

Item 11 – GRI Guidance Project – Relationships between Impacts, Risks and Opportunities – Project proposal

For GSSB discussion and approval

Date	04 June 2025
Meeting	19 June 2025
Description	<p>This paper sets out the project proposal to develop guidance on the relationship between impacts, risks, and opportunities.</p> <p>The draft proposal has been reviewed by the GRI Supervisory Board and Stakeholder Council and comments have been incorporated. Both bodies were highly supportive of this initiative. In accordance with the GSSB's Due Process Protocol, the proposal is now before the GSSB for approval.</p> <p>Please note that the development and submission of this project proposal marks the intention of the GRI Guidance Project to provide practical guidance for users of the GRI Standards. The commencement date of this project has not been determined and is subject to resource availability.</p>

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Feedback from GRI bodies

As part of the project approval process, the draft project proposal was circulated to members of both the GRI Supervisory Board and Stakeholder Council. Two written responses were received from individual members, indicating their support for the project and offering assistance in identifying key experts to be involved in the project. The key concern raised was the need to explain how this project relates to the work being done on articulating the role of the GRI Standards in the global corporate reporting system. That point is addressed below under the 'Project background'. It was also mentioned that for the investor community, this was an area that was both relevant and required further development, as it is typically not adequately dealt with in corporate reports.

In addition, the Sustainability Standard Board of Japan (SSBJ) has indicated that if the project is approved, it will be a project partner and be integral to the work that is developed. Building on the strong tradition of integrated reporting in Japan, there is a keen interest in better understanding the relationship between impacts, risks, and opportunities. This project is considered a significant innovation in the ongoing development of corporate reporting.

Related developments

As part of the ongoing collaboration with the Task Force for Nature-related Financial Disclosures (TNFD), a series of company-based case studies is being developed to illustrate how biodiversity impacts, risks, and opportunities are considered in risk management and reporting processes. That work will be leveraged and used to inform background work for this project. Other partners have expressed interest in the project and have agreed to support it as best they can.

As part of the analysis of the first wave of reporting under the European Sustainability Reporting Standards (ESRS), a number of papers have been published with a specific focus on how impacts, risks, and opportunities are being considered as part of the materiality assessment. GRI will continue to monitor these developments and is currently conducting its own analysis to inform the development of this project.

Project background

Developments in the global corporate reporting system have necessitated greater clarity on how financial and sustainability-related information are connected and provide a broader basis for understanding the value creation process. Specifically, the connective tissue between the two is how the significant impacts of an organization give rise to sustainability-related risks and opportunities and have broader implications for the financial stability of the economy. While corporate reporting has

historically kept impacts separate from risks and opportunities, it creates an artificial divide between economic phenomena.

GRI 1: Foundation 2021 provides the central concept of 'impact' that underpins the raison d'être of GRI Standards. While the definition of impact is clear and provides the basis for reporting requirements set in the GRI Standards, its relationship to risks and opportunities for the organization requires further guidance. *GRI 3: Material Topics 2021* outlines the process for identifying actual and potential impacts to determine the material topics that the organization will report.

The interaction of the GRI Standards with other reporting frameworks, such as the IFRS Sustainability Disclosure Standards and the ESRS, has highlighted the need for a more robust understanding of the relationship between impacts, risks, and opportunities.

Derivative concepts, such as single and double materiality, are predicated on accurately identifying and reporting impacts on the economy, environment, and people, as well as risks and opportunities to the organization. There are various claims made by standard setters about sustainability-related impacts being the source of and precursor to, the manifestation of risks and opportunities to the organization. However, workable concepts are still needed to operationalize this process and develop and apply them to standards. In this regard, this project aims to provide guidance to *GRI 3* and related educational materials to inform reporting practices and improve the quality of disclosures. The project will consider the focus and location of the guidance, as well as whether it forms part of the Standard.

The Global Sustainability Standards Board (GSSB) has already had four public discussions on its collaboration with the International Sustainability Standards Board (ISSB) on 15 June 2023, 14 September 2023, 10 April 2024, and 20 March 2025. The most recent discussion centered on the GSSB's review of the project proposal and its strong support for advancing the project.

