

## Climate-related financial disclosure – Joint Peak Bodies Submission

This submission presents the collective views of the 11 professional, industry, investor and research bodies listed below. Together we represent more than 400 companies, investors and financial institutions with A\$18 trillion assets under management, over 6 million retail investors and 400,000 business and finance professionals.

We consider clear, transparent, comprehensive and comparable disclosure of sustainability-related information to be part of the foundation of a well-functioning financial system and welcome the introduction of mandatory climate-related disclosure requirements in Australia.

A robust, useable, and internationally aligned climate-related disclosures framework will help to channel more capital into activities consistent with Australia's national emissions reduction goals. It should form a key pillar of Australia's sustainable finance architecture alongside a sustainable finance taxonomy, agreed sector decarbonisation pathways, strong climate targets and real economy climate policies.

The views set out below are intended to inform and guide the overall direction of the climate disclosure regime. In part due to the short consultation timeframe and the fact that it ran over the summer holiday period, we have not responded to all the questions from the consultation paper. Many of the peak bodies represented in this submission have also made individual submissions, addressing their particular stakeholder views and issues.

Thank you for the opportunity to respond to this consultation. We would be happy to discuss any of our comments in more detail with you. Please contact Purdie Bowden at [Purdie.Bowden@asfi.org.au](mailto:Purdie.Bowden@asfi.org.au) if you have any questions.

The peak Australian bodies who are signatories to this submission (in alphabetical order).



**Australasian Investor Relations Association**



**Australian Shareholders Association**



**Australian Sustainable Finance Institute**



**Centre for Policy Development**



**CFA Societies Australia**



**Chartered Accountants Australia and New Zealand**



**CPA Australia**



**Governance Institute of Australia**



**The Group of 100**



**Institute of Public Accountants**



**UN Global Compact Network Australia**

#### Q 1: Costs and benefits of aligning with international climate disclosure practice

Australian law already requires Directors to disclose material risks, including climate-related risks, and many Australian corporations and financial institutions are already reporting using the Taskforce on Climate Related Financial Disclosures (TCFD) recommendations. Mandatory disclosure will support greater consistency and comparability of disclosures, and establish an economy-wide baseline standard helping to level the playing field.

Relevant, consistent, verifiable and comparable disclosure of climate-related risks, opportunities, strategies and impacts by companies and financial institutions will also provide several important benefits:

- support businesses to identify and manage climate-related risks and opportunities (both physical and transition)
- help investors and customers understand and assess the climate credentials of the reporting entities to enable better decision making;
- continued and potentially enhanced access to global capital markets for reporting entities;
- better enable regulators to combat greenwashing and other misleading claims.

There will also be cost and resource implications for reporting entities. Costs could be mitigated, in part, through a phased approach to the introduction of the disclosure framework.

Consideration should also be given to the broader costs and risks to the Australian economy of not introducing such a regime – that is of failing to align and keep pace with international disclosure trends and approaches.

#### Q2 and Q3: Coverage and transition arrangements

At a high level, we suggest coverage is aligned with existing reporting and disclosure thresholds within legislation, regulations and/or standards rather than creating entirely new bespoke thresholds. We support the application of the mandatory disclosure framework to listed and unlisted entities, as well as Government-owned entities.

We support a phased approach for mandatory disclosure. There are various ways in which this could be implemented but critically the Government should clearly signal the intended ultimate coverage of the scheme to allow the market to prepare.

We support the disclosure framework applying to all entities on a voluntary or 'opt-in' basis from commencement to encourage early adoption.

#### Q4: Alignment with International Sustainability Standards Board (ISSB) Standard

There is a strong rationale to align the Australian approach with international developments. Noting that the development of the ISSB standards is ongoing and IOSCO endorsement is still outstanding, we support the ISSB as the baseline standard for the Australian framework. We note that the ISSB's climate-related disclosures standard (IFRS S2) aligns with the TCFD recommendations, which are already used by many of the ASX200.

However, as the ISSB is expected to form the global baseline for disclosure, we recommend Australia should look to build on this where appropriate in due course to align with leading global practice.

