



GRI



The background image shows a series of white wind turbines of varying heights against a light sky. In the foreground, two workers wearing hard hats and safety vests are standing on a metal platform with a railing, looking at a tablet. The overall scene is clean and professional, representing sustainable energy and industry.

Towards mandated financial and sustainability reporting on equal footing

*Recent International reporting
developments*

13th TAICGOF

Peter Paul van de Wijs, Chief External Affairs

September 1, 2021

Taiwan; a recognized leader in sustainability reporting¹



1

93% of top 100 Taiwanese companies publish a sustainability report

2

75% of top 100 Taiwanese companies connect business activities with SDGs

3

92% of top 100 Taiwanese companies acknowledge climate change as a financial risk

4

Strong mandates from FSC and TWSE for broad ESG reporting

¹ The Time has come; KPMG Survey of Sustainability Reporting 2020

Global trend

Drive towards the creation of a comprehensive corporate reporting regime based on a **two-pillar reporting structure** and **a core set of common standards** for each pillar and **on equal footing**

- Pillar 1 – Strengthened financial reporting
Focus: impact on companies disclosures addressing the financial implications of sustainability issues
- Pillar 2 – Sustainability reporting
Focus: all impacts a company is having on society and the environment and hence their contributions towards the goal of sustainable development

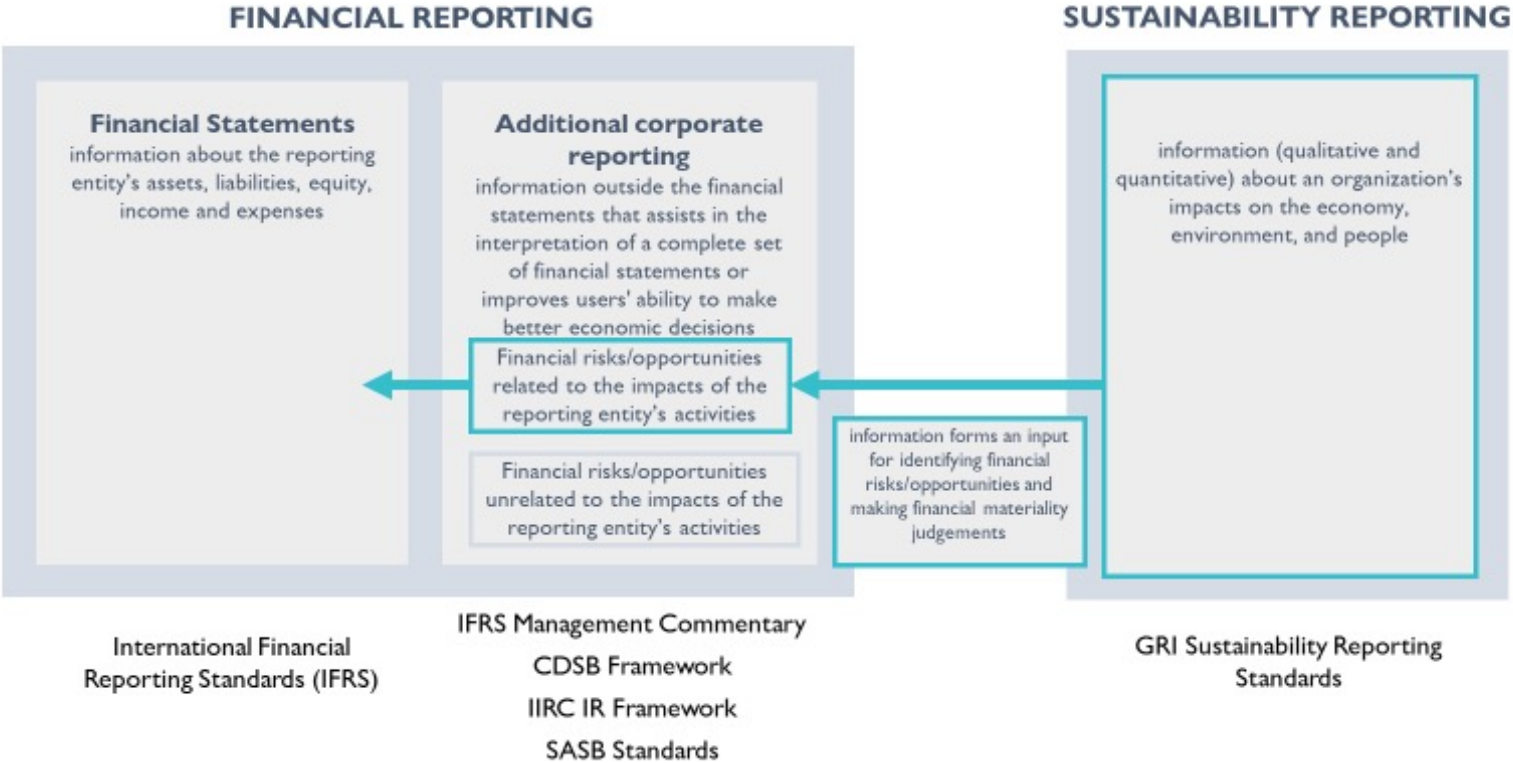
Double materiality

The guiding principle for sustainability reporting

