

# Reporting on enterprise value

## Illustrated with a prototype climate-related financial disclosure standard

**Progress towards a comprehensive corporate reporting system, from leading sustainability and integrated reporting organisations CDP, CDSB, GRI, IIRC and SASB**

Facilitated by the Impact Management Project,  
World Economic Forum and Deloitte

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# Executive summary



## Executive summary

In September 2020, we issued a joint [statement of intent](#), outlining a vision for a comprehensive corporate reporting system, and a commitment to work together to achieve it. Following this statement, our Open Letter to Erik Thedéen, Chair of the International Organization of Securities Commissions (IOSCO)'s Sustainable Finance Task Force, reiterated our shared commitment to contribute to the achievement of a globally accepted comprehensive corporate reporting system. Our Open Letter also welcomed the consultation by the Trustees of the International Financial Reporting Standards (IFRS) Foundation about possible ways the Foundation might contribute to this development by using its experience in international standard-setting, its well-established and supported standard-setting processes and its governance structure.

In this paper, we provide an important step towards our vision. We demonstrate how certain components of our current frameworks and standards, along with the recommendations set out by the Task Force on Climate-related Financial Disclosures (TCFD), can be used together to provide a starting point for the development of global standards for sustainability-related financial disclosure. The work could therefore serve as useful input for the Trustees of the IFRS Foundation, who have not been involved in the technical development of this paper, but who are currently consulting on the role that the IFRS Foundation could play by broadening its role beyond setting financial reporting standards.

Sustainability-related financial disclosure standards would enable disclosure of how sustainability matters<sup>1</sup> create or erode enterprise value. This type of reporting is distinct from sustainability reporting, which is designed to illuminate a company's most significant impacts on the environment, people and economy. We believe that sustainability reporting and sustainability-related financial disclosure must be seen as interrelated reporting concepts, with shared methodologies wherever appropriate, regardless of their distinct aims. We further explain the importance of this in Section 1.

To bring the concept of sustainability-related financial disclosure to life, we provide a prototype of a climate-related financial disclosure standard. We also include a presentation standard<sup>2</sup> that could inform future standards, given the relevance of other sustainability matters to enterprise value. As these prototypes are intended to illustrate sustainability-related financial disclosure, they draw primarily from the frameworks and standards in our group that focus on reporting to providers of financial capital on how climate and other sustainability matters influence enterprise value.

**First**, we recap our shared vision of a comprehensive corporate reporting system, as described in our joint statement of intent. We explain why each part of the system is critical and how the parts relate to each other (see [Section 1](#)).

**Second**, we observe how the International Accounting Standards Board (IASB)'s Conceptual Framework for Financial Reporting is well-suited to sustainability-related financial disclosure to providers of financial capital (see [Section 2B](#)). We identify components of the Framework that are common to the development of both financial accounting standards and sustainability-related financial disclosure standards. We also recommend specific adaptations for sustainability-related financial disclosure, and we illustrate these features through the prototypes.

**Third**, we show how the relevant components of our frameworks and standards, along with the recommendations set out by the TCFD, could form the basis for development of a climate-related financial disclosure standard. Given that the market is embracing the TCFD Recommendations to help investors and others understand how reporting organisations assess climate-related risks and opportunities, development of such a standard would be timely. Here, we provide the main components of a prototype, noting that these could inform future standards on other sustainability matters. We view this as important given that a broad range of sustainability matters can influence enterprise value, as well as influence each other. [The Appendices](#) to the paper provide the mapping of content, demonstrating how the prototypes were created from our individual institutional work.

Overall, the paper demonstrates that standard-setting for sustainability-related financial disclosure can be seen as a natural extension of the IFRS Foundation's current role. The paper provides insight into how such an ambition can be achieved by building on frameworks and standards that already exist. We offer this content in the form of prototypes, so that it can serve as useful technical input, both for the Trustees of the IFRS Foundation, and also for current thinking by global, regional and jurisdictional policymakers.

In our concluding remarks, we ask all stakeholders to engage and be active in driving the urgent progress that is needed towards comprehensive corporate reporting.

- 1 We define sustainability matters as all value drivers represented by the capitals in the <IR> Framework, with the exception of financial capital. This is explained further, alongside other definitions in the explanatory glossary (see [Appendix 4](#)).
- 2 By this, we refer to a "prototype sustainability-related financial disclosure presentation standard". See Section 2C and Appendix 3.

# 01

## A comprehensive corporate reporting system

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# 1: A comprehensive corporate reporting system

## Nested and dynamic materiality

A company's business model can have positive and negative **impacts** on stakeholders<sup>3</sup>, such as customers and employees, and on natural resources. These stakeholders, along with the external environment in which the company operates, can also positively or negatively affect the company's business model and therefore create or erode its **enterprise value** and financial returns to providers of financial capital (see [Appendix 1](#)). Some of these effects on enterprise value have already taken place at the reporting date (or are included in the projections of the cashflows that support valuations and estimates of future cash flows), and are therefore *already represented as monetary amounts recognised in the financial statements*. Figure 1 below illustrates a company's reporting of its performance and prospects on sustainability matters to serve these different interests and perspectives. The three forms of reporting are deliberately depicted as distinct and nested lenses because:

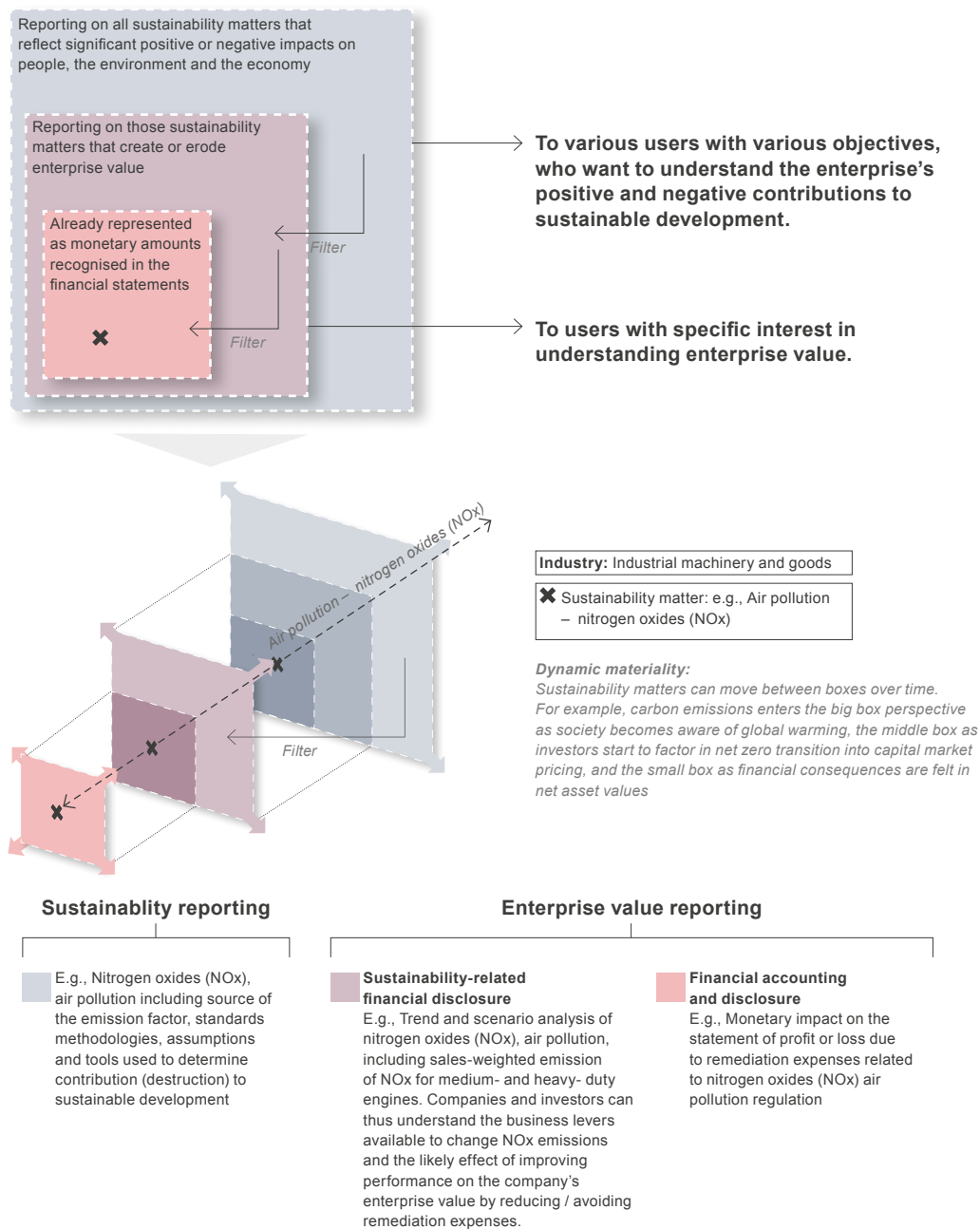
- the nature of disclosure on the same sustainability matter (such as Scope 1 emissions) that serves each perspective can vary (e.g., from calculation of emissions relative to ecological thresholds to adjustment of net asset values).
- the universe of sustainability matters covered by each form of reporting is not necessarily the same:
  - Reporting that reflects all significant impacts typically addresses the broadest range of sustainability matters.
  - Reporting on enterprise value typically addresses a narrower range of sustainability matters that are considered sufficiently likely to influence enterprise value. This is the case so long as companies generate positive or negative externalities.
  - Reporting that relates directly to monetary amounts recognised in the financial statements addresses the narrowest range of sustainability matters.

However, the sizes of these lenses are not static. The diagram deliberately uses dotted lines to emphasise that materiality, which is further discussed below, is a dynamic concept: sustainability matters can move between lenses over time. For example, carbon emissions enter the big lens perspective as society becomes aware of global warming, the middle lens as investors start to factor net zero transition into capital market pricing, and the small lens as financial consequences are felt in net asset values. By making performance on such matters transparent, sustainability reporting provides crucial information that can inform the conditions necessary for internalisation of significant impacts – such as stakeholder pressure, regulation, further development of authoritative international norms, industry disruption, technological advances and re-allocation of capital<sup>4</sup>. Sustainability reporting can therefore include leading indicators of matters that may, over time, become relevant for enterprise value. An explanation of how dynamic materiality links to companies' business models can be found in [Appendix 1](#).

3 We define stakeholders as an entity or individual that can reasonably be expected to be significantly affected by the reporting organisation's activities, products and services, or whose actions can reasonably be expected to affect the ability of the organisation to successfully implement its strategies and achieve its objectives (see [Appendix 4](#)).

4 Serafeim and Rogers (2020), [Pathways to Materiality: How Sustainability Issues Become Financially Material to Corporations and Their Investors](#)

Figure 1. Comprehensive corporate reporting



Each of these forms of reporting has distinct implications for a company's communication of its performance on sustainability matters. These can be understood as differences in materiality, in that the omission or misstatement of information relating to any one of the lenses could influence the decisions that users take in that context.

- The big lens covers all sustainability matters that reflect a company's positive or negative contribution to sustainable development<sup>5</sup>. Sustainability matters are therefore defined as "material" if they represent significant impacts. Such reporting is designed to inform assessments and decisions by a wide range of users who want to understand a company's positive and negative contribution to sustainable development, including business partners, civil society organisations, consumers, customers, employees and other workers, governments, local communities, non-governmental organisations, shareholders, suppliers, trade unions, and vulnerable groups<sup>6</sup>. This reporting is referred to throughout this document as **sustainability reporting**. The information made available through sustainability reporting is set in the context of broader sustainable development conditions and goals, and with reference to expectations of responsible business conduct set out in internationally recognised instruments. Sustainability reporting includes both information on the impacts themselves as well as contextual information, such as a company's management approach and strategy, including goals and targets to improve impacts. More detail on the origins and objectives of sustainability reporting can be found in [Appendix 2](#).

5 The concept of sustainable development was described by the 1987 Brundtland Commission Report as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (see [Appendix 4](#)).

6 GRI 101 Exposure draft (June 2020), Key Concepts: 2.4 Stakeholder, p.10

- The middle lens covers reporting on sustainability matters that influence **enterprise value**. Such reporting is “financial” in the specific sense that it concerns financial returns to providers of financial capital, but is not necessarily measured in monetary amounts. It also includes the other five capitals in the <IR> Framework<sup>7</sup>, thereby addressing the connectivity between these and financial capital. Consistent with TCFD terminology, this reporting is referred to in this document as *sustainability-related financial disclosure*. It is material to providers of financial capital.
- The small lens also covers sustainability matters that influence **enterprise value**, in so far as they affect monetary amounts accounted for and disclosed in the financial statements. Such amounts include revenue, costs, assets and liabilities recognised at historic amounts, and those recognised using valuation techniques that factor in estimates of future cash flows. This reporting is referred to in this document as *financial accounting and disclosure*. It is material to providers of financial capital.

Reporting on sustainability matters has become a well-established part of corporate practice and societal expectation. Demand for it can be understood by considering the limitations of financial accounting and disclosure. While it is possible that activities and events recognised in financial statements can relate to sustainability matters, financial accounting and disclosure is, in practice, limited in this regard. This is for two reasons. First, financial accounting and disclosure captures sustainability matters if they relate to financial effects that have arisen already. Such effects might capture financial impacts during the reporting period and will incorporate expectations about the future to the extent that they underpin projections of future cash flows underpinning the estimates of provisions, expected credit losses, impairments or market valuation. Second, financial accounting and disclosure is designed primarily for the benefit of providers of financial capital with an interest in understanding enterprise value. It therefore does not address all sustainability matters that may be relevant to a wide range of users.

Sustainability-related financial disclosure addresses the first of these two limitations by providing details of the specific sustainability matters that have generated the financial impacts captured in the financial statements, as well as insight into how the future will unfold for the enterprise.

Sustainability reporting addresses the second of these two limitations. While financial accounting and disclosure and sustainability-related financial disclosure are concerned with reporting on enterprise value to providers of financial capital, sustainability reporting includes information that informs the assessment and decisions of a wide range of users.

### Additional specific public policy or regulatory disclosures

In addition to corporate reporting based on the materiality concepts described above, policymakers can also have an interest in understanding collective progress towards specific public policy goals and may therefore choose to make specific disclosures mandatory, regardless of whether they would be disclosed based on company-specific determinations of material information. Such mandatory disclosures may be based on international agreements among governments, or jurisdiction-specific priorities. For example, the EU Taxonomy<sup>8</sup> will require applicable companies to disclose how, and to what extent, their activities are associated with taxonomy-aligned activities. This will include the proportion of turnover, capital expenditure and operating expenditure that is (where relevant) aligned with the taxonomy. Another example, from the UK, is that eligible employers must publish and report specific figures about their gender pay gap<sup>9</sup> (e.g., mean gender pay gap in hourly pay)<sup>10</sup>.

### Interoperability

The nested and dynamic nature of sustainability information is best achieved through interoperability between sustainability reporting and sustainability-related financial disclosure, wherever possible and appropriate<sup>11</sup>. Achieving this would ensure that companies can collect information about performance on a given sustainability matter once, and can use that same information to serve different objectives, when the information is suitable for the needs of those different objectives. Figure 1 brings this to life by showing that the company’s reporting that serves both the big and middle lenses includes disclosure of air pollution in the form of nitrogen oxides. The result of interoperability for this measure would be reduced confusion and cost for both producers and users of sustainability information, and would likely encourage companies to invest further in the robust controls and data systems necessary to ensure high-quality information comparable with traditional financial reporting.

As explained in our joint statement of intent, this interoperability could be achieved if, for example, a multi-stakeholder due process like the Global Reporting Initiative (GRI)’s uncovers sustainability matters and establishes related disclosure requirements that a reporting organisation may identify as its significant impacts on the economy, environment and people<sup>12</sup>; whereas a conceptual framework and due process focused on demonstrating evidence of financial impact<sup>13</sup> and investor interest, like that of the Sustainability Accounting Standards Board (SASB), filters these sustainability matters and related disclosure requirements to identify whether they are reasonably likely to be material to enterprise value in specific industries. This due process would also identify whether there are any additional disclosure requirements for specific industries, so that the disclosure requirements are relevant based on the business model of the reporting organisation and provide sufficient insight into performance on sustainability matters that drive enterprise value.

Consideration of the architectural features that enable interoperability within a comprehensive corporate reporting system, along with establishment of the related standard-setting governance and funding model, is critical for a solution that can be efficiently implemented by companies.

- 7 Please see [Appendix 1](#) for a list of the other five capitals.
- 8 EU Technical Expert Group on Sustainable Finance (2020), [Taxonomy: Final report of the Technical Expert Group on Sustainable Finance](#)
- 9 Another example includes the often-used indicator of net job creation used by the Development Finance Institutions and Multilateral Development Banks of governments around the world.
- 10 GOV.UK (2017), [UK Gender pay gap reporting: overview](#)
- 11 Disclosure requirements is used as a summary term for both quantitative metrics and narrative requirements, including context and explanations.
- 12 When using the GRI Standards, the organisation prioritises reporting on those topics that reflect its most significant impacts on the economy, environment, and people, including impacts on human rights. In the GRI Standards, these are the organisation’s material topics.
- 13 On revenue, costs, assets, liabilities, cost of capital, and/or risk profile



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The remainder of this paper focuses on one part of this comprehensive corporate reporting system: standards for reporting on how sustainability matters are connected to enterprise value, brought to life with an applied example for climate. Enterprise value reporting is not a replacement for, nor alternative to, sustainability reporting. However, it can be a complementary enabler of change, since it creates a financial incentive for companies and their investors to improve performance on enterprise value-relevant sustainability matters as much and as quickly as they can.

