Influence and behaviour of the new standard setters in the sustainability reporting arena: implications for the Global Reporting Initiative's current position.

Abstract

Purpose-This study aims to examine the influence and behaviour of the European Financial Reporting Advisory Group (EFRAG)/European Commission, and the International Financial Reporting Standards (IFRS) Foundation/International Sustainability Standards Board (ISSB) in the standardisation of sustainability reporting arena and their implications for the Global Reporting Initiative's (GRI) current position.

Design/methodology/approach- This paper draws on the arena concept, particularly the work of Renn (1992) and Georgakopoulos and Thomson (2008), to explore the EFRAG and the IFRS Foundation's behaviour towards the standardisation of the sustainability reporting arena and their implications for the GRI's current position. Further, the documents and public releases pertinent to the activities and output of the GRI, and the EFRAG/European Commission and the IFRS Foundation are used. The documents are screened and analysed based on the key elements of arena concept that emerged, which includes "agenda, claims, network of bodies and group engaged, interaction and behaviour with arena issues (audience, materiality, scope and core priorities, purpose of reporting, and relevance to sustainable development)".

Findings – This study reveals the source of motivation and influence of the new standard setters in the sustainability reporting arena and documents the relevance of their behaviour as an actionable strategy to change the arena rule. Particularly, this paper demonstrates the perceived fall away from driving business behaviour towards the pursuit of sustainable development if the GRI and its standards cease to exist.

Practical implications – The pathway to achieve sustainable development and improve sustainability impact disclosure remains a debatable issue among policymakers and users of sustainability reporting standards. This study reconstructs the awareness of different dynamics at play inhibiting the harmonisation of sustainability reporting standardisation and the importance of the GRI in pursuing global sustainable development.

Social implications – The pattern of behaviour and agenda of sustainability institutions and influential standard setters harnessed in this paper are aimed at enabling the existence of the rules that can uphold the primary focus of the sustainability reporting arena, particularly in achieving global sustainable development.

Keywords: arena concept, EFRAG, European Commission, GRI, IFRS Foundation, standardisation, sustainable development, sustainability reporting

Paper type Research paper

1. Introduction

Over the last two decades, several non-state institutions (private) and over 600 sustainability reporting frameworks have emerged globally to provide guidance and frameworks for business to report on how their activities impact environmental and social matters (Van der Lugt and Van de Wijs, 2020). Among these institutions are the Global Reporting Initiative (hereafter GRI), the World Business Council for Sustainable Development, the Climate Disclosure Standards Board (CDSB), the World Resources Institute, the Task Force on Climate-related Financial Disclosures (TCFD), and the Value Reporting Foundation (VRF), established by the recent merger between the Sustainability Accounting Standard Board (SASB) and the International Integrated Reporting Council (IIRC). However, while these institutions are enormous, the GRI remains the first institution to emerge (established in 1997) and the biggest player in this terrain (KPMG, 2020). This is due to its development of different frameworks and the first global sustainability reporting standards (under the authority of its global sustainability standards board (GSSB)) (Machado *et al*., 2020). In fact, KPMG's (2020, p.25) survey shows that "73% of the largest 250 global companies and 67% of the largest N100 firms from 52 countries are using the GRI standards". This shows the extent to which the GRI is accepted among businesses globally.

However, more recently, different influential groups have raised concerns about the shortcomings of the sustainability reporting regulation, which include accountability gap and lack of comparability (e.g., Barker and Eccless, 2018; Corporate Reporting Dialogue, 2019; Eumedion, 2020a). Importantly, the debate and discussions of these groups are most focused on the issues pertaining to materiality, audience, scope and core priorities, purpose of reporting and relevance to sustainable development (see Accountancy Europe, 2020; IFAC, 2020a; Impact Investing Institute, 2020; Impact Management Project, 2020). Over time, these issues have been considered as the main tensions causing uncertainty and concerns about the future direction of sustainability reporting standardisation (Adams and Abhayawansa, 2022).

Consequently, there has been significant development and an influx of new influential standard setters in the sustainability reporting terrain, positioned alongside the pioneer institutions. First, in Europe, the European Commission has given the European Financial Reporting Advisory Group (hereafter EFRAG) a mandate to establish new sustainability standards aimed to be released before December 2022 (European Commission, 2020a). Second, the International Financial Reporting Standards (IFRS) Foundation has merged with the key existing sustainability institutions and created its own International Sustainability Standards Board (ISSB) (IFRS Foundation, 2021a). This development further reinforces the level of uncertainty in the standardisation of sustainability reporting, leaving questions about its future direction and the relevance of pioneering institutions, particularly the GRI and its standards.

Moreover, different academic scholars have also been vocal regarding this development and have raised concerns about how the ongoing changes can preserve the core tenets of sustainability reporting (e.g., Adams, 2021, 2022; Cho, 2021). Particularly, others have long argued that there is a gradual shift in sustainability impact reporting, from providing information that significantly matters about potential substantial risk to multi-stakeholder, due to the plethora of sustainability institutions and their behaviour (Brown and Dillard, 2014; Humphrey *et al*., 2017; O'Dwywer and Unerman, 2020). Likewise, other studies have been critical of the underlying agenda of sustainability institutions, such as the IIRC, and how the network of bodies engaged in their development may influence their action (e.g., Flower, 2015; Thomson, 2015; Van Bommel., 2014). In a similar vein, Afolabi et al (2022) have conceptualised the regulation of sustainability reporting terrain as a contested arena, and problematised the behaviour of different institutions, such as the SASB and IIRC in influencing the regulatory system of the arena. Hence, due to different actions that can occur amid the ongoing changes in the sustainability reporting terrain, there is a significant concern about the current position of the GRI, being the first to emerge, and the most accepted standards among businesses globally.

Consequently, this study examines the agenda, influence, and behaviour of the new standard setters and the GRI towards the standardisation and the key tensions in the sustainability reporting field. Particularly, the study aims to understand the consequences of the ongoing changes for the future direction of sustainability reporting standardisation, especially for the acceptance and relevance of the GRI standards. The focus of this study is based on the sustainability standard setting arrangement within Europe, with emphasis drawn from the actions and behaviour of different participants in this context. Among other institutions and changes occurring in the sustainability reporting terrain, this study focuses on the IFRS Foundation and the EFRAG/European Commission to understand the consequence for the GRI, for two reasons. First, empirically, there is evidence demonstrating that they both have power, experience, and compelling authority in developing accounting standards (see Armstrong *et al*., 2010; Camfferman and Zeff, 2018). Second, other studies have documented their credentials and influence in reframing accounting regulations and standards, and their strategic effort in pushing the mandatory adoption of their standards globally (e.g., Gaumann and Dobler, 2019; Jorissen *et al*., 2012).

A documentary analysis of the various documents related to the activities and output of the GRI, the IFRS Foundation/ISSB, and the EFRAG/European Commission in the sustainability reporting environment is conducted. The documents are used because they reflect the conventional ways the GRI and the new influential standard setters are thinking, and reinforce the pattern of their actions, interaction, and behaviour. Further, Renn's (1992) arena concept as further developed by Georgakopoulos and Thomson (2008), is applied to explore the agenda, behaviour, and source of influence of the EFRAG, the IFRS Foundation and the GRI. This is to make sense of the potential changes in the direction of standardising sustainability reporting and how this may impact the GRI standards' current position. Thus, this paper finds that the new standard setters' influence in the sustainability reporting arena stems from the persistent pressure and interest of their audience, and their behaviour is premeditated to change the direction of arena rule towards their audience preference. Also, the findings reveal the possible fall away from a sustainability reporting system that could guide business behaviour towards sustainable development, if the GRI and its standards cease to exist.

Prior research on the GRI has focused on different aspects of its existence and contributions to sustainability reporting. For example, a small body of academic work has studied the historical roots of the GRI and motivations for its strategic choices (e.g., Brown *et al*., 2009; Levy *et al*., 2010). Marimon *et al*. (2012) have analysed the global diffusion of the GRI from the view of both macro and micro systems. Sampong *et al*. (2018) and Safari and Areeb (2020) have problematised the efficacy of the GRI guidelines in driving corporate social responsibility performance. Adams *et al*. (2022) reviewed research on practice and issues surrounding the implementation of the GRI standards. However, little is known about the contributions of the GRI in the ongoing changes in standardising sustainability reporting, especially what it could mean for its future direction. Hence, this study builds on the prior studies in different ways. First, it offers what, to date, is the most in-depth consideration of the GRI's strategic behaviour amid the potential changes in the direction of standardising sustainability reporting, and how this may impact its current position. Second, it problematises the pattern of the new standard setters' behaviour to understand the ongoing contests and issues surrounding the standardisation of sustainability reporting in Europe, with emphasis on the challenges the GRI has overcome and those that they may still face.

