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

23 May 2014

Dear Ms Guthrie,

## **CDSB Framework – Edition 2.0: Consultation Draft**

Deloitte LLP is pleased to respond to CDSB Framework – Edition 2.0: Consultation Draft. We have set out our detailed responses to the consultation questions in the Appendix to this letter, together with some additional comments.

### *Explaining the “landscape” in which CDSB is operating*

We support CDSB’s drive and initiatives to provide organisations with guidance on how to report certain environmental information in mainstream corporate reports. We are aware that there are a number of organisations and initiatives operating in this “landscape”. We acknowledge CDSB’s aim to endorse and enhance that work, rather than to duplicate it. However, we are concerned that this landscape can become confusing. In this respect, we believe that a diagrammatic representation of how CDSB’s Framework fits into and complements that landscape would be useful. CDSB has a proven ability to connect and synthesise in one place relevant corporate reporting literature and disclosure guidance for organizations on climate change, as evidenced in the first edition of the Framework. It would be helpful for CDSB to continue in this role of collaborator and synthesiser.

### *Clarifying the context to and CDSBs aims regarding Edition 2.0*

The impetus behind the consultation draft is to expand the scope of CDSB’s Framework beyond climate change, specifically GHG emissions to include forest risk commodities and water. A clear articulation of CDSB’s role and strategy in this respect would assist the reader in addition to paving the way for future iterations of the Framework and consultation drafts thereon.

In a similar vein, the Framework does not explain, from the outset, that it covers some, not all of the elements that could be considered to be ‘environmental’. We do not think this is problematic in the sense that tools and resources to identify and measure the effects of organizations on certain environmental

element and vice-versa (the effects for organizations of certain environmental elements) are developing, as highlighted towards the end of the consultation draft. However, we believe that this fact should be transparent from the foreword to this edition of the Framework.

In addition the foreword should set out in brief CDSB's future intentions in respect of updating the Framework for additional environmental elements. The current edition of the Framework (1.1) includes, in its Preface, not only background information about CDSB but its aims. We think it is important for CDSB to continue to be clear about how its Framework ties into its broader aims. This, in itself, raises the question as to whether CDSB's expanded mission requires a new articulation of its strategy and a change of name (for example the Environmental Disclosures Standards Board). This would complement the diagram or commentary on how CDSB's Framework fits into and complements other initiatives (suggested above).

### *Improving structural clarity*

If the objective of the Framework is to provide guidance on the reporting of environmental information in mainstream reports, from a practical perspective, it could be useful for the requirements of the Framework to be set out first—which requirements would apply to any environmental element reported on by the reporting entity, with appendices illustrating how the requirements could apply to each individual element, for example GHG emissions, forest risk commodities, water, etc. This could also have the benefit of making the future task of updating of the Framework for other elements easier.

More detailed points on improving structural clarity are included as detailed comments in our response to question 11.

We would be happy to discuss our letter and the draft proposals with you. If you have any questions, please contact Becky Fell on 0207 007 0795 or [bfell@deloitte.co.uk](mailto:bfell@deloitte.co.uk) or Mike Barber on 0207 007 3031 or [mbarber@deloitte.co.uk](mailto:mbarber@deloitte.co.uk).

Yours sincerely



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## Appendix

### Responses to detailed questions

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

We agree with the objective of the Framework. Consistent with this objective, it would make sense for the Framework to be renamed the Environmental Information Disclosures Framework. This links into our comments, set out in our cover letter, on the role, strategy and future work stream of CDSB.

It would be useful for there to be a cross-reference from the definitions in bold, italic text in the paragraphs on the Framework's objective (environmental information and environmental elements) to the 'essential definitions' section on page 2.

**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);**
- B) Specific environmental information (as defined in the draft Framework);**
- C) A specific audience (investors); and**
- D) Information presented in mainstream reports?**

We acknowledge that CDSB seeks to endorse and enhance the work being done by other organizations to develop tools and other resources to help organizations to report on what is increasingly being called 'natural capital'. Also we support CDSB's endeavour to create specific guidance on a sub-set of elements of natural capital, being greenhouse gases, forest risk commodities, water and fossil fuel resources, particularly as other initiatives may not provide such detailed guidance.

