



Climate
Disclosure
Standards
Board

CDSB Framework

**for reporting environmental &
social information**

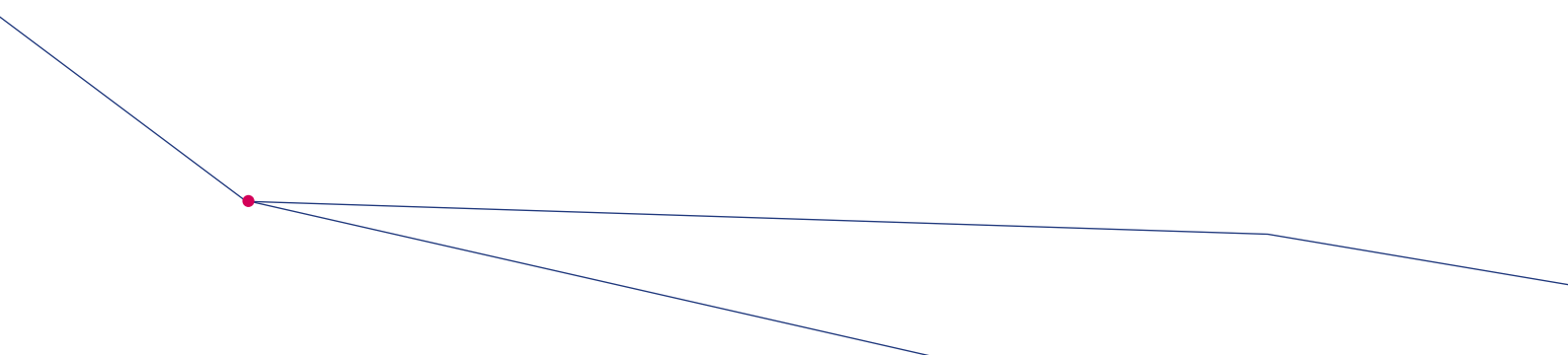
Advancing and aligning disclosure of
environmental and social information
in mainstream reports

CDSB technical guidance will form part of the evidence base as the ISSB develops its IFRS Sustainability Disclosure Standards. CDSB's Framework and technical guidance on Water, Biodiversity, and Social disclosures will remain useful for companies until such time as the ISSB issues its IFRS sustainability disclosure standards.

About CDSB

The Climate Disclosure Standards Board (CDSB) is an international consortium of business and environmental NGOs, hosted by CDP. We are committed to advancing and aligning the global mainstream corporate reporting model to equate natural and social capital with financial capital.

We do this by offering companies a framework for reporting environment- and social-related information with the same rigour as financial information. In turn this helps them to provide investors with decision-useful environmental information via the mainstream corporate report, enhancing the efficient allocation of capital. Regulators have also benefited from CDSB's compliance-ready materials.



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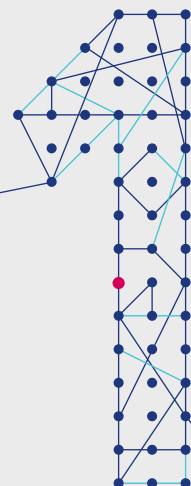
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Chapter 1

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 financial 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

The CDSB Framework was developed by the CDSB Secretariat and overseen by the CDSB Technical Working Group.

The first CDSB Framework, the Climate Change Reporting Framework, released in 2010, focused on the risks and opportunities that climate change presents to an organisation's strategy, financial performance and condition.

In 2015, following two public consultations, the CDSB Framework for reporting environmental and climate change information was released. In 2018 and 2019, amendments were made to further meet user needs and ensure universal applicability.

In light of changing market and user demands, the scope of the CDSB Framework was expanded to include social as well environmental, including climate change, information. Following public consultation, the CDSB Framework for reporting environmental and social information was released in 2022.

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 emphasised text and are summarised in Chapter 3, Section 1; 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 (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, 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.

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**, as defined by international standards, 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**;
- The workforce of entities in the organisation's upstream and downstream value chain who have a role in the development or distribution of the organisation'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, as defined by international standards established by bodies such as the UN and ILO.^{6 7} 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".⁸

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"⁹ 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).¹⁰ 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.

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.

Workforce – An individual may be part of the workforce via direct or indirect employment including permanent, temporary, fixed-term, full-time, part-time employment, or as a contractor, agency worker, on-site franchisee worker and other subcontracted workers.

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.¹¹

^{12 13}

The Reporting Exchange and TCFD Knowledge

Hub platforms provide additional resources that will be of assistance to report preparers.

10. Framework influences

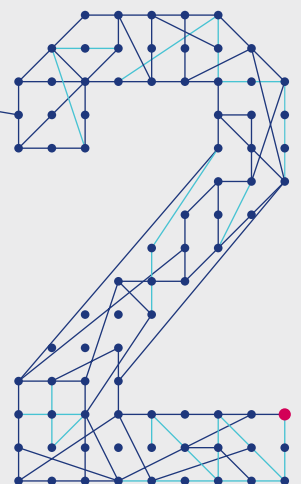
The CDSB Framework draws on other **reporting provisions** that also specify the principles and characteristics on which reporting outcomes should be based. CDSB aims to align its principles, requirements, and implementation guidance as far as possible with existing and developing standards, models and 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.¹⁴ 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;¹⁵
- Legislation/mandatory reporting requirements, including the European Union (EU) Directive 2014/95/EU on non-financial information,¹⁶ the German Supply Chain Due Diligence Act,¹⁷ the Indian Annual Business Responsibility Report,¹⁸ the UK Companies Act (2006) as amended,¹⁹ and the US Securities and Exchange Commission (SEC) disclosure requirements on human capital and guidance on disclosures related to climate change;^{20 21}
- Guidance issued by regulators and other authoritative sources on aspects of corporate information and mainstream reporting, such as the Australian Water Accounting Standards²² and AASB-AUASB's climate-risk guidance,²³ the Canadian Securities Administrators Staff Notices 51-333 and 51-358 on environmental and climate-risk reporting,^{24 25} the Financial Reporting Council's guidance on the strategic report,²⁶ and the UK Government's Environmental Reporting Guidelines;²⁷

