



Item 03 – GRI Sector Standard Project for Financial Services – Explanatory Memorandum to the exposure drafts for Banking, Capital Markets, and Insurance

For GSSB approval

Date	20 December 2024
Meeting	23 January 2025
Project	GRI Sector Standards Project for Financial Services
Description	<p>This document contains the explanatory memorandum to the following proposed exposure drafts:</p> <ul style="list-style-type: none">Item 04 – GRI Sector Standard Project for Financial Services – BankingItem 05 – GRI Sector Standard Project for Financial Services – Capital MarketsItem 06 – GRI Sector Standard Project for Financial Services – Insurance <p>The explanatory memorandum sets out the background of the project, the objectives for the development of these exposure drafts, the proposals of the technical committees as contained in the exposure drafts, and a summary of the GSSB's involvement and views on the development of the drafts.</p> <p>The explanatory memorandum and the exposure drafts and are submitted to the GSSB for discussion and approval, provided there are no significant GSSB comments.</p> <p>If approved, the public exposure is proposed to commence in early March and run until the end of May.</p>

This document has been prepared by the GRI Standards Division and is made available to observers at meetings of the Global Sustainability Standards Board (GSSB). It does not represent an official position of the GSSB. Board positions are set out in the GRI Sustainability Reporting Standards. The GSSB is the independent standard setting body of GRI. For more information visit www.globalreporting.org.

1 Explanatory memorandum

2 This explanatory memorandum sets out the objectives of the GRI Sector Standards Project for
3 Financial Services. It also includes the significant proposals contained in the exposure drafts and
4 summarizes the Global Sustainability Standards Board's (GSSB) involvement and views on the
5 development of the following exposure drafts:

- 6 • Item 04 – GRI Sector Standard Project for Financial Services – Banking
- 7 • Item 05 – GRI Sector Standard Project for Financial Services – Capital Markets
- 8 • Item 06 – GRI Sector Standard Project for Financial Services – Insurance

9 Objectives for the project

10 The financial services sector was identified as a priority for a reporting standard by the GSSB in 2020
11 due to its wide-ranging impacts on the environment, people, and economies on both local and global
12 scales.

13
14 The project's primary objective is to develop Sector Standards for banking, capital markets, and
15 insurance that improve transparency on the impacts of organizations in these sectors to enable
16 complete and consistent reporting. The reason for developing these three Standards within the
17 bounds of a single project is the similarity of impacts, which stems from the common nature of
18 products and services that organizations in these sectors offer, namely facilitating financial
19 transactions, risk management, and allocating capital towards investments. Among large financial
20 services providers, there is a fair amount of integration across the three sectors. For example,
21 insurance and banking organizations can be active in capital markets through their investment
22 activities. Despite the commonalities across banking, capital markets, and insurance, organizations in
23 these sectors also carry out distinct activities and operate under different regulatory regimes,
24 necessitating dedicated Sector Standards.

25 These Standards aim to identify and describe the topics likely to be material for reporting by
26 organizations in the banking, capital markets, and insurance sectors based on the following:

- 27 • their most significant impacts;
- 28 • evidence provided and authoritative references on these impacts; and
- 29 • relevant disclosures listed for reporting.

30 Three technical committees (TCs) have been appointed for [banking](#), [capital markets](#), and [insurance](#) to
31 contribute to the development of the exposure drafts, as laid out by the [GSSB due process protocol](#).
32 Each committee consists of 13 experts across the financial services sectors, representing civil society,
33 mediating institutions, business enterprises, and labor and investment institutions. These committees
34 collaborate through a cross-sector exchange on impacts common to all three sectors.

35 For more information on the project, consult the [project proposal](#) and [terms of reference](#).

36 Significant proposals

37 Exposure drafts for the banking, capital markets, and insurance sectors have been developed in line
38 with the project objectives set out above.

39 Notable inclusions related to the likely material topics, sector reporting, and key areas of focus in the
40 exposure drafts are summarized below:

41 1. Investment activities in the banking and insurance exposure drafts

42 Disclosures on impacts arising from investment activities are most relevant to the capital markets
43 sector. However, recognizing that many organizations in the banking and insurance sectors also
44 undertake investment activities, related disclosures have been included in the banking and
45 insurance exposure drafts. This approach streamlines reporting by enabling organizations in the

46 banking and insurance sectors with investment activities to report on these through a single
47 Sector Standard.

48 2. Involvement with impacts through customers and investees

49 Organizations in the banking, capital markets, and insurance sectors may be involved with
50 impacts on the economy, environment, and people, including human rights, through their own
51 activities or business relationships. By providing products, services, and investments,
52 organizations may be involved with the impacts of their institutional customers and investees and
53 their respective value chains. With customers and investees spanning all economic sectors,
54 transparency in how financial services organizations manage these impacts and incorporate
55 sustainability considerations into lending, investment, and insurance decisions is critical for
56 assessing their contribution to sustainable development.

