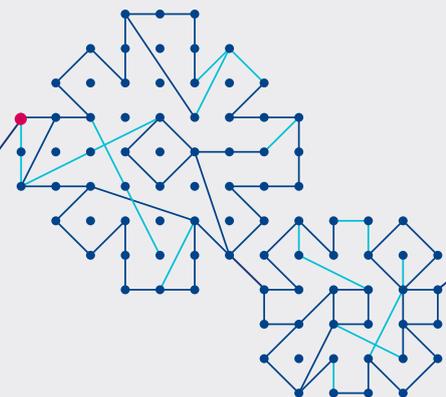




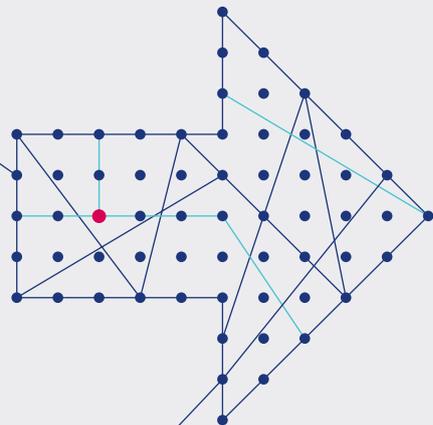
CDSB Framework

**for reporting environmental
information, natural capital and
associated business impacts**

Advancing and aligning disclosure of environmental
information in mainstream reports



About the Climate Disclosure Standards Board



CDSB is an international consortium of business and environmental NGOs. CDSB is committed to advancing and aligning the global mainstream corporate reporting model to ensure that companies disclose environmental, natural and financial capital using the same approaches.

Mission

CDSB's Mission is to create the enabling conditions for material climate change and natural capital information to be integrated into mainstream reporting.

In effect, helps create the landscape for companies to translate their sustainability information into business impacts and long-term value.

Vision

CDSB's vision is a world where decisions and actions in support of sustainable financial and environmental systems are facilitated by companies reporting the impact of climate change and natural capital information on their businesses with the same rigour, quality, and value as their financial capital information.

In turn, this helps companies provide investors and other stakeholders with decision-useful environmental information, so they can effectively price future outcomes into present day decisions.

These corporate disclosures will lead to improved allocation of capital, thereby creating more sustainable financial and environmental systems. Additionally, regulators benefit from compliance-ready reporting materials.

Recognising that information about natural capital and financial capital is equally essential for an understanding of corporate performance, our work builds the trust and transparency needed to foster resilient capital markets.

Our story

CDSB was formed at the World Economic Forum's annual meeting in 2007 and builds on the activities of CDSB's Board members. CDP (formerly the Carbon Disclosure Project) currently hosts the Secretariat for CDSB.

To fulfil its mission and vision, CDSB seeks to standardise environmental information reporting through collaborating, identifying and coalescing around the most widely shared and tested reporting approaches that are emerging around the world.

The CDSB Framework therefore adopts relevant principles from existing standards and practices with which business is already familiar. It has been prepared in line with the objectives of financial reporting and the reporting approaches offered by other organisations, as well as complementing and supplementing them to offer a means of incorporating environmental information into an organisation's mainstream report.

The first CDSB Framework, the Climate Change Reporting Framework, released in 2010, focused on the risks and opportunities that climate change presents to an organisation's strategy, financial performance and value. In 2013, CDSB's Board agreed to expand the scope of the Framework beyond climate change and greenhouse gas (GHG) emissions to encompass environmental information and natural capital. This decision was prompted by developments in corporate reporting; including the introduction of mandatory requirements for the disclosure of environmental information in some jurisdictions^{1,2,3,4,5,6} the increasing recognition by organisations of the risks associated with their use of natural resources^{7,8} and the demand for a more holistic approach to corporate reporting to include environmental (and other) information.

Additionally, there is further understanding that these environmental issues are more closely linked to climate change, and that both the risks and opportunities should be included in reporting⁹.

Since the publication of the expanded CDSB Framework in June 2015, the G20's Financial Stability Board convened a Task Force on Climate-related Financial Disclosures (TCFD), which produced its final report in June 2017, establishing recommendations for disclosing clear, comparable and consistent information about the risks and opportunities presented by

climate change. There are significant parallels between the TCFD recommendations and the CDSB Framework, which are highlighted throughout this document, and the CDSB Framework is an essential tool for companies seeking to implement the TCFD Recommendations.

This updated version of the CDSB Framework outlines the areas of alignment between the two initiatives.

The CDSB Board wishes to acknowledge the leadership and contribution of the CDSB Technical Working Group members in the production of this document, in particular Lois Guthrie who led the development of previous versions.

Further information about CDSB and its Framework can be found on its website: [cdsb.net](https://www.cdsb.net).

If you would like to comment on the Framework, please contact us at info@cdsb.net.

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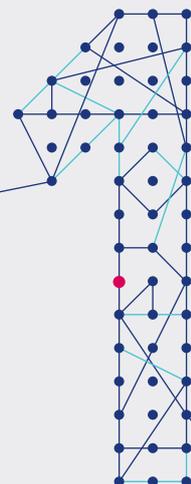
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Chapter 1

Introduction to the CDSB Framework



1. Purpose

The CDSB Framework sets out an approach to reporting **environmental information** in **mainstream reports** where that information is material to an understanding of companies' financial risks and opportunities, as well as the resilience of their business models.

Environmental information about the reporting organisation includes:

- Natural capital dependencies;
- Environmental results;
- Environmental, including climate-related¹⁰, risks and opportunities;
- Environmental policies, the outcome of those policies and associated strategies;
- Performance against environmental targets.

Mainstream reports are the annual **reporting** packages in which **organisations** are required to deliver their audited financial results under the corporate, compliance or securities laws of the country in which they are incorporated or, if relevant, operate.

Mainstream reports are traditionally publicly available. They provide information to existing and prospective **investors** about the financial position and financial performance of the **organisation**. The exact provisions under which companies are required to deliver mainstream financial reports differ internationally, but will generally contain financial statements and other financial **reporting**, including governance statements and **management commentary**¹¹.

The CDSB Framework assumes that the following matters are routinely disclosed in a **mainstream report** and therefore provide context for **environmental information**:

- The organisation's principal activities, business model and strategy to generate value, and risks;
- The main markets and jurisdictions in which the **organisation** operates;
- A description of the **organisation's** supply chain;
- Other key legal, staffing and performance indicators.

All terms listed in **blue** are defined in section 9 (Terminology) of this chapter.

The **reporting** landscape for non-financial information, including environmental and **natural capital** information, within **mainstream**

reports has grown significantly since the first CDSB Climate Change Reporting Framework was published in 2010.

The CDSB Framework provides commonality, harmonisation and clarification to an otherwise broad **reporting** landscape.

The Appendix provides a table to assist preparers of **environmental information** with a cross-reference of the requirements for the CDSB Framework, along with 20 commonly used international **reporting** provisions.

2. Objectives

The objectives of the CDSB Framework are to:

- Align with, and complement, the objectives of financial **reporting**, i.e. to provide material **environmental information** about the **reporting organisation**, how that relates to business impacts and is useful to existing and potential equity investors, lenders and other creditors (referred to as "**investors**" from here on) in making decisions in their capacity as capital providers¹²;
- Encourage standardisation of material **environmental information** reporting in **mainstream reports** by reflecting and coalescing around the most widely shared and tested reporting approaches that are emerging around the world;
- Help **organisations** prepare and present material **environmental information** in **mainstream reports** that is clear, concise and comparable and that connects the organisation's environmental performance with its overall strategy, performance and prospects;
- Add value to the **organisation's** existing mainstream report in a way that minimises the **reporting** burden and simplifies the reporting process¹³;
- Enable and encourage investor decision-making on the allocation of financial capital¹⁴ to activity that supports long-term environmental resilience¹⁵;
- Support compliance with emerging regulatory and other reporting requirements, including the TCFD recommendations, on the provision of material environmental information; and
- Support **assurance** and verification activities by providing **reporting** requirements and guiding principles that represent suitable criteria for conducting **assurance** activities.

3. Framework references

CDSB aligns its principles, requirements and implementation guidance as far as possible with existing and developing standards, models and practices. As such, the CDSB Framework draws on other **reporting provisions** that specify the principles and characteristics on which **reporting** outcomes should be based. These include:

- Recommendations of the TCFD Final Report¹⁶, Annex on Implementing the Recommendations¹⁷ and Technical Supplement on The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities¹⁸;
- Financial **reporting** standards, principles, proposals and discussion papers issued or commissioned by the International Accounting Standards Board (IASB) and its predecessor bodies and national counterparts, e.g. International Financial Reporting Standards Foundation's practice statement on **management commentary**¹⁹. Based on the experience of its Board members, the CDSB Framework has adapted IASB's²⁰ qualitative characteristics of useful financial information and applied it to the **disclosure of environmental information**;
- Legislation or mandatory **reporting** requirements, including the Danish Financial Statements Act (2008)²¹ as amended (2013)²², the European Union (EU) Directive 2014/95/EU on non-financial information²³, Article 173 of the French Law on Energy Transition for Green Growth²⁴, Grenelle II²⁵, the UK Companies Act (2006) as amended (2013²⁶ and 2016²⁷) and the U.S. Securities and Exchange Commission (SEC) guidance on disclosures related to climate change²⁸;
- Guidance issued by regulators and other authoritative sources on aspects of corporate information and mainstream **reporting**, such as the Australian Water Accounting Standards 1 and 2 issued by the Water Accounting Standards Board²⁹, the UK Department for Environment, Food and Rural Affairs' (DEFRA) guidance on environmental **reporting**³⁰, the Canadian Securities Administrators Staff Notice 51-333 on Environmental Reporting³¹ and the South African King Code IV³²;

- Developing and mature voluntary frameworks, standards and guides on corporate **reporting**, such as CEO Water Mandate³³, European Federation of Financial Analysts Societies (EFFAS)³⁴, German Sustainability Code³⁵, Global Initiative for Sustainability Ratings (GISR)³⁶, Global Reporting Initiative (GRI) Standards³⁷, International Integrated Reporting Council (IIRC)³⁸, ISO³⁹, Organisation for Economic Co-operation and Development (OECD)⁴⁰, Principles for Responsible Investment (PRI)⁴¹, and United Nations (UN) Global Compact⁴²; and
- The work of CDSB Board members including CDP^{43,44,45,46,47,48}, Sustainability Accounting Standards Board (SASB)^{49,50}, World Business Council for Sustainable Development (WBCSD)^{51,52,53}, Ceres⁵⁴, and World Resources Institute (WRI)⁵⁵.