- Developing and mature voluntary frameworks, standards and guides on corporate reporting such as Center for ESG Research,²⁸ CEO Water Mandate,²⁹ European Federation of Financial Analysts Societies (EFFAS),³⁰ the Fair Wage Network,³¹ German Sustainability Code,³² Global Living Wage Coalition,³³ Global Reporting Initiative (GRI),³⁴ IIRC,³⁵ International Organisation for Standardisation (ISO),^{36 37} Principles for Responsible Investment (PRI),³⁸ Sustainability Accounting Standards Board (SASB),³⁹ Task Force on Climate-related Financial Disclosures (TCFD),⁴⁰ the United Nations (UN) Global Compact,⁴¹ and WageIndicator;⁴²
 - International standards of business conduct with relevance for reporting such as the UN Guiding Principles on Business and Human Rights,⁴³ and the OECD Guidelines for Multinational Enterprises;⁴⁴ and
 - The work of CDSB Board members including CDP,⁴⁵ Ceres,⁴⁶ WBCSD,^{47 48} WRI^{49 50} and WEF.^{51 52}
- 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**.⁵³

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 relating to social inequalities 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.

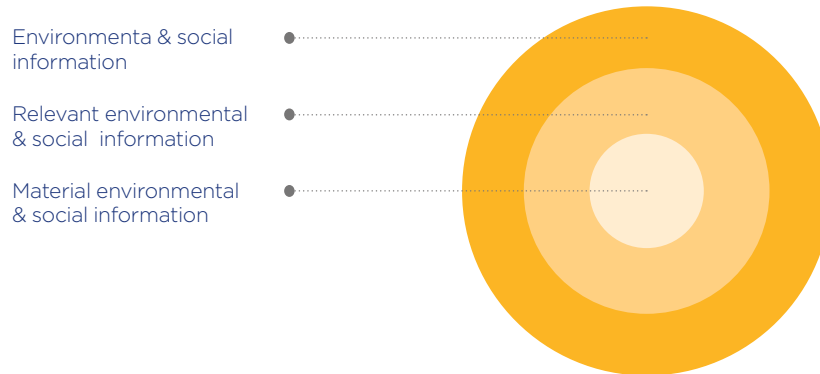
Relevant environmental and social information is a subset of environmental and social information identified by management as being relevant, and therefore potentially necessary for inclusion in the mainstream report, for the purposes of communicating the extent to which the organisation is connected to and is affected (now or in the future) by environmental and social impacts.⁵⁴ The paragraphs on relevance below 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. Section P1.2 below describes the tests that should be applied for identifying material information. For the purposes of the CDSB Framework, GHG emissions from operations, entities, and activities within the mainstream reporting boundary of the organisation shall be treated as material in all cases as a contributor to climate change and shall be reported in REQ-04. In addition, the organisation shall report in REQ-04 appropriate quantitative and qualitative information that reflects its contribution to social inequalities, such as relating to workforce composition, the provision of living wages, and pay ratios and gaps.

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

- Is capable of making a difference to the decisions made by users of information in mainstream reports,⁵⁵ including where it has:
 - Value as an input to predictive processes used by investors to inform their own expectations about the future performance of the business. This includes information that, while not currently affecting the organisation or its strategy, is expected to have an impact over the period management considers for the purposes of assessing the prospects of the business; and
 - Confirmatory value, i.e., where it confirms or changes past or present expectations, based on previous evaluations;

Figure 1. Material, relevant and environmental information



- Reflects the information that is important to management in managing the business and assessing how **environmental and social impacts and results** actually or potentially affect the organisation's strategy;
- Complies with mainstream corporate requirements or with compliance requirements on the conduct of **human rights** and environmental due diligence and/or on the disclosure of **environmental and social information**;
- Reflects the reality of the organisation's business;
- Promotes an understanding of how:
 - Dependence on **natural capital**, actual and potential **environmental impacts** and the organisation's **environmental results and policies** contribute to its financial condition; and
 - Dependence on **human and social capital**, actual and potential **social impacts** and the organisation's **social results and policies** contribute to its financial condition;
- Takes account of stakeholder views, including the views of stakeholders who are, or may be, negatively impacted by the company's operations or value chain; and
- Takes account of the specific requirements of the CDSB Framework.

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

- Reflects those actual or potential negative impacts on people connected with the

company's operations, products or service that are significant enough to affect people's **human rights**. In this context, social information relevant to a company may cover four key groups of people (an organisation's workforce, **workforce** within the value chain, community members and consumers), further elaborated within the definition of '**social impacts**'; or

- Reflects significant positive impacts on people associated with the company's development of beneficial products or services. In this context, impacted people tend to be consumers or end-users.

