

Roundtable with the Global Reporting Initiative: Perspectives on standards and sustainability reporting

Roundtable outcomes and notes
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About

A group of senior executives took part in Environment Analyst's Sustainability Delivery Group roundtable to discuss the latest developments in sustainability reporting standards.

Discussions focused on a new 'universal' standard introduced by GRI, the current and future reporting landscape, and how the application of standards can feed into transparent, investor-friendly ESG metrics.

Key takeaways

- New iteration of the GRI standards just launched introducing sector-specific standards. Purpose is to help facilitate human rights considerations; integrate reporting on due diligence; provide greater clarity on key concepts, principles and disclosures; align them with developments in responsible business conduct; clarify approaches for use and compliance; and encourage more relevant and comprehensive reporting. Introduces sector-specific standards.
- Despite desires for a single, universal standards system, "the ship has already sailed: that will not happen". The global trend is a two-pillar approach, the pillars referring to financial and sustainability frameworks respectively. GRI's update reflects this and encourages sustainability reporting that can feed into financial frameworks.
- Forthcoming EU mandates are likely to affect reporting within and beyond the EU, especially where companies have affiliated or parent companies in the EU.

- Many companies are struggling with the challenge of connecting board-level sustainability commitments and targets to on-the-ground actions and changes. Framework-overwhelm (too many systems) is also common.
- Maintaining a vigilant watch on policy and regulatory developments while encouraging deep levels of engagement among staff, board and stakeholders is key if companies are to successfully navigate the rapidly evolving ESG demands.

Presentation summary

Matt Rusk introduced the Global Reporting Institute (GRI) – the Amsterdam-headquartered, international non-profit organisation that produces the GRI standards and supports organisations' efforts to be transparent and accountable about their sustainability performance. He pointed out:

- The GRI standards form a modular standards system designed to help organisations disclose their sustainability impacts, helping inform decision making and improve outcomes. It operates in collaboration with the UN, particularly in connection with aligning with the SDGs, and maintains a strong focus on interoperability, working with other standard setters to achieve that.
- More than 10,000 organisations have published GRI reports. Nearly three quarters of the largest 250 companies that publish sustainability reports have used the GRI system. Seventy-five capital market policies, including stock exchanges and market regulators, reference the GRI specifically and 168 policies within 67 different countries currently reference the GRI standards.
- The latest iteration of the GRI standards:
 1. Integrates human rights considerations into reports;
 2. Requires reporting on due diligence, providing greater clarity on key concepts, principles and disclosures;
 3. Aligns with developments in responsible business conduct;
 4. Clarifies approaches for using the standards and demonstrating compliance and encouraging more relevant and comprehensive reporting.
- The update includes revisions to GRI's Universal Standards; new Sector Standards; and adapted Topic Standards. The revisions to the Universal Standards include a new structure, revised language, and a revised approach to materiality, which now includes the concept of due diligence.
- New, sector-specific standards will be published on a rolling basis, focusing on 440 sector standards prioritised according to significance of sustainability impacts. The standard for the oil and gas sector has already been published and others will be released in the coming months.
- Two recent announcements are considered likely to shape sustainability reporting and ESG disclosures into the future:
 1. The EU welcoming GRI as a co-constructor for their new CSR policy and regulations;

2. The consolidation of frameworks for reporting on ESG disclosures that affect enterprise value, under the auspices of the International Financial Reporting Standards (IFRS) Foundation.

- Sustainability reporting is converging on a two-pillar structure. One pillar relates to strengthened financial reporting, focusing on companies' disclosures, addressing the financial implications of sustainability issues and acknowledging that financial reporting is expanding out to enterprise value ESG disclosures. The second is the sustainability reporting pillar. This is being influenced by the double materiality concept coming out of the EU.
- Sustainability reporting helps to inform what ESG topics affect **enterprise value**. Pillar two is where the GRI sits. The GRI wants to see sustainability reporting and financial reporting on an equal footing. Ultimately the vision is a two-pillar system involving an ecosystem of reporting frameworks that include or build on from existing financial reports.
- Interoperability and collaboration with other standards centres and frameworks are paramount; GRI's multi-stakeholder focus helps focus not just on capital providers but on the creation of a robust, credible reporting system that caters to all stakeholders.
- Mandatory requirements will be key for progress. Training is also important. The GRI academy and the GRI community – a peer network – are available for help in that respect.

