

Discussion of the Differences and Complementarity between GRI and ISSB

Business Accountability and Responsibility

Total words: 584

202108080118

1. Introduction

The Global Reporting Initiative (GRI) and the International Sustainability Standards Board (ISSB) both play crucial roles in sustainability reporting, yet they differ in focus and approach. This paper explores their key differences, complementarities, and ongoing debates surrounding their coexistence.

2. Differences and Complementarity

2.1. Three big differences

First, from the perspective of market demand. The IFRS/ISSB initiative attempts to create a global framework for sustainability reporting to mitigate fragmentation in sustainability disclosures and ensure comparability and reliability (La Torre *et al.*, 2020; De Villiers, La Torre and Molinari, 2022). GRI is a wide-ranging CSR tool for company-society communication but has low direct applicability in investment decisions in the capital market.

Second, from the perspective of authority. ISSB enjoys strong backing from major global regulatory and financial institutions, including the IOSCO and central banks from over 40 jurisdictions, granting it high credibility (Petersen, Herbert and Daniels, 2022). By comparison, GRI is primarily driven by NGOs and social groups, making it relatively less recognised in capital markets. ISSB is more closely integrated with SASB and TCFD, which leads to weak comparability, although GRI has a wider coverage of standard (see Figure 1).

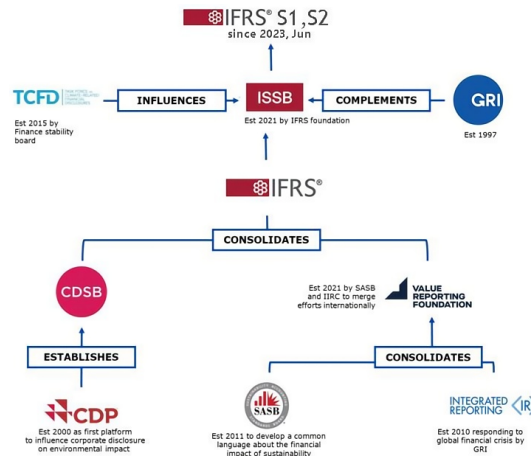


Figure 1 Convergence of Voluntary Sustainability Disclosure Standards

Finally, regarding the standard composition, GRI consists of three parts: universal, sector, and topic standards, while ISSB only published IFRS S1 and S2, which only covered the climate part and lacked industry standards (see Appendix 1). 82% of the G250 now adopt the GRI Standards for reporting, like TotalEnergies and Unilever (KPMG, 2024). IFRS S1 S2 was issued in June 2023, and almost no companies currently report adopting the ISSB standards. In terms of emissions, it can be found that IFRS S2 standards are stricter than GRI, but GRI pays more attention to the environment (see Figure 2).

Dimension	IFRS S2: Climate-related Disclosures	GRI 305: Emissions
Mandatory	Mandatory (unless exempted)	Voluntary (based on materiality)
Data precision	Must comply with GHG Protocol or equivalent international standards (such as ISO 14064)	Allow for alternative methods (such as industry averages or estimation model)
Sector alignment	Follows ISSB industry guidelines	No sector mandates; self-prioritization
Disclosure of emissions	Scope 1, 2, 3 emissions For scope 3 all 15 categories are needed (unless exempted)	Scope 3 emissions are recommended for disclosure, and can only disclosure significant categories
Biomass burning	Not separately distinguished	Must be disclosed separately
Target alignment	Linked to financial risks (e.g., low carbon transition costs)	Tied to sustainability goals (e.g., SDGs)

Figure 2 The comparison in terms of emissions

2.2. Complementarity

ISSB embraces the primacy of financial materiality, which comes from the shareholders' value perspective and matches the "outside-in" dimension (La Torre *et al.*, 2020; Jørgensen, Mjøs and Pedersen, 2022). ISSB's standards facilitate incorporating sustainability information into financial analysis. This has engendered skepticism among proponents of GRI-based sustainability reporting because ISSB may disproportionately reflect the priorities and interests of powerful financial stakeholders, neglecting broader environmental and social considerations (Adams *et al.*, 2021; KPMG, 2023a; Deloitte, 2024).

However, some investors and companies believe GRI's disclosure standards are overly wide, resulting in lengthy reports and difficulty refining crucial information. Due to the complexity of GRI standards, selective disclosure may result. The mandatory ISSB global regulations may speed up the harmonization of disclosure standards, but this has not yet been achieved (Pesci, Vola and Gelmini, 2023; Zaid and Issa, 2023).

As a result, a stand-alone report is still needed to inform a wide range of stakeholders (De Villiers and Dimes, 2023). IFRS sustainability disclosure standards inform investor-focused reporting as part of general-purpose financial reports. GRI Standards continue to be used for broader sustainability reporting, such as a separate report and a GRI index (KPMG, 2023b). GRI and ISSB are committed to working together to recognise that a global sustainability reporting system benefits all stakeholders, including investors and a broader range of stakeholders (see Figure 3).