# 02

## Technical observations and illustrative prototypes

Conceptual Framework for Financial Reporting: Common components

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## 2. Technical observations and illustrative prototypes

**Disclaimer: The prototypes described below are not standards. The technical content has not been through any due process of the authors' organisations. Neither the IFRS Foundation nor the IASB have participated in the technical development of the content. The prototypes are provided for illustrative purposes only.**

### A. Context

The following prototypes have been prepared to advance our commitment to work together, as well as with IOSCO, the IFRS Foundation, jurisdictions committed to advancing corporate reporting and other stakeholders, to develop a comprehensive system for corporate reporting. As shown in [Figure 2](#) below, this section includes the following:

1. Observations about the applicability of IASB's Conceptual Framework for Financial Reporting for guiding the development of sustainability-related financial disclosure standards, including **specific adaptations to the Conceptual Framework** ([Section 2B](#));
2. **A prototype of a Sustainability-related Financial Disclosure Presentation Standard**, which illustrates requirements for the presentation of sustainability-related financial disclosures ([Section 2C](#) and [Appendix 3](#));
3. **A prototype Climate-related Financial Disclosure Standard**, which illustrates requirements and guidance relating to how a reporting organisation should disclose climate-specific risks and opportunities and the impact of climate change to its value creation process ([Section 2D](#)).

Collectively, the prototypes:

- **Demonstrate how IASB and TCFD<sup>14</sup>, together with our principles, frameworks and standards can meet the needs of the capital markets** for consistent, comparable, and reliable sustainability-related financial disclosures;
- **Use and adapt as necessary relevant principles and content from financial reporting standards;**
- **Illustrate how gaps in the current corporate reporting system could be addressed** to provide users with a more complete understanding of a company's sustainability-related financial risks and opportunities.

Climate-related information is based on concepts, characteristics and definitions that also apply to other types of sustainability-related information. We have therefore included a Prototype Sustainability-related Financial Disclosure Presentation Standard, because it is a pre-requisite for developing a Climate-related Financial Disclosure Standard and can guide future standards on other sustainability matters.

### Design approach

Tables IA – IIIA of [Appendix 5](#) line up the relevant components across our existing frameworks and standards, as well as the TCFD Recommendations, relative to the IASB's Conceptual Framework for Financial Reporting and the IFRS Practice Statement 1 on Management Commentary. The tables draw on the following documents: IASB Conceptual Framework for Financial Reporting, IFRS Practice Statement 1: Management Commentary ("PS1") and IFRS Practice Statement 2: Making Materiality Judgements ("PS2") which sit underneath the Conceptual Framework for Financial Reporting, CDSB's Framework, GRI's Universal Standards, IIRC's International <IR> Framework, SASB's Conceptual Framework and the Recommendations of the Task Force on Climate-related Financial Disclosures:

- Table IA lays out the purpose, objectives, scope, intended user(s) for information, and reporting channels;
- Table IIA lays out the fundamental and enhancing characteristics of useful information;
- Table IIIA lays out the content elements.

<sup>14</sup> Although TCFD has not been specifically involved in the drafting process, our frameworks and standards adopt the recommendations and embed them in our work through the prototype Sustainability-related Presentation Disclosure Standard and the prototype Climate-related Financial Disclosure Standard.

Figure 2 – Overview: Conceptual Framework and Associated Prototype Standards

Section B	<b>Adaptations to the IASB Conceptual Framework for Financial Reporting for development of sustainability-related financial disclosure standards</b>		
<b>Prototype Sustainability-related Financial Disclosure Presentation Standard</b>			
Section C, Appendix 3	<b>Foundation</b>		
	Objective		
	Scope		
	<b>General Features</b>		
	Comparative Information		
	Materiality		
	<b>Content Elements</b>		
	<b>Governance</b>		
	<b>Strategy</b>	Strategy	• Disclosure objective • Content
		Business model	
Outlook			
<b>Risk management</b>			
<b>Metrics and targets</b>	Operational	• Disclosure objective • Content (including cross-industry and industry-specific sustainability-related financial disclosures)	
	Risk		
<b>Prototype Annex A: Definitions</b>			
<b>Prototype Climate-related Financial Disclosure Standard</b>			
Section D	<b>Foundation</b>		
	Objective		
	Scope		
	<b>Climate-related Financial Disclosures</b>		
	<b>Governance</b>		
	<b>Strategy</b>	Strategy	• Disclosure objective • Content
		Business model	
		Outlook	
	<b>Risk management</b>		
	<b>Metrics and targets</b>	Operational	• Disclosure objective • Content (including cross-industry and industry-specific climate-related financial disclosures)
Risk			
<b>Prototype Annex A: Application guidance</b>			
Cross-industry and industry-specific application guidance (metrics and targets)			
<b>Prototype Annex B: Definitions</b>			

## B. Adapting the IASB's Conceptual Framework for Financial Reporting for development of sustainability-related financial disclosure standards

### What is a Conceptual Framework for Financial Reporting?

IASB and FASB each have a Conceptual Framework for Financial Reporting. The purpose of Conceptual Frameworks, as used by IASB and FASB, is to assist:

- a standards board to develop standards based on consistent concepts;
- preparers to develop consistent reporting practices where no standard applies; and
- all parties to understand and interpret the standards.

Conceptual frameworks provide the foundation for standards that contribute to transparency and strengthen accountability and economic efficiency. They are essential to high-quality standards development, as they ensure a consistent basis for decisions reached by a standards board, and they enable preparers to make decisions about what to report in situations where no specific guidance exists. At a minimum, Conceptual Frameworks clearly identify the **objective** of the information, the **primary user** of the information, and **qualitative characteristics** of useful information.

The objective of general-purpose financial reporting, as codified in the IASB Conceptual Framework, is to provide financial information about the entity that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity.

United by a common primary user and objective, we propose that certain adaptations to the IASB's Conceptual Framework, or the creation of a companion Conceptual Framework for a potential Sustainability Standards Board (SSB), would enable development and maintenance of standards that address the market need for consistent and comparable sustainability-related financial disclosure. The appropriate model would need to be determined in due course.

### Why are adaptations needed for the IASB's Conceptual Framework for Financial Reporting with respect to sustainability-related financial disclosure?

The main focus of the IASB's Conceptual Framework is information that is provided in general purpose financial statements – meaning the primary financial statements (position, performance, changes in equity and cash flows), and the supporting notes. The IASB's Conceptual Framework includes fundamental components that support financial accounting and disclosure such as: the elements of financial statements (assets, liabilities, equity, income and expense), criteria for recognition and derecognition, and measurement.

Sustainability-related financial disclosure is different from financial accounting and disclosure insofar as it is about an additional information set that is intended to provide insight into drivers of long-term enterprise value<sup>15</sup>, including drivers of intangible value that may not be recognised in financial accounting and disclosure. As Ocean Tomo's study<sup>16</sup> found, the intangible asset market value of companies now commands 90% of the S&P 500 market value and 74% of the S&P 350 Europe market value. It is this significant variance that sustainability-related financial disclosures, which can provide insight into drivers of intangible value, help companies explain to providers of financial capital.

Principles, concepts, elements, characteristics, approaches and attributes (referred to collectively as "components") of our standards and frameworks, enable companies to report sustainability-related financial disclosures and help to address this gap in the corporate reporting ecosystem.

Some sustainability-related financial disclosures are already accounted for and disclosed in the financial statements in so far as they affect monetary amounts in the financial statements. For example, where climate-related risks could significantly affect the recoverable amount of a company's assets, information about how the effect has been factored into recoverable amount calculations would be relevant for the users of financial statements<sup>17</sup>. In the extractive industries, investors may look for explanations as to whether a company has considered the effect of climate-related risks in determining whether exploration, or the evaluation of certain areas of interest, should continue<sup>18</sup>.

In summary, our experience suggests that the IASB's existing Conceptual Framework for Financial Reporting shares many common components with sustainability-related financial disclosures. It would need to be adapted to guide standard-setting to capture the additional information set that is intended to provide insight into all of the drivers of long-term enterprise value.

15 Enterprise value is defined as market capitalisation plus net debt, where market capitalisation is determined by the market via the company's share price, which is in turn informed by its financial and/or operational performance. Enterprise value is therefore influenced by factors such as revenue, costs, assets, liabilities, cost of capital, and risk profile.

16 Ocean Tomo (2020), [Intangible Asset Market Value Study](#)

17 Anderson (2019), Nick Anderson: [In Brief: IFRS@Standards and climate-related disclosures](#)

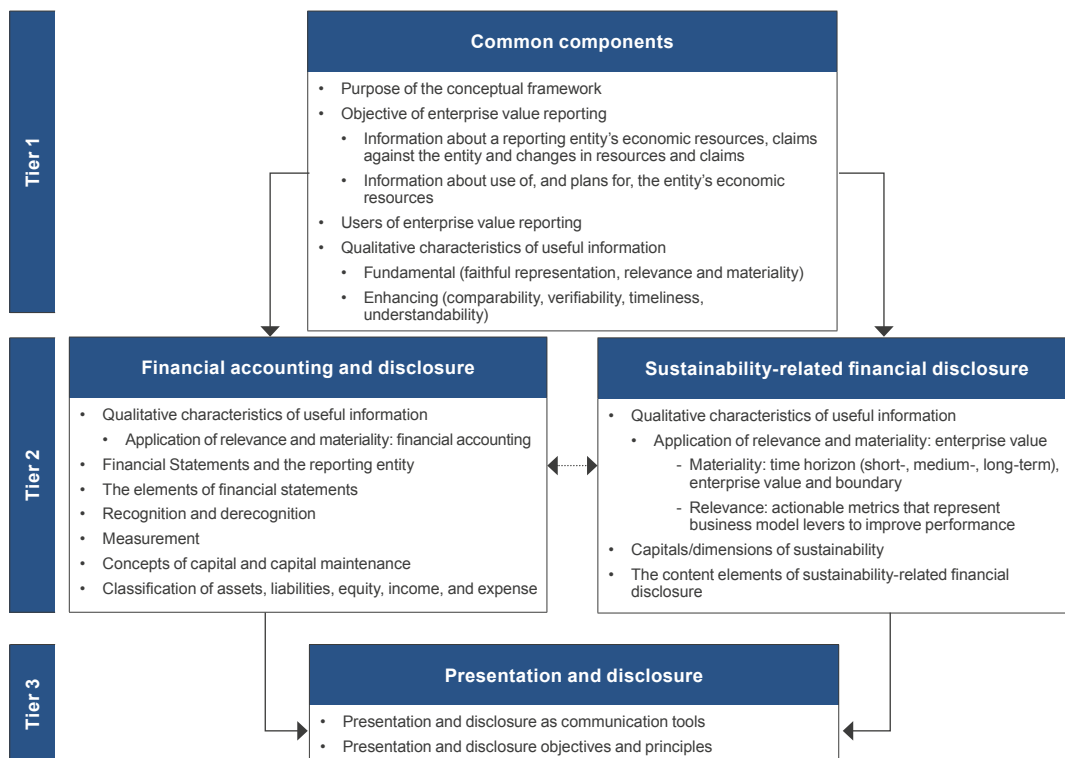
18 Ibid.

Figure 3 below utilises the chapters of the IASB’s Conceptual Framework for Financial Reporting to illustrate:

- Tier 1: the components that unite financial accounting and disclosure and sustainability-related financial disclosure under the common umbrella of enterprise value reporting;
- Tier 2: components unique to financial accounting and disclosure, and adaptations needed for sustainability-related financial disclosure;
- Tier 3: both components of Tier 2 coming back together for presentation in enterprise value reporting.

Figure 3 also depicts, using a dotted line, the interconnectivity between financial accounting and disclosure and sustainability-related financial disclosure.

Figure 3 – Adapting IASB’s Conceptual Framework for Financial Reporting

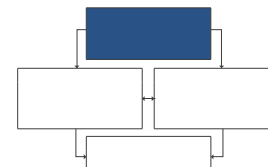


## Adapting IASB’s Conceptual Framework for Financial Reporting: Common components

Table 1 illustrates that the purpose, objective, users, and many of the qualitative characteristics of useful information require little to no adaptation to also cover sustainability-related financial disclosure.

Table 1 – Common components

IASB’s Conceptual Framework for Financial Reporting	Suggestions on adapting terminology to also cover sustainability-related financial disclosure
<p><b>The purpose of the Conceptual Framework:</b></p> <p><i>The Conceptual Framework for Financial Reporting describes the objective of, and the concepts for, general purpose financial reporting. The purpose of the Conceptual Framework is to:</i></p> <ul style="list-style-type: none"> <li>• Assist standard setters to develop standards that are based on consistent concepts;</li> <li>• Assist preparers to develop consistent accounting policies when no standard applies to the particular transaction or event or where there is a choice of accounting policy; and</li> <li>• Assist all parties to understand and interpret the standards</li> </ul>	<p>Replace “general purpose financial reporting” with “enterprise value reporting”, defined as financial accounting and disclosure, and sustainability-related financial-disclosure</p>
<p><b>The objective and users of general purpose financial reporting</b></p> <p><i>The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity.</i></p>	
<p><b>Qualitative Characteristics of Useful information</b></p> <ul style="list-style-type: none"> <li>• <i>Fundamental (faithful representation, relevance and materiality)</i></li> <li>• <i>Enhancing (comparability, verifiability, timeliness, understandability)</i></li> </ul>	<p>Replace “general purpose financial reporting” with “enterprise value reporting” for the common materiality definition (see adaptations needed for sustainability-related financial disclosure below)</p>



## Adapting IASB’s Conceptual Framework for Financial Reporting: Sustainability-related financial disclosure

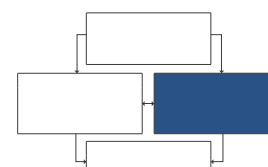
As shown in Figure 3, sustainability-related financial disclosure requires further adaptation for the following:

- Application of relevance and materiality
  - materiality: time horizon, enterprise value and boundary; and
  - relevance: metrics need to represent business model levers that are actionable by companies to improve performance
- Capitals/dimensions of sustainability

### Application of materiality

In IASB’s Conceptual Framework, financial information is considered material if: “*omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial reports make on the basis of those reports, which provide financial information about a specific reporting entity*”.

The following adaptations are needed to IASB’s materiality definition for the purposes of sustainability-related financial disclosure: time horizon, enterprise value, and boundary.



## Time horizon

Financial accounting and disclosure is often concerned with assessing the present state and past performance. Some sustainability matters may only translate into financial outcomes at a much later time, which is a reason that many of these matters are not currently being captured in the financial statements<sup>19</sup>. An adaptation is required because many providers of financial capital are interested in the short-, medium- and long-term financial performance of the company, including how sustainability-related matters may in the long-term affect enterprise value. For example, some governments have announced future bans on the sale of some types of vehicle power, such as diesel or petrol. The announced timeframes mean that they are unlikely to have any current financial effect for companies (but could have impairment implications in the current period). However, the companies will need to adapt to these changes, and they will eventually have financial consequences.

## Enterprise value

Users whose primary objective is economic decision-making need to understand an entity's performance on the sustainability matters that are material for creating enterprise value over the short-, medium- and long- term. This includes identifying the sustainability matters which are reasonably likely to affect a typical company's financial position (e.g., its balance sheet), financial performance (e.g., its income statement and cash flows) or risk profile (e.g., its cost of capital), all of which influence a company's enterprise value. Such sustainability-related financial information is intended to provide a more robust information set to provide insight into the entity's future performance and future value.

## Boundary

The boundary for sustainability-related financial disclosure has two aspects<sup>20</sup>:

- the reporting entity (i.e., the boundary used for enterprise value reporting purposes);
- risks, opportunities and outcomes attributable to or associated with other entities/stakeholders beyond the reporting entity<sup>21</sup> that have a significant effect on the ability of the reporting entity to create enterprise value.

## Application of relevance

Sustainability-related financial disclosures will in many cases be **industry-specific** and **metric-based**. Metrics need to represent business model levers that are actionable by companies to improve performance, and therefore improve enterprise value. This ensures that metrics capture the relationship between significant impacts (e.g., contributing to climate change) and drivers of enterprise value in a way that entities have agency over (e.g., fuel consumed and percentage renewable, for airlines). Such metrics are linked to the strategic and operational decisions made by the typical company in an industry<sup>22</sup>.

For example: a company that determines that scope 3 emissions are material for enterprise value would report its gross scope 3 emissions and select more specific metrics that represent the levers available to the company to drive performance on scope 3 emissions up and down the value chain. For a company that manufactures vehicles, this may be by measuring, managing, and reporting on the fuel economy of its fleet and its progress in bringing zero- or low-emission vehicles to market<sup>23</sup>.

## Capitals/dimensions of sustainability

The capitals and the dimensions of sustainability are organising constructs that our frameworks and standards have used to categorise the universe of sustainability matters into logical groupings of similar topics. While these constructs currently have differences, they are reconcilable but would require further work to harmonise fully. Please refer to the analysis in [Appendix 5](#), Table IA, and the relevant organisation's frameworks, for details on the definitions of the six capitals (<IR>), the three sustainability dimensions (GRI) and the five dimensions of sustainability (SASB)<sup>24</sup>.

19 Based on IFRS® (2020), [Speech: IASB Chair's keynote at the IFRS Foundation Virtual Conference](#)

20 <IR> Framework Paragraph 3.30

21 This is consistent with CDSB: REQ-07 Organisational boundary, in that an entity, where appropriate, should distinguish information reported for entities and activities outside that boundary. [See Appendix 5, Table IA.](#)

22 SASB Exposure draft: Characteristics of Sustainability Disclosure Topics: Actionable

23 SASB (2020), [Implementation Supplement: Greenhouse Gas Emissions and SASB Standards](#)

24 One of the objectives of the merger of IIRC and SASB into the Value Reporting Foundation is to harmonise <IR>'s six capitals and SASB's five sustainability dimensions.



## C. Prototype of a Sustainability-related Financial Disclosure Presentation Standard

### What is a Presentation Standard?

IFRS has a standard entitled: *IAS 1 – Presentation of Financial Statements*, which in paragraph 1 prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. This includes guidelines for their structure and the minimum content such as the statement of financial position, statement of profit or loss and other comprehensive income, and the statement of cash flows.