- Companies need to consider materiality from two perspectives
 1. economic, environmental and social **impact of the company's activities on all stakeholders**
 2. the impact of sustainability issues on **the value of the company**
- Each direction of double materiality needs to be considered in its own right
 - **It is not about the convergence of the two perspectives that renders an issue as material**
- Financial and sustainability standards must be developed and governed in their own right and a mechanism is needed to address questions of **connectedness** between the two
- A company should **start with the assessment of the outward impact** followed by the identification of the subset of information which is financially material to the company and of interest to financially focused stakeholder groups

Double Materiality

A company should start with the assessment of the outward impact



Three pre-requisites

Ensuring credibility and buy in

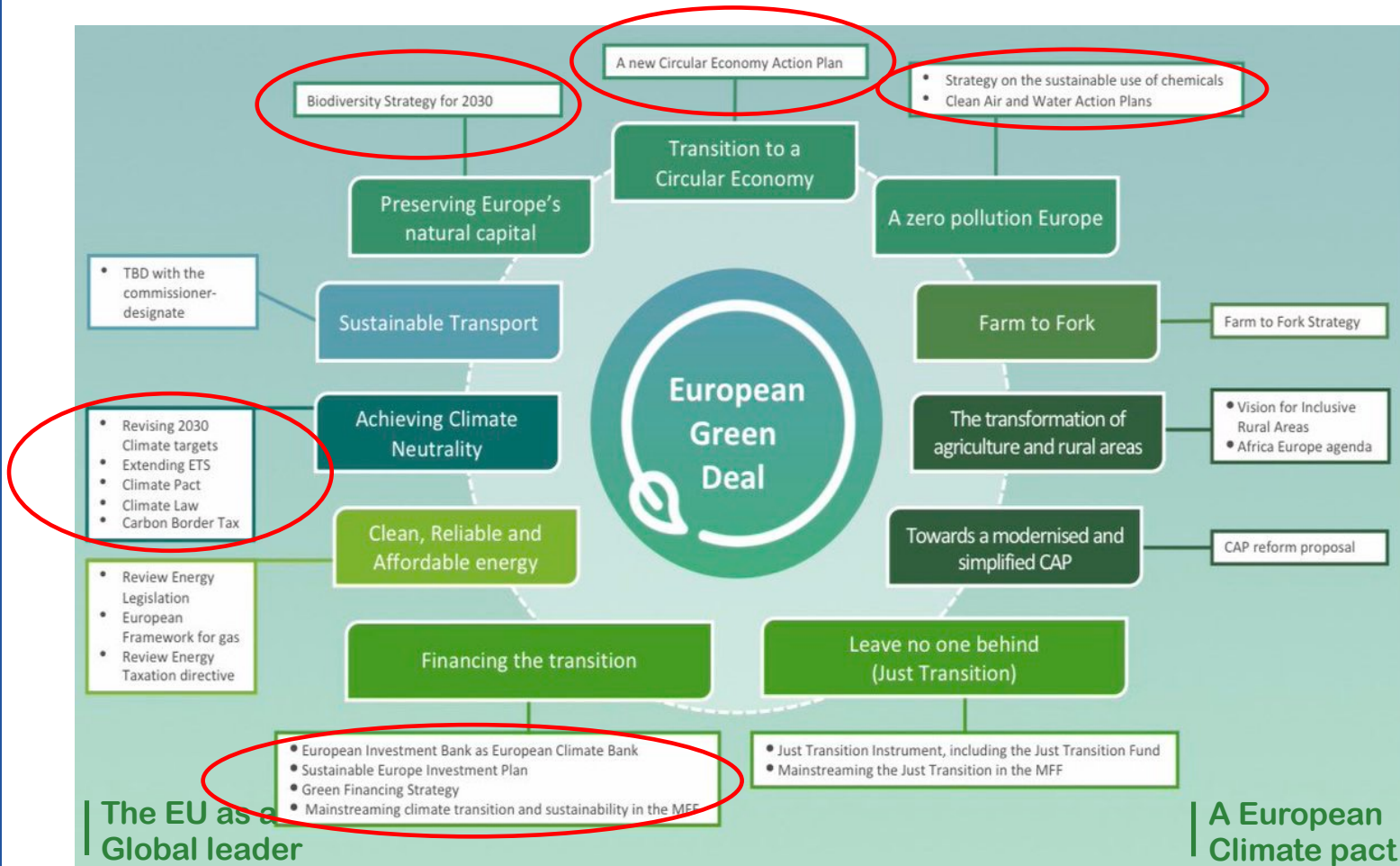
- Sustainability reporting **standard setting process** needs to be
 - multi-stakeholder,
 - firmly rooted in the public interest and authoritative intergovernmental instruments on responsible business conduct, and
 - governed by an independent and transparent due process
- Sustainability reporting needs to be **mandatory**
 - Investors, civil society and regulators support mandatory reporting since it allows for comparable, consistent, and reliable data to assess companies across sectors and industries
- Sustainability reports need to be **assured** by independent assurance providers, explicitly accredited for verifying sustainability disclosures.