However, as environmental information, by its definition, includes elements in addition to those specifically scoped by CDSB into the draft Framework (greenhouse gases, forest risk commodities, water and fossil fuel resources), we believe it would be beneficial for the Framework to explain its limited scope from the outset and that it is CDSB's intention to update its Framework for other elements as and when tools and resources for identifying and measuring other elements develop. This links into the comments set out in our cover letter on the role, strategy and future work stream of CDSB.

**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?**
- B) If not, is the scope too wide or too narrow? Please explain why.**
- C) If too narrow, which other environmental elements or other subject matter should it cover and why?**
- 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?**

CDSB's existing Framework 1.1 is a comprehensive tool for reporting climate change-related information, in particular greenhouse gas emissions. The benefit of application of the Framework is that it requires

quantitative information accompanied by narrative to provide context and linkage to an organization's strategy, strategic objectives, performance and outlook in respect of the element in question. Extension of such requirements to other environmental elements appears to us to be an elementary next step in the evolution of robust and consistent environmental disclosures, which should benefit reporting organizations and stakeholders alike.

We believe that the CDSB could assist reporting organizations in this evolution by better connecting its Framework to the other initiatives in this space and providing an understanding of the environmental information reporting landscape (see our cover letter). Background on the evolving reporting landscape and CDSB's response to it (in the form of draft Framework 2.0) would provide useful context for reporting organizations considering whether to use the Framework or not.

#### Wording

We find the terminology and language in the consultation draft around "changes to environmental elements" unclear. The IIRC Framework spells out that natural capital (which would include environmental elements as defined by the CDSB), is a stock of value that is increased, decreased or transformed through the activities and outputs of an organization. It would be useful for the consultation draft to clarify that changes in environmental elements include increases, decreases and transformation.

**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?**
- B) Do you think we should reproduce the guidance in paragraph 2.34 of Edition 1.1. of the CDSB Framework which outlined options for presenting environmental information within the 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?**
- C) Should the Framework include guidance on how environmental information should be reported where the mainstream report is communicated online?**

Information on environmental elements could, as a result of their nature, be dispersed throughout an organization's mainstream report. For example, where there is an accounting effect in respect of environmental elements, e.g. through the purchase, use and/or trading of emission allowances or planting of forests or costs of water usage, to name a few, then those effects will be accounted for and in scope of the financial statements section of an organization's annual report. However, the company's effect on and/or use of other elements may not have an accounting (or direct monetary) effect yet be equally important to an understanding of the business's critical success factors, value drivers and performance.

We believe the guidance in paragraph 2.34 of Edition 1.1. of the CDSB Framework which outlined options for presenting environmental information within the management commentary is useful hence should be

reproduced. We think there is a distinction between the use of consistent methodologies and measures for reporting on environmental effects and consistency of where the information is reported. One of the benefits of management commentary for the user of the annual report is that it provides an account of the business's strategy, objectives, key risks and uncertainties, position and performance through the eyes of management. The extent to which environmental information is integrated into the other aspects and decision-making tools of the company's business can provide insight into whether management has a connected and robust approach to the identification, evaluation and reporting of environmental risks and opportunities and the impacts of its business on the environment.

We agree that consistency year-on-year on what is reported by management is critical; this is captured in REQ-14 and REQ-22 of the draft Framework 2.0. At this juncture, however, as enhanced methodologies may evolve for measuring environmental impacts, we think paragraph REQ-16 on restatements should acknowledge this fact, i.e. that some restatements could result from management's wish to use an enhanced methodology.

**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 the environmental information produced by 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?**

Yes, we agree that the environmental information produced by the draft Framework would be sufficient to explain how performance is affected by the organization's dependence on, use of, and effect on environmental elements, for those elements in the scope of this draft.

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

- A) What are your views on the definitions, style, clarity of language, jargon etc., used in the Framework?**
- B) Do you have any suggestions for simplifying the language, definitions and terminology without losing clarity?**
- C) Are the definitions, language and terms used in the Framework consistent with those in other reporting initiatives and standards that you use?**

We note that the draft Framework uses a number of different terms for the reporting entity: organization, company, enterprise. If it is CDSB's aim that the Framework be available for use by all organizations, whether profit-making or not (even if drafted from the perspective of primarily applying to a profit-making organization), it would be best to use a neutral term such as "organization" throughout.

We are concerned that the use of the term “environmental results” as opposed to “environmental performance” implies that all environmental effects, or changes in environmental elements, can be measured (or measured reliably). This may be the case for the specific environmental elements scoped into the consultation draft but is not true for all environmental elements. Furthermore, results or quantitative data in the absence of accompanying narrative and contextual commentary, is not meaningful – this fact could be given more emphasis in the draft Framework.

