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Global Reporting Initiative (GRI) Response: Proposed International Standard on Sustainability Assurance 5000 General Requirements for Sustainability Assurance Engagements

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GRI would like to thank the International Auditing and Assurance Standards Board (IAASB) for taking forward this important initiative. Sustainability assurance plays a critically important role in supporting accountability and verifiability around reported information that is based on global sustainability reporting standards. We appreciate the opportunity to provide our input to this initiative through this public multi stakeholder consultation.

Recent research by IFAC found that 39% of reporters using GRI Standards obtained external assurance. Whilst this is far higher than for any other sustainability or non-financial reporting framework or Standards we would like to see it increase significantly and are particularly keen to see an increase in assurance over the process of identifying an organization's **most significant impacts** (GRI 3). The GRI Standards recommend external assurance as one of the ways of enhancing the credibility of sustainability reporting (GRI 1), as did the previous GRI guidelines. Disclosure 2-5 in GRI 2 requires organizations to describe their policy and practice for sustainability assurance for their sustainability reporting.

As providers of the world's most widely used sustainability reporting standards, GRI advocates for transparency and accountability with a global common language aligned with internationally recognized authoritative norms and principles. The GRI Standards set by the independent Global Sustainability Standards Board (GSSB), overseen by GRI's Due Process Oversight Committee are referenced in 259 policies in 85 countries. Four out of five of the world's largest businesses report with the GRI Standards, as well as 80% of the world's largest 100 banks. Furthermore, the GRI Standards are referenced or required by 18 of the world's largest 20 stock exchanges in their listing requirements and reporting guidelines. The [requirements](#) of the Securities and Exchange Board of India (SEBI) are an example of close alignment.

GRI collaborates with other global and jurisdictional standard setters to maximise interoperability and reduce the reporting burden. For example, GRI worked as co-constructor with EFRAG of the European Sustainability Reporting Standards. We believe in a global comprehensive reporting system that covers both reporting on an organization's **most significant impacts** on sustainable development, how they are managed and integrated into management and governance approaches, strategy, policy and the business model (as in GRI Standards) and sustainability related risks and opportunities and how they are integrated into the governance approach and strategy (IFRS Standards). These global standards can be adopted or complemented to reflect local contexts (for example as in the case of the reporting requirement of EFRAG and SEBI). The GRI Sector Standards assist organisations in identifying the most significant impacts relevant to their sector and hence in standardising disclosures by sector.

GRI's input draws upon our 26 years of expertise in transparency and standard setting.





1. Clearly define ‘sustainability matters’

GRI understands that the proposed sustainability assurance standards are intended to be used and applied to reported information related to an organization’s **most significant impacts** on sustainable development (for all stakeholders including investors), risks and opportunities that affect investor decision making as well as to information reported against a double materiality framework. We believe that adopting the wording ‘sustainability matters’ when referring to information on sustainability- related risks and opportunities could lead to confusion, as this diverts away from the globally accepted and used term of ‘sustainability’ as meaning sustainable development in relation to economies, society and the environment.

If IAASB intends that ‘sustainability matters’ indeed covers sustainability related consequences for value creation, then the wording should be adjusted accordingly. There should not be any language used that suggests this is referring to impacts on sustainable development. The ISSB appropriately uses the terms ‘sustainability-related risks and opportunities’ and ‘sustainability-related financial information’ when referring to their standards.

This should not be confused with sustainability reporting, which refers to the process of reporting that requires an organization determining its **most significant impacts** on sustainable development.

There is already significant confusion among a wide range of stakeholders around the reporting landscape, and we are concerned that this language will only compound this confusion. The distinction between sustainability reporting using the GRI Standards which is concerned with sustainable development, and sustainability-related financial reporting using the IFRS Standards concerned with the consequences for the organization is not always understood. It is critically important that these assurance standards clarify the landscape, and not further confuse it. For these to be effective and meet their intended purpose there must be no room for confusion or misinterpretation.

2. Ensure that the materiality assessment start with determining the most significant impacts before assessing financial materiality to safeguard against potential financial risks are overlooked

Even if not financially material at the time of reporting, most, if not all, of the **most significant impacts** of an organization’s activities and business relationships on the economy, environment, and people will eventually become financially material issues. Further, these most significant impacts and the cumulative impacts of many organizations over time affect the availability of natural resources and relationships on which the organization depends.

