Deloitte Touche Tohmatsu Limited
1 New Street Square
London
EC4A 3HQ

Phone: +44 (0)20 7936 3000
Fax: +44 (0)20 7583 1198
www.deloitte.com/about

Direct phone: +44 20 7007 0884
vepoole@deloitte.co.uk

31 May 2025

Professor Carol Adams, *Chair*
Global Sustainability Standards Board
Barbara Strozzilaan 101
1083 HN
Amsterdam
The Netherlands

Dear Carol

GRI Sector Standards for Financial Services – Exposure drafts

Deloitte Touche Tohmatsu Limited welcomes the opportunity to respond to the Sector Standards for Financial Services Exposure Drafts (EDs) issued by the Global Reporting Initiative's (GRI) Global Sustainability Standards Board (GSSB).

We make some high-level comments and observations relevant as a whole to the three exposure drafts: banking, insurance and capital markets. Any comments that are particular to one or more of the proposed standards are identified.

Financial services play a fundamental role in enabling individuals and businesses to engage in economic activity, help protect themselves from risk and grow and maintain the value of important assets. Because of this fundamental role, entities in these sectors are already subject to regulatory reporting for financial institutions, including requirements in many jurisdictions on resilience in relation to the effects of climate change.

The activities of financial services entities can lead to impacts, both through entities' own operations (including their own workforce and customers) and through their investment and lending activities across their value chains. Transparency on those impacts is likely to be of interest to these entities' stakeholders. In particular, we agree with the inclusion of disclosure of policies, structures, processes, and products in respect of impacts on the economy, the environment and people, including their human rights, in banking, underwriting and investment.

However, the proposals include extensive granular quantitative disclosures on the impacts of these activities which would require a high degree of data collection and analysis by the reporting entities, necessitating the collection of extensive information on a wide range of matters from customers and investees. We therefore have concerns about the practicability of the proposals in respect of the granular requirements, in terms of cost to reporting entities and their customers and investees, and the availability of reliable methodologies and practices to help support high-quality, comparable measurement and disclosure.

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The main over-arching points are below.

Evidence of decision usefulness of granular information and cost-benefit analysis

The draft standards would lead to in-depth reporting of quantitative metrics which we think would necessitate a level of data granularity and coverage that is out of reach for most financial institutions, as it is dependent on customers, business relationship entities and investees being able to provide data of corresponding granularity. For example, the proposals for reporting on lending and investment portfolios frequently include disclosure of an absolute amount, a percentage of the total value of the portfolio and a breakdown by sector. We have estimated that the additional sector disclosure for Topic 1: Climate Change may give rise to more than 500 data points for some entities.

We expect that exercises to measure and collect such extensive data would be highly costly across the ecosystem (i.e. costly both to the preparers themselves and to their customers and investees) and also require extensive use of estimation and proxy data. There may also be challenges in the preparation of information about an entity's own workforce: for example, how many employees have sustainability-related responsibilities is somewhat vague and may be challenging to track in practice, whereas it may be more helpful for users to understand how sustainability is managed within the organisational structure as a whole.

We recommend that the GSSB provides more evidence of the decision-usefulness of the more granular disclosures (i.e. the benefits to the intended users) and an assessment of proportionality to the cost of implementation and reporting. For example, such analysis might conclude that a higher-level set of metrics, with more focus on the way in which institutions ensure due diligence is appropriately conducted, would be a more appropriate use of the efforts of preparers and their customers, investees and business relationships. Clarifying the exact purpose of specific disclosures and the impacts targeted (e.g. portfolio types, customer groups included) could reduce the volume of data required while also increasing usability.

The GSSB should further take into account the maturity of existing reporting by topic. For example, while many entities already disclose greenhouse gas emissions (including scope 3), fewer disclose quantified information on nature and biodiversity. A higher-level approach, as set out above, may be particularly relevant while practices mature and data quality and availability improve (see comments below).