P1.2 Environmental and social information is material if:

- The **environmental and social impacts or results** it describes are, due to their nature and magnitude, expected to have a significant positive or negative impact on the **organisation's** financial condition and operational results and its ability to execute its strategy over the short, medium, and long term;
- Omitting, misstating, or obscuring it could reasonably be expected to influence the decisions that **users of mainstream reports** make on the basis of that mainstream report, which provides information about a specific reporting organisation.

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

- Undertaken activities that actually or potentially give rise to environmental or social outcomes and/or impacts; and
 - Those outcomes and/or impacts have an actual or potential effect on the organisation's ability to operate its business model and execute its strategy over the short, medium, and long term.
 - With regards to environmental outcomes and/or impacts, this may happen through changes in:
 - Resource availability, supply, pricing, degradation, policy/regulatory constraints – particularly resources on which the organisation is dependent;
 - Relationships on which the organisation is dependent (for example, the extent and probability that an organisation's business activities may cause stakeholder actions to protect environmental resources, benefits, and ecosystem services);
 - The organisation's capacity to innovate (for example, whether a renewable alternative offers opportunities to the organisation in maximising its ability to create value);
 - The organisation's ability to influence **natural capital**, for example through its supply chain, procurement of resources from sustainable sources and impacts associated with the use of the organisation's goods and services; and
 - Brand and reputational standing.
 - With regards to social outcomes and/or impacts, this may happen through changes in:
 - The organisation's access to a skilled and productive **workforce** (for example, reduced access caused by high employee turnover caused by dissatisfaction with wages and benefits, or illness caused by excessive overtime; or improved access resulting from workplace safety practices or skills development);
 - The organisation's social license to operate (for example, due to protest by affected communities, consumer boycotts, civil society or trade union campaigns or media critique);
 - Continuity or quality of supply and/or production (for example, due to workplace safety conditions; worker action including strikes; allegations of **human rights** impacts leading to export/import delays, or delays in licensing or impacts on output due to conflict with affected communities);
 - Limits or prohibitions on marketing and sales of certain products or services to certain groups (for example, high sugar or salt content food and drink to children; or surveillance technologies to law enforcement);
 - The organisation's capacity to innovate beneficial products or services that meet critical social needs; and
 - Brand and reputational standing.
- For the purposes of conformance with REQ-04, GHG emissions from operations, entities, and activities within the mainstream reporting boundary of the organisation as a contributor to climate change shall be treated as material and reported in all cases.
- P1.3** The attributes of material environmental and social information are that it:
- Is complete, but free from immaterial clutter and unnecessary or duplicative detail that obscures major trends and events that are specifically relevant to the organisation;
 - Cross-refers to sources of information outside the **mainstream report** where greater amounts of detail may be found should readers require it;
 - Is specific to the reporting **organisation**.⁵⁶ As such, materiality will be different for each organisation and the following types of disclosure are discouraged:
 - Standard formulations that reiterate financial information without analysis;
 - Generic disclosures that do not relate to the specific practices and circumstances of the disclosing organisation; and
 - Disclosures that duplicate those made in the financial statements without providing additional insight, or understanding of, strategies regarding items accounted for, or disclosed in, financial statements; and

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

P1.4a Determining material environmental and social information

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

When it comes to **social impacts**, there is an international consensus regarding corporate responsibilities for adverse **human rights** impacts, as set out the UN Guiding Principles on Business and Human Rights.⁵⁷ This international standard sets out the due diligence steps that organisations should follow to identify and assess adverse human rights impacts with which they may be involved, of which the most severe impacts tend to converge with risks to business, and provides a foundation for identifying material social information.

Organisations shall evaluate their own circumstances to identify material environmental and social information for inclusion in **mainstream reports**. The prevailing conditions might relate to developments in the reporting organisation's business model, sector, the country or countries in which it operates, the country or countries from which it sources, regulation, consumer behaviour, etc. As a result, it is not possible to specify a uniform quantitative threshold at which information becomes material.⁵⁹ The CDSB Framework does not prescribe a quantitative test or standard to identify what environmental and social information is relevant or material information, but it does determine that GHG emissions from operations, entities, and activities within the mainstream reporting boundary of the organisation are treated as material in all cases

(see definition of 'material information' above).

In determining the materiality of environmental and social information, organisations should be aware of the particularly dynamic nature of materiality for certain environmental and social issues.⁵⁸ For example, information relating to an organisation's impacts and results for a certain waste product may be determined material in the current reporting period where in the previous period it was not on account of a significant and sudden shift in customer expectation.

A number of resources are available to assist with the evaluation of relevance and materiality, which should include prioritisation of **natural capital, human rights, human and social capital** as they relate to the organisation's ability to operate its business model and execute its strategy. Resources available for materiality assessment include guidance produced by AASB and AUASB,⁶⁰ ACCA,⁶¹ CSA,⁶² IASB,⁶³ IIRC,⁶⁴ US SEC,⁶⁵ SASB,⁶⁶ WBCSD,⁶⁷ WEF⁶⁸ and that found within academic literature.^{69 70} In their statement of conformance, organisations should explain the outcome of the process used for identifying material environmental and social information, including the results of applying the following guidance.

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

The application of this principle is satisfied when:

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

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

P2 Disclosures shall be faithfully represented

Purpose:

To ensure that information is complete, neutral and free from error in order to be useful.⁷¹ Disclosure is complete if it includes all information that is necessary for an understanding of the matter that it purports to represent and does not leave out details that could cause information to be false or misleading to users.