#### Page 5, Objective of environmental information in mainstream reports

The sentence “information provided by organizations according to the Framework enables investors to exercise their duty of stewardship in relation to both types of capital” is a non-sequitur from the previous sentence and is unclear. Additional information would be required to enable investors to exercise their duty of stewardship in relation to financial capital. The Framework focuses on a subset of information which could be relevant to both natural capital and financial capital decision-making. Furthermore, we associate the exercise of duty of stewardship with management’s decisions over the resources allocated to it by investors, and the resources its business’ activities affect or impact in any way. The investor requires information over management’s stewardship of all the resources entrusted to the business or affected by its activities in order to inform their capital allocation decisions. We find the roles of management and the investor are confused here.

**7. Minimum reporting requirements. Various communities 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 requirements for “environmental requirements” (as defined in the Framework) would help to achieve more relevant and concise disclosures?**
- 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 gases and whether we should provide for voluntary reporting or scope 3 (downstream) GHG emissions?**
- 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?**
- 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 objective of the Framework?**

This question ties into the question of materiality primarily and, at secondary level, into cost-benefit considerations. It may be that not all the information specified as minimum reporting requirements, would be concluded to be ‘material’ by the reporting entity’s materiality determination process (which, for leading businesses, involves regular and multi-stakeholder engagement). As such, it is possible that the costs to prepare the information do not outweigh the benefits of providing it.

It is important to remember in this respect that materiality is an entity-specific aspect of relevance and it is also not an absolute. What is material can also change over time. To quote from *The Conceptual Framework for Financial Reporting*, published by the IASB:



*“QC11<sup>1</sup> Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity’s financial report. Consequently, the Board cannot specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation.”*

To quote from the GRI’s Technical Protocol:

*The materiality focus of sustainability reports is broader than the traditional measures of financial materiality. In financial reporting, materiality is commonly thought of as a threshold for influencing the economic decisions of those using an organization’s financial statements, investors in particular. The concept of a threshold is also important in sustainability reporting, but it is concerned with a wider range of impacts and stakeholders. Materiality for sustainability reporting is not limited only to those sustainability topics that have a significant financial impact on the organization. Determining materiality for a sustainability report also includes considering economic, environmental, and social impacts that cross a threshold in affecting the ability to meet the needs of the present without compromising the needs of future generations. These material topics will often have a significant financial impact in the near-term or long-term on an organization. They will therefore also be relevant for stakeholders who focus strictly on the financial condition of an organization.<sup>2</sup>*

The International Integrated Reporting <IR> Framework issued by the International Integrated Reporting <IR> Council (‘the IIRC’) endeavours to synthesise these different definitions by defining material information as information “about matters that substantively affect the organization’s ability to create value over the short, medium and long term” and introducing a requirement for entities to disclose their particular materiality determination process. In this way, the user of an integrated report gains insight to management’s process for determining materiality hence and its view on what are the material issues hence can form their own assessment of the robustness and credibility of the entity’s processes and disclosures.

Putting all these considerations together, whether CDSB wishes to introduce minimum requirements or not, is a question of whether CDSB wishes to be the arbiter or leader on what is considered to be material or not or whether, at this time, it wishes simply to encourage further and / or enhanced dialogue between reporting organizations and stakeholders on what is material.

**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.**

Helpfully the draft Framework lists a number of global and methodologies for GHG emissions, forest risk commodities and water that we are familiar with and are used in practice. We suspect that there may be additional national methodologies which perhaps use, as their foundation, some of the global ones listed. We have sent out a request to Deloitte Member Firms around the world for additional methodologies not

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<sup>1</sup> The Conceptual Framework for Financial Reporting, paragraph QC11

<sup>2</sup> Section on ‘Materiality in the Context of the GRI Reporting Framework’, page 3

listed in this draft Framework 2.0 and will share with CDSB any additional methodologies we are made aware of.

In terms of our views on the further development of metrics and indicators for environmental reporting that would be of assistance to users, we note that those companies who have a record of tracking environmental information for some time are particularly interested in determining the most appropriate metrics for their industry sector. For example, most GHG emissions methodologies advise the disclosure of an intensity metric, i.e. a measure of the intensity of the organization's emissions by reference to a measure that is most relevant to the organisation and will provide the most context to users of this information. Two commonly used normalising factors are turnover and production output; but there are others which may be relevant, for example organizations with offices or retail operations may normalise to floor space. We think there is merit in assisting and facilitating discussion amongst industry groups and collaborations regarding what are the most relevant metrics for each industry sector to enable users to assess environmental performance.

