18 October 2024

To: The co-facilitators of the Element Paper and Zero Draft of the Financing for Development Outcome Document: The Republic of Zambia, the Federal Democratic Republic of Nepal, the United Mexican States, and the Kingdom of Norway

Subject: Input on the Element Paper on Financing for Development

Dear Co-facilitators,

The Global Reporting Initiative (GRI) welcomes the opportunity to provide input for the Element Paper which is being developed to inform the zero draft of the Outcome Document of the Fourth International Conference on Financing for Development (FfD4).

We commend and support the United Nations' commitment to reforming the international financial architecture and aligning business and finance with sustainable development. These efforts are essential to realizing the Addis Ababa Action Agenda, the 2030 Agenda for Sustainable Development, and the Paris Agreement on Climate Change.

GRI is an independent, international organization providing the world's most widely adopted sustainability reporting framework, the GRI Sustainability Reporting Standards (GRI Standards). The objective of sustainability reporting using the GRI Standards is to support organizations understand and report their impacts on the world they operate in and provide transparency on how an organization contributes to sustainable development. This enables informed dialogue and decision making around those impacts by all stakeholders, including investors. For more information about GRI and the GRI Standards, please refer to Annex 1.

This submission outlines our support for the adoption of global mandatory sustainability disclosure standards based on double materiality, encompassing both impact and sustainability-related financial disclosures at national and global levels. Furthermore, we recommend the combination of the GRI Standards and IFRS Sustainability Disclosure Standards as the global baseline for such a reporting regime.

In addition, we believe that mandatory assurance and a push for interoperability between the global baseline and jurisdictional requirements are critical enablers for globally applicable and effective sustainable finance policies that align financial flows to national and international sustainability goals, the so-called Financing for Development agenda.

What are the key financing policy reforms and solutions that the Fourth International Conference on Financing for Development should deliver?

Recommendation 1: Member States should agree on a global financing framework that mandates corporate sustainability disclosures based on double materiality, endorsing the combination of the GRI Standards and the IFRS Sustainability Disclosure Standards, and integrating environmental and human rights due diligence as essential pillars.

Rationale

Mandatory corporate sustainability disclosures

In a world where every organization will need to contribute to a sustainable future for all, the availability of consistent, comprehensive, and comparable data across businesses and sectors is essential to enable informed decision-making by governments, investors, and stakeholders.

Voluntary reporting allows selective disclosure, often presenting only favorable information, leading to biased and incomplete assessments of environmental and social impacts. In contrast, mandatory reporting sets clear standards, reducing the risk of companies greenwashing and evading their responsibility for negative impacts. Mandatory frameworks help align corporate action with broader societal goals and thus driving more meaningful progress towards sustainability and climate commitments.

The Swiss Finance Institute has compiled a novel and comprehensive dataset on mandatory ESG disclosures worldwide to analyze the stock liquidity effects of such disclosure requirements. The research documented 'a significant positive effect of mandatory ESG disclosure mandates on liquidity. The effects are stronger if the mandatory disclosure requirements are implemented by government institutions, not on a comply-or-explain basis, and coupled with enforcement by informal institutions. Moreover, firms with weaker information environments benefit more from the disclosure mandates.'[1]

Additionally, a recent report by the World Benchmarking Alliance and GRI analyses the relationship between sustainability performance, as measured by WBA's core social indicators (CSIs), and GRI reporting. The assessment concluded that companies which publish a GRI content index typically score 47% higher on the WBA Core Social Indicators (CSIs) than their counterparts. Also, companies demonstrating strict adherence to the GRI Standards tend to score higher than those who only partially comply with the requirements. Finally, the positive correlation is reinforced by the fact that most of the companies scoring zero on WBA's CSIs do not publish a GRI content index.[2] These results underscore the importance of mandatory reporting and ensuring accurate and comprehensive disclosure.

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[1] The Effects of Mandatory ESG Disclosure around the World, Journal of Accounting Research, Swiss Finance Institute, October 2024.

[2] How to strengthen corporate accountability: the case for unlocking sustainable corporate performance through mandatory corporate reporting, GRI and the World Benchmarking Alliance, September 2024

UN Member States must build on this positive correlation between corporate sustainability reporting and company sustainability performance and mainstream mandatory reporting.