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

For the purposes of management commentary, information is free from bias, or 'balanced', where it does not unnecessarily overemphasise positive news but deals with both 'positive' and 'negative' aspects.⁷²

Disclosure of environmental and social information may be made under conditions of more uncertainty than financial information and may be based on estimates and management's judgment. Therefore, in this context, faithful representation does not imply total freedom from error. However, faithful representation of information may be achieved by ensuring that sufficient evidence is available to support disclosures and that information is provided about the nature and degree of omissions, assumptions, and uncertainty, and by basing estimates on appropriate and neutral inputs that reflect the best available information, including as relevant qualitative information gathered through credible sampling and processes. Therefore, in order to attain faithful representation, it may sometimes be necessary to disclose explicitly the degree of uncertainty

in the reported quantitative and qualitative information.

Where management is unable to assess the effect of the scale and timing of uncertain events and provide an indication of the time periods in which resolution of the uncertainties is expected, management should disclose the difficulties involved in assessing the situation.⁷³ When in doubt, management should err on the side of caution and provide a suitable disclosure about any uncertainty.

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

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

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

Purpose:

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

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

- **Environmental impacts** have, or are likely to, result in **social impacts**, or vice versa. For example:
 - Deforestation or ecosystem conversion may lead to community displacement or decreased access to local resources;
 - Emissions from operations may affect the health of **workforce** and local communities; and
 - Lowering fees for suppliers and contractors may lead to environmentally damaging or unsafe working practices; or
- Mitigation of environmental impacts have, or are likely to, result in social impacts, or vice versa. For example:
 - Transition to renewable sources of energy and production may result in either growth of high-skill and high-wage jobs or reliance on supply chains with **human rights** abuses;
 - Use of resource for low-carbon products may rely on water-intensive extraction processes, resulting in water shortages for local communities; and
 - Focus on sustaining employment opportunities for the workforce may slow transition to using cleaner, but less labour intensive, manufacturing processes.

Environmental and social information is connected with other information where:

- The information that the organisation uses internally for decision-making purposes about the organisation's strategy, goals and objectives is connected with information that is provided externally to **investors**;
- It complements and supplements financial statements, management commentary and governance disclosures in order to place related financial information in context;
- It is reported in a place and in such a way as to explain the links between the organisation's strategy and **environmental and social results**; and
- It tells investors the story of how managing environmental and social issues helps the company to ensure its financial success over the short, medium, and long term, maintain its

social license to operate, increase sales, boost brand value, and strengthen risk management.

Information should be interspersed and positioned in the relevant sections of the mainstream report in such a way as to explain the links between the organisation's strategy and environmental and social performance.

P4 Disclosures shall be consistent and comparable

Purpose:

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

Comparability is the qualitative characteristic of information that enables users to identify similarities in and differences between two sets of information.⁷⁴ Consistency refers to the use of the same standards, policies, and procedures, either from period to period within an entity or in a single period across entities. Comparability greatly enhances the value of information to **investors** and is therefore the objective of this requirement; consistency is the means to achieving that objective.

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

P5 Disclosures shall be clear and understandable

Purpose:

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

The application of this principle is satisfied where disclosures are:

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

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

P6 Disclosures shall be verifiable

Purpose:

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

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

information is characterised by supporting evidence that provides a clear and sufficient trail from monitored data to the presentation of environmental and social information. Verifiable quantified information need not be a single point estimate. A range of possible amounts and related probabilities can also be verified. For certain environmental and social information, supporting evidence may include qualitative information such as feedback from affected stakeholders.

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

P7 Disclosures shall be forward looking

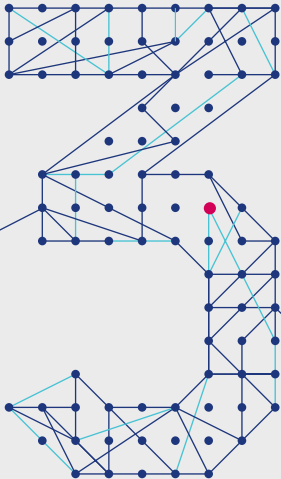
Purpose:

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

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

Chapter 3

Reporting requirements



1. Introduction

This chapter contains requirements (REQs) and associated guidance for **reporting environmental and social information in mainstream reports**. The requirements appear in bold text; all other text represents guidance and explanatory material. The requirements are designed to encourage standardised **disclosure** of environmental and social information that complements and supplements other information in mainstream reports. 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.

REQ-01 Governance

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

REQ-02 Management's environmental and social policies, strategies and targets

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

REQ-03 Business risks and opportunities

Disclosures shall explain the material current and anticipated environmental and social risks and opportunities affecting the organisation and the processes used to identify, assess and prioritise the risks and opportunities.

REQ-04 Sources of environmental and social impact

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

REQ-05 Performance and comparative analysis

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

REQ-06 Outlook

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

REQ-07 Organisational boundary

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

REQ-08 Reporting policies

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

REQ-09 Reporting period

Disclosures shall be provided on an annual basis.

REQ-10 Restatements

Disclosures shall report and explain any prior year restatements.

REQ-11 Conformance

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

REQ-12 Assurance

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

2. Reporting Requirements

REQ-01 Governance

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

Purpose:

This requirement is designed to demonstrate transparency about and accountability for the organisation's oversight of environmental and social policies, strategies, and information. Successful environmental and social policies require the support and leadership of an organisation's Board, or highest governing body.