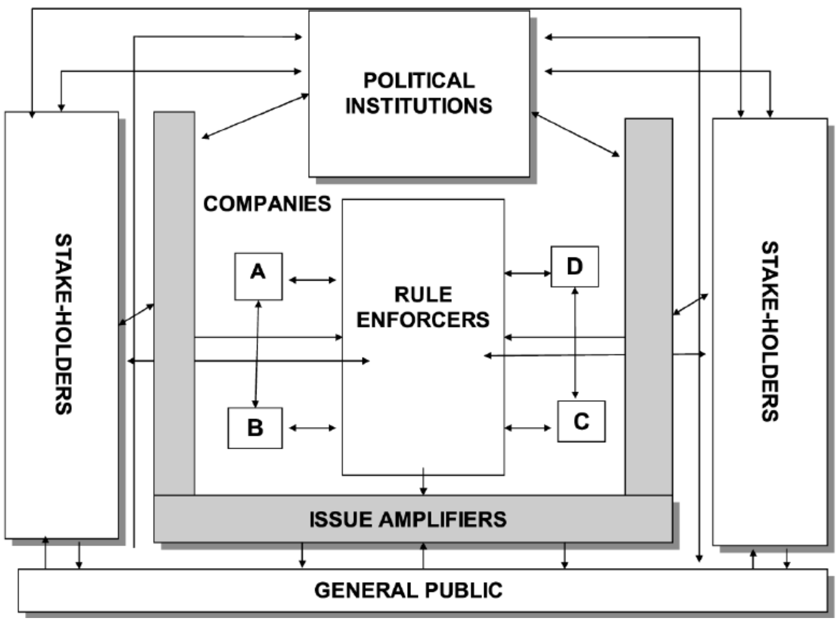
Nonetheless, this study is not intended to be a novel account of the GRI's history and effort, but to signal the possible fall away from the core tenets of sustainability reporting if the GRI ceases to exist. Thus, it provides an account of the GRI behaviour in the current changes occurring in the sustainability reporting arena and reinforces its revised standards as the standards with the power to preserve the traditional objectives of sustainability reporting and driving businesses towards sustainable development. Hence, it advances the literature on sustainability standards setting for sustainable development (e.g., Abela, 2022; Adams and Abhayawansa, 2022 Giner and Luque-Vilchez, 2022), by reconstructing the awareness of the importance of the GRI standards amid the ongoing changes and different dynamics at play inhibiting sustainability reporting harmonisation and sustainable development. Finally, while Afolabi *et al*. (2022) have examined the historical behaviour of external actors (GRI, IIRC, SASB, EFRAG, IFRS Foundation) using documentary analysis and arena framework, we shift the research lens by extending the analysis and focused more critically on the intricacies around European's standard setting arrangement via a direct comparison of the GRI, EFRAG/European Commission, and the IFRS Foundation's/ISSB's current actions on the key tensions in the arena. This provides a detailed account of acceptable actions and institutional behaviour required to maintain the core agenda of sustainability reporting standardisation, particularly towards achieving sustainable development in Europe. This remains a vital contribution because the ongoing changes in the arena have streamlined and resulted in the GRI, EFRAG/European Commission and the IFRS Foundation to become the main three influential institutions to drive the future direction of sustainability reporting standardisation.

The remainder of this paper is organised as follows. Section 2 discusses the theoretical lens and Section 3 presents the method of the study. Section 4 discusses the GRI's current position and influence, and Section 5 explores the EFRAG and the IFRS Foundation's agenda and motivation to enter the arena. Section 6 traces through the influence of the EFRAG and the IFRS Foundation and how this impact on their behaviour towards the key tensions in the sustainability reporting arena and the consequences for the GRI. Section 7 provides conclusions and suggestion for future research.

2. Arena Concept

Following Renn (1992, p.181), an arena is considered as a "metaphor to describe the symbolic location of actions that influence collective decisions or policies". The relevant focus in an arena is the behaviour and actions of individuals and social groups that intend to influence collective decisions or policies regarding specific issues (s) (Renn, 1992). Therefore, an arena symbolises the process of enforcement, including pattern of interaction and communication among different participants on a particular issue, and in a specific environment (Georgakopoulos and Thomson, 2008). Figure 1 shows the elements of an arena.

Figure 1: The Elements of an Arena



Source: Georgakopoulos and Thomson (2008, p.1120)

As presented in Figure 1, the centre of an arena is often occupied by companies who must comply with the "formal codified rules" that are enforced and monitored by the rule enforcers (Georgakopoulos and Thomson, 2008). These rule enforcers are deemed to have their "powers delegated to them by political institutions via legislation", thus becoming the final decision makers (Georgakopoulos and Thomson, 2008, p.1121). Following this, it is assumed that arena participants communicate their claims to this group (rule enforcers) and aim to influence their decisions through different means (either via public pressure or arguments). Normally, arena participants pursue their objectives and maintain their influence in an arena using social resources. These resources include social influence, money, power, knowledge, and evidence (Georgakopoulos and Thomson, 2008). Therefore, in an arena "an actor succeeds or fails depending on the amount of influence and social resources he has been able to exert on the resulting decision or policy" (Jaeger *et al.*, 2001, p.176).

Issue amplifiers are considered to have a similar role to "theatre critics", as they examine actions on stage, communicate with participants, construe their findings and report to the audience (Georgakopoulos and Thomson, 2008, p.1121). They mediate the relationship between the central arena participants and audience of wider stakeholders. Therefore, they possess the ability to influence arena dynamics through the mobilisation of public support for a specific faction in an arena. Importantly, their audience includes a network of bodies or groups who may demonstrate their displeasure with, or support for, arena issues and participants (Georgakopoulos and Thomson, 2008). Therefore, participants who play an important role in investigating an issue, mediating and mobilising audiences towards a specific course within an arena can be considered as issue amplifiers, such as campaigning Non-governmental Organisations and independent supervisory bodies (Jaeger *et al*., 2001). Moreover, Renn (1992) and Georgakopoulos and Thomson (2008) elucidate that frequently surrounding the central arena are wider stakeholders and the general public who may explicitly support or adopt anti positions in the arena (both supportive and reforming stakeholders).

Consequently, in every arena, there is an issue or tensions to be resolved and decisions to be made, subject to the objective of participants, including their pattern of interaction, behaviour and amount of social resources possessed (Renn, 1992). Thus, arena assumes that the participants (as mentioned above) attempt to influence or change the outcome of a collective decision process based on their beliefs and values. Therefore, arena participants engage enthusiastically (they do not stay passive) with an underlying agenda to influence or change the decisions taken in a particular context (Georgakopoulos and Thomson, 2008). In fact, many participants may join forces and resources to change the arena rules (Renn, 1992). The arrows presented in Figure 1 indicate the probable array of different engagements that can take place. Therefore, interactions among participants can change arena rules. Thus, any small changes in the participants' behaviours have the capacity to produce major changes in the ultimate decision-makers' final decision in an arena (Jaeger *et al*., 2001).

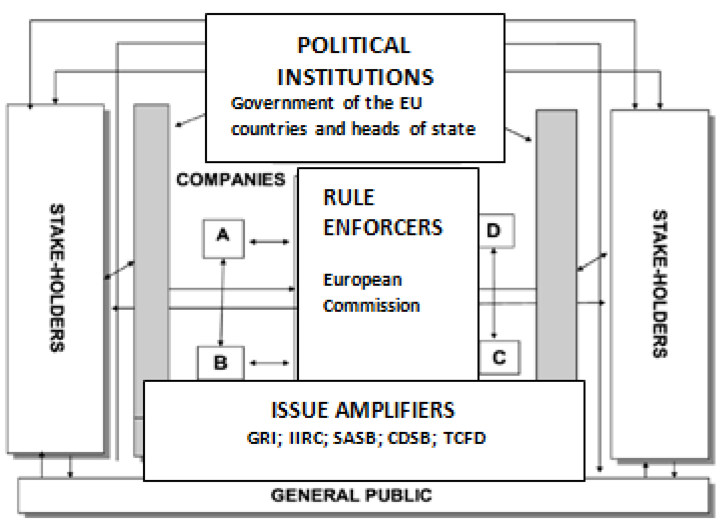
2.1. *The Conceptualisation of the Sustainability Reporting Environment as an Arena*

Over the past decades, there has been a significant increase in concern for organisations' contributions towards sustainable development globally. Particularly, in 1987, the United Nations

World Commission on Environment and Development emphasised the urgent need for effective policies to protect people and the planet (United Nations, 1987). Further, the commission argued that sustainable development "must share certain general features and must flow from a consensus on the basic concept of sustainable development and on a broad strategic framework for achieving it" (United Nations, 1987, p.1). This has thus increased the eminence of sustainability reporting as a conscious practice among organisations globally to provide their stakeholders with information about their actions that are not captured within the mainstream of financial reporting (such as human rights and climate change) (Stolowy and Paugam, 2018).

Consequently, there is a substantial increase in the momentum of organisations towards their sustainability performance disclosure. In agreement, KPMG's (2020) survey shows that 96% of the largest 250 companies (the G250) now issue their sustainability report, in contrast to 83% in 2008 and 45% in 2002. Further, 80% of the N100 (5200 companies in 52 countries) now issue their sustainability report. Thus, various institutions, such as the GRI and the IIRC have been acknowledged as the significant institutions to be responsible for mobilising public support and awareness and increasing the legitimacy of sustainability reporting by providing guidance and frameworks for organisations to follow (Carungu *et al*., 2022). With the focus of this study on the EU sustainability standard-setting landscape, Figure 2 represents how the sustainability reporting environment previously looked in Europe.

Figure 2: Sustainability reporting regulatory environment (before)



Source: Author's elaboration

However, as discussed in the introduction, certain issues have been the main discussion of different influential groups causing tensions and uncertainty in the sustainability reporting terrain, such as “materiality, audience, scope and core priorities, purpose of reporting and relevance to sustainable development” (Accountancy Europe, 2020; Barker and Eccles, 2019). Further, these issues remained part of the key discussion among the global leaders and policy makers during COP26[1] (United Nations, 2022b). Hence, there is now a common drive in different jurisdictions in bringing the uncertainty surrounding these issues and the tension they are creating to balance. For example, in Europe, the ongoing regulatory work by the EFRAG suggests the potential unified standards for EU companies. At the same time, the intervention of the IFRS Foundation and its creation of the new ISSB suggest a potential debate for the adoption of the sustainability standards to be developed by the ISSB amidst the existence of other standards, such as the GRI. Since there must be an issue or tensions to be resolved and decisions to be made in an arena, subject to the participants’ behaviour and amount of social resources they possess (Renn, 1992), the current situation surrounding the standardisation of sustainability reporting is thus commensurate with the characteristics of an arena.

