

The IIA's response to The Global Sustainability Standards Board (GSSB) published [exposure draft](#) of Global Reporting Initiative (GRI) Universal Standards – GRI 101: Using the GRI Standards, GRI 102: About the Organization, and GRI 103: Material Topics. Responses were submitted via digital survey format, summarized below.

Submitted 9 September 2020

Page 2	
Please confirm whether you agree to have your or your organization's name, country, and stakeholder constituency published with your comments on the GRI website. If you do not agree, your comments will be reviewed but not expressly considered by the GSSB.	Yes
Do you agree to GRI contacting you to clarify your responses or ask follow-up questions?	Yes
Type of submission Are your comments made as an individual or on behalf of an organization, group or institution?	On behalf of an organization, group or institution
First name	Richard
Last name	Chambers
Organization name	The Institute of Internal Auditors
Job title	CEO and President
Country Please provide country of residence	United States

Email address	jill.austin@theiia.org
Stakeholder group Please select the stakeholder group that best describes you / your organization	Standard setter
Organization size Based on the total number of persons employed, which includes those who are self-employed	Large (250 and more)

Page 3

1. Please provide any comments on these revisions	
2. Please provide any comments on these revisions	
3. Do you agree that the GRI Standards should require the highest governance body or most senior executive of the organization to include a statement acknowledging their responsibility for preparing the reported information in accordance with, or with reference to, the GRI Standards? Please select:	Yes, this acknowledgement in the statement of use should be required
3.a If your answer is yes, please explain	<p>“Highest Governance Body” (HGB) appears here and many places throughout the exposure draft Universal Standards. The draft assigns many responsibilities to the HGB that are not consistent with general practices of governance, or the usual functioning of the HGB. Many of the roles, responsibilities and tasks assigned to the HGB are management activities. It is the responsibility of the HGB to govern, not to manage. In the aggregate, the proposed roles, responsibilities and tasks are unfeasible and will create problems. Furthermore, general governance practices are well-suited to accomplish the same objectives. The HGB should have</p>

	<p>responsibilities for steering, governing, and supporting nonfinancial reporting – but they should not manage, or get too far into the details of approvals that more appropriately belong to management. Organizations often have support functions that should have meaningful roles in this. For example, the internal audit activity is authorized and overseen by the HGB. The internal audit profession has existed for over 100 years, and is relied upon by governing bodies, stakeholders, and regulators alike. Internal audit reviews and assures internal controls over financial reporting. Internal audit also considers risks across the enterprise, and performs both assurance and advisory engagements. Although compensated by management and relying on administrative and structural support from the organization, internal audit is an independent and objective function that serves at the pleasure of the HGB. Internal audit’s role is broadly described as a “third line role” in The IIA’s Three Lines Model, which is widely adopted worldwide.</p>
<p>3.b. If your answer is no, please provide suggestions on alternative statements.</p>	
<p>4. If your answer to question 3 is yes, should the acknowledgement in the statement of use be extended to the quality and veracity of the reported information?</p>	<p>Yes</p>
<p>4.a. If your answer is yes, please provide suggestions on how to amend the statement</p>	<p>The governing body should ensure the quality and veracity of the reported information by indicating the role of an internal audit function in providing independent, objective assurance over the accuracy of the information being reported. Organizations can make broad claims and assertions that influence readers of nonfinancial reports. Internal auditing plays an important role in ensuring the accuracy of claims and assertions in qualitative content of nonfinancial reports.</p>

4.b. If your answer is no, please provide an explanation	
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Page 4

5. Please provide any comments on the proposed governance disclosures (GOV-1 to GOV-15). Please use the forms below and indicate the disclosure and line numbers. Consider feedback on the clarity, feasibility, and relevance of the disclosures.	
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5.a. Disclosure number	1376 Disclosure GOV-3
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Line number(s)	1376-1389
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More than one choice possible	Clarity
	Relevance

Please provide your comment here	<p>Disclosure GOV-3 Responsibilities ... and delegation: The Standards place more roles, responsibilities and tasks on the Highest Governing Body (HGB) as the reporting standards unfold. The HGB's role is to govern, not to manage. The IIA recommends GRI reconsider the Requirements and the Guidance as they pertain to the HGB, notably in light of other entities, including internal audit, that routinely play a key role in design, implementation, and confidence in compliance, risk management and financial reporting.</p>
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5.b. Disclosure number	1424 Disclosure GOV-7
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Line number(s)	1424-1447
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More than one choice possible	Clarity
	Relevance
Please provide your comment here	<p>Disclosure GOV-7 Role of HGB: The role of the Highest Governing Body (HGB) is to govern, not to manage. Many of the requirements of GOV-7 place management responsibilities on the HGB – or imply as much. These overlook roles, responsibilities, and value provided by management departments (environmental, supply chain, etc.), “second line roles” audit activities (health & safety, environmental, IT) and internal audit. The IIA suggests GRI revisit GOV-7 and reorient the Standards that align to the more accepted approach to governance and management.</p>
5.c. Disclosure number	1483 Disclosure GOV-12
Line number(s)	1485-1489
More than one choice possible	Clarity
	Relevance
Please provide your comment here	<p>Disclosure GOV-12 (Communication of critical concerns) requires the organization to “ ... describe the processes for communicating critical concepts to the HGB ...” and to report the total number and nature of critical concerns communicated to the Highest Governing Body (HGB). This does not incorporate many other aspects of successful corporate governance for “critical concerns.” Some are included elsewhere in the Standards (grievance process, whistleblower program). Others are not – such as robust internal topical councils or committees, internal reporting and monitoring, internal audit activities, implementation of a speak-up culture, and many others. The Universal</p>

