The Climate Disclosure Standards Board (CDSB) Reporting Framework – Exposure Draft

Invitation to comment

Responded by:

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Introductory questions

1. Do you agree that a single global framework for climate change-related disclosure in mainstream reports is necessary and / or possible, notwithstanding the background of different national developments? If not, please explain why?

Agreed: A global reporting framework is highly desirable. Its benefits include:

- Providing consistent numbers across countries to allow performance to be compared.
- Simplifying reporting by multi-national companies.

2. Do you agree with CDSB's overall approach of aligning its Guiding Principles to existing relevant principles and objectives of financial reporting so as to elicit information of value primarily for investors? If not, please explain why and share with us your ideas for a new/different approach to climate change-related reporting.

Agreed.

3. At the current stage in its development, the CDSB Reporting Framework, including the Reporting Templates, are designed for general use by all companies within the stated scope of applicability. Do you agree that further work is required to develop the Reporting Framework, including the Reporting Templates, to take account of particular sector-specific issues related to climate change? If so, please provide your recommendations, referring to particular sector specific climate change-related initiatives if possible.

Yes, sector-specific Reporting Templates will definitely facilitate the adoption of this Framework.

Characterizing decision-useful information

4. Do you agree with the principles and characteristics of decision-useful information that CDSB recommends for making judgments on the information to be disclosed under CDSB's Reporting Framework? If not, what additional principles or characteristics are required, or which ones suggested in the Framework would you change?

See question 11

5. Do you agree that the CDSB characteristics of decision-useful information are practical for companies to apply and sufficient to limit the amount of information disclosed to the most relevant content for users? If not, what additional guidance or information do you suggest CDSB include?

See question 11. Specifically for SME's may not have sufficient resources to conduct analysis and assessment for this information.

Content

6. Do you agree with the content that CDSB recommends for potential inclusion disclosures under the CDSB Reporting Framework? If not, what additional areas would you recommend or which types of information in the Reporting Templates would you change?

See question 11

7. Does one or more of the jurisdictions in which you operate already have requirements for any of the content in the Reporting Templates to be disclosed according to local rules? If yes, are the requirements consistent with the proposed CDSB Framework including the Reporting Templates? If they are not consistent, what are the major areas of conflict or difference?

No for Hong Kong and China which are our main areas of operation.

8. CDSB's proposed Reporting Framework requires companies to define and explain the performance measures and indicators they use to track and demonstrate their progress in responding to climate change. CDSB considers performance measures and indicators to be crucial elements of decision-useful information as they aid understanding and comparability over time, provided that consistent metrics are used year on year. Do you foresee particular challenges in setting and explaining performance measures and indicators, and using those metric on a consistent basis over time? If so, please explain those challenges.

See question 11

Practicalities

9. How do you anticipate information for compliance with the CDSB Reporting Framework will be collected in your organization? If possible, please state whether

in-house or proprietary software is likely to be used, which departments would be involved in the collection and review of information, and how long the annual information collection process is likely to take.

We already have developed out own database system. Our subsidiary companies can enter their data into over the internet.

10. What practical issues do you envisage when disclosing under the CDSB Reporting Framework? For example, constraints on the length of the mainstream report or particular requirements applicable in the jurisdiction in which you operate. What could CDSB do to limit any practical difficulties associated with reporting under the CDSB Reporting Framework?

Issues:

1. The sooner an the CDSB Reporting Framework can be agreed the better as this reduces the extent to which different standards become established in different jurisdictions.
2. The easiest route to rapid implementation is to have CDSB Reporting Framework covered by the International Accounting Standards Board. The Board has established channels for international consultation and adoption. Establishing a standard in this way will be much quicker than seeking legislation in each jurisdiction.
3. An international scientific body should be given the job of determining and publishing the factors for converting fuel used to CO2e emitted. Currently much time is wasted determining which conversion factors to use.
4. There should be a UN organisation which tracks if there are jurisdictions which do not follow the standards. The resulting list can be used by the international community to press for conformance. – A model for doing this is recent work on financial disclosure standards for tax havens.

11. Is there anything else of relevance you would like to raise?

KEY CONCERNS AND RECOMMENDATION

Concerns:

1. Starting with too complex a system will lead to slow adoption.
2. A complex system will be difficult for SMEs to adopt.
3. Asking for substantial explanation may lead to long, little read reports written to protect the company from being accused of a failure to disclose information.
4. Disclosure of future information has both stock market distortion and competitive damage risks.
5. Overlap between the 'risk reporting' requirements in the Framework and 'risk reporting' in current financial statements.

Recommendation: Divide the Framework into two sections:

1. Rules for disclosing historic GHG emissions and GHG emission intensities. This should rapidly be covered by mandatory reporting requirements.
2. Guidelines on management discussion and analysis of risks and opportunities relating to the carbon constraint and climate changes. These guidelines

should assist the preparation of the MD&A in annual financial reports. There should not be a separate climate change report.

IN ADDITION. There should be clear guidance as to which type of Scope 3 emissions it is 'best practice' to report. Generally, best practice should be for companies to report Scope 3 emissions over they have a significant degree of control. Reporting Scope 3 emissions over which they have limited control is not good practice.