Existing coverage in GRI literature

GRI 1 sets the parameters and concepts that form the basis of sustainability reporting against GRI Standards. Paragraph 2.1 defines and explains 'impact' as follows:

In the GRI Standards, impact refers to the effect an organization has or could have on the economy, environment, and people, including effects on their human rights as a result of the organization's activities or business relationships. The impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, and reversible or irreversible. These impacts indicate the organization's negative or positive contribution to sustainable development. The organization's impacts on the economy refer to the impacts on economic systems at local, national, and global levels. An organization can have an impact on the economy through, for example, its competition practices, its procurement practices, and its taxes and payments to governments. The organization's impacts on the environment refer to the impacts on living organisms and non-living elements, including air, land, water,

and ecosystems. An organization can have an impact on the environment through, for example, its use of energy, land, water, and other natural resources.

The organization's impacts on people refer to the impacts on individuals and groups, such as communities, vulnerable groups, or society. This includes the impacts the organization has on people's human rights. An organization can have an impact on people through, for example, its employment practices (e.g., the wages it pays to employees), its supply chain (e.g., the working conditions of workers of suppliers), and its products and services (e.g., their safety or accessibility). Individuals or groups whose interests are affected or could be affected by the organization's activities are referred to as stakeholders (see Section 2.4 in this Standard for more information).

The impacts on the economy, environment, and people are interrelated. For example, an organization's impacts on the economy and environment can result in impacts on people and their human rights. Similarly, an organization's positive impacts can result in negative impacts and vice versa. For example, an organization's positive impacts on the environment can lead to negative impacts on people and their human rights.

The Standard also explains the nexus between impacts, risks, and opportunities that may become financially material to organizations. This relationship is elaborated on in the context of determining material topics under *GRI 3* in Box 1:

The material topics and impacts that have been determined through this process inform financial and value-creation reporting. They provide crucial input for identifying financial risks and opportunities related to the organization's impacts and for financial valuation. This helps make financial materiality judgments about what to recognize in financial statements.

While most, if not all, of the impacts that have been identified through this process will eventually become financially material, sustainability reporting is also highly relevant in its own right as a public interest activity and is independent of the consideration of financial implications. It is, therefore, important for the organization to report on all the material topics that it has determined using the GRI Standards. These material topics cannot be deprioritized solely because they are not considered financially material by the organization.

See Box 1 in *GRI 1: Foundation 2021* for more information on sustainability reporting and financial and value creation reporting.

This final statement in *GRI 3* about the transmission of impacts into financial effects presupposes a high correlation between the most significant impacts of an organization on the economy, environment, and people, as well as those likely to have a financial effect on the organization.

The need for further work

The inclusion of sustainability-related risks and opportunities in financial reporting, along with emerging distinctions in practices, such as single and double materiality, underscores the need for greater clarity regarding the purpose of sustainability reporting, as promoted by GRI, and how it, together with financial reporting, addresses the information needs of corporate report users. Developing and articulating the relationship between impacts, risks, and opportunities is necessary because blending sustainability-related information into corporate reporting can be a source of confusion for both preparers and users, who struggle to make the necessary connections. An unfortunate consequence of recent developments is that 'impacts' and 'risks and opportunities' are presented as binary and unrelated constructs. This is inconsistent with how organizations typically utilize their materiality assessment and identify significant impacts in their risk management and mitigation. The project will also be useful for the GSSB in its interoperability work and in determining what disclosures should be included in sustainability reporting based on a clearer articulation of the relationship between disclosures on impacts, risks, and opportunities.

This project and its outputs are also likely to be timely, given the current efforts to rationalize the reporting of impacts, as the basis for reporting sustainability-related risks and opportunities is considered sufficient for discharging an organization's accountability obligations to its stakeholders, including investors.

