
**UNCTAD, OECD, CDSB and GRI Workshop on
Climate Change Reporting**

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SESSION II

**INFORMATION NEEDS OF A GREEN ECONOMY:
PROMOTING NEW PRACTICES, ALIGNING EXISTING
PRACTICES**

PRESENTED BY

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Climate change reporting

An enabler for society's responses to climate change

Physical

- Scientific, verifiable measurement

Political

- To support political commitments, including rules for comparing emissions and removals with commitments

Market-enabling

- Infrastructure for carbon markets

Financial

- Accounting for rights & obligations under emissions trading schemes

Social environmental

- Measurement, disclosure of and responsibility for climate change impacts by corporations

What is climate change-related disclosure

Climate change-related disclosure provides information about:

- **The effect of climate change on:**
 - the **resources and relationships** the organization needs to operate; and
 - The **context** in which the organization operates;
- The climate change-related **effects** of the organization's activities, transactions and events;
- The **risks and opportunities** presented to the organization by climate change;
- How the organization **manages and governs** the effects, impacts, risks and opportunities associated with climate change, including its **strategy and targets**;
- The **results** achieved against climate change targets and performance indicators;
- **Instruments** owned, traded, delivered etc to support climate change policy and other objectives.

Climate Disclosure Landscape - Overview

MANDATORY



- National Greenhouse & Energy Reporting Act 2007 (Australia)
- Act on Promotion of Global Warming Countermeasures (Japan)
- Financial Statements Act (Denmark)
- EU Emissions Trading Scheme
- CRC Energy Efficiency Scheme (UK)
- Canadian Environmental Protection Act
- Greenhouse Gas Mandatory Reporting Rule (USA)
- Climate Change Response Act 2002 (NZ)

VOLUNTARY REPORTING – NATIONAL, GLOBAL, INDUSTRY

CARBON DISCLOSURE PROJECT



- JVETS
- Bilan Carbone France
- DEFRA Guidelines (UK)
- Measures on Open Environmental Information (China)
- API/IPEICA

ASTM Standards

VERIFICATION



International Federation of Accountants

AA1000

STANDARDS



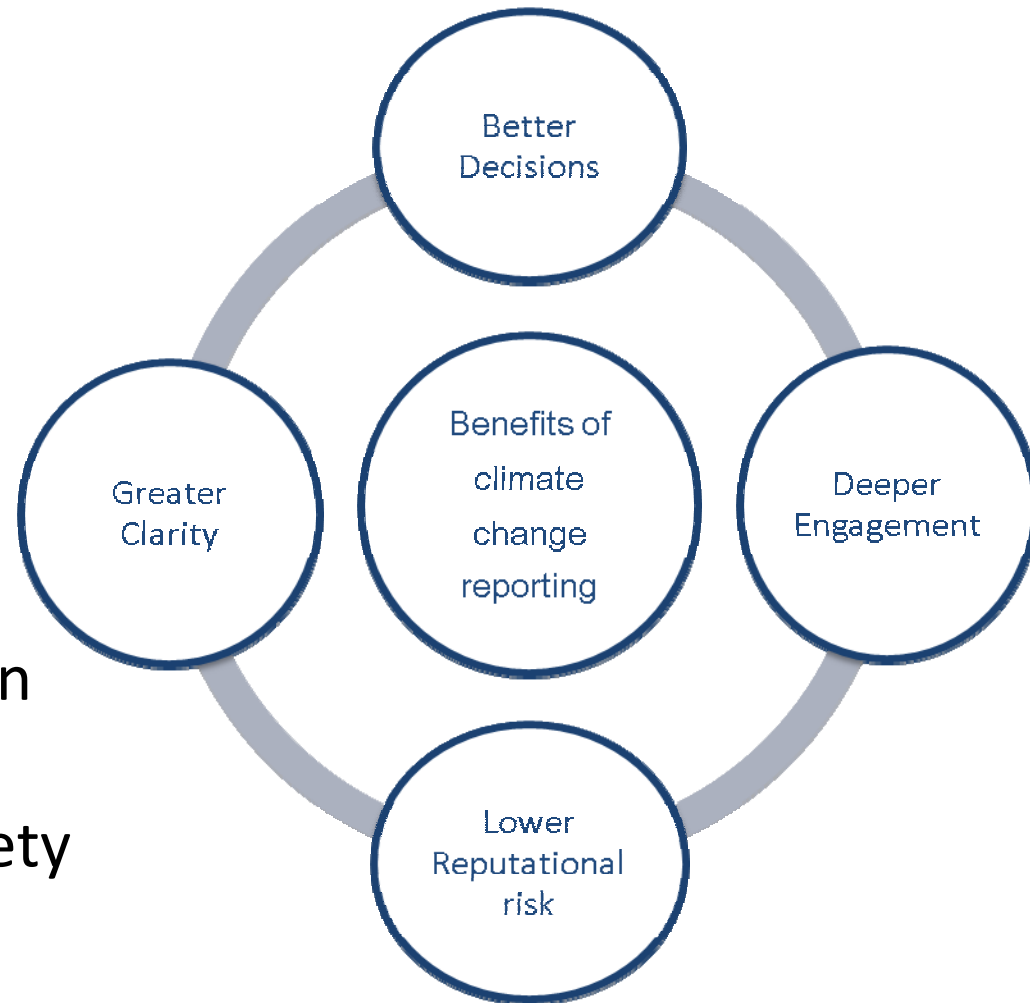
The Greenhouse Gas Protocol Initiative
The foundation for sound and sustainable climate strategies