**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 references should CDSB take into account in developing its Framework?**
- B) What other references should be included which are helpful for the preparation of environmental information in mainstream reports?**

In this respect, we acknowledge CDSB's significant contribution and important role in assimilating information on regulatory requirements and guidance on the reporting of non-financial information, in particular environmental information in the form of 'The Reporting Landscape' overview which forms part of CDSB's consistency project. This is a separate initiative to the development of the Framework, which is as equally important at this stage in the evolution of national and international tools, guidance and requirements in respect of environmental information disclosure in mainstream reports.

As set out earlier, a diagrammatic representation of how CDSB's Framework fits into and complements that landscape would be useful, in addition to CDSB's primary influences and sources for its Framework.

**10. Assurance and verification. REG-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?**
- B) What are your views on whether assurance or verification should be required for environmental information disclosed in mainstream reports?**

The following responses are provided from our perspective as an assurance provider. Certain information included in mainstream reports will already be subject to a certain level of third party assurance or verification (for example, the financial statements assured to a reasonable level of assurance and other information sets such as GHG emissions which may be assured to a different level).



We understand that assurance over an integrated report, including the different levels of assurance currently available and / or applied in practice, will be the topic of a forthcoming background paper on assurance to be published by the International Integrated Reporting <IR> Council (IIRC). Similar comments apply to assurance over an “environmental elements disclosures report” prepared in accordance with the CDSB’s draft Framework 2.0 to those we made in our comments to the IIRC on the consultation draft of its Framework, prior to its release in December 2013.

The ability to obtain independent third party assurance on the information presented is important to the integrity and credibility of environmental information included in mainstream reports. The quality of information is fundamental to the success of environmental information disclosures.

However, as noted above, the management commentary information set will be driven by management’s view of the business and will include judgements in respect of future-oriented information in addition to historical information. For environmental information included in that management commentary to be able to be subject to assurance, it must be capable of consistent evaluation or measurement against identified criteria (that are relevant, complete, reliable, neutral, and understandable)<sup>3</sup> and be able to be subjected to evidence-gathering procedures.<sup>4</sup> The ability to provide assurance on this wider information set required and the type and level of assurance possible requires investigation and research by the relevant global bodies.

For example, it is not possible to answer the question of whether assurance should be obtained over an ‘environmental elements disclosures report’ prepared in accordance with the CDSB’s draft Framework 2.0 as a report as a whole, or on certain data only without considering many factors. Factors to consider include (this is not an exhaustive list):

- The intended report users and their assurance needs, i.e. the demand from users for assurance and whether they desire it on the report as a whole or only on specific aspects.
- The type and level of assurance possible.
- The cost of an assurance engagement versus the benefits; for example, the costs associated with assuring a report as a whole might outweigh the benefits.
- The nature of the entity and the level of public interest in the entity may also have a part to play in the quantum of assurance necessary.
- The maturity of a company’s reporting systems and processes may also affect the ability to obtain assurance - immature reporting systems and processes may not withstand the scrutiny of independent assurance.
- Whether there are relevant international assurance standards for assurance of such reports as a whole. For example, it is important to consider the levels of assurance for historical versus future-orientated information included in the report as well as for the content of the report as a whole.

Ultimately, a period of experimentation, and indeed experience, in using the Framework to prepare reports is needed to establish whether or how assurance on such a report as a whole can really be achieved and to identify any inherent limitations in assurance provision. In developing an assurance model it may be necessary to target first those elements that can reasonably be assured and for which there is an assurance demand.

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<sup>3</sup> See IAASB, *International Framework for Assurance Engagements*, paragraphs 34-38 for additional information.

<sup>4</sup> See IAASB, *International Framework for Assurance Engagements*, paragraphs 31-33 for additional information.

To the extent that regulators seek assurance, coordination across jurisdictions by regulators would be beneficial.

Currently, the Framework does not acknowledge that varying levels of assurance may be obtained for different content elements, i.e. it is possible that assurance could vary between content elements from reasonable assurance to limited assurance to no assurance. If varying levels of assurance are obtained, it will be important for both the report and the related assurance report to be structured in such a way as to distinguish clearly between those components on which each level of assurance (or no assurance) is provided.

