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19<sup>th</sup> January 2022

**RE: SVI's response to CDSB consultation on corporate reporting on social issues**

To whom this may concern,

On behalf of Social Value International I write to thank you for this opportunity to comment on the draft CDSB Framework for corporate reporting on social issues. The documents shared were particularly useful and the engagement from David Astley (CDSB) and Mark Hodge (Shift) has been most helpful throughout the process of producing this response.

Social Value International produced this response with the support of SVI members and also through collaboration with the Capitals Coalition and their community of practitioners and businesses. Engagement with these communities consisted of a period for comment on a Draft response as well as an open webinar discussion.

The feedback and recommendations are provided below in response to the seven questions outlined in the consultation. Recommendations are also listed in an appendix. SVI would be grateful for a response to these recommendations or the opportunity to discuss them further should this help advance this important piece of work.

Yours Sincerely,



Ben Carpenter  
CEO  
Social Value International

Consultation questions:

**1. Do you agree with objectives and expanded scope of the CDSB Framework?**

Yes we agree with the expanded scope of the CDSB Framework to include social impacts. However, we recommend that the expanded scope not duplicate the work of others in the field of reporting and accounting for social impacts, therefore please provide a note as to how CDSB is working in collaboration with other standard setters. Closer collaboration and alignment with existing bodies working on these issues and their work is essential to build convergence and consensus.

SVI recommend providing more clarity within the framework text as to whether the reporting requirements extend beyond the reporting boundary. This could also include an example of how 'Living Wage' should be reported across the supply chain.

In relation to REQ 07, see below, it is not clear whether this relates to the supply chain (how far along it) or the 'value chain'. Indeed these terms are both used within the text.

*"Environmental and social information shall be prepared for the entities within the boundary of the organisation, or group, for which the mainstream report is prepared. Where material, environmental and social information beyond this boundary shall be reported and distinguished. The basis on which the organisational reporting boundary has been determined shall be described"*

We recommend that more consistency be used between the terms 'supply chain' and 'value chain'. Where 'value chain' is used please specify whether it includes consumers as well as suppliers.

### 2. Do you believe the principles will effectively support the disclosure of high-quality, decision-useful environmental and social information?

The principle of relevance and materiality are fine although SVI recommend that the criteria should be expanded to include social impacts that are significant to stakeholders in the short term irrespective of whether they impact the organisation's financial condition and operational results. More explanation of the approach to materiality should be provided in the framework text, with reference to the concept of 'double materiality' and contributing positively to sustainable development. Both concepts are relevant for users of this information.

We recognise the assumption that all negative social impacts have the potential to impact the organisation's financial condition and strategy in the long term and so *might* be included by the criteria as worded in the draft. However, to make decisions about how to create long term value and contribute positively to sustainable development, social impacts should be valued from the perspective of those who experience them and this should be accounted for and reported.

This consultation is working on the basis that most investors want to maximise financial returns *whilst also contributing positively to the SDGs (or general concept of sustainable development)*. Therefore, investors need information about the magnitude of social impacts in the short term rather than waiting for them to become a risk to financial returns in the medium or long term.

In relation to "P7 Disclosures should be forward looking", we recommend that there be explicit reference to disclosing opportunities to contribute positively to SDGs (and the broader concept of sustainable development) rather than solely focusing on risks to financial returns. We believe that this information is of interest to the majority of investors.

For information to be 'decision-useful' we recommend that a principle be added about valuation of social and environmental impacts. Valuation provides an understanding of relative importance of impacts and can therefore inform decisions about how to optimise value for a range of stakeholders.

We welcome the following statements as useful addition to the CDSB framework of principles:

*(Row 223): Details of measurement uncertainty (e.g., missing data, statistical ranges, assumptions and parameters used, and limits on stakeholder inputs) represent important information.*

*(Row 284): At the same time, this consistency should not prevent organisations from revising performance measures and indicators when necessary to enhance their accuracy and usefulness.*

*(Row 313): For certain environmental and social information, supporting evidence may include qualitative information such as feedback from affected stakeholders.*

### **3. Do you believe the reporting requirements will effectively support the disclosure of high-quality, decision-useful environmental and social information?**

Yes. However, we recommend that disclosures are consistent with or build upon existing work in this area such as those found in Global Reporting Initiative.