4. Development

The CDSB Framework has been developed by the CDSB Secretariat and overseen by the CDSB Technical Working Group and has taken into account two public consultations in 2014. This version has been updated in April 2018 and includes an alignment with the TCFD recommendations.

5. Intended users of the CDSB Framework

The CDSB Framework is for use by **organisations** including single companies or entities and corporate groups. It is intended for officers within the **organisation** who are responsible for financial, governance and sustainability **reporting**, and who are embarking on or developing practices to report environmental information as well associated business impacts through mainstream channels because:

- a) There are legal requirements to report **environmental information** or subsets thereof in one or more jurisdictions in which the **organisation** operates, but guidance on how to comply with those requirements is limited or unavailable; or
- b) The **organisation** has already determined that **natural capital dependencies** and/or **environmental impacts** present material risks and opportunities for the business and its ability to carry out its objectives, which means that **environmental information** should therefore be reported; or

c) The organisation wishes to implement the TCFD recommendations, and/or conform with good reporting practice and to show leadership, transparency and accountability.

The CDSB Framework also offers value to regulators, policy makers and international standard setters on the options available for introducing, developing or setting compliance requirements for reporting environmental and natural capital information.

6. Intended audience for information reported according to the CDSB Framework

The CDSB Framework is designed to help organisations report material environmental information and associated business impacts in mainstream reports. As the primary users of mainstream reports, the intended audience are investors. While the CDSB Framework concentrates on investors as the primary users of the environmental information presented in the mainstream report, it recognises that the information may satisfy the needs of other stakeholders too.

7. Framework contents

Guiding principles

The guiding principles in Chapter 2 are designed to ensure that environmental information in mainstream reports is useful to investors, correct, complete and supports assurance activities. The guiding principles are to be applied in determining, preparing and presenting all environmental information reported in accordance with the reporting requirements.

Reporting requirements

The reporting requirements in Chapter 3 set out the type of environmental information that should be reported in mainstream reports for investors. The requirements are based on existing financial and environmental reporting provisions as well as other voluntary reporting initiatives, including the TCFD Recommendations. CDSB has also provided input where gaps have been identified in those provisions.

The CDSB Framework acknowledges that there will be degrees to which organisations will conform with the requirements. This will depend on various factors including how much they can, or need to, report based on the relevance and materiality guiding principle (Chapter 2, Principle 1), thresholds prescribed by regulators as well as the availability and

reliability of information. When providing their statement of conformance (REQ-11), organisations should identify the requirements with which it has not been possible to conform.

These requirements are organised as follows:

- Requirements about the organisation's environmental strategy, policies and their outcomes, risks, opportunities, management and governance;
- Requirements about the organisation's environmental results and performance;
- A requirement about management's future outlook regarding environmental results, performance and impacts;
- Requirements about the way in which environmental information is prepared and reported; and
- Requirements about conformance with the CDSB Framework.

8. Placement of information reported in accordance with the CDSB Framework

The principles and requirements in the CDSB Framework are designed to help organisations identify, prepare and report material environmental information in mainstream reports. The organisation's mainstream report should be adapted, rather than expanded. Environmental information should be interspersed and positioned in the relevant sections of the mainstream report in such a way as to explain the links between the organisation's strategy and environmental performance. In some cases, the Framework notes that certain information should be provided in response to particular reporting requirements. For example, REQ-03, "Risks and Opportunities" states that plans for governing and managing environmental risks and opportunities should be discussed in response to REQ-01 and REQ-02. However, this is not intended to imply that information should be reported in any specific order: it merely directs users to complementary requirements.

Except where regulatory requirements otherwise prescribe, information should be reported in the mainstream report, or cross-referenced to information in other documents, to avoid duplication and to keep the length of disclosures manageable while enabling the reader to find contextual information.

9. Terminology

Assurance usually describes the methods and processes employed by an independent third party to evaluate an organisation's public disclosures about its performance as well as underlying systems, data and processes against suitable criteria and standards. This provides additional credibility of public disclosures, so that investors and other key stakeholders can rely on the information when making decisions. Assurance includes the communication of the results of the assurance process in an assurance statement.

Boilerplate refers to a "standard form of words used in drafting contracts or other legal documents"⁵⁶.

Disclosure refers to notes and narrative that explain, amplify and provide additional context to the reported information to support interpretation by users. Disclosures therefore explain and complement information reported in response to specific requirements.

Environmental impacts are changes in the condition of the environment. Impacts may include (but are not limited to) climate change, deforestation, waste, pollution, loss of biodiversity and ecosystem services, changes to water availability and land use. Environmental impacts can be positive or negative, direct or indirect and may manifest as short or long-term changes to the balance, stock, flow, availability and quality of natural capital⁵⁷. The environmental impacts should be evaluated in tandem with any consequent financial impacts on the business, resulting from changes in policy and regulation, technology, markets, reputation and the physical environment.

Environmental information includes information about the organisation's: natural capital dependencies; environmental results; environmental risks and opportunities; environmental policies and their outcomes, strategies and targets; and performance against environmental targets.

Environmental policies, strategy, targets and performance are terms used to describe policies and their outcomes, strategies and targets used to monitor and manage an organisation's dependence on natural capital, its environmental results and environmental risks, opportunities and impacts.

Environmental results are the measures, indicators and other information that express the degree to which the organisation has contributed to, or influenced, environmental impacts in the reporting period through activities and outputs that represent sources of environmental impact. Indicators can provide evidence describing how the business is managed or quantified with measures that provide indirect evidence of performance⁵⁸.

Forest risk commodities are commodities that are sourced, directly or indirectly, from forests or recently deforested land or that drive deforestation. Global demand for agricultural commodities is the primary driver of deforestation, as timber is extracted and land is cleared to produce beef (and other cattle products), soy and palm oil. These 'forest risk commodities' are the building blocks of millions of products traded globally and feature (whether directly or indirectly) in the supply chains of countless organisations as well as within their products or services.

Investors are defined in the CDSB Framework in alignment with the IASB's definition⁵⁹, that is: "existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity". CDSB considers this definition to be equivalent to the definition of "providers of financial capital" in the International Integrated Reporting <IR> Framework produced by the International Integrated Reporting Council (IIRC)⁶⁰. We also consider this definition to align with the TCFD's definition of investors, lenders and insurance underwriters as the primary users of the mainstream report.

Mainstream reports are the annual reporting packages in which organisations are required to deliver their audited financial results under the corporate, compliance or securities laws of the country in which they are incorporated or, if relevant, operate. They are traditionally publicly available, providing information to existing and prospective investors about the financial position and financial performance of the organisation.

Management commentary is a narrative report that provides a context within which to interpret an entity's financial position, financial performance and cash flows together with management's explanation of its objectives and strategies for achieving them.

Natural capital is defined in the CDSB Framework in alignment with the IIRC's definition, that is: "all renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organisation. It includes air, water, land, minerals and forests, biodiversity and ecosystem health"⁶¹. Organisations may wish to refer to other commonly used definitions, such as the Natural Capital Protocol's⁶².

Natural capital dependencies refer to the environmental resources and processes on which an organisation depends for the provision of goods or services that support its past, current or future prosperity, including air, water, land, minerals and forests, biodiversity and ecosystem health.

Neutral information is free from bias so that it faithfully represents the matter that it purports to represent, and does not attempt to influence behaviour in a particular direction through the way it is communicated.

Organisation means the group, company, companies or entities for which the mainstream report is prepared, including, where appropriate, subsidiaries and jointly controlled entities and operations.

Outcomes in the context of policies, refers to describing and providing evidence that the policies put in place are having the desired effect or not.

Reporting means the provision of specific information in response to a specific requirement and all of the activity that enables the information to be supplied.

Reporting provisions are the laws, standards, codes, frameworks, methodologies, guidance, policies, disclosure requests and other approaches that may be used for preparing and presenting environmental information.

Sources of environmental impact are the activities and outputs from the organisation that actually, or potentially, influence or contribute to environmental impacts including, but not limited to:

- GHG emissions;
- Renewable/non-renewable energy generation, use and consumption;
- Land use, land use change and forestry (LULUCF);
- Non-GHG emissions to air, land and water, e.g. noise, odour, particulates, pollutants, plastics, etc.;

- Renewable and non-renewable material resource use, e.g. forest products, fish stocks, minerals, metals, etc.;
- Water use and consumption; and
- Waste and spillages, e.g. mining and hazardous waste, radiation and industrial by-products.

