



Climate
Disclosure
Standards
Board

CDSB Framework

for reporting environmental
and social information
– Consultation Draft

October 2021

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www.cdsb.net

How to respond

Please send your response by email: info@cdsb.net

The deadline to submit your response is **20 January, 2022**.

For additional information and context, download the “Basis for conclusions” on our website: www.cdsb.net/social

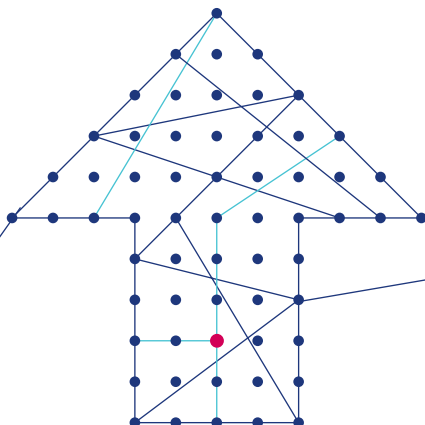
Please note that your submission will be published in full and summarised on www.cdsb.net, including your name and organisation, unless you explicitly request to stay anonymous.

Full name:

Organisation:

I agree for CDSB to use the information I provided in full and as a summary of the consultation responses that will be published on www.cdsb.net and to include my name and organisation name.

I have read and agree to CDSB's [Privacy Policy](#).



About CDSB

The Climate Disclosure Standards Board (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 natural, human, and social capital with financial capital.

We do this by offering companies a framework for reporting environmental and social information with the same rigour as financial information. In turn this helps them to provide investors with decision-useful environmental and social information via the mainstream corporate report, enhancing the efficient allocation of capital. Regulators have also benefited from CDSB's compliance-ready materials. Recognising that information about natural, human, social and financial capital is equally essential for an understanding of corporate performance, our work builds trust and transparency needed to foster resilient capital markets. Collectively, we aim to contribute to more sustainable economic, social and environmental systems.

For more information, visit cdsb.net, follow us on [Twitter](#), [LinkedIn](#) and [YouTube](#) and subscribe to our newsletter. Visit the [TCFD Knowledge Hub](#) for free e-learning online courses.

About the Consultation

In July 2021, CDSB published a [position paper on social reporting](#) and determined the benefit of expanding the scope of the CDSB Framework to include social as well as environmental information. This decision was made for three key reasons. First, the importance of social information to companies, investors and regulators in their decision-making continues to grow and increasingly poses material risks and opportunities to organisations. Second, the significance of the connections between environmental and social issues and the resultant businesses effects are being better understood, demonstrating the need to comprehend and report on these matters in an interlinked manner. Finally, there is presently no reporting framework for social information that is definitively committed to the principles, approaches, and structure of the mainstream report, as the current version of the CDSB Framework does for environmental and climate change information.

This consultation draft of the expanded CDSB Framework for reporting environmental and social information presented below seeks to respond to these three factors. The updated version of the CDSB Framework is hoped to assist in the development of higher-quality and more decision-useful environmental and social disclosures, benefitting both report preparers and users. The consultation draft below integrates social information into the market-tested and well-aligned reporting principles and requirements of the CDSB Framework, offers specific guidance for reporting on social issues in the mainstream report, and more generally seeks to add detail and clarity to several areas of the framework.

New additions from the [current version](#) of the CDSB Framework for this consultation draft are **coloured blue** for ease of understanding. In addition to this consultation draft, a basis for conclusions [is available](#) on the CDSB website. The basis for conclusions offers further detail on overarching ideas that have guided the development of the consultation draft and more specific explanations of social changes throughout.

How to submit your comments

Comments are to be submitted by email in English to info@cdsb.net with a subject title 'Consultation Response – [Organisation/Person]'. The deadline for submissions is 20th January 2022, though we do encourage submissions as soon as possible.

We welcome comments specific to the questions above as well as more general and editorial comments on the consultation draft. Comments are most helpful when it is clear to which element of the framework they refer, the rationale for them is explained, and specific suggestions for changes are made.

All submissions of comment will be made available on the CDSB website within one month of the close of the consultation, as will a consultation summary report.

Please remember to add your name and check the required boxes on page 01

Consultation questions

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All submissions of comment will be made available on the CDSB website within one month of the close of the consultation, as will a consultation summary report.

1. Do you agree with objectives and expanded scope of the CDSB Framework?

2. Do you believe the principles will effectively support the disclosure of high-quality, decision-useful environmental and social information?

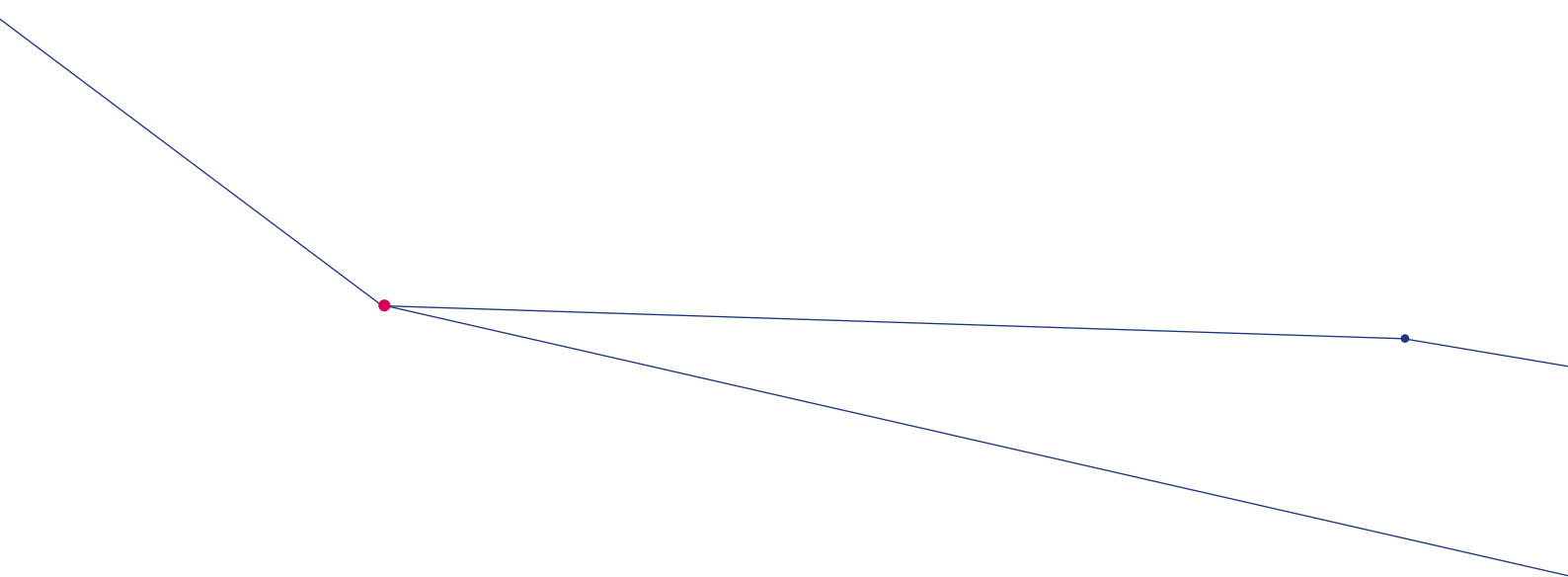
3. Do you believe the reporting requirements will effectively support the disclosure of high-quality, decision-useful environmental and social information?

4. Do you believe that the principles and reporting requirements will effectively support the disclosure of well-connected environmental and social information?

5. Do you agree with the definitions used, particularly those relating to social?

6. Do you agree with the determination of income inequality as a systemic risk relevant to all companies? Do you believe the disclosure on the provision of living wage for workers is an appropriate and useful disclosure?

