



Climate  
Disclosure  
Standards  
Board

# CDSB Framework

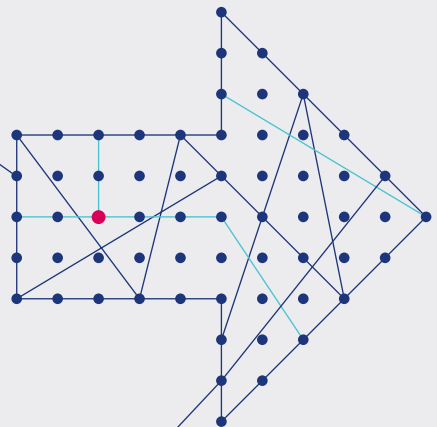
**for reporting environmental  
& climate change information**

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Advancing and aligning disclosure  
of environmental information in  
mainstream reports

# About the Climate Disclosure Standards Board

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**CDSB is an international consortium of business and environmental NGOs. We are committed to advancing and aligning the global mainstream corporate reporting model to equate the relevance of information about business' use of and effect on natural capital with the relevance of information about financial capital for understanding corporate performance.**

**We do this by offering companies a framework for reporting environmental information with the same rigour as financial information. In turn this helps them to provide investors with decision-useful environmental information via the mainstream corporate report, enhancing the efficient allocation of capital. Regulators also 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. Collectively, we aim to contribute to more sustainable economic, social and environmental systems.**

CDP provides the Secretariat for CDSB.

CDSB was formed at the World Economic Forum's annual meeting in 2007 and builds on the activities of CDSB Board members. CDSB Board members include CDP; Ceres; The Climate Registry; The International Emissions Trading Association (IETA); The Sustainability Accounting Standards Board (SASB); The World Business Council for Sustainable Development (WBCSD); The World Economic Forum (WEF); and The World Resources Institute (WRI).

CDSB seeks to standardise environmental information reporting through collaboration and by 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 condition. 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<sup>1,2,3,4,5</sup>, the increasing recognition by organisations of the risks associated with their use of natural resources<sup>6,7</sup> and the demand for a more holistic approach to corporate reporting to include environmental (and other) information.

Since initial publication in 2015, the CDSB Framework has been refined and updated to best meet market requirements and keep pace with developments. To further assist companies in reporting decision-useful environmental information, CDSB has produced complementary guidance and other resources.

The CDSB Board wishes to acknowledge the leadership and contribution of the CDSB Technical Working Group Members in the production of this document.

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

We welcome your input and discussions. If you would like to comment on the Framework, please contact us at [info@cdsb.net](mailto:info@cdsb.net). For further information, please consult our website, [www.cdsb.net/Framework](http://www.cdsb.net/Framework).

# Contents

About the Climate Disclosure Standards Board	01
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## Chapter 1

### Introduction to the CDSB Framework

1. Purpose	05
2. Objectives	05
3. Development	06
4. Intended users of the CDSB Framework	06
5. Intended audience for information reported according to the CDSB Framework	06
6. Framework contents	06
7. Placement of information reported in accordance with the CDSB Framework	07
8. Terminology	07
9. Guidance and resources	09
10. Framework influences	09

## Chapter 2

### Guiding principles

1. Introduction	11
2. Principles	11
P1 Environmental information shall be prepared applying the principles of relevance and materiality	11
P2 Disclosures shall be faithfully represented	14
P3 Disclosures shall be connected with other information in the mainstream report	14
P4 Disclosures shall be consistent and comparable	15
P5 Disclosures shall be clear and understandable	15
P6 Disclosures shall be verifiable	16
P7 Disclosures shall be forward looking	16