Clarity of scope

There is ambiguity in the scope of the requirements. For example, Section 2 of the standards - 'Likely material topics' – states that the additional sector disclosures should be reported for the organisation's institutional customers and investees. It is not clear from the proposals whether this scope of reporting is intended to apply across all additional sector disclosures within each topic. Some of the additional sector disclosures only address one type of stakeholder (e.g. the additional sector disclosures for "Water and effluents" and "Biodiversity" only cover "investees"). Others relate to retail customers – for example, financial inclusion and data security. It is important that the scope is clarified and consistently applied, with sufficient detailed guidance provided for each additional sector disclosure to enable consistent approaches by preparers.

Furthermore, many of the additional sector disclosures require the inclusion of all activities and business relationships, which can imply a bottom-up approach to disclosure with no application of materiality. Boundaries should be set to allow entities to apply the concept of materiality effectively to the activities to be captured.

To the extent that the additional sector disclosures only intend to address institutional relationships, we question whether the approach could lead to consistent and comparable outcomes – for example, the reporting by an entity which has a predominantly retail offering (such as a building society or a personal line general insurer) would not be comparable with another that mainly has institutional customers. To address this, the GSSB should consider whether the entity should disclose information about the composition of their business (e.g. proportion of retail customers) to provide the essential context to help users understand the significance of the amounts being reported when they encompass institutional customers only.

In addition, there are new and emerging forms of financial services which may evolve rapidly (for example, cryptocurrency brokers). We recommend the GSSB consider the scope of these sector standards not only in light of current business models, but also how they may apply to these emerging forms.

Availability of data from customers and investees

We expect that reliable primary data on many topics set out in the proposals will not be widely available, or available to the necessary quality and robustness, even among larger entities. Institutional customers and investees themselves will require time to adapt their due diligence and data collection processes to obtain the required information. Longer duration products across banking, insurance and capital markets will also likely be subject to a data gap which could impact completeness of reported information.

Furthermore, there are inherent limitations of any due diligence activity in relation to end use of funds under products such as revolving credit facilities. There may also be restrictions on the use of data obtained from third parties which is used in the normal course of business but not otherwise reported due to commercial sensitivity or contractual constraints, for example if data from credit referencing agencies is used in relation to customer grouping in the context of financial health and inclusion.

We note that in relation to completeness and accuracy of the information, the GRI Standards as a whole do not include guidance to enable a proportionate approach by permitting an entity to use reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort.

The effect of these challenges (even allowing for use of estimation and proxy data – see below) is likely to lead to extensive disclosure of estimated or incomplete information. While the availability of data is likely to increase over time, particularly in light of jurisdictions mandating sustainability disclosures, we do not believe data for all activities and business relationships across the range of sustainability matters proposed will be available at proportionate cost and effort to those parties involved.

We encourage the GSSB to take a pragmatic approach to the information required to be reported, in particular the quantitative disclosures. For example, the GSSB could consider an approach more focused on customer sectors or customer types. Similarly, the GSSB could include more emphasis on disclosures on entities' relevant due diligence processes which could give users the information they require for decision making, without the need for a significant level of granularity both for institutions themselves and their customers, investees and business relationships.

Legal considerations in relation to value chain data

In the EU, proposals have been set out by the European Commission to help address the "trickle down" effect, particularly in relation to SMEs, arising from multiple data requests from many entities in scope of sustainability reporting regulations. We advise the GSSB to consider what effect legal restrictions on data requests from entities in the value chain (including suppliers and business relationships) could have on entities seeking to apply these proposals. The practical effects of such legal restrictions should inform the GSSB's thinking on the approach to finalising its own standards (for example, relief and proportionate approaches may be needed) and/or may require separate non-binding guidance to reporting entities subject to such legal restrictions.

Furthermore, we note references in the GSSB's proposals to datapoints required by the EU's Sustainable Finance Disclosure Regulation (SFDR). The EC has stated it intends to review this regulation and therefore the GSSB would be advised to consider its proposals in the light of revisions that may be made to the SFDR itself and the resulting datapoints that financial services entities would be disclosing when complying with it.

Use of estimation under the GRI Standards

Given the challenges described above in relation to data availability, we expect that many financial institutions would be required to make extensive use of estimates and proxy data in order to provide complete disclosures under the GRI Standards.

