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LESSONS IN DRIVING BUSINESS SUSTAINABILITY

CLIMATE DISCLOSURE STANDARDS BOARD

The success of the Climate Disclosure Standards Board (CDSB) was underpinned by the view that collaboration was the only way it could bring about its goals. It was set up in 2007 as an international consortium of business and environmental non-governmental organisations, with the aim of advancing and aligning the global mainstream corporate reporting model in such a way as to equate natural capital with financial capital. It sought to create a framework which would bring all these different interests together in one place.

‘When we started in 2007 climate disclosure was still quite new but lots of people could see the direction of travel,’ said Founding Director Lois Guthrie, ‘and that one day there would be a call for climate disclosures to be put through mainstream channels.’ There was, as a mainstream business would put it, a gap in the market. Investors were increasingly aware of, and concerned with, the impact of environmental factors on future company valuations, for example. And there was also a growing need for standardisation in the world of environmental reporting.

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But all this tended to be overshadowed by the huge established infrastructure already in place for managing financial capital. ‘There was this gap in the market,’ said Mardi McBrien, CDSB Managing Director. ‘We had climate change. We had investors who said they couldn’t use the information in the market.’

We had companies saying there were way too many ways to report that information and what did we want them to do. We had governments saying “We can’t regulate that yet”. So CDSB’s objective was to harmonise all these different interests into one place, our framework, and to try and reconcile all those different objectives,’ she said. The idea was to help companies to improve their reporting and for investors to understand what information is material to them. And CDSB also wanted to support mandatory approaches by working with governments and securities regulators to support the implementation of reporting regulation. ‘It’s all about collaboration,’ said McBrien. ‘It is about bringing different disciplines and different ideas together, sharing experiences, testing things out, putting it onto the market, accepting the feedback, and trying again.’ Efforts were made to advance and align environmental information in mainstream annual reports while always trying to operate in a collaborative rather than a competitive environment. ‘There have been a lot of challenges on the integration,’ said Guthrie. ‘To date, sustainability has been a relation of financial and other reporting and now it is being brought more into the mainstream.’ But this has not been without its problems. ‘The big question,’ said Guthrie, ‘is how? The characteristics of the two types of reporting are quite different. It has all been about merging different communities together and getting over the cultural differences.’ It has been slow and painstaking. ‘But we are now at the stage where everybody is ready to talk,’ said Guthrie. And this is where the transformation lies.



CDSB Founding Director Lois Guthrie speaking at the launch of the CDSB framework for reporting environmental and natural capital information

The sustainability and corporate reporting worlds do not naturally speak to each other. It is difficult to address the complexity of the non-financial reporting world without getting lost in 'the noise'. And there are real differences between the language of finance and the emerging language of sustainability.

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This was where the concept of the framework proved so important. CDSB focussed on the 'why' and the purpose of reporting and through this they managed to start accommodating both languages through standardising the language used. 'It was important to equate the way in which we measured and managed natural capital with the way in which we take care of our financial capital,' - is how Guthrie summed it up.

And there were cultural barriers to overcome as well. History was with finance. It was not there with sustainability. 'It is quite an ambitious task,' explained Guthrie, 'since we are dealing with a type of capital that has 100 years of history behind it. One of our challenges has been to accelerate this.' The process has been to explain, to persuade, and to collaborate in the process. 'The challenge,' said McBrien, 'has been one of taking something to the boardrooms, of taking it through into CFOs' offices and on from there.' Collaboration, slowly and determinedly, has been the defining part of the success. 'What is the secret of collaboration?' McBrien was asked. 'It is about listening. It's about acting. It is about trying. And being ambitious and testing those boundaries. All that has been a real part of bringing like-minded people from far across the world together.'



The CDSB team at the Finance for the Future awards ceremony alongside Lucy Kellaway, FT Columnist & awards host, and awards presenter David Allen, CFO of the Wates Group

WHAT THE JUDGES SAID

CDSB has delivered something of vital importance that others have spoken about but not acted upon for years. The organisation has worked effectively as part of a collaborative network and acted as a catalyst for the development of a broad reporting framework. This framework demonstrates how traditional financial measures and new – primarily environmental – data can coexist for organisations and the institutions that invest in them.