	Standards should reflect common practice in organizational governance (notably that the HGB's mission is to govern, and not to manage), acknowledge existence and roles of other activities commonly involved in governance (including internal audit – which reports directly to the HGB); and that GRI should provide guidance for each GOV disclosure topic.
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5.d. Disclosure number	
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Line number(s)	
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More than one choice possible	
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Please provide your comment here	
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5.e. Disclosure number	
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Line Number(s)	
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More than one choice possible	
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Please provide your comment here	
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Do you wish to make more comments regarding Question 5?	No
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Page 5

6. Please provide any comments on these revisions	
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7. If there are topics listed in a GRI Sector Standard that an organization in that sector does not deem to be material, should the organization be required to identify these	
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topics and explain why they are not material?Please select:	
Please explain your answer	
8. In the absence of an applicable Sector Standard, if there are topics that are commonly associated with the sector(s) in which an organization operates that it does not deem to be material, should the organization be required to identify these topics and explain why they are not material?	
Please explain your answer	

Page 6

9. Please provide any comments on the proposed structure of the Universal Standards.	
10. For any comments on the remaining sections or disclosures of the Universal Standards exposure draft, use the forms below, indicating the Standard or disclosure number and line numbers. Consider feedback on the clarity, feasibility, and relevance of the disclosures.	
10.a. Standard or disclosure number	456 Accuracy
Line number(s)	457-473
More than one choice possible	Clarity
	Relevance

<p>Please provide your comment</p>	<p>The requirement for Accuracy is loosely written and does not provide enough guidance as to what the organization should do to “apply the Accuracy principle.” Specifically, The IIA recommends an additional statement in which the organization should “provide independent, objective assurance over the accuracy of the information being reported through an internal audit function.” Organizations can make broad claims and assertions that influence readers of nonfinancial reports. Internal auditing plays an important role in ensuring the accuracy of claims and assertions. The guidance should emphasize the importance of accuracy in qualitative content of nonfinancial reports.</p>
<p>10.b. Standard or disclosure number</p>	<p>600 Verifiability</p>
<p>Line number(s)</p>	<p>600-624</p>
<p>More than one choice possible</p>	<p>Clarity</p> <hr/> <p>Relevance</p>
<p>Please provide your comment</p>	<p>This section does not mention internal assurance. The IIA recommends: Edit lines 608 and 609. “Ensure that individuals other than those involved in preparing the reported information are able to review the supporting internal controls and documentation, with assurance provided by an internal audit function over the controls and the information and data included in the report.”</p> <p>Edit to Lines 613 and 614. “If the organization designs information systems for its sustainability reporting, design these systems in a way that they can be examined as part of internal and external assurance processes.” The requirement and guidance would also benefit with reference to internal controls</p>

	focused on prevention or detection of fraud, essential to information that enables stakeholders to make appropriate decisions about engaging with organizations.
10.c. Standard or disclosure number	637 Internal Controls
Line number(s)	643-645
More than one choice possible	Clarity
	Relevance
Please provide your comment	<p>The draft Guideline says that “the organization can establish and maintain an internal audit function that is also responsible for the processes for sustainability-related risk management and for managing sustainability reporting.” The IIA recommends GRI correct the concept of internal auditing in this section of the Guidance, and specify internal audit as a mechanism to improve the credibility of nonfinancial reporting.</p> <p>Independence is fundamental to the definition of internal auditing. An internal audit function cannot perform audits and manage the reporting; this invalidates its independence and renders the audit untrustworthy. In addition, the internal audit activity is authorized by the Board/Highest Governing Body (HGB). Although administratively reporting to management, an internal audit function is structurally independent and serves a critical role in risk identification and assessment, and providing assurance to HGBs. Internal audit is distinguished from others by the key role it plays with its enterprise wide understanding of risks and controls, making it well suited for a role adapted to nonfinancial reporting. Internal audit functions ensure credibility of nonfinancial reporting, and help drive improvements in performance in key</p>

