



Item 02 – Sector Standard Project for Financial Services update

For GSSB information

Date	3 September 2024
Meeting	12 September 2024
Description	This document presents the slides that will accompany the update

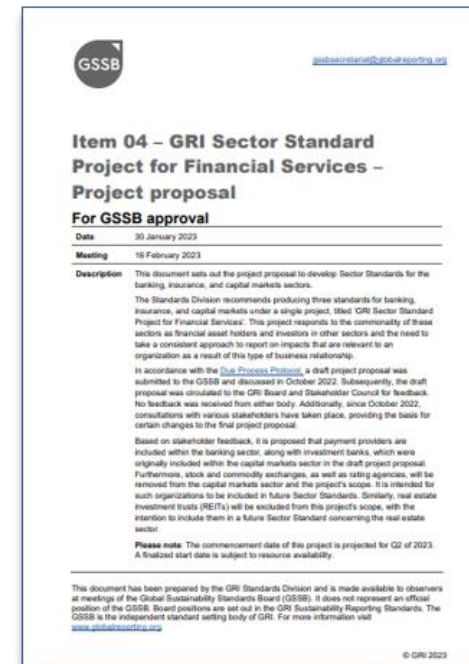
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Purpose of update

- Provide GSSB overview of working content in the draft Standards, ahead of exposure draft submission
- Allow for discussion regarding key challenges and proposals
- *This presentation represents the technical committee recommendations so far and is subject to change until submission of public exposure drafts to the GSSB*



Sector Standard Project for Financial Services



Project overview

- Develop **three** GRI Sector Standards for **banking**, **capital markets** and **insurance** sectors
- The new Sector Standards will:
 - enable organizations to report on their impacts, **including downstream impacts** via the provision of products and services, including capital allocation
 - **improve the consistency** and **comparability** of reporting across these sectors.
- Development of the Standards is led by **three technical committees**, one per sector, involving **40 sector experts**
 - Technical committees **collaborate through a cross-sector exchange** on impacts common to all three sectors

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Project scope



Banking

- Retail and commercial banking
- Lending
- Investment banking
- Payment providers



Capital markets

- Asset managers
- Asset owners, including pension funds and sovereign wealth funds



Insurance

- Life
- Non-life (e.g. property, health, travel, motor, casualty and accident)
- Reinsurance
- Insurance intermediaries (agents and brokers)

- *Out of scope – stock exchanges, rating agencies, real estate investment trusts (REITs)*

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Multi-stakeholder technical committees

Business enterprises

- UBS
- Natwest
- HSBC
- DBS
- Citibanamex
- Access Bank
- Vancity
- State Street
- Robeco
- APB Pension Fund
- Boston Common
- QBE
- ICMIF
- NN Group
- Liberty Mutual
- Gallagher Re

Civil society

- WWF
- Finance Watch
- Reclaim Finance
- Centre for Financial Regulation and Inclusion (CENFRI)
- Pre-distribution Initiative

Investment institutions

- Principles of Responsible Investment (PRI)
- Moodys
- S&P Global
- Sustainalytics
- MSF Investment Management
- Sura Investment Management
- Swiss Stock Exchange (SIX)
- Singapore Stock Exchange

Mediating institutions

- Central Bank of Georgia
- South African Reserve Bank – Insurance Regulator
- Moroccan Capital Markets Authority
- Shift Project
- UNEP FI – Principles of Responsible Banking
- UNEP FI – Principles of Sustainable Insurance
- EY
- ERM

Labor

- UNI Global Union

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Peer reviewers



Peer reviewers

- OECD
- IFC's Sustainable Banking and Finance Network
- International Capital Markets Authority
- World Benchmarking Alliance
- Taskforce for Nature-related Financial Disclosures (TNFD)
- International Investors for Climate Change Group (IIGCC)
- Climate Safe Lending Network
- Rights Co-lab
- ShareAction
- BankTrack

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Collaboration with other standard setters and key stakeholders