STOCK EXCHANGES

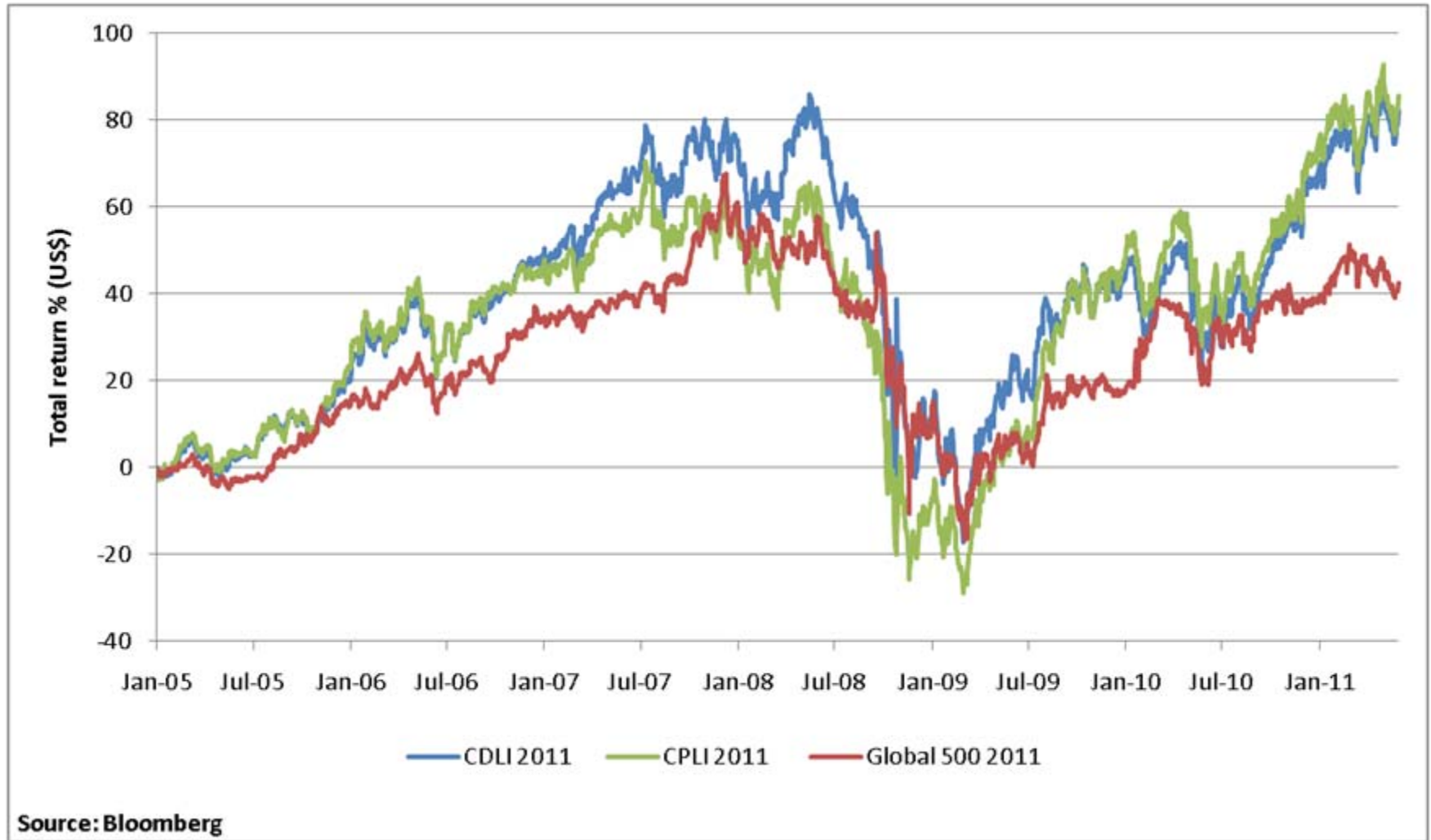
- Australia
- Brazil
- Canada
- China
- Hong Kong
- Korea
- Malaysia
- Singapore
- South Africa
- Turkey

