

## Climate Disclosure Standards Board's (CDSB) response to the GRI Universal Standards consultation

*The following document details CDSB's response to the GRI consultation on the exposure draft of GRI's Universal Standards; GRI 101: Using the GRI Standards, GRI 102: About the Organization, and GRI 103: Material Topics.*

### GRI 101: Using the GRI Standards

#### Section 2. Key concepts in GRI Standards

The following key concepts have been revised in order to enable organizations to more effectively report on their contributions toward the goal of sustainable development:

- The definition of 'material topic' has been revised to focus on impact. In the exposure draft a material topic is defined as follows:

'topic that reflects the organization's most significant impacts on the economy, environment, and people, including impacts on human rights'.

Engagement with relevant stakeholders forms part of identifying an organization's impacts, and so informs the process of identifying material topics. However, 'influence on the assessments and decisions of stakeholders' is no longer a standalone factor that determines whether a topic is material. For more information, see lines 100-113 in the explanatory memorandum and lines 137-171 in the exposure draft of the Universal Standards.

- The definition of 'stakeholder' has been aligned with the Organisation for Economic Co-operation and Development (OECD) OECD Due Diligence Guidance for Responsible Business Conduct. In the exposure draft, a stakeholder is defined as follows:

'individual or group that has an interest that is, or could be, affected by the organization's activities and decisions'.

For more information, see lines 121-129 in the explanatory memorandum and lines 196-229 in the exposure draft of the Universal Standards.

#### Question 1. Please provide any comments on these revisions

The proposed change in the definition of a material topic focuses principally on impacts on the economy, environment or people, without parallel consideration of stakeholder perspectives. Stakeholder input is then proposed to be sought after this initial identification of actual or potential material impacts. This reduces the ability to concurrently consider materiality from the perspective of impact on the organisation's own enterprise value creation, the typical basis for determining materiality within financial accounting standards. We believe that this creates the risk of reducing connectedness between financial and non-financial reporting.

The previous definition employed under the GRI Standards, which explicitly incorporated stakeholder views, provided a direct means by which investor perspectives could be integrated into the determination of material

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sustainability topics, alongside the views of wider stakeholders. Accordingly, this supported organisations to also consider a financial materiality perspective in their sustainability disclosures, supporting greater connection between financial and non-financial reporting.

CDSB therefore believes that to promote greater interconnectedness between financial and non-financial reporting, the materiality definition should explicitly consider financial materiality, i.e. impacts on an organisation’s own enterprise value creation, in addition to impacts on the economy, environment and people. This would help to ensure that disclosures prepared using the GRI Standards can be used to identify the subset of wider sustainability information that is material for enterprise value creation and thus of relevance for disclosure to investors via the mainstream report.

### Section 3: Using the GRI standards for sustainability reporting

The GRI Standards consist of the following three sets of Standards:

- Universal Standards;
- Sector Standards;
- Topic Standards.

There are two approaches to using the GRI Standards for sustainability reporting:

- Option A: reporting in accordance with the GRI Standards;
- Option B: reporting with reference to the GRI Standards.

These revised approaches are intended to improve the quality and consistency of reporting and increase transparency in the way that the GRI Standards are used. For more information, see lines 130-175 in the explanatory memorandum and lines 230-438 in the exposure draft of the Universal Standards.

