

Recommendations for SDG Disclosures: A consultation paper

CDSB response – 29th October 2019

The Climate Disclosure Standards Board (CDSB) welcomes the opportunity to respond to the *Recommendations for SDG Disclosures: A consultation paper* (hereafter referred to as “the *Recommendations*”).

CDSB is an international consortium of business and environmental NGOs catalysed by the World Economic Forum in 2007. We are committed to advancing and aligning the global mainstream corporate reporting model to equate climate change and natural capital information with financial information. We do this by offering companies a [framework for reporting climate change and environmental 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 also benefit from compliance-ready materials. 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.

The CDSB Framework is used by large listed companies globally and is referenced in government guidance to reporting regulation in HM Government’s Environmental Reporting Guidance to the UK Companies Act 2006, the EU Commission Guidelines on Non-Financial Reporting, and stock exchange guidance in London, New York, Australia, Singapore, Egypt, Santiago de Chile and elsewhere. CDSB has also contributed to the work of the UN Sustainable Stock Exchanges Initiative through its working groups on disclosure, green finance and financial regulators. CDSB also hosts the [TCFD Knowledge Hub](#) on behalf of the G20 Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD), which helps report preparers to find the resources they need to understand and implement the TCFD recommendations

CDSB recognises the importance of acting to meet the challenges of climate change and sustainable development in a harmonious manner that understands their deep interdependencies. These interconnections need also be reflected in corporate reporting so as to catalyse the capital flows necessary to achieve our global ambitions. We therefore welcome the opportunity to respond to this consultation paper which seeks inspiration from the TCFD to develop effective corporate reporting on the SDGs.

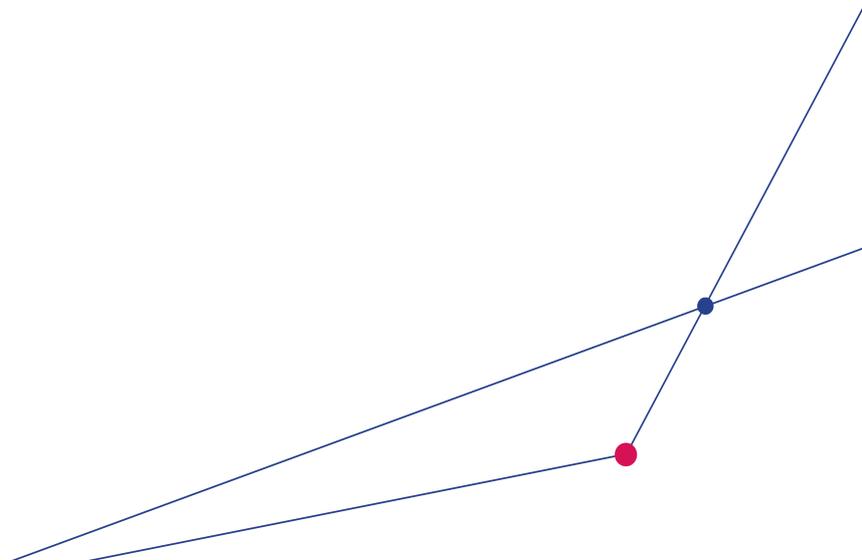
Our comments in full are provided below. Please do not hesitate to contact us for further information.

Kind regards,

David Astley on behalf of the CDSB Secretariat

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Responses to the Consultation Questions

Principles

Are the disclosure Principles selected appropriate to encourage both the integration of SDGs into strategy and transparency in relation to risks, opportunities and impacts?

The proposed set of disclosure principles are effectively designed in that they align with common components of other such report principles and, in the case of new principles developed for the *Recommendations*, they rework and build upon existing reporting principles to meet these new ambitions. This should benefit report preparers seeking to report on the SDGs by offering complementarity to other important reporting frameworks and standards. Going further, though, it should be considered whether the needs of users would be best served by fully adopting the *TCFD's Principles for Effective Disclosure* and supplementing these with more SDG-focused principles offered in the *Recommendations* presently. These actions would ease the reporting burden for companies.

While some of the *Principles of SDG Disclosure* were informative, a number could be more usefully explained to users. Here we refer to 'Sustainable Development context and relevance', 'Conciseness', 'Reliability, completeness, balance, understandability and verifiability', and 'Timeliness', the definitions of which refer heavily to the principle itself, which could pose a hindrance to those users less familiar with this area of reporting. Most important to improve would be 'Sustainable Development context and relevance' given its centrality to the ambitions of the *Recommendations*.