7. Any other comments?



Chapter 1

Introduction to the CDSB Framework



1. Purpose

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

Environmental and social information includes information about the reporting organisation's:

- Natural, human and social capital dependencies;
- Environmental and social results;
- Environmental and social risks and opportunities;
- Environmental and social policies, strategies, and targets; and
- Performance against environmental and social 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, sometimes referred to as a general-purpose financial report or a mainstream report. 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 and social 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.

2. Objectives

The objectives of the CDSB Framework are to:

- Align with and complement the objective of financial reporting, i.e., to provide environmental and social information about the reporting organisation that is connected with financial and other information and is useful to existing and potential investors (primary users) in making decisions in their capacity as capital providers;¹
- Encourage standardisation of environmental and social 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 and social information in mainstream reports that is clear, concise, and comparable, and that connects the organisation's environmental and social 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;²
- Enable and encourage investor decision making on the allocation of financial capital to activities that supports environmental and social protection;³
- Support compliance with regulatory and other reporting requirements on the provision of environmental and social information; and
- Support assurance activities by providing reporting requirements and guiding principles that represent suitable criteria for conducting assurance activities.

3. Development

[To be updated following consultation for completeness].

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 **and social** information through mainstream channels because:

- a. There are legal requirements to report on environmental **and social** 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, **human, and social** capital dependencies and/or environmental **and social** impacts present material risks and opportunities for the business and its ability to carry out its objectives and that environmental **and social** 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 social** information.

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

The CDSB Framework is designed to help organisations report environmental **and social** 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 **and social** 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 **and social** 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 **and social** information reported in accordance with the reporting requirements.

6.2 Reporting requirements

The reporting requirements in Chapter 3 set out the type of environmental **and social** 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 and/or 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 **and social** policies and strategies, risks and opportunities, and governance thereof;
- Requirements about the organisation's environmental **and social** results and performance;
- A requirement about management's future outlook regarding environmental **and social** results, performance and impacts;
- Requirements about the way in which environmental **and social** 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 and social information in mainstream reports. The purpose is therefore for the organisation's mainstream report to be adapted rather than expanded, and for environmental and social 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 business strategy and environmental and social 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 and social 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

Environmental and social information is defined in Chapter 1, section 1. Purpose.

Environmental impacts are changes in the condition of the environment. Impacts may include (but are not limited to) climate change, deforestation and ecosystem conversion, pollution, loss of biodiversity and ecosystem services, changes to water availability and land use.

Social impacts are limits on or changes to the ability of people to realise their human rights, where these limits or changes are connected to an organisation's operations, products, and/or

services. Social impacts can be relevant for the following four key groups of people:

- The organisation's workforce (employees and contract workers);
- The workforce (employees and contract workers) of entities in the organisation's upstream and downstream value chain who have a role in the development or distribution of the company's products or services;
- Community members that can be affected by the organisation's own operational sites or infrastructure or that of entities in the organisation's value chain; and
- Consumers, end users or others impacted by use of the organisation's products or services.

Environmental and social impacts can be positive or negative, direct (through the entity's own activities) or indirect (including through the entity's business relationships) and may manifest as short, medium, and long-term changes to the balance, stock, flow, availability, and quality of natural, social and human capital.^{4 5}

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

Environmental and social results are the measures, indicators and other information that express the degree to which the organisation has caused or contributed to environmental and social impacts in the reporting period through activities and outputs that represent sources of environmental and social impact. Sources of environmental and social impact are the activities of and outputs from the organisation that actually or potentially cause or contribute to environmental and social impacts.

Human rights are the basic rights and freedoms that belong to every person by virtue of being a human being. They cover the full array of ways in which people can be impacted,

including, for example, in relation to access to clean water and adequate housing, health and security of the person, non-discrimination, freedom of expression, privacy, freedom from child labour and forced labour and the array of labour rights from health and safety to fair pay and freedom of association, among others.

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”.⁶

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, forests, biodiversity, and ecosystem health.

Human capital – The knowledge, skills, competencies and attributes embodied in individuals that contribute to their performance and wellbeing.

Social capital – The networks together with shared norms, values and understanding that facilitate cooperation within and among groups.

Human and social capital dependencies are the human and social resources and relations that organisations need in order to create and sustain value.

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.

Forest risk commodities are commodities that

are sourced, directly or indirectly, from forests or recently deforested land or that drive deforestation or ecosystem conversion. Global demand for agricultural commodities is the primary driver of deforestation and biodiversity loss, as timber is extracted and land is cleared to produce beef (and other cattle products), soy and palm oil, among other products. 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”⁷ 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).⁸ 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.

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.

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 or social stability and human development. However, they should consider the connection between their environmental

impacts and natural capital dependencies and overall trends in natural resource depletion or degradation, as well as between their social impacts, human and social capital dependencies, and overall trends in social and economic inequalities. 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, human and social 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 and social information in their mainstream report. These resources are available on the CDSB website.^{9 10 11}

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.¹² Based on the experience of its Board members, the CDSB Framework has adapted IASB's qualitative characteristics of useful

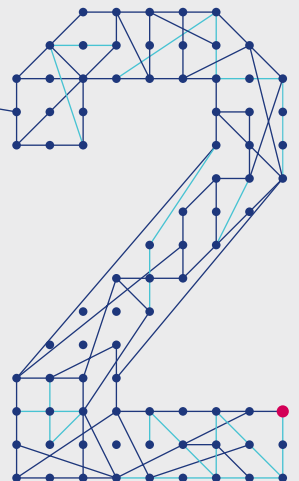
financial information for application to disclosure of environmental and social information;¹³

- Legislation/mandatory reporting requirements, including [To be updated following consultation due to pace of change];
- Guidance issued by regulators and other authoritative sources on aspects of corporate information and mainstream reporting, such as [To be updated following consultation due to pace of change];
- Developing and mature voluntary frameworks, standards and guides on corporate reporting such as Arista,¹⁴ Center for ESG Research,¹⁵ CEO Water Mandate,¹⁶ European Federation of Financial Analysts Societies (EFFAS),¹⁷ the Fair Wage Network,¹⁸ German Sustainability Code,¹⁹ Global Living Wage Coalition,²⁰ Global Reporting Initiative (GRI),²¹ IIRC,²² International Organisation for Standardisation (ISO),^{23 24} Principles for Responsible Investment (PRI),²⁵ Sustainability Accounting Standards Board (SASB),²⁶ Task Force on Climate-related Financial Disclosures (TCFD),²⁷ the United Nations (UN) Global Compact,²⁸ and WageIndicator;²⁹
- International standards of business conduct with relevance for reporting such as the UN Guiding Principles on Business and Human Rights,³⁰ and the OECD Guidelines for Multinational Enterprises;³¹ and
- The work of CDSB Board members including CDP,³² Ceres,³³ WBCSD,³⁴ WRI^{35 36} and WEF.^{37 38}

Separate guidance is available that identifies cross-references between voluntary and mandatory reporting approaches and how the CDSB Framework enables organisations to report their environmental and social information gathered from these approaches in their existing mainstream report.³⁹

Chapter 2

Guiding principles



1 Introduction

The guiding principles are designed to ensure that environmental and social 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 and social information in accordance with the reporting requirements in the CDSB Framework.

2 Principles

P1 Environmental and social 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 and social information; and
- Report material information that is based on relevant environmental and social information and that reflects:
 - Factors specific to the reporting organisation;
 - Climate change risks to which all businesses are potentially exposed and are therefore considered material for the purposes of the CDSB Framework; and
 - Risks related to income inequality 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 and social information as defined in the CDSB Framework describes the scope of information to be taken into consideration when identifying relevant and material environmental and social information.