#### Question 2. Please provide any comments on these revisions

No comments

#### Statement of use

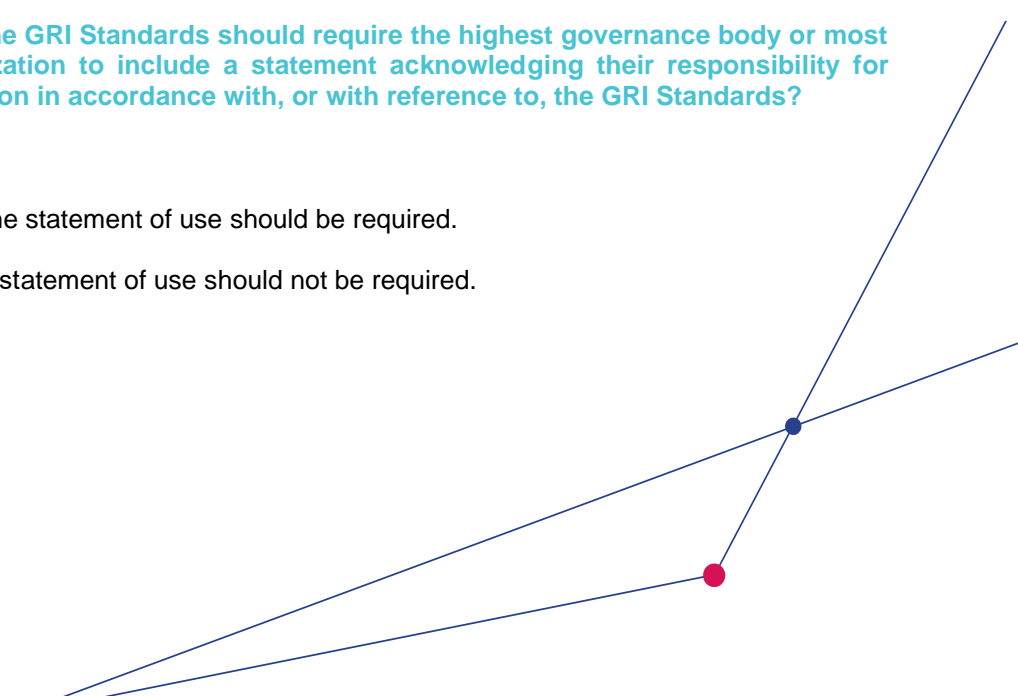
Both approaches to using the GRI Standards include a requirement for organizations to provide a statement of use (Requirement A-7 in Option A: reporting in accordance with the GRI Standards, and Requirement B-2 in Option B: reporting with reference to the GRI Standards). For more information, see lines 176-185 in the explanatory memorandum, and in the exposure draft of the Universal Standards, see lines 353-375 for option A and lines 407-430 for option B.

#### Question 3. Do you agree that the GRI Standards should require the highest governance body or most senior executive of the organization to include a statement acknowledging their responsibility for preparing the reported information in accordance with, or with reference to, the GRI Standards?

Please select:

- Yes, this acknowledgement in the statement of use should be required.
- No, this acknowledgement in the statement of use should not be required.

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**Question 3a. If your answer is yes, please explain.**

Identifying the CEO/senior executive/Board committee responsible for non-financial information provides valuable transparency over the accountability for organisational oversight over disclosure. Any acknowledgement should clarify how responsibility for environmental information is delegated (if applicable). Providing this statement supports comparability in governance and disclosure controls between non-financial and financial reporting.

**Question 4. If your answer to question 3 is yes, should the acknowledgement in the statement of use be extended to the quality and veracity of the reporting information?**

- Yes
- No

**Question 4a. If your answer is yes, please provide suggestions on how to amend the statement.**

Considering the quality of the reported information in the statement of use would help to provide users of the disclosure with further useful context. Rather than requiring that the acknowledgement provides a singular view of the quality or veracity of the overall disclosure, we would suggest that it would be helpful to require organisations to specifically identify any areas where information may be incomplete, or has been prepared under conditions of uncertainty, together with an explanation about the nature and degree of omissions/errors/uncertainty. This would help to ensure that users of the information are able to take this into consideration in their use of the disclosure.

## **GRI 102: About the Organization**

The exposure draft of GRI 102: About the Organization contains disclosures for contextual information about the organization. These include disclosures that provide details about the organization and its reporting practices, activities, governance, responsible business conduct policies and practices, and stakeholder engagement.

This part of the survey covers questions on specific sections of GRI 102. Comments on the remaining sections of GRI 102 can be provided in the 'Additional comments' section at the end of the survey.

