CDSB
Climate Disclosure Standards Board

CARBON DISCLOSURE PROJECT

Climate Disclosure Standards Board (CDSB)
& the Carbon Disclosure Project (CDP)
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Dear Ms Leavens

The future of narrative reporting

Thank you for the opportunity to provide comments on the above consultation paper. By way of introduction, please find below some background information on the Carbon Disclosure Project (CDP) and the Climate Disclosure Standards Board (CDSB).

Carbon Disclosure Project (CDP)
The Carbon Disclosure Project (CDP) is an independent not-for-profit organisation, holding the largest database of primary corporate climate change information in the world. CDP was launched in 2000 and operates the only global climate change reporting system. We have been requesting climate change data from companies for the last 10 years, on behalf of 534 institutional investors with $64 trillion of assets under management. In 2009, 2,500 organizations in some 60 countries around the world measured and disclosed their greenhouse gas emissions and climate change strategies through CDP.

Climate Disclosure Standards Board (CDSB)
The Climate Disclosure Standards Board (CDSB) is an international organisation committed to the integration of climate change-related information into mainstream corporate reporting. In support of its objectives, CDSB has developed a Climate Change Reporting Framework (see attached) by drawing on the work of its Board members, on international developments in climate change regulation and on the work of the International Accounting Standards Board.

By drawing on these sources, as well as on good practice in climate change-related disclosure to CDP, CDSB's Framework prescribes reporting requirements that are as consistent as possible with the most common features of voluntary and mandatory climate change disclosure and with the established financial reporting model. In our work we have encountered many of the issues referred to in paragraphs 20 – 28 of your consultation document and the attached Framework demonstrates how we have addressed those issues where possible.

CDSB & CDP's Response
Responses to the consultation questions on which we are able to comment are set out below.

Question 2: What are the constraints on companies providing information on these (ie: forward-looking strategy and principal risks and uncertainties) issues?

We believe that the constraints fall into the following categories:

a. Lack of sufficient guidance on the parameters of forward-looking information so as to establish standard rules that give all companies an equal ability to compete. There is a perception among many that making disclosures that might exceed those of others in the same sector might put the reporting organization at a competitive disadvantage.

b. The above constraint is inextricably linked to companies' reluctance to disclose sensitive or confidential information. We note the easment in Section 417 of the Companies Act for disclosure of information that might be seriously prejudicial to the interests of the company or contrary to the public interest. We wonder whether this definition is too wide to be applied consistently in practice. The US Environment Protection Agency has proposed an addition to their "mandatory greenhouse gas reporting rule" that will describe how certain data elements might qualify to be kept confidential. We suggest that BIS could examine the proposed rule (see http://www.epa.gov/climate change/emissions/CBI.html) to establish whether a similar approach might be useful for the development of narrative reporting rules including forward-looking information.

c. We are sure that others will have brought to your attention CSA Staff Notice 51-330, "Guidance regarding the application of forward-looking information requirements under National Instrument 51-102 Continuous Disclosure Obligations", published on the Ontario Securities Commission website. This identifies the areas where staff identified deficiences in forward-looking disclosures as well as areas where those disclosures could be enhanced. We believe that similar issues apply in the UK.

d. As the consulation question suggests, uncertainty is a constraint on the provision of forward-looking and other types of information. In their interpretive guidance on the application of existing Securities Law to climate change disclosure, the US SEC suggests that registrants should make disclosures where the known trend, demand or event is reasonably likely to occur. Where management cannot make that determination, the guidance says that it should make disclosures on the assumption that the trend, demand or event concerned will come to fruition, provided also that it is reasonably likely to have a material effect on the company's financial condition or operations. BIS might contemplate similar guidance that sets the parameters within which companies should undertake their decision-making.

e. The established financial reporting model with its emphasis on historical results has not developed a language for the expression of uncertainty in disclosures. We wonder whether ISO's guidance on the expression of uncertainty in measurement might provide some insight into how to develop and standardise the language of uncertainty.

Question 10 (ii): Could disclosures (on environmentalmatters) be improved? If so how?

The CDSB Climate Change Reporting Framework draws on a number of relevant sources including "recognised GHG emission reporting schemes", developments in international environmental, securities and business regulation on climate change disclosure and International Financial Reporting Standards. Disclosure on environmental matters is, by definition, multi-disciplinary and we respectfully suggest that a review should be undertaken of all UK Government measures that

directly or indirectly affect the way in which environmental disclosures are made. This would include the provisions of the CRC Energy Efficiency Scheme, Defra's 2006 Environmental Key Performance Indicators – Reporting Guidelines for UK business, Defra's 2009 Guidance on how to measure your greenhouse gas emissions and HMRC/DECC's Climate Change Levy and Climate Change Agreements. We suggest that the review is extended to legislation in other jurisdictions that might apply to UK registered Groups of companies, including for example, the provisions of the EU Emissions Trading Scheme and the EU Transparency Directive. In other words, we recommend that any improvments to dislcosures are considered in the context of existing UK and applicable international laws.

Question 11: Would more guidance be helpful? If so, what form should this take?

We bring CDSB's Climate Change Reporting Framework to your attention as an example of the type of guidance and standardisation process that might ultimately help with some of the disclosures to which your consultation refers.

We hope that you find our response helpful. If you would like to discuss any aspect of CDP or CDSB's work, please contact me using the details provided above.

Yours sincerely

Lois Guthrie
Executive Director
Climate Disclosure Standards Board