What is the purpose of climate change-related disclosure?

- Influences decisions and actions of management
- An essential element of corporate governance
- Influences decisions and actions of shareholders & other stakeholders
- Affects resource allocation (financial, natural and human resources) in society
- Critical for investor confidence



Global 500 CDLI and CPLI vs benchmark total financial return

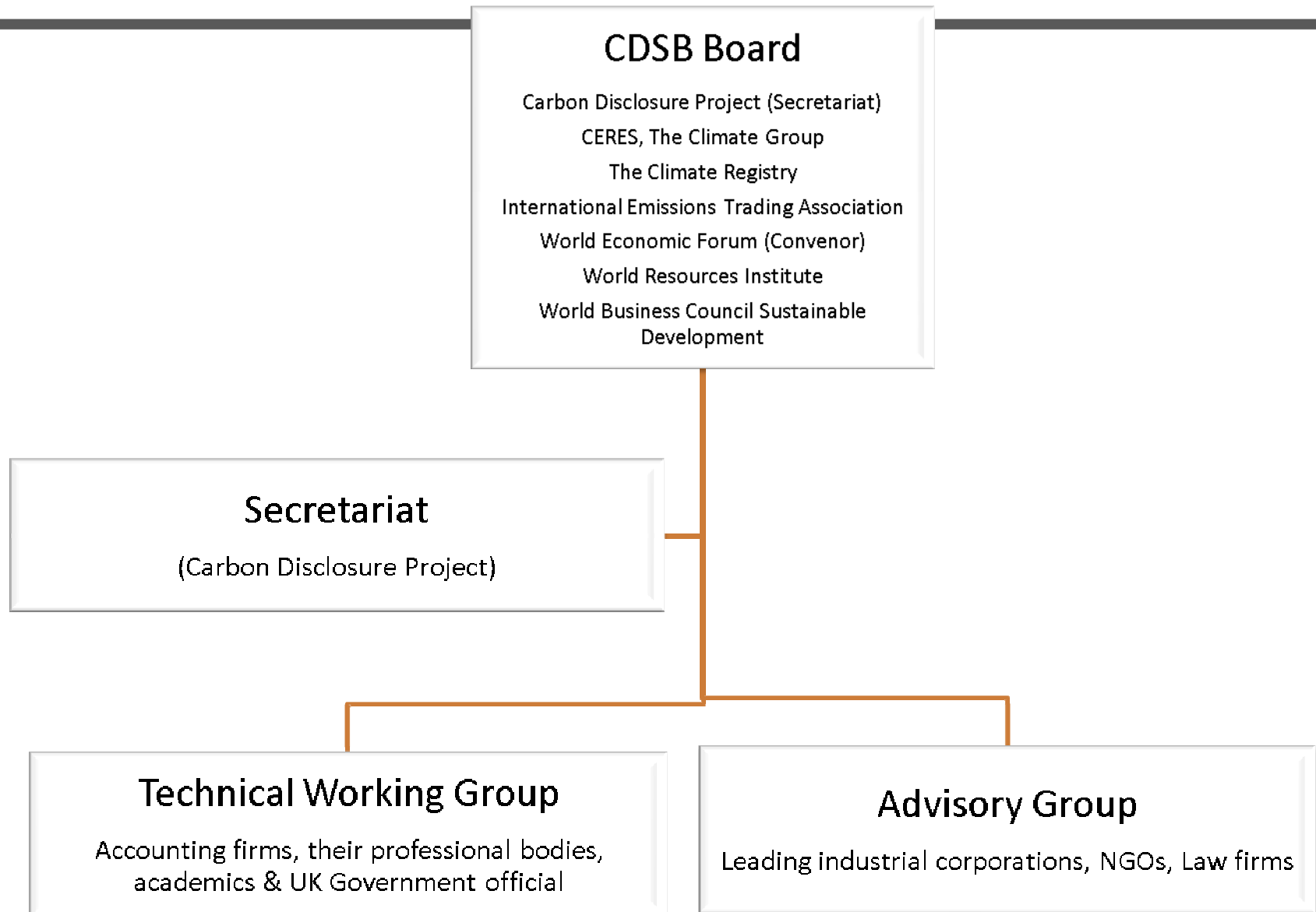


“...to promote and advance climate change related disclosure in mainstream reports through the development of a global framework for corporate reporting on climate change.....”

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

“Climate change-related information” – the types of subject matter or information established by leading climate change initiatives as representing information of value to investors including strategic analysis, risk & governance and greenhouse gas emissions reporting.

CDSB membership & structure



Objectives

CDSB responds to demand for a global reporting model that supports responses to climate change, ensures fair and transparent markets, encourages standardized climate change-related reporting and inspires confidence in reporting. CDSB aims to:

- ***promote, advance and standardize climate change-related disclosure in mainstream reports*** in order to elicit relevant and material information that can be integrated into investor analyses for the enhanced efficiency of capital allocation;
- ***connect financial and non-financial business reporting*** through a focus on how climate change affects organizations' strategy, condition and value creation potential;
- ***provide conceptual and practical input into deliberations by regulatory agencies*** developing or contemplating the introduction of requirements on corporate climate change-related disclosure;
- ***support assurance of climate change-related information*** through specification in the CCRF of requirements and criteria that may be used for assurance activities.

CDSB advances its mission by:

- ***providing a forum for collaboration*** on how existing standards and practices can be supported and enhanced;
- ***consolidating existing good practice*** through CDSB's commitment not to create a new standard but to enhance initiatives that are widely adopted and with which business is already familiar;