## Chapter 3

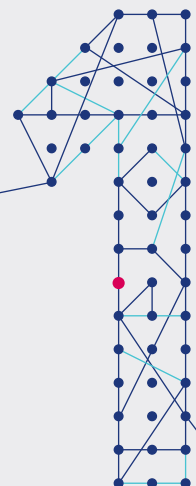
### Reporting requirements

<b>1.</b>	Introduction	<b>18</b>
<b>2.</b>	Reporting requirements	<b>19</b>
	<b>REQ-01</b> Governance	<b>19</b>
	<b>REQ-02</b> Management's environmental policies, strategy and targets	<b>19</b>
	<b>REQ-03</b> Risks and opportunities	<b>20</b>
	<b>REQ-04</b> Sources of environmental impacts	<b>22</b>
	<b>REQ-05</b> Performance and comparative analysis	<b>23</b>
	<b>REQ-06</b> Outlook	<b>24</b>
	<b>REQ-07</b> Organisational boundary	<b>24</b>
	<b>REQ-08</b> Reporting policies	<b>25</b>
	<b>REQ-09</b> Reporting period	<b>25</b>
	<b>REQ-10</b> Restatements	<b>25</b>
	<b>REQ-11</b> Conformance	<b>26</b>
	<b>REQ-12</b> Assurance	<b>26</b>
	<b>Abbreviations and Acronyms</b>	<b>27</b>
	<b>References</b>	<b>28</b>

Chapter 1

# Introduction to the CDSB Framework

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## 1. Purpose

The CDSB Framework sets out an approach to reporting **environmental information** in **mainstream reports**.

Environmental information includes information about the reporting organisation's:

- Natural capital dependencies;
- Environmental results;
- Environmental risks and opportunities;
- Environmental policies, strategies and targets; and
- 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 operate.

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

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

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

Please note all terms listed in **blue** are defined in section 1.8 (Terminology).

## 2. Objectives

The objectives of the CDSB Framework are to:

- Align with and complement the objective of financial reporting, i.e. to provide **environmental information** about the reporting organisation that is connected with financial and other information and is useful to present and potential equity investors, lenders and other creditors in making decisions in their capacity as capital providers<sup>8</sup>;
- Encourage standardisation of **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 **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 process<sup>9</sup>;
- Enable and encourage investor decision making on the allocation of financial capital<sup>10</sup> to activities that supports environmental protection;
- Support compliance with regulatory and other reporting requirements on the provision of **environmental information**; and
- Support assurance activities by providing reporting requirements and guiding principles that represent suitable criteria for conducting assurance activities.

### 3. Development

The CDSB Framework was developed by the CDSB Secretariat and overseen by the CDSB Technical Working Group. In 2015, following two public consultations, the CDSB Framework was released. In 2018, the CDSB Framework was amended to further meet user needs around climate risks and opportunities.

In light of changing market demands, the CDSB Framework was been refined and updated to ensure universal applicability in 2019.

### 4. Intended users of the CDSB Framework

The CDSB Framework is for use by organisations including single companies or entities and corporate groups. It is particularly for use by those 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 through mainstream channels because:

- a) There are legal requirements to report on 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;
- 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 and that environmental information should therefore be reported; or
- c) The organisation wishes to adopt or conform with good reporting practice and to show leadership and accountability.

The CDSB Framework also offers input 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.

### 5. Intended audience for information reported according to the CDSB Framework

The CDSB Framework is designed to help organisations report environmental information in mainstream reports and therefore the intended audience is investors as they are the primary users of mainstream reports. 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.

### 6. Framework contents

#### 6.1 Guiding principles

The guiding principles in Chapter 2 are designed to ensure that environmental information in mainstream reports is decision-useful to investors, is correct and 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.

#### 6.2 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 reporting provisions and on CDSB's input where there are gaps in those provisions. The requirements appear in bold text; all other text represents guidance and explanatory material.

The CDSB Framework acknowledges that there will be degrees to which organisations will conform with the requirements, depending on various factors including how much they can or need to report following application of the relevance and materiality guiding principle (Chapter 2, Principle 1), the thresholds prescribed by regulators and the availability/reliability of information. When providing their statement of conformance (REQ-11), organisations should identify those requirements with which it has not been possible to conform.



The requirements are organised as follows:

- Requirements about the organisation's environmental policies and strategy, risks and opportunities and governance thereof;
- 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.

## 7. 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 environmental information in mainstream reports. The purpose is therefore for the organisation's mainstream report to be adapted rather than expanded and for environmental information 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 provides 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 simply directs users to complementary requirements.

