Barbara Strozzilaan 336
1083 HN Amsterdam
The Netherlands
gssbsecretariat@globalreporting.org

Item 02 – GRI Universal Standards Project – Revised GRI 101: Section 5.

For GSSB discussion

Date	16 March 2021
Meeting	25 March 2021
Project	GRI Universal Standards Project
Description	This document presents the revised draft of Section 5. Additional recommendations for reporting in *GRI 101: Using the GRI Standards* following the public comment feedback. Revisions made in response to public comment feedback are explained in comment boxes. Other editorial revisions have been made to the text to improve clarity and consistency with the GRI Style Guide and are explained in comment boxes. Minor editorial changes have not been highlighted, but a draft tracking all changes to the text has been included in Annex 1. The list of public comments on Section 5 of GRI 101 is included in Annex 2.

Contents

Revised *GRI 101: Using the GRI Standards*

Section 5. Additional recommendations for reporting

This section provides additional recommendations for aligning sustainability reporting with other types of reporting and for enhancing the credibility of the organization's reporting.

5.1 Aligning sustainability reporting with other reporting

The organization should align its sustainability reporting with other statutory and regulatory reporting, in particular, its financial reporting. This means that the organization should report the information for the same reporting period and for the same group of entities as covered in its financial reporting. The organization should also publish the information at the same time as its financial reporting, where this is possible.

5.2 Enhancing the credibility of sustainability reporting

The organization can use several methods to enhance the credibility of its sustainability reporting. These include internal controls, external assurance, and stakeholder or expert panels.

Internal controls

The organization should set up internal controls to strengthen the integrity and credibility of its sustainability reporting. Internal controls are processes designed and implemented by the organization, generally its management, to provide reasonable assurance regarding the achievement of its objectives.

Internal controls can be implemented at a day-to-day operational level through management and compliance functions. Additionally, the organization can establish and maintain an internal audit function as part of its processes for risk management to further improve the credibility of its sustainability reporting.

In some jurisdictions, corporate governance codes require the highest governance body to inquire and, if it is satisfied, to confirm the adequacy of an organization's internal controls in the annual report. This confirmation may only relate to the adequacy of the internal controls for financial reporting. It may not provide information about whether the same internal controls are also adequate to assess the credibility of the organization's sustainability reporting. If the organization relies on internal controls set up for financial reporting, it should assess the relevance of these controls for its sustainability reporting. In cases where these controls are inadequate, the organization should identify and use additional internal controls to assess the credibility of its sustainability reporting.

Commented [SD1]: Type of change: editorial revision.

The title of this section has been changed for clarity.

Original wording: 'Additional recommendations for sustainability reporting'.

Commented [SD2]: Type of change: revision following public comment feedback.

Original wording: ' Additionally, the organization can establish and maintain an internal audit function that is responsible for the processes for sustainability related risk management and for managing sustainability reporting'

Changed to clarify that the internal audit function is independent and therefore not involved in the sustainability reporting processes.

Commented [SD3]: Type of change: editorial revision.

Original wording: 'directors'

Changed for consistency across the Universal Standards.

External assurance

Even though this is not required in order to report in accordance with the GRI Standard, the organization should, in addition to internal controls, seek external assurance for its sustainability reporting. Disclosure REP-5 in *GRI 102: About the Organization* requires the organization to report information on its policy and practice for seeking external assurance for its sustainability reporting. If the sustainability reporting has been externally assured, the organization is also required to describe what has been externally assured and on what basis.

External assurance comprises activities carried out by assurance providers to assess the quality and credibility of the qualitative and quantitative information reported by the organization. External assurance can also be used to assess the systems or processes the organization uses in order to report information (e.g., the process for identifying impacts and determining material topics). External assurance is different from activities that are used to assess or validate the performance of an organization, such as compliance assessments or issuing of performance certifications.

External assurance results in published reports, conclusions, or opinions that can be used to verify that the information has been prepared in accordance with reporting standards. It can also be used to reduce risk in data quality and increase trust in the reported information. This, in turn, helps information users as well as the organization rely on the reported information for their decision-making.

External assurance should be conducted by competent assurance providers with appropriate experience and qualifications. Assurance providers should meet the following criteria:

- Independence from the organization to be able to reach impartial and objective conclusions about the organization's reporting and to be able to publish these conclusions in a report that is publicly available.
- Demonstrable competence in the subject matter and assurance practices.
- Competence in applying quality control procedures to the assurance engagement.
- Ability to conduct the engagement in a manner that is systematic, documented, evidence-based, and characterized by defined procedures in line with professional standards for assurance.
- Ability to assess whether the reporting provides a reasonable and balanced representation of the organization's impacts, by considering the selection of the information reported as well as its accuracy.
- Ability to assess the extent to which the organization has applied the GRI Standards in the course of formulating opinions or reaching conclusions.

