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.

[8] The Corporate Sustainability Reporting Directive 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.

Table 1: The global reporting system's key actors

Key actor	Role
Standard-setters (GSSB, IASB, ISSB, IAASB, IESBA, IPSASB, and EFRAG[9])	Set reporting requirements to promote high-quality, consistent, and comparable corporate reports based on a rigorous multi-stakeholder due process.
Policymakers and regulators (at supra and national levels, such as the UN, IOSCO, and national governments)	Establish corporate reporting requirements and norms within a jurisdiction, typically drawing on global standards and norms, either as the basis for reporting or by adapting or creating comparability and equivalence with local requirements.
Professional bodies (IFAC, national accounting bodies, and other professional organizations)	Establish conditions and rules for membership in the profession. Their members are involved in the preparation and external assurance of corporate reports.
Organizations (including large-listed companies that produce general-purpose corporate reports)	Responsible for preparing reports and compliance with jurisdictional and reporting standard requirements, sometimes across multiple jurisdictions.
Users (investors and other key actors, including citizens, who rely on general-purpose corporate reports)	Consumers of the information for the purposes of holding organizations to account and for decision-making.

It is important to note that 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.

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

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 entity’s performance and its impacts through the sustainability-related information reported under GRI and IFRS S 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 elements within a corporate report. For example, an environmental impact may originate from a *GRI 102: Climate Change* disclosur*e* and be included in a sustainability report. However, the related climate information may be added to a financial report as evidence for a sustainability-related risk and, at some point, emerge as an input to asset impairment indicators in applying *IAS 36 Impairment of asset*s 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 helps stakeholders understand the current and potential effects on the organization’s future cash flows, financial performance, and position[10]. 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 102 is the most recent example illustrating how a GRI Standard can uncover sustainability-related risks and opportunities that emerge from the 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 produce these beneficial insights and, therefore, strengthen its operations. The Standards also aim to prevent double reporting of sustainability information, as uniformity would not benefit users or preparers.

[10] See IFRS S2, paragraph 14.

Sources of sustainability-related information

Using GRI Standards and IFRS S 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 S Standards link to the three key types of information that stakeholders seek in corporate reports:

(a) **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 S Standards are concerned with promoting efficient capital markets.[11]

(b) **Dependencies, risks, opportunities** (IFRS S Standards set by the ISSB) – These are 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 (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).[12] The dependencies of the business model on resources and relationships required for the business model[13] may be considered too ‘systemic’ and not emerge as a ‘risk’ to the reporting entity, but they can **transform** into significant financial risks over time. Risks and opportunities might arise from the business model's dependencies, impacts, and other aspects.

(c) **Impacts on economy, environment, and people to promote sustainable development** (GRI Standards set by the GSSB) – This includes impacts on the economy, environment, and people, including impacts on their human rights, captured through the main accounting system and/or information systems such as human resources, environmental management accounting, enterprise risk management, and others for environmental and human-related

[11] IFRS Constitution (2021).

[12] 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.

[13] 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.

impacts. GRI Standards emphasize the role of these impacts and their contribution to sustainable development.

The quality and clarity of this information shape the global system’s usefulness and credibility. However, standards can establish the foundation for high-quality corporate reporting, built on all key actors working together to enhance and reinforce their effectiveness. To achieve this, the global system must ensure coherence of corporate reporting, where GRI impact disclosures inform reporting of risks and opportunities under IFRS S Standards. This alignment will simplify reporting for organizations, facilitate the adoption of both standards, and most importantly, better serve users’ information needs.