Organisations should focus on reporting the activities and outputs that are likely to cause changes to the balance, stock, flow, availability and quality of natural capital for the organisation itself and for others, and/or where the impacts from those activities and outputs (in so far as the organisation can reasonably be expected to observe or anticipate them) are likely to affect the organisation's ability to operate its business model and execute its strategy. For the purposes of the CDSB Framework, organisations are not expected to assess the overall impact of its activities on the biosphere and global commons, for example: the Earth's shared natural resources. However, they should consider the connection between their environmental impacts and natural capital dependencies and overall trends in natural resource depletion or degradation, and how this will affect long term value creation by the organisations.

10. Framework influences

The CDSB website (cdsb.net) provides a range of resources and guidance that are helpful to organisations applying the requirements and principles of the CDSB Framework for the purposes of reporting environmental information in their mainstream report.

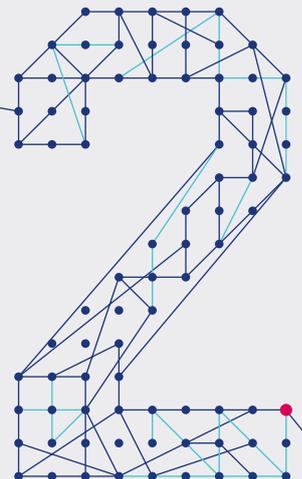
CDSB launched in May 2018 the TCFD Knowledge Hub (tcfdhub.org), an online platform which provides resources, tools and insights to help organisations implement the TCFD recommendations.

CDSB also developed with WBCSD the Reporting Exchange (reportingexchange.com) a free online platform listing over 1,500 sustainability reporting requirements and resources across 70 sectors and 60 countries.

The CDSB Climate Change Reporting Framework Edition 1.1 provides specific guidance on disclosure of climate change-related information in mainstream reports. See Appendix for a comparison between the connections and overlaps with different voluntary reporting frameworks, guides and standards.

Chapter 2

Guiding principles



1. Introduction

The guiding principles are designed to ensure that environmental information in mainstream reports is material, useful to investors, correct and complete, and based on criteria that are suitable for conducting assurance activities. The guiding principles shall be applied in determining, preparing and presenting environmental information in accordance with the reporting requirements of the CDSB Framework.

There is close alignment between the guiding principles of the CDSB Framework, the SASB Conceptual Framework and the TCFD Recommendations' seven fundamental principles for effective disclosure. This alignment has been detailed in the "Converging on Climate Risk"⁶³ report and is illustrated in Table 1.

The CDSB Framework has a unique role in providing a harmonised set of principles along with a standardised set of requirements that closely aligns with accounting standards, TCFD recommendations and other reporting initiatives. Once organisations have identified, assessed and are managing their environmental impacts, including climate-related risks and opportunities, the CDSB Framework provides a set of disclosure requirements to translate the environmental information and associated financial impacts into the mainstream report.

TABLE 1. ALIGNMENT OF CDSB FRAMEWORK AND SASB METRICS WITH TCFD PRINCIPLES

TCFD	CDSB	SASB
Principles for Effective Disclosures Intended to "help achieve high-quality and decisionuseful disclosures that enable users to understand the impact of climate change on organizations."	Guiding Principles and Reporting Requirements Principles [P] designed to ensure that environmental information in mainstream reports is useful to investors, is correct and complete and supports assurance activities. Requirements [REQ] designed to encourage standardized disclosure of environmental information that complements and supplements other information in mainstream reports	SASB Criteria for Accounting Metrics Designed to ensure the delivery of material, decision-useful information to the capital markets in a way that is cost-effective
Disclosures should represent relevant information	[P1] Environmental information shall be prepared applying the principles of relevance and materiality	SASB metrics are applicable to most companies in the industry
Disclosures should be specific and complete	[P2] Disclosures shall be faithfully represented	SASB metrics are complete, capturing a fair representation of performance
Disclosures should be clear, balanced, and understandable	[P5] Disclosures shall be clear and understandable [P3] Disclosures shall be connected with other information in the mainstream report	SASB metrics are useful to decisionmakers and neutral (free from bias)
Disclosures should be consistent over time	[P4] Disclosures shall be consistent and comparable	SASB metrics are comparable over time
Disclosures should be comparable among companies within a sector, industry, or portfolio	[P4] Disclosures shall be consistent and comparable	SASB metrics are comparable across peers within an industry
Disclosures should be reliable, verifiable, and objective	[P6] Disclosures shall be verifiable	SASB metrics are verifiable
Disclosures should be provided on a timely basis	[REQ-09] Disclosures shall be provided on an annual basis	SASB metrics are useful to decision-makers

Table 1: Alignment of CDSB Framework and SASB metrics with TCFD principles (Source: SASB 2017)

The guiding principles are designed to ensure that **environmental information** shall be:

- | | |
|---|-------------------------------------|
| P1 Prepared applying the principles of relevance and materiality | P4 Consistent and comparable |
| P2 Faithfully represented | P5 Clear and understandable |
| P3 Connected with other information | P6 Be verifiable |
| | P7 Be forward-looking |

The principles will be satisfied when each of the outlined purposes is fulfilled, through following the supporting guidance.

2. Principles

P1 Environmental information shall be prepared applying the principles of relevance and materiality

Purpose:

To encourage organisations, who have taken into account all of the requirements of the CDSB Framework and the needs of investors, management and regulators, to:

- Identify relevant environmental information; and
- Report material information that is based on relevant environmental information that reflect:
 - Factors specific to the reporting organisation; and
 - Environmental risks and opportunities to which all businesses are potentially exposed (for example, climate change) and are therefore considered material for the purposes of the CDSB Framework.

Relevance and materiality are distinct but related concepts that both need to be taken into consideration for the purposes of determining the nature and extent of information to include in a mainstream report.

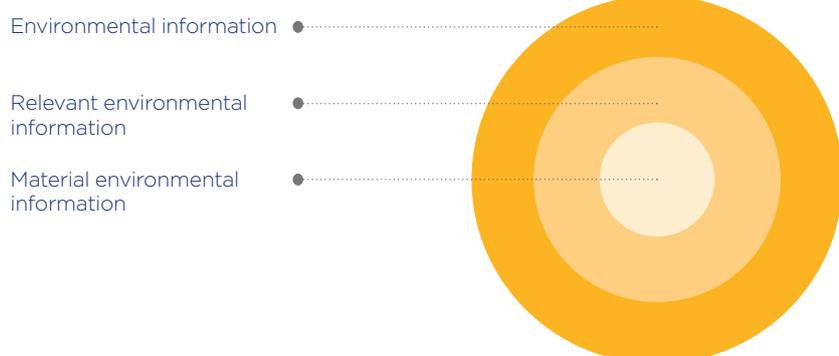
- Environmental information, as defined in the CDSB Framework, provides the scope of data about the organisational to be considered when identifying relevant and material environmental information.

- Relevant environmental information is a subset of environmental information identified by management as necessary for inclusion in the mainstream report, to communicate the extent to which the organisation’s business model contributes to, and is affected (now or in the future) by environmental impacts. P1.1 describes the tests that should be applied for identifying when environmental information becomes relevant environmental information.
- Material information generally represents a subset of relevant environmental information. P1.2 describes the tests that should be applied for identifying material information. For the purposes of the CDSB Framework, GHG emissions shall be considered as material and shall be reported in accordance with REQ-04.

P1.1 Environmental information is relevant where it:

- Is capable of making a difference to the decisions made by primary users of information in mainstream reports⁶⁴, including where it has:
 - Value as an input to predictive processes used by investors to inform their own expectations about the future performance of the business. This includes information that, while not currently affecting the organisation or its strategy, is expected to have an impact over the period management considers for the purposes of assessing the prospects of the business;

Figure 1. Material, relevant and environmental information



- Confirmatory value, i.e. where it confirms or changes past or present expectations, based on previous evaluations.
- Reflects the information that is important to management in managing the business and assessing how **environmental impacts** and results affect the **organisation's** strategy and performance;
- Complies with mainstream corporate requirements or compliance requirements on the **disclosure of environmental information**;
- Promotes an understanding of how the **organisation's** financial performance is dependent on **natural capital**, actual and potential **environmental impacts**, and the **organisation's environmental results** and policies;
- Takes account of internal and external stakeholder views; and
- Takes account of the specific requirements of the CDSB Framework.

P1.2 Environmental information is material if:

- The **environmental impacts** or results it describes are, due to their size and nature, expected to have a significant positive or negative impact on the **organisation's** financial condition and operational results and its ability to execute its strategy;
- Omitting, misstating or misinterpreting it could influence decisions that primary users of **mainstream reports** make about the **organisation**⁶⁵.
- Indicators, measures, quantitative and qualitative information related to those impacts should therefore be treated as material and reported to reflect the extent to which the **organisation** has undertaken activities that have given or may give rise to environmental outcomes and/or impacts; and
- Those outcomes and/or impacts have an actual or potential effect on the **organisation's** ability to operate its business model and execute its strategy over the time period used by management, to assess prospective changes in:
 - Resource availability, market conditions, degradation, policy/regulatory constraints, particularly resources on which the **organisation** is dependent;
 - Relationships on which the **organisation** is dependent (for example, the extent

and probability that an **organisation's** business activities may cause stakeholder actions to protect environmental resources, benefits and ecosystem services);

- The **organisation's** capacity to innovate and respond to environmental risks and opportunities (for example, whether renewable materials offer opportunities to the **organisation** in maximising its ability to create value);
- The **organisation's** ability to influence **natural capital**, for example through its supply chain, procurement of resources from sustainable sources and impacts associated with the use of the **organisation's** goods and services; and
- Brand and reputational consequences.