Furthermore, extension of internal quality controls and audit processes currently applied to financial record keeping and data control to the additional information required by CDSB's draft Framework would also enhance quality. If entities capture this information in a rigorous manner, better information should be provided to directors and senior management as they assess the performance and business risks of the entity. This issue should be considered in the context of corporate governance requirements that boards of directors are responsible for the integrity of the mainstream (annual) report and internal audit functions should provide an assessment of the system of internal control as it relates to both financial and non-financial information.

From the perspective of assurance provision, we think that it is important for the Framework to clarify how its requirement for a statement of conformance with the requirements of the Framework can be met where some information is included in an organization's mainstream annual report and other information is included elsewhere, for example in a separate document on the organization's website. We understand the requirement to be that the statement of conformance should be provided in respect of the information set as a whole, hence requiring a separate individual report or document with all the information in scope of that statement of conformance, in order to meet the completeness requirement.

## 11. Any other comments

### Detailed comments on drafting

#### **Page 2, section on 'Framework requirements and guidance'**

Should the text not read "... the Framework...., ... it does not provide requirements or guidance on accounting for, or valuing in financial statements, the financial implications of environmental **elements (as opposed to challenges)**, or of mitigation and adaptation activities?

#### **Page 2, section on 'Scope and essential definitions'**

Should the text not read "3. Outputs from the reporting organisation of or **[insert] relating to environmental elements...**"?

#### **Page 2, section on 'Scope and essential definitions'**

Bullet 6:

- Should the text not read "The organization's response to the **environmental challenges** **[insert]** it faces"?

### Page 3, section on Scope and Essential Definitions

- We think there is a non-sequitur in the statement that “Organizations create value for themselves and their members by changing or causing change to **environmental elements**, or allowing or facilitating others to do so.” An organization may change environmental elements, without necessarily creating value for itself. An alternative could be: “The value creation activities of organizations can change or cause change to **environmental elements**, either directly or by allowing or facilitating others to do so.”

### Page 4, section on Scope and Essential Definitions

- The distinction between the terms **reporting** and **disclosure** in the draft Framework is not clear to us. In the field of general purpose financial reporting, disclosure is a subset of reporting. By way of example, general purpose financial reporting, as defined by the IASB<sup>5</sup>, includes general purpose financial reports and general purpose financial reporting. Disclosure is the term used to refer to the provision of specific information in response to a specific requirement.

### Page 5, Objective of environmental information in mainstream reports

- The sentence “information provided by organizations according to the Framework enables investors to exercise their duty of stewardship in relation to both types of capital” is a non-sequitur from the previous sentence and is unclear. Additional information would be required to enable investors to exercise their duty of stewardship in relation to financial capital. The Framework focuses on a subset of information which could be relevant to both natural capital and financial capital decision-making. Furthermore, we associate the exercise of duty of stewardship with management’s decisions over the resources allocated to it by investors, and the resources its business’ activities affect or impact in any way. The investor requires information over management’s stewardship of all the resources entrusted to the business or affected by its activities in order to inform their capital allocation decisions. We find the roles of management and the investor are confused here.

### Page 6, Structure of the Framework, Section II, REQ-02

- Please see the comments in our response to question 6. The use of the word “results” in REQ-02 implies that all environmental effects, or changes in environmental elements, can be measured (or measured reliably). This may be the case for the specific environmental elements scoped into the consultation draft but is not necessarily true for all environmental elements. Whereas the word “performance”, which we would suggest as an alternative, would enable reporting organizations to explain their performance with narrative if not with reliable specific numerical data.

### Page 6, Structure of the Framework, Section II, REQ-04

- We think this requirement should be linked into or cross-referenced to the requirements on reporting boundary or scope of the report. At present, it implies a limitless scope or sphere of influence of the reporting organization, and, as such, presents a problem for completeness of a report prepared in accordance with the Framework.

### Page 7, Structure of the Framework, Section II, REQ-17

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<sup>5</sup> The IASB’s Conceptual Framework for Financial Reporting, paragraphs OB2 and OB12.

- We think it is important for the Framework to clarify how its requirement for a statement of conformance with the requirements of the Framework can be met where some information is included in an organization's mainstream annual report and other information is included elsewhere, for example in a separate document on the organization's website. We understand the requirement to be that the statement of conformance should be provided in respect of the information set as a whole, hence requiring a separate individual report or document with all the information in scope of that statement of conformance, in order to meet the completeness requirement.

