

What, Why & How?

Decision-useful information

What is decision-useful climate-related information?

Decision-useful information is a long-standing concept within corporate reporting. Per the IASB Conceptual Framework, the objective of financial reporting “is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity.”

Key users of reporting can make better informed investment decisions if climate-related reporting is decision-useful and thus allocate capital more efficiently into more sustainable and climate resilient businesses, which at a large scale supports the transition to a low-carbon economy. Therefore, decision usefulness as a concept has been adopted and embedded within the CDSB Framework for reporting climate and environmental information and the TCFD recommendations.

How should climate-related matters be reported in a decision-useful manner?

There are seven underlying principles of the TCFD recommendation that ensure high-quality and decision-useful disclosures – disclosures should:

- represent relevant information;
- be specific and complete;
- be clear, balanced and understandable;
- be consistent over time;
- be comparable among companies within a sector, industry or portfolio;
- be reliable, verifiable and objective; and
- be provided on a timely basis.

Key takeaways

1. Reporting is iterative with investors keen to see that the right steps are being taken with climate-related matters and there is a clear pathway to full TCFD reporting;
2. Qualitative and quantitative reporting are equally important;
3. Climate-related disclosures need to be specific to the company;
4. To aid comparability use standardised methodologies when it comes to metrics and scenario analysis;
5. Integrate climate-related matters into the mainstream report like they have been integrated into the company’s business process, but appropriately signpost where relevant TCFD disclosures are located.

What decision-useful climate-related information should be reported?

Governance

- Who is responsible for climate-related matters within a company?
- How climate-related decisions and strategy are executed
- Whether remuneration is tied to broader climate or sustainability objectives

Risk Management

- Transparency of the risk management process and whether climate is integrated

Strategy

- The specific climate-related risks and opportunities to the company
- The financial impact of climate-related risks and opportunities
- Evidence of scenario analysis
- Risks and opportunities over different time horizons

Metrics and targets

- Metrics and targets that are linked to strategy
- Metrics supported with narrative context
- Disclosure of comparable metrics
- Clear disclosure of metric methodology

For more information

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