### **Section 4: Governance**

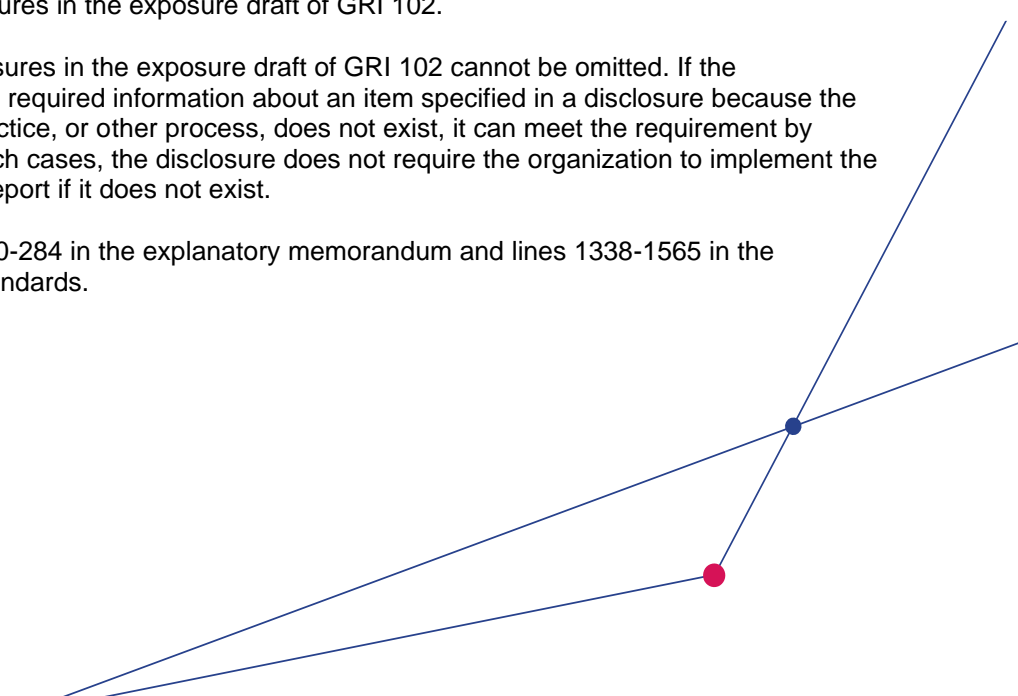
Section 4. Governance contains fifteen disclosures, which provide an overview of the organization's governance structure, composition, roles, and remuneration.

An organization reporting in accordance with the GRI Standards is required to report all disclosures in this section, as well as all other disclosures in the exposure draft of GRI 102.

Information required by the disclosures in the exposure draft of GRI 102 cannot be omitted. If the organization is unable to report the required information about an item specified in a disclosure because the item, e.g., a committee, policy, practice, or other process, does not exist, it can meet the requirement by reporting this to be the case. In such cases, the disclosure does not require the organization to implement the item, such as the process, but to report if it does not exist.

For more information, see lines 270-284 in the explanatory memorandum and lines 1338-1565 in the exposure draft of the Universal Standards.

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**Question 5. Please provide any comments on the proposed governance disclosures (GOV-1 to GOV-15). Please use the forms below and indicate the disclosure and line numbers. Consider feedback on the clarity, feasibility, and relevance of the disclosures.**

No comments on the proposed new and revised disclosures.

## GRI 103: Material Topics

The exposure draft of GRI 103: Material Topics includes guidance for identifying material topics, and contains disclosures about the organization’s material topics and related impacts, how it identifies its material topics, and how it manages each material topic.

This part of the survey covers questions on specific sections of GRI 103. Comments on the remaining sections of GRI 103 can be provided in the ‘Additional comments’ part at the end of the survey.

### Section 2: Identifying material topics

Section 2 of the GRI 103 exposure draft clarifies how to identify material topics, based on the expectations contained in the Reporting Principles for defining report content in the existing GRI 101: Foundation 2016. The section provides further guidance for identifying impacts, assessing their significance, and prioritizing them for reporting. For more information, see lines 351-366 in the explanatory memorandum and lines 2300-2599 in the exposure draft of the Universal Standards.

**Question 6: Please provide any comments on these revisions.**

In order to support connectedness between financial and non-financial disclosure, we would recommend that, within the process to identify and prioritise material topics on the basis of negative impacts on the economy, environment and people, further consideration is given to the connectedness of sustainability and financial disclosure. Whilst it is acknowledged that the intended stakeholder audience for disclosure under the GRI Standards is broader stakeholder groups beyond just investors, it is important that consistency is achieved between the disclosure topics presented to investors in the mainstream report and additional disclosures, such as sustainability reports intended for a wider stakeholder audience.