- **Other standard setters**
 - EFRAG – holding regular meetings to share working content for these sectors
 - ISSB – as of July 2024, finance sectors not prioritized for SASB Standards enhancements scheduled in the next two years
- **Key stakeholders**
 - All UNEP FI sector initiatives are represented on the technical committees
 - Principles of Responsible Banking, Principles of Responsible Investment, Principles of Sustainable Insurance

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Project overview



Status

- Project initiation – February 2023, with GSSB approval of final project proposal
- Project commencement – July 2023, with GSSB approval of three technical committees
- Draft development – September 2023 kick -off, with first technical committee meetings
 - Held in -person meeting with technical committees in Amsterdam in April 2024
 - Exposure drafts to be submitted to GSSB in January 2025 (expected)

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Summary of significant proposals



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Working list of likely material topics	
1. Climate change	14. Employment
2. Biodiversity	15. Remuneration and working time
3. Water	16. Significant changes for workers
4. Waste	17. Public and customer health and safety (insurance only)
5. Local communities and rights of Indigenous Peoples	18. Prevention of corruption and financial crime
6. Financial health and inclusion	19. Anti-competitive behavior
7. Customer privacy	20. Public policy
8. Marketing and labeling	21. Tax
9. Non-discrimination and equal opportunity	22. Economic impacts
10. Forced or compulsory labor	23. Conflict-affected and high-risk areas (pending)
11. Child labor	24. Sustainability incorporation in investing (capital markets only - pending for banking and insurance)
12. Freedom of association and collective bargaining	
13. Occupational health and safety	

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New likely material topics

1. Climate change	14. Employment
2. Biodiversity	15. Remuneration and working time
3. Water	16. Significant changes for workers
4. Waste	17. Public and customer health and safety (insurance only)
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New topics to the GRI system

<p>Financial health and inclusion (FHI)</p>	<p>Topic framing</p> <ul style="list-style-type: none"> • Impacts on customer financial health and inclusion through access to affordable and suitable products and services • Focus on customer groups that are typically excluded 	<p>Reporting</p> <ul style="list-style-type: none"> • Organization's FHI initiatives and targeted customer groups • Policies regarding de-risking (banking only) • Claims handling (insurance only)
<p>Prevention of corruption and financial crime</p>	<p>Topic framing</p> <ul style="list-style-type: none"> • Extension of Anti-corruption topic • Impacts via connection to the broader financial system and criminal activities targeting customers 	<p>Reporting</p> <ul style="list-style-type: none"> • Management disclosures relating to organization's compliance program • Number of incidents and customer funds lost
<p>Sustainability incorporation in investing</p>	<p>Topic framing</p> <ul style="list-style-type: none"> • Systematic consideration and incorporation of sustainability impacts in investing, to reduce negative impacts and enhance positive ones 	<p>Reporting</p> <ul style="list-style-type: none"> • Organization-level disclosures on assets under management, sustainable investment commitments, governance and oversight, thematic investment focuses

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New topics to the GRI system