We would recommend that REQ03 be amended to be more explicit about disclosing 'actions taken to mitigate harmful impacts on people and the environment and maximise positive impacts on people and the environment'.

In relation to Row 660, this point could be expanded to include reference to appropriately qualified practitioners who can lead stakeholder engagement with affected stakeholders and adhere to research ethics.

*(Row 660): Given the lack of recognised methodologies for calculating impacts in relation to some environmental and social issues, measures, indicators, and other information should be informed by engagement with credible subject-matter experts, and wherever possible with the affected stakeholders or their legitimate representatives.*

SVI particularly welcome the following additions:

*(Row 466): Whether and how targets are informed by engagement with subject-matter experts and affected stakeholders or their legitimate representatives; and*

*(Row 628): Where an organisation is communicating qualitative information (for example, about the perceptions and experiences of affected stakeholders) that is converted into quantitative terms, this should be done using recognised statistical sampling methods and without obscuring the experience of the most at-risk groups*

*(Row 748): The time periods over which management considers the prospects of the organisation for the purposes of conformance with the CDSB Framework, including an explanation of why the periods are considered appropriate, such as their relation to an organisation's strategies, the useful life of its assets, or national or international environmental and social ambitions;*

#### **4. Do you believe that the principles and reporting requirements will effectively support the disclosure of well-connected environmental and social information?**

It is good that the CDSB Framework requires *'the environmental and social information to be interspersed and positioned in the relevant sections of the mainstream report'*.

We welcome that the reporting should provide detail on how social and environmental impacts are connected.

#### **5. Do you agree with the definitions used, particularly those relating to social?**

SVI recommend that the definition of 'social impacts' be expanded to be more than just *'limits on or changes to the ability of people to realise their human rights'*. This is about meeting the minimum threshold for protecting Human

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*Rights but does not encourage data on how to optimise or maximise the actual impacts in people's lives.*

Whilst the reference to human rights is important and useful, we recommend that the definition of social impact be expanded to reference the term 'wellbeing' and therefore be more closely aligned to other widely used definitions of the word impact. For example, the Impact Management Project (2021) definition of impact is:

*a change in an aspect of people's wellbeing or the condition of the natural environment caused by an organisation.*

There is much research on the universal aspects of wellbeing. See OECD frameworks for example: <https://www.oecd.org/wise/><sup>1</sup>. This could form the basis for measuring and managing what matters to people.

We believe the use of the term 'connected to' in the following sentence in the definition of impact is ambiguous and inconsistent with other definitions of impact:

*"where these (social impacts) limits or changes are connected to an organisation's operations, products, and/or services."*

We recommend that the words 'connected to' be replaced with 'caused by' so that it is consistent with most definitions of impact and clearer to the reader that the definition of impacts includes being accountable for the impacts on people caused by the organisation's operations, products, and/or services.

Alternatively, if the word 'connected to' is preferred by CDSB then the phrase should be clearly explained within the text of the framework. Furthermore, it should be used consistently for social and environmental impacts.

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<sup>1</sup> Many other research exists for example: [IAIA 2015 Social Impact Assessment guidance document.pdf](#)

**6. Do you agree with the determination of income inequality as a systemic risk relevant to all companies? Do you believe the disclosure on the provision of living wage for workers is an appropriate and useful disclosure?**

Yes, income inequality is a systemic risk to all companies. However, if income inequality is identified as a default material issue for all businesses then this should be more clearly stated and explained why it does not need to be determined as material like other issues.

SVI believe that other inequalities such as gender, racial, health and wealth inequalities present systemic risks and recommend that these should also be included in reporting disclosures. SVI recommend that an explanation be provided on why income inequalities is more of a material issue than other inequalities. Furthermore, CDSB should state their intention to work with other organisations campaigning for reduced inequalities to explore material issues and the most appropriate indicators.

SVI partly agree that disclosure of 'living wage for workers' is appropriate and a useful disclosure. However, it could be argued that Living Wage alone is not indicating a level of inequality within an organisation, rather it indicates that the lowest earners are being protected from poverty. SVI recommend consideration of additional indicators to assist with measuring levels of income inequalities. The most obvious additional indicator would be Pay Ratios between highest and lowest incomes. This could be disaggregated across gender and other key characteristics too.