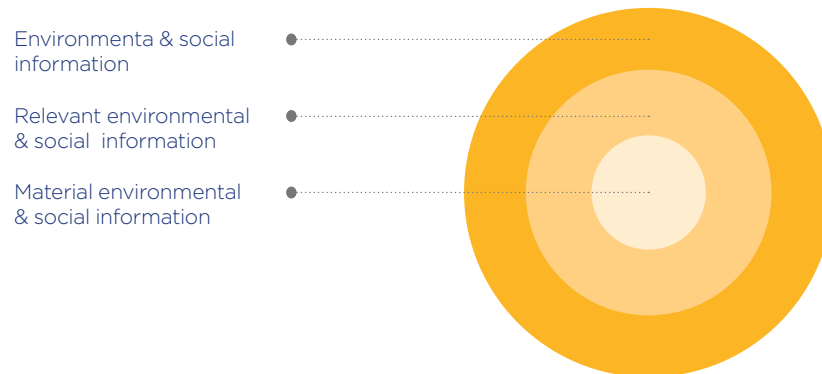
Relevant environmental and social information is a subset of environmental and social information identified by management as being relevant, and therefore potentially necessary for inclusion in the mainstream report, for the purposes of communicating the extent to which the organisation (1) contributes to and is affected (now or in the future) by environmental impacts and (2) is connected to and affected (now or in the future) by social impacts.

The paragraphs on relevancy immediately below Figure 1 describe the tests that should be applied for identifying when environmental and social information becomes relevant.

Material information generally represents a subset of relevant environmental and social 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; and
- The provision of, or progress towards, living wages for workers (employees and contractors), across operations, entities and activities within the mainstream reporting boundary shall be treated as material in all cases as a contributor to tackling inequalities, and reported in REQ- 04.

Figure 1. Material, relevant and environmental information



43 **P1.1a** Environmental and social information is relevant where it:

- 44 • Is capable of making a difference to the decisions made by users of information in mainstream
45 reports,⁴⁰ including where it has:
- 46 – Value as an input to predictive processes used by investors to inform their own expectations
47 about the future performance of the business. This includes information that, while not
48 currently affecting the organisation or its strategy, is expected to have an impact over the
49 period management considers for the purposes of assessing the prospects of the business;
50 and
- 51 – Confirmatory value, i.e., where it confirms or changes past or present expectations, based
52 on previous evaluations;
- 53 • Reflects the information that is important to management in managing the business and
54 assessing how environmental and social impacts and results actually or potentially affect the
55 organisation's strategy;
- 56 • Complies with mainstream corporate requirements or with compliance requirements on the
57 conduct of human rights and environmental due diligence and/or on the disclosure of
58 environmental and social information;
- 59 • Reflects the reality of the organisation's business;
- 60 • Promotes an understanding of how:
- 61 – Dependence on natural capital, actual and potential environmental impacts and the
62 organisation's environmental results and policies contribute to its financial condition; and
- 63 – Dependence on human and social capital, actual and potential social impacts and the
64 organisation's social results and policies contribute to its financial condition;
- 65 • Takes account of stakeholder views, including the views of stakeholders who are, or may be,
66 negatively impacted by the company's operations or value chain; and
- 67 • Takes account of the specific requirements of the CDSB Framework.

68 **P1.1b** Further, social information is relevant where it:

- 69 • Reflects those actual or potential negative impacts on people connected with the company's
70 operations, products or service that are significant enough to affect people's human rights. In
71 this context, social information relevant to a company may cover four key groups of people (an
72 organisation's workforce, workforce within the value chain, community members and

- 73 consumers), further elaborated within the definition of 'social impacts'; or
- 74 • Reflects significant positive impacts on people associated with the company's development of
75 beneficial products or services. In this context, impacted people tend to be consumers or end-
76 users.
- 77 **P1.2** Environmental and social information is material if:
- 78 • The environmental and social impacts or results it describes are, due to their nature and
79 magnitude, expected to have a significant positive or negative impact on the organisation's
80 financial condition and operational results and its ability to execute its strategy over the short,
81 medium, and long term;
- 82 • Omitting, misstating, or obscuring it could reasonably be expected to influence the decisions
83 that users of mainstream reports make on the basis of that mainstream report, which provides
84 information about a specific reporting organisation.
- 85 Indicators, measures, quantitative and qualitative information should therefore be treated as
86 material and reported to reflect the extent to which the organisation has:
- 87 • Undertaken activities that actually or potentially give rise to environmental or social outcomes
88 and/or impacts; and
- 89 • Those outcomes and/or impacts have an actual or potential effect on the organisation's ability to
90 operate its business model and execute its strategy over the short, medium, and long term.
- 91 – With regards to environmental outcomes and/or impacts, this may happen through changes
92 in:
- 93 • Resource availability, supply, pricing, degradation, policy/regulatory constraints –
94 particularly resources on which the organisation is dependent; Relationships on which
95 the organisation is dependent (for example, the extent and probability that an
96 organisation's business activities may cause stakeholder actions to protect
97 environmental resources, benefits, and ecosystem services);
- 98 • The organisation's capacity to innovate (for example, whether a renewable alternative
99 offers opportunities to the organisation in maximising its ability to create value);
- 100 • The organisation's ability to influence natural capital, for example through its supply
101 chain, procurement of resources from sustainable sources and impacts associated with
102 the use of the organisation's goods and services; and
- 103 • Brand and reputational standing.
- 104 – With regards to social outcomes and/or impacts, this may happen through changes in:
- 105 • The organisation's access to a skilled and productive workforce (for example, reduced
106 access caused by high employee turnover caused by dissatisfaction with wages and
107 benefits, or illness caused by excessive overtime; or improved access resulting from
108 workplace safety practices or skills development);
- 109 • The organisation's social license to operate (for example, due to protest by affected
110 communities, consumer boycotts, civil society or trade union campaigns or media
111 critique);
- 112 • Continuity or quality of supply and/or production (for example, due to workplace
113 safety conditions; worker action including strikes; allegations of human rights impacts
114 leading to export/import delays, or delays in licensing or impacts on output due to
115 conflict with affected communities);
- 116 • Limits or prohibitions on marketing and sales of certain products or services to certain
117 groups (for example, high sugar or salt content food and drink to children; or

118 surveillance technologies to law enforcement);

119 • The organisation's capacity to innovate beneficial products or services that meet
120 critical social needs; and

121 • Brand and reputational standing.

122 For the purposes of conformance with REQ-04, GHG emissions as a contributor to climate
123 change and provision of, or progress towards, living wages for workers (employees and
124 contractors) as a contributor to reducing inequalities shall be treated as material and reported in
125 all cases.

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

127 • Is complete, but free from immaterial clutter and unnecessary or duplicative detail that obscures
128 major trends and events that are specifically relevant to the organisation;

129 • Cross-refers to sources of information outside the mainstream report where greater amounts of
130 detail may be found should readers require it;

131 • Is specific to the reporting organisation.⁴¹ As such, materiality will be different for each
132 organisation and the following types of disclosure are discouraged:

133 – Standard formulations that reiterate financial information without analysis;

134 – Generic disclosures that do not relate to the specific practices and circumstances of the
135 disclosing organisation; and

136 – Disclosures that duplicate those made in the financial statements without providing
137 additional insight, or understanding of, strategies regarding items accounted for, or disclosed
138 in, financial statements; and

139 • Provides information necessary for an assessment of how the organisation contributes to and is
140 affected by relevant risks.

141 **P1.4a** Determining material environmental and social information

142 Identifying material information for disclosure depends on management's judgement about the
143 implications of its omission, misstatement, or obscurement and on the conditions at the time of
144 reporting. This can particularly be the case for identifying environmental information given that
145 there is limited international consensus about the timing or extent of environmental impacts.
146 However, the findings of recognised international bodies such as the IPCC and IPBES provide
147 organisations with information and trends that can assist them in identifying material information.

148 When it comes to social impacts, there is an international consensus regarding corporate
149 responsibilities for adverse human rights impacts, as set out the UN Guiding Principles on Business
150 and Human Rights.⁴² This international standard sets out the due diligence steps that
151 organisations should follow to identify and assess adverse human rights impacts with which they
152 may be involved, of which the most severe impacts tend to converge with risks to business, and
153 provides a foundation for identifying material social information.

