

**May 15, 2014**

Climate Disclosure Standards Board  
Submitted by email to [secretariat@cdsb.net](mailto:secretariat@cdsb.net)

**Subject: CDSB Framework Edition 2.0 Consultation Draft dated February 2014**

Chartered Professional Accountants of Canada (CPA Canada) is pleased to provide comments on the CDSB Framework 2.0 Consultation Draft dated February 2014.

The Canadian Institute of Chartered Accountants (CICA) and The Society of Management Accountants of Canada (CMA Canada) established CPA Canada on January 1, 2013 to support unification of the Canadian accounting profession. CPA Canada currently serves the needs of 185,000 professional accountants involved in unification.

CPA Canada has participated on CDSB's Technical Working Group since its inception. Our representatives were actively involved in developing the first edition of the Framework.

CPA Canada formed a committee comprised of leading experts in the field of climate change disclosure to review the Framework and provide the content for the feedback response provided below.

Overall, we have substantial concerns with Edition 2.0. These are set out in the attached responses to the Consultation Questions. In short:

We do not agree with the purpose of the new Framework and have difficulty seeing how its application will meet report users' information needs. We question the need for expanding the scope of reporting and fail to see the logical, conceptual or practical basis for the expanded scope (in terms of "environmental elements").

It is unclear who would need or use the proposed environmental information if provided in or linked to mainstream reporting. We question the practicality of the reporting and disclosures resulting from the framework and whether resulting reports would provide comparability across companies or industries (because of the long list of differing methodologies that would be employed).

We wonder who (i.e. what organizations and where) would use the Framework as a reporting guide, and if there is any demonstrated need for it, especially in light of existing reporting Frameworks. We also wonder if organizations have the systems, controls and processes needed to provide reliable information of the types called for.



The terminology and definitions used in the Framework are confusing and, at times, used inconsistently. Concepts such as reporting boundaries, capitals and stewardship are inadequately explained.

We support the borrowing of intellectual capital such as concepts and principles from other frameworks but are unclear how the CDSB Framework 2.0 links with them. How would reports using the requirements of this Framework meet the reporting requirements of the other frameworks? What is unique and necessary about this Framework?

We hope that the consultation process will result in substantial changes to the draft Edition 2.0. Given the seriousness of our concerns, we request that our name (CPA Canada) be removed from the document if our response to the consultation questions are not satisfactorily addressed.

Should you have any questions, please do not hesitate to contact Todd Scaletta, Director in Research, Guidance and Support at CPA Canada.

Once again, thank you for the opportunity to provide input.

Yours truly,

A handwritten signature in black ink, appearing to read "Gordon Beal". The signature is fluid and cursive, with a long horizontal stroke at the end.

Gordon Beal, CPA, CA, M.Ed  
Vice-President, Research, Guidance and Support  
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## CPA Canada Responses to Consultation Questions

We offer some feedback on the questions posed. We feel, however, that many of these questions address matters that should have been researched and considered as part of the design, background, definition and development stages of this project.

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

We do not agree with the objective as stated.

As stated, the Objective (“purpose”) relates to “environmental information,” which is defined on page 2 as information about “environmental elements.” “Environmental elements” in turn are defined for the purposes of the Framework as

1. Greenhouse gases
2. Forest risk commodities
3. Water
4. Fossil fuel energy resources

The Consultation Draft (CD) does not explain why these particular types of environmental information are selected for the purposes of the Framework and why other common types of environmental information are not. Further, the explanations and examples of these elements indicate some inconsistency and lack of clarity among them as to their fundamental nature. For example, “forest risk commodities” include specified man-made products as well as related natural resources from which they are derived. “Fossil fuel energy resources” are neither defined nor explained; the discussion paper referred to could not be located, and the remainder of the CD does not make mention of this “element.” The definition of “water” is confusing (oceans as part of the inland water system?).

The CD does not make the case for a need to help organizations prepare and present information of these selected types in or linked to mainstream reports, as defined and explained on page 2.