Given the complexities and differences of thought that surround the notion of materiality in corporate reporting and, specifically, the disclosure of sustainability-related information, it would be beneficial for users for the *Recommendations* to more thoroughly detail the principle and reasonings. For example, it could be helpful by setting out or discussing to what "level" of the SDGs, i.e. goal, target or indicator, companies can be expected to complete materiality assessments against. Here it may also be of use exploring the differences between relevant and material information given that the *Recommendations* suggest disclosure in the mainstream annual report. As a helpful example for the authors, the differences are articulated in the *CDSB Framework*. Such an approach would further emphasise the context of desiring shifting capital allocations for the benefit of SDGs by appropriately differentiating materiality and relevance.

The *Principles for SDG Disclosure* presently place greater emphasis on impact rather than risks and opportunities for reporting organisations, which should be rectified. The SDGs are also important to focus on outcomes. For example, in the definition for the 'Materiality' principle, risks and opportunities could be addressed in the (a), i.e. changing it to 'providers of finance concerning the ability of the organisations to create value in light of the risks and opportunities of sustainable development in the short, medium and longer term'. Such changes could also be made to the 'Strategic focus and future orientation' principle to better emphasise the focus on risks and opportunities.

In connection, we believe it would be beneficial to the *Recommendations* if the *Principles for SDG Disclosure* differentiated between the positive and negative impacts of companies on the SDGs. This would underscore the importance of completeness and avoiding "SDG-washing", both of which would be advantageous for investors and other report users.

Disclosures

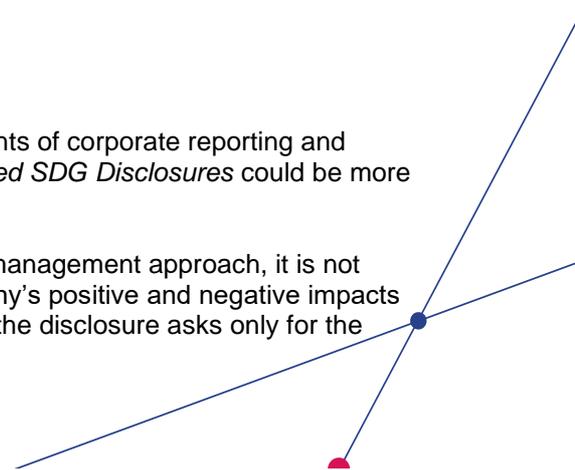
(a) Are the recommended Disclosures appropriate and complete?

The *Recommended SDG Disclosures* consider many of the key components of corporate reporting and business operations that are applicable to the SDGs. These *Recommended SDG Disclosures* could be more comprehensive and reorganised to meet the needs of report preparers.

For example, in the text for the recommended disclosures relating to the management approach, it is not explicitly set out that report preparers are expected to disclose the company's positive and negative impacts on the SDGs nor the risks and opportunities they face in relation. Instead the disclosure asks only for the

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management's role and the processes involved. It is essential for investors and other stakeholders to know both the processes and the outcomes in relation to impacts, risks and opportunities.

In addition, we believe that greater detail is desirable in relation to metrics and targets for understanding ambition and monitoring progress. For instance, given the timeline of the SDGs, it could be beneficial to suggest reporting staggered to 2030. Indeed, it could also be helpful to offer further guidance on what "level" in the SDG hierarchy, i.e. goal, target or indicator, of reporting against the SDGs is most useful. Of course, each company is unique, meaning such detail may not be wholly applicable to all, but it should be appreciated that reporting against the SDGs will be a new venture for many, so more detail and guidance is likely to be beneficial. For instance, it might be helpful for companies to conduct a materiality assessment that encompasses the goals, targets and indicators of the SDGs. Further, we believe that doubling the focus on outcomes of corporate action towards the SDGs would be of benefit to users of the guide and the eventual users of the disclosures.

More generally, we think that it would benefit the *Recommended SDG Disclosures* for those around governance to come first, before those on the management approach. Such an arrangement would align with other reporting frameworks and standards, such as the *CDSB Framework* and the *Recommendations of the TCFD*. In addition, it emphasises the importance of "board buy-in" and "leading from the top" with regard to the SDGs and more integrated thinking and strategies.

That said, we believe it is both correct and helpful that the *Recommended SDG Disclosures* are limited to a few well-defined areas – it allows them to be more easily integrated into existing reporting processes and with other reporting frameworks and standards.

(b) Are you aware of additional good practice examples?

CDSB has no comments on this matter.

Enhancing the credibility of Disclosures

(a) Are there additional sources of assurance?

CDSB has no comments on this matter.

(b) Do you foresee issues in the supply of assurance? Why?

Given that the information the *Recommended SDG Disclosures* advocates to be disclosed will be much like the ESG information that companies already disclose but refocused towards the SDGs instead, we cannot see there being any additional issues to the supply of assurance than there exists already for corporate ESG information. That said, given that there are still only low levels of assurance conducted for narrative reporting or management commentary, we have concerns of who would be assuring SDG reporting. As such, we suggest that assurance should only be as appropriate.

