

Consultation report

CDSB Framework for reporting environmental and social information

About CDSB

The Climate Disclosure Standards Board (CDSB) has now consolidated into the IFRS Foundation. CDSB was an international consortium of business, environmental and social NGOs, committed to advancing and aligning the global mainstream corporate reporting model to equate natural and human and social capital with financial capital.

CDSB, created in 2007, did this by offering companies a framework for reporting environment and social information with the same rigour as financial information. The [CDSB Framework](#) formed a foundation for the Task Force for Climate-Related Financial Disclosures (TCFD) recommendations and sets out an approach for reporting environmental, which includes climate change, and social information in mainstream reports, such as annual reports, 10-K filing, or integrated reports. CDSB's Framework for reporting environmental and social information and technical guidance on climate, [water](#) and [biodiversity](#) disclosures, as well as wider resources, will remain relevant and applicable for companies until such time as the International Sustainability Standards Board, a standards body of the IFRS, publishes its corresponding IFRS Sustainability Disclosure Standards on such topics.

For all future news and updates on sustainability standards, please visit the [IFRS website](#).

Introduction

This report summarises the feedback that was received during the three-month consultation period of the Consultation Draft of the CDSB Framework for reporting environmental and social information (Consultation Draft)¹ and accompanying Basis for Conclusions.² The report further offers a summary of the subsequent revisions made in response to this feedback in drafting the updated and final version of the CDSB Framework.³

Background

The first edition of the CDSB Framework was released in 2010 and focused on reporting climate-related information in the mainstream report. Understanding that climate issues cannot be separated from wider environmental issues, such as biodiversity and water, the scope of CDSB's work was expanded and an updated version of the CDSB Framework was released in 2015 following two consultations for reporting climate change and environmental information. In a similar manner, the interconnection of environmental, which includes climate, [water](#) and [biodiversity](#), and social information for ensuring comprehensive and decision-useful reporting has become ever more apparent to CDSB in recent years. What's more, the importance of social issues for companies, investors and regulators continues to rise, with increasing expectation that companies will disclose material information on related governance, strategies and targets, risks and opportunities, and impacts. As such, the CDSB Board in 2021 approved the Secretariat to work to expand the scope of CDSB's work and reporting framework, and following CDSB's due process (detailed below), endorsed the CDSB Framework to include social in January 2022.

Purpose

The expanded CDSB Framework is designed to help organisations prepare and present environmental and social information in mainstream reports for the benefit of investors. Information prepared in accordance with the CDSB Framework is designed to allow investors to assess the relationship between environmental and social information and an organisation's strategy, performance, and prospects. Through the provision of robust information, CDSB hopes to encourage analysis and decision-making by investors that recognises the dependence of economic and financial stability on sustainable and healthy societies and environments

Project and timeline

Following approval from the CDSB Board to explore the inclusion of social issues into the CDSB Framework, the CDSB Secretariat spent the first half of 2021 conducting a review of reporting literature and research, the existing standards and frameworks, and key national and international regulation and guidance, and further engaging with stakeholders and experts in social reporting. The findings of this work were summarised in CDSB's position paper⁴ and presented to CDSB's Technical Working Group (TWG) alongside suggested next steps. Following the findings and direction set out in the paper, the CDSB Secretariat set out to expand the scope of the CDSB Framework to cover both environmental and social information. An initial draft was prepared and circulated for comment with the TWG and several additional external experts, with amendments made accordingly. The Consultation Draft was released in October 2021 for three months of public comment.

¹ CDSB (2021) CDSB Framework for reporting environmental and social information – Consultation Draft. [PDF]. Available from: https://www.cdsb.net/sites/default/files/cdsb_framework_consultation_document_.pdf

² CDSB (2021) Basis for conclusions. [PDF]. Available from: https://www.cdsb.net/sites/default/files/basis_for_conclusions_cdsb_consultation_draft_2021.pdf

³ CDSB (2022) CDSB Framework for reporting environmental and social information. [Online]. Available from: www.cdsb.net/framework

⁴ CDSB (2021) Corporate reporting on social matters. [PDF]. Available from: https://www.cdsb.net/sites/default/files/25279_cdsb_corporate-reporting-on-social-matters_final_0.pdf

The consultation

Method

The Consultation Draft and accompanying Basis for Conclusions were released as PDF documents on the CDSB website in October 2021. The webpage that was previously used to explain CDSB's work on social issues and host the position paper was amended for the purposes of the consultation. Alongside hosting the Consultation Draft and Basis for Conclusions, the webpage provided background to the consultation, explained how to respond and listed the consultation questions. The webpage also provided links to CDSB's existing reporting framework for environmental information and the position paper on social reporting.