154 Organisations shall evaluate their own circumstances to identify material environmental and social
155 information for inclusion in mainstream reports. The prevailing conditions might relate to
156 developments in the reporting organisation's business model, sector, the country or countries in
157 which it operates, the country or countries from which it sources, regulation, consumer behaviour,
158 etc. In determining the materiality of environmental and social information, organisations should
159 be aware of the particularly dynamic nature of materiality for certain environmental and social
160 issues.⁴³ For example, information relating to an organisation's impacts and results for a certain
161 waste product may be determined material in the current reporting period where in the previous
162 period it was not on account of a significant and sudden shift in customer expectation.

163 As a result, it is not possible to specify a uniform quantitative threshold at which information

164 becomes material,⁴⁴ and the CDSB Framework does not prescribe a quantitative test or standard
165 to identify what environmental and social information is relevant or material information, except
166 regarding GHG emissions and living wages (see definition of 'material information' above).

167 A number of resources are available to assist with the evaluation of relevance and materiality,
168 which should include prioritisation of natural capital, human rights, human and social capital as
169 they relate to the organisation's ability to operate its business model and execute its strategy.
170 Resources available for materiality assessment include guidance produced by AASB and
171 AUASB,⁴⁵ ACCA,⁴⁶ CSA,⁴⁷ IASB,⁴⁸ IIRC,⁴⁹ US SEC,⁵⁰ SASB,⁵¹ WBCSD,⁵² WEF⁵³ and that found
172 within academic literature.^{54 55} In their statement of conformance, organisations should explain the
173 outcome of the process used for identifying material environmental and social information,
174 including the results of applying the following guidance.

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

180 The application of this principle is satisfied when:

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

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

188 P2 Disclosures shall be faithfully represented

189 Purpose:

190 To ensure that information is complete, neutral and free from error in order to be useful.⁵⁶
191 Disclosure is complete if it includes all information that is necessary for an understanding of the
192 matter that it purports to represent and does not leave out details that could cause information to
193 be false or misleading to users.

194 Neutral information is free from bias so that it faithfully represents the matter that it purports to
195 represent. Neutral information does not colour the image it communicates to influence behaviour
196 in a particular direction. Disclosure of environmental and social information is not neutral if, by the
197 selection or presentation of information, it influences decision-making or judgment in order to
198 achieve a predetermined result or outcome. However, to say that disclosure should be neutral
199 does not mean that it should be without purpose or that it should not influence behaviour. On the
200 contrary, relevant environmental and social information is, by definition, capable of influencing
201 users' decisions.

202 For the purposes of management commentary, information is free from bias, or 'balanced', where
203 it does not unnecessarily overemphasise positive news but deals with both 'positive' and 'negative'
204 aspects.⁵⁷

205 Disclosure of environmental and social information may be made under conditions of more

206 uncertainty than financial information and may be based on estimates and management's
 207 judgment. Therefore, in this context, faithful representation does not imply total freedom from
 208 error. However, faithful representation of information may be achieved by ensuring that sufficient
 209 evidence is available to support disclosures and that information is provided about the nature and
 210 degree of omissions, assumptions, and uncertainty, and by basing estimates on appropriate and
 211 neutral inputs that reflect the best available information, including as relevant qualitative
 212 information gathered through credible sampling and processes. Therefore, in order to attain
 213 faithful representation, it may sometimes be necessary to disclose explicitly the degree of
 214 uncertainty in the reported quantitative and qualitative information.

215 Where management is unable to assess the effect of the scale and timing of uncertain events and
 216 provide an indication of the time periods in which resolution of the uncertainties is expected,
 217 management should disclose the difficulties involved in assessing the situation.⁵⁸ When in doubt,
 218 management should err on the side of caution and provide a suitable disclosure about any
 219 uncertainty.

220 For the purposes of management commentary, information is regarded as free from error and as
 221 a faithful representation if it is 'supportable'. Information is supportable if it faithfully represents
 222 factually based strategies, plans and risk analysis, including where inputs come from credible
 223 subject matter stakeholders or affected stakeholders. Details of measurement uncertainty (e.g.,
 224 missing data, statistical ranges, assumptions and parameters used, and limits on stakeholder
 225 inputs) represent important information.

226 The application of this principle is satisfied when disclosures are complete, neutral, and free from
 227 error, and where any information that is incomplete or has been prepared under conditions of
 228 uncertainty is identified and the nature and degree of omissions/errors/uncertainty is clearly
 229 explained in the statement of conformance in qualitative or quantitative terms (see REQ-11).
 230

231 **P3** Connections shall be made between environmental, social and 232 other information in the mainstream report

233 **Purpose:**

234 To explain the links between environmental and social information, as well as between this
 235 information and the other information in the mainstream report, including financial information.

236 Environmental and social information are connected with each other where the organisation's
 237 environmental performance has an impact on the organisation's social performance, or vice versa.
 238 This could include situations where:

- 239 • Environmental impacts have, or are likely to, result in social impacts, or vice versa. For example:
 - 240 – Deforestation or ecosystem conversion may lead to community displacement or decreased
 241 access to local resources;
 - 242 – Emissions from operations may affect the health of workforce and local communities; and
 - 243 – Lowering fees for suppliers and contractors may lead to environmentally damaging or
 244 unsafe working practices; or
- 245 • Mitigation of environmental impacts have, or are likely to, result in social impacts, or vice versa.
 246 For example:
 - 247 – Transition to renewable sources of energy and production may result in either growth of

- 248 high-skill and high-wage jobs or reliance on supply chains with human rights abuses;
- 249 – Use of resource for low-carbon products may rely on water-intensive extraction processes,
250 resulting in water shortages for local communities; and
- 251 – Focus on sustaining employment opportunities for workers may slow transition to using
252 cleaner, but less labour intensive, manufacturing processes.
- 253 Environmental and social information is connected with other information where:
- 254 • The information that the organisation uses internally for decision-making purposes about the
255 organisation’s strategy, goals and objectives is connected with information that is provided
256 externally to investors;
 - 257 • It complements and supplements financial statements, management commentary and
258 governance disclosures in order to place related financial information in context;
 - 259 • It is reported in a place and in such a way as to explain the links between the organisation’s
260 strategy and environmental and social results; and
 - 261 • It tells investors the story of how managing environmental and social issues helps the company
262 to ensure its financial success over the short, medium, and long term, maintain its social license
263 to operate, increase sales, boost brand value, and strengthen risk management.
- 264 Information should be interspersed and positioned in the relevant sections of the mainstream
265 report in such a way as to explain the links between the organisation’s strategy and environmental
266 and social performance.
267

268 P4 Disclosures shall be consistent and comparable

269 Purpose:

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

272 Comparability is the qualitative characteristic of information that enables users to identify
273 similarities in and differences between two sets of information.⁵⁹ Consistency refers to the use of
274 the same standards, policies, and procedures, either from period to period within an entity or in a
275 single period across entities. Comparability greatly enhances the value of information to investors
276 and is therefore the objective of this requirement; consistency is the means to achieving that
277 objective.

278 In the early years of adoption, it is recognised that comparability of environmental and social
279 information between organisations and sectors may be limited, pending development of common
280 disclosure approaches, policies, and practices. However, within an entity, comparability over time
281 should be achievable and depends primarily on the consistency of approach to reporting year-on-
282 year. Consistent reporting of performance measures and indicators over time, according to
283 consistently applied standards, policies, and procedures, increases the comparability of
284 disclosures over time. At the same time, this consistency should not prevent organisations from
285 revising performance measures and indicators when necessary to enhance their accuracy and
286 usefulness. Further, performance measures and indicators (such as KPIs) should continue to be
287 appropriate across reporting periods.
288

289 P5 Disclosures shall be clear and understandable

290 Purpose:

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

292 The application of this principle is satisfied where disclosures are:

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

298 Information that is relevant and material should not be excluded from mainstream reports solely
299 because it may be too complex or difficult for some users to understand without assistance. Plain
300 language should be used wherever possible although technical terminology with appropriate
301 explanation should be used where relevant to an understanding of the environmental and social
302 information.