- ***providing tools and resources*** for preparers and users of climate change-related information and for regulators so as to encourage a more globally harmonized approach to climate change-related reporting.

Route - Harmonization not duplication

Financial reporting principles

Best practice & experts

Regulatory developments

Market requirements

CDSB Board, Advisory & Technical Working Group member work

Climate Change Reporting Framework – Edition 1.0
September 2010

Promoting and advancing climate change-related disclosure



Integrated reporting model

Policy objectives

Social & environmental considerations

Inter-agency working group

Consistency research



CDSB, GRI, OECD, UNCTAD

Inconsistency is:

- at variance with the global nature of and risks related to climate change;
- produces variation in the quality, quantity and relevance of disclosures;
- prevents the effective use of information by markets and stakeholders; and
- discourages disclosure because preparers are uncertain about what they should report and how to comply with user needs; and
- Is arguably unnecessary – a tonne of carbon is a tonne of carbon.

The project is designed:

- Provide information, evidence and resources to support greater understanding of the policies, initiatives and practices that currently lead to the demand for and supply of climate change related information.
- Identify the main problems linked to the current lack of consistency of climate change disclosure systems.
- Assess the benefits of greater consistency.
- Pave the way for further discussions and action to support consistency in the demand for and supply of climate change related information. Variety of schemes designed for disclosure about climate change risks:

What is needed for successful reporting



Inter-agency working group looking at:



- What is the motivation for the supply of and demand for information?
- What are the provisions/standards at national, regional and global level?
- What do they have in common?
- What are the differences?
- What advantages would consistency bring?
- How to balance consistency and flexibility?
- What sort of technical challenges are associated with reporting?
- What models have been successful in supporting consistency?