The Consultation Draft similarly provided such background to the process and ambition of CDSB's work and guided respondents on how to respond (i.e., by submitting completed form via email) and by when. The Consultation Draft document was designed such that respondents could provide their answers for each consultation question within the PDF itself as well as provide key details and respondent's agreement with CDSB's privacy policy and for the response to be subsequently published. It was noted that respondents may provide their responses anonymously or opt out of having their responses published online.

Due process

The CDSB Board and TWG established CDSB's due process, which particularly relates to how revisions to the CDSB Framework are managed. The CDSB Secretariat have followed this process to expand the scope of the CDSB Framework to cover social as well as environmental information. Of note is the three-month period for public consultation and the requirement to publish all responses, unless otherwise noted by the respondent, within one month of the consultation close.

To note, following the consultation and subsequent actions to further update the CDSB Framework, two-thirds of the CDSB Technical Working Group present need to vote in approval of the updated framework, with it then to the CDSB Board for final approval before the updated CDSB Framework may be published.

Outreach and responses

The consultation was promoted through social media by the CDSB Secretariat and the numerous events and engagements that various members of the CDSB Secretariat participated in, both in the weeks prior to its release and through the consultation period. A specific event to promote the consultation was held in early December with contributions from representatives of Shift, the World Business Council for Sustainable Development (WBCSD) and PRI.⁵ The event received 128 registrants and has further been watched, at the time of time of publication, over 650 times on LinkedIn and over 180 times on YouTube.

The consultation received ten full responses as well as two further pieces of less formal feedback. While the quality of responses received was well appreciated, the overall number and diversity in terms of geography and sector does limit the generality of the conclusions that can be made from the responses.

The fact that the consultation period straddled the holiday season for many certainly limited market engagement. It should also be noted that the consultation period was a particularly busy period for the CDSB Secretariat, with many CDSB publications and important ongoing work as part of the IFRS Foundation's Technical Readiness Working Group.⁶ In addition, from discussions through the consultation period, there was some confusion in the market around the consultation following the announcement in November 2021 of the establishment of International Sustainability Standards Board and for CDSB to become part of this body.

⁵ See: <https://www.youtube.com/watch?v=rud9j3vGeAA>

⁶ See: <https://www.ifrs.org/groups/technical-readiness-working-group/>

Results

The following summary of the consultation feedback does not cover each issue raised by the various respondents, but instead collates and draws out themes in the feedback received and, where provided, presents suggested amendments. This summary will not identify individual respondents, though individual responses are mostly available through the CDSB website.

Expansion to social

There was unanimous support from the respondents for the expansion of the CDSB Framework to cover social as well as environmental issues. Many of the respondents also shared concerns raised by CDSB with regards the present comprehensiveness and quality of social reporting that motivated the framework update. Some of the respondents, while supportive of CDSB's ambitions, did note that the support was in part predicated on CDSB expanding the scope of its audience to include stakeholders as well as investors and adopt a more impact-oriented definition of materiality (see below).

Materiality and audience

A number of respondents to the consultation felt that the corporate reporting of social information would be better served by a definition of materiality that is more focused on impact instead of investor-focused materiality, which has been used by the CDSB Framework since 2010. It was further suggested that CDSB should align with the approach of the European Union and move towards a double materiality for corporate reporting of social and environmental information. In hand with these suggestions on materiality, it was also proposed by some respondents that the audience of information prepared using the CDSB Framework should be broadened from primarily investors to all stakeholders. This was felt appropriate as it was likely that companies would be reporting on the impacts and risks and opportunities associated with these stakeholders.

There were respondents, though, who noted their support for CDSB's existing approach focused on the reporting of material environmental and social information via the mainstream report to investors.

Definitions and scope

For the most part, the definition of 'social impacts' proposed in the Consultation Draft was broadly agreed with by the respondents to the consultation. An alternative definition for impact ('A change in an aspect of people's well-being or the condition of the natural environment caused by an organisation') that was drawn from the collaborative work of the Impact Management Platform was proposed by several respondents.⁷ Alternatively, it was suggested by one respondent for the definition, and the framework text more generally, to be in closer alignment with international standards on human rights, such as those issued by the UN or International Labour Organization (ILO).^{8 9}

In connection to the definition of 'social impacts', another respondent suggested that it would be useful for a definition of 'workforce' to also be included and provided suggested text. In relation to the definition of social issues, a few respondents further felt that it would be useful to report preparers if the CDSB Framework set out the explicit scope of social issues to be considered by companies in the preparation of its disclosures. Further, there was confusion amongst respondents regarding the difference between environmental and social impacts when it came to defining relevant information, with it felt that the use of 'connected' for social over 'contributed' for environmental was unclear.

