

The Climate Disclosure Standards Board “CDSB” Creating Unity from Diversity

An introduction to CDSB

The CDSB is a consortium of business and environmental organizations¹ whose mission is:

“..To promote and advance climate change related disclosure in mainstream reports through the development of a global framework for corporate reporting on climate change...”

Voluntary, mandatory and market based initiatives, stakeholder activism, shareholder demands for transparency and increasing appetite for information are welcome and natural responses to threats from climate change. Globally, over 40 schemes attempt to address greenhouse gas mitigation and reporting, each with different rules about participation, the type of emissions that must be reported, geographical scope and so on. PwC describes a “patchwork of schemes” and comments that:

“ The...differences in systems and structures are at odds with the global and shared nature of the environmental problems that the schemes are designed to address. They also militate against the efficient operation of international environmental markets”²

In a petition to the US Securities Exchange Commission requesting guidance on corporate climate change disclosure obligations under existing law, voluntary activity was welcomed as resulting “in a significant transfer of information to the marketplace..”, but the petition added that “it would be a mistake... to believe that this activity, no matter how sophisticated and well-intentioned, could become a permanent substitute for mandatory reporting...”.

This sentiment is increasingly reflected in commentary on climate change calling for:

“an internationally consistent framework tied to listing requirements to achieve..” integration of carbon risk onto the business bottom line³.

¹ The Board of CDSB comprises: Carbon Disclosure Project, CERES, Climate Group, Climate Registry, IETA, WEF and WRI

² PwC – Building Trust in Emissions Reporting page 7

³ **Carbon disclosure should be mandatory by 2010** By James Murdoch Published: November 16 2008 18:42

CDSB’s objectives

CDSB provides a practical, tangible response to widespread demands for a single consistent framework for use by companies disclosing climate change related information in their mainstream reports⁴. In addition to greater certainty and consistency for preparers and users alike, the CDSB reporting framework is designed to provide an influential model regulatory agencies contemplating the introduction or development of requirements on corporate climate change related disclosures and to act as the foundation of individual and collaborative efforts to manage climate change and reduce greenhouse gas emissions⁵.

Unity from diversity

CDSB aims to support, harmonise and strengthen existing climate change related reporting initiatives and standards by bringing together and enhancing best practices in the form of a single consistent framework that can be used for disclosure in mainstream reports.

CDSB is not creating an entirely new standard. The Framework:

- is based on the Greenhouse Gas Protocol (developed by WBCSD and WRI),
- aligns to International Accounting Standards, and
- examines & incorporates best practices from existing initiatives and regulatory and voluntary developments,
- has been developed with organisations leading work in mainstream reporting and climate change related disclosure.

⁴ Mainstream reports are the annual reporting packages in which corporations are required to deliver their audited financial results under the corporate, compliance or securities laws of the territory or territories in which they operate.

⁵ As called for in the Bali Action Plan

The CDSB Framework

A comprehensive introduction to the framework sets out the objectives of reporting, the guiding principles to be used for decision making, audit and assurance expectations, and so on. Based on the experience of and research conducted by CDSB Board members about the information that investors want, four reporting templates describe what to report as follows:

1. **Greenhouse Gas (GHG) Emissions**
actual & normalised direct (Scope 1) and indirect (Scope 2) emissions
2. **Physical risks from climate change**
a qualitative overview of current & potential material exposure
3. **Regulatory risks from climate change**
an analysis of material legal and financial effects presented by current and prospective climate change regulation
4. **Strategic analysis**
a statement of the company's position on climate change & related policy, actions to maximise opportunity & minimise risk, mitigation of GHG emissions, assessment of future emissions movements, governance of climate change

Challenges

Weaving climate change related disclosure into the financial mainstream reporting model presents challenges that are addressed by the framework including:

- Defining boundaries of the reporting organisation and the scope of disclosure
- Dealing with risk and exposure management and forward looking information against a background of complexity and uncertainty
- Relating principles of relevance, materiality, consistency, comparability and reliability to climate change disclosure
- Establishing measures of performance for benchmarking.
- Reconciling legitimate scientific/engineering uncertainties to financial reporting expectations

Route to solutions

CDSB's plans for launching and developing the framework include:

Quarter 1 2009 - informal consultation on the draft framework with analysts, investors and corporate leaders in sustainability.

Quarter 2 2009 - launch Exposure Draft of the Framework to coincide with the World Business Summit on Climate Change in May 2009 and in preparation for United Nations Climate Change Conference in December 2009.

Quarters 3 & 4 2009 – widespread formal consultation on the Exposure Draft.

Q3 2010 - finalise the framework by the end of the third quarter of 2010.

Q4 2010 - supplement framework with implementation guidelines by the end of 2010

Connection and collaboration

CDSB depends for success on widespread collaboration with standard setters, policy makers, legislators, preparers and users of information and their professional advisors. In parallel with the work described above CDSB will consolidate existing and instigate new relationships towards the co-creation of a robust framework designed to serve the efficient operation of international environmental and financial markets.

CDSB seeks involvement from stakeholders globally. If you would like to join or participate, please contact info@cdsb-global.org

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