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**BY EMAIL**

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Dear Sir / Madam

**Climate-related financial disclosure - Consultation paper Submission**

We act for a major Australian retailer of consumer goods, food and beverage, which is part of a large global retail group. Globally, the retailer has over 500 premises across a number of continents.

Our client has closely considered the '*Climate-related financial disclosure - Consultation paper*' (**Consultation Paper**) and has instructed Ashurst to prepare this submission on its behalf. Our client would like to thank the Australian Government for the opportunity to provide its feedback on the Consultation Paper.

First and foremost our client offers its full support of consistent and standardised climate related disclosure reforms generally to promote a sustainable future, not only for Australia, but the world as a whole. To assist with this process, our client would like to provide feedback in relation to a few keys areas:

- a) international standardisation;
- b) timing / phasing for emissions disclosures; and
- c) assurance.

We have grouped together our client's feedback by theme rather than by reference to specific questions posed in the Consultation Paper.

**1. INTERNATIONAL STANDARDISATION AND ALIGNMENT**

We understand that the intention of the Australian Government is to introduce standardised, internationally-aligned reporting requirements for businesses to make disclosures regarding governance, strategy, risk management, targets and metrics in relation to climate change risks – including greenhouse gases.

Our client offers its full support for the introduction of standardised, internationally-aligned reporting requirements.

Our client, like many other Australian subsidiaries of, or related entities of global organisations, is part of a global group, with global operations, customers, employees and suppliers from across the world.

Accordingly, to facilitate the provision of comparable information in global markets and provide investors and the community with access to transparent, reliable and comparable reporting by companies on climate related issues, it is essential that climate related regulation supports consistent metrics, standardised qualitative disclosures and standardised, internationally-aligned reporting requirements.

Overall, such standardised, internationally-aligned reporting requirements will promote and support transparency by enhancing the international comparability, strengthen accountability by reducing any potential information gaps and contribute to economic efficiency by helping global investors to have a greater understanding of data and thus identify opportunities and risks across global markets.

## 2. **SCOPE 1 AND SCOPE 2 EMISSIONS**

We understand that the Consultation Paper seeks feedback on the potential interaction between any new requirements and the existing national emissions reporting frameworks.

The *National Greenhouse and Energy Reporting Act 2007* (Cth) and the National Greenhouse and Energy Reporting Scheme (**NGER Scheme**) that it establishes is the national framework for reporting greenhouse gas emissions in Australia.

Corporations that meet a National Greenhouse and Energy Reporting (**NGER**) threshold must register and, once registered, report each year. We note that both Scope 1 emissions and Scope 2 emissions are specified under the NGER legislation and must be reported. Currently, Scope 3 greenhouse gas emissions are not reported under the NGER Scheme.

Accordingly, given many corporations are already measuring, reporting and maintaining records in relation to their Scope 1 and Scope 2 emissions, our client suggests that the reporting of Scope 1 and 2 emissions align with the current greenhouse gas regulatory framework. This will ensure consistency and minimise duplication for corporations reporting under both the NGER Scheme and the proposed climate-related financial disclosure.

The Consultation Paper proposes an initial timeframe for the implementation of climate disclosure, that being for the 2024 – 2025 financial year in relation to larger listed entities covered by the *Corporations Act 2001*. Our client supports a phased approach for the implementation of climate related disclosures and reporting, however given the status of the disclosure regime and several key unknowns such as, but limited to, metrics for measurements, our client is concerned that appropriate and reliable data may not be known and be available for reporting in the 2024 – 2025 financial year.

Accordingly, our client suggests that reporting commence as voluntary for the 2024 – 2025 financial year and more time to allow organisations the opportunity to more fully prepare and respond to their reporting requirements. It may be possible to introduce the reporting requirement in phases, commencing with scope 1 and 2 emissions and allowing more time

for the other parts of the reporting obligation including in relation to scope 3 emissions which are discussed below.