57
58 The three exposure drafts include disclosures for incorporating sustainability and assessing and
59 managing impacts from customers and investees. The additional sector disclosures complement
60 Disclosure 3-1 Process to determine material topics and Disclosure 3-3 Management of material
61 topics in *GRI 3: Material Topics 2021*, and are included in the following sections in each exposure
62 draft:

- 63 • Banking: 'Disclosures on incorporating sustainability in banking and investment' (see pages
64 15-18);
- 65 • Capital markets: 'Disclosures on incorporating sustainability in investment' (see pages 15-18);
- 66 • Insurance: 'Disclosures on impacts from customers and investees' (see pages 16-18).

67 In addition to these disclosures, each likely material topic separately lists an additional sector
68 recommendation on customer engagement and investee stewardship related to the topic.

69 While these disclosures are similar across the three sectors in addressing how impacts from
70 customers and investees are managed, the scope and focus vary to reflect sector-specific
71 practices. The sections on incorporating sustainability in banking and investment include
72 disclosures on policies, structures, processes, and products, given their significance for
73 contextualizing subsequent information disclosed. The level of detail in these disclosures for the
74 banking and capital markets sectors was not deemed relevant for insurance, given the sector's
75 focus on risk management.

76 3. Likely material topics

77 A total of 22 topics have been identified as likely to be material for most or all organizations in the
78 banking and capital markets sectors, while 23 topics have been identified for the insurance sector.
79 Of these, 21 topics are common across all three sectors, reflecting the significant overlap in
80 shared impacts. The likely material topics identified cover the sectors' most significant impacts via
81 their own activities and their business relationships, including beyond the first tier.

82 Three of the likely material topics diverge among the banking, capital markets, and insurance
83 sectors:

- 84 • **Conflict-affected and high-risk areas** is included for banking and capital markets but not for
85 insurance.
 - 86 ○ The insurance TC deemed the topic of conflict-affected and high-risk areas not
87 material for the insurance sector. Although the topic can be material for the
88 investment activities of insurance organizations, it is less relevant for insurance
89 activities. Insurance does not directly finance activities that could exacerbate conflict-
90 related impacts but assesses and manages the risks to be supported or excluded.
- 91 • **Public and customer health and safety** is included for insurance but not for banking and
92 capital markets.
 - 93 ○ The insurance TC deemed this topic material for the sector because of insurers' role
94 in using their risk expertise to support public and customer health and safety through
95 product and service design, incentives, risk awareness, and disaster preparedness
96 efforts. This topic could also be relevant for banking and capital markets for impacts
97 through business relationships, such as through lending or investing to organizations
98 involved with negative health and safety impacts. However, this topic was not
99 considered material for most or all organizations in those sectors.

- 100 • [Incorporating sustainability in investment](#) is included for insurance but not for banking and
101 capital markets.
- 102 ○ The insurance TC opted to include detailed disclosures on investment separately
103 under this likely material topic, as investing is not a core activity for all organizations
104 in the insurance sector. This allows organizations to report these disclosures only if
105 deemed material by the organization, i.e., for their investment activities.
- 106 ○ The banking exposure draft includes these disclosures in the section ‘Disclosures on
107 incorporating sustainability in banking and investment’ (see pages 15-18). This
108 section’s scope includes investment and lending activities, and these disclosures are
109 expected to be reported by all organizations in the banking sector.
- 110 ○ The capital markets exposure draft includes these disclosures in the section
111 ‘Disclosures on incorporating sustainability in investment’ (see pages 15-18). The
112 scope of this section focuses on investment activities, and these disclosures are
113 expected to be reported by all organizations in the capital markets sector.

114 See [Table 1](#) for the list of likely material topics, including differences between the three sectors.

115 4. Likely material topics that do not have corresponding Topic Standards or applicable Topic 116 Standard disclosures

117 Most likely material topics in the exposure draft have corresponding GRI Topic Standards or
118 Topic Standard disclosures. Five topics in the proposed exposure drafts do not have a
119 corresponding GRI Topic Standard or applicable Topic Standard disclosures. Three of these are
120 introduced as new topics in the GRI Standards:

