

## Comments from ACCA to the Climate Disclosure Standards Board (CDSB)

19 May 2014

Consultation on Edition 2.0 of CDSB Framework

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ACCA (the Association of Chartered Certified Accountants) welcomes the opportunity to respond to the Climate Disclosure Standards Board (CDSB) on Edition 2.0 of the CDSB Framework.

In summary, ACCA believes that:

- Connecting environmental information with financial information and other disclosures within a mainstream report will enhance the relevance of all forms of information and allow the users of reports to better understand the environmental context within which an organization operates.
- The CDSB reporting frameworks present an opportunity to standardize the disclosure of environmental information within mainstream reports, which will increase the comparability of results across different organizations.
- As there are a number of different reporting frameworks available to reporting organizations at present, CDSB needs to be clear how their revised framework fits within the broader reporting landscape.

ACCA recommends that:

- CDSB should ensure that the terminology used within version 2.0 of their framework is consistent with other widely used reporting frameworks to ensure widespread use and harmonization.
- CDSB should work in collaboration with other organizations such as SASB, the GRI and the IIRC to develop a communication that compares and contrasts the various reporting frameworks, so that stakeholders can see how they fit with one another.
- CDSB should produce some practical examples / case studies on how to report using version 2.0 of their framework, potentially generated through a pilot study.

Detailed answers are provided in Appendix I to this letter.

For further information on this consultation response, please contact Gordon Hewitt, Sustainability Adviser at ACCA via email at [gordon.hewitt@accaglobal.com](mailto:gordon.hewitt@accaglobal.com).

## Appendix I

ACCA is pleased to comment on the above consultation. The ACCA Technical Department have considered the matters raised and their views are represented in the following.

### **1. The objective of the Framework is explained in Section I. Do you agree with the objective as stated?**

ACCA believes that CDSB's framework has the potential to help organisations prepare and present environmental information in or linked to their mainstream reports, and to do so in a more comparable way. This is important as it enhances the relevance of the environmental information and allows the users of reports to understand the environmental context within which the reporting organisation operates.

Connecting environmental information with financial information and other disclosures within a mainstream report will allow the users of reports to assess the various environmental risks and opportunities facing an organisation and help them assess an organisation's strategy and commitment in light of the various environmental challenges that are impacting us today.

### **2. Do you agree that there is a need for a Framework that focuses on: A) Reporting requirements for particular reporting organizations (defined in Section I);**

Yes – the emphasis of the framework should be on the reporting process i.e. how a company determines what to report on, which is supported by specific disclosure requirements i.e. guidance on which indicators and reporting standards can be applied.

A number of non-financial reporting frameworks exist at present, such as those produced by the GRI and SASB. These contain guidance and specific indicators for companies to report on their environmental impacts. CDSB needs to clearly demonstrate how this framework differs from those already in existence and build a strong case as to why companies should apply the CDSB framework over or in addition to others. This will be necessary to ensure that efforts are not duplicated and reporter support is obtained.

CDSB should also communicate how its framework complements others that are already in existence. It would be beneficial to work in collaboration with other organisations such as SASB, the GRI and the IIRC to develop some kind of communication that compares and contrasts the various reporting

frameworks, so that stakeholders can see which frameworks are available and how they fit with one another.

Existing non-financial reporting frameworks, such as GRI's, are predominantly to produce sustainability reports whilst the focus of the CDSB framework is on how companies can present environmental information in or linked to mainstream reports. This crucial difference is explained in section IV of the framework (how to report). CDSB should include this information earlier in the guideline so that potential users can clearly see how this framework differs from others available.

#### **B) Specific environmental information (as defined in the draft Framework);**

See 2A above.

#### **C) A specific audience (investors)**

No – investors should be identified as a key audience of reports, but to limit the audience in this way does not recognise the fact that corporate reports are used by a range of different stakeholders in a company, including civil society, employees, suppliers and local communities among others. If the audience is broadened, some guidance on stakeholder engagement will be required as materiality thresholds are different for different stakeholder groups. CDSB could also demonstrate how information that is required / used by investors is also relevant to other stakeholder groups.

#### **D) Information presented in mainstream reports?**

Yes – environmental information should be presented in mainstream reports as doing so allows the users of reports to better draw links between environmental impact and financial performance. If financial information and non-financial information is presented in different reports, then there is a risk that the different forms of information are reviewed in silos. Separately disclosing environmental can also indicate that the reporting organisation manages its financial performance and environmental performance in silos.

Presenting the information in mainstream reports reduces the risk of inconsistent messaging from reporting organisations (which can be construed as spin). It also increases the comparability of an organisation's disclosures as it encourages the application of consistent reporting periods of environmental and mainstream disclosures, for example.

