Re: GRI Universal Standards: GRI 101, GRI 102, and GRI 103 – Exposure draft

Via email: universal@globalreporting.org

To the Global Sustainability Standards Board

The International Corporate Governance Network (ICGN) welcomes the opportunity to provide comments on the exposure draft relating to the Global Reporting Initiative’s (GRI) Universal Standards: GRI 101, GRI 102, and GRI 103.

Led by investors responsible for assets under management in excess of US$54 trillion, ICGN is a leading authority on global standards of corporate governance and investor stewardship. Our membership is based in more than 45 countries and includes companies, advisors and other stakeholders. ICGN’s mission is to promote high standards of professionalism in governance for investors and companies alike in their mutual pursuit of long-term value creation contributing to sustainable economies world-wide. ICGN offers an important investor perspective on corporate governance to help inform public policy development and the encouragement of good practices by capital market participants. For more information on the ICGN, please visit www.icgn.org. In particular ICGN’s Global Governance Principles present a global framework for board governance through an investor’s perspective.1

ICGN has great respect for GRI’s leadership in developing standards for sustainability reporting, and we have enjoyed positive interaction between ICGN and GRI over the years. We believe that sustainability reporting, including environmental, social and governance (ESG) factors, has critical importance in providing companies, investors and other stakeholders with data, metrics and indicators reflecting these factors.2 Particularly for investors, sustainability reporting provides forward looking indicators that can inform investment decisions, engaging and voting.

We are supportive of GRI’s initiative to refresh its standards and to enhance their relevance for investors, stakeholders and other users of sustainability reporting. We submitted a response to this GRI consultation through the online survey, focusing on section 4 relating to Governance. In this letter we would like to highlight two overarching points to complement our online response.


1. Governance and sustainable development

This section seems to present governance only with regard to sustainable development topics. This is a potentially narrow perspective, and it begs the question of how non-sustainable development topics are governed. While sustainable development is critical there is more to governance than that alone. At least from an investor perspective, this framework would be most robust if it focused on all aspects of governance, not just those related to sustainable development.

2. Shareholders and stakeholders

We appreciate that GRI’s focus is on a multi-stakeholder audience, not just investors, and that in this context investors are regarded as one of several material stakeholders. There is a strong recognition in the investor community of the importance of positive stakeholder relations in long-term company success. However, in this multi-stakeholder context we are concerned that the distinct role played by shareholders can be obscured in the GRI standards. As providers of financial capital and as bearers of residual risk shareholders have important ownership rights including voting rights, and also have fiduciary duties calling for stewardship and company engagement. Perhaps it is axiomatic within the GRI framework that this distinctive role of the shareholder is not given greater priority relative to employees, customers and other stakeholders. But if that is the case the GRI approach may have less traction with investors than other sustainability standards.

Specific comments

Gov- 4: Stakeholder consultation on sustainable development topics

Stakeholder consultation is certainly positive, and it is important to have the board involved with stakeholder engagement. But as noted above, we think this section of the standards may be too narrow and not reflect the importance of the specific role of shareholders as providers of capital with important ownership rights. Also, we believe the focus on engagement should certainly include, but not be limited to, sustainable development topics.

Gov- 8 Collective knowledge of the highest governance body

This disclosure item comes across as vague, and again seems to isolate sustainable development from overall governance.

Gov-15 Annual total compensation ratio

Pay ratios can help to identify instances of extreme imbalances, but they also have limitations and can be abused. Limiting the comparative ratio of pay to employees within one organisation also limits the comparability from firm to firm. A retailer will have a much different pay ratio than a pharmaceutical firm, for example, given the nature of the employment base. While pay ratios within one organisation can provide some insights, we think a more robust ratio would be to compare the top pay of a CEO to the average median income of the country in which he or she is resident. That would remove some of these sectoral distortions and enable more meaningful comparisons from company to company.
We hope that our input is helpful in your decision-making, and we look forward to engaging with you in this or other matters where we could provide meaningful input. Should you wish to discuss our comments further, please contact me or George Dallas, ICGN's Policy Director, by email at george.dallas@icgn.org.

Yours faithfully,

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