303

304 P6 Disclosures shall be verifiable

305 Purpose:

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

307 Verifiability means that different knowledgeable and independent observers could reach general
308 consensus although not necessarily complete agreement, that there is no material error or bias in
309 the disclosures, or that an appropriate approach has been taken without material error or bias.
310 Verifiable information is characterised by supporting evidence that provides a clear and sufficient
311 trail from monitored data to the presentation of environmental and social information. Verifiable
312 quantified information need not be a single point estimate. A range of possible amounts and
313 related probabilities can also be verified. For certain environmental and social information,
314 supporting evidence may include qualitative information such as feedback from affected
315 stakeholders.

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

319

320 P7 Disclosures shall be forward looking

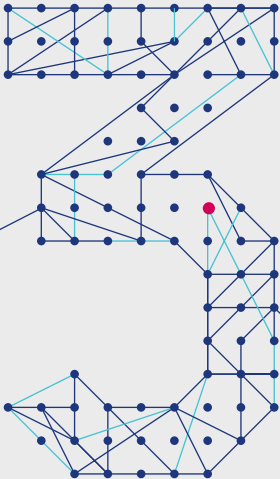
321 Purpose:

322 To ensure that historic information in the mainstream report is complemented with narrative on
323 the future environmental, social, and related financial performance of the company.

324 Disclosures should look to the future as well as the past and present and should communicate
325 trends and factors relating to environmental and social information that are likely to affect the
326 organisation's future performance, position, and development. Adopting a strategic focus and
327 future orientation includes clearly articulating how the continued availability, quality and
328 affordability of natural, human, and social capital contributes to the organisation's business model.
329 If not already stated in the mainstream report, the periods over which management considers the
330 future prospects of the organisation for the purposes of reporting environmental and social
331 information should be disclosed in the statement of conformance (REQ-11) or in response to
332 REQ-06 Outlook.

Chapter 3

Reporting requirements



333

334 1. Introduction

335 This chapter contains requirements (REQs) and associated guidance for reporting environmental
336 and social information in mainstream reports. The requirements appear in bold text; all other text
337 represents guidance and explanatory material. The requirements are designed to encourage
338 standardised disclosure of environmental and social information that complements and
339 supplements other information in mainstream reports. The guiding principles shall be applied in
340 determining, preparing, and presenting environmental and social information in accordance with
341 the reporting requirements in the CDSB Framework.

342

343 2. Reporting Requirements

344 REQ-01

345 Governance

346 Disclosures shall describe the governance of environmental and social policies, strategies and
347 information.

348 Purpose:

349 This requirement is designed to demonstrate transparency about and accountability for the
350 organisation's oversight of environmental and social policies, strategies, and information.

351 Successful environmental and social policies require the support and leadership of an
352 organisation's Board, or highest governing body.

353 This requirement will be satisfied when disclosures:

- 354 • Identify the CEO/senior executives/Board committees responsible for environmental and social
355 policies, strategies and information; and
- 356 • Explain:
 - 357 – The expertise they have, or have access to, with regard to environmental and social issues;
 - 358 – How responsibility for environmental and social policies, strategies and information is
359 delegated and how management is held accountable and/or incentivised for
360 implementation of the organisation's policies;
 - 361 – How the board is informed about current or potentially material environmental and social
362 issues, including progress and challenges in addressing them;
 - 363 – Whether and how the board considers how the organisation's business model and strategy
364 may contribute to material environmental and social risks;
 - 365 – Whether and how those responsible for environmental and social policies, strategies, and
366 information benefit from stakeholder views, including those of subject-matter experts and of
367 stakeholders affected by the company's operations, products, or services, either directly or
368 through its value chain;
 - 369 – The nature and reliability of the underlying information and control systems used by the
370 Board to prepare environmental and social information and provide related disclosures;
 - 371 – Whether the organisation's environmental and social policies and strategies are subject to
372 the same governance processes and disclosure controls and procedures that are used for
373 financial management; and
 - 374 – Who approves the release of environmental and social information.

375 **REQ-02**376 **Management's environmental and social policies, strategies and**
377 **targets**

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

380 **Purpose:**

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

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

- 385 • Natural, social, and human capital dependencies;
- 386 • Environmental and social policies, strategies, and objectives, and how those relate to or support
387 the organisation's overall policies, strategies and operational performance;
- 388 • Resourcing of management's environmental and social policies, strategies, and targets; and
- 389 • Targets, timelines, and key performance indicators against which delivery of environmental and
390 social strategies and policies is measured and resourced.

391 **Natural, social, and human capital dependencies**

392 By way of context for disclosures about environmental and social policies, strategies and targets,
393 information should be provided about the renewable and non-renewable environmental resources
394 and processes; and the individuals, relationships, and networks on which the organisation depends
395 for the provision of goods or services that support the organisation's overall business strategy.
396 Where identified dependencies relate to material sources of impact identified in REQ-04 (e.g., an
397 organisation reliant on high volumes of water for operations in an area of water stress), the
398 relationship should be detailed and effects on the organisation's policies, strategies and targets
399 explained.

400 **Environmental and social policies and strategies**

401 Information about environmental and social policies and strategies should include:

- 402 • Details of the organisational or activity boundary to which the policies and strategies apply if it is
403 different from the boundary identified in response to REQ-07;
- 404 • The rationale for and nature of those policies and strategies, for example, to respond to the
405 particular business risks and opportunities identified in REQ-03 or meet international or national
406 targets;
- 407 • Details of both:
 - 408 – The environmental policies and strategies, for example, whether they involve reductions,
409 efficiencies, investments, diversification, managing reliance on natural capital, etc.; and
 - 410 – The social policies and strategies, for example, whether they involve investing resources in
411 the prevention, mitigation, and remediation of particular negative human rights impacts, the
412 advancement of human capital, the development of beneficial products and services, etc.;
- 413 • An explanation of where specific environmental and social policies and strategies affect,
414 positively or negatively, other social and environmental issues (e.g., when minimising use of
415 hazardous chemicals also mitigates health and safety risks to workers, or when failing to protect
416 forests and biodiversity also undermines the livelihood and culture of indigenous communities);

- 417 • Confirmation of whether and to what extent policies and strategies take account of the
 418 organisation's key stakeholder relationships and perspectives including details about
 419 engagement with key stakeholder relationships and perspectives along the value chain, such as
 420 those of suppliers, workers, communities and consumers;
- 421 • Details about whether and to what extent policies and strategies are aligned with the
 422 organisation's lobbying, advocacy, memberships, and related policy engagement activities,
 423 including details about participation in relevant multi-stakeholder initiatives;
- 424 • Information about whether and how policies and strategies are informed by sustainability
 425 initiatives, regulatory schemes, voluntary reporting, or similar, for example, the Accountability
 426 Framework Initiative,⁶⁰ Caring for Climate,⁶¹ CDP,⁶² the Global Network Initiative,⁶³ GRI,⁶⁴ Natural
 427 Capital Protocol⁶⁵ and Social and Human Capital Protocol,⁶⁶ SASB,⁶⁷ Science Based Targets,⁶⁸
 428 TCFD,⁶⁹ the UN Global Compact,⁷⁰ the Voluntary Principles on Security and Human Rights,⁷¹ the
 429 Workforce Disclosure Initiative,⁷² or the World Benchmarking Alliance;⁷³
- 430 • Information about whether the organisation's environmental and social policies and strategies
 431 involve working with entities in the value chain (upstream and downstream) and other third
 432 parties (e.g., joint venture partners, franchisees) to facilitate their management of environmental
 433 and social impacts;
- 434 • Information relating to actions to mitigate or remediate environmental and social impacts. For
 435 certain environmental impacts, such as GHG emissions, this may include offsetting residual
 436 impacts;
- 437 • Any actual or anticipated penalties relating to environmental and social performance; and
 438 • Changes, if any, in policies and strategies since the previous reporting period.