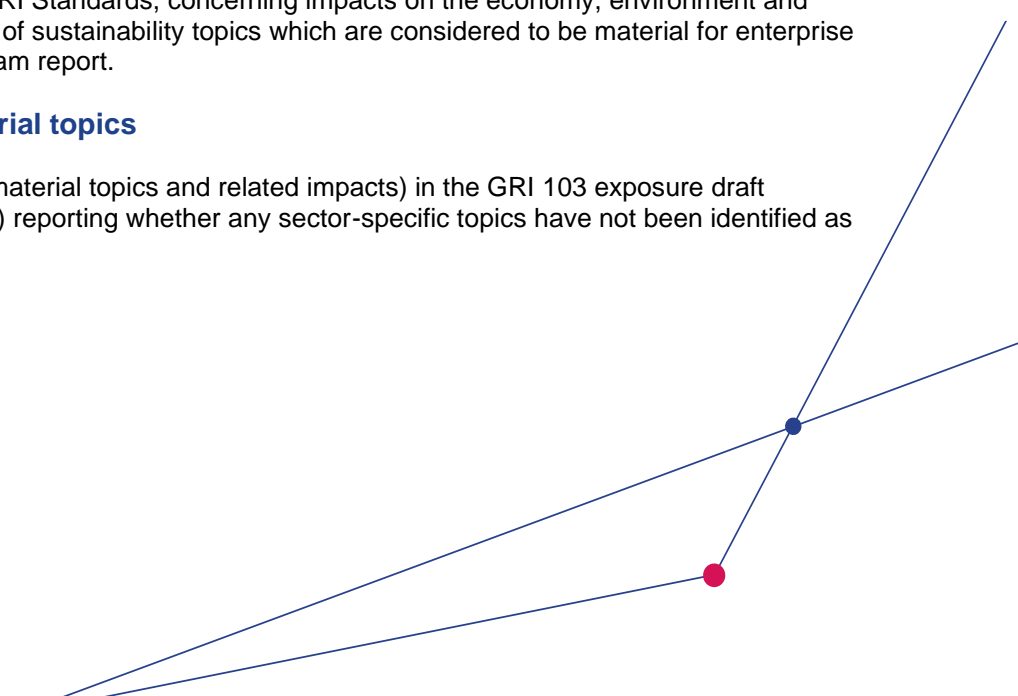
As the proposed approach to identifying material topics for sustainability reporting considers only actual and potential impacts on the economy, environment and people, and does not consider impact on enterprise value creation, potential disclosure topics may be omitted from sustainability reporting, which may impact enterprise value creation and therefore be relevant for disclosure to investors within the organisation’s mainstream report. Accordingly, it is recommended that a clearer means of linking the proposed process to identify material topics to enterprise value creation is considered, in order to support consistency in disclosure topics between the annual report and wider sustainability reporting. This will enable organisations to use information prepared in accordance with the GRI Standards, concerning impacts on the economy, environment and people, to disclose upon a sub-set of sustainability topics which are considered to be material for enterprise value creation, within the mainstream report.

### Section 3: Reporting on material topics

Disclosure MT-1 (Identification of material topics and related impacts) in the GRI 103 exposure draft recommends (but does not require) reporting whether any sector-specific topics have not been identified as material, and why.

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The GRI Sector Standards will provide information on the most likely material topics for organizations in a given sector. The reporting organization will be required to use the applicable Sector Standard(s), where these are available, when identifying its material topics. The Universal Standards exposure draft does not, however, require organizations to state whether any of the topics in the applicable Sector Standard(s) have not been identified as material, and why. For more information, see lines 2635-2653 in the exposure draft of the Universal Standards and in the GRI Sector Program information sheet.

**Question 7. If there are topics listed in a GRI Sector Standard that an organization in that sector does not deem to be material, should the organization be required to identify these topics and explain why they are not material?**

Please select:

- Yes, this information should be required.
- No, this information should only be recommended.
- I don't know/other.