For the purposes of conformance with REQ-04, GHG emissions shall be treated as material and reported accordingly.

P1.3 Material environmental information should be:

- Complete, but free from immaterial clutter and unnecessary or duplicative detail that obscures major trends and events that are specifically relevant to the **organisation**;
- Cross-referenced to sources of information outside the mainstream report where greater amounts of detail may be found should readers require it;
- Specific to the **reporting organisation**⁶⁶. As such, materiality will be different for each organisation and the following types of disclosure are discouraged:
 - Standard formulations that reiterate financial information without analysis;
 - Generic **boilerplate disclosures** that do not relate to the specific practices and circumstances of the disclosing **organisation**;
 - Disclosures without additional insight to provide an understanding of strategies, regarding items accounted for, or disclosed in, financial statements.
- Providing information necessary for an assessment of how the **organisation** contributes to, and is affected by, relevant risks.

P1.4 Determining material environmental information

Identifying material environmental information for disclosure depends on management's judgement about the implications of its omission or misstatement and on the conditions at the time of reporting. CDSB's definition of materiality is aligned with the IASB.

Organisations shall evaluate their own circumstances to identify material environmental information for inclusion in mainstream reports. In the case of environmental information, the prevailing conditions might relate to developments in the reporting organisation's sector, the country or countries in which it operates, regulation, consumer behaviour, etc. As a result, it is not possible to specify a uniform quantitative threshold at which information becomes material¹¹.

A number of resources are available to assist with the evaluation of relevance and materiality. Additional resources available for materiality assessment include guidance produced by the ACCA⁶⁸, GRI⁶⁹, IASB⁷⁰, IIRC⁷¹, SASB⁷² and academic literature⁷³. In their statement of conformance, organisations should explain the outcome of the process used for identifying material environmental information.

This should include the disclosure of any difficulties involved in qualitatively assessing the situation. When in doubt, management should provide a suitable disclosure about any uncertainty.

In cases where a national government or regulator⁷⁴ has issued guidance on the determination of materiality for non-financial information or management commentary, such guidance should take precedence over the CDSB Framework.

P2 Disclosures shall be faithfully represented

Purpose:

To ensure that disclosures are complete, neutral and free from error in order to be useful⁷⁵.

Disclosures are considered complete when all the information that is necessary for an understanding of the matter that it purports to represent is included and when no details are omitted that could cause information to be

misleading to users.

Disclosure of environmental information is not neutral if, by the selection or presentation of information, it influences decision-making or judgment in order to achieve a predetermined result or outcome. However, to say that disclosure should be neutral does not mean that it should be without purpose or that it should not influence behaviour.

On the contrary, relevant environmental information is, by definition, capable of influencing users' decisions.

For the purposes of management commentary, information is free from bias, or 'balanced', where it does not unnecessarily overemphasise positive news but deals with both 'positive' and 'negative' aspects in tandem.

The disclosure of environmental information may be made under more uncertain conditions than financial information, and may be based on best estimates, expert opinion and management's judgment.

Faithful representation does not imply total freedom from error. However, faithful representation of information may be achieved by ensuring that sufficient evidence is available to support disclosures. This should include information about the nature and degree of omissions, assumptions and uncertainty as well as by basing estimates on appropriate, neutral inputs that reflect the best available data. Therefore, in order to attain faithful representation, it may sometimes be necessary to disclose explicitly the degree of uncertainty in the reported information.

Where management is unable to assess the magnitude of the impact and/or timing of uncertain events, management should:

- Provide an indication of the time periods in which resolution of the uncertainties is expected⁷⁶;
- Disclose the difficulties involved in assessing the situation;
- Take a cautious approach and provide suitable disclosure about any uncertainty.

For the purposes of management commentary, information is regarded as free from error and as a faithful representation if it is 'supportable'. Information is supportable if it represents the substance of an economic phenomenon, e.g. factually-based strategies, plans and risk analysis.

Details of measurement uncertainty represent important information.

P3 Disclosures shall be connected with other information in the mainstream report

Purpose:

To explain the links between the organisation's governance, strategy, risk management and environmental performance (metrics and targets).

Environmental information is connected with other information where:

- The information that the organisation uses internally for decision-making purposes about the organisation's strategy, goals, objectives and policy outcomes is connected with information that is provided externally to investors⁷⁷;
- It complements and supplements financial statements, management commentary and governance disclosures in order to place related financial information in context;
- It is reported in a place and in such a way as to explain the links between the organisation's strategy, policy outcomes and environmental results; and
- It helps investors make more informed financial decisions so that they can understand how environmental risks and opportunities are likely to impact an organization's future financial position as reflected in its income statement, cash flow statement, and balance sheet.

The application of this principle would mean that information is interspersed and positioned in the relevant sections of the mainstream report in such a way as to explain the links between the organisation's governance, strategy, policy outcomes, risk management and environmental performance (metrics and targets).

P4 Disclosures shall be consistent and comparable

Purpose:

To elicit information of value to investors in a way that is consistent so as to enable a level of comparability between similar organisations, reporting periods and sectors.

Comparability is the qualitative characteristic of information that enables users to identify similarities in, and differences between, two sets of information⁷⁸. Consistency refers to the use of the same standards, policies and procedures, either from period to period within an entity or in a single period across entities. Comparability greatly enhances the value of information to investors and is therefore the objective of this requirement; consistency is the means to achieving that objective.

In the early years of adoption, it is recognised that comparability of material environmental information between organisations and sectors may be limited, pending development of common disclosure approaches, policies and practices. However, within an entity, comparability over time should be achievable and depends primarily on the consistency of approach to reporting year-on-year. We encourage companies to refer to SASB's Sustainability Standards⁷⁹ to understand material topics for their sector.

Many organisations already measure, report and/or disclose their environmental results for purposes other than mainstream reporting. For example, an organisation may measure its GHG emissions for internal management information, or for voluntary reporting purposes, or in accordance with regulatory requirements. The CDSB Framework aims to ensure, as far as possible, that environmental results measured or disclosed for purposes other than mainstream reporting may be used to satisfy REQ-04.

P5 Disclosures shall be clear and understandable

Purpose:

To aid users' understanding of information provided, by ensuring that disclosures are easy to navigate, read and research.

Additionally, information that is relevant and material should not be excluded from mainstream reports solely because it may be too complex or difficult for some users to understand without assistance. Plain language should be used wherever possible although technical terminology with appropriate explanation should be used where relevant.

The application of this principle is satisfied when disclosures are:

- Clear and straightforward, using plain language and consistent terminology, avoiding jargon and boilerplate text and, where necessary, providing definitions for technical terms;
- Presented clearly and concisely;
- Presented in an easy to follow structure using appropriate signposts and labelling; and
- Enhanced through the use of illustrations, graphs and charts.

P6 Disclosures shall be verifiable

Purpose:

To ensure information that forms the basis for disclosures is verifiable.

Verifiable information is characterised by supporting evidence that provides a clear and sufficient trail from monitored data to the presentation of environmental information. Verifiable quantified information need not be a single point estimate. A range of possible amounts and related probabilities can also be verified.

Verification may be direct or indirect. Generally direct verification applies to a directly measured amount. Indirect verification checks the inputs and the resulting outputs by reference to the same methodology. Forward-looking information may not be verifiable until a future period.

P7 Disclosures shall be forward-looking

Purpose:

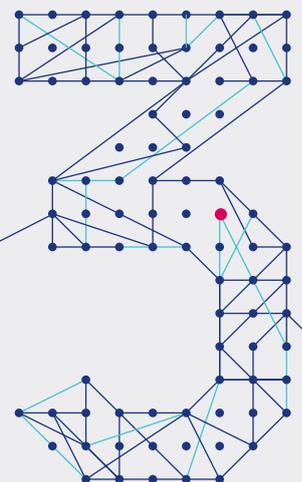
To ensure that current and historic information in the mainstream report is complemented with a narrative on the future impact of environmental information.

Disclosures should look to the future as well as current performance, and should communicate trends and factors relating to environmental information that are likely to affect the organisation's future performance, position and development. Adopting a strategic focus and future orientation includes clearly articulating how the continued availability, quality and affordability of natural capital contributes to the organisation's business model.

If not already stated in the mainstream report, the period over which management considers the future prospects of the organisation for the purposes of reporting environmental information should be disclosed in the statement of conformance (REQ-11) or in response to REQ-06 Outlook.

Chapter 3

Reporting requirements



1. Introduction

This chapter contains requirements (REQs) and associated guidance for reporting environmental information in mainstream reports. The requirements are designed to encourage standardised disclosure of the impacts to a business from environmental information, which complements and supplements other information in mainstream reports. The guiding principles shall be applied in determining, preparing and presenting the impacts of environmental information in accordance with the reporting requirements in the CDSB Framework.