439 **Resourcing of management's environmental and social policies, strategies, and targets**

- 440 • A description of the resources that are allocated to managing and delivering the policies,
 441 strategies, and targets, including investment and capital expenditure plans. This should include a
 442 description of the extent to which these resources are separated or integrated within the wider
 443 business.
- 444 • Information about the governance of environmental and social policies and strategies should be
 445 provided in response to REQ-01.

446 **Targets, timelines, and indicators**

447 Information about the targets, timelines, and key performance indicators against which delivery of
 448 environmental and social strategies and policies are assessed should include:

- 449 • The type of target, namely:
- 450 – For environment, whether it is absolute or intensity-based;
- 451 – For social, whether:
- 452 • It is a direct measure of outcomes for people (for example: the number of workers
 453 covered by collective bargaining agreements, or the extent to which indigenous
 454 communities can exercise their right to Free, Prior and Informed Consent); or
- 455 • It is a measure of systemic changes aimed at improving outcomes for people (for
 456 example, achieving industry-wide commitment to collective bargaining, or embedding
 457 land rights in local laws in high-risks contexts);
- 458 • The timescale over which the target applies, including interim milestones;
- 459 • The base year from or against which progress is tracked;

- 460 • Details of whether the target applies to the consolidated group, a single entity, its upstream or
461 downstream value chain, or specific geographic regions;
- 462 • Whether and to what extent targets are informed by external parameters, for example, UN
463 Sustainable Development Goals,⁷⁴ CBD biodiversity targets,⁷⁵ the New York Declaration on
464 Forests,⁷⁶ planetary boundaries,⁷⁷ Science Based Targets,⁷⁸ IPCC transition pathways,⁷⁹ ILO
465 labour rights standards,⁸⁰ UN human rights standards,⁸¹ or similar;
- 466 • Whether and how targets are informed by engagement with subject-matter experts and
467 affected stakeholders or their legitimate representatives; and
- 468 • Key performance indicators used to assess progress against targets.
- 469 Key performance indicators are most useful when they are:
- 470 • Relevant to the circumstances of the organisation;
- 471 • Focused on the matters identified by the organisation as being relevant and material;
- 472 • Consistent with:
- 473 – Indicators used internally by management;
- 474 – Generally accepted sector/regional benchmarks and international environmental, human
475 rights and labour standards to provide a basis for comparison; and
- 476 – Indicators used over successive periods, regardless of whether the resulting trends and
477 comparisons are favourable or unfavourable;
- 478 • Informed by engagement with subject-matter experts and affected stakeholders or their
479 legitimate representatives;
- 480 • Connected with other information in the mainstream report; and
- 481 • Accompanied by:
- 482 – An explanation of measurement methods and underlying assumptions, and why they are
483 meaningful indicators of progress;
- 484 – Short/medium/long term forecasts;
- 485 – Comparable information for the short/medium/long term;
- 486 – Previously reported targets, forecasts, or projections; and
- 487 – Qualitative information to provide context, including an explanation of measurement

488 methods and underlying assumptions.

489 **REQ-03**

490 **Business risks and opportunities**

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

493 **Purpose:**

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

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

- 497 • Regulatory risks and opportunities from current and/or expected regulatory requirements
498 including known or expected effects of:
 - 499 – The expansion of environmental and human rights due diligence legislation;
 - 500 – The expansion of environmental and social reporting regulations;
 - 501 – GHG and non-GHG emissions limits;
 - 502 – Energy efficiency, water, biodiversity, and forest and other ecosystem standards;
 - 503 – Changes to forms of acceptable labour arrangements, wage levels and labour protections;
 - 504 – Taxation of resources or sources of environmental and social impact;
 - 505 – Process, product, and consumer standards; and
 - 506 – Participation in GHG emissions trading schemes;
- 507 • Physical, operational and/or business continuity risks including the known or expected effects of:
 - 508 – Changes to resource quality or availability, particularly in the organisation's natural, human,
509 and social capital dependencies;
 - 510 – Changing weather patterns;
 - 511 – Sea level rise;
 - 512 – Shifts in species distribution, abundance and richness;
 - 513 – Changes in ecosystem integrity;
 - 514 – Changes in water availability and quality;
 - 515 – Change in temperature;
 - 516 – Variation in agricultural yield and growing seasons;
 - 517 – Labour disputes, including strikes;
 - 518 – Company/community conflict; and
 - 519 – Export/import requirements (for example, in relation to products alleged to contain forced
520 labour);
- 521 • Reputational and social license risks and opportunities, including the known or expected effects
522 of:
 - 523 – Changes in expectations regarding business impacts on environment and an organisation's
524 workforce and value chain workforce, community members and consumers; and
 - 525 – Changes in expectation regarding contribution to or detraction from local, national, or
526 international environmental conventions, policies, or ambitions (e.g., Paris Agreement and
527 transition to a low-carbon economy); and

- 528 • Litigation risks.
- 529 Information provided in response to this requirement is useful where it:
- 530 • Explains the risks and opportunities assessed as material for the organisation, including:
- 531 – Whether they apply organisation-wide or are specific to certain geographies or business
532 units;
 - 533 – The timeframes over which risks and opportunities are assessed and estimates when they
534 are expected to materialise;
 - 535 – The implications for the organisation, for example, in terms of operations, value chain,
536 business model, financial results, achievement of strategic objectives, etc., including:
 - 537 • The products, services, markets, and geographical areas that are likely to be affected;
538 and
 - 539 • Whether the implications will affect the organisation directly and/or through its
540 business relationships for example, with customers and suppliers; and
 - 541 – Where they exist, connections between material environmental and social risks and
542 opportunities are identified and explained, and the implications of the connections for the
543 organisation are described;
- 544 • Explains how the organisation identifies, assesses, and prioritises risks and opportunities,
545 including any methods or tools used, and whether and how the processes include:
- 546 – An assessment of whether business risks may result, in the short, medium, and long term,
547 from actual or potential negative environmental and social impacts that the organisation
548 itself may cause or contribute to or which may be linked to its operations, products or
549 services through its business relationships;
 - 550 – An assessment of whether business opportunities may result from the introduction of new
551 processes, practices or initiatives aimed at tackling systemic risks to people or the
552 environment, or from the development or adaptation of beneficial products and services;
553 and
 - 554 – Engagement with subject-matter experts and affected stakeholders or their legitimate
555 representatives, and the types of engagement methods used;
- 556 • Explains any additional causes and sources of the material business risks and opportunities the
557 organisation has identified, for example whether they originate with:
- 558 – External environmental and social issues (e.g., for some companies, risks associated with
559 climate change or inequality) regardless of the degree to which the company contributes to
560 these;
 - 561 – The effect of regulation designed to support or limit activity affecting natural or human
562 capital;
 - 563 – Risks to the availability of any of the organisation’s natural, social, or human capital
564 dependencies, for example, to natural resources recognised as a “critical raw material” by
565 the EU,⁸² or to the organisation’s reputational standing as needed to secure permits, licenses,
566 or an adequately skilled workforce; and
 - 567 – Limits on any of the organisation’s natural capital dependencies, e.g., planetary boundaries,⁸³
568 those identified by organisations such as the Carbon Tracker Initiative,⁸⁴ or similar;
- 569 • Explains any changes to the material environmental and social risks identified and processes by
570 which they were identified with the previous reporting period;

- 571 • Explains how and the extent to which the organisation is able to mitigate risks and maximise
572 opportunities directly and/or indirectly through customers, supply chain, markets etc.; and
- 573 • Links to other parts of the mainstream report that explain the organisation's processes and
574 systems for identifying risks and opportunities, e.g., whether inventory, operations and supply
575 chains have been audited to identify licenses, rights, assets, and relationships (including mergers,
576 acquisitions, and disposals) that might strengthen or weaken the organisation's access to natural,
577 social or human capital.
- 578 Plans for governing and managing environmental and social business risks and opportunities
579 should be discussed in response to REQ-01 and REQ-02.
580

581 **REQ-04**

582 **Sources of environmental and social impacts**

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

585 **Purpose:**

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

589 Sources of environmental and social impact are the activities of and outputs from the organisation
590 that actually or potentially cause or contribute to environmental and social impacts.