Double materiality

Over the past decade, societal expectations around sustainability have surged, fueling a global movement for companies to report the significant external impacts they have on the environment and people, as well as the risks and opportunities they face regarding sustainability issues—a practice known as the double materiality approach.

The double materiality approach, combining two main perspectives on materiality – impact materiality and financial materiality – can also ensures that adverse human rights impacts on people are identified, prevented, mitigated and accounted for, in alignment with the UN Guiding Principles on Business and Human Rights (UNGPs).

The two materiality perspectives are complementary and interlinked yet distinct; each perspective of double materiality must be considered in its own right and assessed with equal rigor and diligence. Collectively they provide a comprehensive understanding of a company's financial risks and broader societal contributions. It's important to note that it's not the convergence of the two perspectives that renders an issue material.

To truly capture a company's full impacts, risks and opportunities profile, a sequencing approach is recommended, beginning with an assessment of outward impacts, followed by the identification of elements and information that are financially material to the company and of interest to investors and financially focused stakeholders.

This sequencing acknowledges that without an understanding of all impacts, it is not possible to get a complete overview of the (potential) financial risks and opportunities affecting a company. This is particularly relevant as even if not financially material at the moment of reporting, almost, if not all, impacts will become financially material over time, emphasizing the interconnected nature of social and environmental impacts and financial health.

Achieving the SDGs relies heavily on private sector contributions and actions, as businesses and finance impact the SDGs both positively and negatively. Therefore, the SDGs and their targets provide a meaningful framework for companies to reflect on their impacts and contributions to sustainable development.

Failure to achieve the SDGs introduces tangible risks for businesses, such as operational disruptions, resource scarcity, supply chain vulnerabilities, and disruptions, all of which threaten business stability, competitiveness, and success. Conversely, aligning business practices with the SDGs can unlock opportunities and sustainable value creation – such as creating new markets, innovation, resource efficiency, fostering energy transition, greater access to sustainable financing options, reduced exposure to long-term financial risks, and enhanced business resilience.

By mandating double materiality, UN Member States enable businesses to comprehensively identify their impacts, risks, and opportunities, ensuring that societal and environmental impacts are addressed on equal footing with a company's financial performance and value creation. This approach fosters sustainable development, strengthens accountability, and provides stakeholders – including investors – with robust information for informed decision-making.

Broad global support for double materiality

Investors, governments, and the private sector are increasingly demanding globally comparable, decision-useful information beyond traditional financial reporting. They recognize that the limitations of financial reporting in addressing sustainability-related risks have left companies vulnerable to these emerging challenges.

- *Investors' support for double materiality is growing*

The 2023 Annual Global Benchmark Policy Survey[3] conducted by the Institutional Shareholder Services Inc. (ISS) revealed that, when asked how their organization defines *materiality*, 75% of investors responded that materiality assessment should include external company impacts. Out of this group, the largest part (44%) said that these impacts can be expected to impact the company's financial performance in the medium-to-long term, while 31% said that environmental and social impacts should be considered material, regardless of whether they would financially impact the company. Only 6% of investors stated that materiality assessments should be limited to factors having a direct financial impact on the company.

A survey carried out by Morningstar in 2024 highlights that 59% of asset owners consider double materiality relevant for ESG considerations.[4]

- *Jurisdictional initiatives in relation to double materiality*

At the jurisdictional level, several governments around the world have included impact-related metrics such as diversity, equity, and inclusion, environmental impacts such as GHG emissions, and governance into law. This indicates the emergence of a more comprehensive approach to reporting requirements. According to the Carrots & Sticks database[5] the number of disclosure-related policies grew four-fold between 2006 and 2023.

For instance, the European Union adopted the Corporate Sustainability Reporting Directive (CSRD), which engrains the concept of double materiality in law. The CSRD mandates the use of the European Sustainable Reporting Standards (ESRS). The CSRD also applies to companies in the three additional countries making up the European Economic Area (Norway, Iceland, and Liechtenstein).

In China, the stock exchanges of Beijing, Shanghai, and Shenzhen have, under the auspices of the Ministry of Finance, in 2024 adopted corporate sustainability disclosure standards based on double materiality.

Since 2010 companies in South Africa have been mandated to report financial and sustainability information in a single report.