### Why is a Prototype of a Sustainability-related Financial Disclosure Presentation Standard needed?

Similar to the way that IAS 1 standardises presentation of the financial statements, sustainability-related financial information would benefit from a common approach to presentation that enables comparability across reporting periods and with the sustainability-related financial information reported by other entities. We believe the four pillars of the TCFD provide a useful structure for organising the presentation of climate and other sustainability-related financial information.

The four pillars of the TCFD: Governance, Strategy, Risk Management, and Metrics and Targets represent core elements of how organisations operate. They have been embraced by the market as the way to help investors and others understand how reporting organisations assess climate-related risks and opportunities. The European Commission's climate reporting guidelines, developed based on the Technical Expert Group (TEG)'s report, integrate all of the recommendations of the TCFD. Furthermore, in September 2020, New Zealand became the first country to mandate climate risk reporting in line with the TCFD recommendations, followed by the UK in November 2020, and Hong Kong in December 2020<sup>25</sup>.

The IFRS Foundation's consultation on sustainability disclosure concludes that climate-related information has been prioritised for early consideration, which is why it recommends taking a "climate-first" approach. Given the relevance of other environmental and social matters<sup>26</sup>, including human capital, we also include a Sustainability-related Financial Disclosure Presentation Standard. The Presentation Standard would enable future topic-specific standards and application guidance to share a consistent approach to reporting and would facilitate comparable disclosure across a range of material sustainability matters.

We have used the four pillars of TCFD as the basis for the wider set of sustainability-related financial risks and opportunities and to be the foundation of a Prototype Sustainability-related Financial Disclosure Presentation Standard.

See [Appendix 3](#) for the Prototype Sustainability-related Financial Disclosure Presentation Standard.

- 25 CDSB (2020), [New Zealand becomes first to implement mandatory TCFD reporting](#); Financial Conduct Authority (FCA) (2020), [FCA – Green Horizon Summit: Rising to the Climate Challenge](#); Reuters (2020), [Hong Kong sets new climate disclosure rules, aligns with global standard](#)
- 26 IFRS Foundation (2020), [Consultation Paper on Sustainability Reporting](#), pp 12-14 (Part 5: Scope – if SSB were to be established by the IFRS Foundation)

## D. Prototype of a Climate-Related Financial Disclosure Standard

**Disclaimer: The prototypes described below are not standards. The technical content has not been through any due process of the authors' organisations. Neither the IFRS Foundation nor the IASB have participated in the technical development of the content. The prototypes are provided for illustrative purposes only.**

This Prototype Climate-related Financial Disclosure Standard shall be interpreted in conjunction with the Prototype Sustainability-related Financial Disclosure Presentation Standard ([Appendix 3](#)) and concepts adopted and adapted from the IASB's Conceptual Framework ([Section 2B](#)).

The Prototype Climate-related Financial Disclosure Standard sets out the disclosure requirements that are to be used by management for the purpose of providing information about climate change-related financial risks and opportunities, and their impacts on the entity's financial performance, financial position and ability to create enterprise value. Such "climate-related financial information" includes narrative disclosures regarding:

- governance;
- strategy and risk management processes;
- quantitative targets and metrics; and
- assessment of strategic resilience to climate-related risks based on scenario analysis.

The Prototype Climate-related Financial Disclosure Standard adopts the structure and recommendations of the TCFD recommendations given their widespread uptake<sup>27</sup>. It also demonstrates how the TCFD's recommendations, in combination with our content, could be used as the basis for the development of a standard and thereby accelerate the work by creating a starting point for the development of global standards for sustainability-related financial disclosure.

The Prototype Climate-Related Financial Disclosure Standard also adopts and adapts relevant principles from certain standards and other materials produced by the IASB on the basis that climate information prepared according to the Prototype Standard would be presented with, and to complement, financial reports (including financial statements, management commentary and other financial information).

In setting out the basis for the Prototype Climate-related Financial Disclosure Standard, it is important to emphasise the shared approach to reporting and alignment of content between the TCFD and CDSB. While CDSB adopts a broader environmental focus that reflects the intrinsic interconnection between climate and other environmental matters, both organisations have sought to ensure the disclosure of material climate-related information through reporting on enterprise value in a manner that complements existing disclosure practices. This is evident both in the tables presented in [Appendix 5](#) and in the alignment mapping included in the TCFD's annex on implementing the recommendations. As such, the Prototype Climate-Related Financial Disclosure Standard integrates the CDSB Framework and the TCFD Recommendations.

Table 2 summarises the content of the prototype Climate-related Financial Disclosure Standard which is developed in full below.

<sup>27</sup> In their [Third Status Report](#) in October 2020, TCFD published that more than 1,500 organisations have expressed their support for the TCFD recommendations.

Table 2 – Prototype Climate-related Financial Disclosure Standard

Foundation		
Objective		
Scope		
Climate-related Financial Disclosures		
Governance		
Strategy	Strategy	<ul style="list-style-type: none"> <li>• Disclosure objective</li> <li>• Content</li> </ul>
	Business model	
	Outlook	
Risk management		
Metrics and targets	Operational	<ul style="list-style-type: none"> <li>• Disclosure objective</li> </ul>
	Risk	<ul style="list-style-type: none"> <li>• Content (including cross-industry and industry-specific climate-related financial disclosures)</li> </ul>
Prototype Annex A: Application guidance		
Cross-industry and industry-specific application guidance (metrics and targets)		
Prototype Annex B: Definitions		

Prototype Annex A and Prototype Annex B are found at the end of Section D: Prototype of a Climate-Related Financial Disclosure Standard. The annexes are distinct from the appendices located at the end of the paper.

## Foundation

### Objective of the Standard<sup>28</sup>

1. This Standard sets out the principles for the measurement and disclosure of climate-related financial information. The objective is to ensure that primary users of enterprise value reporting have information that enables them to assess:
  - a. the nature, type and extent of risks and opportunities arising from climate change to which the entity is exposed to during the reporting period and at the end of the reporting period;
  - b. the impact of climate-related risks and opportunities on the entity’s financial position and financial performance and ability to create enterprise value over the short-, medium- and long-term;
  - c. the way that management’s use of and effect on resources (inputs, activities, outputs, outcomes<sup>29</sup>) supports the entity’s response to and strategy for managing the opportunities and risks of climate change; and
  - d. the capacity of the company to adapt its business model and operations to manage climate-related risks and opportunities.

### Scope

2. This Standard applies to all climate-related risks<sup>30</sup> and opportunities<sup>31</sup>.

28 Please see objective row of table IA in [Appendix 5](#). The objective is inspired by, but does not originate directly from, CDSB, GRI, IIRC and SASB.

29 Please see explanatory glossary in [Appendix 4](#) for definitions of input, activity, output, and outcome.

30 Determined to be material for enterprise value by the entity (see [Prototype Annex B: Definitions](#))

31 Determined to be material for enterprise value by the entity (see [Prototype Annex B: Definitions](#))

## Climate-Related Financial Disclosures

### Governance

#### Disclosure objective

3. The objective of the disclosure requirements is to enable the primary users to understand the governance processes, controls and procedures used for managing climate-related risks and opportunities.






#### Content

4. To achieve the objective, the entity shall disclose:
  - a. a description of the board’s oversight of climate-related risks and climate-related opportunities;
  - b. a description of management’s role in assessing and managing climate-related risks and opportunities;
  - c. the identity of the board member, senior executive or committee responsible for climate-related risks and opportunities;
  - d. board skills and competencies to govern and manage strategies designed to respond to climate-related risks and opportunities; and
  - e. a description of how the board holds management accountable for the implementation of climate-related policies, strategies and targets, including whether and how related performance metrics are incorporated into remuneration policies.
5. The governance arrangements related to climate risk and opportunities should be explained alongside other governance disclosures in enterprise value reporting. An entity need not duplicate information about the governance arrangements for climate-related risks and opportunities if it is already presented in enterprise value reporting. The entity can cross-reference to information within the same report or another report provided that the information is available to the same users on the same terms (including timing) and that any adaptations to governance processes to cater for the unique characteristics of climate-related risks are clearly explained.

This Governance section includes the following TCFD Recommendations:

- a. Describe the board’s oversight of climate-related risks and opportunities.
- b. Describe management’s role in assessing and managing climate-related risks and opportunities.

[Appendix 5](#), Table IIIA shows the relevant content from CDP, CDSB, GRI, IIRC, and SASB for this section, which leverages the existing work done by the Better Alignment Project (BAP).

	Governance: board oversight and management responsibility
	REQ-01 Governance
	GRI 102 About the Organization*: Governance *Exposure draft
	4B Governance
	Section 5.0: Standards Application Guidance

## Strategy, Business Model, and Outlook

### Disclosure objective

6. The objective of the disclosure requirements is to enable the primary users of information to understand the way in which the implications of climate-related risks and opportunities are integrated into the entity's strategy and implications for the entity's business model, including how resources are to be used to support strategic resilience to climate-related risks and to realise climate-related opportunities.

### Content

7. Table 3 describes the disclosure requirements that enable entities to achieve the disclosure objective.

Table 3 Disclosure requirements for strategy, business model and outlook

Description of climate-related risks and opportunities	Impacts of climate-related risks and opportunities on the entity	Effect of climate-related risk and opportunities on decisions and plans of the entity	Resilience to climate-related risks and opportunities
A description of the climate-related risks and opportunities that enhance, threaten or may change the entity's business model and strategy over the short-, medium- and long-term	A description of the impact of identified climate-related risks and opportunities on the entity's business model and strategy	Details of whether and how climate-related risks and opportunities and the associated impacts serve as an input to the entity's decision-making, strategy formulation and financial planning process, including decisions and plans	An analysis of whether and how the resilience of the entity's strategy and business model may be affected by climate-related risks and opportunities






To achieve the objective, the entity shall disclose:

8. **Description of climate-related risks and opportunities:** A description of the climate-related risks and opportunities that enhance, threaten, or may change the entity's business model and strategy over the short-, medium- and long-term, including:
  - a. the nature of the risk and how it is categorised according to the definition of climate risks and opportunities (please see [Prototype Annex B](#));
  - b. how each risk arises or is expected to arise;
  - c. how the entity defines short-, medium- and long-term for this purpose and whether the definition is linked to the useful life of its assets and infrastructure and/or the entity's strategic planning horizon; and
  - d. whether the source of risks and opportunities originates with external parties on which the entity is dependent for performance e.g., supply chain, utilities, logistics etc.

This Strategy, Business Model, and Outlook section includes the following TCFD Recommendations:

- a. Describe the climate-related risks and opportunities the organization has identified over the short-, medium-, and long-term.
- b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.
- c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

[Appendix 5](#), Table IIIA shows the relevant content from CDP, CDSB, GRI, IIRC, and SASB for this section, which leverages the existing work done by the Better Alignment Project (BAP).

	<b>Strategy</b> Risk and opportunities Business Strategy
	<b>Strategy</b> REQ-02 Management's environmental policies, strategy, and targets <b>Outlook</b> REQ-06 Outlook
	<b>Strategy</b> [GRI 102: About the Organization: Responsible business conduct*] *Exposure draft
	<b>Strategy</b> 4E Strategy and resource allocation <b>Business Model</b> 4C Business model <b>Outlook</b> 4G Outlook
	<b>Strategy</b> Section 5.0: Standards Application Guidance Disclosure topics and accounting standards <b>Business Model</b> [SASB Standards - disclosure topics and account standards]

9. **Impacts of climate-related risks and opportunities on the entity:** A description of the impact of identified climate-related risks and opportunities on the entity's business model and strategy, including:
- a. whether risk is concentrated in certain segments of the entity's business and value/supply chain, including:
    - i. Descriptions and quantification that gives insight into the extent of risk in those areas of concentration: asset bases, facilities, geographies, products or other categorisation to quantify value at risk (e.g., x assets in regions with high baseline water stress, properties located in designated flood hazard areas);
  - b. how climate-related risks and opportunities impact aspects or areas of the business model<sup>32</sup> and strategy, including:
    - i. adaptation and mitigation activities;
    - ii. products and services;
    - iii. supply chain/value chain;
    - iv. investment in research and development;
    - v. operations (including types of operations and locations of facilities);
    - vi. availability; and
    - vii. price of inputs and business model dependencies;
  - c. the extent of the climate risk exposures that the entity manages, and changes in the risk exposure since the previous reporting period;
  - d. changes in management's strategy to address climate change since the previous reporting period;
  - e. the estimated time horizons over which the identified climate-related risks and opportunities are expected to manifest;
  - f. primary trends that are monitored by the entity for the purposes of assessing the impact of climate-related risks and opportunities on the entity's strategy;
  - g. the impact and estimates of the potential impacts of climate-related risks and opportunities on financial performance, financial position and financial planning (see also metrics and targets); and
  - h. descriptions of the impact of climate-related risks and opportunities on the entity's strategy and business model (as listed above) shall explain whether and how offsetting or other approaches are used or anticipated in order to manage impacts.
10. **Effect of climate-related risk and opportunities on decisions and plans of the entity:** Details of whether and how climate-related risks and opportunities and the associated impacts serve as an input to the entity's decision-making, strategy formulation and financial planning process, including decisions and plans about:
- a. climate-related research and development investments and activities and adoption of new technology;
  - b. existing and committed future climate-related activities such as investments, restructuring, write-downs, or impairment of assets;
  - c. critical planning assumptions around legacy assets, for example, strategies to lower carbon-, energy-, and/or water-intensive operations;
  - d. how GHG emissions, energy, land, and water issues, if applicable, are considered in capital planning and allocation; this could include a discussion of major acquisitions and divestments, joint ventures, business transformation, supply chain innovation and investments in technology, innovation, and new business areas in light of changing climate-related risks and opportunities;
  - e. the organisation's flexibility in positioning/repositioning capital to address emerging climate-related risks and opportunities;
  - f. mitigation of risks and adaptation to risks and opportunities directly or indirectly through customers, supply chains, markets, certification schemes etc. and activities that substantially contribute to climate change mitigation and adaptation;
  - g. how management intends specific elements of the entity's financial position to change over time in line with the entity's strategy to address climate-related risks and opportunities, including changes in the composition of the portfolio of products, services or offerings, divestments or acquisitions that support the climate strategy and plans to diversify or strengthen the supply chain. Disclosures should explain how plans are to be resourced and what investments or financial instruments are to be used to support plans; and
  - h. how management intends specific elements of the entity's financial performance to change over time in line with the entity's strategy to address climate-related risks and opportunities, including increased revenue from products and services linked to a lower-carbon economy and/or net costs of climate adaptation or mitigation.

<sup>32</sup> Accompanying guidance could (per the CDSB Framework, requirement 2) encourage entities to explain whether business model dependent inputs are at risk as critical raw materials, are subject to known limits, or have been audited to identify licenses, rights, assets etc., that might strengthen or weaken access to inputs.

11. **Resilience to climate-related risks and opportunities:** An analysis of whether and how the resilience of the entity's strategy and business model may be affected by climate-related risks and opportunities, including:
- how the analysis has been conducted, including:
    - Whether it has been conducted against a range of climate-related scenarios including a 2 degree Celsius or lower scenario and scenarios consistent with increased physical climate-related risks and if so, which scenarios have been considered, source of the scenario used, and on which scenarios the assessment of strategic resilience is based;
    - The time horizon over which the analysis has been conducted;
    - The input parameters, analytical choices used and forward-looking assumptions made by management about the way in which the low carbon transition will affect the entity, including policy assumptions, macroeconomic trends, energy pathways, technology assumptions and including cases where management's base case and climate/transition expectations materially diverge;
  - the results of the analysis, including whether the entity may be affected, potential financial implications (which may be expressed in quantitative or qualitative terms or ranges that are indicative of the effect of possible trends and strategic direction), and whether changes to the strategy might be needed to address climate-related risks and opportunities in different scenarios; and
  - an assessment of strategic resilience taking account of scenario analysis and how the entity's financial position supports the resilience of the organisation's strategy over the short-, medium- and long-term, including:
    - physical climate risk: how assets and investments are aligned with or are sufficiently flexible to be reallocated, decommissioned, repaired and upgraded, in the event of physical disruption from climate change; and
    - transition risk: the amount of actual or planned investment in low carbon alternatives (and what proportion that represents of overall investment) and the degree of capital flexibility available to withstand climate shocks.
12. The strategy, business model, and outlook content elements related to climate risk and opportunities should be explained alongside similar disclosures in enterprise value reporting. An entity need not duplicate information about the strategy, business model, and outlook (resilience to climate-related risks and opportunities) content elements for climate-related risks and opportunities if they are already presented in enterprise value reporting. The entity can cross-reference within the report or by cross-reference from another report provided that it is also available to the same users on the same terms (including timing) and that any adaptations to the arrangements to cater for the unique characteristics of climate-related risks are clearly explained.

## Risk Management

### Disclosure objective

13. The objective of the disclosure requirements is to enable the primary users to understand how climate-related risks are identified, assessed and managed and what risk management process is used.






### Content

14. To achieve the objective, the entity shall explain its risk management process and strategy for each category of climate-related risk that it identifies and disclose:
- how risks are identified and prioritised;
  - the process used to assess the impact of the risk;
  - the extent of the climate risk exposures that the entity manages (and whether or how it is linked to the risk appetite statement);
  - policies, objectives, activities and processes used for managing the risk and substantially contributing to climate change mitigation and adaptation<sup>33</sup>;
  - how the risk is measured;
  - whether and how the processes used for identifying, assessing and managing climate-related risks are integrated into the organisations overall risk management.
15. Risk management related to climate risk and opportunities should be explained alongside other risk management disclosures in enterprise value reporting. An entity need not duplicate information about risk management for climate-related risks and opportunities if it is already presented in enterprise value reporting. The entity can cross-reference within the report or by cross-reference from another report provided that it is also available to the same users on the same terms (including timing) and that any adaptations to the arrangements to cater for the unique characteristics of climate-related risks are clearly explained.

This Risk Management section includes the following TCFD Recommendations:

- Describe the organization's processes for identifying and assessing climate-related risks.
- Describe the organization's processes for managing climate-related risks.
- Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

[Appendix 5](#), Table IIIA shows the relevant content from CDP, CDSB, GRI, IIRC, and SASB for this section, which leverages the existing work done by the Better Alignment Project (BAP).