Project objectives

The primary objective of the project is to provide guidance on the link between impacts, risks, and opportunities, building on existing definitions and guidance from *GRI 1* and *GRI 3*, while connecting to established financial reporting practices set out in the IFRS Standards. This project will:

- Identify and describe the relationship between an organization's most significant impacts and its sustainability-related risks and opportunities, and determine what should be amended in the Standards or issued as separate guidance materials.
- Provide evidence and authoritative references for these concepts and assertions, which will be consolidated into guidance to support the application of *GRI 3*. Two forms of guidance are proposed: how to identify risks and opportunities that flow from the most significant impacts and how to use impact disclosure in financial reporting.
- Inform the GSSB's relationship with other corporate reporting standard setters, particularly the ISSB and the International Public Sector Accounting Standards (IPSASB) on the global level as well as jurisdictional standard setters that (consider to) require disclosure of impacts on economy, environment, and people.

Project approach

The project will be conducted in accordance with the [GSSB Due Process Protocol](#). As the output of the project is robust and useful guidance, it is proposed that it will have three phases:

- **Exposure draft development phase (3-6 months)** to establish a multi-stakeholder project working group (WG) to contribute to the project's development and ensure the output is robust and useful for strengthening GRI Standards and promoting high-quality sustainability reporting. As part of this phase, it will be important to review and synthesize existing materials on sustainability-related impacts, risks, and opportunities in authoritative sources to support the development of an exposure draft.
- **Public consultation phase (3 months)** to engage with GRI stakeholder networks to evaluate the usefulness of the guidance developed and to modify it as appropriate to make it fit for purpose. It is proposed that this phase will include an extensive outreach program to not only promote the guidance but also enhance its understanding and application in practice.
- **Comments and final draft phase (3 months)** to finalize the project and the due process steps to deliver guidance. It is also likely that educational and other materials can be developed based on the guidance.

Division of responsibilities

The Standards Division will lead the work with the WG and review what guidance needs to be added to *GRI 3*, develop an exposure draft based on the expert discussions, and propose to the GSSB an exposure draft of the Standard, along with an assessment of potential implications for other GRI Standards.

Several GSSB members expressed their interest in playing a key role in the project at their March 2025 meeting. Staff are currently reviewing how the expertise and interest of GSSB members can be incorporated into the project, while respecting the heavy demands already placed on them.

The Standard Division will review the comments received on exposure with the WG and propose amendments to the draft accordingly. The final draft will be submitted to the GSSB for final approval.

Timeline

The project is expected to run for 15 months from the commencement date to the approval of the final Standard.

The commencement date of this project has not been determined and is subject to resource availability. It will require resources beyond a director to assist with developing and drafting materials,

165 planning, and coordinating stakeholder engagement. Table 1, on the following page, outlines the
166 anticipated project duration. The commencement date and the predicted dates of other key
167 milestones will be confirmed as soon as they are known.

168 **Assumptions and risks**

169 The following assumptions and risks have been considered in developing the project's scope,
170 timeline, and expected outcomes.

- 171 1. The Standards Division has assumed that resources are allocated to the project in a timely
172 manner to allow its milestones to be met.
- 173 2. It is also assumed that the formation of a WG can be expedited as per the timeline. Given
174 the level of interest in the project, it should be possible to identify the members of the WG
175 on time and submit them to the GSSB for consideration and approval.
- 176 3. To maintain the project's relevance, engagement with the IFRS Foundation, IPSASB, and
177 jurisdictional standard setters will be important to ensure this work reflects the latest
178 developments in standard-setting activities. This dependency on the input of related
179 standard setters will receive special attention during the project implementation.

Table 1: Estimated duration of GRI 3 Guidance Project¹

Phase	~Duration (month)	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13	Month 14	Month 15
Project commencement	1															
Open call and recruitment of WG	3															
GSSB approval of WG memberships																
Content development by WG	3															
GSSB approval of exposure draft	1															
Public comment period	3															
Analysis of public comments and revision of draft	4															
GSSB approval of final standard																

¹ Project scheduling changing may occur over the course of the project, including extensions to the duration of the project due to approval processes or other circumstances.