Currently, in Switzerland, there is a proposal under public consultation to amend the Code of Obligations to engrain the concept of double materiality in law. The Code mandates the use of the European Sustainable Reporting Standards or equivalent standards ("Global Reporting Initiative

[3] Institutional Shareholder Services (ISS), 2023 Global Benchmark Policy Survey, 2023

[4] Voice of the Asset Owner survey 2024 Quantitative Analysis; Morningstar, 2024

[5] Carrots & Sticks is an initiative from University of Stellenbosch (USB), GRI, Kings College London and the University of Edinburgh which tracks global policy developments related to sustainability and sustainability reporting.

Standards in combination with the IFRS Sustainability Disclosure Standards of the International Sustainability Standards Board (ISSB)."

The 21st Century Business Act (Bill S-285) proposed in the Canadian Senate in 2024 would amend the Canadian Business Act by expanding the fiduciary duties of corporate directors and officers to cover their company's social and environmental impacts, in addition to their profit-seeking objectives.

- *Financial Markets*

Over 40 stock exchanges have reporting policies that refer to sustainability reporting, including major markets such as Australia, Brazil, Canada, Germany, Hong Kong, India, Italy, Singapore, Spain, South Africa, the UK, and the USA.[6]

- *Corporate practices*

According to the OECD's Global Corporate Sustainability Report 2024, companies representing 86% of global market capitalization disclose sustainability-related information.[7]

Additionally, 77% of the 250 largest companies around the world by revenue (G250) voluntarily perform a materiality assessment, out of which 69% use a double materiality approach.[8]

Globally, 78% of the world's largest 250 Fortune companies report using the GRI Standards[9]. With now over 14,000 companies worldwide using the GRI Standards to report on their impacts, GRI is the most widely used global standard for companies to report their sustainability impacts. Almost all regions show a predominant use of GRI standards in their sustainability reporting: 73% of market capitalization in Europe, 79% of market capitalization in Latin America, 44% of market capitalization in China, and 61% of market capitalization in Asia, excluding China and Japan.[10]

The IFRS Sustainability Disclosure Standards were developed to be suitable for use in capital markets. This was evidenced by the endorsement by the International Organization of Securities Commissions (IOSCO) who called on its members to consider ways in which they might adopt, apply or otherwise be informed by the ISSB Standards within the context of their jurisdictional arrangements, in a way that promotes consistent and comparable climate-related and other sustainability-related disclosures for investors.

To date, 23 jurisdictions across the world's regions have taken or are taking steps to adopt or otherwise use ISSB standards in their legal or regulatory frameworks, highlighting their widespread acceptance and adoption worldwide.

[6] Carrots and Sticks, 2024

[7] Global Corporate Sustainability Report 2024 | OECD iLibrary (oecd-ilibrary.org)

[8] Global Survey of Sustainability Reporting 2022 'Big shifts, small steps', KPMG, 2022

[9] Global Survey of Sustainability Reporting 2022 'Big shifts, small steps', KPMG, 2022

[10] Global Corporate Sustainability Report 2024 | OECD iLibrary (oecd-ilibrary.org)

How can the Conference strengthen the follow-up process, to ensure accountability and full implementation of the commitments made?

Recommendation 2: Member States should commit to embedding interoperability with the global double materiality baseline, as established by GRI and the IFRS Foundation, as the 'design principle' for the development of jurisdictional initiatives for transparency and corporate reporting.

Rationale

Maintaining interoperability between reporting regimes is crucial to ensure global consistent, comparable, and decision-useful information is available for all stakeholders, including investors and government. Furthermore, it will lower reporting burdens and the cost of compliance, particularly for companies with complex value chains.

By adopting GRI Standards and IFRS Sustainability Disclosure Standards as the core framework for harmonizing corporate reporting and transparency globally and locally, UN Member States can advance a globally interoperable sustainability reporting system based on the most widely used and accepted standards.

UN Member States would benefit from interoperability efforts already underway. Collaborative efforts between GRI, IFRS, and the European Financial Reporting Advisory Group (EFRAG, the body responsible for developing the ESRS) — formalized in a series of Memoranda of Understanding — focus on four key areas: developing sector standards and common disclosures, ensuring interoperability, leveraging digital technologies to reduce reporting burdens, and building capacity. Together, these initiatives offer a robust framework for double materiality, addressing corporate activities' financial and sustainability impacts. For detailed information about existing harmonization and interoperability efforts, refer to Annex 2.