While it is noted that the GRI Standards permit use of estimation in recognition of the need for its use in the measurement of sustainability metrics, we do not consider that the standards overall provide a sufficient basis for consistent application of estimation or proxy data and disclosure about its use. For example, under the Reporting Principle of Accuracy, the requirement is for an entity to "indicate which data has been estimated, and explain the

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underlying assumptions and techniques used for the estimation as well as any limitations of the estimates". The principle does not include further guidance on what efforts an entity is required to use to identify primary sources before making use of estimation, the expectations on the quality of estimation applied, or specific detail on disclosures about the approach taken.

We recommend that the GSSB considers further guidance to support entities in making consistent and comparable disclosures, especially for the financial services entities applying these proposals that would be required to make extensive use of estimation in order to comply with the requirements. As noted above, proportionate approaches should clearly be included in the requirements and guidance developed (for example, making use of similar provisions to those in both the ISSB Standards and the European Sustainability Reporting Standards (ESRS)).

Assurance considerations

The level of complexity and granularity of the standards as drafted would present challenges for assurance over the reported information, as assurance providers would need to perform work in relation to the underlying processes and controls over an extensive scope of information. Furthermore, the lack of sufficient guidance and available reliefs on use of estimation and proxy data in the standards as a whole would make it more difficult for an assurance provider to form a conclusion as to the completeness of information disclosed in accordance with the disclosure requirements, and therefore recommend that the GSSB further considers its proposals in light of the Reporting Principle of Verifiability.

At present, the majority of non-financial assurance engagements are undertaken in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) for Independent Assurance Reporting Engagements Other than Audits or Reviews of Historical Financial Information.

As per ISAE 3000 (Revised), one of the pre-conditions of an assurance engagement is that there must be suitable criteria that the preparer applies when producing subject matter information (i.e. the GRI disclosures) and against which the assurance provider can evaluate the subject matter. To be deemed 'suitable' the criteria must exhibit the following characteristics: relevance; completeness; reliability; neutrality; understandability. We do not believe that as currently drafted the suitability criteria would be met.

Leveraging existing global standards – ISSB Standards and SASB Standards

We think it is highly important that the GSSB considers how it can leverage the ISSB Standards (taking into account possible forthcoming amendments to IFRS S2: *Climate-related Disclosures*) and the SASB Standards in the development of the GRI financial services sector standards. This is particularly relevant in light of the increasing adoption or use of the ISSB Standards around the world by jurisdictions seeking to mandate sustainability disclosures (and therefore leading to the need for an entity to consider the relevant SASB Standards, unless this requirement is specifically omitted or modified).

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It is not clear from the proposals in what way the GSSB considered the guidance on industry-related disclosures in IFRS S2 or in the existing corresponding SASB Standards. For example, entities with activities in asset management, commercial banking and insurance are required by IFRS S2 to disclose information about financed emissions. This metric, with the related requirements and guidance, could be directly leveraged by GRI. Furthermore, while the SASB Standards were designed to help meet the information needs of investors, this does not mean that sustainability disclosure topics or metrics are de facto not relevant to the information needs of broader stakeholders – for example, financial inclusion is a topic in the SASB Standards which is also identified by the GSSB as a relevant topic in its own context.

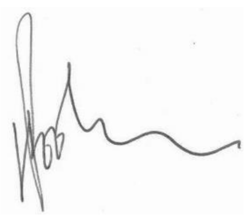
We recommend that the GSSB leverages and aligns with the SASB Standards as far as possible, especially on methodologies for metrics that would reduce the need for entities applying both sets of standards to duplicate their reporting on the same matter.

More generally, we think that the current level of granularity proposed in these draft standards would not help to enhance interoperability with ISSB, SASB or ESRS standards.

Finally, it would also be beneficial for reporters if GSSB were to align further with existing regulations as applicable to individual likely material topics, for example, climate resilience tests that may be required by prudential regulators, regulations such as SFDR in relation to marketing and labelling and Modern Slavery Acts in relation to the forced or compulsory labour and child labour topics.

If you have any questions, please contact Veronica Poole on +44 020 7007 0884 or vepoole@deloitte.co.uk.

Yours sincerely



Veronica Poole
Deloitte Global IFRS and Corporate Reporting Leader
Deloitte Touche Tohmatsu Limited