First, there are key issues (as mentioned above) creating tension among different participants in the sustainability reporting terrain and raising uncertainty about its future direction. Second, there are different influential institutions working on developing new sustainability standards alongside the pioneer institutions. Thus, the objective, amount of social resources and behaviour of the new standard setters and the pioneer institution (GRI) on the key issues have the potential to influence the final outcome and direction of sustainability reporting standardisation. Hence, there is a serious debate about the consequences of the changes occurring in sustainability standard-setting for the GRI’s standards, particularly its current position.

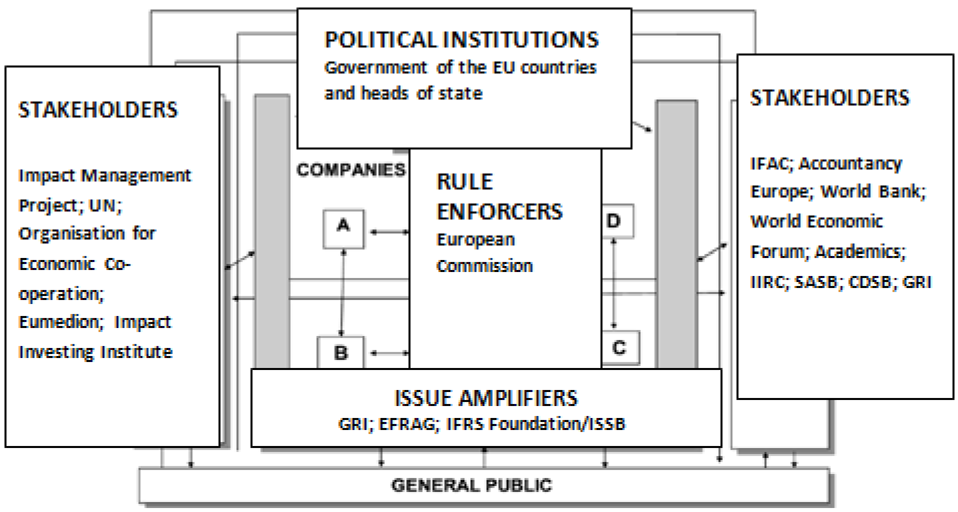
2.1.1. *The Application of the Arena Characteristics*

The arena metaphor and its typical characteristics demonstrate compelling consistency with the ongoing actions in the sustainability reporting arena. This is because the settings that can ensure a robust and true system of sustainability standards and drive businesses towards sustainable development remain a contested issue among different participants. As discussed above, social resources are critical to arena participants to pursue their objective and maintain their influence

[1] Cop was a major United Nations climate change summit held in Glasgow in November 2021 to discuss how the issue of climate change can be tackled and to agree on global and national targets.

within an arena. Therefore, by adopting an arena concept to analyse the issue of standardisation in the sustainability reporting environment, different participants can be differentiated with their social resources, and different interactions and behaviours can be considered. Hence, different arena participants applicable to the sustainability reporting environment are identified below. Figure 3 shows how the sustainability reporting arena presently looks in Europe.

Figure 3: Present sustainability reporting regulatory environment.



Source: Author's elaboration

Political institutions: For this study, political institutions include government institutions, such as the heads of state and government of the European Union countries, and the European national standard setters. This is because they possess significant influence in setting the priorities of the EU and its political direction. Evidence of this has also been documented in prior studies (see Gaumann and Dobler, 2019; Kinderman, 2020).

Rule enforcers: The European Commission is conceptualised as a rule enforcer. This is because of its roles and capacity to enforce the sustainability standards companies within their jurisdiction should follow (Jorissen *et al*., 2012).

Issue amplifiers: This study considers the GRI and other sustainability institutions, including the new standard setter as the issue amplifier, because of three key reasons. First, while they lack the capacity to enforce the rule to be followed, sustainability institutions, such as the GRI, IIRC, SASB, TCFD and the CDSB have been acknowledged as the most influential institutions in regulating the sustainability reporting arena (KPMG, 2017). Second, the GRI, IIRC and the TCFD have been found in critical literature to be responsible for mobilising support, awareness and increasing the legitimacy of sustainability reporting by providing consistent guidance for organisations on key sustainability issues, where there is none from rule enforcers (see Humphrey *et al*., 2017; O'Dwyer and Unerman, 2020). Third, through a public consultation process, they examine stakeholders' displeasure with, or support for the issue in the arena with a view to mediating the relationship between the central arena participants and audience of wider stakeholders by developing guidelines and frameworks that could be of interest to all (Stolowy and Paugam, 2018). This affords them the opportunity to play the role of mediator, investigating stakeholders' views on issues in the arena via their consultation paper, and provide solutions through relevant guidelines and frameworks, which can inform rule enforcer final decision and direction to follow in the arena (Afolabi *et al.*, 2022). Therefore, sustainability institutions have an audience, which includes groups and network of bodies in the arena and possess the potential to mobilise guidelines and frameworks in support of a specific faction in the arena, which is consistent with the characteristics of an issue amplifier (Georgakopoulos and Thomson, 2008).

Stakeholders: Following Renn (1992) and Georgakopoulos and Thomson (2008), this study purports the term stakeholders to consist of issue amplifiers, regulatory rule enforcers, political institutions, companies, and the general public (both supportive and reforming stakeholders).

3. Method

This study is based on documentary and comparative analysis of the GRI, the IFRS Foundation/ISSB, and the EFRAG/European Commission's behaviour, influences, and interactions in the sustainability arena. This is due to the underlying objective to explore the agenda, influence, and behaviour of the GRI and the new standard setters towards the key tensions involved in the arena, with a view to make sense of the consequence for the GRI standards' current position. With the interpretation of an arena (Georgakopoulos and Thomson, 2008), this study argues that the agenda, influence, and behaviour of the new standard setters towards the key issues involved have the potential to impact the future direction of sustainability reporting standardisation, and in turn can affect the GRI standards' current position. Thus, the public sources of information used include consultation documents, comments, public releases, and webinars mainly pertinent to the three institutions. This study relies on these documents relating to the activities and outputs of the GRI, the IFRS Foundation/ISSB, and the EFRAG/European Commission, because they reflect their behaviour and pattern of interactions, influence, and the agenda they are pursuing in the arena and how they emerged.

The documents covered the period of 1997 to 2022, which captured the major outputs and activities of the GRI, the IFRS Foundation and the EFRAG/European Commission in the sustainability reporting arena. This time frame was selected because the GRI was the first to emerge, being established in 1997, and the analysis includes other crucial documents released up to August 2022[2]. The documents were downloaded from the websites of the three institutions and were studied accordingly. Table 1 presents the full list of the documents examined in this study.

Table 1: Main documents from the rule-enforcers and the issue-amplifiers examined.

Arena Participants	Documents
GRI/GSSB	• GRI-Ceres global reporting initiative concept paper (Ceres, 1997) • The GRI Standards: The global standards for sustainability reporting (GRI, 2016) • GRI universal standards: GRI 101, GRI 102, and GRI 103-Exposure draft (GRI, 2020a) • GRI contribution to the EU public consultation regarding the proposal by the EC for a regulation (GRI, 2020b) • GRI response to the IFRS Foundation-consultation paper (GRI, 2020c) • GRI universal standards project-GSSB basis for conclusions (GRI, 2021a) • Revised universal standards (GRI, 2022d) • Statement of cooperation signed by GRI and EFRAG (GRI, 2021b)
EFRAG/European Commission	• Separate mandate to EFRAG-a request for technical advice (European Commission, 2020a) • Public consultation on the review of the non-financial reporting directive (European Commission, 2020b) • European Parliament-Briefing implementation appraisal report (European Commission, 2021a) • Proposals for a relevant and dynamic EU sustainability reporting standards (PTF-NFRS) (EFRAG, 2021a) • Potential need for changes to the governance and funding of EFRAG (EFRAG, 2021b) • Legislative proposal for a corporate sustainability reporting directive (CSRD) (European Commission, 2021b)
IFRS Foundation/ISSB (including VRF and CDSB)	• IFRS Foundation consultation paper on sustainability reporting (IFRS Foundation, 2020) • IFRS Advisory Council agenda and agenda papers • Strategic direction and further steps based on feedback to sustainability reporting consultation (IFRS Foundation, 2021b)

[2] Similarly to Giner and Luque-Vilchez (2022) and Pelger (2020), this study benefits from one of the authors' experience of participating in the European sustainability standard-setting process, which aids the authors decision on the selection of crucial documents in this study. However, for confidentiality reasons, the participation process and specific information to which one of the authors had access that has provided the authors with timely and detailed knowledge and monitoring of the abundant information that is publicly available on the subject will not be discussed.

	• Proposed targeted amendments to the IFRS foundation constitution to accommodate an international sustainability standards board to set IFRS sustainability standards • Exposure draft- IFRS S1 "General requirement for disclosure of sustainability-related financial information (general requirement prototype)" (IFRS Foundation, 2022d) • Exposure draft-IFRS S2 "Climate-related disclosures (climate prototype)" (IFRS Foundation, 2022e).

Source: Author's elaboration

3.1. *Data Analysis*

Following the objective of this study, the screening of the documents and the analysis were guided by the arena concept as discussed in Section 2. First, since each participant in an arena has a claim and objective to pursue (Georgakopoulous and Thomson, 2008), we consider the 'agenda and claim' of the new standard setters and the GRI as significant themes to explore. Second, there is a premise that social resources, such as social influence, power, knowledge, money, and evidence are crucial for arena participants to pursue their objective and changes in their behaviour on arena issues can change the arena rule (Renn, 1992). Hence, the 'type of social resources' possessed by the GRI and the new standard setters, including their 'behaviour with the arena issues' emerged as other themes to explore how they may be influencing or pushing for their agenda. Third, there is a claim that an "actor succeeds or fails depending on the amount of influence he has been able to exert" and issue amplifiers can influence arena dynamics for a specific faction, because their audience includes a network of bodies who may demonstrate their displeasure with or support for arena issues (Jaeger *et al.* 2001, p.176; Renn, 1992). With this, 'network of bodies or groups most engaged' in the development of the new standard setters and the GRI remains another theme to investigate the source and extent of their influence and understand the possibility of achieving their agenda.