By supporting a globally aligned reporting system, FfD4 can enhance transparency across global markets, strengthen corporate accountability, and foster sustainable finance. This would accelerate progress toward the SDGs and climate goals, empowering businesses, investors, and policymakers to make informed decisions that drive business resilience and sustainable development.

Recommendation 3: Member States should mandate the external assurance of mandatory corporate reporting based on a single global audit standard to enhance trust in reported data and foster global comparability.

Rationale

Robust audit and assurance provisions are essential for ensuring the credibility and reliability of sustainability reports. We recommend that UN Member States encourage the adoption of a single global audit standard to enhance trust in reported data and foster global comparability. GRI recommends the adoption of the International Standard on Sustainability Assurance 5000 (ISSA 5000), approved on September 20, 2024, by the International Auditing and Assurance Standards Board (IAASB). In developing ISSA 5000, the IAASB established a globally applicable audit standard aligned with major sustainability reporting frameworks, including IFRS Sustainability Disclosure Standards, GRI standards, and ESRS, while considering key jurisdictional developments in sustainability reporting and assurance requirements. As a principles-based standard, ISSA 5000 focuses on principles and outcomes rather than procedures or steps, supporting the scalability and comprehensiveness of the standard.

In connection with the current sustainability report assurance practices, the International Federation of Accountants (IFAC) research[11] published in February 2024, shows that there is a growing number of companies that already voluntarily seek assurance for (parts of) their disclosed information. Information disclosed in accordance with the GRI Standards is subject to assurance more often (39%) than any other reporting framework or standards. This indicates the increasing recognition for the value of assurance to the credibility of the reported information.

Recommendation 4: Member States should implement robust corporate tax transparency standards, recognizing tax as a primary tool to support fiscal policies and fundamental for financing the sustainability and climate transition.

Rationale

Tax contributions are central to the macroeconomic stability of countries and jurisdictions and play a vital role in financing progress towards the SDGs. They are a key tool in reducing global and national inequality and financing, e.g. energy transitions, as well as vital instruments to fund defense, security, and healthcare.

A robust tax reporting framework requiring country-by-country tax reporting enables insights into corporate tax contributions across jurisdictions, which is critical to assessing whether corporations are fairly contributing to the economies in which they operate. GRI 207: Tax 2019 is the first global

[11] The State of Play: Sustainability Disclosure and Assurance, 2019-2022 Trends & Analysis, State of Play Series, International Federation of Accountants, February 2024.

standard for tax transparency that incorporates guiding principles of sound tax behavior into a single, coherent, globally applicable reporting standard. Under GRI 207, organizations are asked to provide insights into four main topics: tax strategy, tax risk and control environment, stakeholder engagement, and public country-by-country information.

Reporting in accordance with GRI 207 also allows organizations to address the needs of investors as set in the UNPRI guidance.

GRI's Tax Standard was developed in response to growing stakeholder demands, especially from investors, for more meaningful tax information to be provided by companies. It also incorporates the country-by-country reporting requirement as described in OECD BEPS 13.

During the consultation to develop the GRI 207, more than 110 stakeholders submitted feedback, of which 55% represented the investor community with jointly invested assets of more than $2.5 trillion.

Regulators around the world are also beginning to emphasize the importance of tax transparency. In December 2021 the EU's public Country-by-Country Reporting Directive (the Directive) entered into force which is also based on OECD BEPS 13. Furthermore, the final report on the minimum safeguards of the EU Taxonomy Regulation, references GRI 207.

In Australia the government is proposing to adopt GRI 207-1 (tax policy) and GRI 207-4 (public CBCR) into law. While also the UN Tax Convention proposal heavily leverages the GRI Tax Standard.

In summary, enforcing tax transparency as a critical element of sustainable financing will enable the UN and Member States to assess corporate tax contributions by jurisdiction, fostering equitable fiscal practices and supporting fiscal resilience.

Recommendation 5: Through the FfD4 process Member States should allocate funding to build capacity among jurisdictions around the role and importance of reporting; how it can support real progress towards achieving the SDGs.