**Two complementary initiatives
with global impact**

Initiative 1

The Green Deal from European Union requires an update of the Non-Financial Reporting Directive



Initiative 2

IFRS Foundation Trustees consult on global approach to sustainability reporting and on possible Foundation role

- In the context of their periodic strategy review, the Trustees opened a consultation in September 2020 to determine:
 - whether there is a need for global sustainability standards
 - whether the IFRS Foundation should play a role in developing such standards
 - what the scope of that role could be
- Possible creation of an International Sustainability Standards Board (ISSB)



TCFD - Task Force on Climate-related Financial Disclosures



- Published a set of recommendations listing disclosure principles, recommended disclosures and illustrative example metrics
- In 2019 the three leading framework and standard setters (GRI, SASB and CDP) published² an assessment of their alignment with the TCFD recommendations
 - The seven 'Principles for Effective Disclosures' are complementary with those of the participants' frameworks and standards
 - TCFD's 11 recommended disclosures are comprehensively covered by the frameworks and standards
 - Overall, 80% of the TCFD's 50 illustrative metrics are fully or reasonably covered by CDP, GRI and SASB indicators
 - There are high levels of alignment between CDP, GRI and SASB and TCFD's illustrative example metrics (ca. 70%)

² <https://corporatereportingdialogue.com/publication/driving-alignment-in-climate-related-reporting/>

Two Complementary Initiatives

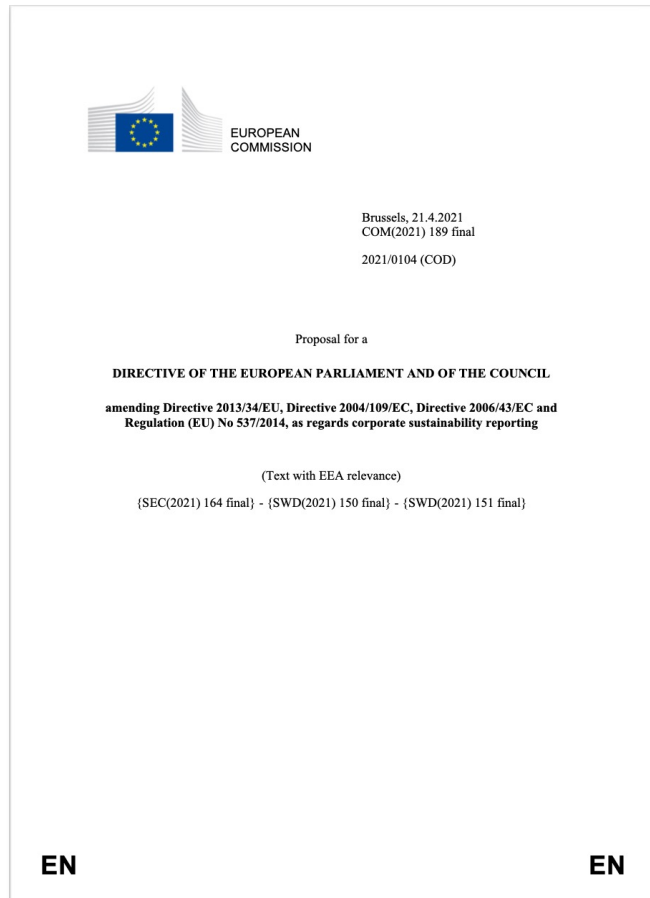
	EU – CSRD	IFRS
Audience	All users of sustainability reporting and affected stakeholders, including with respect to potential future impacts	Investors
Scope	All sustainable development issues – including the impact of an organisation’s products and services and its broader value chain.	Climate first, then other ESG matters
Materiality	Double materiality – including material impact of an organisation on sustainable development.	Financial Materiality/Enterprise Value Creation - Information material to investors, lenders and other creditors
Foundation	‘Overarching principles’ i) support an inclusive range of stakeholders; and ii) be principles-based. Build on initiatives that have similar goals	TCFD recommendations and the prototype standard
Timing	<ul style="list-style-type: none"> 31 January 2021 21 April 2021 2nd half of 2021 June 15, 2022 November 2022 2023 2024 	<ul style="list-style-type: none"> Final input EFRAG to the European Commission. Commission adoption and submission of the legislative proposal (Level 1 Draft) to the Parliament, formal 'trilogue' meetings (interinstitutional negotiations) L1 legislation adopted under the French Presidency of the Council Initial set of European non-financial reporting standards ready first year of reporting on initial set of standards second set of standards for reporting year 2024 (reported on in 2025)
		<ul style="list-style-type: none"> 8 March 2021 22 March – November 2021 30 April - 29 July 2021 November 2021 (Prior to COP 26) <i>TBD</i>
		<ul style="list-style-type: none"> Announcement of strategic direction Technical Readiness Working Group <ul style="list-style-type: none"> Technical proposal for climate standard Proposal for transition of expertise to formal standard setting under ISSB Public consultation period on draft proposed amendments to the Foundation’s constitution necessary to establish a new board (ISSB) A final determination about a new board <i>Public consultation on draft Climate Standard</i> <i>exploration and design of the multi-stakeholder expert advisory committee</i>