Consequently, this study argues that the continuing acceptance and relevance of the GRI standards amidst the ongoing changes depends on the amount of social resources the GRI wields, including its extent of interaction and engagement on the issues in the arena, in contrast with the new standard setters. Therefore, 'agenda, claim, social resources (social influence, power, knowledge, money, and evidence), network of bodies engaged, interaction and behaviour on the arena issues' are the elements of arena and themes used to analyse the documents. First, all the documents collected were carefully studied and re-read many times by the authors based on when they were issued (ascending order) to clearly understand their purpose and progression of behaviour among the GRI and the new standard setters in the arena. Second, to understand the agenda, influence and type of social resources possessed by the GRI and the new standard setters in the arena, we trace through the "network of bodies most engaged and the claim" they used as evidence to enter the sustainability reporting arena. This is underpinned by the premise that social influence of groups and network of bodies engaged in the development of an institution has the potential to increase the institution's influence and power (Richardson and Eberlein, 2011).

Further, we carefully trace through the interaction and behaviour of the GRI and the new standards on the key issues (materiality, audience, scope and core priorities, purpose of reporting and relevance for sustainable development) in the arena. This is because these are the main issues surrounding the standardisation of sustainability reporting and causing tensions and debate among the arena participants (e.g., Accountancy Europe, 2020; IFAC, 2020a). Thus, the pattern of interactions and behaviour of the GRI and the new standard setters on the arena issues have the capacity to change the arena rule, which is the direction of standardising sustainability reporting (Georgakopoulous and Thomson, 2008). Third, to ensure that we have not missed any important comments and data, checks were made using NVivo 12 software, with the code representing the themes used to examine the documents (as previously noted above). Subsequently, we compare the agenda, type of social resources possessed, network of bodies most engaged and pattern of interaction and behaviour of the GRI and the new standard setters on the arena issues. This allows us to clearly demonstrate the pattern and dynamics in which the new standard setters and the GRI are pursuing their objective and attempting to influence the arena rule and make sense of the consequences for the GRI standards current position. The next section explores the main objective, influence, and social resources of the GRI, the EFRAG/European Commission and the IFRS Foundation/ISSB and traces the pattern of their interactions and behaviours on the arena issues.

4. The Global Reporting Initiative's Influence and Behaviour as an Issue Amplifier in the Arena

The GRI is a non-state institution, established in 1997 with its roots in the joint effort and decision of the Coalition for the Environmentally Responsible Economies, the United Nations Environment Programme and the Tellus Institute[3] (GRI, 2022a). The primary aim of the GRI's founders was to ease the core tension within the space of social reporting, particularly relating to the competing

[3] The Tellus Institute is an American non-profit organisation, established in 1976 with the primary purpose of bringing scientific rigor and systemic vision to critical environmental and social issues.

logics between “civil regulation and corporate social performance” (Levy, 1997). According to Levy *et al*. (2010, p.90) the “logic of civil regulation” considers social reporting as a means of empowering civil society groups to be involved actively in corporate governance, and the “logic of corporate social performance” identified the instrumental value of social reporting to the investor community and corporate management, including consulting and auditing firms. In the GRI first concept paper released in 1997, it echoed its vision to include:

> “[…] improve corporate accountability by ensuring that all stakeholders-communities, environmentalists, labour, religious groups, shareholders, investment managers-have access to standardized, comparable and consistent environmental information akin to corporate reporting (CERES, 1997, p.3)”.

With this, it can be argued that the GRI’s claim and evidence to enter the arena is to ease the tension in the social reporting space and give all stakeholders equal footing to access business social responsibility. However, over time, the GRI’s focus has extended to include setting frameworks for businesses to be more accountable for their economic, environmental and social impact. Since the year 2000, the GRI has provided different versions of guidelines that focus on ethical, environmental, social and economic issues, with the first guidelines, G1, established in 2000, G2 in 2002, G3 in 2006, G3.1 in 2011, and G4 in 2013. In 2015, the GSSB was created by the GRI to direct the development of the first sustainability standards.

In our review of the GRI and GSSB mission statement for the development of the standards, the aim is to:

> “Create a common language for organizations and stakeholders, with which the economic, environmental, and social impact of organizations can be communicated and understood” (GRI, 2016, p.3).

With this, the GSSB’s process of standardising the sustainability reporting arena is multi-stakeholder oriented, which has been connected to its diverse background, technical experience, and expertise (GRI, 2021a). At the time of writing, the GSSB consists of 15 members with an average of twenty years of experience in broader sustainability field, and from different regions and sectors, including labour, investment institutions, business enterprise and civil society organisations (GRI, 2022b, 2022c). This, however, highlights “knowledge” as the core social resources of the GRI/GSSB as the majority of its members have over twenty years of experience in sustainability consulting, policy and strategy development for corporate and supply chain sustainability, and sustainability finance frameworks. Further, it can be deduced that the “network of bodies” most engaged in the GSSB setting include diverse sectors, with the majority from business enterprise, labour, and civil society organisations. The next section explores the current position of the GRI standards as developed by the GSSB, and traces through its influence in the arena.

4.1. *The influence of the GRI standards and its current position in the arena*

In October 2016, the GRI and GSSB launched the first global standards for sustainability reporting. The standards are built on the previous guidelines, particularly G4, and offer requirements with specific sustainability lingo to improve comparability in the ways businesses communicate their sustainability impacts (GRI, 2016). In contrast to G4, the GRI standards have a modular structure and are developed as universal standards and topic-specific standards. The universal standards include "100 series, relating to the foundation of all reporting, and topic-specific standards enclose 200 series focusing on economic issues, 300 series (environmental issues), and 400 series (social issues)" (GRI, 2016, p.2)[4]. The standards provide both qualitative and quantitative indicators for companies to measure their impacts on environmental, social and governance (ESG) issues relevant to different stakeholders.

Moreover, the universal standards (100 series-GRI 101 Foundation) define the principles for defining both report content and quality, which include "stakeholder inclusiveness, sustainability context principle, and completeness" (GRI, 2016, p.8). Based on these principles, companies are to disclose to their wider stakeholders where and how their material impacts occur, including "activities which may have small impact (short term), but may have long-term, irreversible or unavoidable impacts" (GRI, 2016, p.9). Thus, this study identifies materiality as the essential principle of the GRI standards, which explains the threshold of topics and impact (sufficient importance) that should be reported by companies. According to the GRI-GSSB, the material topics are visualised to cover topics that:

> "Reflect the reporting organization's significant economic, environmental, and social impact" and or "Substantively influence the assessments and decisions of stakeholders (GRI, 2016, p.10)."

Hence, this study identifies that the GRI standards prioritise the interest of multi-stakeholders and it 'purpose of reporting' is based on businesses' accountability to all stakeholders. This appears to be in line with the objective the GRI put forward in the first concept paper released in 1997 (CERES, 1997).

Moreover, there is evidence that the standards have wider adoption among companies globally, with three-quarters of the G250 and two-thirds of the N100 using the standards (KPMG,

[4] The universal standards consists of 36 standards (GRI 101 on foundation, GRI 102 on general disclosure, and GR1 103 on management approach) (GRI, 2016)

2020). Likewise, the significant increase in the adoption and application of the standards in different industries and countries, particularly in Europe has been documented in various studies (e.g., Adams *et al*., 2022; Dissanayake, 2020; Slacik and Greiling, 2020). This, however, highlights the social influence of the standards as the most used globally. Importantly, the benefits of the standards in practice have been documented, which include improving companies' understanding of the material impact to disclose (Font *et al*., 2016) and assisting companies to provide sustainability information that their stakeholders need (Calabrese *et al*., 2016; Machado *et al*., 2020).

However, the limitations of the standards, particularly for driving sustainable development have also been demonstrated in other studies. For example, Tauringana (2020) found that the standards have limited impact on improving sustainability reporting quality in developing countries. This is due to the inappropriateness of some of the standards' KPIs for the developing countries' settings (Dissanayake, 2020). Further, Slacik and Greiling (2020) show that companies have inadequate understanding of some of the standards' indicators, which encourage businesses to give less consideration to the practical interpretation of the standards (Safari and Areeb, 2020). Further, the standards are used inappropriately, especially among companies with limited resources, such as small and medium-sized enterprises (SMEs) (Sampong *et al*., 2018). This has been connected to its discretionary adoption (Adams *et al*., 2022), and less emphasis on sustainability reporting significance by governments (Halkos and Nomikos, 2021).

Consequently, the GRI as an issue amplifier investigated the displeasure with, or support of the stakeholders about the arena issues and its available standards. After three months of public consultation and a review of 144 comment letters received, the GRI-GSSB revised their standards, which will be effective from January 2023 (GRI, 2021a). Following the challenges, we previously noted, we carefully reviewed the revised standards based on the key issues creating tensions in the arena (as mentioned in Section 3). Thus, this study understands that the new universal standards now explain different principles for redefining and classifying report content and quality, including guidance on materiality. For example, organisations reporting under the new GRI standards will be required to report on their due diligence obligations, environmental and human rights impacts.