Rationale

Mandatory corporate reporting has traditionally been a policy tool to influence capital markets and is used by Ministries of Finance. With the expansion of the scope of corporate disclosures to include impact reporting, this policy tool now becomes available to other parts of the government. Traditionally, these departments and agencies (including national standard setters) have used different interventions to engage with and regulate corporate behavior. For the UN and Member States to fully capitalize on the effects of double materiality reporting, it is important to raise awareness among national governments about this form of reporting and how it can support effective policy actions.

Conclusion

In this submission, GRI urges the Fourth International Conference on Financing for Development (FfD 4) and UN Member States to prioritize establishing a global financing framework that mandates corporate sustainability disclosures based on double materiality, with the GRI Standards and IFRS Sustainability Disclosure Standards as the foundation. GRI emphasizes the importance of consolidating interoperability between global corporate reporting standards and jurisdictional efforts. Additionally, GRI calls for mandatory external assurance of corporate reports under a single global audit standard to enhance trust and comparability of data.

By adopting this approach, FfD4 can prevent regulatory fragmentation, ease compliance burden, and enhance transparency across global markets. This alignment not only promotes greater transparency towards private sector contribution to sustainable development but also equips stakeholders with reliable, decision-useful data that fosters investor confidence and directs private sector contributions towards achieving the Sustainable Development Goals and shared climate goals. FfD4's endorsement of this comprehensive global baseline is essential for advancing sustainable finance and aligning the global financial architecture with the 2030 Agenda for Sustainable Development.

We remain at the co-facilitators' disposition to support the development and implementation of the Financing for Development Outcome Document and are prepared to engage in consultative spaces that may arise as part of these discussions.

Sincerely,

Peter Paul van de Wijs,

Chief Policy Officer

ANNEX 1 - About GRI

The GRI Standards, the world's most widely adopted sustainability reporting framework, enable organizations to publicly disclose their most significant impacts on the economy, environment, and people, including impacts on their human rights and how the organization manages these impacts. This transparency on impacts enables organizational accountability and supports information users in making informed assessments and decisions about the organization's impacts and contribution to sustainable development.

The GRI Standards are the only global standards that offer the most comprehensive coverage of sustainability impacts across the full range of environmental, social, and governance (ESG) topics and are available in 11 languages. The GRI Standards are developed through a multi-stakeholder, transparent, and public-interest-driven process.

To date, the 34 GRI topical standards allow an organization to report on its most significant impacts on specific topics such as climate change, biodiversity, employment, tax. The GRI Standards also include Sector Standards, designed to help identify a sector's most significant impacts and reflect stakeholder expectations for sustainability reporting. Starting with the most high-impact sectors, The Sector Standards for Oil and Gas (GRI 11), Coal (GRI 12), Agriculture, Aquaculture and Fishing (GRI 13), as well as Mining (GRI 14) have now been released and are available for public use.[12]

The GRI Standards are based on expectations for responsible business conduct set out in authoritative intergovernmental instruments, such as the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the United Nations (UN) Guiding Principles on Business and Human Rights, among other authoritative instruments. Information reported using the GRI Standards can help users assess whether an organization meets the expectations set out in these instruments.

The GRI Standards refer to the UN SDGs, both in the Topic Standards[13] as well as Sector Standards[14]. Additionally, GRI provides resources, tools and capacity-building for organizations to assess their contributions and impacts on the SDGs.[15]

The GRI Standards are a free public good.

GRI is an independent, not-for-profit international organization with over 27 years of experience supporting organizations to understand and communicate their sustainability impacts. GRI is headquartered in Amsterdam, with regional operations across Africa, ASEAN, Latin America, North America, South Asia, Europe, and the Middle East.

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[12] More information about GRI's Sector Program

[13] SDG references in GRI Topic Standards: GRI 101: Biodiversity 2024 refers to SDG 14 and 15; GRI 207: Tax 2019 refers to Target 17.1; GRI 303: Water and Effluents 2018 refers to Goal 6; GRI 306: Waste 2020 refers to Goal 12; GRI 403: Occupational Health and Safety 2018 refers to Goal 3 and Targets 3.8 and 8.8.

[14] The GRI Sector Standards include a table linking likely material topics for the sector and the SDGs.