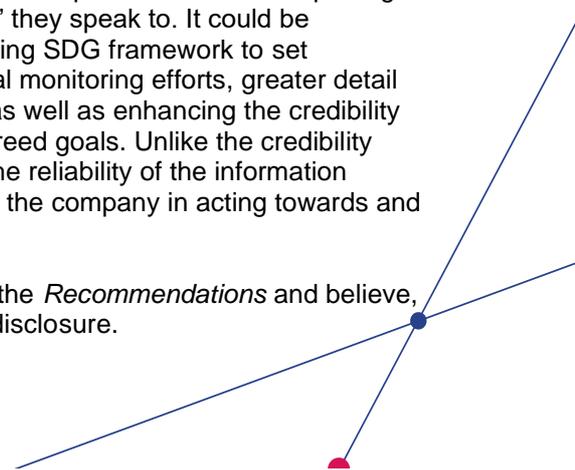
(c) Are there alternatives to assurance that could be included to enhance credibility of reporting?

As noted with regard to the *Recommended SDG Disclosures*, we believe that it may be beneficial to report preparers for the recommendations to be more detailed or prescriptive on the expected manner of reporting metrics and targets, both in terms of timelines to 2030 and the SDG "level" they speak to. It could be beneficial, therefore, for further guidance to be provided on using the existing SDG framework to set appropriate baselines for monitoring progress. As well as assisting national monitoring efforts, greater detail such as this would encourage greater comparability between companies as well as enhancing the credibility of the disclosures by tethering them more definitely to the international agreed goals. Unlike the credibility offered by assurance, the measures suggested here would not enhance the reliability of the information disclosed itself, but instead offer greater integrity to the overall ambition of the company in acting towards and in response to the SDGs.

On a more general note, we are hesitant of the inclusion of this section in the *Recommendations* and believe, instead, that such matters should be fully addressed by the principles for disclosure.

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Alignment

Are there further opportunities for aligning existing frameworks?

Given that CDSB is mentioned as one of the organisations to have developed tools and resources to facilitate the shift towards SDG-aligned investment in the *Recommendations*, we would expect to see it in the table demonstrating the alignment of the *Principles for SDG Disclosure* with those of other key frameworks. The guiding principles of the *CDSB Framework* are very well aligned with those developed for reporting on the SDGs. Additionally, it was notable that the *Recommendations* did not provide more detail on the connections and alignment with the *SDG Compass* guide developed by GRI, UN Global Compact and WBCSD. Amending this could be a useful action for users given that both guides specifically consider the SDGs.

Given that the *Recommendations for SDG Disclosures* are designed to be aligned with those of the major sustainability-related frameworks and standards, it could be beneficial for report preparers to illustrate how the recommended disclosures for SDG reporting complement those of CDSB, GRI, IIRC, SASB and TCFD. This could improve the likelihood of organisations making SDG disclosures if they understand it fits within the reporting practices they already follow. CDSB's *Making the Connections* would be a useful basis for such work.

Another alignment consideration for the authors should be between corporate reporting and national reporting around the SDGs. Companies will, as the *Recommendations* acknowledge, need to make a significant contribution for the SDGs to be achieved, as such it is important for national governments to be able to understand and quantify such work by the private sector. For example, the meaning of timeliness of reporting could be affected by such considerations. The connection and alignment between corporate and national reporting is an important issue to deliberate in providing advice to companies on reporting against the SDGs.

Other matters

Are there any additional matters which should be addressed prior to finalisation?

An area that requires addressing before the finalisation of the *Recommendations*, given that there is inconsistency, is the recommended channel of disclosure. Given that the publication aims to align with the TCFD, we believe that the recommended channel of disclosure should be the mainstream annual report. More generally, the location of disclosures should be more thoroughly explained, providing rationale and purpose. In connection, it may be beneficial to the users of the *Recommendations* for the expected differences in disclosures depending on intended audience to be further explained.

Regarding the *Recommended SDG Disclosures*, we think that the layout/approach to this section could be improved. Presently, the recommended disclosures for the four topics appear less significant, almost secondary. Instead, we think these should be the focus, with the additional text redrafted and reformatted to be more explanatory and guiding for the user. This would, we believe, offer greater focus to the *Recommended SDG Disclosures*.

Finally, we think that the examples offered at the end of the *Recommendations* are a very worthwhile addition but think that they could be more thoroughly annotated to the benefit of users. For example, it could be that the examples are explained according to how they meet the different aspects of the *Recommended SDG Disclosures*, what is not covered and how the reporting could be improved. In addition, it could be that these examples are of most effect if they are appropriately organised throughout the *Recommended SDG Disclosures* to highlight good and improvable practice.

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