Further, the revised standards also incorporate the UN Guiding principles on Business and Human Rights (UNGPs) into the universal standards. In the previous standards, human rights were classified under a "social topic", where organisations could only report on the topic if they considered it to be material. In contrast, the new universal standards now consider human rights as a "material and general disclosure topic", which intends to offer relevant insights into organisations' profile and size to better comprehend the context around their impacts. Importantly, this study identifies that the revised approach and interpretation of materiality now means:

> "[…] the organization prioritizes reporting on those topics that reflect its most significant impacts on the economy, environment, and people, including impacts on human rights (GRI, 2022d, p.8)"

Consequently, the GRI has now shifted from defining topics based on "importance to stakeholders" to the level of significant impact the organisation has on the planet (environment), people and economy, including the impact on human rights (potential and actual). Further, it is seen that the GRI and GSSB now advocate for an assessment that considers all companies' impact, including social impacts across their value chain (reputational, operational, and financial), otherwise termed as "double materiality" (GRI, 2022d). Therefore, the new standards now include additional indicators pertinent to specific industries and countries and provide more clarity on the criteria for determination of material issues and external assurance of sustainability report.

Nevertheless, while the GRI and GSSB have addressed the majority of their standard's prior challenges, its voluntary nature still remains a significant concern. This echoes the tension about the EFRAG/European Commission and the IFRS Foundation/ISSB's behaviour and engagement on arena issues, and how this can change the arena rule.

5. The Behaviour of the EFRAG/European Commission and the IFRS Foundation in the Arena and their Relevance for Sustainable Development

Following Renn (1992) and Georgakopoulos and Thomson (2008), arena main participants often pursue their objective via their social resources and any changes in their behaviour on arena issues can produce major changes in the direction of arena rule. Hence, it is beneficial to understand the agenda of the new standard setters, and the type of social resources they possess, including their behaviour, interaction and how the GRI engages in this context.

5.1. *The behaviour and objective of the European Commission as a rule enforcer, and the EFRAG as a new issue amplifier in the arena*

Over the years, the European Commission and the EFRAG (established in 2001) have made a significant contribution towards financial accounting regulatory setting and the global acceptance of the IFRS, especially in Europe (Van Mourik and Walton, 2018). The European Commission has the final decision as to whether the IFRS are adopted in Europe (Camfferman and Zeff, 2018), which suggests the "power" to make a final decision as the key social resources that the European Commission possessed. However, while the EFRAG is not a standard setter, it plays an important role in the European Commission's final decision (Van Mourik and Walton, 2018). For example, for every due process document issued for the development or revision of any IFRS, the EFRAG will publish a consultation document to seek stakeholders' views and advice on whether the standards meet the endorsement criteria of Article 3(2) of Regulation (EC) No 1606/2002 (EFRAG, 2017). Hence, the EFRAG occupies the space of promoting the Europeans' interests in the global financial reporting debate. Moreover, the European national standard setters are the close partners playing a key role in the EFRAG's influence and legitimacy, due to their renowned expertise in financial reporting and regulation (Gumann and Dobler, 2019). In agreement, the EFRAG highlights that the European national standard setters are "its important partners as commentators" on its "draft comment letters and draft endorsement advice letters" (EFRAG, 2010, p.23). This shows that the European national standard setters are the EFRAG's key audience (network of bodies and groups) and have significant influence on its decision making.

Nonetheless, while the European Commission has legitimacy in the financial accounting reporting domain, it interests in the sustainability reporting arena emerged from the need to encourage companies to develop a responsible approach to business (European Commission, 2022). This resulted in the development of Directive 2014/95/EU in 2014. However, two years later, the European Commission documented that the directive creates an accountability gap and has not adequately improved the quality of non-financial information disclosures among companies (European Commission, 2022). In December 2019, the European Commission echoed its intention to work actively on achieving the European Green Deal and the review of Directive 2014/95/EU is recognised as part of the strategy to strengthen the foundations for sustainable investment (European Commission, 2019). In our review of the European Parliament briefing implementation appraisal report on the possible ways to make changes, the European Commission's claim is that:

> "[…] funding economic activities that support environmental, social and governance-related objectives is key to fostering sustainable growth, financing the green transition and unlocking the investment needed to achieve, not least, the EU's 2050 climate neutrality objective" and
> "[…] an important way to direct financial and capital flows to sustainable investment is to improve data availability and companies' and financial institutions disclosure of non-financial information (European Commission, 2021a, p.1)".

Consequently, it can be argued that the agenda of the European Commission is set around the EU path to reaching climate neutrality and a green transition and sustainable investment, particularly to protect investors, people and society. Moreover, the European Commission had a public consultation on possible changes to Directive 2014/95/EU and received 588 comment letters. The outcome shows that 82% of the respondents want common standards and 72% (including most of the European national standard setters) support the mandatory disclosure of materiality assessment process by companies (European Commission, 2020b). Importantly, as one of the respondents, the GRI emphasised that:

> **"**[…] it is important to create an unambiguous of the concept of materiality which goes beyond the current definition in Article 2(16)" and [the] "GRI strongly supports the concept of 'double materiality' as described in the European Commission Guidelines on reporting climate-related information […] (GRI, 2020b, p.18)**"**.

The GRI also urged the European Commission to:

> **"**[…] include disclosure of the materiality process and results as a requirement in the revised NFRD (GRI, 2020b, p.20)**"**

And it strongly supports:

> "[…] the EU's ambitions and is keen to participate in the co-creation of appropriate standards" (GRI, 2020b, p.16)"

The GRI's suggestions to the European Commission appear to be consistent with its primary agenda and behaviour towards the arena issues, as previously noted in Section 4. Nonetheless, it can be argued that the due process the European Commission undertook reinforces its legitimacy to develop new sustainability standards (Richardson and Eberlein, 2011), because majority of its audience support this action. In June 2020, the European Commission issued a mandate to the EFRAG to begin preparatory work towards the development of the European sustainability reporting standards (European Commission, 2020). Consequently, the EFRAG made changes to its governance structure and set up its Project Task Force which consists of over 30 people from different European countries, who are representatives of various European institutions, such as the European Banking Authority, the European Central Bank, trade unions, the European Securities Market Authority and the EU Agency on Fundamental Rights etc. This appears to represent the majority of the network of bodies, most engaged in the development of the European sustainability standards by the EFRAG. After several consultations with the public, EFRAG submitted its report in February 2021[5] (EFRAG, 2021a, 2021b). The report consists of 54 recommendations, which elucidate the possible ways to drive the EU towards sustainable economic growth. By reviewing the report, this study identifies that the EFRAG proposed "double materiality" to be the priority and basis of the European sustainability standards setting. Importantly, EFRAG referred to double materiality based on "financial materiality" and "impact materiality". The former is referred to as:

> "Sustainability matters that create or erode enterprise value and financial material (affect organisation's value)", and the latter is related to:

> "Sustainability matters that are material in terms of the impacts of the reporting entity's own operations and its values chain, based on: the severity, scale, scope, likelihood and urgency of an organisation's and its value chain's impact on sustainability issue (EFRAG, 2021a, p.8)".

This appears to be in line with the European Commission agenda of driving policy initiatives that can support the achievement of the Green Deal, especially in protecting society and people, and investors via sustainable finance structure. This means that "accountability and valuation stewardship" are the core implication target of the EFRAG proposed standards structure. Unsurprisingly, in April 2021, the European Commission adopted the EFRAG's recommendations under a new name, the Corporate Sustainability Reporting Directive (CSRD). However, the key changes the European Commission proposed in the CSRD include: a wide range of sustainability information disclosure pertinent to business activities, not just environmental factors, but to also include social and governance factors; application of the new rules to large companies (both listed and non-listed removing the 500 employee's threshold); and SMEs (other than listed micro-enterprises) (European Commission, 2021b).

Moreover, in July 2021, the EFRAG signed an agreement with the GRI to become a co-constructor of the European standards (GRI, 2021b), which signals EFRAG's response to the GRI's declaration of interest to co-create appropriate EU standards. Further, EFRAG integrated a sustainability pillar into its structure, with members from the European public institutions, authorities and agencies, civil society and organisation, the European national standard setters and the national organisations chapter (countries) (EFRAG, 2022). This action, therefore, reveals the EFRAG and the European Commission' key audience in the arena and symbolises their declaration of an unwavering commitment to pursue the interest of their key audience. This includes driving

[5] EFRAG published their final report under the name "Proposals for a relevant and dynamic EU sustainability reporting standard-setting" and was available online on 8 March 2021 (EFRAG, 2021b)

towards a greener economy across Europe through the pursuit of a range of simultaneous regulatory intervention. Hence, the achievement of the "Green Deal" appears as the European Commission/EFRAG's rhetorical case and evidence to develop common standards, which has received significant support from the EU's stakeholders.

Consequently, there is a potential case for a debate on how the behaviour of the IFRS Foundation/ISSB may cause changes in the future direction of sustainability reporting standardisation, especially in Europe. This brings this study to explore the IFRS Foundation/ISSB's main agenda, including their interactions and behaviour towards the arena issues, and how this may impact the arena rule.

5.2. *The objective and behaviour of the IFRS Foundation/ISSB as a new issue-amplifier in the arena*

The IFRS Foundation is a non-profit and private institution, previously referred to as the International Accounting Standards Committee Foundation, and was renamed the IFRS Foundation in July 2010 (IFRS Foundation, 2022a). Since its inception in 1973, the IFRS Foundation, through its International Accounting Standards Board (IASB), has only focused on developing standards (IFRS) for financial accounting and reporting globally (IFRS Foundation, 2022a, 2022b). Between 1981 and 1990, the IFRS Foundation consultative group was established and consists of global institutions, such as the UN, the World Bank, the Organization for Economic Co-operation and Development. Subsequently, the International Organization of Securities Commissions (IOSCO) joined, and public authorities such as the European Commission and the US's Financial Accounting Standards Board (FASB) later joined as the Foundation's meeting observers (Camfferman and Zeff, 2007, 2018). Thus, the IFRS Foundation's members and trustees are predominantly from financial reporting domain and representatives of the capital market. Importantly, there is academic evidence that the IFRS Foundation relies extensively on a certain "network of bodies", such as the IOSCO and the World Bank for the endorsement and global diffusion of its standards (see Eroglu, 2017).