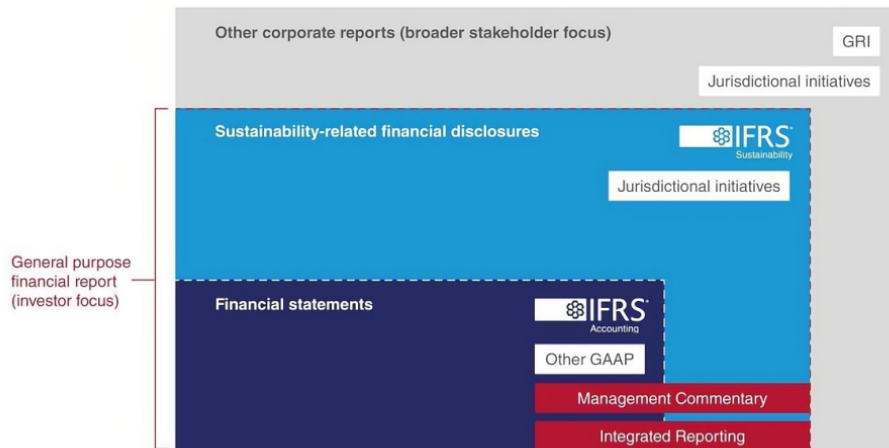


Figure 3 IFRS Foundation’s conceptualization of their scope compared to GRI (Barckow and Faber, 2023)

3. Conclusion

GRI emphasizes CSR, whereas ISSB prioritizes disclosure to investors. The ISSB's authority strengthens its market influence, but the priority focus on financial importance is problematic. Their coexistence highlights the challenge of balancing comprehensive sustainability reporting with financial relevance.

5. Reference list

Adams, C.A. *et al.* (2021) *The double-materiality concept Application and issues.*

Available at: <https://www.globalreporting.org/media/jrbntbyv/griwhitepaper-publications.pdf> (Accessed: 26 March 2025).

Barckow, A. and Faber, E. (2023) *IFRS - Connectivity—what is it and what does it*

deliver? Available at: <https://www.ifrs.org/news-and-events/news/2023/03/connectivity-what-is-it-and-what-does-it-deliver/>

(Accessed: 26 March 2025).

De Villiers, C. *et al.* (2024) 'The International Sustainability Standards Board's

(ISSB) Past, Present, and Future: Critical reflections and a research agenda', *Pacific Accounting Review*, 36(2), pp. 255–273. Available at:

<https://doi.org/10.1108/PAR-02-2024-0038> (Accessed: 26 March 2025).

De Villiers, C. and Dimes, R. (2023) 'Will the formation of the International

Sustainability Standards Board result in the death of integrated reporting?',

Journal of Accounting & Organizational Change, 19(2), pp. 279–295. Available

at: <https://doi.org/10.1108/JAOC-05-2022-0084> (Accessed: 25 March 2025).

De Villiers, C., La Torre, M. and Molinari, M. (2022) 'The Global Reporting Initiative's

(GRI) past, present and future: critical reflections and a research agenda on

sustainability reporting (standard-setting)', *Pacific Accounting Review*, 34(5), pp.

728–747. Available at: <https://doi.org/10.1108/PAR-02-2022-0034> (Accessed:

25 March 2025).

Deloitte (2024) *ESG Reporting Series: ISSB and the Financial Implications of*

Climate Change Reporting in Asia Pacific. Available at:

<https://www2.deloitte.com/content/dam/Deloitte/sg/Documents/audit/sea-aud-esg-reporting-series-issb-and-the-financial-implications-of-climate-change-reporting-in-asia-pacific.pdf> (Accessed: 27 March 2025).

GRI (2021a) *GRI 1: Foundation 2021*. Available at:

<https://www.globalreporting.org/publications/documents/english/gri-1-foundation-2021/> (Accessed: 30 March 2025).

GRI (2021b) *GRI 2: General Disclosures 2021*. Available at:

<https://www.globalreporting.org/how-to-use-the-gri-standards/gri-standards-english-language/> (Accessed: 16 March 2025).

IFRS Foundation (2023a) *IFRS S1 General Requirements for Disclosure of*

Sustainability-related Financial Information. Available at:

<https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information.pdf> (Accessed: 26 March 2025).

IFRS Foundation (2023b) *IFRS S2 Climate-related Disclosures*. Available at:

<https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s2-climate-related-disclosures.pdf> (Accessed: 26 March 2025).

Jørgensen, S., Mjøs, A. and Pedersen, L.J.T. (2022) 'Sustainability reporting and approaches to materiality: tensions and potential resolutions', *Sustainability Accounting, Management and Policy Journal*, 13(2), pp. 341–361. Available at: <https://doi.org/10.1108/SAMPJ-01-2021-0009> (Accessed: 26 March 2025).

KPMG (2024) *The move to mandatory reporting: Survey of Sustainability Reporting 2024*. Available at: <https://assets.kpmg.com/content/dam/kpmgsites/uk/pdf/2024/11/survey-of-sustainability-reporting.pdf> (Accessed: 31 March 2025).