EU CSRD update

Corporate Sustainability Reporting Directive – draft

Released by EU Commission: 21 April 2021



Differences with the existing NFRD:

- Renamed to Corporate Sustainability Directive
- Mandates sustainability reporting based on European standards, firmly embedding the concept of double materiality
- Specifies in more detail the information that undertakings should report
- Extends the scope of the reporting requirements all large undertakings (250+ employees) and all listed companies
- Requires assurance
- Requires all information to be published as part of the management report in a digital, machine-readable format

Some observations

- Both European Commission and Parliament are
 - Strongly supporting the multi-stakeholder approach
 - Convinced of the role of quality reporting in enforcing compliance with Green Deal
- Commission has clarified that the concept double materiality is not limited to topics that are both financial material and impact material.
- MEPs discuss in public the need to use the momentum to take the global lead,
 - not by imposing but by tempting other jurisdictions to join
- Known political issues
 - inclusion of non-listed SME's in high-risk sectors
 - inclusion of non-EU companies

The proposed EU standards and GRI

- Coherent and comprehensive
- Sector Agnostic, sector specific and entity specific
 - Including a set of 'reference standards' regarding strategy and implementation
- Overarching principles
 - support an inclusive range of stakeholders; and
 - be principles-based. Build on initiatives that have similar goals
- Conceptual framework
 - Public good – alignment with international and European authoritative instruments
 - Quality of information – relevance, faithful representation, comparability, understandability and verifiability <- to ensure equal footing with financial reporting
 - Retrospective and forward-looking
 - Levels and boundaries; including value chain and not limited to direct control of the entity
 - Double materiality
 - Connectivity



GRI named 'co-constructor' of EU sustainability reporting standards



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08/07/2021 - EFRAG & GRI LANDMARK STATEMENT OF COOPERATION

Working towards international sustainability reporting convergence, EFRAG Project Task Force on European sustainability reporting standards (PTF-ESRS) and GRI sign landmark Statement of Cooperation. Read the detailed press release [here](#).

As from its inception in September 2020, the EFRAG Project Task Force working on EU sustainability reporting standards (former PTF-NFRS now PTF-ESRS) established fruitful working relationships with European and international standard setters and initiatives fostering the progress of sustainability reporting.

Building on the European and international momentum creating a positive environment for a game-changing move in the crucial domain of sustainability reporting, the EFRAG PTF-ESRS is keen to establish enhanced working relationships with relevant international initiatives under a partnering and co-construction spirit, which is a key dimension of its action plan. Appropriate interactions have been initiated.

Today, the PTF-ESRS is delighted to announce that a first Statement of Cooperation has been signed with GRI. The GRI standards are currently the most commonly used sustainability reporting standards amongst EU companies.

Both organisations will share their wealth of expertise to foster the swift development of European sustainability reporting standards and at the same time the progress of converged standards at international level. The PTF-ESRS is convinced that both organisations will as a consequence progress faster and deeper towards their common and respective goals.

Each organisation will contribute to key technical projects of its counterpart. Both organisations will have proactive observers in their respective technical groups and will promote the development of specific joint projects of common interest.

The PTF-ESRS looks forward to establishing cooperation arrangements with other leading international initiatives, including the IFRS Foundation.

Read the detailed press release [here](#).

Related project: Sustainability reporting standards interim draft

VACANCIES

HOW TO REACH US

EFRAG UPDATE

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How the CSRD can impact Taiwanese companies

- As members of global value chains
- As owner of EU-based subsidiaries with over 250 employees
- As owners of EU-listed companies

THANK YOU



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