Moreover, as noted in Section 5.1, the European Commission and the EFRAG also play an active role in the global acceptance of IFRS, as it becomes more acceptable globally after its endorsement and adoption by the EU in 2005 (Alali and Cao, 2010). Further, Wingard and Bosman (2016) have also documented the constant financial support the IFRS Foundation receives from the European Commission. This, however, reveals the European Commission's influence within the IFRS Foundation's standard setting, with its social resources consisting of "money and power".

Nevertheless, the chronicle of the IFRS Foundation's contributions in the sustainability reporting arena can be traced to when it published a consultation paper on sustainability reporting in September 2020. The IFRS Foundation specifically asked:

> ""Is there a need for a global set of internationally recognised sustainability reporting standards?
> If yes, should the IFRS Foundation play a role in setting these standards and expand its standard-setting activities into the area?
> If not, what approach should be adopted?" (IFRS Foundation, 2020, p.14)".

Following our review of the consultation paper, the IFRS Foundation constantly associated its motivation to enter the arena with the calls it received from certain groups, particularly the IOSCO, Accountancy Europe, Eumedion and the International Federation of Accountants (IFAC).

> "There have been several recent calls for the IFRS Foundation to become involved in reducing the level of complexity and achieving greater consistency in sustainability reporting (IFRS Foundation, 2020, p.7)".

Although the IFRS Foundation is not a public institution, however, the public consultation it follows further reinforces its legitimacy as an issue amplifier. This is because it demonstrates the potential to mediate among arena participants and provide solutions to arena issues (Renn, 1992). Therefore, this study identifies the call for "harmonisation" and the need to reduce the level of "complexity" and increase "consistency" as the claims the IFRS Foundation relied upon as evidence to enter the arena:

> "[…] the IFRS Foundation action could lead to an approach that seeks to harmonise and streamline sustainability reporting, which could benefit stakeholders of the IFRS Foundation and benefit sustainability reporting (IFRS Foundation, 2020, p.8)".

Moreover, as part of the respondents of the consultation paper, the GRI state that:

> "[…] demand for disclosure that illuminates financial risks and opportunities resulting from sustainability issues are much broader than the issue of climate (GRI, 2020c, p.15)"
> "[…] the IFRS will have to address the question of whether its current governance and due process are appropriate (GRI, 2020c, p.16)"
> "[…] the GRI stands ready to engage closely with the IFRS Foundation to progress the interconnectivity of financial reporting alongside broader sustainability reporting (GRI, 2020c, p.18)"

In April 2021, without publishing the review of the respondents' answers to the three questions asked, the IFRS Foundation published its feedback statement based on the 577 comment letters received and concluded that it has a compelling case to intervene in the arena:

> "The responses indicated a growing and urgent demand to improve the global consistency and comparability of sustainability reporting, as well as recognition that there is a need for action […] there is a widespread support for the IFRS Foundation to play a role […] and […] create a new board to set IFRS sustainability standards (IFRS Foundation, 2021b, p.1)."

By reviewing the IFRS Advisory Council agenda paper, we identify that the IFRS Foundation based its interest on enterprise value creation and climate-related financial disclosure. This appears to be contrary to what the GRI suggested in its response to the consultation paper. In November 2021, the Foundation Trustees via the Technical Readiness Working Group (TRWG) announced its establishment of the new ISSB to work alongside the IASB to focus on the interconnectivity between financial reporting and sustainability reporting (IFRS Foundation, 2021a). However, in contrast to the EFRAG, the IFRS Foundation did not initially engage with the GRI in any way, but announced its consolidation with the SASB, IIRC, and CDSB only, despite the comments from the GRI emphasising its enthusiasm to work together with the IFRS Foundation (GRI, 2020c, p.18). The IFRS Foundation's TRWG consists of the members of the CDSB, the IASB, the VRF, the TCFD, and the World Economic Forum, supported by the IOSCO and its technical expert group to provide recommendation to the ISSB. Therefore, these institutions represent most of the groups and network of bodies involved in the preparatory work of the ISSB. In fact, the securities regulators, via IOSCO have publicly endorsed the ISSB and declare their unrelenting support for its agenda (IOSCO, 2022). Nevertheless, it can be argued that the experience and social influence of the VRF (SASB and IIRC) and CDSB as part of the existing sustainability institutions can be transferred to the ISSB as social resources.

However, the IFRS Foundation's agreement with the GRI did not occur until March 2022 (about five months after integrating other sustainability institutions) (IFRS Foundation, 2022c). This raises concern about the intention of the IFRS Foundation towards the GRI, because the agreement does not provide the GRI the same seat as the VRF and the CDSB. In March 2022, the IFRS Foundation via its ISSB published exposure drafts: the IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information" (IFRS Foundation, 2022d) and the IFRS S2 "Climate-related Disclosure" (IFRS Foundation, 2022e). These exposure drafts represent the ISSB's actions on arena issues (materiality, audience, scope and core priorities, purpose of reporting and relevance to sustainable development), and signals the direction it wants the arena rule to follow. By reviewing these drafts, this study understands that the ISSB proposed sustainability disclosure of information that will have implications for financial performance and material for investors and the capital market audience. For example, in the exposure of IFRS S1, the ISSB states that:

> "The objective of the draft IFRS S1 is to require an entity to disclose information about its significant sustainability-related risks and opportunities that is useful to the primary users of general-purpose financial reporting when they assess enterprise value and decide whether to provide resources to the entity"
> "[…] materiality is assessed in the context of the information necessary for users of general-purpose financial reporting to assess enterprise value"
> "Sustainability-related financial information is considered material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose of financial reports make on the basis of those reports" IFRS Foundation, 2022d, pp.5-7)".

This suggests that the "purpose of reporting" proposed by the ISSB is valuation stewardship without accountability, with the "target audience" representing investors and "materiality" built on the interest of capital providers only. Moreover, in tracing through the development of the exposure drafts, this study understands that the ISSB's behaviour in shaping the arena rule is consistent with the "network of bodies and groups" that dominated its development. For example, before consolidation with the ISSB, the SASB in its exposure draft give primacy to investors and other providers of financial capital with reference to the IIRC and the IASB, and base its approach on financial materiality:

> "Information is financially material if omitting, misstating or obscuring it could reasonably be expected to influence investment or lending decisions that users make on the basis of their assessment of short, medium, and long-term financial performance and enterprise value (SASB, 2020, p.7)"

Further, the recent guidance and framework released by the IIRC also advocate the idea of materiality being centered on an organisation's ability to create value (IIRC, 2021). This suggests that the IFRS Foundation's entry and behaviour in the sustainability reporting arena are premeditated to serve the capital market's interest only. This can also be traced to the members of the ISSB dominated by the IASB, investment community and business enterprises[6] (IFRS Foundation, 2022f).

However, the sequence of interactions and decisions made by the new standard setters and the GRI showcases the elements of an arena in terms of their individual agenda and social resources, including their behaviour on arena issues. Table 2 contextualised the claim, agenda, social resources, and behaviour of the new standard setters and the GRI on the arena issues, especially in determining the arena rule as harnessed in Sections 4 and 5[7].

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[6] On 8 June 2022, the IFRS Foundation Trustees appointed four further members, Richard Barker, Verity Chegar, Bing Leng and Ndidi Nnoli-Edozien as inaugural members of the ISSB, to join Emmanuel Faber (chairman) and Sue Lloyd (vice-chair). These members emerged from different constituencies, which include business enterprises, investment institution, academics and the IASB (IFRS Foundation, 2022g).

[7] The GRI analysis is based on the newly revised sustainability standards that the authors reviewed.

Table II: The new standard setters and the GRI's claims, agenda and social resources possessed, including their behaviour towards the issues in the arena.

Key Issues and Social Resources	**GRI and GSSB**	**IFRS Foundation (and VRF and CDSB)**	**EFRAG and EC**
Claim/evidence used to enter the arena	Need to ease the core tension within the space of social reporting (competing logics between civil regulation and social performance)	• Need for harmonisation • Greater consistency • Reduce complexity	Achievement of the European Green Deal
Network of bodies most engaged and that motivated the intervention in the arena	• Labour and mediating institution • Business enterprise • Investment institution • Civil society organisation	• Accountancy Europe • IFAC • IOSCO • Eumedion	European Commission
Key and type of social resources possessed	• Sustainability standards experience and expertise (over twenty years core knowledge) • Established goodwill in the arena • Global leadership	• Professional influence (Financial Accounting and capital market's influential actors' support • Transferable resources from the VRF and CDSB	• Legal power • Money
Sustainability Board Members Constituencies and Background	• Labour and mediating institution • Business enterprise • Investment institution • Civil society organisation	• Business Enterprise • IASB • Academics • Investment institution	• European public institutions, authorities, and agencies • Civil society organisation • European stakeholders' organisation • European national standard setters • The national organisations chapter (countries)
Audience	Multi-stakeholder	Investors and other financial capital providers (investment community)	Multi-stakeholder
Materiality	Double materiality-Emphasises disclosure of all aspects that reflect organisational ESG impacts, and that can influence the multi-stakeholder's ability to assess organisational performance	Financial materiality: "entity's impact on society and the environment, if those impacts could reasonably be expected to affect the entity's cash flow" (IFRS Foundation, 2021b).	Double materiality (society's interest; social and environment protection), and financial returns protection
Scope and Core Priorities	Concerned with the impacts of companies on sustainable development (significant impacts on the economy, environment, and people, including impacts on human rights).	Enterprise value-investor's interest and climate related risks	All organisations' ESG issues (including its impact via broader value chain). Climate as a key element of the EU's sustainability reporting standards, and adequate coverage of key sustainable themes ESG

			External assurance Large companies (listed or not) Integrating the EU's sustainable finance disclosure regulation and Green Taxonomy and guidelines on reporting climate-related information
Purpose of reporting	Accountability	Valuation stewardship	Accountability and valuation stewardship

Source: Author's elaboration

With reference to Table 2, it can be argued that the GRI, the EFRAG/European Commission and the IFRS Foundation/ISSB possess different social resources, priorities, and agenda, and occupy diverse positions on the direction of sustainability reporting standardisation. Importantly, their level of interactions and engagement among one another and other participants reveals that they do not stay passive, but rather engage enthusiastically in the arena (Renn, 1992). This further reinforces their attempt to change the arena rule towards their individual agenda. Hence, the next section analyse the consequences of the IFRS Foundation/ISSB and the EFRAG/European Commission's influences and behaviour for the future direction of sustainability reporting standardisation, especially for the GRI standards current position.