	Risks and opportunities Business strategy Procedures
	REQ-03 Risks and opportunities
	GRI 102 General Disclosure
	4D Risks and opportunities
	Section 5.0: Standards Application Guidance Disclosure topics and accounting standards

<sup>33</sup> See Article 10.1 (substantial contribution to climate change mitigation) and 11.1 (substantial contribution to climate change adaptation) in Official Journal of the European Union (2020), [Article 10.1 \(mitigation\) and 11.1 \(adaptation\) in Reg. EU/2020/852](#).

## Metrics and Targets

### Disclosure objective

16. The objective of the disclosure requirements is to enable the primary users to understand the metrics and targets used to assess and manage climate-related risks and opportunities.


### Content

17. To achieve the objective, an entity shall disclose **cross-industry and industry-specific matters**. The application guidance includes the recommended cross-industry and industry-specific disclosures. Please see [Prototype Annex A](#) and download the industry-specific [Climate Disclosures Guide](#).
18. In cases where an entity does not conform with the recommended disclosures, management shall identify those disclosures which it has not disclosed, in whole or in part, or any modifications made to the disclosures. This shall be accompanied by an explanation of the relevant circumstances, the nature of the omission or modification and the organisation's plans for full conformance.
19. For each matter, the entity shall disclose:
20. metrics used to **measure and manage climate-related risks and opportunities**, including:
- the current carbon price or range of prices used for assessing climate risks and making investment and strategic decisions; and
  - the effect on these climate-related risks and opportunities of strategic and operational decisions made by companies to manage performance;
21. metrics that reflect the **impact of climate-related risks and opportunities on the entity's financial performance** including:
- financial impacts on income and expenses, operating costs and revenues, savings from investment in low carbon alternatives and the potential effect on future income/cash flows/ revenue including the amount, timing and any associated uncertainties;
  - metrics for historical periods that allow for trend analysis; and
  - analysis of how climate-related risks and opportunities have affected year on year financial performance, what has been achieved in relation to climate-related targets and how the degree of climate-related risk to which the organisation is exposed has changed in the reporting period;
22. metrics that reflect the **impact of climate-related risks and opportunities on the entity's financial position** including:
- change in the useful life of assets;
  - the potential effect on asset values (including the percentage of change);
  - the viability of projects and the contingencies; and
  - patents and other rights;
23. where metrics show physical inputs to and outputs from the business as intensity measures, they should be shown per unit of economic output; and
24. metrics that directly or indirectly affect the availability, quality or price of inputs and outputs.
25. The entity shall further disclose:
- metrics that analyse the degree to which financial results are sensitive to climate-related factors such as changes in the price of carbon or key commodities; and
  - metrics used to incentivise or monitor the board and management's progress against strategic and operational goals that are designed to address climate-related risks and opportunities including the key metrics and targets tied to executive remuneration policies and plans.

This Metrics and Targets section includes the following TCFD Recommendations:

- Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
- Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
- Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets

[Appendix 5](#), Table IIIA shows the relevant content from CDP, CDSB, GRI, IIRC, and SASB for this section, which leverages the existing work done by the Better Alignment Project (BAP).

	Governance Carbon pricing system Additional metrics Targets and Performance Current state Risk and opportunities Business strategy Target Implementation
	REQ-04
	GRI 102* GRI 103* GRI 200, 300, 400 *Exposure draft
	[4F Performance]
	Section 5.0 – Application Guidance Disclosure topics and accounting standards



26. An entity shall disclose targets that:
- are set by management to mitigate or adapt to climate change-related risks, maximise climate-related opportunities and achieve strategic goals, including details of:
    - the target and associated ambition, such as:
      - science based targets to achieve 2 degree Celsius warming or lower;
      - targets that relate to the reduction of GHG emissions, water usage, energy usage in line with anticipated regulatory requirements or market constraints or other goals;
    - plans for achieving the target, including how those plans will be resourced; and
    - key performance indicators used to assess performance against targets and strategic goals.
27. An entity shall describe the methodology used for the calculation or estimation of metrics and targets, scope of what is included, and any assumptions underlying the calculation or estimation, including details of:
- The year in which the target was set, the baseline from which performance is measured, and the year the entity will achieve the target.

## Prototype Annex A for climate-related financial disclosure standard: Application guidance on recommended disclosure topics and metrics

### Application Guidance: Recommended disclosure topics and metrics

#### Cross-industry disclosures

28. Cross-industry disclosures are disclosures that are relevant to all entities, regardless of their industry and business model:

Table 4 – Cross-industry metrics<sup>34</sup>

Illustrative Financial Category	Metric <sup>35</sup>	Unit	Source
Revenues, expenditures, assets	Scope 1,2, and 3 emissions, including methodologies and emission factors used	MT of CO <sub>2</sub> e	GRI: 305-1, 305-2, 305-3 CDP: C6.1, C6.3, C6.5, C5.2, C5.2a
Expenditures	Expenditures (OpEx) for low-carbon alternatives (e.g., R&D, equipment, products, or services)	Local Currency	CDP: C4.3, C4.3c, (C-CO9.6a/C-EU9.6a/C-OG9.6a)
Assets	Investment (CapEx) in low-carbon alternatives (e.g., capital equipment or assets)	Local Currency	CDP: C-EU9.5a, C-EU9.5b, (C-CE9.6/C-CG9.6/C-CH9.6/C-CN9.6/C-CO9.6/C-EU9.6/C-MM9.6/C-OG9.6/C-RE9.6/C-ST9.6/C-TO9.6/C-TS9.6), (C-CO9.6a/C-EU9.6a/C-OG9.6a)
Revenues	Revenues/savings from investments in low-carbon alternatives (e.g., R&D, equipment, products or services)	Local Currency	CDP: C4.3b SASB: NR0103-14
Expenditures, revenue, assets	Describe current carbon price or range of prices used and how your organization uses an internal price on carbon	Local Currency	CDP: C11.3, C11.3a SASB: NR0101-22, NR0201-16
Expenditures	The key metrics and targets tied to executive remuneration policies and plans	--	CDP: C1.3, C1.3a

34 Table 4 is consistent with the climate change theme in the World Economic Forum International Business Council (IBC)'s Stakeholder Capitalism Metrics, which includes scope 1, 2, and 3 emissions and fully implements the recommendations of the TCFD. These metrics have not been subject to a standard-setting due process.

35 These cross-industry metrics for all companies have not been subject to broad consultation/ due process. This consultation/ due process would need to be completed before this standard could be finalised.

29. Generally, the entity should report matters and associated metrics that are material to enterprise value based on its business model and operations. However, as with specific public policy or regulatory requirements explained above, universal asset owners may call for specific disclosures that may not influence an individual company's enterprise value (i.e., do not manifest as entity-specific risks or opportunities) but, in aggregate, create risk for an overall investment portfolio. The risk to portfolios of climate change is one such example. Universal asset owners' collective call for reporting of such disclosures across all companies can inform regulatory action to mandate specific disclosures that enable management of such risks. In cases in which the entity determines that Scope 1, Scope 2, and/or Scope 3 emissions are not likely to be material for enterprise value, the entity is still therefore recommended to disclose this information, as expectations around disclosure of this information are increasing among both asset owners and asset managers. For example, asset owners and asset managers are likely to request this information from portfolio companies due to the TCFD's recommendation that asset owners and managers report the weighted carbon intensity for each of their funds or investment strategies as well as the EU Climate Benchmark<sup>36</sup>. Thus, many companies will be asked by their investors, for example Climate Action 100+<sup>37</sup>, to report Scope 1, 2, and 3 GHG emissions regardless of a company-level materiality determination.
30. The other cross-industry metrics in the above table, such as expenditures for low carbon alternatives and revenues/savings from investments in low-carbon alternatives, have been included as recommended cross-industry disclosures that all companies may report (where appropriate/relevant). These metrics have been included to suggest a standardised approach to disclosing such information for all companies given that these metrics are already widely requested, widely used, and commonly reported<sup>38</sup>. The first column of the table "illustrative financial category" provides an example of how each of these metrics could relate to actual or potential effects to the entity's financial position or performance. For example, a description of the current carbon price, or range of prices used, provide investors with a proper understanding of the reasonableness of assumptions made as input for their risk assessment and their assessment of an organisation's key assets.

#### Industry-specific disclosures

31. This application guidance is intended to support an entity in the application of materiality to determine which disclosures represent financially material risks and opportunities to its business.
32. After determining the entity's appropriate industry or industries, the company should also determine which industry-specific disclosures to report. To do so, an entity should determine which of the SASB disclosure topics for each industry in the Climate Disclosures Guide (please download separate [Climate Disclosures Guide](#) excel file) are applicable to it. Note that because SASB standards are designed to address sustainability matters that are applicable to the typical entity within an industry, in some cases they may:
- include disclosures that, for certain entities, may not drive enterprise value for the short-, medium-, or long-term; and/or;
  - not necessarily include every sustainability factor that drive enterprise value for the entity.
33. Similarly, an entity may find that additional disclosures not included in the SASB standards are relevant to its business strategy based on its specific facts and circumstances. This is especially true for entities with hybrid or unique business models, or for entities in industries where business models vary significantly around the world.

#### Prototype Annex B for climate-related financial disclosure standard: Definitions

34. **Climate-related risks** – Climate-related impacts that are reasonably likely to negatively affect enterprise value. The level of exposure and the impact of climate-related risks differ by sector, industry, geography, and organisation. Examples include transition risks (e.g., reputation, technology, market) and physical risks (acute and chronic), which management consider as part of their risk management process to determine their potential financial implications<sup>39</sup>.
35. **Climate-related opportunities** – Climate-related impacts that are reasonably likely to positively affect enterprise value. Efforts to mitigate and adapt to climate change also create opportunities for organisations, for example, through resource efficiency and cost savings, the adoption of low-emission energy sources, the development of new products and services, access to new markets, and enhancing resilience along the supply chain<sup>40</sup>.

36 Administrators of EU Climate Transition and EU Paris-aligned Benchmarks should ensure that data on all three scopes of emissions is obtained prudentially and is accurate according to the GHG Protocol, ISO 14064 or ISO 14069.

37 Climate Action 100+ is an investor initiative, launched in 2017, to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. More than 500 investors with over \$47 trillion in assets collectively under management are engaging companies to: curb emissions, improve governance, and strengthen climate-related financial disclosures.

38 These metrics all exist in the TCFD's Final Report illustrative metrics annex.

39 Although the TCFD does not define this term, detailed examples are provided in Table 1 of the TCFD's 2017 Final Report.

40 Although the TCFD does not define this term, detailed examples are provided in Table 2 of the TCFD's 2017 Final Report.

# 03

## Concluding remarks



### 3. Concluding remarks

In this paper, we have demonstrated why disclosure of performance on sustainability matters that influence enterprise value should ideally be reported along with information that is already reflected in the financial accounts and disclosures. By identifying the common components of *sustainability-related financial disclosure* and *financial accounting and disclosure*, we have also demonstrated why sustainability-related financial disclosure can be seen as a natural extension of the IFRS Foundation's current role. This would mean connecting sustainability-related financial disclosure standards focused on enterprise value to standards for financial accounting and disclosure, with integrated reporting (based on the guiding principles of the <IR> Framework) as the framework that connects the two. This model would also enable a system that can integrate the elements set out by the TCFD (governance, strategy, risk management, metrics and targets), apply those elements across all sustainability matters and embed them in corporate disclosure, with the same level of quality and controls as we see in financial reporting.

We have provided insight into how such an ambition can be achieved practically by building on frameworks and standards that already exist. We have offered this content in the form of prototypes, so that it can serve as useful input for the Trustees of the IFRS Foundation, who have not been involved in the technical development of this paper, but who are currently consulting on the role that the IFRS Foundation could play by broadening its role beyond setting financial reporting standards. We hope that this paper will also serve as useful input for current thinking by global, regional and jurisdictional policymakers, as well as regulators. We believe that IOSCO can play a leading and critical role in facilitating cooperation towards a comprehensive corporate reporting system that can help to deliver much-needed transparency on how sustainability matters influence enterprise value and companies contribute to sustainable development. Commenting on both the IFRS Foundation's consultation and our joint statement of intent, Erik Thedéen, Chair of IOSCO's Sustainable Finance Taskforce, has noted that while these initiatives are currently running in parallel, IOSCO is keen to see them come together.

We believe that conditions are ripe for the development of a globally accepted comprehensive corporate reporting system. Climate change, the global pandemic and the increasingly clear connection between sustainability performance and financial risk and return are driving a sense of urgency. Stakeholders across the ecosystem have recognised this and, through various initiatives and calls for action from many players, including policy makers, there is a groundswell of support for a system change. Meanwhile, the increasing collaboration among the framework- and standard-setting organisations offers an opportunity to accelerate progress. This includes collaboration with initiatives that respond fast to market needs and policy developments by enabling the creation of behavioural norms that, once refined and rooted in corporate practice, can be considered for inclusion in standards. For example, CDP is innovating disclosure by aligning with and amplifying the TCFD's recommendations, as well as scaling and beginning to normalise science-based targets and internal carbon pricing.

We are committed to engaging with all stakeholders to achieve the progress that is urgently needed, including IOSCO and the IFRS Foundation, as well as other interested stakeholders across the ecosystem, such as governments, companies, investors, and civil society. We ask everyone to engage and be active in driving progress towards comprehensive corporate reporting.

# Appendices

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## APPENDIX 1

### The links between capitals, value creation and enterprise value

The value creation process, as depicted in figure 4 below, describes how value created by an organisation over time manifests itself in increases, decreases or transformations of six capitals that are commonly used by and created by businesses: financial, manufactured, intellectual, human, social/relationship, and natural. The following extracts from the <IR> framework elaborate on the relationship between the external environment, the company's business model, and the capitals as inputs, outputs and outcomes in this value creation process:

**2.21** *The external environment, including economic conditions, technological change, societal issues and environmental challenges, sets the context within which the organization operates.*

**2.23** *At the core of the organization is its business model, which draws on various capitals as inputs and, through its business activities, converts them to outputs (products, services, by-products and waste). The organization's activities and its outputs lead to outcomes in terms of effects on the capitals. The capacity of the business model to adapt to changes (e.g., in the availability, quality and affordability of inputs) can affect the organization's longer term viability.*

**2.29** *The value creation process is not static; regular review of each component and its interactions with other components (...) lead to revision and refinement to improve all the components.*

Value creation, as part of the value creation process, is explained by the <IR> Framework 2B 2.4:

*"Value created by an organization over time manifests itself in increases, decreases or transformations of the capitals caused by the organization's business activities and outputs. That value has two interrelated aspects – value created for:*

- *The organization itself, which enables financial returns to the providers of financial capital*
- *Others (i.e., stakeholders and society at large)."*

The <IR> framework therefore describes how an organisation creates enterprise value in the short-, medium- and long-term, and how this enterprise value fits within broader value creation.

Enterprise value is interrelated with value created for others<sup>41</sup>, and as highlighted in the <IR> Framework 2.5:

*"Providers of financial capital (...) are also interested in the value an organization creates for others when it affects the ability of the organization to create value for itself, or relates to a stated objective of the organization (e.g., an explicit social purpose) that affects their assessments.*

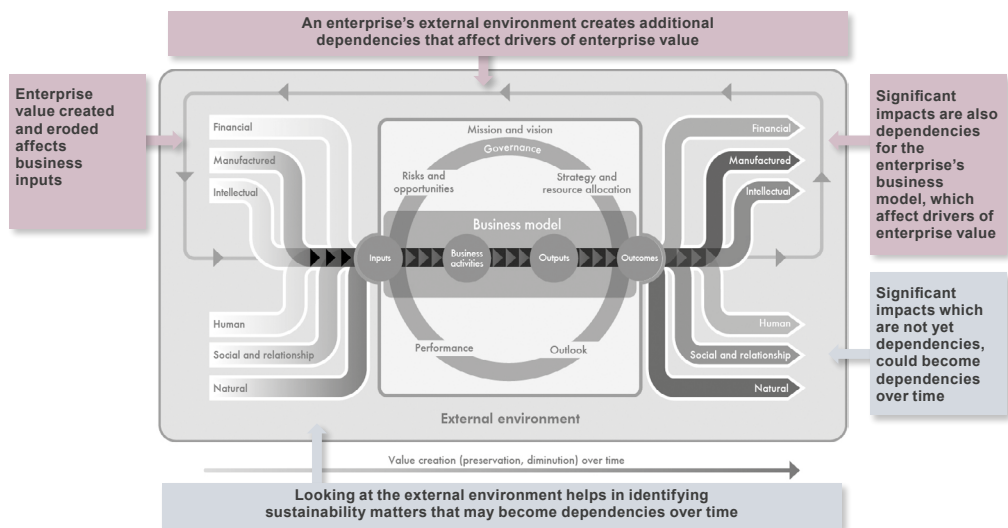
After considering externalities and effects of an organisation's activities on the wider environment, a company will apply a filter so that its interactions, activities, and relationships that are likely to affect the organisation's ability to create value for itself are included in enterprise value reporting<sup>42</sup>. This filter therefore focuses on which sustainability matters across the capitals are likely to affect a typical company's financial position (e.g., its balance sheet), financial performance (e.g., its income statement and cash flows) or risk profile (e.g., its cost of capital) – and in turn the organisation's financial capital. For example, significant changes to the availability, quality, and affordability of a natural capital (e.g., water) that the organisation uses is likely to affect the organisation's future financial performance, i.e., its financial capital.

Figure 4 below shows the value creation process diagram as per the <IR> Framework with colour coded boxes around the outside to illustrate the links between the business model and the materiality lenses as described in Section 1 Figure 1.

<sup>41</sup> <IR> Framework 2.6

<sup>42</sup> <IR> Framework 2.7

Figure 4 - <IR> Framework's value creation process and its link to the materiality lenses



## APPENDIX 2

### Origins and objectives of sustainability reporting

Sustainability reporting is a company's practice of reporting publicly on its most significant economic, environmental, and/or social impacts, and hence its contributions – positive or negative – towards the goal of sustainable development.