KPMG (2023a) *Get ready for ISSB sustainability disclosures*. Available at: <https://assets.kpmg.com/content/dam/kpmgsites/xx/pdf/ifrg/2024/talkbook-get-ready-for-issb-sustainability-disclosures.pdf.coredownload.inline.pdf> (Accessed: 26 March 2025).

KPMG (2023b) *Sustainability reporting General and climate-related requirements IFRS Sustainability Disclosure Standards*. Available at: <https://assets.kpmg.com/content/dam/kpmgsites/xx/pdf/ifrg/2024/isg-first-impressions-sustainability-reporting-general-and-climate-related-requirements.pdf.coredownload.inline.pdf> (Accessed: 26 March 2025).


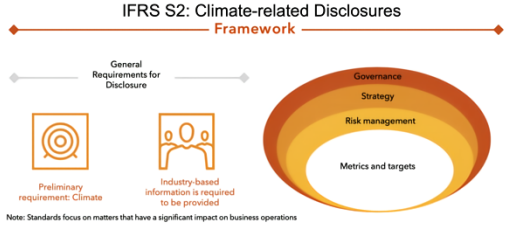
La Torre, M. *et al.* (2020) 'Rebuilding trust: sustainability and non-financial reporting and the European Union regulation', *Meditari Accountancy Research*, 28(5), pp. 701–725. Available at: <https://doi.org/10.1108/MEDAR-06-2020-0914> (Accessed: 26 March 2025).

Pesci, C., Vola, P. and Gelmini, L. (2023) 'Flattening or addressing complexity? The future role of GRI in light of the sustainability accounting (r)evolution', *Sustainability Accounting, Management and Policy Journal*, 14(4), pp. 792–814. Available at: <https://doi.org/10.1108/SAMPJ-05-2022-0287> (Accessed: 25 March 2025).

Petersen, A., Herbert, S. and Daniels, N. (2022) 'The likely adoption of the IFRS Foundation's proposed sustainability reporting standards', *The Business and Management Review*, 13(02), pp. 23–33. Available at: <https://doi.org/10.24052/BMR/V13NU02/ART-03> (Accessed: 26 March 2025).

Zaid, M.A.A. and Issa, A. (2023) 'A roadmap for triggering the convergence of global ESG disclosure standards: lessons from the IFRS foundation and stakeholder engagement', *Corporate Governance: The International Journal of Business in Society*, 23(7), pp. 1648–1669. Available at: <https://doi.org/10.1108/CG-09-2022-0399> (Accessed: 25 March 2025).

6. Appendix

Contrast dimension	GRI	ISSB
Time	In 1997 Established by non-profit organizations	In 2021 Established by the IFRS Foundation
Core goal	Promote corporate disclosure of ESG performance and enhance transparency	Develop globally consistent financial disclosure standards for sustainable development to improve financial comparability
Stakeholder	Serving a wide range of stakeholders (investors, governments, NGO, etc.)	Focus on investors and capital markets
Disclosure framework	Stakeholder-centric, using standardized indicators and topic-specific standards	Investor-centric, based on SASB (Sustainability Accounting Standards Board) and TCFD (Task Force on Climate-related Financial Disclosures) frameworks
Disclosure Focus	Covers a broad range of Economic, Environmental, and Social (EES) impacts. It emphasizes a stakeholder-centric approach, including corporate responsibility, environmental management, and supply chain impact.	Focuses on financially material sustainability factors, emphasizing how sustainability risks and opportunities impact a company's financial position and investment decisions.
Standard Structure	GRI 1-3 General Standards + 4 Sector Standards+ 32 Topic Standards 	IFRS S1: General Requirements for Sustainability-related Disclosures 
Materiality Approach	Double materiality or Impact Materiality (inside-out): considers both the company's impact on society and the environment, and external factors's impact on the company	Financial Materiality (outside-in) : focuses on how environmental and social factors affect a company's financial performance
Reporting Approach	Standalone sustainability reports, allowing organizations to report independently from financial statements. GRI reports are commonly used for corporate sustainability reporting.	Integrated with financial reporting, designed to align with IFRS accounting standards to ensure consistency in financial and sustainability disclosures.
Suitable users	Applicable to all organizations, especially businesses, governments, and ngos that wish to be open about ESG impacts	Mainly for listed companies and investors
Mandatory Requirements	Primarily voluntary, but increasingly referenced in regulations such as the EU Corporate Sustainability Reporting Directive (CSRD) and national sustainability disclosure requirements.	Expected to become mandatory in many jurisdictions, with regulators in multiple countries (e.g., UK, Canada, Japan, Australia) considering ISSB standards as a requirement for listed companies.
Applicable Industries	Applies to all industries, with sector-specific standards covering industries such as energy, finance, manufacturing, agriculture, and public services.	Mainly targets publicly listed companies and capital markets, focusing on industries where sustainability risks have significant financial implications (e.g., energy, finance, and heavy industries).

Appendix 1 Comparison of GRI and ISSB (GRI, 2021b, 2021a; IFRS Foundation, 2023a, 2023b)