Discussion and observations

Participants talked broadly about the challenges each finds when navigating sustainability reporting and ESG solutions for their clients. Observations from different participants (not necessarily shared by all) included:

- Most clients find governance in ESG the hardest to deal with. A lot have a good handle on materiality and requirements around the 'E' and the 'S', but the G causes more problems.
- A challenge is how to measure **and deliver** on a wider set of metrics and purpose points; and/or how to ensure that ESG/sustainability targets filter down into the way projects and organisations are actually delivered.
- Another challenge is identifying how clients/companies can demonstrate to investors and stakeholders their commitments and how they're being delivered, with sufficient evidence.
- There can be a mismatch between what's defined in the corporate report, namely the agreed sustainability KPIs, and what goes on at site level. It's still not joined up in [some] companies: there are notable gaps between strategy and implementation - suggesting an **ESG accountability** issue.
- Some clients want to streamline the materiality process too much. They don't see (or can't demonstrate) the value of stakeholder engagement, for example, or the use of AI/tech to get

more in-depth, regional perspectives, or granularity for different stakeholder groups.

- Clients often need advice on what ESG framework to use, on what's mandatory and what's voluntary; and on what data is meaningful and reliable to use.
- It is often a challenge to anticipate what requirements are coming and how they vary geographically – especially if/when they affect parent companies and children companies differently in different locations. Expect this situation to generate interest in anticipating and outrunning mandates and in maintaining top performance throughout. Engaging with multiple stakeholder groups can help with this.
- There remains confusion regarding different frameworks (or the 'alphabet soup' problem). It would be desirable if they could all be rolled into one. But – “the ship has sailed” on that front. The best we can hope for is an ecosystem of frameworks that nest inside one another.
- The group are keen to see how the financial world responds to standards reporting, e.g., when will investors start providing a premium value to company stock that demonstrates high standards of disclosure, reporting and action?
- A lot of clients are “incredibly overwhelmed” by the necessity of having to address different frameworks because they speak to different stakeholders. Often company culture is not conducive to meeting the sustainability reporting and delivery demands.
- Attaining a good ESG rating is missing the point if it becomes the sole aim of any ESG strategy. ESG strategy should preserve value by managing risks.
- Others are edging in on the traditional environmental and sustainability consulting space. Large ratings agencies are buying up smaller companies. Collaboration with management consultancies is increasing because they need the expert/tech skills in the environmental sector but the big four are now starting to poach environmental consulting staff.

Recommendations for E&S consulting firms

- Recommend enterprise-wide training so the “nuts and bolts” of ESG implementation filter down to the ground level. This is particularly important for corporate clients where there is a strong understanding of what is required in the C-suite but a lack of understanding or commitment at ground level regarding required changes
- To translate KPIs into implementation make sure to put the right people in the right place, who understand why something needs to be done, what the end goal is, and how to do it. Embed a senior executive “champion” to the initiative.
- Consider linking commitments and KPIs into information management systems and pulling the data through to provide the evidence of progress. This allows data-enabled accountability to be demonstrated to investors and stakeholders [a crucial win for governance].

- Engage closely with clients on stakeholder engagement and materiality assessments, to learn more about them and get buy-in for transitional change.
- When advising clients, carefully consider their corporate culture, and the preparation needed to enable an enterprise-wide shift to a culture of sustainability governance rather than just compliance. A one-size fits all approach rarely works.
- Rather than creating sustainability strategies, aim for sustainable business strategies. A sustainable business strategy should be embedded in the business, engage with all stakeholders, consider risk and opportunity, and open the door to a better understanding of the purpose of the company. Crucially it makes an important link between sustainable performance and financial performance.
- Look out for new mandates coming through because of EU regulations, which will bring lower [company size] thresholds for eg. double materiality reporting. These changes will bring in a lot of new organisations, including multinationals or US-based companies with EU-based affiliates. Expect a rise in required sustainability disclosures via EU-based parent companies. The mandates may also bring in greater linkages between sustainability and financial disclosures.
- Advise clients that sustainability reporting timeframes should line up with financial reporting timeframes so the two can be interlinked and nested within each other. This is important for preparing for double materiality under the Corporate Sustainability Reporting Directive (CSRD).
- Look out for the influence of the TCFD on the SEC in the US. The SEC may at some point require the delivery of enterprise value disclosure similar to TCFD requirements. When this happens [not if according to the discussion] there will be a huge race for understanding and support to aid implementation.
- Begin translating to clients, that in the not-too-distant future, stock in high sustainability-performance companies will start to attract a premium, as more investor ESG commitments emerge.

Additional resources

[GRI](#)

[GRI's Universal Standards](#)

[IERS](#)

[EU Corporate Sustainability Reporting Directive](#)

Roundtable participants

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Credits

This roundtable was organised by Environment Analyst's [Sustainability Delivery Group](#). With thanks to EA team members Vanessa Spedding (who authored this report), Lisa Turner and Amanda Rafferty for their work on the roundtable.

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