- 121 • [Financial health and inclusion](#) (included in banking, capital markets, and insurance)
- 122 ○ This topic has no corresponding Topic Standard or contents in previous Sector
123 Standards and focuses on an organization’s approach to promoting financial health
124 and inclusion. Reporting on this topic focuses on organizations’ actions and
125 processes aimed at improving access to and usage of financial products and services
126 for targeted customer groups.
- 127 • [Public and customer health and safety](#) (included in insurance)
- 128 ○ This topic has no corresponding Topic Standard or contents in previous Sector
129 Standards. This topic differs from *GRI 416: Customer Health and Safety 2016* by
130 addressing how insurers can use their risk expertise (e.g., flood risk data) to educate
131 and protect customers and the broader public. The topic also highlights insurers’ role
132 in customer education on health and safety impacts.
- 133 • [Incorporating sustainability in investment](#) (included in insurance)
- 134 ○ This topic has no corresponding Topic Standard or contents in previous Sector
135 Standards. It focuses on how organizations define and manage sustainability impacts
136 through asset allocation and stewardship to reduce negative impacts and enhance
137 positive ones.
- 138 • [Conflict-affected and high-risk areas](#) (included in banking and capital markets)
- 139 ○ This topic builds on Topic 14.25 ‘Conflict-affected and high-risk areas’ (*GRI 14*),
140 which focuses on organizations’ own activities and upstream business relationships.
141 While maintaining the scope of the organization’s own activities, the topic emphasizes
142 downstream business relationships. This topic covers an organization’s approach and
143 impacts on operating or providing services to customers and investees in conflict-
144 affected and high-risk areas. Reporting on this topic addresses due diligence
145 expectations and adherence to international humanitarian law for customers and
146 investees. It also covers portfolio exposure, contextual information on how lending
147 and investment portfolios are exposed to these areas, and the organization’s
148 approach to providing investment products and services to defense sector investees.
- 149 • [Local communities and rights of Indigenous Peoples](#) (banking, capital markets and insurance)
- 150 ○ Since the disclosures included in *GRI 411: Rights of Indigenous Peoples 2016* and
151 *GRI 413: Local Communities 2016* focus on an organization’s operations and do not
152 address business relationships or the value chain, they were not deemed relevant for
153 reporting for these sectors. Instead, the additional sector reporting focused on
154 managing impacts from an organization’s customers and investees.

155

156 **5. Additional sector reporting**
 157 All likely material topics include additional sector reporting. This additional sector reporting was
 158 identified as critical by the TCs due to the nature of financial services activities and their business
 159 relationships. Additional sector recommendations and disclosures were developed by the TCs or
 160 applied from other normative reporting instruments already used by organizations in the sector to
 161 disclose their impacts. For 19 topics, additional sector reporting is included alongside disclosures
 162 from Topic Standards. For the five topics that do not have corresponding Topic Standards or
 163 applicable disclosures (as noted in point 4), reporting for these topics does not include Topic
 164 Standard disclosures but solely includes additional sector reporting.

165 **6. Alignment with current exposure drafts**
 166 The likely material topics [Climate change](#), [Employment, Remuneration and working time](#), and
 167 [Significant changes for workers](#) list relevant disclosures from Topic Standard exposure drafts.
 168 These disclosures are subject to change based on the final revisions to these Topic Standards.

169 **GSSB involvement and views on the development of this draft**

170 The GSSB has been regularly updated on the content development process for financial services
 171 through the Chief of Standards updates of Standards development projects in the public GSSB
 172 meetings. In September 2024, the project lead provided the GSSB with an overview of working
 173 content in the draft Standards ahead of the submission of the exposure drafts. The meeting
 174 recordings can be accessed on the GSSB website. In October 2024, the GSSB appointed one of its
 175 members as the GSSB sponsor for this project.

176 **Superseded publications**

177 The GRI Sector Standards for banking, capital markets, and insurance will be relevant for
 178 organizations previously using the G4 Financial Services Sector Disclosures. The contents of these
 179 Sector Disclosures were not updated as part of the transition from the G4 Guidelines to the GRI
 180 Standards.

181 **Table 1. Likely material topics included in the exposure drafts for**
 182 **banking, capital markets, and insurance**

183 Note: Reporting on the topics is subject to an organization’s materiality assessment. When
 184 determining its material topics, a reporting organization in the sector needs to review each topic
 185 described in the Standard and determine whether it is material for it to report on based on its specific
 186 circumstances.

187 Not all topics listed in the Standard may be material for all organizations in the sector. For
 188 organizations reporting in accordance with the GRI Standards, if any of the topics included in the
 189 Standard are deemed not material, the organization lists them in the GRI Content Index and provides
 190 a short explanation of why they are not material.

191
 192 **Table 1. Likely material topics included in the exposure drafts for banking, capital markets,**
 193 **and insurance**

Likely material topic	Banking exposure draft	Capital markets exposure draft	Insurance exposure draft
Climate change	✓	✓	✓
Biodiversity	✓	✓	✓

Water and effluents	✓	✓	✓
Waste	✓	✓	✓
Financial health and inclusion	✓	✓	✓
Customer privacy and data security	✓	✓	✓
Marketing and labeling	✓	✓	✓
Local communities and rights of Indigenous Peoples	✓	✓	✓
Conflict-affected and high-risk areas	✓	✓	X
Non-discrimination and equal opportunity	✓	✓	✓
Forced or compulsory labor	✓	✓	✓
Child labor	✓	✓	✓
Freedom of association and collective bargaining	✓	✓	✓
Occupational health and safety	✓	✓	✓
Employment	✓	✓	✓
Remuneration and working time	✓	✓	✓
Significant changes for workers	✓	✓	✓
Economic impacts	✓	✓	✓
Prevention of corruption and financial crime	✓	✓	✓
Anti-competitive behavior	✓	✓	✓
Tax	✓	✓	✓

Public policy	✓	✓	✓
Public and customer health and safety	X	X	✓
Incorporating sustainability in investment	X	X	✓

Exposure draft for public comment