Connectivity of environmental and social information

The additions made to the CDSB Framework's principles and reporting requirements to assist companies in reporting social and environmental information in a connected manner were generally supported by the respondents of the consultation. Building on CDSB's ambition to connect this information with financial

⁷ See: <https://impactmanagementplatform.org/terms-and-concepts/>

⁸ United Nations (1948) Universal Declaration of Human Rights. [Online]. Available from: <https://www.un.org/en/about-us/universal-declaration-of-human-rights>

⁹ International Labour Organization (2022) International Labour Standards. [Online]. Available from: <https://www.ilo.org/global/standards/>

disclosures, it was suggested by two of the respondents that valuation should be further and more comprehensively incorporated within the CDSB Framework, including as an additional eighth principle.

Income inequality and living wage

Nearly all consultation respondents agreed with CDSB's position that income inequality was a material risk for nearly all companies. Fewer but still a majority of respondents also agreed with the inclusion of the provision of living wages as a report requirement for all companies reporting in line with the CDSB Framework. As well as those respondents who thought that the CDSB Framework should adopt a wholly principles-based approach and not be prescribing metrics, there were also several concerns from respondents, detailed below.

Firstly, some respondents thought that the provision of living wages as a standalone metric would not provide high-quality and decision-useful reporting, suggesting that without other social inequality metrics and associated information that the measure would not provide much understanding of a company's social impacts or risks. In hand with these comments relating to limits of the provision of living wages as a narrow understanding of inequalities, some respondents felt that the CDSB Framework should broaden its definition beyond income inequalities to take account of gender and racial inequality, for instance. Further, it was suggested that CDSB should provide further guidance on disaggregating disclosures of social impacts and metrics (e.g. by gender, ethnicity, etc.) to more fully reflect these different aspects of inequality.

There was also concern that providing a single metric in the CDSB Framework for social issues might result in "tick-box" reporting from companies, creating a ceiling to reporting rather than a baseline, so also potentially limiting the usefulness of reporting on both income inequality and wider social impacts and risks. There were suggestions in response to this issues that CDSB requires reporting on a broad suite of social metrics that includes measures on the provision of living wages.

In addition, there was also some respondents who felt that the scope of the living wage requirement in the Consultation Draft was too limited. These respondents suggested that the CDSB Framework require organisations to report on the provision of living wages through the value chain and not just for an organisation's workforce.

SDGs

It was suggested by several respondents that to build on the Consultation Draft, the CDSB Framework should better align with or incorporate the UN's Sustainable Development Goals (SDGs). One respondent suggested that the definitions of relevance and materiality in Principle 1 of the CDSB Framework should be set around the SDGs, while another suggested that greater emphasis should be placed on companies reporting their positive contributions to the goals.

Complexity

One respondent felt that the Consultation Draft was in areas too complex and raised concerns about companies' abilities to be able to fully meet the requirements. Of particular note was the potential for confusion around the separation between requirement and guidance for the CDSB Framework's reporting requirements. In addition, respondents highlighted various areas for potential confusion in different areas of the Consultation Draft, which should be amended to ensure clarity for report preparers.

Actions

The following section summarises the actions taken in updated the CDSB Framework following the consultation and subsequent deliberation by the CDSB Secretariat and TWG, with reasoning offered for these amendments. The amendments and final text of the CDSB Framework for reporting environmental and social information was approved by both the TWG and the CDSB Board. Explanation is also offered for actions not taken in response to issues raised in the consultation.

Materiality and audience

The materiality approach and investor-focus of the CDSB Framework remains unchanged despite suggestion of adopting broader definitions of materiality and audience during the consultation. Such an expanded approach to environmental and social reporting was deemed not to best serve CDSB's mission and nor was it thought responsive to the current deficit of guidance for companies wishing to reporting social information via their mainstream report. There are already well-established standards for reporting social information from an impact-materiality perspective to a multi-stakeholder audience. Instead, CDSB offers the market a framework for reporting environmental and social information in the mainstream report that aligns with the IFRS Foundation and the TCFD. Maintaining such an approach to materiality and audience of reported information further means that the CDSB Framework can be used by companies in preparation for and in-lieu of the issuance standards from the IFRS Foundation's International Sustainability Standards Board.¹⁰