For assurers to be able to safeguard and adequately consider that companies have assessed all potential risks, the assurance standard should recognise the importance of is sequencing the materiality assessment by adopting an approach that requires the assessment of the organization’s most significant impacts to precede the assessment of the risks, opportunities, and their financial consequences. We suggest the IAASB to consider and refer to the guidance provided by GRI Standard, GRI 3: Material Topics 2021 on determining the most significant impacts on the economy, environment, and people, including impacts on their human rights.

3. Increase the threshold of evidence required

Recognising that greenwashing is fraudulent, and carried out across various levels of companies, including management, it is of the utmost importance to take measures against this practice. GRI strongly recommends that this proposal adopts a stricter approach by increasing the threshold of evidence that is required.

Currently the proposal stipulates a reliance on management representation, but it must be borne in mind that management may engage in greenwashing. GRI therefore recommends that the threshold of evidence that must be provided be adjusted.





4. Provide further clarity around limited and reasonable assurance

In the proposed Standard and explanatory memorandum, we note that limited and reasonable assurance are referred to in several provisions and explanatory notes. Presently the explanations surrounding how users can understand the different approaches are not accessible to non-specialists. GRI strongly recommends that the Standard contain an overview of the characteristics of the two approaches that will be accessible, and that can be easily communicated to non-specialists.

We also recommend that para 69b) is clarified. It appears to suggest that assurance engagement should cover all reporting requirements. It is common for sustainability reporting assurance engagements to cover a subset of reporting requirements. We would suggest that they should cover the process of determining the organization's most significant impacts on sustainable development for reasons discussed above.

5. Clarify the applicability of the proposed standard so that it is clear it is applicable to both voluntary and mandatory reporting and standards

Currently the proposed standard adopts the term 'expected', when referring to voluntary assurance and voluntary reporting standards and frameworks.

For example; 'The scope of the assurance engagement may extend to all of the sustainability information expected to be reported by the entity or only part of that information. For example, in certain jurisdictions, law or regulation may require that only climate-related disclosures in an entity's sustainability information be subject to assurance.'

However, this could potentially create confusion. To avoid any uncertainty, it should be made explicitly clear that these assurance standards can be used for assurance of reports whether provided voluntarily or required by regulation and whether they are based on mandatory or voluntary reporting requirements.

6. Further clarify the definition of the public sector

The proposed standard refers to the public sector, however there is no information pertaining to which types of public sector organizations or public services are meant. The public sector represents wide range of roles and activities, such as in administrative government services, healthcare facilities, education institutions, transportation infrastructure, domestic and international security, and provision of utilities such as energy and water management, etc. It should be noted that parts of the public sector are covered by existing and developing GRI sector standards.

7. Add 'Sustainability context' to the proposed principles

The principle of sustainability context in GRI 1 Foundation Standard (2021) requires that organizations report information about their impacts in the wider context of sustainable development relevant to their organization. Understanding the sustainability context provides the organization with critical information to determine and report on its material topics. Economic, environmental, human rights and other societal challenges at the local, regional and global level should be considered to understand sustainability context of activities and relationships. GRI's Sector Standards describe the sustainability context of the sector and links the most significant impacts identified for each sector with the United Nations Sustainable Development Goals





(SDGs). Understanding the sustainability context is also relevant to identifying risks and opportunities to the organization.

GRI strongly recommends that IAASB adjusts the current principles and adds sustainability context.

Concluding comments

GRI would like to conclude our response by reiterating the importance of clarity in this initiative, and we express our support to the IAASB. We remain available for discussion regarding this submission, and we look forward to following developments of this initiative, of which we will continue to be engaged.

Sincerely

Carol Adams, Chair Global Sustainability Standards Board, GRI

A handwritten signature in black ink, appearing to read 'Carol Adams'.

Peter Paul van de Wijs, Chief Policy Officer, GRI

A handwritten signature in black ink, appearing to be a stylized 'P' followed by 'P van de Wijs'.