	sustainability topics ranging from conflict minerals to greenhouse gas emissions.
10.d. Standard or disclosure number	654 External Assurance
Line number(s)	655-684
More than one choice possible	Clarity
	Relevance
Please provide your comment	<p>External Assurance: “ .. the organization should seek external assurance for its sustainability reporting...”. This section fails its readers by omitting reference to internal assurance. The IIA recommends the inclusion of a requirement for assurance for sustainability reporting with much more precision: Add content to require assurance reports to include content on the type of assurance provided, its objectives and limitations, in clear language.</p> <p>Accounting professionals approach “assurance” engagements differently from non-accountants, and we know there are different descriptions of assurance, such as compilations, reviews, audits, negative assurance, and positive assurance – among others. The concept may differ in different jurisdictions. They may focus on processes or test data/compliance – or both. While these distinctions may be understood to some, they are largely lost on most other stakeholders, including many of the auditees. Since stakeholders place reliance on the fact that any assurance engagement was performed, without understanding this variability, the generalization “external assurance” poses risks to many stakeholders, as they may assume much higher confidence than may be warranted.</p>
10.e. Standard or disclosure number	1749 Disclosure RBC-3a

Line Number(s)	1758-1759
More than one choice possible	Clarity
	Relevance
Please explain your choice(s)	<p>Disclosure RBC-3 Embedding Policy Commitments throughout organization. Guidance says the organization can describe ... the systems it uses for monitoring compliance with commitments across its activities and business relationships. Organizations commonly implement systems and controls for internal management reporting. It is also common practice for organizations to have an internal audit function – a “third line role” activity authorized by, and reporting to, the Highest Governing Body (HGB). Internal audit monitors risks of all types across the enterprise and performs audits (assurance and advisory engagements) to documented criteria. The IIA recommends the GRI should edit line 1759 to add at the end: including the existence of an internal audit function reporting to the HGB. If this function is used, organizations are encouraged to describe it in their sustainability reports.</p>
Do you wish to make more comments regarding Question 10?	Yes

Page 7

10. (Continuation) For any additional comments on a specific section of the Universal Standards exposure draft, use the forms below, indicating the Standard number and line numbers. Consider feedback on clarity, feasibility, and relevance of specific disclosures.

10.f. Standard or disclosure number	2185 Other Relevant References
Line number(s)	2206
More than one choice possible	Relevance
Please provide your comment	The IIA suggests GRI add The Three Lines Model paper to the references section “Other Relevant References.” The Model is a common reference point for organizations, service providers, and academics worldwide.
10.g. Standard or disclosure number	2769 Guidance to MT-3-b
Line number(s)	2777-2778
More than one choice possible	Clarity
	Relevance
Please provide your comment	Guidance to MT-3-b. The IIA recommends editing this sentence as: “The internal decision-making, budget allocation, and oversight processes, including internal audit as authorized by the HGB, to enable effective actions to manage the impacts.” An effective mechanism for oversight, internal auditing is charged with oversight of all risks – operational, compliance, reporting, and reputational – and is authorized by the Highest Governing Body (HGB). Note that internal audit programs occur within the organization, and are different from external assurance. Explicit reference to internal auditing would be beneficial to the quality and reliability of sustainability data.
10.h. Standard or disclosure number	2811 Guidance to MT-3-c-i
Line number(s)	2815

More than one choice possible	Clarity
	Relevance
Please provide your comment	<p>Management of Material topics, Guidance to MT-3-c-i. The IIA is pleased that GRI has included “internal or external auditing” among processes used to track effectiveness of actions taken. However, GRI could be more useful/applicable to sustainability stakeholders with a bit of clarification, as these terms can be confusing. The IIA suggests GRI revise the phrase to read “internal auditing (the internal audit activity as authorized by the HGB), or external auditing”. “Internal auditing” is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. “External auditing” is any audit authorized and sponsored by an entity outside the organization. These can include audits by insurance underwriters or customers. ISO management systems certifications provide for “external audits” by certain firms. It is a common misunderstanding among stakeholders that “external audits” result in output that is available to the public; they generally are not.</p>
10.i. Standard or disclosure number	2882 Other relevant resources
Line number(s)	2890
More than one choice possible	Relevance
Please provide your comment	<p>The IIA suggests GRI should insert “Sustainability Accounting Standards Board (SASB)” as an “Other relevant reference” after ~Line 2890.</p>

	<p>Among the entities working together on nonfinancial reporting, SASB has leadership with strong background in financial reporting and disclosure regulation, principles and practices, management and enforcement. Like GRI, SASB's approach and framework has been developed using a consensus approach, and inviting public comment. From the outset, SASB has proceeded on the premise that no new laws or regulations are required for sustainability reporting and disclosures in financial filings; only a robust, comparable framework and the tools and competencies to do such reporting was required.</p>
10.j Standard or disclosure number	
Line number(s)	
More than one choice possible	
Please provide your comment	
10.k. Standard or disclosure number	
Line number(s)	
More than one choice possible	
Please provide your comment	
10.l. Standard or disclosure number	
Line number(s)	
More than one choice possible	

Please provide your comment	
10.m. Standard or disclosure number	
Line number(s)	
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Please provide your comment	
10.n. Standard or disclosure number	
Line number(s)	
More than one choice possible	
Please provide your comment	
10.o. Standard or disclosure number	
Line number(s)	
More than one choice possible	
Please provide your comment	
Do you wish to make more comments?	No

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