The GRI standards that have been developed to support the practice of sustainability reporting currently cover disclosures on a wide range of economic, environmental and social sustainable development-related topics ranging from climate change, diversity, human rights and occupational health and safety to biodiversity, tax, waste and water<sup>43</sup>. The disclosures enable companies to evidence their significant impacts, and explain their management approach, including forward-looking information such as goals and targets. Additionally, sustainability reports include disclosures for contextual information about the organisational profile, strategy, responsible business conduct policies and practices, reporting approach and stakeholder engagement.

In keeping with the principle that sustainability reporting should facilitate an understanding of a company's impacts and contribution to sustainable development, the standards that support this aim recognise the value of authoritative intergovernmental instruments in defining these impacts and contributions<sup>44</sup>. Reporting in accordance with sustainability reporting standards therefore reflects the responsibilities arising from these instruments, as well as societal expectations and concerns (e.g., diversity and inclusion, rising inequality and related themes like tax transparency). Sustainability reporting standards enable companies to report their impacts and performance:

- in the context of thresholds, and to draw on objective information and authoritative measures of sustainable development (e.g., scientific research or consensus on ecological limits, societal expectations);
- with reference to broader sustainable development conditions and goals, as reflected in recognised sector-specific, local, regional, or global instruments (e.g., reporting total GHG emissions as well as reductions in GHG emissions with reference to the Paris Agreement);
- with reference to expectations of responsible business conduct set out in internationally recognised instruments with which it is expected to comply (e.g., OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights);
- in a way that communicates its impacts in appropriate local contexts (e.g., reporting total water use as well as water use relative to the sustainable thresholds and the social context of given catchments).

#### Sustainability Reporting: Multi-stakeholder by design

Sustainability reporting in the public interest has been developed over more than 20 years in an international consensus-seeking process that includes business, labour unions, civil society, investment institutions, academics and intergovernmental institutions.

Expertise on sustainable development topics resides with stakeholders that are affected and topic experts. By involving them systematically, sustainability reporting has become the comprehensive reporting practice that reflects the information needs of all stakeholders that aim to understand the impacts of an organisation's activities on the economy, environment and people in a holistic way. Individual stakeholder groups stand to gain significantly from this approach as it results in a more complete and objective depiction of impacts and related performance, regardless of the nature of the decisions they seek to make using sustainability disclosures, whether related to financial, regulatory, employment, campaigning or other outcomes.

Global objectives related to sustainable development – such as achieving the ambitions set out in the SDGs by 2030 and a resilient net-zero carbon economy by 2050 as per the Paris Agreement – require transformation of business models as well as wider economic and social transformation. In this context, sustainability reporting has a key role to play to make all significant impacts of an organisation's activities on the economy, environment and people transparent, enable dialogue and informed decision-making and thereby facilitate a just transition.

### The relevance of sustainability reporting for investors

Investment institutions have long been a key and active audience of sustainability reporting and associated standard-setting efforts. In the context of sustainability reporting, investment institutions are a diverse group with differing objectives and types of risk exposure, as well as a wide range of interests in relation to sustainable development that are inclusive of, but are not necessarily reflected in, enterprise value.

The faith-based, ethical and socially responsible investor movements were early supporters of sustainability reporting. In their quest to invest based on normative principles, they have demanded, alongside like-minded stakeholder groups, more transparency on the impacts of their investments. There is also a growing number of instances in which certain investors have excluded individual companies or even entire industries from their investment universe based on environmental and social criteria.

43 For example, GRI Sustainability Reporting Standards currently cover 34 topic-specific standards in addition to three universal standards, which address governance and contextual disclosures as well as reporting principles and generic characteristics.

44 The GRI Standards, for example, are developed in line with the ILO Declaration on Fundamental Principles and Rights at Work and the eight core conventions (1988), the OECD Guidelines for Multinational Enterprises (2011), UN International Bill of Human Rights (1948-1966), the UN Guiding Principles on Business and Human Rights (2011), the UN Resolution Transforming our world: the 2030 Agenda for Sustainable Development (2015) and the Paris Agreement (2015).



Today this group is joined by impact investors, who set explicit positive impact objectives (for example, to contribute to achievement of the SDGs) and a just transition to a more resilient, green and equitable economy.

### Systemic risks and impacts

An understanding of the exposure to systemic risks related to sustainable development topics is also building among asset owners with long-term investment horizons and liabilities that span decades. Such asset owners increasingly realise that they cannot succeed in funding their liabilities in an economic system that ignores environmental externalities<sup>45</sup>.

A good indication of such investor interest is the rising investor demand for companies to fill in CDP's survey on climate change, deforestation and water security, which includes but extends beyond sustainability matters that influence company-specific enterprise value. In 2020, over 515 investors with US\$106 trillion in assets signed the CDP disclosure request across climate change, water and forests. In the near future, CDP will expand its work to cover the full range of planetary boundaries, adding Land and Oceans as well as other critical environmental themes.

The ultimate systemic risk faced by universal asset owners in the context of climate change is the collective failure to achieve the Paris Agreement, implying catastrophic consequences for humanity and with that, the global economy. Achieving the Paris Agreement will necessitate profound changes in the business models of most industries and the just transition to a resilient and equitable net-zero carbon economy by 2050. The full set of information needed for both universal asset owners and policymakers to evaluate progress towards achieving the Paris Agreement extends beyond the scope of company-specific determinations of sustainability matters that influence their enterprise value.

45 UNEP Finance Initiative and PRI (2011), [Universal Ownership: Why environmental externalities matter to institutional investors](#)

## APPENDIX 3

### Prototype of a Sustainability-related Financial Disclosure Presentation Standard

**Disclaimer: The prototypes described below are not standards. The technical content has not been through any due process of the authors' organisations. Neither the IFRS Foundation nor the IASB have participated in the technical development of the content. The prototypes are provided for illustrative purposes only.**

Table 5 lays out the prototype Sustainability-related Financial Disclosure Presentation Standard which will be discussed below.

Table 5 – Prototype Sustainability-related Financial Disclosure Presentation Standard

Foundation		
Objective		
Scope		
General Features		
Comparative information		
Materiality		
Content Elements		
Governance		
Strategy	Strategy	<ul style="list-style-type: none"> <li>• Disclosure objective</li> <li>• Content</li> </ul>
	Business model	
	Outlook	
Risk management		
Metrics and targets	Operational	<ul style="list-style-type: none"> <li>• Disclosure objective</li> </ul>
	Risk	<ul style="list-style-type: none"> <li>• Content (including cross-industry and industry-specific sustainability-related financial disclosures)</li> </ul>
Prototype Annex A: Definitions		
<i>Prototype Annex A is found at the end of this section.</i>		

## Foundation

### Objective

1. This standard sets out the basis for presentation of sustainability-related financial information in enterprise value reporting. The purpose is to ensure a common approach to presentation of sustainability-related financial information that enables comparability of the entity's sustainability-related financial information across reporting periods and with the sustainability-related financial information of other entities. The standard sets out the overall requirements for the presentation of sustainability-related financial information in enterprise value reporting and minimum requirements for content.
2. In aligning with those principles, sustainability-related financial information in enterprise value reporting should include:
  - a. forward-looking information;
  - b. information that possesses the qualitative characteristics described in IASB's Conceptual Framework, as adapted for sustainability-related financial disclosures<sup>46</sup>; and
  - c. complement and supplement existing financial accounting and disclosure through financial statements and management commentary.

### Scope

3. An entity shall apply this standard in preparing and presenting sustainability information in enterprise value reporting that has been prepared in accordance with [International Financial Reporting Standards, national laws, governance codes, etc.]
4. Other standards set out the disclosures and disclosure requirements for specific sustainability topics.

<sup>46</sup> Please refer to [Section 2B](#) of the paper.

## General Features

### Comparative information

5. The disclosures shall present comparative information in respect of the preceding periods for quantitative measures when it is relevant to understanding the current period's results. "Except when [the Standards] permit or require otherwise, an entity shall present comparative information in respect of the preceding period for all amounts [and metrics] reported in the current period's [statements]. An entity shall include comparative information for narrative and descriptive information if it is relevant to understanding the current period's financial statements. (...) In some cases, narrative information provided in the financial statements for the preceding period(s) continues to be relevant in the current period"<sup>47</sup>.

### Materiality and relevance

6. Please refer to the adaptations made to the IASB Conceptual Framework for Financial Reporting ([Section 2B](#)).

## Content Elements<sup>48</sup>

### Governance

#### Disclosure objective

7. The objective of the disclosure requirements is to enable the primary users to understand the governance processes, controls and procedures used for managing sustainability-related risks and opportunities and how those processes, controls and procedures relate to the governance and management of the entity.

#### Content

8. To achieve the objective, the entity shall disclose:
  - a. The board of directors' oversight of sustainability-related financial risks and opportunities;
  - b. Management's role in assessing and managing sustainability-related financial risks and opportunities.
9. The governance arrangements related to sustainability-related risks and opportunities should be explained alongside other governance disclosures in enterprise value reporting. An entity need not duplicate information about the governance arrangements for sustainability-related risks and opportunities if it is already presented in enterprise value reporting. The entity can cross-reference to information within the same report or another report provided that the information is available to the same users on the same terms (including timing) and that any adaptations to governance processes to cater for the unique characteristics of sustainability-related risks are clearly explained.

### Strategy

#### Disclosure objective

10. The objective of the disclosure requirements is to enable the primary users of information to understand the way in which the implications of sustainability-related risks and opportunities are integrated into the entity's strategy, including how resources are to be used to support strategic resilience to sustainability-related risks and to realise sustainability-related opportunities.

#### Content

11. To achieve the objective, the entity shall disclose:
  - a. The sustainability-related financial risks and opportunities the organisation has identified over the short-, medium- and long-term according to the process described in the Risk Management Content Element and including the organisation's definition of short-, medium- and long-term;
  - b. The impact of sustainability-related financial risks and opportunities on the organisation's business, strategic and financial planning;
  - c. The resilience of the organisation's strategy over the short-, medium-, and long-term:
    - i. Taking into consideration different scenarios; and
    - ii. Including a statement on the organisation's financial position and how it supports the resilience of the organisation's strategy; and
    - iii. An explanation of how the strategy will be resourced (including reference to targets and prospects).

<sup>47</sup> IAS 1 - Presentation of Financial Statements: 38 - Comparative information

<sup>48</sup> All of TCFD's 11 final recommendations have been included below, but the scope has been widened from climate-related risks and opportunities to sustainability-related financial risks and opportunities.

12. The strategy related to sustainability risks and opportunities should be explained alongside similar disclosures in enterprise value reporting. An entity need not duplicate information about the strategy for sustainability-related risks and opportunities if it is already presented in enterprise value reporting. The entity can cross-reference within the report or by cross-reference from another report provided that it is also available to the same users on the same terms (including timing) and that any adaptations to the arrangements to cater for the unique characteristics of sustainability related risks are clearly explained.

## Business Model

### Disclosure objective

13. The objective of the disclosure requirements is to enable the primary users of information to evaluate the entity's objectives, policies and processes for managing the capitals which they depend on for the creation of enterprise value and which they affect through their business model. This includes how the entity's assets and products position them to execute the strategy and operate the business model.

### Content

14. To achieve the objective, the entity shall disclose:
- a. The company's system of transforming inputs through its business activities into outputs and outcomes that aims to fulfil the organisation's strategic purposes and create value over the short-, medium- and long-term.

## Outlook

### Disclosure objective

15. The objective of the disclosure requirements is to enable the primary users of information to understand the challenges and uncertainties that the entity is likely to encounter in pursuing its strategy, and what the potential implications are for its business model and future performance.

### Content

16. To achieve the objective, the entity shall disclose:
- a. The entity's expectations about the external environment the organisation is likely to face in the short-, medium- and long-term;
  - b. How that will affect the entity;
  - c. The availability of resources that an entity uses and affects over time;
  - d. How the entity is currently equipped to respond to critical challenges and uncertainties that are likely to arise.

## Risk Management

### Disclosure objective

17. The objective of the disclosure requirements is to enable the primary users to understand how sustainability-related financial risks are identified, assessed and managed and what risk management processes are used.

### Content

18. To achieve the objective, the entity shall disclose:
- a. The organisation's processes for identifying and assessing sustainability-related financial risks;
  - b. The organisation's processes for managing sustainability-related financial risks;
  - c. How processes for identifying, assessing, and managing sustainability-related financial risks are integrated into the organisation's overall risk management.
19. Risk management related to sustainability-related risks and opportunities should be explained alongside other risk management disclosures in enterprise value reporting. An entity need not duplicate information about risk management for sustainability-related risks and opportunities if it is already presented in enterprise value reporting. The entity can cross-reference within the report or by cross-reference from another report provided that it is also available to the same users on the same terms (including timing) and that any adaptations to the arrangements to cater for the unique characteristics of sustainability-related risks are clearly explained.

## Metrics and Targets

### Disclosure objective

20. The objective of the disclosure requirements is to enable the primary users to understand the metrics and targets used to assess and manage relevant sustainability-related financial risks and opportunities.

### Content

21. To achieve the objective, the entity shall disclose:
- The metrics and disclosures used by the organisation to assess sustainability-related financial risks and opportunities in line with its strategy and risk management process;
  - The organisation's performance, and where relevant performance against targets set by management in previous periods or all metrics and disclosures in (i);
  - How measures of operational, financial and risk performance compare with equivalent results in previous periods; and
  - How performance on financially material sustainability-related financial risks or opportunities affects financial position and performance.

### **Assets and liabilities (position)**

22. An entity shall disclose sustainability-related financial information that enables users of its enterprise value reporting to evaluate the effects on assets and liabilities of sustainability-related financial risks and opportunities.

### **Items of income and expense (performance)**

23. An entity shall disclose sustainability-related financial information that enables users of its enterprise value reporting to evaluate the effects on revenues, cash flow, earnings and expense of sustainability-related financial risks and opportunities.

### Industry specific disclosures

24. An entity shall also disclose the industry-specific matters that are material to its business, along with performance metrics on those topics. The disclosure topics that are material to a company will vary across industries. It is therefore expected that the company will disclose the topics that are material to the company based on the industry or industries in which they operate.
25. In cases where an entity does not conform with the recommended disclosure topics and associated metrics, management shall identify those disclosure topics and associated metrics which it has not disclosed, in whole or in part, or any modifications<sup>49</sup> made to the topic or metrics. This shall be accompanied by an explanation of the relevant circumstances, the nature of the omission or modification and the organisation's plans for full conformance, if applicable.

## Prototype Annex A: definitions

26. The following terms are used in this Standard with the meanings specified:
- Sustainability-related risks** – Sustainability matters have the potential to negatively affect enterprise value. When this is true, this can result in sustainability-related financial risks for the entity. The type of risk will depend on the sustainability topic the entity faces. Examples include reputational risk, regulatory risk, risks related to the workforce, environmental risks, etc.
  - Sustainability-related opportunities** – Sustainability matters have the potential to positively affect enterprise value. When this is true, this can result in sustainability-related financial opportunities for the entity. The type of opportunity will depend on the sustainability topic the entity faces. Examples include increases in revenue, increases in the value of assets, new products/services/markets etc

<sup>49</sup> This is consistent with the [SASB Standards Application Guidance \(2018\)](#) regarding modifications made to disclosure topics or metrics.

## APPENDIX 4

### Explanatory glossary





Terms	Explanatory Glossary	Source
<b>Stakeholder</b>	Entity or individual that can reasonably be expected to be significantly affected by the reporting organisation's activities, products and services, or whose actions can reasonably be expected to affect the ability of the organisation to successfully implement its strategies and achieve its objectives.	<i>GRI, OECD Due Diligence Guidance for Responsible Business Conduct, 2018, IR Framework</i>
<b>Enterprise value</b>	Market capitalisation plus net debt, where market capitalisation is determined by the market via the company's share price, which is in turn informed by its financial and/or operational performance. Enterprise value is therefore influenced by factors such as revenue, costs, assets, liabilities, cost of capital, and risk profile.	<i>Consensus working definitions between the co-authors</i>
<b>Sustainability topic (referenced in this paper as "sustainability matter")</b>	Economic, environmental or social subject	<i>GRI</i>
<b>Sustainable development</b>	Development which meets the needs of the present without compromising the ability of future generations to meet their own needs.	<i>World Commission on Environment and Development. "Our Common Future". Oxford, 1987</i>
<b>Sustainability reporting</b>	A company's practice of reporting publicly on its most significant economic, environmental, and/or social impacts, and hence its contributions – positive or negative – towards the goal of sustainable development.	<i>GRI</i>
<b>Sustainability-related financial disclosure</b>	Disclosures of a company's performance on sustainability matters that drive enterprise value, including its governance, strategy and risk management. This is different from, and additional to, its use in financial accounting and disclosure, where it normally means to disclose in the notes to the financial statements.	<i>Based on TCFD, SASB, CDSB and &lt;IR&gt; Framework</i>
<b>Conceptual Framework</b>	The purpose of Conceptual Frameworks, as used by IASB and FASB, is to: <ul style="list-style-type: none"> <li>• assist a standards board to develop standards based on consistent concepts;</li> <li>• assist preparers to develop consistent reporting practices where no Standard applies;</li> <li>• assist all parties to understand and interpret the standards.</li> </ul> <p>Conceptual Frameworks are essential to high quality standards development, as they ensure a consistent basis for decisions reached by a Standards Board, and they enable preparers to make decisions about what to report in situations where no specific guidance exists.</p>	<i>IASB</i>
<b>Cross-industry metric</b>	A metric that should be disclosed by all companies across all industries (also referred to as universal or common metrics). They can be required across all industries either because they are demonstrated as being material to all companies across industries (e.g., some of the governance metrics) or because of a top-down regulatory requirement.	<i>Consensus working definitions between the co-authors where none yet existed</i>
<b>Input</b>	The capitals (resources and relationships) that the organisation draws upon for its business activities.	<i>&lt;IR&gt; Framework</i>
<b>Activity</b>	An organisation's transforms its inputs through its business activities into outputs and outcomes that aims to fulfil the organisation's strategic purposes and create value over the short-, medium-, and long-term. Business activities include the planning, design and manufacture of products or the deployment of specialised skills and knowledge in the provision of services.	<i>&lt;IR&gt; Framework</i>
<b>Output</b>	An organisation's products and services, and any by-products and waste.	<i>&lt;IR&gt; Framework</i>
<b>Outcome</b>	The result of an action or event which is an aspect of social, environmental or economic well-being.	<i>Consensus working definitions between the co-authors where none yet existed</i>





## APPENDIX 5

### Components







Tables IA – IIIA below line up the relevant components across our existing frameworks and standards and the TCFD Recommendations relative to the IASB’s Conceptual Framework for Financial Reporting and the IFRS Practice Statement 1 on Management Commentary. These provide the mapping of content, demonstrating how the prototypes were created from our individual institutional work. We have included this mapping to provide insight into how global standards for sustainability-related financial disclosure can be achieved by building on frameworks and standards that already exist.