#### Q5: Key considerations for design of regulatory framework

The regulatory framework should be:

- Robust: solicit decision-useful, consistent, verifiable, and comparable information about an entity's exposure to and management of climate risk and opportunities
- Internationally aligned: adopt the ISSB standard as the baseline
- Workable and proportionate:
  - minimise burden and maximise efficiency, including by aligning with existing reporting practice
  - the requirements are proportionate to the risks they seek to address
- Durable and adaptable:
  - flexible enough to facilitate broader sustainability-related reporting beyond climate in the future;
  - accommodate initial data and capability gaps, recognising that these will be less important over time.
- Enforceable: have a legislative basis, and regulators should be enabled and resourced to support implementation and enforcement.

#### Q6: Where should information be reported?

Reporting of climate-related disclosures should be included within the annual report. This would enable users to access decision-relevant information in one place and promote an integrated approach to reporting and consideration of risks.

There may need to be a transition period where climate disclosures are reported separately and cross referencing is used to help users find disclosures.

#### Q7: Materiality

[Not covered in this submission]

#### Q8: Assurance

Assurance is important to ensure the integrity of the Disclosure framework. Assurance should be carried out by experts with relevant qualifications and expertise, who are subject to independence and quality management standards. Governance and oversight arrangements should be in place to a similar level as for financial reporting.

#### Q9: Reporting of Scopes 1, 2 and 3 greenhouse gas (GHG) emissions

Consistent with the current ISSB approach, reporting should cover scopes 1, 2 and 3 GHG emissions in line with the GHG Protocol. Disclosure requirements should be aligned, to the extent possible, with other Australian reporting frameworks (for example, the National Greenhouse Emissions Reporting Scheme and the Corporate Emissions Reporting Transparency Initiative) so that entities are not required to report similar information in different formats and channels or with respect to differing time periods.

#### Q10: Common metrics including industry specific metrics

Disclosure requirements should incorporate industry specific metrics as well as cross-industry metrics. These should align with international approaches, using the ISSB global baseline guidance as the basis.

#### Q11: Transition plans and use of offsets

Transition plans are a key tool for the finance sector and for businesses. Entities should be required to disclose their transition plans, including disclosure of their use of offsets, in line with the ISSB standard. Disclosure of transition plans should be based on best practice, in line with requirements developed by the Government. Work by the UK Transition Plan Taskforce and the Glasgow Financial Alliance for Net Zero provide a strong basis for Australian requirements.

#### Q12: Phasing of requirements and assurance

If sufficient flexibility is not built into the ISSB Standard, some reporting requirements and levels of assurance could be scaled up over time. For entities at the lower end of the reporting threshold, this would provide time for reporting to mature, capability to develop and capacity to increase.

In particular, flexibility should be considered in relation to scope 3 GHG emissions reporting for a transitional period, consistent with the ISSB's decision to provide first year relief. Phasing in of mandatory assurance should also be considered.

#### Q13: Capability and data challenges

There are genuine data and capability gaps and these will persist to some extent in the early years of the disclosure scheme. The disclosure framework should enable quality disclosure by companies even in the absence of complete data. It should require reporting entities to be transparent about the information they are using – including any limitations, assumptions and the inherent level of uncertainty.

There are opportunities for Government to proactively support and facilitate better data availability through efforts to streamline and aggregate datasets across different agencies and making these more accessible and available.

#### Q14: Supporting information including climate scenarios

Government has an important role in providing accessible and quality data, particularly on physical climate risks, to support entities to conduct scenario analysis. To promote consistency and comparability and support reporting entities (particularly those with fewer resources), more detailed guidance on scenario analysis should be developed including a set of default climate scenarios.

#### Q15: Reasonable grounds challenges & disclosure of uncertainties/assumptions

[Not covered in this submission]

#### Q16: Interaction with continuous disclosure and fundraising disclosure requirements?

[Not covered in this submission]

Q17: Should climate disclosure regime be designed to accommodate growth of other sustainability reporting?

Internationally there is a trend towards comprehensive sustainability reporting in recognition that financial risks extend beyond climate to include nature and social issues. The disclosure framework should be flexible to accommodate broader sustainability disclosure in the future.

Q18: Mandate digital reporting

[Not covered in this submission]

Q19: Institutional and governance arrangements

Sustainability-related disclosures are as important to investor decision-making as financial disclosures. Processes and institutional arrangements for the climate disclosure regime do not necessarily need to be identical to the financial reporting framework, but they should ensure that sustainability-reporting is afforded the same status as financial reporting.