**3. Scope of the Framework. The Framework asks for information about “changes” by organizations to particular “*environmental elements*”. These**

environmental elements represent a sub-set of resources and processes often described more widely as “natural capital”.

**A) Do you believe that the scope of the Framework is appropriate?**

As natural capital covers a broader spectrum of issues, it would be helpful to know if and when CDSB intend to cover other areas not covered by this framework, such as marine resources, non-fossil fuel minerals and renewable energy sources to name a few.

Waste is another area where the framework could be more detailed. The framework currently refers to greenhouse gas emissions and water discharge, but little nothing has been included on solid waste management, recycling or the management of toxic chemicals for example. As noted in 2A) other non-financial reporting frameworks exist that offer a broader range of environmental aspects, so CDSB could refer to such frameworks.

Further to this, the Natural Capital Coalition (NCC) is working on the Natural Capital Protocol (NCP), which is a framework for valuing and reporting on natural capital. CDSB should engage and collaborate with the NCC which would also ensure that efforts to develop natural capital reporting are not duplicated.

**B) If not, is the scope too wide or too narrow? Please explain why.**

The scope is too narrow (see above).

**C) If too narrow, which other environmental elements or other subject matter should it cover and why?**

See answer 3A.

**D) If your organization already does or is planning to report on natural capital through a mainstream report, do the Framework’s requirements help (albeit the environmental elements represent only a subset of natural capital at this stage) and if so, how?**

N/A.

**4. Form of reporting environmental information in mainstream reports.** Given that the content and presentation of mainstream reports varies, it is difficult to specify exactly where and how information should be reported, but there is a demand for consistency of approach so that readers know where they can expect to access information.

**A) Do you think that there is a particular part of a mainstream report that should include environmental information, such as management discussion / analysis / commentary or does it depend on the nature of the information?**

The location of environmental information within a mainstream report would depend upon its nature. For example, information on environmental risks and opportunities could fit well within an organisation's strategic report, whilst information on the governance structures around environmental management would fit within an organisation's corporate governance statement. Quantitative environmental performance data could be linked to financial information, within the notes of the financial statements. Disclosing throughout the report is also an effective way of integrating environmental information rather than having it cordoned off within a section.

In order to aid the integration of environmental information into mainstream reports, environmental accounting methodologies should be developed and applied by companies. CDSB should look to work with accounting standard setters such as the IASB on how environmental information can be brought into financial statements.

**B) Do you think we should reproduce the guidance in paragraph 2.34 of Edition 1.1 of the CDSB Framework<sup>1</sup> which outlined options for presenting environmental information within management commentary;**  
 — as a separate section, under a subheading within the risk section;  
 — interspersed in various sections of the management commentary to reflect linkages between environmental information and other aspects of the company's business such as corporate strategy, capital resources, key performance indicators and so on?

It would be preferable to have the information interspersed in various sections of the management commentary. It would also be beneficial to provide examples of how the two options could look in practice.

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<sup>1</sup> 2.34: There are three principal options for presenting climate change information within management commentary: present a separate climate change section; present as a subheading within the risk section; and intersperse a discussion of climate change issues within various sections of the management commentary to reflect the linkages between climate change and other aspects of the company's business, such as corporate strategy, capital resources, liquidity, key performance drivers and outlook.

**C) Should the Framework include guidance on how environmental information should be reported where the mainstream report is communicated online?**

Yes, although few companies produce mainstream reports that are exclusively communicated online. This is merely a presentational issue, as the reports include the same information via different media. As such, web designers would need to input into the process. It would be useful for CDSB to clarify what they mean by a mainstream report that is communicated online (i.e. a pdf that is accessible online or an interactive website that replaces a mainstream report).

**5. Environmental information in mainstream reports.** The Framework focuses specifically on requirements and guidance that help organizations to report on environmental information in mainstream reports. This is because CDSB believes that organizational performance is affected equally by the economic / financial *and* the environmental resources that a company needs / uses as well as by the effect of its activities and outputs on economic / financial and environmental resources.

**A) Do you think that environmental information produced according to the Framework is sufficient to explain how performance is affected by the organization's dependence on, use of and effect on environmental elements?**

The approach detailed in section II of the framework contains all of the elements necessary to explain how performance is affected by the organization's dependence on, use of and effect on the environmental elements included in the framework.

To aid companies in applying the framework, it would be helpful to provide examples or case studies showing what would constitute compliance with the framework. It would be good to have a pilot study where companies using the framework could share their experience and develop best practice reporting.



At present, the framework addresses only a few specific issues. It would be good to know about any intentions to expand the framework.