Except where regulatory requirements prescribe otherwise, 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.

## 8. 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 in order to increase the credibility of public disclosure. Assurance includes the communication of the results of the assurance process in an assurance statement.

**Disclosure** refers to notes and narrative that explain, amplify and provide additional context to the reported information and that enable the user to interpret it. 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, 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 capital<sup>11,12</sup>.

**Environmental information** is defined in Chapter 1, section 1. Purpose.

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

**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** – The CDSB Framework adopts the International Accounting Standards Board’s (IASB) definition of investors that is: “existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity”<sup>13</sup> and 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)<sup>14</sup>. This definition is also considered to align with the TCFD’s definition of investors, lenders and insurance underwriters as the primary users of the mainstream report.

**Mainstream report** is defined in Chapter 1, section 1. Purpose.

**Natural capital** – The CDSB Framework adopts 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”<sup>15</sup>.

**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.

**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.

**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 of and outputs from the organisation that actually or potentially influence or contribute to environmental impacts including:

- 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, 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.

For the purposes of the CDSB Framework, the organisation is not expected to assess the overall impact of its activities on the biosphere and global commons, e.g.: 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. **Organisations** should focus on reporting those 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.

## 9. Guidance and resources

CDSB develops guidance, thought leadership and other resources that will be helpful to organisations applying the principles and requirements of the CDSB Framework for the purposes of reporting environmental information in their mainstream report. These resources are available on the CDSB website.

The Reporting Exchange and TCFD Knowledge Hub platforms provide additional resources that will be of assistance to report preparers.

## 10. Framework influences

The CDSB Framework draws on other reporting provisions that also specify the principles and characteristics on which reporting outcomes should be based. CDSB aims to align its principles, requirements and implementation guidance as far as possible with existing and developing standards, models and practices including:

- Financial reporting standards, principles, proposals and discussion papers issued or commissioned by the IASB and its predecessor bodies and national counterparts, e.g. International Financial Reporting Standards Foundation's practice statement on management commentary<sup>16</sup>. Based on the experience of its Board members, the CDSB Framework has adapted IASB's<sup>17</sup> qualitative characteristics of useful financial information for application to disclosure of [environmental information](#);
- Legislation/mandatory reporting requirements, including the Danish Financial Statements Act (2008) as amended<sup>18</sup>, the European Union (EU) Directive 2014/95/EU on non-financial information<sup>19</sup>, the French Grenelle II<sup>20</sup>, the Indian Annual Business Responsibility Report<sup>21</sup>, the UK Companies Act (2006) as amended<sup>22</sup> and the US Securities and Exchange Commission (SEC) guidance on disclosures related to climate change<sup>23</sup>;

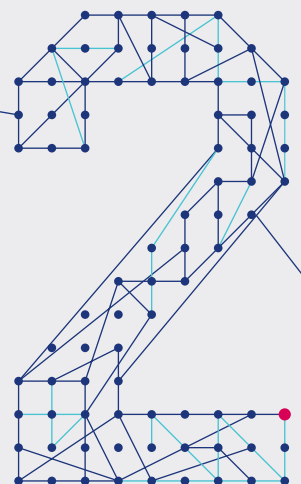
- Guidance issued by regulators and other authoritative sources on aspects of corporate information and mainstream reporting, such as the Australian Water Accounting Standards<sup>24</sup> and AASB-AUASB's climate-risk guidance<sup>25</sup>, the Canadian Securities Administrators Staff Notices 51-333 and 51-358 on environmental and climate-risk reporting<sup>26,27</sup> and the UK Government's Environmental Reporting Guidelines<sup>28</sup>;
- Developing and mature voluntary frameworks, standards and guides on corporate reporting such as Arista<sup>29</sup>, CEO Water Mandate<sup>30</sup>, European Federation of Financial Analysts Societies (EFFAS)<sup>31</sup>, German Sustainability Code<sup>32</sup>, Global Reporting Initiative (GRI)<sup>33</sup>, IIRC<sup>34</sup>, International Organisation for Standardisation (ISO)<sup>35</sup>, Organisation for Economic Co-operation and Development (OECD)<sup>36</sup>, Principles for Responsible Investment (PRI)<sup>37</sup>, Sustainability Accounting Standards Board (SASB)<sup>38</sup>, Task Force on Climate-related Financial Disclosures (TCFD)<sup>39</sup> and the United Nations (UN) Global Compact<sup>40</sup>; and
- The work of CDSB Board members including CDP<sup>41,42,43</sup>, Ceres<sup>44</sup>, WBCSD<sup>45</sup>, WRI<sup>46,47</sup> and WEF<sup>48</sup>.