SVI would encourage organisations to go further than reporting Living Wage and consider how Living Wage could be accounted for in the financial statements. See SHIFT project "Accounting for a Living Wage"

**7. Any other comments?**

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- A) Provide more guidance on the approach (or process) required for defining a wider set of social impacts that should be measured and tested for materiality.

This guidance should include helping an organisation understand the wider set of material impacts caused by their activities. Understanding this wider set of impacts that matter to all affected stakeholders is necessary to determine the subset of financially material impacts. It also helps organisations who want to contribute positively to the SDGs and more broadly the concept of 'sustainable development' in addition to 'enterprise value'.

CDSB references the following standards as 'influences':

- International standards of business conduct with relevance for reporting such as the UN Guiding Principles on Business and Human Rights,
- the OECD Guidelines for Multinational Enterprises;

SVI recommend further references and alignment with the following standards and resources:

- Natural, Human & Social Capital protocols<sup>2</sup>
- SDG Impact Standards<sup>3</sup>
- OECD Meaningful Stakeholder Engagement<sup>4</sup>
- SVI Standards especially Standard for Principle 1: Involve Stakeholders and Standard for Principle 2: Understand what changes: creating well-defined outcomes<sup>5</sup>

- B) Recommend valuation of social impacts from the perspective of those experiencing the impacts. This to inform what is material to all

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<sup>2</sup> [https://capitalscoalition.org/capitals-approach/natural-capital-protocol/?fwp\\_filter\\_tabs=training\\_material](https://capitalscoalition.org/capitals-approach/natural-capital-protocol/?fwp_filter_tabs=training_material) and <https://capitalscoalition.org/capitals-approach/social-human-capital-protocol/>

<sup>3</sup> <https://sdgimpact.undp.org/practice-standards.html>

<sup>4</sup> <https://www.oecd.org/publications/oecd-due-diligence-guidance-for-meaningful-stakeholder-engagement-in-the-extractive-sector-9789264252462-en.htm>

<sup>5</sup> <https://www.socialvalueint.org/standards-and-guidance>



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stakeholders and inform what is important for businesses to manage to create value for all stakeholders in the short, medium and long term.

As mentioned earlier in the consultation, we believe that valuation of social and environmental impacts is necessary for decision making about how to optimise value. Social and environmental impacts should be given a weighting or relative importance as a minimum to help recognise how to best allocate resources. These valuations, reflecting the perspective of those who experience the impacts, should be considered alongside international standards and thresholds to ensure nothing material is missed.

Monetary representation of these values could be an optional approach. Disclosing valuations of social and environmental impacts and providing transparency in the approach taken will build trust and help to communicate the value of social and environmental impacts and help decision makers balance trade-offs with financial impacts.

### C) Create more of an emphasis on a 'management approach'

As mentioned earlier, the framework could be improved by including more emphasis on disclosing 'Actions Taken' and/or 'Risk Management Plans' taken in relation to performance of social and environmental impacts.

Investors and other stakeholders want to see that these impacts are being managed through *actions taken* as well as measured.

### D) Reduce confusion over the phrase 'connected to'

As per the comment above about the definition of impact, the use of the term 'connected to' needs changing or explained further.

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*Relevant environmental and social information is a subset of environmental and social information identified by management as being relevant, and therefore potentially necessary for inclusion in the mainstream report, for the purposes of communicating the extent to which the organisation (1) contributes to and is affected (now or in the future) by environmental impacts and (2) is connected to and affected (now or in the future) by social impacts.*

Why is the phrase 'connected to' (social impacts) used rather than 'contributes to' like point 1 on environmental impacts? It suggests that there is a different treatment between social and environmental impacts. This should be consistent or if there is a difference it should be explained more clearly.

- E) Be clearer on the Stakeholder Involvement required to identify material social impacts.

We welcome the following criterion for materially relevant information:

*(Row 65): Takes account of stakeholder views, including the views of stakeholders who are, or may be, negatively impacted by the company's operations or value chain;*

We recommend stakeholder engagement for identifying social issues be strengthened further by requiring a disclosure that explicitly requires reporting on the activities taken to listen to and 'amplify the voices of those most affected' by an organisation's activities. Include references to how marginalised groups or communities will be engaged in the future to continue to understand their perspective. Where stakeholder engagement with affected people is not possible an explanation as to why should be disclosed.