### 3. SCOPE 3 EMISSIONS

Our client is part of a significant global supply chain with a number of anticipated upstream and downstream emission activities. Our client seeks to raise concern in relation to:

- the ability of large global organisations complying in a timely manner to any imminent requirement to disclose Scope 3 emissions;
- data compilation given many large global organisations would only have access to aggregate and/or extrapolated data (as opposed to location specific data); and
- data availability given the need to rely on a number of domestic and international suppliers and business partners with varying degree of skills, capabilities and resources.

Agenda Paper 4B 'Scope 3 greenhouse gas emissions' (October 2022) summarised two key concerns associated with the ability of many entities to provide Scope 3 greenhouse gas emissions disclosures:

1. [*Time challenge*] Whether an organisation would be able to provide any disclosure at all on scope 3 greenhouse gas emissions at the time that IFRS S2 Climate-related Disclosures is first applied; and/or
2. [*Data challenge*] Whether the disclosure would be of sufficient quality to be decision-useful for users of general purpose financial reporting.

In late 2022, the International Sustainability Standards Board (ISSB) voted unanimously to require company disclosures on Scope 1, Scope 2 and Scope 3 greenhouse gas emissions. However, given the global uncertainty in relation to the calculation of Scope 3 emissions, we understand that the ISSB is considering relief provisions to assist organisations in calculating their Scope 3 emissions which may include giving companies more time to provide the disclosures and working with jurisdictions on 'safe harbour' type provisions.

In or around December 2022, we understand that the ISSB agreed to set out a framework for the measurement of Scope 3 greenhouse gas emissions that will require the use of reasonable and supportable information that is available without undue cost or effort and incorporates the use of estimation. This indicates to us that the process for calculating Scope 3 emissions is under development and thus it would be premature to require detailed reporting on Scope 3 emissions at this stage.

The IFRS Agenda reference: 3D&4C 'Proportionality and support for those applying IFRS S1 and IFRS S2' dated February 2023 provided that:

*By requiring disclosure of Scope 1 and Scope 2 GHG emissions earlier than Scope 3 GHG emissions, the temporary data availability challenge will be addressed to a significant degree; partly as listed entities in a preparer's supply chain will be subject to the proposed requirement to disclose their Scope 1 and Scope 2 GHG emissions, and partly because it will give a preparer more time to work with the entities in its value chain to collect and/or estimate its Scope 3 GHG emissions.*

Further noting the Consultation Paper's intention to introduce "*standardised, internationally-aligned reporting requirements for businesses*", then in our view requiring organisations to disclose their Scope 3 emissions in Australia prior to ISSB finalising its proposed Scope 3 disclosures gives rise to the risk that these disclosures may not align with international standards.

Accordingly, our client's suggests that the Australian Government consider:

- the deferral of Scope 3 emissions disclosures to address the '*Time challenge*' issue;
- the provision, for large global organisations, to report on an aggregate global level (for example, at the parent level, including where the parent is organised outside of Australia) and to be able to use extrapolated data to assist in addressing the '*Data challenge*' issue; and
- the implementation of safe harbour or similar type provisions in the relevant Australian legislation.

#### 4. **ASSURANCE**

Disclosure of greenhouse gas emissions will inevitably involve an organisation gathering a large quantity of data from third parties. These third parties will have a wide and varying degree of skills, capabilities and resources and significantly impact on the quality of data that is provided. For example, food and beverage retailers may require data from farmers or small suppliers who do not, at this stage, have the current capability to provide accurate data or for whom gathering such data may be cost prohibitive.

Based on this data, we understand that an organisation will then need to make judgments about technology and human behaviour and make projections. Projections are inherently uncertain.

Accordingly, in this context, our client raises concerns in relation to:

- the process of verifying records and data available; and
- how to derive sufficient comfort to make any meaningful projection that will ultimately assist global investors and the community in understanding an organisations greenhouse gas emission.

Again, our client would like to thank the Australian Government for the opportunity to provide its feedback on the Consultation Paper. Our client looks forward to the prospect of further consultation in relation to a specific design proposal and standardised, internationally-aligned reporting requirements that further align with Australia's current greenhouse gas regulatory framework.



**Ashurst**



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