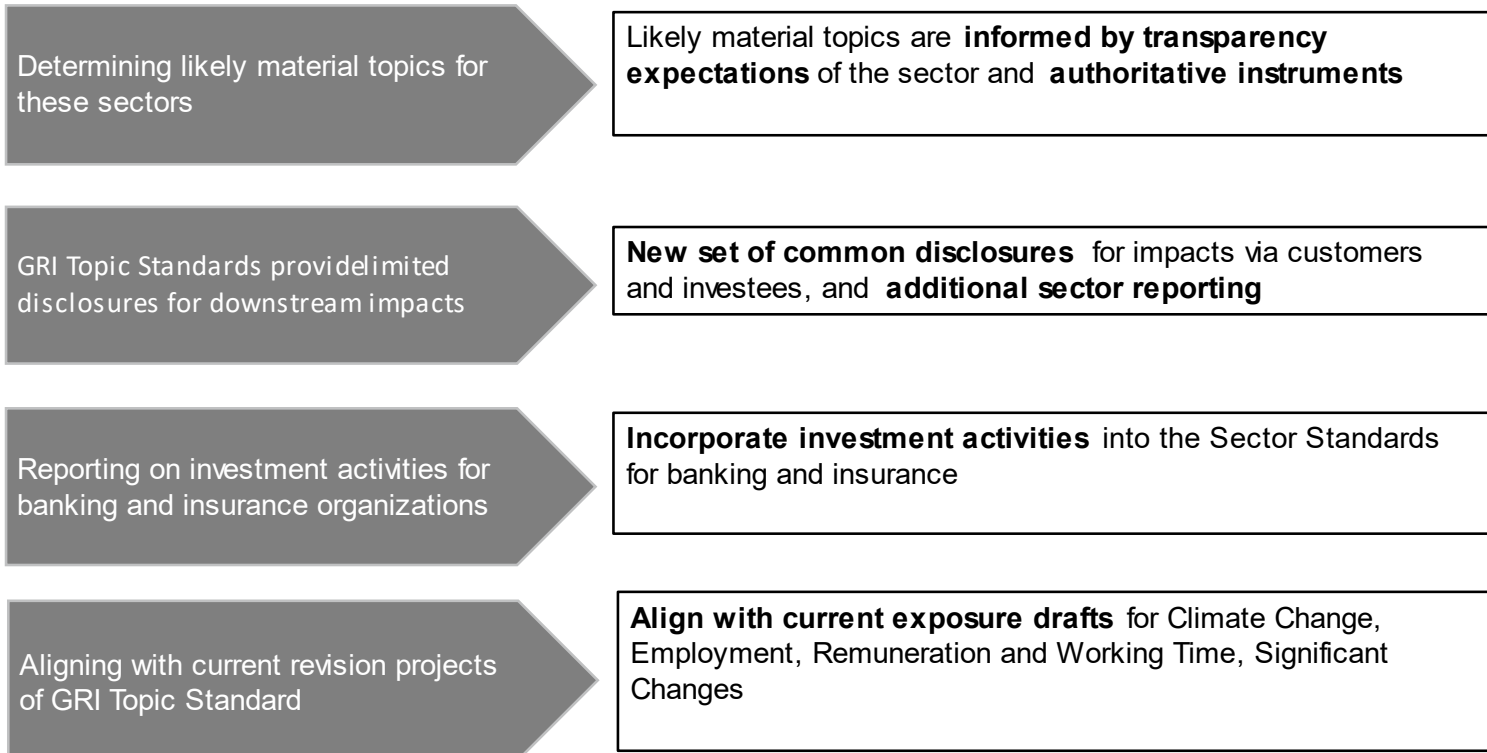
<p>Public and customer health and safety (insurance only)</p>	<p>Topic framing</p> <ul style="list-style-type: none">• Risk reduction by incentivizing healthy and safe customer behaviors• Disaster risk reduction through collaboration with governments and communities	<p>Reporting</p> <ul style="list-style-type: none">• How the organizations utilizes its risk expertise beyond its core business, including incentives, awareness raising, collaboration with stakeholders on disaster preparedness
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Key challenges



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- **Common disclosures for reporting impacts via customers and investees**
 - Rationale
 - Due to size and complexity of portfolios, organizations take a risk -based approach to identifying, assessing and managing negative impacts
 - E.g., exposure to sectors, geographies etc.
 - Understanding this approach is a critical transparency expectation of the sector
 - Authoritative instruments
 - OECD due diligence guidance for finance sectors
 - UN Guiding Principles on Business and Human Rights
 - Disclosures enable organizations to report
 - How they identify and assess impacts via customers and investees
 - Approach to customer engagement and investee stewardship
 - On any material topic

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- **Common disclosures for reporting impacts via customers and investees**
 - Placement: description and disclosures sit above the first likely material topic

2. Likely material topics

This section comprises the likely **material topics** for the banking sector. Each topic describes the sector's most significant **impacts** related to the topic and lists disclosures that have been identified as relevant for reporting on the topic by banking sector organizations. The organization is required to review each topic in this section and determine whether it is a material topic for the organization, and then to determine what information to report for its material topics.

Disclosures for impacts via customers and investees

Through the provision of products and services, banking organizations can be involved with the negative impacts of their customers and investees, and their respective value chains.