Separate guidance is available at [cdsb.net/connections](https://cdsb.net/connections), which identifies cross-references between voluntary & mandatory reporting approaches and how the CDSB Framework enables organisations to report their natural capital and environmental information gathered from these approaches in their existing mainstream report.

Chapter 2

# Guiding principles

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## 1. Introduction

The guiding principles are designed to ensure that **environmental information** in **mainstream reports** is useful to **investors**, is correct and complete and is 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 in the CDSB Framework.

## 2. Principles

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

**Purpose:**

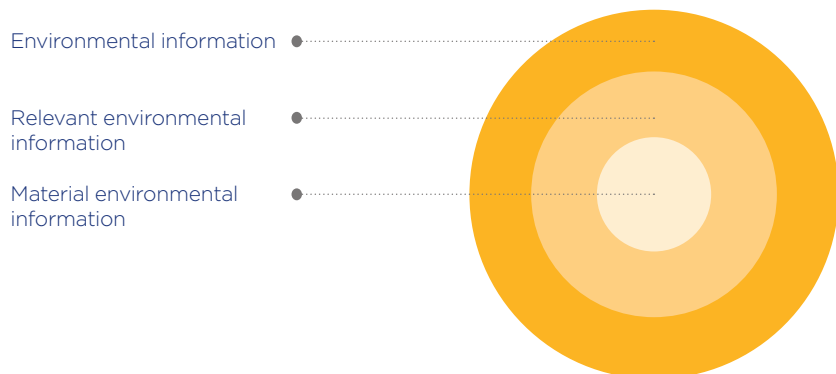
To encourage organisations, taking into account all of the requirements of the CDSB Framework and the needs of investors, management and regulators, to:

- Identify relevant environmental information; and
- Report material information that is based on relevant environmental information and that reflects:
  - Factors specific to the reporting organisation; and
  - Climate change risks to which all businesses are potentially exposed 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 describes the scope of information to be taken into consideration when identifying relevant and material environmental information.
- **Relevant environmental information** is a subset of environmental information identified by management as being relevant, and therefore potentially necessary for inclusion in the mainstream report, for the purposes of communicating the extent to which the organisation contributes to and is affected (now or in the future) by environmental impacts. The paragraph on relevancy immediately below Figure 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**. The paragraph on materiality below Figure 1 describes the tests that should be applied for identifying material information. For the purposes of the CDSB Framework GHG emissions shall be treated as material in all cases as a contributor to climate change and shall be reported in REQ-04.

**Figure 1.** Material, relevant and environmental information



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

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

**P1.1** Environmental information is relevant where it:

- Is capable of making a difference to the decisions made by users of information in **mainstream reports**<sup>49</sup>, 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; and
  - 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 actually or potentially affect the organisation's strategy;
- Complies with mainstream corporate requirements or compliance requirements on the disclosure of **environmental information**;
- Reflects the reality of the organisation's business;
- Promotes an understanding of how dependence on natural capital, actual and potential environmental impacts and the organisation's environmental results and policies contribute to its financial condition;
- Takes account of 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 obscuring it could reasonably be expected to influence the decisions that users of mainstream reports make on the basis of that mainstream report,

which provides information about a specific reporting organisation.

Indicators, measures, quantitative and qualitative information should therefore be treated as material and reported to reflect the extent to which the organisation has:

- Undertaken activities that actually or potentially 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 period management considers for the purposes of assessing the prospects of the business through changes in:
  - Resource availability, supply, pricing, 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 (for example, whether a renewable alternative offers 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 as a contributor to climate change shall be treated as material and reported in all cases.