There is no evidence provided that investors or creditors are demanding that these selected environmental disclosures, and only these selected environmental disclosures, be amassed and disclosed in **mainstream corporate reporting** at this time. One could speculate that the result could be either less reporting (depending on the materiality lens to be applied) or an unwieldy amount of information being reported in mainstream reporting. There is substantial information already available to investors and creditors, for example in voluntary sustainability/CSR reporting and Carbon Disclosure Project (CDP) reporting. Our experience

in Canada with investors, however, has been clear — as long as the environmental information is available, investors generally have been satisfied.

There is also no evidence that organizations have expressed a need for help in preparing and presenting this selected environmental information in mainstream corporate reports.

Given that the IIRC has already developed and released its Integrated Reporting framework and International Financial Standards deal with some issues related to environmental matters, and there are a number of other reporting frameworks available, such as the GRI G.4 Guidelines, what value add is this Framework delivering?

Regarding the final two sentences in Section A) of Section 1:

- In the second last sentence the following clause appears: “enables investors to exercise their duty of stewardship in relation to both types of capital.” Where is there evidence that investors have a “duty of stewardship” and what are the “both” types of capital (and we note that the IIRC framework describes six types of capital)?
- Is the Framework focusing on investors or on investors and creditors (capital providers)?
- The last sentence refers to “disclosures.” Having regard to the description of the terms “reporting and disclosure” on page 4, should this reference be for “reporting,” or “reporting and disclosure?”

Finally, discussion of the “Objective of environmental information in mainstream reports” would be strengthened by more discussion of relevance and materiality in the eyes of the intended users.

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 1)*

First, we note that there are frameworks that currently exist such as the GRI G4 Guidelines that focus on “reporting requirements for particular reporting organizations,” so we ask whether the question to ask should be “Do you agree that there is a need for another Framework such as that proposed in the CD that focuses on:”

Since the use of the Framework would be voluntary, we suggest that the Framework should clarify for the reader what reporting “requirements” means beyond the explanation at the top of page 2.

It is unclear whether the Framework applies to any company, entity or group that prepares mainstream reports and reports on environmental information (as stated in the first sentence of the definition) or if it applies to any company, entity or group that is required to complete mainstream reports (as stated in the second paragraph). Please clarify, especially since in the CD the term “environmental information” has a specific defined meaning, as pointed out above under Question 1, and the concept “mainstream reports” is explained on page 2 of the CD, however, the definition is awkwardly worded.

Many small and medium enterprises are required to prepare mainstream reports so it is unclear what is meant by “although this Framework specifically targets organizations that are required to complete mainstream reports,... small and medium enterprises are welcome to use the Framework.”

It is unclear why natural capital is set out as a bullet in the definition of reporting organizations.

To the extent that the draft Framework is used for disclosures in mainstream reports, we believe information would be more comparable and useful to capital providers if reporting requirements were by industry sector and perhaps even subsector. Water disclosures by retail companies, for example, would be significantly different than those for agricultural or extractive companies. Currently, the Framework does not require disclosures based on industry sectors (as SASB does).

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

We do not see the need for amassing and reporting/disclosing the specific environmental information as defined and called for in the CD in mainstream reporting. It is possible that more manageable, directed and comparable information could be presented in separate environmental reports on the different topics — for example, the CDP survey reports on climate change, water and forests.

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

Is the audience just investors or capital providers more broadly?

Yes, Frameworks are needed for reporting to investors and other capital providers. International Financial Reporting Standards seek to provide the necessary material financial information for capital providers. The IIRC is advancing a framework for

integrated reporting primarily for the benefit of providers of financial capital. Where does this Framework fit in, given the other frameworks in existence or in development?

*D. Information presented in mainstream reports?*

See comments above.

*3. Scope of the Framework*

Please refer to our response to question 1 regarding the Objective of the Framework and the subject matter covered by that Objective. We believe the scope can be assessed as either too broad or too narrow - too broad in that the scope extends beyond that set out in Framework 1.0; too narrow in that it appears to focus on a small set of climate and natural resource related elements and excludes other elements of sustainability. We also believe the Framework needs to provide a better conceptual basis and rationale for why only these environmental elements were selected. One could argue, for example, that waste is an important issue in greenhouse gas emissions and use of natural resources yet this appears to be excluded from the scope.