Guidance

This requirement will be satisfied when disclosures:

- Identify the CEO/senior executives/Board committees responsible for environmental and social policies, strategies and information; and
- Explain:
 - The expertise they have, or have access to, with regard to environmental and social issues;
 - How responsibility for environmental and social policies, strategies and information is delegated and how management is held accountable and/or incentivised for implementation of the organisation's policies;
 - How the board is informed about current or potentially material environmental and social issues, including progress and challenges in addressing them;
 - Whether and how the board considers how the organisation's business model and strategy may contribute to material environmental and social risks;
 - Whether and how those responsible for environmental and social policies, strategies, and information benefit from stakeholder views, including those of stakeholders affected by the company's operations, products, or services, either

directly or through its value chain, and/or subject-matter experts;

- The nature and reliability of the underlying information and control systems used by the Board to prepare environmental and social information and provide related disclosures;
- Whether the organisation's environmental and social policies and strategies are subject to the same governance processes and disclosure controls and procedures that are used for financial management; and
- Who approves the release of environmental and social information.

REQ-02 Management's environmental and social policies, strategies and targets

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

Purpose:

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

Guidance

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

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

Natural, social, and human capital dependencies

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

Environmental and social policies and strategies

Information about environmental and social policies and strategies should include:

- Details of the organisational or activity boundary to which the policies and strategies apply if it is different from the boundary identified in response to REQ-07;
- The rationale for and nature of those policies and strategies, for example, to respond to the particular business risks and opportunities identified in REQ-03, or to contribute to national or international environmental and social ambitions (e.g., the Paris Agreement⁷⁵ or UN Sustainable Development Goals (SDGs)⁷⁶);
- Details of both:
 - The environmental policies and strategies, for example, whether they involve reductions, efficiencies, investments, diversification, managing reliance on natural capital, etc.; and
 - The social policies and strategies, for example, whether they involve investing resources in the prevention, mitigation, and remediation of particular negative human rights impacts, the advancement of human capital, the development of beneficial products and services, etc.;
- An explanation of where specific environmental and social policies and strategies affect, positively or negatively, other social and environmental issues (e.g., when minimising use of hazardous chemicals also mitigates health and safety risks to the workforce, or when failing to protect forests and biodiversity also undermines the livelihood and culture of indigenous communities);
- Confirmation of whether and to what extent policies and strategies take account of the organisation's key stakeholder relationships and perspectives including details about engagement with key stakeholder relationships and perspectives along the value chain, such as those of suppliers, the workforce, communities and consumers;
- Details about whether and to what extent policies and strategies are aligned with the organisation's lobbying, advocacy, memberships, and related policy engagement activities, including details about participation in relevant multi-stakeholder initiatives;
- Information about whether and how policies and strategies are informed by sustainability initiatives, regulatory schemes, voluntary reporting, or similar, for example, the Accountability Framework Initiative,⁷⁷ Caring for Climate,⁷⁸ CDP,⁷⁹ the Global Network Initiative,⁸⁰ GRI,⁸¹ Natural Capital Protocol⁸² and Social and Human Capital Protocol,⁸³ SASB,⁸⁴ Science Based Targets,⁸⁵ TCFD,⁸⁶ the UN Global Compact,⁸⁷ the Voluntary Principles on Security and Human Rights,⁸⁸ the Workforce Disclosure Initiative,⁸⁹ or the World Benchmarking Alliance;⁹⁰
- Information about whether the organisation's environmental and social policies and strategies involve working with entities in the value chain (upstream and downstream) and other third parties (e.g., joint venture partners, franchisees) to facilitate their management of environmental and social impacts;
- Information relating to actions to mitigate or remediate environmental and social impacts. For certain environmental impacts, such as GHG emissions, this may include offsetting residual impacts;

- Any actual or anticipated penalties relating to [environmental and social performance](#); and
- Changes, if any, in policies and strategies since the previous reporting period.

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

- A description of the resources that are allocated to managing and delivering the policies, strategies, and targets, including investment and capital expenditure plans. This should include a description of the extent to which these resources are separated or integrated within the wider business.
- Information about the governance of [environmental and social policies and strategies](#) should be provided in response to REQ-01.

Targets, timelines, and indicators

Information about the targets, timelines, and key performance indicators against which delivery of [environmental and social strategies and policies](#) are assessed should include:

- The type of target, namely:
 - For environment, whether it is absolute or intensity-based;
 - For social, whether:
 - It is a direct measure of outcomes for people (for example: the number of the [workforce](#) covered by collective bargaining agreements, or the extent to which indigenous communities can exercise their right to Free, Prior and Informed Consent); or
 - It is a measure of systemic changes aimed at improving outcomes for people (for example, achieving industry-wide commitment to collective bargaining, or embedding land rights in local laws in high-risks contexts);
- The timescale over which the target applies, including interim milestones;
- The base year from or against which progress is tracked;
- Details of whether the target applies to the consolidated group, a single entity, its upstream or downstream value chain, or specific geographic regions;
- Whether and to what extent targets are

informed by external parameters, for example, UN SDGs,⁹¹ CBD biodiversity targets,⁹² the New York Declaration on Forests,⁹³ planetary boundaries,⁹⁴ Science Based Targets,⁹⁵ IPCC transition pathways,⁹⁶ ILO labour rights standards,⁹⁷ UN [human rights](#) standards,⁹⁸ or similar;

- Whether and how targets are informed by engagement with affected stakeholders, their legitimate representatives and/or subject-matter experts; and
- Key performance indicators used to assess progress against targets.