6. The influence and behaviours of the EFRAG/European Commission and the IFRS Foundation/ISSB: implications for the future direction of sustainability reporting and the GRI's current position

The main issues representing the tensions that surround sustainability reporting standardisation can be associated with the global sustainable development target among world leaders and policy makers (United Nation, 1987; 2022a). Therefore, it can be argued that the influence and motivation of the IFRS Foundation and the EFRAG as new issue amplifiers entering the arena stem from the persistent pressure of their individual audience, demonstrating their displeasure with the arena issues. As discussed in section 5, the IFRS Foundation relies on the calls made by a certain network of bodies that represent its main audience from the financial reporting domain, particularly the IOSCO, the Accountancy Europe and IFAC as the claim to enter the arena. Further, it used their concerns and demand for harmonisation, greater consistency and reduction of complexity in assessing the link between non-financial performance and long-term value creation as other basis/claim to intervene in standardising sustainability reporting. Likewise, the EU members of state and stakeholders' commitment to achieve the Green Deal represent the main claim of the European Commission/EFRAG towards developing the new sustainability standards.

Consequently, this reinforces the distinctive global position that the EFRAG and IFRS Foundation's ISSB holds in the arena. First, the EFRAG/European Commission sees climate change as the global challenge for the future of the EU, because of the environmental objectives of the European Green Deal, with the emphasis that sustainable development issues should be taken into significant consideration. Therefore, this study argues that the proposed EU sustainability standards will build on "double materiality" and "multi-stakeholder perspective" and be consistent with the taxonomy regulation to improve corporate disclosure on the extent to which EU companies' activities are environmentally sustainable. This position shows that the EFRAG/European Commission is attempting to defend their technical authority and protect their audience's interest, especially in achieving the EU Green Deal.

However, the significant changes the GRI made to its sustainability standards (as discussed in Section 4.2) demonstrate its consistent approach towards its primary claim and agenda in the arena. For example, the revised universal standards (and materiality) now consider all companies' impacts, including social impacts across their value chain (reputational, operational and financial). Further, the shift from redefining topics based on "importance to stakeholders" to "level of significant impact on the planet (environment), people and economy", including impact on human rights, echoes the potential of the standards to drive business behaviour towards sustainable development. This is because sustainable development information should be reasonably capable of assessing how social and environmental issues affect organisations' ability to create value (i.e., outside-in perspective), and how organisations' activities impact the environment and society (i.e., inside-out perspective) (Adams *et al.*, 2021). The revision of the GRI standards meets this description and at the same time in agreement with the EFRAG/European Commission's purpose of reporting:

> "reinforce the need for companies to report information relevant to comprehend how sustainability matters affect them, and the impact they have on people and the environment in return" (European Commission, 2021b, p.8).

This therefore presents the case that the EFRAG/European Commission cannot renounce their approach and agenda in the arena, as "double materiality" and "multi-stakeholder perspective" remains the possible bridge to achieving the European Green Deal and sustainable development in Europe. Moreover, their approach is closely aligned with the GRI's objective in terms of behaviour towards the arena issues, which suggest that they agree about how sustainability reporting should be regulated.

On the contrary, our findings show that the IFRS Foundation/ISSB's strategic direction has not been consistent with its prior claims and evidence used to enter the arena. For example, the key claim is to streamline sustainability reporting and bridge the gap of complexity between financial and sustainability reporting in a way that could benefit all stakeholders. However, the Foundation trustees and the ISSB tend to ignore these views as their behaviour towards the arena issues points towards a different ruling. For instance, its conceptualisation of materiality as "entity impact on society and the environment, if those impacts could be reasonable expected to affect the entity's cash flow" (IFRS Foundation, 2021b) shows that the interests of arena participants outside the capital market are not considered. Further, following the IFRS/S1 and S2 (IFRS Foundation, 2022d, 2022e), this study identifies that the ISSB aims to serve and promote the reporting of financial-related sustainability information only with a primary focus on climate-related risks. This demonstrates the IFRS Foundation/ISSB's attempt to change the arena rule to one pillar of double materiality, "outside-in perspective", which will benefit only capital market participants and investor groups in the arena.

Moreover, the GRI emphasised in its response to the IFRS Foundation consultation paper that:

> "(…) without a comprehensive understanding of the impacts of the reporting entity's activities, emissions for example, in the case of climate change- it is not possible to assess associated financial transition risks and opportunities and effect on the financial statements and financial valuation of the entity (GRI, 2020c, p.11)".

Consequently, we argue that the folding of VRF and CDSB into the ISSB without equal footing for the GRI may come from the IFRS Foundation's assumption that the GRI may contradict its underlying agenda of promoting financial materiality and interrupt its other future-plans. This assumption would seem reasonable, considering relevant cases in this context. First, while the European Commission and EFRAG admit the existence of different sustainability institutions, particularly the GRI in its consultation on Directive2014/95/EU revision, the IFRS Foundation failed to acknowledge the existence of the GSSB and GRI standards in its consultation paper. This is because question 1 and 2 asked in the consultation paper explicitly refute the presence of the GSSB and its contributions over time (IFRS Foundation, 2020). Second, despite the GRI's emphasis to engage with the Foundation to progress the interconnectivity of the financial reporting alongside broader sustainability reporting, the GRI is yet to be provided with equal footing like other sustainability institutions. Third, the ISSB's behaviour and direction on arena issues, especially audience, materiality and scope and priorities are in line with the VRF principles.

Moreover, the IFRS Foundation/ISSB appears to have moved completely away from mobilising sustainability standards that can pursue the disclosure of sustainability information that goes beyond financial implications for organisations. In the recent collaboration agreement signed between the GRI and the IFRS Foundation, the aim is to provide two pillars of international sustainability reporting:

> "[…] The IFRS Foundation and GRI provide two pillars of international sustainability reporting-a first pillar representing 'investor-focused capital market standard of IFRS sustainability reporting requirements set by the GSSB, compatible with the first designed to meet stakeholder needs (IFRS Foundation, 2022f)".

Consequently, this study argues that the word "harmonisation", used frequently by the IFRS Foundation in the consultation paper (IFRS Foundation, 2020, pp.8-14), was just a means and rhetorical device to justify its need to enter the arena. Particularly, it appears to be used as an avenue to create a new rule, serve a specific faction in the arena, especially investors and other capital providers and defend its technical authority. Moreover, the consolidation of the SASB, IIRC and the CDSB who share a similar orientation to the IFRS Foundation's objective, further reinforces this claim. This, however, suggests that the IFRS Foundation/ISSB's behaviour on arena issues and towards the GRI is a premeditated plan to pursue its underlying agenda of changing the arena rule from multi-stakeholder process to capital market needs only. Thus, it is logically evident that the GRI and the EFRAG/European Commission are both on a similar path of sustainability reporting standardisation that can address business disclosure (of both outside-in and inside-out impact perspectives), and the behaviour of the ISSB has the potential of changing the rule in the arena. This therefore raises questions on how the GRI standards can maintain its relevance and existence in the arena, amid the influence of the EFRAG/European Commission and IFRS Foundation and their potential sustainability standards.

6.1. *Potential consequences for the GRI standards' current position in the arena*

As previously discussed, arena participant "succeeds or fails depending on the amount of influence he has been able to exert on the resulting decision or policy" (Jaeger et al., 2001, p. 176) and social resources possessed (Georgakopoulos and Thomson, 2008). Thus, it can be argued that the GRI's discretionary approach (lack of mandatory adoption) and role as issue amplifier, and not a rule enforcer in the arena creates a favourable position for the new standard setters. Although the IFRS Foundation and EFRAG are not rule-enforcers, however, it can be seen that their influence stem from the regulatory push and demand to meet the needs of their specific audience in the arena.

Hence, this study argues that the EFRAG will benefit from the social resources of the European Commission as the rule enforcer, particularly the "legal power and money".

In contrast, it appears that the IFRS Foundation/ISSB has leveraged its influence in the arena on its network of bodies and groups from the financial reporting domain. For example, it has received confidence from its audience in the arena, particularly the IOSCO which has been instrumental in pushing for the acceptance and enforcement of its standards over the years (IOSCO, 2022). Further, before merging with the IIRC, the SASB standards were the most preferred in the U.S and among management investment institutions, because of their framework appropriateness to US corporations and SEC filings (BlackRock, 2020; PricewaterhouseCoopers, 2016). Therefore, the integration of the SASB into the IFRS Foundation/ISSB suggests a potential acceptance of the Foundation's sustainability standards in the US territory, considering the historical acceptance of the SASB in the US. Hence, the social influence of the network of bodies that dominated the ISSB can play a significant role in pushing for its potential sustainability standards' adoption and enforcement. Consequently, occupying a space in other jurisdictions where there is a mandatory adoption of new potential standards, especially from the IFRS Foundation/ISSB is the main challenge the GRI standards will face in the arena.

