



Climate Disclosure Unit
Market Conduct and Digital Division
Treasury
Langton Cres
Parkes ACT 2600

Global Reporting Initiative (GRI) response: Climate-related financial disclosure: Second consultation

The Global Reporting Initiative (GRI) would like to express to the Australian Treasury our support for this initiative. GRI welcomes the opportunity to share its views on opportunities to further strengthen the proposal to provide Australians and investors with greater transparency and accountability.

GRI has existed for 25 years as the global standard setter for impact reporting, and the GRI Standards are the world's most widely used standards for reporting sustainability impact. A 2022 study from KPMG Australia found that 77% of the ASX100 use the GRI Standards to report on their impacts on the world.

Policy makers and capital market regulators are increasingly requiring corporate sustainability reporting. Today there are 258 policies across 85 countries that reference the GRI Standards in their policies or compel their use by publicly listed companies. Business and industry associations also adopt the GRI Standards in transparency requirements for members, such as the ICMM, the Natural Diamond Council and the Responsible Jewelry Council.

In addition, GRI is a [formal collaboration partner](#) of the IFRS Foundation's ISSB as well as from [EFRAG](#), the body responsible for the development of the double materiality based European Sustainability Reporting Standards (ESRS). Since 2021 GRI has been working in the capacity as co-constructor with EFRAG. Both collaborations are aimed at ensuring maximum interoperability between global standards and jurisdictional standards while minimizing reporting burden and challenge for companies.

Australian standards should adopt the double materiality principle.

GRI believes that it is important to recognise in that law that a company only comes to understand how a sustainability topic impacts on its financial wellbeing by first understanding how it impacts society and the world in which it operates. Only then do investors, and other stakeholders have the information needed to make informed decisions. This so-called double materiality approach to reporting ensures a full picture of an organisation.

Even when considering a narrow financial viewpoint, the importance of understanding a company's impact on the world cannot be underestimated. In the GRI 1 Standard the relationship between impact





materiality and financial materiality is explained as follows: *"Even if not financially material at the time of reporting, most, if not all, of the impacts of an organization's activities and business relationships on the economy, environment, and people will eventually become financially material issues. Therefore, the impacts are also important for those interested in the organization's financial performance and long-term success. Understanding these impacts is a necessary first step in determining related financially material issues for the organization."* GRI 201: Economic Performance 2021 also includes a disclosure on the financial implications and other risks and opportunities due to climate change.

Furthermore, it is critical that the two sets of information (financially material and impact material) are regarded as on an equal footing, grounded with a core set of common terminology, topical coverage, and disclosures wherever possible. The benefits of such an approach are not limited to the external stakeholders of reporting organizations. The reporting burden for organizations will be reduced significantly, and the availability of credible and comparable data will improve access to sustainable finance.

Over the past years, there has been a growing realization in the investor community that merely extending general purpose financial reporting with additional topics, is not enough to redirect capital and make better decisions. Investors are requiring other qualitative and quantitative information in addition to financial information, such as information on human rights and environmental due diligence, and modern slavery risks. The exponential growth of the membership of the UN Principles for Responsible Investment can be seen as a proxy for this development, as well as an increased number of impact focused shareholder resolutions.

Adopting a double materiality approach also reflects the spirit of the Sustainable Development Goals and will mark a definitive step towards implementing the whole-of-government implantation plan lead by The Department of Foreign Affairs and Trade and the Department of Prime Minister and Cabinet.

Alignment with global reporting standards

GRI appreciates that there is a balancing act that must take place for the Australian Treasury must carry out when regulating reporting standards for Australian companies. Standards must meet the local policy objectives and fit within existing and developing legislation. However, reporting companies are also part of global value chains, and operating in global markets, many of which are also subject to regulation from outside of Australia, and investors look beyond national boundaries when considering investment opportunities.

With that in mind we strongly suggest striving for alignment to the maximum extent possible with the global complementary standards for sustainability impact reporting (the GRI Standards) and financial material reporting (the IFRS Sustainability Disclosure Standards). Such an approach safeguards globally relevant and comparable data and keeps the cost of compliance for companies within reasonable limits.

We believe an added advantage of adopting and building on existing GRI and the yet to be finalized ISSB standards will be the accelerated implementation of the Australian standards as these are already the most widely used standards by companies in Australia and around the world.

Alignment with global instruments

GRI believes that reporting standards should align with key international authoritative intergovernmental instruments on responsible business conduct, human rights and due diligence, such as the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights. These instruments represent global consensus around key concepts around expectations of business,





and during the revision of GRI's standards released in 2021, we worked very closely with the UN and the OECD to bring our standards closely in line with the expectations and concepts in these authoritative instruments. The GRI Standards are the first and only global reporting standards aligned with the expectation of due diligence as defined by the UN and OECD and endorsed by the OECD and provides a model for Australian standards. This is an important reason for naming the GRI Standards in the legislation.

These instruments form the basis for existing and developing policy around the globe, and ensuring alignment would underscore the ambition for AASB to contribute to the development of standards for worldwide use.

Concluding comments

GRI would like to thank you for the opportunity to engage and share our views on this important initiative. We will follow this development with great interest and we remain available for further engagement.

Sincerely

Global Reporting Initiative