Research findings so far



There are differences in:

- **Why** an organization reports – compliance, communication, expectation
- **Who/what type** of organization reports – the scope of reporting schemes
- **Whether and how much** the organization has to or chooses to report
- **What and how** an organization reports
- **Where** the organization has to report

Research findings so far



A non-exhaustive inventory of national and regional laws, codes, guidance and practices (collectively referred to as “provisions”) that directly or indirectly affect the way in which climate change-related information is reported by corporations.

A Group operating in the UK, the US and Denmark could potentially be asked to make disclosures about its GHG emissions and/or it might independently decide to do so for one or more of the following reasons:

- To comply with obligations under the:
 - EU Emissions Trading Scheme (Monitoring and Reporting requirements)
 - USA EPA MRR
 - UK CRC Scheme
- As part of management’s review per section 99a of the Danish Financial Statements Act
- Under the Danish Green Accounts Act
- For voluntary reporting purposes encouraged in the UK under Defra guidelines on GHG reporting
- In response to the Carbon Disclosure Project annual information request
- For CSR reporting
- By specialist Indices

Unity & diversity explained



	Carbon Disclosure Project (CDP)	Climate Disclosure Standards Board (CDSB)	Global Reporting Initiative (GRI)	International Integrated Reporting Council (IIRC)
Focus	Collecting and disseminating information for investors and purchasing organizations	How information should be determined, prepared and presented to make it useful	Sustainability reporting for multiple stakeholders	Integrated reporting
Alignment on WHAT	Climate change-related information CONTENT is aligned Climate change strategy, governance and management & GHG emissions			Reliance on CDP, CDSB and GRI for climate content?
Alignment on HOW for GHG emissions reporting	All rely on and endorse WRI/WBCSD's GHG Protocol Corporate Standard and ISO 14064 for the preparation of GHG inventories			Reliance on CDP, CDSB and GRI?
WHY?	Investors need information on climate change	Material climate change related information should be disclosed in mainstream reports	Climate change reporting is an integral part of sustainability reporting	Integrated reporting provides a more complete picture of performance
HOW? Other information	Relies on CDP guidance & CDSB Climate Change Reporting Framework	CDSB Climate Change Reporting Framework	GRI Guidelines and Protocols	Integrated reporting framework
WHERE?	CDP online reporting system	Mainstream Reports	Sustainability Reports	Integrated Report

CDSB's focus & identity



CDSB replicates the content elements of CDP's information request and GRI's indicators (to the extent that they align). It adopts and relies on the GHG Protocol for the preparation of Corporate GHG Inventories.

The CDSB Climate Change Reporting Framework also:

- Proposes a single approach to organizational boundary setting in order to promote consistency;
- Adopts and relies on the IASB's characteristics of decision-useful information to filter out what is most meaningful for mainstream reporting;
- Recommends that climate disclosure reporting periods are aligned to financial reporting periods;
- Requires a statement of conformance so that readers may be informed of the extent of conformance and standards used for the preparation of climate disclosures;
- Adopts relevant principles from financial reporting on disclosure of future oriented information and the way in which information should be segmented.

CDSB also researches various technical reporting issues including:

- Characterization, accounting for and reporting of GHG emissions permits from trading schemes;
- Standardization of key performance indicators at industry level;
- How to prepare a mainstream report against a background of multiple regulation.

Technical challenges

- Organizational boundaries
- Accounting for net environmental impacts
- Accounting for rights & obligations under ETSs
- Materiality (determination and expression)
- Performance metrics
- Interactive data language for analysis and exchange of data
- GHG emissions measurement & reporting
- Assurance and verification
- Transitional arrangements
- Corporate inventory vs multiple disclosure requirements
- Characterization of carbon “things” vs policy objectives

Organizational boundaries



Contact CDSB



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