591 • For environment, this can include:

- 592 – GHG emissions, including from land (i.e., LULUCF);
- 593 – Renewable/non-renewable energy generation, use and consumption;
- 594 – Non-GHG emissions to air, land and water, for example, noise, odour, particulates, pollutants,
595 etc.;
- 596 – Deforestation and ecosystem conversion;
- 597 – Renewable and non-renewable material resource use for example, forest products, fish
598 stocks, minerals, metals, etc.;
- 599 – Water use, including consumption and changes in quality; and
- 600 – Waste and spillages (e.g., mining and hazardous waste, radiation, and industrial by-
601 products).

602 • For social, this can include activities and outputs that undermine the human rights of:

- 603 – The organisation's workforce (employees and contract workers), for example, in relation to
604 workplace conditions, wage levels, or the structuring of labour relationships;
- 605 – The workforce (employees and contract workers) of entities in the organisation's upstream
606 and downstream value chain who have a role in the development or distribution of the
607 company's products or services. For example, purchasing practices that incentivise forced
608 or excessive overtime or inadequate wages, franchise arrangements that do not establish
609 protections related to precarious work, or delivery demands that affect warehousing and
610 delivery workers' physical and mental health;
- 611 – Community members that can be affected by the organisation's own operational sites or
612 infrastructure or that of entities in the organisation's value chain. For example, through land

613 use practices in mining, construction or agriculture, or the pollution of air, land and water
614 affecting health and livelihoods; and

615 – Consumers, end users or others impacted by use of the organisation’s products or services,
616 for example, children targeted by marketing of unhealthy foods, or product design that
617 excludes people with disabilities or that embeds algorithms that discriminate based on race
618 or gender.

619 High quality quantitative information should be provided, wherever possible, for material sources
620 of environmental and social impact, and at a minimum, where these arise from the operations,
621 entities, and activities within the organisation’s reporting boundary (see REQ-07). For
622 environmental results, the organisation should use absolute, normalised and intensity metrics.
623 Narrative should accompany quantitative results where it assists the reader in understanding
624 them. For example, where material sources of environmental and social impact connect or interact
625 positively or negatively (e.g., when an organisation’s wastewater output reduces local water
626 quality, resulting in health impacts for neighbouring communities), then the nature of these
627 connections and their implications should be explained.

628 Where an organisation is communicating qualitative information (for example, about the
629 perceptions and experiences of affected stakeholders) that is converted into quantitative terms,
630 this should be done using recognised statistical sampling methods and without obscuring the
631 experience of the most at-risk groups.

632 Where quantitative information is unavailable for sources of environmental or social impact from
633 operations, entities and activities with the organisation’s reporting boundary, results should be
634 expressed in qualitative terms.

635 Sources of environmental and social impact can also originate outside the organisation’s reporting
636 boundary through contractual or other relationships between the reporting organisation and third
637 parties (e.g.: indirect or scope 3 GHG emissions, deforestation linked to production of materials, or
638 use of child labour or impacts on the health of local communities in the supply chain). The
639 organisation may not have contributed to such impacts although they are connected to its own
640 operations, products, or services.

641 In such situations, the provision of quantitative information is encouraged where material to the
642 reporting organisation but is not required by the CDSB Framework. Qualitative information about
643 the material risks and opportunities associated with sources of environmental and social impact
644 originating from third parties on whom the reporting organisation depends, should be provided in
645 response to REQ-03.

646 As stated in Principle 1:

647 • GHG emissions from operations, entities, and activities within the financial reporting boundary of
648 the organisation shall be treated as material and reported in all cases. In particular, the reporting
649 organisation shall report in CO2 equivalent metric tonnes, absolute and normalised Scope 1 and
650 2 GHG emissions, calculated by reference to a recognised (see definition below) GHG emissions
651 measurement methodology; and

652 • The provision of, or progress towards, living wages for workers (employees and contractors)
653 across operations, entities and activities within the financial reporting boundary shall be treated
654 as material and reported in all cases, calculated by reference to recognised measurement
655 methodologies.

656 Based on the outcome of the organisation’s materiality assessment (see Principle 1 R3), measures,
657 indicators, and other information about those sources of environmental and social impact that are

658 material should be calculated according to recognised methodologies and reported with
659 explanatory narrative text where necessary.

660 Given the lack of recognised methodologies for calculating impacts in relation to some
661 environmental and social issues, measures, indicators, and other information should be informed
662 by engagement with credible subject-matter experts, and wherever possible with the affected
663 stakeholders or their legitimate representatives.

664 CDSB does not prescribe reporting provisions to be used for the preparation of quantitative
665 environmental and social results. Instead, the CDSB Framework requires that, where they exist,
666 globally recognised reporting provisions for preparing measures, indicators and other information
667 results should be used. Unless listed in conformance with REQ-08, the methodologies used to
668 prepare environmental and social results shall be reported in response to REQ-04.

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

- 670 • Global standards developed through public consultation and due process and that are current
671 practice. They include industry and national standards that are derived from such global
672 standards;
- 673 • National and regional legislation requiring reporting of environmental or social information or
674 subsets thereof;
- 675 • National government sponsored guidance on reporting of environmental or social information;
676 and
- 677 • The reporting provisions listed in Chapter 1, section 10. Framework influences.

678 Many organisations already measure, report and/or disclose their environmental and social results
679 for purposes other than mainstream reporting, such as for voluntary reporting purposes or in
680 accordance with regulatory requirements. The CDSB Framework aims to ensure, as far as
681 possible, that environmental and social results measured or disclosed for purposes other than
682 mainstream reporting may be used to satisfy REQ-04.

683 **Mitigating activities**

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

688 When presenting social results, measures, indicators and other information, the effect of actions
689 that have or are designed to mitigate social outcomes and/or reduce social impacts should be
690 accounted for. The effects of mitigating activities should be disclosed consistently with REQ-02

691 **Disaggregation and categorisation**

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

695 **Uncertainty**

696 Results shall be accompanied by a description of the main effects of any uncertainty in the

697 calculation of the data, e.g., data gaps, assumptions, extrapolations, metering/measurement
698 inaccuracies etc.

699 **REQ-05**

700 **Performance and comparative analysis**

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

703 **Purpose:**

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

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

708 The comparative analysis is useful where it:

- 709 • Analyses the main trends evident from a comparison of the organisation's environmental and
710 social results from the previous to the current reporting period;
- 711 • Cross-refers to targets, baselines and other criteria used for analysing environmental and social
712 performance; and
- 713 • Explains significant changes in environmental and social results from one period to another.

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

- 716 • Any significant changes to performance, environmental or social impacts, or unexpected results
717 against targets due to:
 - 718 – Changes in the organisation's strategy, policies and governance;
 - 719 – Changes in the methodology or KPIs used for calculating results;
 - 720 – Changes due to acquisitions, divestments, organic growth or decline, efficiency or process
721 improvements, alterations to processes for collecting data, practices in satellite operations,
722 missing data etc.;
 - 723 – Changes in operating contexts, business relationships, or the organisation's activities;
 - 724 – Changes in the degree of vulnerability of individuals the organisation could impact (e.g., due
725 to legal or regulatory changes, and wider political and socio-economic developments); and
 - 726 – Other reasons; and
- 727 • The extent to which forward-looking disclosures made in previous reporting periods have been
728 borne out, including how and why the performance of the organisation is short of, meets or
729 exceeds previously made forward-looking disclosures.⁸⁵
730

731 **REQ-06**

732 **Outlook**

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

735 **Purpose:**

736 To provide readers with a summary from management about how they see the organisation's
737 main environmental and social impacts, risks and opportunities affecting its capacity to innovate,
738 execute its strategy, maintain its social license to operate and create value over time.