#### **Page 8 Section II: What to report, REQ-01**

- We think some of the explanatory text under the bold letter requirement requires refining, in accordance with some of our comments on the clarity and completeness of the language used.
  - (i) For example, in respect of the first sentence, an organization may affect or consume environmental elements as an inherent component of its business model, i.e. in order to exist, but it may not necessarily create value, taking the example of a loss-making business.
  - (ii) The text states that "an organization's environmental elements" are the "environmental elements that ... [it] has to change in order to conduct its principal activities and create value". It is possible that the organization may deplete, rather than 'change' environmental effects. This comment ties into our response to question that it would be useful for the consultation draft to clarify that changes in environmental elements include increases, decreases and transformation.

#### **Page 9, Environmental results, paragraph 3**

- There is a reference to "We" in this paragraph, which introduces a different voice to the remainder of the consultation draft which is written from the perspective of 'The Framework'. Does 'we' refer to the CDSB or the Framework?

#### **Page 10, Offsets**

- Should the text read as "offsets and other mitigating actions can be disclosed" or "offsets and other mitigating actions should be disclosed"?

#### **Page 10, Uncertainties**

- It would be useful for the Framework to provide more detail on how this requirement is met.
  - (i) For example, is a sensitivity analysis advised or required?

#### **Page 11, Performance, REQ-03**

- We think there are a few words missing from the following text: "Any significant changes to performance attributable to changes in the methodology used for calculating results or changes due to acquisitions, divestments, organic growth or decline, efficiency or process improvements, alterations to processes for collecting data, practice in satellite operations, missing data etc."
- We would also advise splitting this bullet into two bullets as we see a significant distinction between
  - (i) changes due to changes in the methodology used for calculating results and (ii) changes due to acquisitions, divestments, organic growth or decline, efficiency or process improvements.
    - (i) Is a function of processes for collecting and reporting data, i.e. is about internal processes, policies and controls

- (ii) Is a function of business transactions and operations, i.e. is transactional business performance
- We are also unsure whether “efficiency or process improvements” in (ii) are in respect of information gathering and reporting processes or in respect of environmental impacts and changes.

**Page 12, B) Business implications and analysis and Risks & Opportunities, REQ-05**

- It would be helpful for the first two paragraphs to be explicit that the account of potential risks and opportunities and other internal and external implications are relating to environmental elements or challenges only.

**Page 14, Future Outlook, REQ-07**

- Should the text of the second paragraph also refer to ‘medium term’ in the sentence: “This requirement will be satisfied when the disclosures include information about the future outlook, long, medium and short term,”?

**Page 15, REQ-09**

- We think REQ-09 should cross-refer not only to section SG-01 B) on Characteristics of useful key performance indicators for more information, but also to section IV on How to report

**Page 22 REQ-20, Disclosures shall be faithfully represented**

- There is an unacknowledged quote in the fourth paragraph; it is footnote 29 from the current edition of the Framework (1.1) and is a reference to the IASB’s 2005 *Discussion Paper on Management Commentary*, 2005, paragraphs 75 – 76. The reference should probably be updated for the December 2010 *IFRS Practice Statement on Management Commentary*.
- For reference it states “Investors require sufficient information to assess the extent of the uncertainty surrounding the information to enable them to make a judgment regarding the extent to which they will rely on that information. Management commentary should include a cautionary note to ensure that users are made aware of areas of uncertainty; this is likely to be particularly important for forward-looking information. It is also important for management to explain any material assumptions relating to forward looking information.”

**Page 22 REQ-20, Disclosures shall be faithfully represented**

- The sentence at the end of paragraph five implies that it is not possible to comply with the requirements of the draft Framework 2.0 at this time: “While environmental information disclosure practices and standards are developing, the Framework recognizes that not all relevant information can be completely disclosed in such a way that is free from error”. Is it not the case that organizations can comply with the Framework’s requirements, provided that they explain, in the case of unreliability of information, (i) the nature of the information omitted or unavailable, (ii) the reasons why and (iii) the steps being taken by the organization (or others) to obtain the information (or create the methodologies for measuring the information)?

**Page 22 REQ-23, Disclosures shall be presented and communicated so as to make them useful**

- Should the statement in the 2<sup>nd</sup> sub bullet not be “organizations are encouraged to focus on the most important, that is to say i.e. material, environmental information through application of the Framework’s requirements?”