What is the conceptual basis for including environmental issues and excluding social ones? At a time when other frameworks (e.g., SASB, IIRC, GRI) lean towards a full and integrated conceptualization of sustainability, the narrow focus on environmental issues does not align with current positioning in the field.

The conceptual basis for the Framework in general appears weak.

*4. Form of reporting environmental information in mainstream reports*

Currently, material environmental information (but not necessarily as defined in Section I of the CD) is required to be disclosed in financial reports, management discussion and analysis reports and, in Canada, annual information reports. All these are components of what the CD characterizes as “mainstream reports.”

Significant additional information is often presented in sustainability reports or on corporate websites.

It is not clear that capital providers care where the information is disclosed. Perhaps a GRI index approach could be used to identify where key information could be found in the mainstream reports, whether in print or online.

Effective communication should be the objective, not the production of huge, unwieldy mainstream reports.

5. *Environmental information in mainstream reports*

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

In general, we do not believe reporting according to the Framework will produce useful information. Further, the wording of question 5A above is confusing, because some of the “environmental elements” (e.g. GHG's, forest risk commodity products) are created by organizations — i.e. are not matters of dependence, use and/or effect.

We believe the drafting of the requirements is poor. For example:

- There appears to be circularity in section B where Requirement 6 is “disclosure shall describe the business implications of the information ...”  
A similar circularity exists under Requirement 8.
- Requirement 9 requires disclosures that explain indicators “against which environmental performance is assessed.” By definition, indicators are not the only basis against which performance is assessed. This requirement combines unlike items inappropriately.
- It is difficult to understand the breadth of the disclosures called for in Requirement 11.
- Requirement 12 is simplistic. Do the requirements call for life cycle information and assessment? The boundary for mainstream reporting is usually the entity whose financial statements are presented and perhaps entities over which the reporting entity exerts control or significant influence, but this may not be appropriate for environmental reporting where supply chain performance is also to be included to a greater or lesser extent.
- Requirement 16 should include reasons for any restatements.
- Is it the intention of Requirement 18 that organizations state whether or not they obtained third party assurance on some or all of the requirements? Or is it the intention that organizations obtain such assurance or explain why they did not?

At a minimum, examples of disclosures that would result from each of the requirements should be provided.

Finally, each Requirement calls for and specifies “Disclosures,” which seems contrary to the intent of what page 4 describes as the meaning of the terms “Reporting and disclosure.”

6. *What are your views on the language and terminology used throughout this Framework?*

We find the conceptual thinking, language and terminology confusing throughout the Framework and the use of terms inconsistent in many places. The logic and conceptual thinking behind the definition of environmental elements is particularly troublesome, as it combines emissions, products, water and something about fossil fuel energy resources (paper was not available for review). It is hard to understand why commodities are considered an environmental element, but not the underlying ecological systems (or their components such as land, soil, flora and fauna).

The logic of the definition for environmental requirements (“environmental elements on which the organization depends on to create value for itself and its members”) is challenging. Environmental results are defined in relation to this awkward definition of environmental requirements, which in turn is based on the ill-defined environmental elements. It may be helpful to adopt commonly used terminology, such as aspects and indicators, used in other reporting frameworks. Some terms have not been defined e.g. “environmental resources,” “environmental challenges,” “environmental performance,” “environmental outcomes.” In several cases the terms and language used in the CD are not consistent with what is used in other widely accepted sources and frameworks.

7. *Minimum reporting requirements*

We do not support the notion of minimum reporting requirements under this Framework. We fail to see what user is depending on this reporting. We believe it is necessary to analyze “investors” and “lenders” so that the Framework demonstrates a clear understanding of the needs of the users and clearly explains the nature of the information useful to “investors” and “lenders.”

We favour the approach adopted by SASB that establishes minimum disclosures by sector after extensive feedback by users and participants in the sectors.

The principles itemized in Section IV, including relevance, faithful representation, connection with other information, consistency, usefulness and materiality are critical. We believe they were dealt with much better in Framework 1.0 as “characteristics of decision useful information.”