739 Management's outlook is useful when it succinctly explains how the organisation's principal
740 environmental and social impacts, risks and opportunities, and the context in which the
741 organisation operates, limit or support the organisation's capacity to innovate, execute its strategy,
742 maintain its social license to operate, and create value over time. The summary should draw on the
743 processes used to identify the information disclosed in response to REQ-01-REQ-05 of the CDSB
744 Framework as well as the information itself, and on the company's knowledge of any prospective
745 environmental and social regulation, market trends or practice that might affect its future
746 performance and position.

747 The statement should identify and describe:

- 748 • The time periods over which management considers the prospects of the organisation for the
749 purposes of conformance with the CDSB Framework, including an explanation of why the
750 periods are considered appropriate, such as their relation to an organisation's strategies, the
751 useful life of its assets, or national or international environmental and social ambitions;
- 752 • The process(es) used to inform judgement about the organisation's future performance and
753 position, including, where appropriate, with reference to methods, tools, or techniques (such as
754 scenario analysis) used by the organisation, and whether external expertise was drawn on; and
- 755 • Significant economic, environmental, political, or social assumptions, and data and projections
756 used by an organisation in its assessment.

757

758 REQ-07

759 Organisational boundary

760 Environmental and social information shall be prepared for the entities within the boundary of the
761 organisation, or group, for which the mainstream report is prepared. Where material, environmental
762 and social information beyond this boundary shall be reported and distinguished. The basis on
763 which the organisational reporting boundary has been determined shall be described.

764 Purpose:

765 To ensure that environmental and social information is prepared for the same entities and activities
766 as those for which other information is reported in the mainstream report and, where material,
767 complemented by environmental and social information beyond this boundary.

768 Where requirements for the preparation of mainstream reports, or elements of mainstream
769 reports, prescribe the entities and activities that should be included within the boundary of the
770 reporting organisation, the same organisational boundary should be used for reporting
771 environmental and social information according to the CDSB Framework. For example, many
772 jurisdictions require IFRS to be used for the purposes of identifying the entities for which financial
773 statements for corporate groups should be prepared.⁸⁶ Often, management commentary/
774 discussion and analysis and governance disclosures are required to be made for the same entities
775 and investees.

776 In some cases, environmental and social information outside the organisation's mainstream
777 reporting boundary will be viewed as material, and should be disclosed, including:

- 778 • Business risks arising from environmental or social impacts outside the organisation's
779 mainstream reporting boundary that:

780 – Are, or could be viewed as, resulting from actions, or omissions, of the reporting

- 781 organisation; or
- 782 – Are linked to the organisation’s operations, products and services via its business
783 relationships; and
- 784 • The nature of the contract for the operation or use of services procured from the entity or
785 facility, the reporting organisation is exposed to material risk, opportunity or financial impact.
- 786 In other cases, an organisation may choose to disclose environmental and social information
787 outside the organisation’s mainstream reporting boundary for a variety of reasons, including
788 where:
- 789 • The reporting organisation is required or chooses to report on:
- 790 – Activities for which it is responsible (whether or not within the mainstream reporting
791 boundary) for example, outsourced activities;
- 792 – Impacts connected with its operations, products or services through its value chain, which
793 may not be determined as a business risk and therefore not material information for
794 investors; or
- 795 – The reporting organisation has the power to influence its environmental or social impacts,
796 including through collective action with other organisations.
- 797 In such cases, information attributable to entities, facilities or activities outside the organisation’s
798 mainstream reporting boundary should be clearly distinguished from information about entities
799 and activities within the boundary.
- 800 In all cases, the basis on which the organisational reporting boundary has been determined shall
801 be described. In particular, the rationale for excluding any activities that fall within the financial
802 reporting boundary should be explained. For more information on organisational boundary
803 setting, see CDSB’s position statement on organisational boundary setting.⁸⁷
804

805 **REQ-08 Reporting policies**

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

809 **Purpose:**

810 To inform readers about the reporting provisions that have been used to prepare disclosures.
811 The regulatory, industry-specific, or financial frameworks, standards, guidelines, etc. that have
812 been used for the preparation and reporting of environmental and social information should be
813 cited for the purposes of satisfying this requirement, together with confirmation that they have
814 been used consistently from one reporting period to the next. Where any changes have been
815 made, the reason for and effect of the changes should be explained.

816 Organisations should also describe the approach used for collecting quantitative and qualitative
817 source data for preparing environmental and social information, together with any controls and

818 quality assurance processes used to ensure the quality of information. This can include a
819 description of any processes followed to ensure the effectiveness of engagement with
820 stakeholders where relevant.
821

822 **REQ-09**
823 **Reporting period**

824 Disclosures shall be provided on an annual basis.

825 **Purpose:**

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

827 The reporting period for environmental and social information and the mainstream report should
828 be the same, for example, 12 months. However, where this not the case, the reporting year for
829 environmental and social information should end within the period covered by the mainstream
830 report and its start and end date should be disclosed.

831 Where environmental and social information prepared in compliance with regulatory requirements
832 is used to make disclosures under the CDSB Framework and the reporting period specified by the
833 regulator is different from the period covered by the mainstream report, the period specified by
834 the regulator may be treated as covering the same period covered by the mainstream report
835 within which it falls.
836

837 **REQ-10**
838 **Restatements**

839 Disclosures shall report and explain any prior year restatements.

840 **Purpose:**

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

843 The circumstances in which a restatement might be required include:

- 844 • Detection of errors in a previous reporting period;
- 845 • Changes in policies that affect an understanding of performance over time;
- 846 • Change to methodologies, for example, to enhance measurement of environmental and social
847 impacts, changes to the base year, etc.;
- 848 • Divestments and acquisitions by the organisation;
- 849 • Changes in outsourcing arrangements; and
- 850 • New information received from the organisation's due diligence processes, such as stakeholder
851 engagement, dialogue with business relationships, or operational-level grievance mechanisms,

852 which changes the estimation of prior events.

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

855

856 **REQ-11**

857 **Conformance**

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

859 **Purpose:**

860 To inform readers about whether, and to what extent, the principles and requirements of the
861 CDSB Framework have been applied.

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

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

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

874

875 **REQ-12**

876 **Assurance**

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

880 **Purpose:**

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

883 By providing environmental information in mainstream reports, organisations are expected to
884 apply the same rigour and management responsibility as is appropriate to all statements and
885 disclosures presented in the mainstream report, whether audited or not. Generally, the financial
886 statements auditor is required to read the information presented in addition to the audited
887 financial statements and to identify any significant inconsistencies between it and the audited
888 financial statements and to consider any observed significant misstatements of fact in those
889 disclosures and that it conforms with local regulations.⁸⁸

890 However, the purpose of the consistency check is not to provide assurance on the information
891 published. Further, a financial statements audit performed according to the ISA 100-700 series is
892 generally not suited to reach conclusions on specific and discrete disclosures such as
893 environmental or social information prepared according to the CDSB Framework. The consistency
894 check does not therefore represent assurance of environmental or social information and is not

895 comparable to assurance activities carried out under ISAE 3000⁸⁹ and ISAE 3410.⁹⁰

896 CDSB encourages organisations to engage with assurance providers to agree an
897 appropriate assurance approach. Assurance engagements conducted according to
898 existing standards such as ISAE 3000 or 3410, or similar national standards are suited to
899 provide assurance on environmental and social information under the CDSB Framework.

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

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