**P1.3** The attributes of material environmental information are that it:

- Is 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-refers to sources of information outside the mainstream report where greater amounts of detail may be found should readers require it;
- Is specific to the reporting organisation<sup>51</sup>. 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 disclosures that do not relate to the specific practices and circumstances of the disclosing organisation; and
  - Disclosures that duplicate those made in the financial statements without providing additional insight, or understanding of, strategies regarding items accounted for, or disclosed in, financial statements; and
- Provides information necessary for an assessment of how the organisation contributes to and is affected by relevant risks.

**P1.4** Determining material environmental information

As there is no international consensus about the timing or extent of environmental impacts, identifying **material environmental information** for disclosure depends on management's judgement about the implications of its omission, misstatement or obscurement and on the conditions at the time of reporting.

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 material<sup>52</sup>, and the CDSB Framework does not prescribe a quantitative test or standard to identify what **environmental information** is relevant or material information, except regarding GHG emissions (see definition of 'material information' above).

A number of resources are available to assist with the evaluation of relevance and materiality, which should include prioritisation of natural capital as it relates to the organisation's ability to operate its business model and execute its strategy. Resources available for materiality assessment include guidance produced by AASB and AUASB<sup>53</sup>, ACCA<sup>54</sup>, AccountAbility<sup>55</sup>, CSA<sup>56</sup>, IASB<sup>57</sup>, IIRC<sup>58</sup>, US SEC<sup>59</sup>, SASB<sup>60</sup>, WBCSD<sup>61</sup> and that found within academic literature<sup>62,63</sup>. In their statement of conformance, organisations should explain the outcome of the process used for identifying **material environmental information**, including the results of applying the following guidance.

Where management is unable to assess the effect of the amount and timing of uncertain events or provide an indication of the time periods over which resolution of the uncertainties is expected, management should disclose the difficulties involved in assessing the situation. When in doubt, management should err on the side of caution and provide a suitable disclosure about any uncertainty.

The application of this principle is satisfied when:

- The tests at P1.1 are applied to identify relevant information and the tests at P1.2 are applied to identify material information; and
- The outcome of applying the principle on relevance and materiality is reflected in the statement of conformance (REQ-11).

In cases where a national or supranational government or regulator has issued guidance on the determination of materiality in non-financial reporting (NFR) or management commentary, such guidance takes precedence over the CDSB Framework.

## P2 Disclosures shall be faithfully represented

### Purpose:

To ensure that information is complete, neutral and free from error in order to be useful<sup>64</sup>. Disclosure is complete if it includes all information that is necessary for an understanding of the matter that it purports to represent and does not leave out details that could cause information to be false or misleading to users.

Neutral information is free from bias so that it faithfully represents the matter that it purports to represent. Neutral information does not colour the image it communicates to influence behaviour in a particular direction. 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 even-handedly with both 'positive' and 'negative' aspects.

Disclosure of [environmental information](#) is generally made under conditions of more uncertainty than financial information and may be based on estimates and management's judgment. Therefore, in this context, 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 and that information is provided about the nature and degree of omissions, assumptions and uncertainty and by basing estimates on appropriate and neutral inputs that reflect the best available information. 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 effect of the amount and timing of uncertain events and provide an indication of the time periods in which resolution of the uncertainties is expected, management should disclose the difficulties involved in assessing the situation<sup>65</sup>. When in doubt, management should err on the side of caution and provide a 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 faithfully represents factually-based strategies, plans and risk analysis. Details of measurement uncertainty represent important information.

The application of this principle is satisfied when disclosures are complete, neutral and free from error and where any information that is incomplete, or has been prepared under conditions of uncertainty is identified and the nature and degree of omissions/errors/uncertainty is clearly explained in the statement of conformance in qualitative or quantitative terms (see REQ-11).

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

### Purpose:

To explain the links between environmental information and the other information in the mainstream report, including financial information.