To assist preparers using the CDSB Framework where they intend to fulfil the TCFD recommendations and supporting recommended disclosures⁸⁰, the four core elements of the TCFD recommendations seen in Figure 2 have been mapped to the requirements using the following key:

- **Governance:** G
- **Strategy:** S
- **Risk Management:** RM
- **Metrics and Targets:** MT

Recommendations and Supporting Recommended Disclosures

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	Recommended Disclosures	Recommended Disclosures	Recommended Disclosures
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	b) Describe the organization's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Figure 2: TCFD Recommendations and supporting recommended disclosures (Source: TCFD 2017)

REQ-01 Governance G RM

Disclosures shall describe the governance of environmental policies, strategy and information.

REQ-02 Management's environmental policies, strategy and targets G S RM MT

Disclosures shall report management's environmental policies, strategy and targets, including the metrics, plans and timelines used to assess performance.

REQ-03 Risks and opportunities S RM

Disclosures shall explain the material current and anticipated environmental risks and opportunities affecting the organisation.

REQ-04 Sources of environmental impact MT

Quantitative and qualitative results, together with the methodologies used to prepare them, shall be reported to reflect material sources of environmental impact.

REQ-05 Performance and comparative analysis MT

Disclosures shall include an analysis of the information disclosed in REQ-04 compared with any performance targets set and with results reported in a previous period.

REQ-06 Outlook S RM

Management shall summarise their conclusions about the effect of environmental impacts, risks, opportunities and policy outcomes on the organisation's future performance and position.

REQ-07 Organisational boundary

Environmental information shall be prepared for the entities within the boundary of the organisation or group for which the mainstream report is prepared and, where appropriate, shall distinguish information reported for entities and activities outside that boundary.

REQ-08 Reporting policies

Disclosures shall cite the reporting provisions used for preparing environmental information and shall (except in the first year of reporting) confirm that they have been used consistently from one reporting period to the next.

REQ-09 Reporting period

Disclosures shall be provided on an annual basis.

REQ-10 Restatements

Disclosures shall report and explain any prior year restatements.

REQ-11 Conformance

Disclosures shall include a statement of conformance with the CDSB Framework.

REQ-12 Assurance

If assurance has been provided over whether reported environmental information is in conformance with the CDSB Framework, this shall be included in or cross-referenced to the statement of conformance of REQ-11.

Summary of alignment

CDSB Framework for reporting environmental information, natural capital and associated business impacts - Requirements

Recommendations of the Task Force on Climate-related Financial Disclosures

CDSB Framework	G a)	G b)	S a)	S b)	S c)	RM a)	RM b)	RM c)	MT a)	MT b)	MT c)
REQ-01	✓	✓						✓			
REQ-02		✓	✓	✓			✓		✓	✓	✓
REQ-03			✓	✓	✓	✓	✓	✓			
REQ-04									✓	✓	✓
REQ-05									✓	✓	✓
REQ-06			✓	✓	✓		✓	✓			
REQ-07											
REQ-08											
REQ-09											
REQ-10											
REQ-11											
REQ-12											

Table 2: Summary of alignment between the CDSB Framework and the TCFD Recommendations

REQ-01

Governance

Disclosures shall describe the governance of environmental policies, strategy and information.

Purpose:

This requirement is designed to demonstrate transparency about, and accountability for, the organisation's oversight of environmental policies, strategy and information. Successful environmental policies require the support and leadership of an organisation's board, or highest governing body.

Disclosures should consider including the following detail:

- The executive, officer, board committee or highest governing body in the organisation responsible for environmental policies, strategy and information;
- Processes and frequency by which the highest governing body is informed about environmental issues;
- Whether the highest governing body considers environmental issues when:
 - Reviewing: guiding strategy, major plans of action, risk management policies, annual budgets and business plans;
 - Setting the organisation's performance objectives;
 - Monitoring implementation and performance; and
 - Overseeing major capital expenditures, acquisitions and divestures⁸¹;
- How the highest governing body monitors and oversees progress against goals and targets related to addressing environmental issues;
- Explain the nature and reliability of the underlying information and control systems used (oversight) by the highest governing body to prepare environmental information, their impacts and dependencies as well as related disclosures;

- How responsibility for environmental policies, strategy and information is delegated to management-level staff and how progress is reported back to the highest governing body. This includes: a description of the organisational structure(s), processes by which management is informed about environmental issues, and how management (for example, specific positions or committees) monitors environmental issues⁸²;
- Explain whether the organisation's environmental policies and strategies are subject to the same governance processes, disclosure controls and procedures that are used for financial management.
- How management-level staff are held accountable and incentivised for addressing environmental issues;

REQ-02

Management's environmental policies, strategy and targets

Disclosures shall report management's environmental policies, strategy and targets, including the metrics, plans and timelines used to assess performance.

Purpose:

To facilitate a complete assessment by primary users of the rationale, quality and efficacy of the organisation's environmental policies, strategy and targets and an understanding of the metrics and timelines used to manage and assess performance.

This requirement should describe the organisation's:

- Natural capital dependencies;
- Environmental policies, strategy and objectives and how those are integrated within the organisation's overall business model, strategy and operational performance;
- Resourcing of management's environmental policy, strategy and targets; and
- Targets, timeline and key performance indicators against which delivery of environmental strategy and policies are measured and resourced.

Natural capital dependencies

By way of context for disclosures about environmental policies, strategies and targets, information should be provided about the renewable and non-renewable environmental resources and processes on which the organisation depends for the provision of goods or services that support the organisation's overall strategy. The disclosure should also articulate how these natural capital dependencies could be vulnerable from physical (acute and chronic) climate change.

Environmental policies and strategy

Information about environmental policies and strategies should include:

- Details of the organisational or activity boundary to which the policy and strategy applies if it is different from the boundary identified in response to REQ-07;
- The rationale for, and nature of, those policies and strategies, for example, to respond to the particular risks and opportunities identified in REQ-03;
- Details of the policies and strategies and where they interact with product or service development, investment in innovation, resource or emission reductions, process efficiencies, portfolio diversification, managing reliance on natural capital, etc.;
- Confirmation of whether and to what extent policies and strategies take account of the organisation's key stakeholder relationships and perspectives, including details about engagement with key suppliers or other parties in the value chain;
- Changes, if any, in policies and strategy since the previous reporting period are identified and explained;
- Details about whether and to what extent policies and strategies are aligned with the organisation's lobbying, advocacy, memberships and related policy engagement activities including details about participation in relevant multi-stakeholder initiatives;

- Information about whether policies and strategies are supported through participation in, or endorsement of, sustainability initiatives, regulatory schemes, voluntary reporting, or similar, such as CDP^{83,84,85}, IIRC, GRI⁸⁶, Natural Capital Protocol⁸⁷, SASB⁸⁸, TCFD⁸⁹, UN Global Compact⁹⁰;
- Information about whether the organisation's environmental policies and strategies involve working with suppliers and other third parties to facilitate their management of environmental impacts;
- Information relating to offsetting and other mitigating actions; and
- Any actual or anticipated penalties or costs relating to environmental performance.

Resourcing of management's environmental policy, strategy and targets

- A description of the resources that are allocated to managing and delivering the policies, strategy and targets, including investment in research and development as well as capital expenditure plans⁹¹. This should include a description of the extent to which these resources are separated or integrated within the wider business;
- Information about the governance of environmental policies and strategies should be provided in response to this requirement or in response to REQ-01.

Time horizons, targets and metrics

Information about the targets, time horizons and key performance indicators against which delivery of environmental strategy and policies should include:

- A description of what they consider to be short, medium, and long-term time horizons, taking into consideration the useful life of assets and infrastructure;
- A description of the specific environmental, including climate-related and natural capital, impacts for each time horizon that could have a material financial impact on the organisation;
- The type of target (absolute or intensity-based);

- The time horizon over which the target applies, including any interim milestones;
- The base year from or against which progress is tracked;
- Details of whether the target applies to the consolidated group, a single entity, its supply chain, or a geographic region;
- Whether and to what extent targets are informed by external parameters, for example, UN Sustainable Development Goals⁹², Aichi biodiversity targets⁹³, planetary boundaries⁹⁴, science-based targets⁹⁵, or similar; and
- Key performance indicators used to assess progress against targets. They are most useful when:
 - Relevant to the circumstances of the **organisation**;
 - Focused on the matters identified by the **organisation** as being relevant and material;
 - Consistent with:
 - Indicators used internally by management;
 - Generally accepted sector/regional benchmarks to provide a basis for comparison;
 - Indicators used over successive periods, regardless of whether the resulting trends and comparisons are favourable or unfavourable;
 - Connected with other information in the mainstream report; and
 - Accompanied by:
 - Short/medium/long-term forecasts;
 - Comparable information for the short/medium/long-term;
 - Previously reported targets, forecasts or projections; and
 - Qualitative information to provide context, including an explanation of measurement methods and underlying assumptions.

REQ-03

Risks and opportunities S RM

Disclosures shall explain the current and anticipated material environmental risks and opportunities affecting the organisation as well as how those are managed.

Purpose:

To inform readers of the organisation's material environmental risks and opportunities, as well as how they are identified, assessed, managed and integrated into existing risks management processes.

Environmental risks and opportunities are potentially wide-ranging and could have direct or indirect consequences (for example, affecting market prices, demand or disruption within the supply chain). The use of scenario analysis can be a valuable process for identifying and assessing the potential implications of a range of possible future states under conditions of uncertainty⁹⁶. This process can help **organisations** explore existing and emerging environmental issues along with risks and opportunities from market trends, technological innovation, new policies and litigation. All **organisations** should consider applying a basic level of scenario analysis for strategic planning and risk management processes. This should include forming a narrative that bridges their vision of a possible future and how their business model would be resilient to emerging material risks and exploit new opportunities.