Stakeholder or expert panels

The organization can also convene a stakeholder or expert panel to seek external views on its approach to sustainability reporting or for advice on the content of its reported information.

Commented [SD4]: Type of change: revision following public comment feedback.

Changed to clarify that for organizations who seek external assurance, there is a requirement to report on the assurance provided as part of Disclosure REP-5 in GRI 102.

Annex 1. Revisions with track changes

Section 5. Additional recommendations for ~~sustainability~~ reporting

This section ~~includes~~ provides additional recommendations for~~on~~ aligning sustainability reporting with other types of reporting and ~~on methods~~ for enhancing the credibility of the organization's reporting.

5.1 Aligning sustainability reporting with other reporting

The organization should align its sustainability reporting with other statutory and regulatory reporting, in particular, its financial reporting. This means that the organization should~~includes~~ report~~ing~~ the information for the same reporting period and for the same group of entities as covered in its financial reporting. The organization should also~~, and to the extent possible,~~ publish~~ing~~ the information at the same time as its financial reporting, where this is possible.

5.2 Enhancing the credibility of sustainability reporting

The organization can use several methods to enhance the credibility of its sustainability reporting. These~~,~~ include~~ing~~ internal controls, external assurance, and stakeholder or expert panels.

Internal controls

The organization should ~~put in place~~set up internal controls to strengthen the ~~overall~~ integrity and credibility of its sustainability reporting. Internal controls are processes designed and implemented by the organization, generally its management, to provide reasonable assurance regarding the achievement of its objectives.

Internal controls can be implemented at a day-to-day operational level through management and compliance functions. Additionally, the organization can establish and maintain an internal audit function ~~that is also responsible for the~~as part of its processes for ~~sustainability-related~~ risk management ~~and for managing~~to further improve the credibility of its sustainability reporting.

In some jurisdictions, corporate governance codes require ~~directors~~ the highest governance body to inquire and, if it is satisfied, to confirm the adequacy of an organization's internal controls in the annual report. This confirmation ~~might~~ may only relate to the adequacy of the internal controls for financial reporting. It ~~does~~ may not ~~necessarily~~ provide information ~~on~~ about whether the same internal controls are also adequate to assess the credibility of the organization's sustainability reporting. If the organization relies on internal controls ~~related~~ set up for~~to~~ financial reporting, it should assess the relevance of these controls for its sustainability reporting. In cases where these controls are inadequate, the organization should identify and use additional internal controls to assess the credibility of its sustainability reporting.

External assurance

Even though this is not required in order to report in accordance with the GRI Standard, ~~In addition to internal controls,~~ the organization should, in addition to internal controls, ~~-~~seek external assurance for its sustainability reporting, ~~even though this is not required in order to prepare information~~report ~~in accordance with the GRI Standards or with reference to the GRI Standards~~. Disclosure REP-5 in *GRI 102: About the Organization* requires the organization to report information on its policy and practice ~~with regard to~~for seeking external assurance for its sustainability reporting. If the sustainability reporting has been externally assured, the organization is also required to describe what has been externally assured and on what basis ~~if the sustainability reporting has been externally assured~~.

External assurance ~~refers to~~comprises activities ~~that are used to~~carried out by assurance providers to assess the quality and credibility of the qualitative and quantitative information reported by the organization. External assurance can also be used to assess ~~and/or~~ the systems or processes the organization uses in~~I~~ order to ~~for~~ report~~ing this~~ information (e.g., the process for identifying impacts and ~~identifying~~ determining material topics ~~and related impacts~~). External assurance ~~This~~ is different from activities that are used to assess or validate the ~~quality or level of~~ performance of an organization, such as compliance assessments or issuing of performance certifications ~~or compliance assessments~~.

External assurance results in published reports, conclusions, or opinions that can be used ~~for various purposes, such as~~ to verify~~alidate~~ that the information has been prepared in accordance with reporting standards. It can also be used~~, and~~ to reduce risk in data quality and increase trust in the reported information. This, in turn, ~~and reduce risk in data quality, and to enable supports~~helps information users as well as the organization ~~to in usinge the~~rely on the reported information ~~in their~~for their decision-making.

External assurance should be conducted by competent assurance providers with appropriate experience and qualifications.