[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 and objectives is connected with information that is provided externally to investors<sup>66</sup>;
- 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 and environmental results; and
- It tells investors "the story of how managing environmental issues helps the company to increase sales, lower costs, smooth cash flow, boost brand value and strengthen risk management"<sup>67</sup>, and when it shows the "linkages between corporate environmental strategies, financial performance and environmental results"<sup>68</sup>.

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**.

## 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 information<sup>69</sup>. 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 **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. Consistent reporting of performance measures and indicators over time, according to consistently applied

standards, policies and procedures, increases the comparability of disclosures over time. Further, performance measures and indicators (such as KPIs) should continue to be appropriate across reporting periods.

## P5 Disclosures shall be clear and understandable

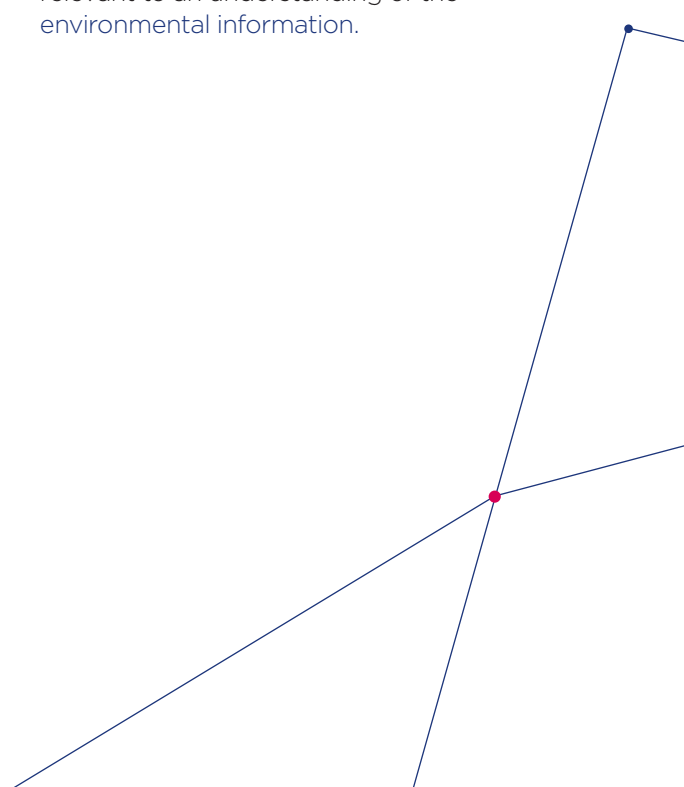
### Purpose:

To aid understanding by ensuring that disclosures are easy to navigate, read and search.

The application of this principle is satisfied where 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.

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 to an understanding of the **environmental information**.



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## P6 Disclosures shall be verifiable

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**Purpose:**

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

Verifiability means that different knowledgeable and independent observers could reach general consensus although not necessarily complete agreement, that there is no material error or bias in the disclosures, or that an appropriate approach has been taken without material error or bias. 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.

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## P7 Disclosures shall be forward looking

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**Purpose:**

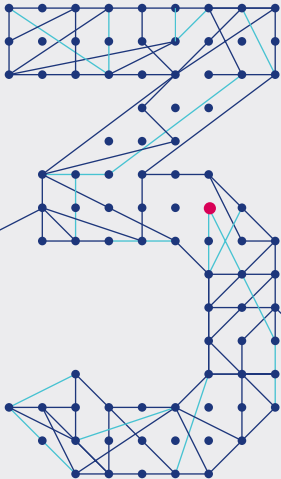
To ensure that historic information in the mainstream report is complemented with narrative on its influence on future performance of [environmental information](#).

Disclosures should look to the future as well as the past and present 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

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## 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 **environmental information** that complements and supplements other information in **mainstream reports**. The guiding principles shall be applied in determining, preparing and presenting **environmental information** in accordance with the reporting requirements in the CDSB Framework.

### **REQ-01 Governance**

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

### **REQ-02 Management's environmental policies, strategy and targets**

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

### **REQ-03 Risks and opportunities**

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

### **REQ-04 Sources of environmental impact**

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**

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**

Management shall summarise their conclusions about the effect of environmental impacts, risks and opportunities 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.