**Table IA – Definitions, purpose, objective, scope, intended audiences, reporting channels and materiality**





	IFRS						
	Conceptual Framework for Financial Reporting	Practice Statement on Mgmt. Commentary (This is not a stand-alone Conceptual Framework, and sits within the scope of the IASB Conceptual Framework)	 Climate Disclosure Standards Board <b>CDSB</b>	 <b>GRI - Exposure draft</b>	 <b>IIRC</b>	 <b>SASB - Exposure draft</b>	<b>TCFD</b>
The purpose of the conceptual framework	<p><b>SP1.1:</b> The Conceptual Framework for Financial Reporting describes the objective of, and the concepts for, general purpose financial reporting. The purpose of the Conceptual Framework is to:</p> <p>(a) assist the International Accounting Standards Board (Board) to develop IFRS Standards (Standards) that are based on consistent concepts;</p> <p>(b) assist preparers to develop consistent accounting policies when no Standard applies to a particular transaction or other event, or when a Standard allows a choice of accounting policy; and</p> <p>(c) assist all parties to understand and interpret the Standards.</p> <p><b>SP1.2:</b> The Conceptual Framework is not a Standard. Nothing in the Conceptual Framework overrides any Standard or any requirement in a Standard.</p>	<p><b>IN1:</b> The IFRS Practice Statement Management Commentary provides a broad, non binding framework for the presentation of management commentary that relates to financial statements that have been prepared in accordance with International Financial Reporting Standards (IFRSs).</p> <p><b>IN2:</b> The Practice Statement is not an IFRS. Consequently, entities applying IFRSs are not required to comply with the Practice Statement, unless specifically required by their jurisdiction. Furthermore, non compliance with the Practice Statement will not prevent an entity’s financial statements from complying with IFRSs, if they otherwise do so.</p>	<p><b>1. Purpose:</b></p> <p>The CDSB Framework sets out an approach to reporting environmental information in mainstream reports.(...)</p> <p>The CDSB Framework assumes that the following matters are routinely disclosed in a mainstream report and therefore provide context for environmental information reported according to the CDSB Framework:</p> <ul style="list-style-type: none"> <li>• The organisation’s principal activities and business model;</li> <li>• The main markets and jurisdictions in which the organisation operates;</li> <li>• A description of the organisation’s supply chain; and</li> <li>• Other key legal, staffing and performance indicators</li> </ul>	<p><b>A. Background on sustainability reporting - GRI Foundation 2016</b></p> <p><b>GRI 101:</b> Foundation applies to any organisation that wants to use the GRI Standards to report about its economic, environmental, and/ or social impacts. Therefore, this Standard is applicable to:</p> <ul style="list-style-type: none"> <li>• an organisation that intends to prepare a sustainability report in accordance with the GRI Standards; or</li> <li>• an organisation that intends to use selected GRI Standards, or parts of their content, to report on impacts related to specific economic, social, and/ or environmental topics (e.g., to report on emissions only). GRI 101 can be used by an organisation of any size, type, sector, or geographic location.</li> </ul>	<p><b>1.3:</b> The purpose of this Framework is to establish Guiding Principles and Content Elements that govern the overall content of an integrated report, and to explain the fundamental concepts that underpin them.</p> <p><b>1.4:</b> This Framework is written primarily in the context of private sector, for-profit companies of any size but it can also be applied, adapted as necessary, by public sector and not-for-profit organizations.</p> <p><b>1.5:</b> This Framework identifies information to be included in an integrated report for use in assessing an organisation’s ability to create value; it does not set benchmarks for such things as the quality of an organisation’s strategy or the level of its performance.</p> <p><b>1.6:</b> In this Framework, reference to the creation of value:</p> <ul style="list-style-type: none"> <li>• Includes instances when value is preserved and when it is diminished</li> <li>• Relates to value creation over time (i.e., over the short-, medium- and long-term).</li> </ul>	<p><b>6:</b> This Conceptual Framework articulates the key concepts illustrated in Figure 2. These concepts serve three purposes. First, they act as a guide to the Standards Board and technical staff in carrying out their standard-setting activities. Second, they can help stakeholders better understand SASB’s approach to standard setting. Third, they can help to improve the Standards Board’s and technical staff’s engagement and consultation with stakeholders by providing a common language for communication.</p>	

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The objective and users of sustainability reporting	Objective	<b>15:</b> The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity.	<b>9:</b> Management commentary should provide users of financial statements with integrated information that provides a context for the related financial statements. Such information explains management's view not only about what has happened, including both positive and negative circumstances, but also why it has happened and what the implications are for the entity's future <b>10:</b> Management commentary complements and supplements the financial statements by communicating integrated information about the entity's resources and the claims against the entity and its resources, and the transactions and other events that change them. <b>11:</b> Management commentary should also explain the main trends and factors that are likely to affect the entity's future performance, position and progress. Consequently, management commentary looks not only at the present, but also at the past and the future.	<b>2. Objectives</b> The objectives of the CDSB Framework are to: ...Align with and complement the objective of financial reporting, i.e., to provide environmental information about the reporting organisation that is connected with financial and other information and is useful to present and potential equity investors, lenders and other creditors in making decisions in their capacity as capital providers.	<b>A. Background on sustainability reporting - GRI Foundation 2016</b> Sustainability reporting, as promoted by the GRI Standards, is an organisation's practice of reporting publicly on its economic, environmental, and/or social impacts, and hence its contributions – positive or negative – towards the goal of sustainable development.	Integrated Reporting (<IR>) promotes a more cohesive and efficient approach to corporate reporting and aims to improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital <b>1.7:</b> The primary purpose of an integrated report is to explain to providers of financial capital how an organisation creates value over time. It therefore contains relevant information, both financial and other. <b>1.8:</b> An integrated report benefits all stakeholders interested in an organisation's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers.	<b>34:</b> The objectives of the SASB Standards are to facilitate the disclosure of sustainability information that is financially material, decision-useful, and cost effective.	i: "...widespread adoption will ensure that the effects of climate change become routinely considered in business and investment decisions. Adoption of these recommendations will also help companies better demonstrate responsibility and foresight in their consideration of climate issues. That will lead to smarter, more efficient allocation of capital, and help smooth the transition to a more sustainable, low-carbon economy."
	Users	<b>1.5:</b> Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial reports for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial reports are directed	<b>8:</b> Management should determine the information to include in management commentary considering the needs of the primary users of financial reports. Those users are existing and potential investors, lenders and other creditors.	<b>5. Intended audience for information reported according to the CDSB Framework</b> The CDSB Framework is designed to help organisations report environmental information in mainstream reports and therefore the intended audience is investors as they are the primary users of mainstream reports. While the CDSB Framework concentrates on investors as the primary users of the environmental information presented in the mainstream report, it recognises that the information may satisfy the needs of other stakeholders too.	GRI does not explicitly define their users. Sustainability information is of interest to a broad range of users, including investors, companies, policy makers, civil society, employees, and customers.	<b>1.7:</b> The primary purpose of an integrated report is to explain to providers of financial capital how an organisation creates value over time. It therefore contains relevant information, both financial and other.	<b>15:</b> The SASB Standards are designed primarily to facilitate disclosure that is useful to investors, lenders, and other creditors for the purpose of making investment decisions on the basis of these users' assessments of short-, medium-, and long-term financial performance and enterprise value, regardless of where those users are located or where they deploy their capital	Not explicitly defined as organisations are encouraged to disclose in their mainstream (i.e., public) annual financial filings: "Preparers of climate-related financial disclosures should provide such disclosures in their mainstream (i.e., public) annual financial filings"
	Channel	<b>3.1:</b> "...general purpose financial statements"	<b>2:</b> The Practice Statement applies only to management commentary and not to other information presented in either the financial statements or the broader financial reports	<b>1. Purpose</b> The CDSB Framework sets out an approach to reporting environmental information in mainstream reports	<b>63:</b> The information reported using the GRI Standards can be published or made accessible in a range of formats (e.g., electronic, paper-based) across one or more locations (e.g., standalone sustainability report, webpages, annual report).	<b>An integrated report - page 4:</b> An integrated report may be prepared in response to existing compliance requirements, and may be either a standalone report or be included as a distinguishable, prominent part of another report or communication		<b>1 Background:</b> "(...) An important aspect of the Task Force's recommendations is their inclusion in organizations' mainstream (i.e., public) annual financial filings."


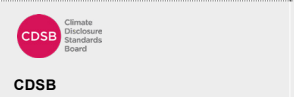
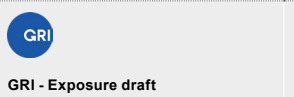
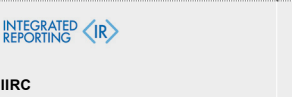

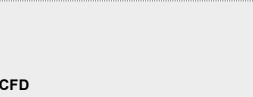



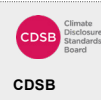




	IFRS		 <b>CDSB</b>	 <b>GRI - Exposure draft</b>	 <b>IIRC</b>	 <b>SASB - Exposure draft</b>	 <b>TCFD</b>
	 <b>Conceptual Framework for Financial Reporting</b>	<b>Practice Statement on Mgmt. Commentary</b> (This is not a stand-alone Conceptual Framework, and sits within the scope of the IASB Conceptual Framework)					
Scope of reporting	<b>3.2:</b> The objective of financial statements is to provide financial information about the reporting entity's assets, liabilities, equity, income and expenses	<b>14:</b> Management commentary should provide information to help users of the financial reports to assess the performance of the entity and the actions of its management relative to stated strategies and plans for progress.	<b>1. Purpose</b> The CDSB Framework sets out an approach to reporting <b>environmental information</b> in mainstream reports.	<b>35:</b> The GRI Sustainability Reporting Standards (GRI Standards) enable an organisation to publicly disclose its most significant impacts and how it manages these impacts, in accordance with a globally-accepted standard.	<b>FUNDAMENTAL CONCEPTS</b> An integrated report aims to provide insight about the resources and relationships used and affected by an organisation – these are collectively referred to as “the capitals” in this Framework (p.4) The six capitals are – financial, manufactured, intellectual, human, social and relationship, and natural	<b>15:</b> The SASB Standards are designed primarily to facilitate disclosure that is useful to investors, lenders, and other creditors for the purpose of making investment decisions on the basis of these users’ assessments of short-, medium-, and long-term financial performance and enterprise value, regardless of where those users are located or where they deploy their capital. As such, the SASB Standards are intended to be used by public and private companies around the world, or any other entities that raise capital or otherwise rely on the capital markets.	<b>1. Background</b> “(...) climate-related disclosures that “could promote more informed investment, credit [or lending], and insurance underwriting decisions””
Reporting Entity and Reporting Boundaries	<b>3.10:</b> A reporting entity is an entity that is required, or chooses, to prepare financial statements. (...) A reporting entity is not necessarily a legal entity. <b>3.11:</b> Sometimes one entity (parent) has control over another entity (subsidiary). If a reporting entity comprises both the parent and its subsidiaries, the reporting entity’s financial statements are referred to as consolidated financial statements’ (see paragraphs 3.15–3.16). If a reporting entity is the parent alone, the reporting entity’s financial statements are referred to as ‘unconsolidated financial statements’ (see paragraphs 3.17–3.18). <b>3.13:</b> Determining the appropriate boundary of a reporting entity can be difficult if the reporting entity: (a) is not a legal entity; and (b) does not comprise only legal entities linked by a parent-subsidiary relationship. <b>3.14:</b> In such cases, determining the boundary of the reporting entity is driven by the information needs of the primary users of the reporting entity’s financial statements. Those users need relevant information that faithfully represents what it purports to represent (...).		<b>REQ-07 Organisational boundary</b> Environmental information shall be prepared for the entities within the boundary of the organisation, or group, for which the mainstream report is prepared and, where appropriate, shall distinguish information reported for entities and activities outside that boundary. The basis on which the organisational reporting boundary has been determined shall be described.	<b>Topic boundary</b> Description of where the <u>impacts</u> occur for a <u>material topic</u> , and the organisation’s involvement with those impacts	<b>3.30:</b> Key to the materiality determination process is the concept of the reporting boundary. Determining the boundary for an integrated report has two aspects: <ul style="list-style-type: none"> <li>• The financial reporting entity (i.e., the boundary used for financial reporting purposes)</li> <li>• Risks, opportunities and outcomes attributable to or associated with other entities/ stakeholders beyond the financial reporting entity that have a significant effect on the ability of the financial reporting entity to create value.</li> </ul> <b>3.31</b> The financial reporting entity is central to the reporting boundary (...)	<b>Application Guidance, Section 3.0</b> The reporting boundaries for disclosures that conform with the SASB standards shall include all parent and subordinate entities that are consolidated for financial reporting purposes. Disclosures for consolidated entities shall not be adjusted for minority interests. Unconsolidated entities shall be excluded from the reporting boundaries. However, the entity should disclose information about unconsolidated entities to the extent that the entity considers such information necessary to understand the effect of one or more SASB disclosure topics on the entity’s financial condition or operating performance.	The complexity and uncertainty associated with climate change make it difficult to identify the specific touchpoints and time frames in which climate change may affect an organisation. As a starting point, an organisation should assess its value chain over a reasonable time frame as it relates to the following: - climate-related risks including (1) transition risks such as policy constraints on emissions, imposition of carbon tax, water restrictions, land use restrictions or incentives, and market demand and supply shifts and (2) physical risks such as the disruption of operations or destruction of property and - climate-related opportunities such as access to new markets and new technology (e.g., carbon capture and storage technology).



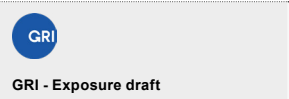
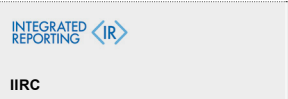
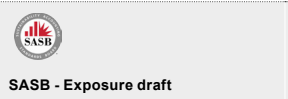

	IFRS		 <b>CDSB</b>	 <b>GRI - Exposure draft</b>	 <b>IIRC</b>	 <b>SASB - Exposure draft</b>	 <b>TCFD</b>
	Conceptual Framework for Financial Reporting	Practice Statement on Mgmt. Commentary (This is not a stand-alone Conceptual Framework, and sits within the scope of the IASB Conceptual Framework)					
Capitals / Dimensions of sustainability				<p><b>Sustainable development/ sustainability</b></p> <p><b>Note 1:</b> Sustainable development encompasses three dimensions: economic, environmental and social.</p> <p><i>[GRI Consolidated Standards]</i></p> <p>---</p> <p><b>Exposure draft - 142:</b> "A topic need not be limited to one dimension, i.e., only the economy, or the environment, or people"</p>	<p><b>2.10:</b> All organisations depend on various forms of capital for their success. In this Framework, the capitals comprise financial, manufactured, intellectual, human, social and relationship, and natural (...)</p> <p><b>2.11:</b> The capitals are stocks of value that are increased, decreased or transformed through the activities and outputs of the organisation. For example, an organisation's financial capital is increased when it makes a profit, and the quality of its human capital is improved when employees become better trained.</p> <p><b>2.12:</b> The overall stock of capitals is not fixed over time. There is a constant flow between and within the capitals as they are increased, decreased or transformed.</p>	<p><b>Five Dimensions of Sustainability</b></p> <ul style="list-style-type: none"> <li>• Environment</li> <li>• Social Capital</li> <li>• Human Capital</li> <li>• Business Model and •Innovation</li> <li>• Leadership and</li> <li>• Governance</li> </ul> <p>The five sustainability dimensions, which are further defined through general issue categories, serve as a high-level organising structure for the topics covered in the SASB Standards.</p>	





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Linkage/Connected/Integration	<p><b>5.3:</b> Recognition links the elements, the statement of financial position and the statement(s) of financial performance (...).</p> <p><b>5.4:</b> The statements are linked because the recognition of one item (or a change in its carrying amount) requires the recognition or derecognition of one or more other items (or changes in the carrying amount of one or more other items). (...)</p>	<p><b>Purpose</b></p> <p><b>10:</b> Management commentary complements and supplements the financial statements by communicating integrated information about the entity's resources and the claims against the entity and its resources, and the transactions and other events that change them.</p> <p><b>11:</b> Management commentary should also explain the main trends and factors that are likely to affect the entity's future performance, position and progress. Consequently, management commentary looks not only at the present, but also at the past and the future.</p> <p><b>Nature of the Business</b></p> <p><b>26:</b> (...) Depending on the nature of the business, management commentary may include an integrated discussion of the following types of information:</p> <p>(a) the industries in which the entity operates;</p> <p>(b) the entity's main markets and competitive position within those markets;</p> <p>(c) significant features of the legal, regulatory and macro-economic environments that influence the entity and the markets in which the entity operates;</p> <p>(d) the entity's main products, services, business processes and distribution methods; and</p> <p>(e) the entity's structure and how it creates value.</p>	<p><b>P3: Disclosures shall be connected with other information in the mainstream report</b></p> <p>Environmental information is connected with other information where:</p> <ul style="list-style-type: none"> <li>- The information that the organisation uses internally for decision-making purposes about the organisation's strategy, goals and objectives is connected with information that is provided externally to investors</li> <li>- It is reported in a place and in such a way as to explain the links between the organisation's strategy and environmental results; and</li> <li>- It tells investors "the story of how managing environmental issues helps the company to increase sales, lower costs, smooth cash flow, boost brand value and strengthen risk management", and when it shows the "linkages between corporate environmental strategies, financial performance and environmental results"</li> </ul>	<p>Sustainability context (559): The organization shall report information on its impacts in the wider context of sustainable development.</p> <p>To apply the Sustainability context principle, the organisation should:</p> <ul style="list-style-type: none"> <li>- report information on its impacts with reference to broader sustainable development conditions and goals, as reflected in recognised sector-specific, local, regional, or global instruments ;</li> <li>- report information on its impacts with reference to expectations of responsible business conduct set out in internationally recognised instruments with which it is expected to comply</li> </ul>	<p><b>3.6:</b> An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organisation's ability to create value over time.</p> <p><b>3.8:</b> The key forms of connectivity of information include the connectivity between:</p> <ul style="list-style-type: none"> <li>- The Content Elements</li> <li>- The past, present and future.</li> <li>- The capitals</li> <li>- Financial information and other information</li> <li>- Quantitative and qualitative information</li> <li>- Management information, board information and information reported externally.</li> </ul>	