~~In general, an~~A ~~a~~ssurance providers should meet~~s~~ the following criteria:

- Independence from the organization to be able to reach ~~and publish~~ impartial and objective ~~and impartial~~ conclusions about the organization's reporting and to be able to publish these conclusions in a ~~written~~ report that is publicly available.
- Demonstrable competence in the subject matter and assurance practices.
- Competence in applying quality control procedures to the assurance engagement.
- Ability to conduct the engagement in a manner that is systematic, documented, evidence-based, and characterized by defined procedures in line with professional standards for assurance.
- Ability to assess whether the ~~organization's~~ reporting provides a reasonable and balanced representation of the organization's ~~its~~ impacts, by considering the selection~~accuracy~~ of the information reported as well as its accuracy~~the overall selection of content~~.
- Ability to assess the extent to which the organization has applied the GRI Standards in the course of ~~reaching its conclusions or~~ formulating opinions or reaching conclusions.

Stakeholder or expert panels

The organization can also convene a stakeholder or expert panel to seek ~~an~~ external ~~re~~views on~~f~~ its ~~overall~~ approach to sustainability reporting or ~~to seek~~for advice on the content of its reported information.

Annex 2. Public comments

1. Comments on Section 5.1. Aligning sustainability reporting with other reporting

Please refer to page 24 in the Universal Standards exposure draft.

Table 1. Comments on Section 5.1. Aligning sustainability reporting with other reporting

No.	Comment	Name of organization or individual	Country	Stakeholder group	Submission type
1	(1) Deloitte strongly agrees with the explicit reference to the benefits of aligning with other reporting, especially financial reporting. This is particularly relevant to achieve consistent reporting periods and the breadth of entities included across reports.	Deloitte	United States	Consultant	On behalf of an organization, group or institution
2	(2) We also recognize that sustainable development targets could have implications for the assumptions and forecasts used in financial statements. We recommend GRI remind preparers of this connectivity in the standards.	Deloitte	United States	Consultant	On behalf of an organization, group or institution
3	(3) We also agree with the proposals to align sustainability reporting with other reporting and enhance its credibility. In our Asset Manager Perspective on corporate sustainability reporting1, we explain that, in our view, a company's board of directors should ensure that company reporting reflects all material sustainability risks and opportunities. We also expect sustainability disclosures to be timely, readily accessible and, when financially material, subject to similar quality control as other information companies provide to financial markets.	NBIM	No response	No response	On behalf of an organization, group or institution
4	I agree with this in principle as it makes sense to align to enhance the credibility of sustainability reporting, i.e. as important as financial reporting. However this should not be mandatory as it is simply not feasible for all organisations. For example, we choose to do a calendar	Think Impact Pty Ltd	Australia	Consultant	On behalf of an organization, group or institution

	year report because the bulk of the reporting process aligns with a quieter period of time for us so we can get the report out within 6 months of the end of reporting period. If we were required to report to align with our financial reporting (30 June year end), it would simply not be feasible to deliver it within 6 months. I think timeliness of reporting should be more important that alignment with other reporting.				

2. Comments on Section 5.2. Enhancing the credibility of sustainability reporting

Please refer to pages 24-25 in the Universal Standards exposure draft.

Table 2. Comments on Section 5.2. Enhancing the credibility of sustainability reporting

No.	Comment	Name of organization or individual	Country	Stakeholder group	Submission type
1	Regarding stakeholders or expert panels, shoul be more information or recomendations o explanations about this. This kind of panels or informs, give more added value to the reports and company mangagement than the external assurance. And also could increase the aknolage of the use of the GRI Standards.	AG Sustentable	Argentina	Consultant	On behalf of an organization, group or institution
2	External Assurance: " .. the organization should seek external assurance for its sustainability reporting …. " The Guidance should include content to require assurance reports to include content on the type of assurance provided, its objectives and limitations, in clear language. The commenter (Mr. Hileman) has experience with external assurance engagements for financial reporting, sustainability reports, and SEC submittals for conflict minerals. Having experience at explaining different types of assurance and audits (including to clients and auditees), I have learned several things. First, accounting professionals approach "assurance" engagements differently from non-accountants. Furthermore, there are different types of assurance. They are described as compilations, reviews, audits, negative assurance, and positive assurance – among others. The concept may differ in different jurisdictions. They may focus on processes or test data/ compliance –	Douglas Hileman	United States	Consultant	As an individual