For further details of potential environmental risks and opportunities to **organisations**, the following sources provide examples:

- Section B of the TCFD recommendations final report (2017) for climate-related risks and opportunities; and
- Chapter 4 of the Natural Capital Protocol for examples of potential **natural capital** impact drivers and dependencies to consider when identifying those that are material to businesses.

Outputs are useful where they:

- Analyse actual and potential causes and sources of environmental risks and opportunities, for example:

- Availability or quality of **natural capital**, including through the **reporting organisation's** supply chain;
 - Whether the risk or opportunity applies **organisation-wide** or is geographically, business unit, or asset specific;
 - The effect of regulation designed to support or limit activity affecting **natural capital**;
 - Whether the source of risks and opportunities originates with external parties on which the **organisation** is dependent for performance, e.g. supply chain, utilities, logistics, infrastructure, etc.;
 - Brand and reputational consequences associated with the use of **natural capital**;
 - Whether availability of any of the **organisation's natural capital dependencies** are at risk, for example, recognised as a "critical raw material"⁹⁷ by the EU;
 - Whether any of the **organisation's natural capital dependencies** are subject to known limits, e.g. planetary boundaries⁹⁸, as well as those identified by **organisations** such as the Carbon Tracker Initiative⁹⁹ (stranded assets), or similar;
 - Explain the outcomes and financial impacts of the risks and opportunities upon the **organisation**, e.g. in terms of operations, supply chain, business model, financial planning processes, shareholder return, achievement of strategic objectives, asset impairment or write-downs, long-term viability etc.;
 - Explain how environmental risks and opportunities are integrated into risk management processes, financial planning processes, the time periods used and how these risks and opportunities are prioritised, which should include the relative significance of these risks in relation to others within the business. Organisations should also consider, when disclosing, their impact on financial planning on operating costs and revenues, capital expenditures and capital allocation, acquisitions and divestments and access to capital;
 - Identify the businesses, products, services, assets, markets and geographical areas that are likely to be affected;
 - Identify whether the outcomes and financial impacts will affect the **organisation** or its stakeholders, e.g. customers, suppliers, local communities and wider society;
 - Links to other parts of the mainstream report that explain the **organisation's** processes and systems for identifying, assessing and managing risks and opportunities. This could be for example, enterprise risk management (ERM) processes; processes for assessing the potential magnitude and scope of environmental impacts; whether inventory, operations and supply chains have been audited to identify licenses, land or resource rights, assets and relationships that might strengthen or weaken the **organisation's** access to **natural capital**;
 - Include definitions of risk terminology used or references to existing risk classification frameworks used;
 - Explain how and the extent to which the **organisation** is able to mitigate transfer, accept or control risks and maximise opportunities directly or indirectly through customers, supply chain, markets etc.;
 - Explain the timeframes over which risks and opportunities are assessed and estimate when they are expected to materialise. If scenario analysis has been used to inform this, such scenarios should be described; and
 - Explain whether they consider existing or emerging regulatory requirements related to those **environmental impacts** (e.g. limits to emissions, diesel car bans, coal power phase-outs, etc.) as well as other relevant factors considered;
- An understanding of how risk is managed is crucial for the primary users of **mainstream reports** when evaluating the **organisation's** overall risk profile and risk management activities. This would give users an idea of the appetite for current and future risks to the business and how adequately they are being managed within the **organisation**.

REQ-04 Sources of environmental impacts ^{MT}

Quantitative and qualitative results, together with the methodologies used to prepare them, shall be reported to reflect material sources of environmental impact.

Purpose:

To report, using qualitative and quantitative results, the degree to which material sources of environmental impact have arisen over the reporting period and to cite methodologies used for the preparation of results.

Sources of environmental impact are the activities of, and outputs from, the organisation that actually or potentially influence or contribute to environmental impacts including, but not limited to:

- GHG emissions;
- Renewable/non-renewable energy generation, use and consumption;
- LULUCF;
- Non-GHG emissions to air, land and water for example, noise, odour, particulates, pollutants, plastics etc.;
- Renewable and non-renewable material resource use for example, forest products, fish stocks, minerals, metals, etc.;
- Water use and consumption; and
- Waste and spillages for example, mining and hazardous waste, radiation and industrial by-products.

Wherever possible, environmental results reflecting the degree to which material sources of environmental impact have arisen over the reporting period should be reported in quantitative terms using absolute, normalised and intensity metrics. High-quality quantitative information should, at a minimum, be provided for material sources of environmental impact from operations, entities and activities within the organisation's reporting boundary (see REQ-07). Narrative should accompany quantitative results where it assists the reader in understanding the associated financial impacts to the organisation. Where quantitative

information is unavailable for sources of environmental impact from operations, entities and activities with the organisation's reporting boundary, results should be expressed in qualitative terms.

Where sources of environmental impact originate outside the organisation's reporting boundary as a result of contractual or other relationships between the reporting organisation and third parties (e.g.: indirect or scope 3 GHG emissions in the supply chain), the provision of quantitative information is encouraged where material to the reporting organisation, but is not required by the CDSB Framework. However, qualitative information about the material risks and opportunities associated with sources of environmental impact originating from third parties on whom the reporting organisation depends, should be provided in response to REQ-03.

The CDSB Framework treats GHG emissions from operations, entities and activities within the financial reporting boundary of the organisation as material. In particular, the reporting organisation is expected to report in CO₂ equivalent metric tonnes, absolute and normalised Scope 1 and 2 GHG emissions, calculated by reference to a recognised (see definition below) GHG emissions measurement methodology.

Based on the outcome of the organisation's materiality assessment (see Principle 1), measures, indicators and other information about those sources of environmental impact that are material should be calculated according to recognised methodologies and reported with explanatory narrative text where necessary.

CDSB does not prescribe reporting provisions to be used for the preparation of quantitative environmental results. Instead, the CDSB Framework requires results to be prepared according to existing globally recognised reporting provisions for preparing measures, indicators and other information. Unless listed in conformance with REQ-08, the methodologies used to prepare environmental results shall be reported in response to REQ-04.

Recognised reporting provisions for the purposes of the CDSB Framework include:

- Global standards developed through public consultation and due process that are current practice. They include industry and national standards that are derived from such global standards;
- National and regional legislation requiring reporting of environmental information or subsets thereof;
- National government sponsored guidance on reporting of environmental information; and
- The reporting provisions listed in Chapter 1, section 3 “Framework References”.

Mitigating activities

When presenting environmental results, measures, indicators and other information, no account shall be taken of actions that have or are designed to mitigate environmental outcomes and/or reduce environmental impacts. The effects of mitigating activities should be disclosed in response to REQ-02.

Disaggregation and categorisation

Results shall be disaggregated, categorised or broken down as appropriate where it is likely to aid understanding. For example, results may be categorised by geography, business activity or division, risk profile, source type etc.

Uncertainty

Results shall be accompanied by a description of the main effects of any uncertainty in the calculation of the data, e.g. data gaps, critical assumptions, extrapolations, metering/ measurement inaccuracies etc.

REQ-05 Performance and comparative analysis MT

Disclosures shall include an analysis of the information disclosed in REQ-04 compared with any performance targets set and with results reported in previous periods.

Purpose:

To communicate to readers how the organisation’s environmental results compare with results for previous reporting periods and with performance targets set in previous periods.

In order to support the comparative analysis, environmental results shall be presented in parallel with results for the previous reporting period(s), except in the first year of reporting.

The comparative analysis is useful where it:

- Analyses the main trends evident from a comparison of the organisation’s environmental results from previous to the current reporting periods;
- Cross-refers to targets, baseline and other criteria used for analysing environmental performance; and
- Explains significant changes in environmental results from one period to another.

The type of comparative analysis that is encouraged includes, where appropriate, a description of and explanation for:

- Any significant changes to performance or unexpected results against targets due to:
 - Changes in the organisation’s governance, strategy, policies and their outcomes;
 - Changes in the methodology or KPIs used for calculating results;
 - Changes due to acquisitions, divestments, organic growth or decline, efficiency or process improvements, alterations to processes for collecting data, practices in satellite operations, missing data etc; and
 - Other reasons.
- The extent to which forward-looking disclosures, including any outputs from scenario analysis, made in previous reporting periods have borne out. This should include how and why the performance of the organisation misses, meets or exceeds previously made forward-looking disclosures¹⁰⁰; and

- Activities that have given rise to movements, that is, whether acquisitions/disposals/sales etc. were the primary driver of movements.

REQ-06

Outlook S RM

Management shall summarise their conclusions about the effect of environmental impacts, risks, opportunities and policy outcomes on the organisation's future performance and position.

Purpose:

To provide readers with a summary from management about how they see the organisation's main environmental impacts, risks and opportunities affecting its capacity to innovate, execute its strategy and create long-term value.

Management's outlook is useful when it succinctly explains how the organisation's principal environmental impacts, risks and opportunities as well as the context in which the organisation operates, limit or support the organisation's capacity to manage risk, innovate, execute its strategy and create long-term value. The summary should draw on the process used to identify, assess and manage the information disclosed in response to REQ-01 to 05 of the CDSB Framework. This should also include the company's knowledge of any future environmental regulation, market trends or practice that might disrupt its businesses, strategy and financial planning.