Key performance indicators are most useful when they are:

- Relevant to the circumstances of the [organisation](#);
- Focused on the matters identified by the organisation as being relevant and material;
- Consistent with:
 - Indicators used internally by management;
 - Generally accepted sector/regional benchmarks and international environmental, [human rights](#) and labour standards to provide a basis for comparison; and
 - Indicators used over successive periods, regardless of whether the resulting trends and comparisons are favourable or unfavourable;
- Informed by engagement with affected stakeholders, their legitimate representatives and/or subject-matter experts;
- Connected with other information in the [mainstream report](#); and
- Accompanied by:
 - An explanation of measurement methods and underlying assumptions, and why they are meaningful indicators of progress;
 - Short/medium/long term forecasts;
 - Comparable information for the short/medium/long term;
 - Previously reported targets, forecasts, or projections; and
 - Qualitative information to provide context, including an explanation of measurement methods and underlying assumptions.

REQ-03 Business risks and opportunities

Disclosures shall explain the material current and anticipated environmental and social risks and opportunities affecting the organisation and the processes used to identify, assess and prioritise the risks and opportunities.

Purpose:

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

Guidance

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

- Regulatory risks and opportunities from current and/or expected regulatory requirements;
- Physical, operational and/or business continuity risks;
- Reputational and social license risks and opportunities; and
- Litigation risks.

See Table 1 for example sources of potential environmental and social risks and opportunities.

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

- Explains the risks and opportunities assessed as material for the **organisation**, including:
 - Whether they apply organisation-wide or are specific to certain geographies or business units;
 - The timeframes over which risks and opportunities are assessed and estimates when they are expected to materialise;
 - The implications for the organisation's **natural, human and social capital dependencies**;
 - The implications for the organisation, for example, in terms of operations, value chain, business model, financial results, achievement of strategic objectives, etc., including:

- The products, services, markets, and geographical areas that are likely to be affected; and
- Whether the implications will affect the organisation directly and/or through its business relationships for example, with customers and suppliers; and
 - Where they exist, connections between material environmental and social risks and opportunities are identified and explained, and the implications of the connections for the organisation are described;
- Explains how the organisation identifies, assesses, and prioritises risks and opportunities, including any methods or tools used, and whether and how the processes include:
 - An assessment of whether business risks may result, in the short, medium, and long term, from actual or potential negative **environmental and social impacts** that the organisation itself may cause or contribute to or which may be linked to its operations, products or services through its business relationships;
 - An assessment of whether business opportunities may result from the introduction of new processes, practices or initiatives aimed at tackling systemic risks to people or the environment, or from the development or adaptation of beneficial products and services; and
 - Engagement with affected stakeholders, their legitimate representatives or subject-matter experts, and the types of stakeholders engaged and the engagement methods used;
- Explains any additional causes and sources of the material business risks and opportunities the organisation has identified, for example whether they originate with:
 - External environmental and social issues (e.g., for some companies, risks associated with climate change or inequality) regardless of the degree to which the company contributes to these;
 - The effect of regulation designed to support or limit activity affecting **natural or human capital**;

- Risks to the availability of any of the organisation’s natural, social, or human capital dependencies, for example, to natural resources recognised as a “critical raw material” by the EU,⁹⁹ or to the organisation’s reputational standing as needed to secure permits, licenses, or an adequately skilled workforce; and
- Limits on any of the organisation’s natural capital dependencies, e.g., planetary boundaries,¹⁰⁰ those identified by organisations such as the Carbon Tracker Initiative,¹⁰¹ or similar;
- Explains any changes to the material environmental and social risks identified and processes by which they were identified with the previous reporting period;
- Explains how and the extent to which the

organisation is able to mitigate risks and maximise opportunities directly and/or indirectly through customers, supply chain, markets etc.; and

- Links to other parts of the [mainstream report](#) that explain the organisation’s processes and systems for identifying risks and opportunities, e.g., whether inventory, operations and supply chains have been audited to identify licenses, rights, assets, and relationships (including mergers, acquisitions, and disposals) that might strengthen or weaken the organisation’s access to natural, social or human capital.

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

Regulatory risks and opportunities	The expansion of environmental and human rights due diligence legislation	The expansion of environmental and social reporting regulations	Changes to forms of acceptable labour arrangements, wage levels and labour protections
	GHG and non-GHG emissions limits	Energy efficiency, water, biodiversity, and forest and other ecosystem standards	Taxation of resources or sources of environmental and social impact
	Process, product, and consumer standards	Participation in GHG emissions trading schemes	
Physical, operational and/or business continuity risks	Changes to resource quality or availability, particularly in the organisation’s natural, human, and social capital dependencies	Export/import requirements (for example, in relation to products alleged to contain forced labour)	Shifts in species distribution, abundance and richness
	Changing weather patterns	Sea level rise	Changes in ecosystem integrity
	Changes in water availability and quality	Variation in agricultural yield and growing seasons	Labour disputes, including strikes
	Changes in temperature	Company/community conflict	

Reputational and social license risks and opportunities	Changes in expectations regarding business impacts on environment and an organisation's workforce and value chain workforce, community members and consumers	Changes in expectation regarding contribution to or detraction from local, national, or international environmental conventions, policies, or ambitions (e.g., Paris Agreement and transition to a low-carbon economy)
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Table 1: Example sources of potential environmental and social risks and opportunities

REQ-04 Sources of environmental and social impact

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

Purpose:

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

Guidance

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.

