Submission 35 – Climate Disclosure Standards Board (CDSB)

CDSB made a joint submission 22 with CDP to the inquiry into carbon risk disclosure in the 44th Parliament.

This document is intended as a supplementary submission to the original submission 22.

All submissions received in the 44th Parliament can be accessed via the following link:
http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Carbon_Risk_Disclosure/Submissions

Climate Disclosure Standards Board

Attn:
Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Sir or Madam,

Submission to Senate Standing Committees on Economics regarding Carbon Risk Disclosure

Following our joint submission with CDP to the inquiry held earlier this year, we wish to submit additional evidence to the Senate Standing Committees on Economics in light of the recently released draft recommendations by the Financial Stability Board's Task Force on Climate-related Financial Disclosures for helping businesses disclose climate-related financial risks and opportunities within the context of their existing disclosure requirements[1].

The Climate Disclosure Standards Board (CDSB) is a consortium of business and environmental organisations, formed at the World Economic Forum in 2007. We are an international organisation committed to advancing and aligning the global mainstream corporate reporting model to equate natural capital with financial capital. We do this by offering companies a framework for reporting environmental information, including climate-related information, with the same rigour as financial information in mainstream reports, such as the annual report.

Recognising that information about natural capital and financial capital is equally essential for an understanding of corporate performance, our work builds the trust and transparency needed to foster resilient capital markets. Collectively, we aim to contribute to more sustainable economic, social and environmental systems. The *CDSB Framework for reporting environmental information*[2] helps issuers fulfil the "environmental" section of ESG reporting by providing guidance on reporting robust, clear and comparable information to investors.

Our specific and general comments on the consultation follow in the appendix below. Please do not hesitate to contact us if you have any further queries.

Kind regards,

Mardi McBrien
Managing Director
Climate Disclosure Standards Board

[1] FSB Task Force on Climate-related Financial Disclosures (2016) Recommendations of the Task Force on Climate-related Financial Disclosures. Available at https://www.fsb-tcfd.org/wp-content/uploads/2016/12/TCFD-Recommendations-Report-A4-14-Dec-2016.pdf
[2] CDSB (2015) *CDSB Framework for reporting environmental information & natural capital*. Available at http://www.cdsb.net/Framework

www.cdsb.net

3rd Floor
71 Queen Victoria Street
London, EC4V 4AY
United Kingdom

Appendix

Statement of interest

CDSB's interest in the consultation stands from our mission to advance and align the global mainstream corporate reporting model to advance and align climate change-related information in annual reports.

Comments

The comments below highlight specific aspects of the Task Force on Climate-related Financial Disclosure's (TCFD) report that we believe are important for the Senate Standing Committees on Economics to consider when deliberating on carbon risk disclosure.

Focus on governance – The Task Force states that the governance processes "should be similar to those used for existing public financial disclosures and would likely involve review by the chief financial officer and audit committee as appropriate."

The requirement for information to be disclosed in mainstream reports – The TCFD says that climate change related risks are material risks for many organizations and the recommendations should therefore be useful in complying more effectively with existing disclosure obligations.

Focus on the future – The recommendations solicit information that is primarily forward-looking.

Focus on the financial impacts of climate change on revenues, expenditures, assets, liabilities and capital.

Use of scenario analysis – separate guidance is being issued by the TCFD – companies should use a range of scenarios for their analysis including the 2˚C scenario so that they consider a range of possible futures re climate change.

Climate risk is defined and categorized – The TCFD said that consistent categorization of climate-related risks and opportunities is "an important element" of providing a common framework for disclosure and promoting alignment of reporting practice. They have defined these in terms of transition and physical risk.

Disclosure of climate opportunities is also encouraged on almost an equal footing with risk disclosure. To improve the current level and quality of carbon risk disclosure in Australia, a review of the guidance available under the Corporations Act for the reporting of carbon risk disclosure as financially material risk reported in the OFR.

Alignment with existing schemes – The TCFD has set out to build on existing reporting schemes in use by the market and has highlighted where their recommendations align with existing schemes.

www.cdsb.net

3rd Floor, Quadrant House
4 Thomas More Square
Thomas More Street
London, E1W 1YW