Organisations should consider how resilient their strategies are to environmental risks and opportunities, taking into consideration a transition to a lower carbon economy consistent with a 2°C or lower scenario and, where relevant to the organisation, scenarios consistent with increased physical climate-related risks and scarce natural capital input materials.

The statement should identify the time horizon(s) over which management considers the prospects of the organisation, including the evolution of the strategy. It should include an explanation of why specific scenarios were chosen, and why the time horizon(s) is considered appropriate.

REQ-07

Organisational boundary

Environmental information shall be prepared for the entities within the boundary of the organisation, or group, for which the mainstream report is prepared and, where appropriate, shall distinguish information reported for entities and activities outside that boundary. The basis on which the organisational reporting boundary has been determined shall be described.

Purpose:

To ensure that environmental information is prepared on the same basis and for the same entities and activities as those for which other information is reported in the mainstream report.

Where requirements for the preparation of mainstream reports, or elements of mainstream reports, prescribe the entities and activities that should be included within the boundary of the reporting organisation, the same organisational boundary should be used for reporting environmental information according to the CDSB Framework. For example, many jurisdictions require IFRS¹⁰¹ to be used for the purposes of identifying the entities to be included within financial statements for corporate groups. Often, management commentary/discussion and analysis and governance disclosures are required to be made for the same entities and investees.

In some cases, environmental information outside the organisation's mainstream reporting boundary may be disclosed for a variety of reasons, including, but not limited to:

- The reporting organisation is required or chooses to report on activities for which it is responsible (whether or not within the mainstream reporting boundary) for example, outsourced activities;
- The nature of the contract for the operation or use of or services procured from the entity or facility, the reporting organisation is exposed to material risk, opportunity or financial impact; and
- The reporting organisation has the power to influence its environmental impacts.

In such cases, information attributable to entities, facilities or activities outside the organisation's mainstream reporting boundary should be clearly distinguished from information about entities and activities within the boundary.

In all cases, the basis on which the organisational reporting boundary has been determined shall be described. In particular, the rationale for excluding any activities that fall within the financial reporting boundary should be explained. For more information on organisational boundary setting, see CDSB's position statement on organisational boundary setting¹⁰².

REQ-08 Reporting policies

Disclosures shall cite the reporting provisions used for preparing environmental information and shall confirm that they have been used consistently from one reporting period to the next.

Purpose:

To inform readers about the reporting provisions that have been used to prepare disclosures.

The regulatory, industry-specific or financial frameworks, standards, guidelines, etc. that have been used for the preparation and reporting of environmental information should be cited for the purposes of satisfying this requirement, together with confirmation that they have been used consistently from one reporting period to the next. Where any changes have been made, the reason for and effect of the changes should be explained.

Organisations should also describe the approach used for collecting source data for preparing environmental information, together with any controls and quality assurance processes used to ensure the quality of information.

REQ-09 Reporting period

Disclosures shall be provided at least annually.

Purpose:

To ensure that information is made available to readers on a timely basis, at least annually.

The reporting period for environmental information and the mainstream report should be the same. However, where this is not the case, the reporting year for environmental information should end within the period covered by the mainstream report and its start and end date should be disclosed.

Where environmental information prepared in compliance with regulatory requirements is used to make disclosures under the CDSB Framework and the reporting period specified by the regulator is different from the period covered by the mainstream report, the period specified by the regulator may be treated as covering the same period covered by the mainstream report within which it falls.

REQ-10 Restatements

Disclosures shall report and explain any prior year restatements.

Purpose:

To report and explain amendments made to previously reported information due to errors, changes to policies, methodologies or organisational structure.

The circumstances in which a restatement might be required include:

- Detection of errors in a previous reporting period;
- Changes in policies that affect an understanding of performance over time;
- Change to methodologies, for example, to enhance measurement of environmental impacts, changes to the base year, etc.;
- Divestments and acquisitions by the organisation; and
- Changes in outsourcing arrangements.

Where the restatement is due to a change of policy, the impact of the policy change should be explained.

REQ-11 Conformance

Disclosures shall include a statement of conformance with the CDSB Framework, or equivalent.

Purpose:

To inform readers about whether, and to what extent, the principles and requirements of the CDSB Framework, or an equivalent framework, have been applied.

In order to assert conformance with the CDSB Framework, an organisation must apply the guiding principles to the environmental information reported and comply with the requirements. In cases where full conformance has not been achieved, management shall identify in the statement those principles and requirements that it has not conformed with, in whole or in part. This shall be accompanied by an explanation of the relevant circumstances, the nature of the omission and the organisation's plans for full conformance.

Unless otherwise stated in the mainstream report, the statement of conformance shall also:

- Identify information that is incomplete, or has been prepared under conditions of uncertainty together with an explanation about the nature and degree of omissions/errors/uncertainty;
- State whether and to what extent environmental information has been assured (see also REQ-12); and
- State the outcome of applying the relevance and materiality principle.

REQ-12 Assurance

If assurance has been provided over whether reported environmental information is in conformance with the principles and requirements of the CDSB Framework, this shall be included or cross-referenced in the statement of conformance (REQ-11).

Purpose:

To inform the reader about whether, and to what extent, environmental information reported in conformance with the CDSB Framework has been assured or verified by a third party.

By providing environmental information in mainstream reports, organisations are expected to apply the same rigour and management responsibility as is appropriate to all statements and disclosures presented in the mainstream report, whether audited or not. Generally, the financial statements auditor is required to read the information presented in addition to the audited financial statements, identify any significant inconsistencies between it and the audited financial statements, and consider any observed significant misstatements of fact in those disclosures and that it conforms with local regulations¹⁰³.

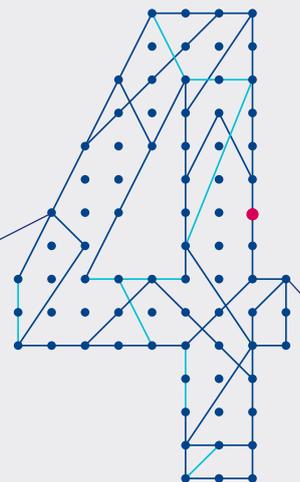
However, the purpose of the consistency check is not to provide assurance on the information published. Further, a financial statements audit performed according to the ISA 100-700 series is generally not suited to reach conclusions on specific and discrete disclosures such as environmental information prepared according to the CDSB Framework. The consistency check does not therefore represent assurance of environmental information and is not comparable to assurance activities carried out under ISAE 3000¹⁰⁴ and ISAE 3410¹⁰⁵.

CDSB encourages organisations to engage with assurance providers to agree an appropriate assurance approach. Assurance engagements conducted according to existing standards such as International Standards on Assurance Engagements (ISAE) 3000¹³³ or 3410¹³⁴, or similar national standards are suited to provide assurance on environmental information under the CDSB Framework.

Where an assurance opinion is provided for environmental information, organisations should specify the environmental information within scope of the assurance activities and include or cross-refer to the assurance report in the statement of conformance (REQ-11).

Chapter 4

Appendix



Appendix

Making the connections between the CDSB Framework and other common reporting approaches

The CDSB Framework for reporting environmental information, natural capital and associated business impacts encompasses the Climate Change Reporting Framework Edition 1.1 which remains suitable for preparing detailed [disclosures](#) on climate change-related information in [mainstream reports](#). Guidance has also been created to work alongside the CDSB Climate Change Reporting Framework to help enhance the quality of climate change [disclosures](#) in [mainstream reports](#). It is available at cdsb.net/frameworkguide.

Table 3 cross-references the requirements in the CDSB Framework with commonly used reporting provisions such as CDP, SASB, GRI, Integrated Reporting, German Sustainability Code and UN Global Compact, and with regulatory requirements such as those outlined in the EU Non-Financial Reporting Directive, UK Companies Act and Grenelle II. This aims to assist preparers and inform wider stakeholders where requirements are similar and how information collected for one [reporting](#) audience/purpose can be used to satisfy the requirements of the CDSB Framework and the mainstream [reporting](#) model.

In 2018, the Framework was revised to clarify some terminology and reflect the development of new [reporting](#) initiatives, such as the TCFD.

An overview of how the CDSB Framework for reporting environmental information, natural capital and associated business impacts incorporates and builds on the climate change edition as demonstrated in Table 3.