Definitions

While appreciated that the alternative definition offered by respondents to the consultation built collective efforts and sought to bring together social and environmental impacts, it was thought that the definition of 'social impacts' included in the Consultation Draft was more exact and practical for report preparers, providing them with a clearer scoping, and was therefore deemed preferable. However, the connection between the definition of 'social impacts' and 'human rights' with the international standards of bodies such the UN and ILO were strengthened by amendment, as suggested during the consultation. In addition, a definition of 'workforce' based on the suggestion of another respondent was included in the updated CDSB Framework to ensure clarity for report preparers and users. Moreover, the noted confusion around 'connected'/'contributed' for the definition of relevant information was responded to by using 'connected' for both environmental and social risks with reference to the OECD Guidelines for Multinational Enterprises, from which this language is drawn.¹¹

Inequality and living wage

The inclusion of the requirement for all companies following the CDSB Framework to report on the provision of living wages was the most debated update made in the Consultation Draft, as shown in the previous section summarising the responses. The requirement was also the most contentious topic of the TWG's deliberations of the feedback. While supported by some members of the TWG, particularly as a means of spurring development in mainstream social reporting, the living wage requirement was thought by the majority of members to be a limited and incomplete metric for the purposes that it was hoped to serve. This was of particular concern given that practices around reporting on social metrics are still very much developing. In addition, there was concern shared by consultation respondents, the CDSB Secretariat and the TWG that the requirement would act as a ceiling for reporting social measures and so potentially limit the quality and usefulness of disclosures. As such, it was decided that the requirement for all companies to report on the provision of living wages to be omitted from Principle 1 and REQ-04 of the updated CDSB Framework.

In hand with this concern regarding the partial insight provided by living wages to companies' contributions to and risks relating to inequalities, it was felt by many respondents and TWG members that the focus on income inequalities in Principle 1 of the Consultation Draft was similarly limiting and therefore result in incomplete disclosures. Therefore, for the updated CDSB Framework, this was widened, with Principle 1 amended to deem

¹⁰ See: <https://www.ifrs.org/groups/international-sustainability-standards-board/>

¹¹ OECD (2011) OECD Guidelines for Multinational Enterprises. [Online]. Available from: <http://mneguidelines.oecd.org/guidelines/>

risks relating to social inequalities, not just income inequality, material for all companies using the framework. This was adopted to better ensure reporting on the range of inequalities that pose risks to companies and to which they contribute.

With this amendment to Principle 1 and to replace the living wage requirement, revisions were made to require all companies to instead report quantitative and qualitative information that reflects their contribution to social inequalities in response to REQ-04. A number of examples of such measures, including the provision of living wages as well as pay gaps and ratios, are provided Principle 1 and REQ-04 of the updated CDSB Framework. This amendment is responsive to the facts that reporting practices for social metrics are still developing and that corporates connect with inequalities around the world in a multifaceted nature. In addition, additional guidance was provided in REQ-04 on disaggregation of reporting to make further reference to different aspects of corporate impact on inequality.

SDGs

While it was not deemed appropriate to amend CDSB's materiality approach to incorporate the SDGs or significantly structure the reporting requirements of the framework around the goals, it was thought beneficial to draw greater connection between companies' reporting on environmental and social and international agreements or ambitions, such as the SDGs. In particular, additional guidance has been provided for REQ-02 and REQ-04 of the CDSB Framework to encourage organisations to report on how their environmental and social strategies and material sources of impact, respectively, contribute towards such international ambitions as the SDGs or the Paris Agreement.

Complexity

To ensure that there is no confusion between the requirements of the CDSB Framework and the accompanying guidance, additional subheadings have been included in the updated version of the framework for each of the twelve reporting requirements to differentiate guidance text. In addition, REQ-03, noted as particularly complex, has been amended to include a table of risk and opportunity examples, which simplifies the text and makes for greater coherence to the guidance.

Links to individual consultation responses with permission to share publicly are listed below:

https://www.cdsb.net/sites/default/files/nbim_response_to_the_cdsb_on_its_updated_framework.pdf

https://www.cdsb.net/sites/default/files/cdsb_framework_consultation_document_nbim_response.pdf

https://www.cdsb.net/sites/default/files/consultation_response_-_wwg.pdf

https://www.cdsb.net/sites/default/files/consultation_response_-_shareaction.pdf

https://www.cdsb.net/sites/default/files/consultation_response_-_dr._jarlath_molloy.docx

https://www.cdsb.net/sites/default/files/consultation_response_-_rights_colab.pdf

https://www.cdsb.net/sites/default/files/consultation_response_-_lseg.pdf

https://www.cdsb.net/sites/default/files/consultation_response_-_capitals_coalition.pdf

https://www.cdsb.net/sites/default/files/consultation_response_-_bsr.pdf

https://www.cdsb.net/sites/default/files/consultation_response_-_svi.docx

https://www.cdsb.net/sites/default/files/consultation_response_-_anonymous.docx