- For environment, this can include:
 - GHG emissions, including from land (i.e., LULUCF);
 - Renewable/non-renewable energy generation, use and consumption;
 - Non-GHG emissions to air, land and water, for example, noise, odour, particulates,

pollutants, etc.;

- Deforestation and ecosystem conversion;
- Renewable and non-renewable material resource use for example, forest products, fish stocks, minerals, metals, etc.;
- Water use, including consumption and changes in quality; and
- Waste and spillages (e.g., mining and hazardous waste, radiation, and industrial by-products).
- For social, this can include activities and outputs that undermine the human rights of:
 - The organisation's *workforce*, for example, in relation to workplace conditions, wage levels and the provision of living wages, or the structuring of labour relationships;
 - The workforce 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. For example, purchasing practices that incentivise forced or excessive overtime or inadequate wages, franchise arrangements that do not establish protections related to precarious work, or delivery demands that affect warehousing and delivery workers' physical and mental health;

- 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. For example, through land use practices in mining, construction or agriculture, or the pollution of air, land and water affecting health and livelihoods; and
- Consumers, end users or others impacted by use of the organisation's products or services. For example, children targeted by marketing of unhealthy foods, or product design that excludes people with disabilities or that embeds algorithms that discriminate based on race or gender.

High quality quantitative information should be provided, wherever possible, for material [sources of environmental and social impact](#), and at a minimum, where these arise from the operations, entities, and activities within the organisation's reporting boundary (see REQ-07). For [environmental results](#), the organisation should use absolute, normalised and intensity metrics.

Narrative should accompany quantitative results where it assists the reader in understanding them. For example, the organisation should, where relevant, explain how the results contribute (positively or negatively) to national or international environmental and social ambitions. Where material sources of environmental and social impact connect or interact positively or negatively (e.g., when an organisation's wastewater output reduces local water quality, resulting in health impacts for neighbouring communities), then the nature of these connections and their implications should be explained in accompanying narrative.

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

groups.

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

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

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

As stated in Principle 1, GHG emissions from operations, entities, and activities within the mainstream reporting boundary of the organisation shall be treated as material and reported in all cases. In particular, the reporting organisation shall report in CO2 equivalent metric tonnes, absolute and normalised Scope 1 and 2 GHG emissions, calculated by reference to a recognised (see definition below) GHG emissions measurement methodology. In addition, the organisation shall report appropriate quantitative and qualitative information that reflects its contribution to social inequalities, such as relating to [workforce composition](#), the provision of living wages, and pay ratios and gaps, calculated by reference to recognised measurement methodologies.

Based on the outcome of the organisation's materiality assessment (see Principle 1), measures, indicators, and other information about those sources of environmental and social impact that are material should be calculated according to recognised methodologies and reported with explanatory narrative text where necessary.

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

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

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

- Global standards developed through public consultation and due process and that are current practice. They include industry and national standards that are derived from such global standards;
- National and regional legislation requiring reporting of environmental or social information or subsets thereof;
- National government sponsored guidance on reporting of environmental or social information; and
- The reporting provisions listed in Chapter 1, Section 10.

Many organisations already measure, report and/or disclose their environmental and social results for purposes other than mainstream

reporting, such as for voluntary reporting purposes or in accordance with regulatory requirements. For example, for environmental impacts, this could include energy use and energy mix, water withdrawal and discharge quality, or amount of hazardous waste produced. For social impacts, this could include the provision of living wages, gender and ethnicity pay gaps and representation, workplace health and safety breaches and injuries, or supply chain impacts such as forced and child labour. The CDSB Framework aims to ensure, as far as possible, that environmental and social results measured or disclosed for purposes other than mainstream reporting may be used to satisfy REQ-04.

Mitigating activities

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

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

Disaggregation and categorisation

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

Uncertainty

Results shall be accompanied by a description of the main effects of any uncertainty in the calculation of the data, e.g., data gaps, assumptions, extrapolations, metering/measurement inaccuracies etc.

REQ-05 Performance and comparative analysis

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

Purpose:

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

Guidance

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

The comparative analysis is useful where it:

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

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

- Any significant changes to performance, environmental or social impacts, or unexpected results against targets due to: Changes in the organisation's strategy, policies and governance;
 - Changes in the organisation's strategy, policies and governance;
 - Changes in the methodology or KPIs used for calculating results;
 - Changes due to acquisitions, divestments, organic growth or decline, efficiency or process improvements, alterations to

processes for collecting data, practices in satellite operations, missing data etc.;

- Changes in operating contexts, business relationships, or the organisation's activities;
- Changes in the degree of vulnerability of individuals the organisation could impact (e.g., due to legal or regulatory changes, and wider political and socio-economic developments); and
- Other reasons; and
- The extent to which forward-looking disclosures made in previous reporting periods have been borne out, including how and why the performance of the organisation is short of, meets or exceeds previously made forward-looking disclosures.¹⁰²

REQ-06 Outlook

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

Purpose:

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

Guidance

Management's outlook is useful when it succinctly explains how the organisation's principal environmental and social impacts, risks and opportunities, and the context in which the organisation operates, limit or support the organisation's capacity to innovate, execute its strategy, maintain its social license to operate, and create value over time. The summary should draw on the processes used to identify the information disclosed in response to REQ-01-REQ-05 of the CDSB Framework as well as the information itself, and on the company's knowledge of any prospective environmental and social

regulation, market trends or practice that might affect its future performance and position.