Through a risk-based due diligence approach on their current and potential customers and investees, banking organizations can seek to prevent and address impacts on sustainable development facilitated through their financial flows and other products and services [12] [13] [14].

The following disclosures enable banking organizations to report their approach to impacts via customers and investees, across any material topic, specifically:

- identifying and assessing impacts via customers and investees related to a material topic;
- managing impacts via customers and investees, including customer engagement and investee stewardship, related to a material topic.

ADDITIONAL SECTOR DISCLOSURES	SECTOR STANDARD REF #
<p>Report the organization's approach to identifying and assessing impacts via customers and investees related to [topic], including:</p> <ul style="list-style-type: none"> • the sectors, geographic locations, and other factors that inform the organization's identification of potential and actual negative impacts in lending and investment portfolios; • the approach applied at customer and investee level to identify and assess potential and actual negative impacts, including: <ul style="list-style-type: none"> - how the approach differs by customer and investee type, business line and asset class, loan and investment size; - the quantitative and qualitative data sources used, and the limitations of these sources; - how the organization integrates the findings from its identification and assessment of impacts in the decision-making for new lending and investments; 	xx.0.1
<p>applied to different customer and investee types, business line and asset class, loan and investment size, and the rationale for different frequencies.</p> <ul style="list-style-type: none"> • how the organization assesses its level of involvement with actual negative impacts of customers and investees. 	
<p>Report the organization's approach to managing impacts via customers and investees, including customer engagement and investee stewardship, related to [topic], including:</p> <ul style="list-style-type: none"> • the rationale for selecting customers and investees; • goals or targets for these activities; • the number of customers and investees the organization directly engaged with, reported separately; • the engagement and stewardship approaches- used, and if they differ by customer and investee type, business line and asset class, loan, and investment size; • examples of outcomes of customer engagement and investee stewardship; 	xx.0.2

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- **Common disclosures for reporting impacts via customers and investees**
 - Reference to common disclosures on every likely material topic. Example:

Reporting on local communities and rights of Indigenous Peoples		
If the organization has determined local communities and rights of Indigenous Peoples to be a material topic, this sub-section lists the disclosures identified as relevant for reporting on the topic by the banking sector.		
STANDARD	DISCLOSURE	SECTOR STANDARD REF. #.
Management of the topic		
	Disclosure 3-3 Management of material topics	x.x
	<p><i>Additional sector recommendations</i></p> <ul style="list-style-type: none"> • Describe the approach to identifying and assessing impacts via customers and investees related to local communities and rights of Indigenous Peoples according to disclosure xx.0.1 • Describe the approach to managing impacts via customer and investee stewardship related to local communities and rights of Indigenous Peoples according to disclosure xx.0.2. • Describe how the organization: <ul style="list-style-type: none"> - assesses the quality of engagement with stakeholders conducted by its customers and investees; - assesses the quality of safeguards for the protection of human rights defenders of other stakeholders that are 	
GRI 3: Material Topics 2021		

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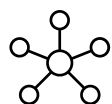
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- **Banking and Insurance Sector Standards allow for reporting on investment activities**
 - Investment activities technically covered in the scope of Sector Standard for Capital Markets
 - However, banking and insurance organizations commonly undertake investment activities
 - Technical committees recommend incorporating investment activities into these sector standards –
 - This approach means banking and insurance organizations with investment activities can report using a single Standard
 - Aligns with other standard setters

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- **Alignment of likely material topics and disclosures from Topic Standard exposure drafts**
 - Alignment with labor project
 - Standards list Employment, Remuneration and Working Time, Significant Changes as likely material topics, as well as relevant disclosures – subject to change pending public finalization of labor Standards
 - Alignment with climate project
 - Standards list Climate Change as a likely material topic, as well as relevant disclosures – subject to change pending final Climate Change Standard

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Project overview



Next steps

- Complete draft development – Exposure drafts to be submitted to GSSB in January 2025 (expected)
- Public exposure – 1 March - 31 May 2025
 - Global engagement – through GRI's networks, key stakeholders, and technical committee members
- Standard revision – June 2025 - March 2026
- Approval and publication – April 2026 (expected)

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GSSB discussion and questions



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