[15]The GRI and the United Nations Global Compact led the Action Platform for Reporting on the SDGs delivered thought-leadership, capacity-building, and SDG reporting tools (Integrating the SDGs into Corporate Reporting: A Practical Guide; In focus: Addressing Investor Needs in Business Reporting on the SDGs; An Analysis of the Goals and Targets Online Database).

ANNEX 2 – Global interoperability and harmonization efforts

Maintaining interoperability between reporting regimes is crucial to ensure global consistent, comparable, and decision-useful information is available for all stakeholders, including investors and government. Furthermore, it will lower reporting burdens and the cost of compliance, particularly for companies with complex value chains.

Recognizing this need, GRI, IFRS, EFRAG, and other disclosure-related initiatives have been collaborating bilaterally on interoperability.

GRI-IFRS Foundation

GRI and IFRS have committed to jointly identify and align common disclosures that address information needs under the distinct scopes and purposes of their respective standards, for both thematic and sector-based standard setting. To ensure this, GRI and the IFRS Foundation signed a Memorandum of Understanding to coordinate current and future work programs and standard-setting activities.

The collaboration between GRI and the IFRS Foundation means their respective standard-setting boards, the Global Sustainability Standards Board (GSSB) and the International Sustainability Standards Board (ISSB), will coordinate their capacity-building programs and standard-setting activities, ensuring a high degree of interoperability between the two leading impact and financial reporting standards.

To illustrate the interoperability efforts underway, in 2024, GRI and IFRS published a mapping resource highlighting the interoperability of climate reporting[16]. The requirements in GRI 305 Emissions and IFRS S2 demonstrate a high degree of alignment as both standards draw on the TCFD and the GHG Protocol. The high degree of alignment enables entities that already disclose Scope 1, 2 and 3 GHG emissions using the GRI Standards to disclose information about GHG emissions in accordance with IFRS S2.

GRI-EFRAG

GRI and EFRAG have been collaborating since 2021 to make sustainability reporting within the European Union easy to comply with.

GRI and EFRAG share technical expertise and GRI has been involved in the EU process as a formal co-constructor of the European Sustainability Reporting Standards (ESRS) to ensure global alignment and maximum interoperability. Furthermore, the ESRS also prescribes using the GRI Standards to report on material topics missing in the current ESRS set of standards as the GRI Standards are more expansive.

The high level of interoperability between ESRS and GRI standards in relation to impact reporting was confirmed in a Memorandum of Understanding and jointly published a GRI-ESRS Interoperability Index; an easy-to-use tool allowing companies to re-use reported information and

[16] Interoperability considerations for GHG emissions when applying GRI Standards and ISSB Standards

decrease the reporting burden[17]. In its turn, the IFRS Foundation and EFRAG have also issued interoperability guidance with the ESRS. This ensures that companies reporting through GRI can meet ESRS requirements, enabling streamlined compliance with multiple frameworks.

Interoperability with other initiatives and due diligence

Interoperability with other initiatives is also actively pursued, such as, for instance, with the CDP, UN Global Compact's Communication on Progress, the Taskforce on Climate-related Financial Disclosures (TCFD), the Taskforce on Nature-related Financial Disclosures (GRI-TNFD interoperability mapping), and the recently formed Taskforce on Inequality and Social-related Financial Disclosures (TISFD).

The interoperability of the GRI standards with global authoritative due diligence frameworks allows reporting organizations using GRI to significantly ease the reporting process, reduce costs, and minimize complexity when aligning with their country's due diligence policies. As due diligence frameworks gain more traction worldwide, policymakers can be confident that policies based on GRI standards will more easily be adhered to by the many organizations that already report using GRI standards.

This alignment has been acknowledged by the United Nations Working Group on Business and Human Rights (UN BHR), which recognized the GRI Standards as uniquely integrating the United Nations Guiding Principles on Business and Human Rights (UNGPs), thereby providing a foundation for comprehensive human rights disclosures.[18]

[17] GRI-ESRS interoperability index; GRI-ESRS Data points mapping; XBRL digital taxonomies (GRI-EFRAG collaboration linking data points between both standards).

[18] Investors, environmental, social and governance approaches and human rights, Report of the Working Group on the issue of human rights and transnational corporations and other business enterprises, May 2024.