The statement should identify and describe:

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

REQ-07 Organisational boundary

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

Purpose:

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

Guidance

Where requirements for the preparation of mainstream reports, or elements of mainstream

reports, prescribe the entities and activities that should be included within the boundary of the reporting organisation, the same organisational boundary should be used for reporting environmental and social information according to the CDSB Framework. For example, many jurisdictions require IFRS to be used for the purposes of identifying the entities for which financial statements for corporate groups should be prepared.¹⁰³ Often, management commentary/discussion and analysis and governance disclosures are required to be made for the same entities and investees.

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

- Business risks arising from environmental or social impacts outside the organisation's mainstream reporting boundary that:
 - Are, or could be viewed as, resulting from actions, or omissions, of the reporting organisation; or
 - Are linked to the organisation's operations, products and services via its business relationships; and
- The nature of the contract for the operation or use of services procured from the entity or facility, the reporting organisation is exposed to material risk, opportunity or financial impact.

In other cases, an organisation may choose to disclose environmental and social information outside the organisation's mainstream reporting boundary for a variety of reasons, including where:

- The reporting organisation is required or chooses to report on:
 - Activities for which it is responsible (whether or not within the mainstream reporting boundary) for example, outsourced activities;
 - Impacts connected with its operations, products or services through its value chain, which may not be determined as a business risk and therefore not material information for investors; or

- The reporting organisation has the power to influence its environmental or social impacts, including through collective action with other organisations.

In such cases, information attributable to entities, facilities or activities outside the organisation's mainstream reporting boundary should be clearly distinguished from information about entities and activities within the boundary.

In all cases, the basis on which the organisational reporting boundary has been determined shall be described. In particular, the rationale for excluding any activities that fall within the financial reporting boundary should be explained. For more information on organisational boundary setting, see CDSB's position statement on organisational boundary setting.¹⁰⁴

REQ-08 Reporting policies

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

Purpose:

To inform readers about the reporting provisions that have been used to prepare disclosures.

Guidance

The regulatory, industry-specific, or financial frameworks, standards, guidelines, etc. that have been used for the preparation and reporting of environmental and social information should be cited for the purposes of satisfying this requirement, together with confirmation that they have been used consistently from one reporting period to the next. Where any changes have been made, the reason for and effect of the changes should be explained.

Organisations should also describe the approach used for collecting quantitative and

qualitative source data for preparing environmental and social information, together with any controls and quality assurance processes used to ensure the quality of information. This can include a description of any processes followed to ensure the effectiveness of engagement with stakeholders where relevant.

REQ-09 Reporting period

Disclosures shall be provided on an annual basis.

Purpose:

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

Guidance

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

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

REQ-10 Restatements

Disclosures shall report and explain any prior year restatements.

Purpose:

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

Guidance

The circumstances in which a restatement might be required include:

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

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

REQ-11 Conformance

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

Purpose:

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

Guidance

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

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

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

REQ-12 Assurance

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

Purpose:

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

Guidance

By providing **environmental and social information** in **mainstream reports**, organisations are expected to apply the same rigour and management responsibility as is appropriate to all statements and **disclosures** presented in the mainstream report, whether audited or not. Generally, the financial statements auditor is required to read the information presented in addition to the audited financial statements and to identify any significant inconsistencies between it and the audited financial statements and to consider any observed significant misstatements of fact in those disclosures and that it conforms with local regulations.¹⁰⁵

However, the purpose of the consistency check is not to provide **assurance** on the information published. Further, a financial statements audit performed according to the ISA 100-700 series

is generally not suited to reach conclusions on specific and discrete disclosures such as environmental or social information prepared according to the CDSB Framework. The consistency check does not therefore represent assurance of environmental or social information and is not comparable to assurance activities carried out under ISAE 3000¹⁰⁶ and ISAE 3410.¹⁰⁷

CDSB encourages organisations to engage with assurance providers to agree an appropriate assurance approach. Assurance engagements conducted according to existing

standards such as ISAE 3000 or 3410, or similar national standards are suited to provide assurance on environmental and social information under the CDSB Framework.

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

Abbreviations and Acronyms

AASB	Australian Accounting Standards Board
ACCA	Association of Chartered Certified Accountants
AUASB	Auditing and Assurance Standards Board
CBD	United Nations Convention on Biological Diversity
CDSB	Climate Disclosure Standards Board
Ceres	Coalition for Environmentally Responsible Economies
CO²	Carbon dioxide
CSA	Canadian Securities Administrator
EFFAS	European Federation of Financial Analysts Societies
EU	European Union
GHG	Greenhouse gas
GRI	Global Reporting Initiative
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
ILO	International Labour Organization
IPBES	Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services
IPCC	Intergovernmental Panel on Climate Change
ISAE	International Standards on Assurance Engagements
ISO	International Organization for Standardization
LULUCF	Land use, land use change and forestry
NFR	Non-financial reporting
OECD	Organisation for Economic Co-operation and Development
PRI	Principles for Responsible Investment
SASB	Sustainability Accounting Standards Board
SDGs	Sustainable Development Goals
TCFD	Task Force on Climate-related Financial Disclosures
UN	United Nations
US SEC	U.S. Securities and Exchange Commission
WBCSD	World Business Council for Sustainable Development
WEF	World Economic Forum
WRI	World Resources Institute

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