However, as presented in Table 2, the GRI's social resources stem from the global adoption of its standards, established goodwill in developing impact disclosures standards, substantial sustainability experience of the groups and network of bodies involved in its development. For example, over 160 policies in 67 regions and countries require or reference the GRI for reporting, including 40 stock exchanges and 35 financial market regulators (Van der Lugt and Van de Wijs, 2020). Hence, it is safe to suggest that the GRI/GSSB governance structure built on multi-stakeholder process shows the extent to which ideas are exchanged among its members in creating common language for sustainability reporting. Therefore, the strong sustainability credentials of its members and experience as documented in Section 4 represent evidence of its goodwill in shaping the arena rule towards addressing issues that matter to all stakeholders, to reach conclusions on organisations' impact on sustainable development. Thus, this study argues that the GRI's goodwill in the arena, particularly in terms of "impact reporting for a multi-stakeholder audience" reinforces its relevance and credibility as an essential factor to occupy the "impact" perspective in the sustainable development and corporate reporting setting without the need to reinvent the wheel.

Moreover, the analysis shows that the purpose of the ISSB's creation and its potential contribution to ensuing a sustainable future remains ambiguous, as it signals to create more confusion, duplicate the GRI and GSSB's effort and slow the pace of resolving the complexities present in the arena. For example, the VRF and the CDSB consolidated into the ISSB does not possess the relevant credentials and experience required to pursue the wider claims of the various stakeholders involved in the arena. In contrast, in addition to the existing 17 members of the EFRAG integrated into the EFRAG's sustainability pillar, another 13 new member organisations have also joined, which include civil society organisations, such as the Frank Bold Society (EFRAG, 2022b). This suggests that the EFRAG sustainability pillar is being structured on multi-stakeholder process, which is consistent with the GRI. Therefore, our analysis suggests that the GRI's co-construction partnership with the EFRAG would logically improve its influence and power in the arena.

First, the EU sustainability standard would be consistent with the existing European framework, ambition of the European Green Deal, taxonomy regulation and sustainable finance disclosure regulation. Therefore, the GRI would potentially become stronger due to the possibility of European standards being consistent with its revised standards, which is already in line with the social expectations, planetary boundaries, and authoritative intergovernmental instruments. In fact, the GRI can benefit from the social influence and goodwill it has gathered over time and become mandatory under the authority of the European Commission (considering the objective of the European Commission's audience in the arena). Second, the diversity in the agenda and priorities of the IFRS Foundation's audience in comparison to the European Commission suggests that the IFRS Foundation may not receive favourable support from the European Commission, particularly in terms of enforcing the ISSB's standards. This poses a potential challenge for the adoption of the IFRS Foundation/ISSB's sustainability standards in Europe.

Moreover, this study argues that the agreement the IFRS Foundation and EFRAG signed with the GRI is an initiative to benefit from the GRI's social resources and mobilise public support for their agenda in the arena (Renn, 1992). In agreement, the chair of the EFRAG-PTF, Patrick de Cambourg highlights that:

> "[…] in the spirit of co-construction and convergence we promote, we want to benefit from long-lasting precursors and avoid reinventing the wheel while contributing at the same time to further substantial progress globally (GRI, 2021b)."

Likewise, the Director General of the Financial Stability, Financial Services and Capital Markets Union, European Commission, John Berrigan emphasises that:

> "European sustainability reporting standards should build on and contribute to the progress of existing standards and frameworks that are widely used by companies" […] and " […]cooperation between EFRAG and GRI is an important step towards promoting convergence between European and global sustainability reporting standards (GRI, 2021b)"

Consequently, this suggests that the EFRAG's partnership with the GRI is to demonstrate to its audience that it has access to the GRI's sustainability experience and other social resources. Thus, this may reinforce the audience's confidence in the EFRAG/European Commission's ability to drive the sustainability reporting standardisation in Europe in the direction of global sustainable development. However, at the same time, this represents great value to the GRI in terms of protecting its technical authority, and improving its relevance in the arena, which may also mitigate the risk from its main challenge identified above, particularly in Europe.

7. Conclusions and Suggestion for Future Research

This study explores the agenda, influence, and behaviour of the IFRS Foundation/ISSB, the EFRAG/European Commission and the GRI in the standardisation of sustainability reporting within the European landscape. It focuses critically the issues bothering the European's standard setting arrangement and its future direction, including the behaviour of the new standard setters and their implications for the existence and relevance of the GRI standards. The application of the arena concept enables a deeper understanding of the drive for the actions, particularly pattern of interaction amongst the GRI and the new influential institutions, and what this could mean for the future direction of sustainability reporting and the GRI standards in Europe.

First, Afolabi *et al.* (2022) assume that the external actors' actions in the sustainability reporting arena are premeditated to defend their technical authority. Our results confirm this conjecture. Further, by extending the analysis, we unravel the claims (evidence) used by the new influential institutions to enter the arena, in comparison with the key social resources they have acquired (and their actions after entering the arena) and reveal their actual inclination towards sustainability reporting standardisation. Thus, our findings show that the IFRS Foundation/ISSB's agenda before and after entering the sustainability reporting arena is never about sustainable development. For example, whilst the exposure draft issued by the ISSB identifies opportunities and risks that can emerge from climate-related events, it continuously ignores the impact an entity's operation can have on the environment (inside-out perspective). Therefore, this study argues that the outside-in perspective captures the short-term impact, and only the inside-out perspective can capture more long-term impacts of sustainability issues and the entity ability to create value. This is because materiality is dynamic and issues that are material from outside-in (impact) today can become material issues from inside-out tomorrow, which represents the objective and importance of sustainability reporting. Hence, our results contribute to the literature on external actors' behaviour in sustainability reporting arena (Afolabi *et al*., 2022; Humphrey *et al*., 2017), because we do not only reveal the true agenda of the new institutions, but we also show that in the areas of policy issues and standards development, standard setters can conceal their real agenda to gain acceptance.

Second, our findings reveal the possible fall away from sustainability reporting that could guide business behaviour towards sustainable development, if the GRI and its sustainability standards cease to exist. For example, while the objective and importance of sustainability reporting is about disclosure to multi-stakeholder and action towards sustainable development, the ISSB's potential standards will be based on the users of general-purpose financial reporting. Inarguably, this will not capture the need of other stakeholders who are interested in other risks that an organisation's operation poses to the environment. This can be connected to the influence and social resources the IFRS Foundation/ISSB has gathered, such as the confidence of network of bodies that have significant influence in the capital market and power to push for the adoption of its potential standards, such as IOSCO.

Consequently, it is evident that there is still contestation about what should be of priority between "financial sustainability" and "social and environmental sustainability", and how they should be assessed among the main participants in the arena. Therefore, our results draw attention to important issue related to the agenda and strategic behaviour of the IFRS Foundation/ISSB in manipulating the focus and objective of sustainability reporting arena, by joining forces and resources with selected participants to change the direction of sustainability reporting standardisation (Renn, 1992). This therefore highlights the dynamics at play inhibiting the sustainability reporting harmonisation and sustainable development, and thus contributes to the knowledge on sustainability standards setting for sustainable development (e.g., Abela, 2022; Adams and Abhayawansa, 2022).

Third, our analysis also reveals that the GRI revised standards has captured the ecological, financial, and social thresholds that define sustainable development, and any contrary orientation from other arena participants could be damaging for sustainable development. Particularly, we find that the GRI is keen on maintaining its position and not ready to renounce its objective and orientation in the arena. For example, as seen in the study, the GRI do not stay passive, but engaged enthusiastically to protect its existence. Importantly, the pattern of its interaction and communication with the IFRS Foundation/ISSB and the EFRAG/European Commission on the issues bothering the standardisation of sustainability reporting demonstrate its consistency with its primary values and beliefs of protecting people and planet against business operations. Thus, we contribute to the debate of hegemony in the sustainability reporting arena raised in prior study (Afolabi *et al.*, 2022), by demonstrating that without legal power, non-state standard setter can still maintain its authority via other social resources, such as technical competence, established goodwill, and constant engagement with the key issues involved in standards development.

Moreover, our results show that the GRI possessed social resources that are significantly lacking among the new powerful standard setters, which creates a case for perceived growth in its influence, relevance, and power in the arena. This study, therefore, extend prior studies on GRI (e.g., Adams *et al*., 2022; Slacik and Greiling, 2020), by providing insights into its behaviour amidst the potential changes in the direction of standardising sustainability reporting, and reinforces its significance in driving business reporting and behaviour towards sustainable development.

However, this study has certain limitations. First, there are other arena participants and groups with diverse ideas and agenda towards the standardisation of sustainability reporting in Europe. Regardless, this study only examined limited information and public documents pertinent to the IFRS Foundation/ISSB and the EFRAG/European Commission in understanding the implication of their behaviour for the GRI standards' current position. This perspective may have excluded other significant insights from other participants and groups in the arena. Second, this study only analysed the available public releases pertinent to the GRI, IFRS Foundation and the EFRAG/European Commission's current actions on the tensions in the arena. Thus, the plans of the three institutions for the future remain unharnessed. Therefore, we argue that the issue of standardisation of sustainability reporting in Europe and the GRI's involvement does not stop here. Consequently, future studies may consider investigating more critically what may have led to the choice of decisions and strategic decision taken by the GRI, the IFRS/ISSB and the EFRAG/European Commission via a different lens, such as interviewing their key members.

Further, the findings of this study can be extended by exploring how the GRI/GSSB intends to maintain its position and continue to pursue its objective of global sustainable development in the presence of the new influential standard setter, such as the IFRS Foundation.

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