In general, Question 7 is overwhelmingly long and complex, and is an example of a question that addresses matters that should have been researched and considered as part of the design, background, definition and development stages of this project.



*8. What are your views on the availability and maturity of metrics and indicators for use in environmental reporting?*

In our opinion, this is another major issue that should have been studied before the Framework was drafted — certainly too complex to be commented upon at this stage.

*9. Influences*

If an organization were to report using this Framework, would it meet the needs of the Global Compact, the Global Reporting Initiative, the Carbon Disclosure Project, etc.? A table setting this out would greatly enhance the credibility of this Framework.

*10. Assurance and verification*

Please define the difference between assurance and verification as used in this Framework. If the terms are used interchangeably, select one for use.

If GHG data were verified for regulatory or other reasons, would it need to be re-verified for purposes of meeting Requirement 18?

*11. Any other comments*

Preamble

- (i) Does Edition 2.0 replace the original framework Edition 1.1 that concentrated on Climate Change? Or would the original framework remain in effect?
- (ii) Paragraph 3 causes us concern.
  - We note that CDSB's mission as set out in this paragraph has been significantly expanded. Is this consistent with the mission set out in CDSB's website?
  - We recommend that the footnote support for "the development of compliance requirements for disclosure of environmental information" include North American references. In North America, there have long been compliance requirements related to the environment, whether issues of air or water pollution, forests, waste, etc.
  - We question "the demand for a more holistic approach to corporate reporting on environmental information" claimed in paragraph 3. It would be helpful if the Framework footnoted the extent of such demand, particularly in North America.
  - We find the final sentence confusing.

(iii) Paragraph 4:

- Given the many jurisdictions and varied compliance requirements, and the expanded scope of the Framework, it is difficult to see how this Framework will achieve standardized and comparable reporting.
- It would be important and useful to provide a detailed comparison between this Framework and the existing standards and practices from which this Framework has been derived/built.

Foreword

- (i) Paragraph 1 – Please footnote the support for the statement that the “creation of long-term value for shareholders and others produces better results for corporations”.
- (ii) Paragraph 2 – It would be helpful to provide more detail on the phrase “different types of capital,” including examples.
- (iii) Paragraph 3 – We are unclear as to the purpose of this paragraph in this framework document.
- (iv) Paragraph 4 – As mentioned in comments above on the Preamble, it would be important and useful to provide a comparison of how this Framework compares with the requirements set out by the various organizations listed in this paragraph.
- (v) Paragraph 5 – Is it the intention of the Framework to require all climate change-related risks, opportunities and strategies or only those related to water and forests? This paragraph makes no reference to fossil fuel energy resources.
- (vi) Paragraph 6 raises a number of questions.
  - Does the Framework seek to “equate” or “link” in the first sentence?
  - The final sentence appears to be foundational. It requires appropriate footnoting at a minimum to support the premise.
- (vii) Paragraph 7 – It will be important to provide evidence that a majority of equity investors of all types, lenders and other creditors are demanding reporting on this selected environmental information in mainstream corporate reports.
- (viii) Paragraph 8 raises questions:
  - The issue of fossil fuel energy resources is introduced in this paragraph for the first time; should it be mentioned earlier?
  - The Framework focuses on “environmental subject matter” that includes climate change, energy resources, forestry and water. Is it restricted to these items?
  - Please provide footnoted evidence of investors as “stewards” over the allocation of capital.
- (ix) Paragraph 9 references two discussion papers that were not available. Are they both now available?



### Other

Little has been retained from the structure of Framework 1.0. Why?

Section II raises a few questions and concerns, such as:

Context REQ-01 – likely to result in lengthy reporting

Environmental results REQ-02 – the definitions of environmental results, including reference to changes to environmental elements, and environmental requirements in Part A seem to be inconsistent and confusing in relation to the text about results in the first paragraph under REQ 02.

Performance REQ-03 – the heading “Performance” appears to be a misnomer, since the Requirement in question addresses analysis of reported results, not the results themselves.