In addition, CDSB should require that organisations disclose their engagement with organisations that can legitimately represent the most marginalised

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affected stakeholders. The disclosure should include detail on the engagements with such groups and how they have informed the process of determining material impacts. Where this has not taken place, an explanation should be disclosed explaining why they have not been consulted and an action plan to engage with these representative bodies.

## Appendix A: Full list of SVI Recommendations:

1. We recommend that the expanded scope not duplicate the work of others in the field of reporting and accounting for social impacts, therefore please provide a note as to how CDSB is working in collaboration with other standard setters
2. We recommend providing more clarity within the framework text as to whether the reporting requirements extend beyond the reporting boundary. This could also include an example of how 'Living Wage' should be reported across the supply chain.
3. We recommend that more consistency be used between the terms 'supply chain' and 'value chain'. Where 'value chain' is used please specify whether it includes consumers as well as suppliers.
4. We recommend that the criteria (for determining materiality) should be expanded to include social impacts that are significant to stakeholders in the short term irrespective of whether they impact the organisation's financial condition and operational results. More explanation of the approach to materiality should be provided in the framework text with reference to the concept of 'double materiality' and contributing positively to sustainable development, both concepts are relevant for users of this information.
5. We recommend (in relation to "P7 Disclosures should be forward looking") that there be explicit reference to disclosing opportunities to contribute positively to SDGs (and the broader concept of sustainable development) rather than solely focusing on risks to financial returns. We believe that this information is of interest to the majority of investors.
6. We recommend that a principle be added about valuation of social and environmental impacts. Valuation provides an understanding of relative importance of impacts and can therefore inform decisions about how to optimise value for a range of stakeholders.
7. We recommend that disclosures be consistent with or build upon existing work in this area such as those found in Global Reporting Initiative.

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8. We recommend that REQ03 be amended to be more explicit about disclosing '*actions taken to mitigate harmful impacts on people and the environment and maximise positive impacts on people and the environment*'.
9. We recommend that the definition of 'social impacts' be expanded to be more than just '*limits on or changes to the ability of people to realise their human rights*'. We recommend that the definition of social impact be expanded to reference the term 'wellbeing' and therefore be more closely aligned to other widely used definitions of the word impact. For example, the Impact Management Project (2021) definition of impact is:  
*a change in an aspect of people's wellbeing or the condition of the natural environment caused by an organisation.*
10. We recommend that the words 'connected to' be replaced with 'caused by' so that it is consistent with most definitions of impact and clearer to the reader that the definition of impacts includes being accountable for the impacts on people caused by the organisation's operations, products, and/or services. Alternatively, if the word 'connected to' is preferred by CDSB then the phrase should be clearly explained within the text of the framework. Furthermore, it should also be used consistently for social and environmental impacts.
11. We recommend that an explanation be provided on why income inequalities is more of a material issue than other inequalities. Furthermore, CDSB should state their intention to work with other organisations campaigning for reduced inequalities to explore material issues and the most appropriate indicators.
12. We recommend consideration of additional indicators to assist with measuring levels of income inequalities. The most obvious additional indicator would be Pay Ratios between highest and lowest incomes. This could be disaggregated across gender and other key characteristics too.
13. We recommend providing more guidance on the approach (or process) required for defining a wider set of social impacts that should be measured and tested for materiality.

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14. We recommend valuation of social impacts from the perspective of those experiencing the impacts. This to inform what is material to all stakeholders and inform what is important for businesses to manage to create value for all stakeholders in the short, medium and long term.
15. We recommend stakeholder engagement for identifying social issues be strengthened further by requiring a disclosure that explicitly requires reporting on the activities taken to listen to and 'amplify the voices of those most affected' by an organisation's activities. Include references to how marginalised groups or communities will be engaged in the future to continue to understand their perspective. Where stakeholder engagement with affected people is not possible an explanation as to why should be disclosed. In addition, CDSB should require that organisations disclose their engagement with organisations that can legitimately represent the most marginalised affected stakeholders. The disclosure should include detail on the engagements with such groups and how they have informed the process of determining material impacts. Where this has not taken place an explanation should be disclosed explaining why they have not been consulted and an action plan to engage with these representative bodies.