

CDSB  
C/O CDP  
40 Bowling Green Lane  
London  
Sent via email to [secretariat@cdsb.net](mailto:secretariat@cdsb.net)

9 May 2014

Dear Mr Molloy

### **Promoting and advancing disclosure of environmental information**

The Chartered Institute of Management Accountants (CIMA) is pleased to have the opportunity to comment on this consultation. Tackling climate change and environmental issues is not just a question of 'doing the right thing'. Businesses have a duty to their customers, employees and crucially, their shareholders to manage risk and deliver long-term value. CIMA members have a key role to play in driving sustainability, by providing business intelligence to support sustainable corporate strategy and decision making. As well as supporting members in their drive to create sustainable businesses.

CIMA is also actively involved in several sustainability and reporting initiatives, including the Prince's Accounting for Sustainability project that develops tools to enable sustainability performance to be better connected with financial performance, and the Natural Capital Coalition that supports the development of methods for natural and social capital valuation in business. CIMA also works closely with the International Integrated Reporting Council to develop and promote integrated reporting and is involved Report Leadership, a collaborative initiative with PwC and Radley Yeldar, to promote effective, engaging and accessible external corporate reports through practical illustrations of good reporting practice. CIMA also works with accounting firms, think tanks, NGOs and academics to produce leadership research that helps organisations embed sustainability into their corporate DNA.

Globally we face significant environmental challenges. Governments need data to analyse how policy needs to be refined to incentivise behaviours. Investors need robust and relevant environmental information to inform their decisions, as do companies. Companies need to understand the impact of environmental issues on their long term success, including resource scarcity across their value chain. Reporting, where relevant, environmental risks, dependencies and impacts, and mitigating actions, in the main annual report is an important step for companies and CIMA therefore supports the inclusion of water and forest risk commodities risks.

#### **General comments**

Many natural resources and ecosystems that organisations rely on are being degraded or becoming harder to access, due to overconsumption and climate change. This is a strategic risk for organisations, particularly in relation to their future performance and business model resilience. To ensure long term success companies need to understand their dependencies, as well as impacts, on natural capital, ecosystems and other environmental issues, and develop strategies to address these issues. We therefore welcome the expansion of the framework to include the disclosure of risks and opportunities from water and forest risk commodities.

At CIMA we understand that an effective way to encourage sustainable business practices is to promote the disclosure of material environmental issues in an organisation's main reporting vehicle-

the annual report. Including this information in the main annual report will also help make the connection between environmental performance and financial/ economic performance. However, our work in the field of corporate reporting has shown that many annual reports suffer from 'clutter', making it difficult for investors to find the most important elements. Therefore only environmental information that is likely to impact on an organisation's strategy, future outlook and business model, (ie its future value creating capabilities), should be included in the main report. Below we have provided more detailed feedback on the specific consultation questions.

1. **Do you agree with the Framework objective?**
2. **Do you agree there is a need for a Framework that focuses on reporting requirements, specific environmental information, specific audience and information presented in main stream reports?**

Yes, we agree that environmental information should be included in an organisation's main report (preferably in, rather than linked to) but only information that is materially relevant to an organisation's strategy, future outlook or its business model.

3. **Scope of the framework?**
4. **Form of reporting environmental information in mainstream reports?**

To the extent that environmental information is key to a proper understanding of the organisation's future value creating capabilities then this information should feature prominently in published reports. Subsidiary compliance-based information should not clutter primary reporting platforms but be easily accessed via, for instance, online portals.

Clear links should be made between environmental performance and economic/ financial performance – particularly on future cash flow, strategy, future performance and the business model. To aid comparability the connection should ideally be made in qualitative or economic terms where possible, but if not feasible, in quantitative or narrative terms.

Where risk mitigation / management strategies are communicated, an indication of their benefit and expected impact on current and future business performance would be useful.

5. **Environmental information in mainstream reports?**

Yes, the suggested scope of the environmental information is wide enough, but selecting the right timescale for this information is also important and should also be mentioned in the guidelines. To gauge the impact of environmental elements on future performance and the business model, forward looking /modelled environmental data should be considered over an appropriate time frame. This time scale will vary depending on the environmental information being looked at and the type of decision.

6. **What are your views on the language and terminology used throughout the framework?**

No suggested amends.

7. **Minimum reporting requirements**

Minimum reporting requirements should not be specified as relevance of environmental issues varies from company to company, sector to sector. An organisation should only be report environmental information if it is key to a proper understanding of the organisation's future value creating capabilities. The information in Section IV on relevance and materiality is therefore helpful.

Organisations should be encouraged to explain how material environmental issues were identified, for example what factors were considered, over what time frame, who was involved, the internal process etc).

**8. What are your views on the availability and maturity of metrics and indicators for use in environmental reporting?**

**9. Influences**

There are a wide range of available metrics for environmental reporting and these should be cross referenced in the Framework. It would also be useful for organisations to also have an overview of these metrics and frameworks (for example GRI and Integrated Reporting framework), an explanation of how they fit together and where there may be overlap. New and developing metrics and methodologies for natural capital accounting and valuation in business should also be mentioned, in particular the work of the Natural Capital Coalition to develop a Protocol for valuing natural capital impacts in business.

**10. Assurance and verification**

We agree with the view that it is for organisations to work with their professional advisors to establish appropriate levels of assurance on a case by case basis.

In summary we advocate the inclusion of water and forest commodity risk to an organisation's main report where that information is key to a proper understanding of the organisation's future value creating capabilities.

We would be pleased to discuss with you any aspect of this letter that you may wish to raise with us.

Yours sincerely

***S. Rapacioli***

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