## 2. Reporting requirements

### 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.

This requirement will be satisfied when disclosures:

- Identify the CEO/senior executive/Board committee responsible for environmental policies, strategy and information; and
- Explain:
  - How responsibility for environmental policies, strategy and information is delegated and how management is held accountable and/or incentivised for implementation of the organisation's policies;
  - The nature and reliability of the underlying information and control systems used by the Board to prepare environmental information and provide related disclosures;
  - Whether the organisation's environmental policies and strategies are subject to the same governance processes and disclosure controls and procedures that are used for financial management; and
  - Who approves the release of environmental information.

### REQ-02 Management's environmental policies, strategy and targets

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

#### Purpose:

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

This requirement will be satisfied when disclosures describe the organisation's:

- Natural capital dependencies;
- Environmental policies, strategy and objectives and how those relate to or support the organisation's overall policies, 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 is 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.

#### 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-02;
- Details of the policies and strategies, for example, whether they involve reductions, efficiencies, investments, 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, for example, Caring for Climate<sup>70</sup>, CDP<sup>71</sup>, GRI<sup>72</sup>, Natural Capital Protocol<sup>73</sup>, SASB<sup>74</sup>, Science Based Targets<sup>75</sup>, TCFD<sup>76</sup>, and UN Global Compact<sup>77</sup>;
- 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 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 policy, strategy and targets, including investment and capital expenditure plans<sup>78</sup>. 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.

#### **Targets, timelines and indicators**

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

- The type of target, that is, absolute or intensity-based;
- The timescale over which the target applies, including 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, the for example, UN Sustainable Development Goals<sup>79</sup>, Aichi biodiversity targets<sup>80</sup>, planetary boundaries<sup>81</sup>, Science Based Targets<sup>82</sup>, IPCC transition pathways<sup>83</sup> or similar; and
- Key performance indicators used to assess progress against targets.

Key performance indicators are most useful when they are:

- 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; and
  - 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

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

### Purpose:

To inform readers of the organisation's material environmental risks and opportunities.

Environmental risks and opportunities are potentially wide-ranging, direct or indirect (for example, affecting markets or supply chain) and can include:

- Regulatory risks and opportunities from current and/or expected regulatory requirements including known or expected effects of:
  - GHG and non-GHG emissions limits;
  - Energy efficiency, water and forest standards;
  - Taxation of environmental resources and sources of environmental impact;
  - Process and product standards; and
  - Participation in GHG emissions trading schemes;
- Physical risks including the known or expected effects of:
  - Changes to resource quality or availability, particularly in the organisation's natural capital dependencies;
  - Changing weather patterns;
  - Sea level rise;
  - Shifts in species distribution;
  - Changes in water availability and quality;
  - Change in temperature; and
  - Variation in agricultural yield and growing seasons.
- Reputational risks and opportunities; and
- Litigation risks and opportunities.

Information provided in response to this requirement is useful where it:

- Analyses the 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 or business unit 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 for example, supply chain, utilities, logistics, 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"<sup>84</sup> by the EU; and
- Whether any of the organisation's natural capital dependencies are subject to known limits, e.g. planetary boundaries<sup>85</sup>, those identified by organisations such as the Carbon Tracker Initiative<sup>86</sup>, or similar; and
- Explains the implications for the organisation, for example, in terms of operations, supply chain, business model, financial results, achievement of strategic objectives, etc.:
  - Identifies the products, services, markets and geographical areas that are likely to be affected;
  - Identifies whether the implications will affect the organisation and/or its stakeholders for example, customers and suppliers;
  - Links to other parts of the mainstream report that explain the organisation's processes and systems for identifying risks and opportunities, e.g. whether inventory, operations and supply chains have been audited to identify licenses, rights, assets and relationships that might strengthen or weaken the organisation's access to natural capital;

- Explains how and the extent to which the organisation is able to mitigate risks and maximise opportunities directly and/or indirectly through customers, supply chain, markets etc.; and
- Explains the timeframes over which risks and opportunities are assessed and estimates when they are expected to materialise.