**B) If not, what requirements should be added or changed?**

N/A

**6. What are your views on the language and terminology used throughout this Framework? In the interests of clarity and due to the absence of existing definitions, it has been necessary to define certain terms in the Framework, mainly in Section I. In other cases, for consistency, we have adopted language from existing reporting frameworks and standards with which we expect business is already familiar**

**A) What are your views on the definitions, style, clarity of language, jargon etc. used in the Framework?**

It is beneficial to include the definitions upfront, especially with regard to the environmental elements addressed by the framework. Including a glossary of key terms would be useful. This would help explain what the many words and phrases that have been included in bold are to ease confusion.

**B) Do you have any suggestions for simplifying the language, definitions and terminology without losing clarity?**

For the definitions around natural capital / global commons, it would be helpful to reference where these definitions have been sourced from and ensure that the definitions are consistent with other established ones being used by organisations such as UNEP, the Natural Capital Declaration or the Natural Capital Coalition.

CDSB should align the language and terminology with other reporting frameworks. For example, the CDSB framework refers to reporting on environmental elements / matters whilst the GRI framework refers to reporting on material aspects. Consistency is critical for widespread use and harmonisation.



**C) Are the definitions, language and terms used in the Framework consistent with those in other reporting initiatives and standards that you use?**

There is a slight difference in the definition of natural capital used by ACCA: *the stock of natural ecosystems that yield a flow of valuable ecosystem goods or services.*

**7. Minimum reporting requirements.** Various commentaries and reports refer to corporate reports being too long, cluttered and complex, thereby obscuring information that is important for decision-makers. The Framework repeats requirements from previous editions that information should be “characterized and presented clearly and concisely.”

**A) Do you think that specifying minimum reporting requirements for “environmental requirements” (as defined in the Framework) would help to achieve more relevant and concise disclosures?**

Yes. It would also ensure that companies do not report too little and report in a consistent manner.

**B) If so, what do you think those minimum requirements should be for each environmental element? For example, what are your views on the inclusion of non-Kyoto greenhouse gasses and whether we should provide for voluntary reporting of scope 3 (downstream) GHG emissions?**

Each element would require specific minimum reporting requirements. CDSB would need to engage / consult with reporters and also be consistent with other specialist frameworks already available. It would be important to find a balance between these to establish minimum reporting requirements.

**C) If not, do you have any other suggestions as to how the Framework's requirements could be refined so as to help reduce the length and complexity of corporate reports that contain environmental information?**

A focus on the materiality process is key to ensure that the Framework's requirements do not result in long, complex reports – especially if the framework is expanded to include further environmental elements and considering that organisations will likely report on social and governance related information.

**D) How helpful are the requirements in Section IV, particularly about relevance and materiality, in helping to identify the minimum information that should be reported in order to satisfy the objectives of the Framework?**

These requirements are very helpful, as without them the framework could result in a tick-box approach to reporting. There is an argument to bring this information up within the guidance (i.e. describe the approach to reporting before the actual matters to report on).

**8. What are your views on the availability and maturity of metrics and indicators for use in environmental reporting? In particular, we are interested in your views on which metrics and indicators are most widely used and most useful for communicating environmental performance. We would also welcome your views on the further development of metrics and indicators for environmental reporting that would be of assistance to users.**

The GRI indicators are well established and used widely by companies around the world. The CDP questionnaires could also be a good source of indicators. CDSB should avoid creating new indicators, but rather harmonise the use of existing indicators. CDSB should also keep abreast of any developments from the NCC and what emerges from their current work programme.

**9. Influences.** The development of the Framework has been influenced by other frameworks, standards and initiatives that share CDSB's objectives and cover similar subject matter. References to other materials are shown in the Framework. At this stage in development, we are aware that they may not be complete.

**A) What other influences should CDSB take into account in developing its Framework?**

CDSB could include some references to sector / commodity focussed standards such as the FSC, RSPO and WRAP for example. This would be particularly relevant if the framework was expanded to include further environmental elements.

**B) What other references should be included which are helpful for the preparation of environmental information in mainstream reports?**

CDSB could look to the IIRC, SASB or the King III reporting requirements. These require the presentation of financial and non-financial information within one mainstream report. A useful exercise could be to cross reference other existing frameworks, setting out the complementarity and key differences.

**10. Assurance and verification.** REQ-17 asks organizations to disclose whether assurance or verification from third parties has been obtained for some or all of the environmental information disclosed in response to the Framework's requirements.

**A) What other standards or approaches may be used for verifying or assuring environmental information?**

The standards included within the framework appear complete.

**B) What are your views on whether assurance or verification should be required for environmental information disclosed in mainstream reports?**

CDSB should encourage assurance or verification as it can enhance stakeholder confidence in the reliability of the data presented by an organisation and drive improvements in data capture, management and interpretation. This should encompass an organisation's materiality assessment to ensure that all material issues have been addressed. Due to the nature of some of the reporting requirements included within the CDSB framework (contextual, forward looking information) assurance on all areas of the framework may not be possible.