**Table IIA – Fundamental and enhancing characteristics of useful information**

		 IASB Conceptual Framework for Financial Reporting	 CDSB	 GRI - Exposure draft	 IIRC	 SASB - Exposure draft	 TCFD
Fundamental Characteristics	Relevance and Materiality	<p><b>2.6:</b> Relevant financial information is capable of making a difference in the decisions made by users. Information may be capable of making a difference in a decision even if some users choose not to take advantage of it or are already aware of it from other sources.</p> <p><b>2.7:</b> Financial information is capable of making a difference in decisions if it has predictive value, confirmatory value or both.</p> <p><b>2.8:</b> Financial information has predictive value if it can be used as an input to processes employed by users to predict future outcomes (...).</p> <p><b>2.9:</b> Financial information has confirmatory value if it provides feedback about (confirms or changes) previous evaluations.</p> <p><b>2.10:</b> The predictive value and confirmatory value of financial information are interrelated. (...)</p>	<p><b>P1: Environmental information shall be prepared applying the principles of relevance and materiality.</b></p> <p>Environmental information is relevant where it:</p> <ul style="list-style-type: none"> <li>• Is capable of making a difference to the decisions made by users of information in mainstream reports</li> <li>• Reflects the information that is important to management (...)</li> <li>• Complies with mainstream corporate requirements or compliance requirements (...);</li> <li>• Reflects the reality of the organisation's business; (...)</li> </ul>		<p><b>3.21:</b> Relevant matters are those that have, or may have, an effect on the organisation's ability to create value. This is determined by considering their effect on the organisation's strategy, governance, performance or prospects</p>	<p><b>Of interest to users - Characteristics of Sustainability Disclosure Topics:</b> Sustainability disclosures are likely to be decision-useful to investors, lenders, and other creditors when the topics identified relate to issues that they typically monitor and incorporate into their capital allocation decisions, engagement strategies, voting decisions, due diligence, and other aspects of their investment processes.</p> <p><b>Actionable - Characteristics of Sustainability Disclosure Topics:</b> The decision-usefulness of sustainability disclosures is likely to be enhanced when the topics identified are captured in a way that is actionable by companies. Topics are captured in a way that is actionable when they are linked to the types of strategic and operational decisions made by companies</p>	<p><b>Principle 1: Disclosures should present relevant information:</b> The organisation should provide information specific to the potential impact of climate-related risks and opportunities on its markets, businesses, corporate or investment strategy, financial statements, and future cash flows</p> <ul style="list-style-type: none"> <li>- Disclosures should be eliminated if they are immaterial or redundant to avoid obscuring relevant information. However, when a particular risk or issue attracts investor and market interest or attention, it may be helpful for the organization to include a statement that the risk or issue is not significant. This shows that the risk or issue has been considered and has not been overlooked.</li> </ul>
	Materiality	<p><b>2.11:</b> Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial reports (see paragraph 1.5) make on the basis of those reports, which provide financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report.</p>	<p><b>P1: Environmental information shall be prepared applying the principles of relevance and materiality.</b></p> <p>Environmental information is material if:</p> <ul style="list-style-type: none"> <li>• The environmental impacts or results it describes are, due to their size and nature, expected to have a significant positive or negative impact on the organisation's financial condition and operational results and its ability to execute its strategy;</li> <li>• Omitting, misstating or obscuring it could reasonably be expected to influence the decisions that users of mainstream reports make on the basis of that mainstream report, which provides information about a specific reporting organisation.</li> </ul>	<p><b>2230-31:</b> Material topics are topics that reflect the organisation's most significant impacts on the economy, environment, and people, including impacts on human rights</p>	<p><b>3.17:</b> An integrated report should disclose information about matters that substantively affect the organisation's ability to create value over the short-, medium- and long-term</p>	<p><b>Material:</b> A topic is financially material if omitting, misstating, or obscuring it could reasonably be expected to influence investment or lending decisions that users make on the basis of their assessments of short-, medium-, and long-term financial performance and enterprise value.</p>	<p>Organisations should determine materiality for climate-related issues consistent with how they determine the materiality of other information included in their annual financial filings. The Task Force cautions organisations against prematurely concluding that climate related risks and opportunities are not material based on perceptions of the longer-term nature of some climate-related risks.</p>
	Faithful Representation	<p><b>2.13:</b> To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error. Of course, perfection is seldom, if ever, achievable. The Board's objective is to maximise those qualities to the extent possible.</p>	<p><b>P2: Disclosures shall be faithfully represented</b></p> <p>Purpose: to ensure that information is complete, neutral and free from error in order to be useful</p>	<p><b>Balanced (478):</b> The organisation shall report information in an unbiased way and provide a fair representation of the organisation's negative and positive impacts.</p>	<p><b>3.39: Reliability and completeness:</b> An integrated report should include all material matters, both positive and negative, in a balanced way and without material error.</p> <p><b>3.40:</b> The reliability of information is affected by its balance and freedom from material error. Reliability (which is often referred to as faithful representation) is enhanced by mechanisms such as robust internal control and reporting systems, stakeholder engagement, internal audit or similar functions, and independent, external assurance</p>	<p><b>Representationally faithful - Characteristics of Sustainability Accounting Metrics:</b> A metric is representationally faithful if performance on the metric correlates with performance on the disclosure topic it is intended to address</p>	<p><b>Principle 2: Disclosures should be specific and complete</b></p> <p><b>Principle 6: Disclosures should be reliable, verifiable, and objective</b></p>

		 IASB Conceptual Framework for Financial Reporting	 CDSB	 GRI - Exposure draft	 IIRC	 SASB - Exposure draft	 TCFD
	Complete	<b>2.14:</b> A complete depiction includes all information necessary for a user to understand the phenomenon being depicted, including all necessary descriptions and explanations.	<b>P2: Disclosures shall be faithfully represented</b> Disclosure is complete if it includes all information that is necessary for an understanding of the matter that it purports to represent and does not leave out details that could cause information to be false or misleading to users.	<b>Complete (542): The organization shall provide sufficient information to enable the assessment of the organization's impacts during the reporting period.</b> To apply the Completeness principle, the organisation should: - not omit information that is necessary for understanding the organisation's impacts; (...)	<b>3.47:</b> A complete integrated report includes all material information, both positive and negative. To help ensure that all material information has been identified, consideration is given to what organisations in the same industry are reporting on because certain matters within an industry are likely to be material to all organisations in that industry	<b>Complete - Characteristics of Sustainability Accounting Metrics:</b> A set of metrics is complete if individually, or as a set, the metrics provide enough data and information to understand and interpret performance on the sustainability disclosure topic	<b>Principle 2: Disclosures should be specific and complete</b> - An organisation's reporting should provide a thorough overview of its exposure to potential climate-related impacts; the potential nature and size of such impacts; the organisation's governance, strategy, processes for managing climate-related risks, and performance with respect to managing climate-related risks and opportunities. (...) - For quantitative information, the disclosure should include an explanation of the definition and scope applied. For future-oriented data, this includes clarification of the key assumptions used. (...)
Faithful Representation	Neutral	<b>2.15:</b> A neutral depiction is without bias in the selection or presentation of financial information. A neutral depiction is not slanted, weighted, emphasised, deemphasised or otherwise manipulated to increase the probability that financial information will be received favourably or unfavourably by users. Neutral information does not mean information with no purpose or no influence on behaviour. On the contrary, relevant financial information is, by definition, capable of making a difference in users' decisions.	<b>P2: Disclosures shall be faithfully represented</b> Neutral information is free from bias so that it faithfully represents the matter that it purports to represent. Neutral information does not colour the image it communicates to influence behaviour in a particular direction. Disclosure of environmental information is not neutral if, by the selection or presentation of information, it influences decision-making or judgment in order to achieve a predetermined result or outcome. However, to say that disclosure should be neutral does not mean that it should be without purpose or that it should not influence behaviour. On the contrary, relevant environmental information is, by definition, capable of influencing users' decisions.  For the purposes of management commentary, information is free from bias, or "balanced", where it does not unnecessarily overemphasise positive news but deals even-handedly with both "positive" and "negative" aspects.	<b>Balanced (478): The organization shall report information in an unbiased way and provide a fair representation of the organization's negative and positive impacts.</b> To apply the Balance principle, the organisation should: - not omit relevant information concerning its negative impacts; - not overemphasise positive news or impacts; (...) - avoid presenting information in a way that it is likely to inappropriately influence the conclusions or assessments of information users.	<b>3.44:</b> A balanced integrated report has no bias in the selection or presentation of information. Information in the report is not slanted, weighted, emphasised, de-emphasised, combined, offset or otherwise manipulated to change the probability that it will be received either favourably or unfavourably	<b>Neutral - Characteristics of Sustainability Accounting Metrics:</b> Metrics are neutral if they are free from bias and value judgment, so that they yield an objective measure of performance related to the disclosure topic they are intended to address.	<b>Principle 6: Disclosures should be reliable, verifiable, and objective:</b> - Disclosures should provide high-quality reliable information. They should be accurate and neutral—i.e., free from bias.

		 IASB Conceptual Framework for Financial Reporting	 CDSB	 GRI - Exposure draft	 IIRC	 SASB - Exposure draft	 TCFD
Faithful Representation	Free from Error	<b>2.18:</b> Faithful representation does not mean accurate in all respects. Free from error means there are no errors or omissions in the description of the phenomenon, and the process used to produce the reported information has been selected and applied with no errors in the process. In this context, free from error does not mean perfectly accurate in all respects. (...) However, a representation of that estimate can be faithful if the amount is described clearly and accurately as being an estimate, the nature and limitations of the estimating process are explained, and no errors have been made in selecting and applying an appropriate process for developing the estimate.	<b>P2: Disclosures shall be faithfully represented</b> (...) faithful representation does not imply total freedom from error. However, faithful representation of information may be achieved by ensuring that sufficient evidence is available to support disclosures and that information is provided about the nature and degree of omissions, assumptions and uncertainty and by basing estimates on appropriate and neutral inputs that reflect the best available information. Therefore, in order to attain faithful representation, it may sometimes be necessary to disclose explicitly the degree of uncertainty in the reported information.	<b>Accuracy (457):</b> The organization shall report information that is factually correct and sufficiently detailed to enable the assessment of the organization's impacts.  To apply the Accuracy principle, the organisation should: - report qualitative information that is consistent with available evidence and other reported information - indicate which data has been measured; - adequately describe data measurements and bases for calculations, (...); - indicate which data has been estimated, the underlying assumptions and techniques used for the estimation, and any limitations.	<b>3.46:</b> Freedom from material error does not imply that the information is perfectly accurate in all respects. It does imply that: - Processes and controls have been applied to reduce to an acceptably low level the risk that reported information contains a material misstatement; - When information includes estimates, this is clearly communicated, and the nature and limitations of the estimation process are explained.	<b>Neutral - Characteristics of Sustainability Accounting Metrics:</b> Metrics are neutral if they are free from bias and value judgment, so that they yield an objective measure of performance related to the disclosure topic they are intended to address.  <b>Verifiable - Characteristics of Sustainability Accounting Metrics:</b> Metrics are verifiable if their calculation or production can be replicated by others who follow the same guidance. Verifiability can help support the development of effective internal controls and enable external assurance.	<b>Principle 6: Disclosures should be reliable, verifiable, and objective:</b> - (...) To the extent possible, disclosures should be based on objective data and use best-in-class measurement methodologies, which would include common industry practice as it evolves. - Disclosures should be defined, collected, recorded, and analysed in such a way that the information reported is verifiable to ensure it is high quality. For future-oriented information, this means assumptions used can be traced back to their sources.
	Comparability	<b>2.25:</b> Comparability is the qualitative characteristic that enables users to identify and understand similarities in, and differences among, items. Unlike the other qualitative characteristics, comparability does not relate to a single item. A comparison requires at least two items.  <b>2.26:</b> Consistency, although related to comparability, is not the same. Consistency refers to the use of the same methods for the same items, either from period to period within a reporting entity or in a single period across entities. Comparability is the goal; consistency helps to achieve that goal.	<b>P4: Disclosures shall be consistent and comparable</b>  Purpose: To elicit information of value to investors in a way that is consistent so as to enable a level of comparability between similar organisations, reporting periods and sectors. (...)  In the early years of adoption, it is recognised that comparability (...) between organisations and sectors may be limited. (...) However, within an entity, comparability over time should be achievable and depends primarily on the consistency of approach to reporting year-on-year.	<b>Comparability (507):</b> The organization shall select, compile, and report information in a consistent manner, to enable the analysis of changes in the organization's impacts over time and the analysis of these impacts relative to other organizations  Comparability is necessary for evaluating an organisation's current impacts against its past impacts and its goals and targets, and against the impacts of other organisations.  Consistency allows for assessing progress and for benchmarking by the organisation or external parties as part of rating activities, investment decisions, and advocacy programs, among other activities.	<b>3.54:</b> The information in an integrated report should be presented: (a) on a basis that is consistent over time; and (b) in a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value over time	<b>Comparable - Characteristics of Sustainability Accounting Metrics:</b> Metrics are comparable if they permit users to identify which companies have similar versus different performance on a particular sustainability topic  <b>Prevalent - Characteristics of Sustainability Accounting Metrics:</b> The decision-usefulness of sustainability disclosures is likely to be enhanced when the topics identified apply to many companies, both within a given industry and across geographies.  <b>Aligned - Characteristics of Sustainability Accounting Metrics:</b> Metrics are aligned if they are based on or consistent with other standards or regulations, common industry practices, or guidance already in use within an industry. Aligned metrics allow companies to use one metric for multiple reporting purposes.	<b>Principle 5: Disclosures should be comparable among organizations within a sector, industry, or portfolio</b>  Disclosures should allow for meaningful comparisons of strategy, business activities, risks, and performance across organisations and within sectors and jurisdictions.  <b>Principle 4: Disclosures should be consistent over time</b>  Disclosures should be consistent over time to enable users to understand the development and/or evolution of the impact of climate-related issues on the organization's business. Disclosures should be presented using consistent formats, language, and metrics from period to period to allow for inter-period comparisons. Presenting comparative information is preferred; however, in some situations it may be preferable to include a new disclosure even if comparative information cannot be prepared or restated.

