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Ms Carol Adams  
Global Sustainability Standards Board  
Global Reporting Initiative  
Barbara Strozzi laan 101  
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Our ref BOD/288

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Dear Ms Adams

### **Climate Change and Energy exposure drafts survey**

We appreciate the opportunity to respond to the Global Reporting Initiative's (GRI's) survey on its [Climate Change](#) and [Energy](#) exposure drafts. We have consulted with, and this letter represents the views of, the KPMG network.

We believe the GRI has a key role to play in improving the quality and consistency of global sustainability reporting practices. Sustainability reporting is increasingly being incorporated into regulatory requirements, and GRI Standards have the potential to bridge the gap between IFRS<sup>®</sup> Sustainability Disclosure Standards (ISSB Standards) and European Sustainability Reporting Standards (ESRSs), while remaining a relevant reporting option for companies that are not required to report under ESRSs. We explain our view in this letter and lay out our thoughts on how best to facilitate the further development of GRI Standards in the current sustainability reporting environment.

### **The potential for 'equivalence'**

Regardless of efforts made towards interoperability, there will always remain one fundamental difference between ISSB Standards and ESRSs – namely, the approach to materiality. ISSB Standards are investor-focused and ESRSs are based on double materiality, which is a multi-stakeholder approach.

GRI Standards – which are designed to facilitate the reporting of impacts on the economy, environment and people – offer a vision of how a company (through its jurisdictional requirements) might follow ISSB Standards plus GRI Standards to arrive at sustainability reporting that is accepted by the European Commission as 'equivalent' to applying ESRSs.

To achieve that goal, we believe that further GRI standard-setting should promote interoperability and that the GRI, through its Global Sustainability Standards Board (GSSB), should actively collaborate on standard-setting projects with the International Sustainability Standards Board (ISSB) and European Financial Reporting Advisory Group (EFRAG).

## **Promoting interoperability**

Within the broader goal of achieving equivalence, we believe the GRI should strive for interoperability of its standards vis-à-vis ISSB Standards and ESRs.

Practically, this means that any independent projects undertaken by the GRI should be sensitive to advancing interoperability. Proposals to improve GRI Standards should match the measurement principles and disclosures in ISSB Standards and/or ESRs to the extent practicable, instead of simply being similar.

The following are just two examples in the climate change and energy exposure drafts where we do not see benefit in GRI Standards developing their 'own way' even if individual proposals have merit in their own right.

- *Emissions intensity.* Both the GRI climate change exposure draft and ESRs E1 *Climate change* require disclosure of emissions intensity. However, GRI GH-4a includes guidance about reporting emissions intensity separately for different scopes, whereas ESRs E1-6 requires reporting emissions intensity based on total emissions.
- *Inventory method.* The GRI climate change exposure draft requires the organisation to report progress towards targets using the inventory method (CC-4e) – a term used in neither IFRS S2 *Climate-related Disclosures* nor ESRs E1. There is no definition or guidance that clarifies how the inventory method is used.

To the extent the GRI believes individual requirements in its standards should be updated, we recommend a more gradual two-step process:

- 1) Align with the terminology and requirements in ISSB Standards and/or ESRs in the first instance.
- 2) Work with the ISSB and EFRAG on longer term improvements.

## **Standard-setting collaboration**

Following the above two-step process, we suggest the GRI consider whether GRI Standards should remain unchanged at the current time and instead immediately focus on collaborating with the ISSB and EFRAG to the benefit of all three sets of standards. The GRI has considerable expertise in sustainability reporting, which we believe would benefit the future development of topical standards by the ISSB, and sector-specific standards by the ISSB and EFRAG. In tandem, the GRI could update its own standards.

We believe this approach – if adopted as an explicit strategy – would strengthen the GRI's position as bridging the way towards equivalence.

## **The broader community of companies applying GRI Standards**

We believe our vision for equivalence outlined in this letter has the potential to directly benefit many of the approximately 10,000 companies outside the EU that will be required to apply ESRs without being detrimental to companies that will be required to

adopt ISSB Standards, or companies that will continue applying GRI Standards on a voluntary basis.

In addition, for the thousands of companies around the world currently applying GRI Standards that are facing the transition to ISSB Standards and/or ESRs, we believe this approach would encourage them to continue applying extant GRI Standards on a voluntary basis as they monitor how the sustainability reporting landscape unfolds.

Please contact Mark Vaessen ([Vaessen.Mark@kpmg.nl](mailto:Vaessen.Mark@kpmg.nl)) or Julie Santoro ([jsantoro@kpmg.com](mailto:jsantoro@kpmg.com)) if you wish to discuss any of the issues raised in this letter.

Yours sincerely

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