Plans for governing and managing environmental risks and opportunities should be discussed in response to REQ-01 and REQ-02.

## REQ-04 Sources of environmental impacts

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:

- 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, 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 them. 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.

As stated in Principle 1, GHG emissions from operations, entities and activities within the financial reporting boundary of the organisation shall be treated as material and reported in all cases. In particular, the reporting organisation shall report in CO<sub>2</sub> 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 and 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 10. Framework influences.

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.

#### 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, 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, assumptions, extrapolations, metering/ measurement inaccuracies etc.

## REQ-05 Performance and comparative analysis

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 the previous to the current reporting period;
- Cross-refers to targets, baselines 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 strategy, policies and governance;
- 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 made in previous reporting periods have been borne out, including how and why the performance of the organisation is short of, meets or exceeds previously made forward-looking disclosures<sup>87</sup>; and
- Activities that have given rise to movements, that is, whether acquisitions/disposals/sales etc. were the primary driver of movements.

## REQ-06 Outlook

Management shall summarise their conclusions about the effect of environmental impacts, risks and opportunities 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 value over time.

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 innovate, execute its strategy and create value over time. The summary should draw on the process used to identify and the information disclosed in response to REQ-01-REQ-05 of the CDSB Framework and on the company's knowledge of any prospective environmental regulation, market trends or practice that might affect its future performance and position. Scenario

analysis can be a useful tool to understand resilience over different time horizons.

The statement should identify the period over which management considers the prospects of the organisation for the purposes of conformance with the CDSB Framework, including an explanation of why the period concerned 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 IFRS<sup>88</sup> to be used for the purposes of identifying the entities for which financial statements for corporate groups should be prepared. 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:

- 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;

- Due to 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 setting<sup>89</sup>.

## 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 on an annual basis.

### 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, for example, 12 months. However, where this 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.

### Purpose:

To inform readers about whether, and to what extent, the principles and requirements of the CDSB 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 reporting requirements. In cases where full conformance has not been achieved, management shall identify in the statement those principles and requirements with which it has not conformed, 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 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 and to identify any significant inconsistencies between it and the audited financial statements and to consider any observed significant misstatements of fact in those disclosures and that it conforms with local regulations<sup>90</sup>.

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 3000<sup>91</sup> and ISAE 3410<sup>92</sup>.

CDSB encourages organisations to engage with assurance providers to agree an appropriate assurance approach. Assurance engagements conducted according to existing standards such as ISAE 3000 or 3410, 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).

## Abbreviations and Acronyms

<b>AASB</b>	Australian Accounting Standards Board
<b>ACCA</b>	Association of Chartered Certified Accountants
<b>AUASB</b>	Auditing and Assurance Standards Board
<b>CBD</b>	United Nations Convention on Biological Diversity
<b>CDSB</b>	Climate Disclosure Standards Board
<b>Ceres</b>	Coalition for Environmentally Responsible Economies
<b>CO<sub>2</sub></b>	Carbon dioxide
<b>CSA</b>	Canadian Securities Administrators
<b>EFFAS</b>	European Federation of Financial Analysts Societies
<b>EU</b>	European Union
<b>GHG</b>	Greenhouse Gas
<b>GRI</b>	Global Reporting Initiative
<b>IASB</b>	International Accounting Standards Board
<b>IFRS</b>	International Financial Reporting Standards
<b>IIRC</b>	International Integrated Reporting Council
<b>IPCC</b>	Intergovernmental Panel on Climate Change
<b>ISAE</b>	International Standards on Assurance Engagements
<b>ISO</b>	International Organization for Standardization
<b>LULUCF</b>	Land use, land use change and forestry
<b>NFR</b>	Non-financial reporting
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PRI</b>	Principles for Responsible Investment
<b>SASB</b>	Sustainability Accounting Standards Board
<b>TCFD</b>	Task Force on Climate-related Financial Disclosures
<b>UN</b>	United Nations
<b>US SEC</b>	U.S. Securities and Exchange Commission
<b>WBCSD</b>	World Business Council for Sustainable Development
<b>WEF</b>	World Economic Forum
<b>WRI</b>	World Resources Institute

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