		 <b>CDSB</b>	 <b>GRI - Exposure draft</b>	 <b>IIRC</b>	 <b>SASB - Exposure draft</b>	<b>TCFD</b>	
Enhancing characteristics	Verifiability	<b>2.30:</b> Verifiability helps assure users that information faithfully represents the economic phenomena it purports to represent. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Quantified information need not be a single point estimate to be verifiable. A range of possible amounts and the related probabilities can also be verified.	<b>P6: Disclosures shall be verifiable</b> Verifiability means that different knowledgeable and independent observers could reach general consensus although not necessarily complete agreement, that there is no material error or bias in the disclosures, or that an appropriate approach has been taken without material error or bias. Verifiable information is characterised by supporting evidence that provides a clear and sufficient trail from monitored data to the presentation of environmental information. Verifiable quantified information need not be a single point estimate. A range of possible amounts and related probabilities can also be verified. Verification may be direct or indirect. Generally direct verification applies to a directly measured amount. Indirect verification checks the inputs and the resulting outputs by reference to the same methodology. Forward-looking information may not be verifiable until a future period.	<b>Verifiability (600): The organization shall gather, record, compile, and analyze information in a way that the information can be examined to establish its credibility.</b> To apply the Verifiability principle, the organisation should: <ul style="list-style-type: none"> <li>- ensure that individuals other than those involved in preparing the reported information are able to review the supporting internal controls and documentation; (...)</li> <li>- be able to provide representation from the original information sources, attesting to the accuracy of the reported information within acceptable margins of error</li> </ul>	<b>3.40:</b> The reliability of information is affected by its balance and freedom from material error. Reliability (which is often referred to as faithful representation) is enhanced by mechanisms such as robust internal control and reporting systems, stakeholder engagement, internal audit or similar functions, and independent, external assurance <b>4H Basis of preparation and presentation</b> <b>4.41:</b> An integrated report describes its basis of preparation and presentation, including: <ul style="list-style-type: none"> <li>• A summary of the organisation's materiality determination process</li> <li>• A description of the reporting boundary and how it has been determined</li> <li>• A summary of the significant frameworks and methods used to quantify or evaluate material matters</li> </ul>	<b>Verifiable - Characteristics of Sustainability Accounting Metrics:</b> Metrics are verifiable if their calculation or production can be replicated by others who follow the same guidance. Verifiability can help support the development of effective internal controls and enable external assurance.	<b>Principle 6: Disclosures should be reliable, verifiable, and objective</b> Disclosures should be defined, collected, recorded, and analysed in such a way that the information reported is verifiable to ensure it is high quality. For future-oriented information, this means assumptions used can be traced back to their sources. This does not imply a requirement for independent external assurance; however, disclosures should be subject to internal governance processes that are the same or substantially similar to those used for financial reporting.
	Timeliness	<b>2.33:</b> Timeliness means having information available to decision-makers in time to be capable of influencing their decisions. Generally, the older the information is the less useful it is. However, some information may continue to be timely long after the end of a reporting period because, for example, some users may need to identify and assess trends.	<b>REQ-09: Reporting period</b> Disclosures shall be provided on an annual basis The reporting period for environmental information and the mainstream report should be the same, for example, 12 months. However, where this not the case, the reporting year for environmental information should end within the period covered by the mainstream report and its start and end date should be disclosed.	<b>Timeliness (581): The organization shall report information on a regular schedule and make it available in time for information users to make decisions.</b> The usefulness of information is closely tied to whether it is available in time for information users to integrate it into their decision-making. The Timeliness principle refers to how regularly information is reported, as well as how up to date the information is in relation to the reporting period.			<b>Principle 7: Disclosures should be provided on a timely basis</b> <ul style="list-style-type: none"> <li>- Information should be delivered to users or updated in a timely manner using appropriate media on, at least, an annual basis within the mainstream financial report.</li> <li>- Climate-related risks can result in disruptive events. In case of such events with a material financial impact, the organisation should provide a timely update of climate-related disclosures as appropriate.</li> </ul>
	Understandability	<b>2.34:</b> Classifying, characterising and presenting information clearly and concisely makes it understandable. <b>2.35:</b> Some phenomena are inherently complex and cannot be made easy to understand. Excluding information about those phenomena from financial reports might make the information in those financial reports easier to understand. However, those reports would be incomplete and therefore possibly misleading.	<b>P5: Disclosures shall be clear and understandable</b> Information that is relevant and material should not be excluded from Mainstream reports solely because it may be too complex or difficult for some users to understand without assistance. Plain language should be used wherever possible although technical terminology with appropriate explanation should be used where relevant to an understanding of the environmental information.	<b>Clarity (489): The organization shall present information in a way that is accessible, understandable, and usable.</b> To apply the Clarity principle, the organisation should: <ul style="list-style-type: none"> <li>- present information in a way that it can be understood by users who have a reasonable knowledge of the organisation and its activities;</li> <li>- avoid technical terms, acronyms, or other jargon likely to be unfamiliar to users, and include relevant explanations in the appropriate sections or in a glossary;</li> </ul>	<b>3.37:</b> An integrated report includes sufficient context to understand the organisation's strategy, governance, performance and prospects without being burdened with less relevant information.	<b>Understandable - Characteristics of Sustainability Accounting Metrics:</b> Metrics are understandable if the primary users can understand the information encompassed by that metric and can use the metrics in their investment decisions	<b>Principle 3: Disclosures should be clear, balanced, and understandable</b> Disclosures should provide straightforward explanations of issues. Terms used in the disclosures should be explained or defined for a proper understanding by the users.


















	IASB Conceptual Framework for Financial Reporting	 IIRC	 SASB - Exposure draft	 CDSB	 GRI - Exposure draft	TCFD
Additional principles	Stakeholder relationships	<p><b>3.10:</b> An integrated report should provide insight into the nature and quality of the organisation's relationships with its key stakeholders, including how and to what extent the organisation understands, takes into account and responds to their legitimate needs and interests</p>				
	Future-oriented			<p><b>P7: Disclosures shall be forward looking</b></p> <p>Disclosures should look to the future as well as the past and present and should communicate trends and factors relating to environmental information that are likely to affect the organisation's future performance, position and development. Adopting a strategic focus and future orientation includes clearly articulating how the continued availability, quality and affordability of natural capital contributes to the organisation's business model. If not already stated in the mainstream report, the period over which management considers the future prospects of the organisation for the purposes of reporting environmental information should be disclosed in the statement (...)</p>		<p><b>Principle 2: Disclosures should be specific and complete:</b></p> <ul style="list-style-type: none"> <li>- To be sufficiently comprehensive, disclosures should contain historical and future-oriented information in order to allow users to evaluate their previous expectations relative to actual performance and assess possible future financial implications.</li> <li>- (...) Forward-looking quantitative disclosure should align with data used by the organisation for investment decision making and risk management.</li> </ul>













Table IIIA – Content Elements

		IFRS							
		Conceptual Framework for Financial Reporting	Practice Statement on Mgmt. Commentary (This is not a stand-alone Conceptual Framework, and sits within the scope of the IASB Conceptual Framework)	 CDP	 CDSB	 GRI - Exposure draft	 IIRC	 SASB - Exposure draft	TCFD
Strategy	Governance	To make the assessments described in paragraph 1.3, existing and potential investors, lenders and other creditors need information about: b) how efficiently and effectively the entity's management and governing board have discharged their responsibilities to use the entity's economic resources	16: (...) Management commentary should also include information about the entity and its performance that is not presented in the financial statements but is important to the management of the entity.	<b>Governance</b> Board oversight - C1, F4, W6 Management responsibility - C1, F4, W6	<b>REQ-01 Governance</b> Disclosures shall describe the governance of environmental policies, strategy and information	<b>GRI 102: About the Organization: Governance</b> - Disclosure GOV 1 - 15	<b>4B Governance</b> <b>4.8:</b> An integrated report should answer the question: How does the organisation's governance structure support its ability to create value in the short-, medium- and long-term? <b>4.9:</b> An integrated report provides insight about how such matters as the following are linked to its ability to create value: [refer to IR Framework for detailed list]	SASB's Standards Application Guidance, Section 5.0, suggests that for disclosure topics in the in Standards, companies disclose: a) The entity's governance around the risks and opportunities related to the topic, including board oversight of and management's role in assessing and managing such risks and opportunities.	<b>Governance</b> Disclose the organisation's governance around climate-related risks and opportunities a) Describe the board's oversight of climate-related risks and opportunities. b) Describe management's role in assessing and managing climate-related risks and opportunities.
	Strategy	2.2: (...) Some financial reports also include explanatory material about management's expectations and strategies for the reporting entity, and other types of forward-looking information.	<b>27:</b> Management should disclose its objectives and strategies in a way that enables users of the financial reports to understand the priorities for action as well as to identify the resources that must be managed to deliver results. (...) Management should also explain how success will be measured and over what period of time it should be assessed. <b>28:</b> Management should discuss significant changes in an entity's objectives and strategies from the previous period or periods. Discussion of the relationship between objectives, strategy, management actions and executive remuneration is also helpful.	<b>Risks and opportunities:</b> - Time horizons - C2 - Management processes - C2 - Risk disclosure - C2 - Opportunity disclosure - C2 - Business impact assessment - C2 - Financial planning assessment - C2 <b>Business strategy</b> - Business strategy - C3 - Description of forest-related risks and opportunities - F3 - Integration of forest-related issues in the long-term strategic business planning - F5 - Integration of forest-related issues in the long-term strategic business planning - W7 - Water-related outcomes of climate-related scenario analyses to inform its business strategy - W7	<b>REQ-02 Management's environmental policies, strategy, and targets</b> Disclosures shall report management's environmental policies, strategy and targets, including the indicators, plans and timelines used to assess performance.	<b>GRI 102: About the Organization: Responsible business conduct</b> - Disclosure RBC-1: Statement on sustainable development strategy	<b>4E Strategy and resource allocation</b> <b>4.27:</b> An integrated report should answer the question: Where does the organisation want to go and how does it intend to get there? <b>4.28:</b> An integrated report ordinarily identifies: • The organisation's short-, medium- and long-term strategic objectives • The strategies it has in place, or intends to implement, to achieve those strategic objectives • The resource allocation plans it has to implement its strategy • How it will measure achievements and target outcomes for the short-, medium- and long-term.	SASB's Standards Application Guidance, Section 5.0, suggests that for disclosure topics in the in Standards, companies disclose: b) The entity's strategic approach regarding actual and potential impacts of topic-related risks and opportunities on the organisation's businesses, strategy, and financial planning, over the short-, medium-, and long-term. <b>SASB Standards - Disclosure Topics</b> Each industry specific SASB Standard includes climate-related risks and opportunities that are likely to be material in a given industry [bap report]. <b>SASB Standards - Accounting Metrics</b>	<b>Strategy</b> Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material. a) Describe the climate-related risks and opportunities the organisation has identified over the short-, medium-, and long-term. b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

		IFRS							
		Conceptual Framework for Financial Reporting	Practice Statement on Mgmt. Commentary (This is not a stand-alone Conceptual Framework, and sits within the scope of the IASB Conceptual Framework)	 CDP	 CDSB	 GRI	 IIRC	 SASB - Exposure draft	TCFD
Business Model			26: Management should provide a description of the (...) entity and of the external environment in which it operates. That (...) may include an integrated discussion of the following types of information: (a) the industries in which the entity operates; (b) the entity's main markets and competitive position within those markets; (d) the entity's main products, services, business processes and distribution methods; and (e) the entity's structure and how it creates value.				<b>4C Business model</b> <b>4.10:</b> An integrated report should answer the question: What is the organization's business model? <b>4.11:</b> An organization's business model is its system of transforming inputs, through its business activities, into outputs and outcomes that aims to fulfil the organization's strategic purposes and create value over the short-, medium- and long-term. <b>4.12:</b> An integrated report describes the business model, including key: <ul style="list-style-type: none"> <li>• Inputs</li> <li>• Business activities</li> <li>• Outputs</li> <li>• Outcomes</li> </ul>	<b>Five Dimensions of Sustainability: Business Model and Innovation</b> SASB organizes the universe of sustainability risks and opportunities that companies can face into five broad sustainability dimensions - one of which is <a href="#">business model and innovation</a> <b>SASB Standards - Disclosure Topics</b> Each industry specific SASB Standard includes climate-related risks and opportunities that are likely to be material in a given industry [bap report] <b>SASB Standards - Accounting Metrics</b>	

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Outlook	2.2: (...) Some financial reports also include explanatory material about management's expectations and strategies for the reporting entity, and other types of forward-looking information.	13: In aligning with those principles, management commentary should include: (a) forwardlooking information; 17: Management commentary should communicate management's perspective of the entity's direction. Such information does not predict the future, but instead sets out management's objectives for the entity and its strategies for achieving those objectives. (...) 18: Management should include forwardlooking information when it is aware of trends, uncertainties or other factors that could affect the entity's liquidity, capital resources, revenues and the results of its operations. Such information should focus on the extent to which the entity's financial position, liquidity and performance may change in the future and why, and include management's assessment of the entity's prospects in the light of current period results. Management should provide forwardlooking information through narrative explanations or through quantified data, which may—but are not required to—include projections or forecasts. Management should disclose the assumptions used in providing forwardlooking information.		REQ-06 Outlook Management shall summarise their conclusions about the effect of environmental impacts, risks and opportunities on the organisation's future performance and position.			4G Outlook 4.34: An integrated report should answer the question: What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance? 4.35: An integrated report ordinarily highlights anticipated changes over time and provides information (...) about: • The organization's expectations about the external environment the organization is likely to face in the short-, medium- and long-term • How that will affect the organization • How the organization is currently equipped to respond to the critical challenges and uncertainties that are likely to arise.		
Risk Management	3.3: That information is provided: (c) in other statements and notes, by presenting and disclosing information about: (i) recognised assets, liabilities, equity, income and expenses (see paragraph 5.1), including information about their nature and about the risks arising from those recognised assets and liabilities; (ii) assets and liabilities that have not been recognised (see paragraph 5.6), including information about their nature and about the risks arising from them;	24: Although the particular focus of management commentary will depend on the facts and circumstances of the entity, management commentary should include information that is essential to an understanding of: c) the entity's most significant resources, risks and relationships; 29: Management commentary should include a clear description of the most important resources, risks and relationships that management believes can affect the entity's value and how those resources, risks and relationships are managed.	<b>Risks and opportunities:</b> - Management processes - C2 <b>Business strategy</b> - Water-related outcomes of climate-related scenario analyses to inform its business strategy - W7 <b>Procedures</b> Processes and procedures for identifying and assessing climate-related scenario forest-related risks - F2 Processes and procedures for identifying and assessing water-related risks - W3	REQ-03 Risks and opportunities Disclosures shall explain the material current and anticipated environmental risks and opportunities affecting the organisation.	[GRI Consolidated Standards 2020] <b>Disclosure 102-30</b> Effectiveness of risk management processes	4D Risks and opportunities 4.23: An integrated report should answer the question: What are the specific risks and opportunities that affect the organization's ability to create value over the short-, medium- and long-term, and how is the organization dealing with them? 4.24: An integrated report identifies the key risks and opportunities that are specific to the organization, including those that relate to the organization's effects on, and the continued availability, quality and affordability of, relevant capitals in the short-, medium- and long-term.	SASB's Standards Application Guidance, Section 5.0, suggests that for disclosure topics in the in Standards, companies disclose: c) The entity's process to identify, assess, and manage topic-related risks, and how these risks are integrated into the entity's overall risk management process. <b>SASB Standards - Disclosure Topics</b> Each industry specific SASB Standard includes climate-related risks and opportunities that are likely to be material in a given industry [bap report]. <b>SASB Standards - Accounting Metrics</b>	<b>Risk management</b> Disclose how the organization identifies, assesses, and manages climate-related risks. a) Describe the organization's processes for identifying and assessing climate-related risks. b) Describe the organization's processes for managing climate-related risks. c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	

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				<b>CDP</b>	<b>CDSB</b>	<b>GRI - Exposure draft</b>	<b>IIRC</b>	<b>SASB - Exposure draft</b>	<b>TCFD</b>
Metrics and Targets	3.3: That information is provided: (c) in other statements and notes, by presenting and disclosing information about: (a) in the statement of financial position, by recognising assets, liabilities and equity; (b) in the statement(s) of financial performance, by recognising income and expenses; and (c) in other statements and notes, by presenting and disclosing information about: (i) recognised assets, liabilities, equity, income and expenses (see paragraph 5.1), including information about their nature and about the risks arising from those recognised assets and liabilities; (ii) assets and liabilities that have not been recognised (see paragraph 5.6), including information about their nature and about the risks arising from them; (iii) cash flows; (iv) contributions from holders of equity claims and distributions to them; and (v) the methods, assumptions and judgements used in estimating the amounts presented or disclosed, and changes in those methods, assumptions and judgements.	24: Although the particular focus of management commentary will depend on the facts and circumstances of the entity, management commentary should include information that is essential to an understanding of: (d) the results of operations and prospects; and (e) the critical performance measures and indicators that management uses to evaluate the entity's performance against stated objectives.	<b>Governance</b> - Employee incentives - C1 - Incentives for management of forests-related issues - F4 - Incentives for management of water-related issues <b>Carbon pricing system</b> - Internal price on carbon - C11 <b>Additional metrics</b> - Other climate-related targets - C9 <b>Targets and Performance</b> - Other climate-related targets - C4 - Low-carbon products - C4 <b>Current state</b> - Current state - W1 <b>Risk and Opportunities</b> - Risk and opportunities - W4 <b>Business strategy</b> - Use of an internal price on water - W7 <b>Target</b> - Descriptions of targets and metrics monitored at the corporate level - W8 <b>Implementation</b> - Description of targets for increasing sustainable production/consumption of forests risk commodities - F6	<b>REQ-04 Sources of environmental impact</b> Quantitative and qualitative results, together with the methodologies used to prepare them, shall be reported to reflect material sources of environmental impact.	<b>GRI 102: About the Organisation [Exposure draft]</b> <b>GRI 103: Material Topics [Exposure draft]</b> <b>GRI 200, 300, 400: Topic-specific standards and disclosures</b>	<b>4F Performance</b> 4.30: An integrated report should answer the question: To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals? 4.31: An integrated report contains qualitative and quantitative information about performance (...) 4.32: KPIs that combine financial measures with other components (...) or narrative that explains the financial implications of significant effects on other capitals and other causal relationships (...) may be used to demonstrate the connectivity of financial performance with performance regarding other capitals. In some cases, this may also include monetizing certain effects on the capitals (e.g., carbon emissions and water use).	SASB's Standards Application Guidance, Section 5.0, suggests that for disclosure topics in the Standards, companies disclose: d) The entity's use of metrics or targets to assess and manage topic-related risks and opportunities <b>SASB Standards - Disclosure Topics and Accounting Metrics</b> Each industry specific SASB Standard includes climate-related risks and opportunities that are likely to be material in a given industry, each with associated Accounting Metrics to measure and communicate topic-level performance [bap report].	<b>Metrics and targets</b> Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	

		IFRS							
		Conceptual Framework for Financial Reporting	Practice Statement on Mgmt. Commentary (This is not a stand-alone Conceptual Framework, and sits within the scope of the IASB Conceptual Framework)	 CDP	 CDSB	 GRI - Exposure draft	 IIRC	 SASB - Exposure draft	TCFD
Remaining Elements:	Basis for Preparation				<p><b>REQ-07:</b> Environmental information shall be prepared for the entities within the boundary of the organisation, or group, for which the mainstream report is prepared and, where appropriate, shall distinguish information reported for entities and activities outside that boundary. The basis on which the organisational reporting boundary has been determined shall be described.</p> <p><b>REQ-09:</b> Disclosures shall cite the reporting provisions used for preparing environmental information and shall confirm that they have been</p>	<p><b>GRI 103: Material Topics</b> Disclosures MT 1-3: Reporting on Material Topics</p>	<p><b>Basis of presentation:</b> How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?</p>		
	Assurance				<p><b>REQ-12:</b> If assurance has been provided over whether reported environmental information is in conformance with the principles and requirements of the CDSB Framework, this shall be included or cross-referenced in the statement of conformance (REQ-11).</p>	<p><b>GRI 102: About the Organization</b> REP-5 External assurance</p>	<p>3.40: The reliability of information is affected by its balance and freedom from material error. Reliability (which is often referred to as faithful representation) is enhanced by mechanisms such as robust internal control and reporting systems, stakeholder engagement, internal audit or similar functions, and independent, external assurance.</p>	<p><b>SASB Standards Application Guidance Section 5.0:</b> Governance, Internal Control, and Assurance.</p>	