Please explain your answer.

We would agree that it is beneficial for organisations to disclose the outcome of their process for identifying material non-financial information, including providing explanation where topics that would typically be expected to be material for organisations in their sector have not been deemed material. This would help to support the decision-usefulness of disclosure for users, and in particular investors, by enabling them to compare information between organisations within the same sector on a consistent, but appropriately contextualised, basis.

**Question 8. In the absence of an applicable Sector Standard, if there are topics that are commonly associated with the sector(s) in which an organization operates that it does not deem to be material, should the organization be required to identify these topics and explain why they are not material?**

Please select:

- Yes, this information should be required.
- No, this information should only be recommended.
- I don't know/other.

Please explain your answer.

Please refer to our response to question 7.

## Additional comments

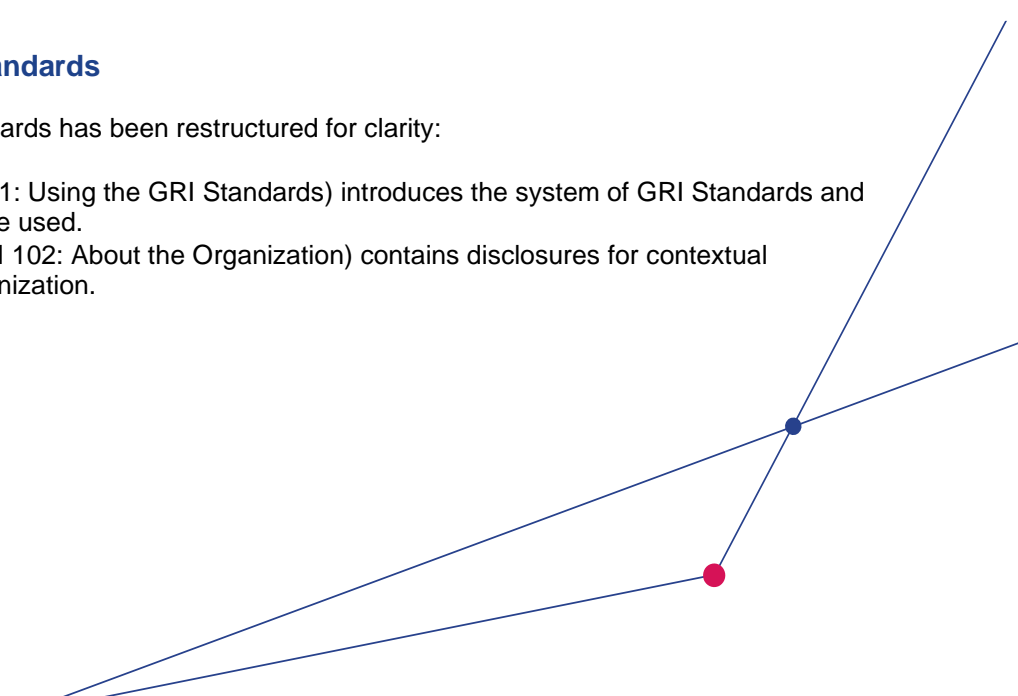
### Structure of the Universal Standards

The content of the Universal Standards has been restructured for clarity:

- The first Standard (GRI 101: Using the GRI Standards) introduces the system of GRI Standards and explains how they are to be used.
- The second Standard (GRI 102: About the Organization) contains disclosures for contextual information about the organization.

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- The third Standard (GRI 103: Material Topics) includes guidance for identifying material topics, and contains disclosures about the organization’s material topics and related impacts, how it identifies its material topics, and how it manages each material topic.

The new structure aims to clarify the elements of the GRI Standards and their use, and to group contents in a more coherent way. For more information, see lines 54-72 in the explanatory memorandum and lines 69-92 in the exposure draft of the Universal Standards.

**Question 9. Please provide any comments on the proposed structure of the Universal Standards.**

No comments

**Question 10. For any comments on the remaining sections or disclosures of the Universal Standards exposure draft, use the forms below, indicating the Standard or disclosure number and line numbers. Consider feedback on the clarity, feasibility, and relevance of the disclosures.**

No comments

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