	Relevance and materiality	Faithful representation	Connected with other information	Consistent and comparable	Clear and understandable	Verifiable	Forward-looking	Governance	Policy, strategy and targets	Risks and opportunities	Sources of environmental impact	Performance and comparative analysis	Outlook	Organisational boundary	Reporting policies	Reporting period	Restatements	Conformance	Assurance	
CDSB Framework	P1	P2	P3	P4	P5	P6	P7	REQ-01	REQ-02	REQ-03	REQ-04	REQ-05	REQ-06	REQ-07	REQ-08	REQ-09	REQ-10	REQ-11	REQ-12	
CDSB Climate Change Reporting Framework Edition 1.1	§ 11, 2.4, 2.10, 3.7-3.12, 3.21-3.30	§ 3.13-3.19	§ 2.26-2.35	§ 2.12-2.15, 2.39-2.40	§ 11, 2.28-2.31	§ 2.29	§ 2.16-2.17, 4.14-4.15	§ 4.16-4.17	§ 2.8-2.9, 4.12-4.13	§ 2.10, 4.9-4.10	§ 4.18-4.33	§ 2.36-2.40	§ 2.32-2.35, 4.14-4.15	§ 2.20-2.21, 4.23-4.26, 4.21, 4.23-4.26	§ 2.24-2.25	§ 2.18-2.19	§ 4.33	§ 2.22-2.23	§ 1.13-1.14, A16	
CDP Information Request (2018)	C6.7, C9.2, W4.1, F3.1(a)					C10.1, C10.2, F8.1, W10.1	C3.1(a), C3.1(d), C3.1(g), W7.3	C1.1, C1.2, C1.3, F4.2, F4.3, F4.4, W6.2, W6.3	C2.1, C3.1, C4.1, C4.2, C4.3, C4.5, C5.1, C9.1, C11.1, C11.2, C11.3, C12.1, C12.3, F1.2, F1.3, F4.1, F5.1, F6.1, F6.2, F6.3, F6.4, F6.5, F6.6, F6.7, F6.8, F6.9, W1.4, W2.2, W6.1, W6.5, W7.1, W7.2, W7.3, W7.4, W8.1	C2.2, C2.5, C2.6, C11.1 (a), F1.6, F1.7, F2.1, F3.1, F9.1, F9.2, W2.1, W3.3, W4.1, W4.2, W4.3	C4.3(a), C5.1, C5.2, C6.1, C6.2, C6.3, C6.4, C6.5, C6.7, C6.10, C7.1, C7.2, C7.3, C7.5, C7.6, C8.1, C8.2, F0.5, F1.1, F1.5, F7.1, W1.2, W5.1, W9.1	C4.1(a), C4.1(b), C7.9, F6.2(a), W5.1, W8.1(a), W8.2(b)	C2.4, C2.5, W7.3	C0.5, C6.4, F0.4, F0.6, F0.7, W0.5, W0.6	C5.2, F1.4	C0.2, F0.2, W0.2				C10.1, C10.2, F8.1, W10.1
TCFD principles of reporting and recommendations	Disclosures should represent relevant information	Disclosures should be specific and complete	Disclosures should be clear, balanced, and understandable	Disclosures should be consistent over time; Disclosures should be comparable among companies within a sector, industry, or portfolio	Disclosures should be clear, balanced, and understandable	Disclosures should be reliable, verifiable, and objective		G a), G b), RM c)	G b), S a), S b), RM b), MT a), MT b), MT c)	S a), S b), S c), RM a), RM b), RM c)-	MT a), MT b), MT c)	MT a), MT b), MT c)	S a), S b), S c), RM b), RM c)			Disclosures should be provided on a timely basis				
GRI Standards	1.1, 1.3, 1.4, 2.3, 2.5, 102-40, 10-42, 102-43, 102-44, 102-46, 102-47, 103-1	1.4, 1.5, 1.6		1.8	1.7, 2.6			102-14, 102-16, 102-18, 102-19, 102-20, 102-21, 102-26, 102-30, 102-31, 102-32	102-11, 102-12, 102-14, 102-15, 103-2, 103-3, 308-2	102-15, 201-2, 308-2	102-15, 301-1, 301-2, 301-3, 302-1, 302-2, 302-3, 302-5, 303-1, 303-2, 303-3, 304-1, 304-2, 304-3, 304-4, 305-1, 305-2, 305-3, 305-4, 305-6, 305-7, 306-1, 306-2, 306-3, 306-4, 306-5, 308-2	302-4, 305-5	102-14	2.4, 102-45	2.1, 3.1, 102-54, 102-55	1.10, 102-50, 102-52	102-48			102-56
IFRS Conceptual Framework for Financial Reporting	QC 6-11	QC 12-16		QC 19-22	QC 30-32	QC 26-28														
IIRC <IR> Framework	§ 3.17-3.23, 3.24-3.29, 4.41-4.42, 4.44, 4.50	§ 3.39-3.53	§ 3.6-3.9, 4.51	3.54-3.57	§ 3.36-3.38, 4.52	§ 3.39-3.48	§ 4.34-4.39, 4.57-4.59	§ 1.20, 3.4, 4.8-4.9	§ 3.3-3.5, 3.10-3.16, 4.27-4.29, 4.53-4.56	3.4, 4.23-4.26, 4.45	§ 1.11, 3.4, 4.14, 4.53	§ 4.30-4.39, 4.57-4.62	§ 4.34-4.39, 4.57-4.59	§ 3.30-3.35, 4.4-4.7, 4.10-4.13, 4.16-4.22	§ 1.12-1.16, 4.41, 4.47-4.48			§ 1.17-1.18	§ 3.40	
ISO 26000	6.5.3.2, 6.5.5.2.1, 6.5.6.2, 7.3.2.1, 7.3.2.2, 7.3.4, 7.5.2, 7.5.3 (Box 15)	4.3, 7.5.2	4.3	6.7.5.2, 7.6.2, 7.7.2, 7.7.4	4.3, 7.5.2, 7.5.3 (Box 15)			4.3, 6.2.3.2, 7.4.2, 7.4.3	4.2, 4.3, 6.2.3.2, 6.5.5.2.1, 6.5.5.2.2, 6.5.6.2, 7.3.2.1, 7.4.2, 7.4.3, 7.5.3 (Box 15)	6.5.2.1, 6.5.5.2.2	6.5.3.2, 6.5.4.2, 6.5.6.2	4.3, 7.5.3 (Box 15)		4.3, 6.5.5.2.1	4.3, 4.6	7.5.2	7.5.2			
OECD Guidelines for Multinational Enterprises	Part III (1-4)		Part III (4)					Part II (A6)	Part II (A5, A8, A12-15, B2), and VI (1-8)	Part II (10-12) and VI (3-5)	Part VI (1-2)	Part VI (1-3, 6)		Part III (1)	Part III (4)					
UN Principles for Responsible Investment								P2	P1, P2, P3, P4, P5, P6		P3	P3			P2, P3, P4, P5, P6					
UN Global Compact Principles		P7						P8	P7, P8, P9	P7		P7								
SASB Conceptual Framework (CF) and Standards (S)	CF p 9	CF p 19	CF p 19	CF p 19	CF p 19	CF p 19	S (Introduction)		S (Accounting Metrics)	S (Accounting Metrics)	S (Accounting Metrics)	S (Accounting Metrics)	S (Accounting Metrics)	S (Introduction)	S (Introduction)	S (Introduction)			S (Introduction)	
UNGC CEO Water Mandate	Section 4 p 19-28		Section 5 p 32-34						Section 5 p 35-39, 60-76	Section 5 p 49-55	Section 5 p 56-59	Section 5 p 40-46		Section 5 p 32	Section 5 p 47-49					
Australian WASB (WAS1)	§ 23	§ 16-17		§ 31-32, 35, 37-38, 40					§ 56			§ 28, 51, 64-66	§ 31-32, 37-38			§ 30	§ 35, 43, 47, 49		§ 178-180	
The German Council for Sustainable Development (RNE) Sustainability Code	Clauses 2, 7			Clause 7				Clauses 5, 7, 8	Clauses 1, 3, 4, 7, 12, 19	Clauses 1, 4	Clauses 11, 13	Clause 3		Clause 4	Clause 20					
South Africa King Code IV								P1, P2, P3, P4, P5, P6, P11, P16	P3, P4	P4, P11	P3, P4		P5		P5	P5			P15	
Danish Financial Statements Act 2008									Article 99a para 1, 2 1), 2 2), 3			Article 99a para 2 3	Article 99a	Article 99a paras 6-7	Article 99a para 2 1, 99a para 8					
EU Accounting Directive 2013/34/EU									Article 19a 1(b, c, e) and Article 29a 1(b, c, e)	Article 19a 1(c) and Article 29a 1(d)	Article 19a 1(e) and Article 29a 1(e)	Article 19a 1(c) and Article 29a 1(c)	Article 19a 1 and Article 29a 1	Article 19a 1, 1(a) and Article 29a 1, 1(a)					Article 19a, 5 and Article 29a 5	
French Grenelle II 2010									Article 75 & 225	Article 225	Article 75 & 225	Article 75	Article 225	Article 225		Article 75		Article 225	Article 225	
India Companies Act (2013)		Article 134 (5) (b)						Article 135 (1), (2), (4) (b), (5)					Article 134 (3) (c), 135 (4) (a), Schedule VII		Article 134 (5) (a)					
UK Companies Act 2006 (amended by Strategic Report and Directors' Report Regulation 2013 and The Companies, Partnerships and Groups Regulations 2016)									414CB (2)(b), (c), (e)	414CB (2)(d)	414CB (c)	414CB								

Abbreviations

CBD	United Nations Convention on Biological Diversity
CDP	Formerly Carbon Disclosure Project
CDSB	Climate Disclosure Standards Board
Ceres	Formerly Coalition for Environmentally Responsible Economies
CO₂	Carbon dioxide
EFFAS	European Federation of Financial Analysts Societies
EU	European Union
GHG	Greenhouse Gas
GISR	Global Initiative for Sustainability Ratings
GRI	Global Reporting Initiative
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
ISAE	International Standards on Assurance Engagements
ISO	International Organization for Standardization
LULUCF	Land use, land use change and forestry
NFR	Non-financial reporting
OECD	Organisation for Economic Co-operation and Development
PRI	Principles for Responsible Investment
SASB	Sustainability Accounting Standards Board
U.S. SEC	U.S. Securities and Exchange Commission
UN	United Nations
WBCSD	World Business Council for Sustainable Development
WRI	World Resources Institute

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