	or both. Second, these distinctions may be understood to the individuals signing the reports, but they are largely lost on most other stakeholders, including many of the auditees. Third, stakeholders place considerable reliance on the fact that any assurance engagement was performed, without understanding this variability. This poses risks to many stakeholders. Assurance providers can "race to the bottom" to provide lower-level assurance at lower cost. Stakeholders relying on assurance assume much higher confidence than may be warranted. DH is a proponent of assurance for sustainability reporting. The commenter (Mr. Hileman) is also a proponent of transparency on scope, approach, and limitations of assurance engagements.				
3	Lines 643 – 645 (p. 24) Enhancing Credibility/ Internal Controls: . GRI should correct errors in the concept of auditing. GRI should also mention Internal Audit and other types of internal audits, with both cited as mechanisms to improve the credibility of non-financial reporting. The draft Guideline says that "the organization can establish and maintain an internal audit function that is also responsible for the processes for sustainability-related risk management and for managing sustainability reporting." This statement is incorrect on some levels, misleading on others, and misses broader (and more common and ore effective) aspects of organizational governance. First, independence is a core requirement of any audit. An audit function cannot perform audits and manage the reporting; this invalidates their independence and renders the audit untrustworthy. Second there are different types and different levels of "internal audits." As noted elsewhere in these comments the "Internal Audit activity" (or function – often capitalized) is authorized by the Board/ Highest Governing Body (HGB). Although administratively reporting to Management, Independent Audit is structurally independent and serves a critical role in risk identification and assessment, assurance to the HGBs. Internal Audit also routinely plays a key role in the assurance of internal controls over financial reporting (ICFR), making it well-suited for a role adapted to non-financial reporting. Organizations also authorize other internal audits (not capitalized) functions at the "second line of defense" – reporting to Management. These 2LOD audits focus on areas of higher risk, including IT, environmental, health and safety, quality and supply chain. These "internal audits" may be done by organization staff, out-sourced resources, or a blend of each. They may be full-time or engaged on a	Douglas Hileman	United States	Consultant	As an individual

	project basis. Audits help ensure credibility of non-financial reporting; they also help drive improvements in performance in key sustainability topics ranging from conflict minerals to greenhouse gas emissions				
4	More on assurance providers needed that are not only from financial line but also from non financial providers (e.g. maritime, engineering) so assurance can be more competitive for companies to adopt in term of easier feasibility.	Izzaty Khaleda Ismail	Malaysia	Consumers	As an individual
5	in “opinion that can be used”, maybe “that” is a typo to eliminate	EY S.p.A.	Italy	Consultant	On behalf of an organization, group or institution
6	The draft Guideline says that “the organization can establish and maintain an internal audit function that is also responsible for the processes for sustainability-related risk management and for managing sustainability reporting.” The IIA recommends GRI correct the concept of internal auditing in this section of the Guidance, and specify internal audit as a mechanism to improve the credibility of nonfinancial reporting. Independence is fundamental to the definition of internal auditing. An internal audit function cannot perform audits and manage the reporting; this invalidates its independence and renders the audit untrustworthy. In addition, the internal audit activity is authorized by the Board/Highest Governing Body (HGB). Although administratively reporting to management, an internal audit function is structurally independent and serves a critical role in risk identification and assessment, and providing assurance to HGBs. Internal audit is distinguished from others by the key role it plays with its enterprise wide understanding of risks and controls, making it well suited for a role adapted to nonfinancial reporting. Internal audit functions ensure credibility of nonfinancial reporting, and help drive improvements in performance in key sustainability topics ranging from conflict minerals to greenhouse gas emissions.	The Institute of Internal Auditors	United States	Standard setter	On behalf of an organization, group or institution
7	External Assurance: “ .. the organization should seek external assurance for its sustainability reporting…”. This section fails its readers by omitting reference to internal assurance. The IIA recommends the inclusion of a requirement for assurance for sustainability reporting with much more precision: Add content to require assurance reports to include content on the type of assurance provided, its objectives and	The Institute of Internal Auditors	United States	Standard setter	On behalf of an organization, group or institution

	limitations, in clear language. Accounting professionals approach “assurance” engagements differently from non-accountants, and we know there are different descriptions of assurance, such as compilations, reviews, audits, negative assurance, and positive assurance – among others. The concept may differ in different jurisdictions. They may focus on processes or test data/compliance – or both. While these distinctions may be understood to some, they are largely lost on most other stakeholders, including many of the auditees. Since stakeholders place reliance on the fact that any assurance engagement was performed, without understanding this variability, the generalization “external assurance” poses risks to many stakeholders, as they may assume much higher confidence than may be warranted.				