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17 February 2023

Climate Disclosure Unit  
Market Conduct Division  
The Treasury  
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## **Re: Climate-related financial disclosure consultation**

BHP (hereinafter “we,” and “our”) greatly appreciates the opportunity to provide comments in response to the Australian Government’s Climate-related financial disclosure consultation paper. We have long held a leading position in climate-related disclosures and commend the Government’s commitment to design and implement standardised, internationally-aligned requirements for climate-related disclosures in Australia. We hope the move toward a consistent and decision-useful climate-related disclosure regime, which seeks to meet increased demand from investors, will enable Australia to be aligned with similar developments in major international capital markets.

### **Supportive of standardised, internationally-aligned climate-related disclosures**

BHP is a leading global resources company producing some of the essential resources needed to support the global energy transition, such as nickel and copper, and we strive to produce them sustainably, efficiently and ethically. Our purpose is to bring people and resources together to build a better world.

As one of the world’s largest mining companies, we are committed to playing our part to help accelerate the Australian and global pathways to decarbonisation. This includes increasing awareness of the vital role of the mining industry in providing essential commodities as building blocks for the renewable energy and other decarbonisation infrastructure required to enable a net zero greenhouse gas (“GHG”) emissions future.

BHP’s [Climate Transition Action Plan 2021](#) and [Annual Report 2022](#) outline our approach to reducing GHG emissions and managing climate risks, including our climate change targets and goals. We have been represented on the Task Force on Climate-Related Financial Disclosures (“TCFD”) since its inception and have continued serving as one of the leading voices in shaping the TCFD and other global standards from an industry sector perspective. We have actively contributed to consultation on the ongoing development of proposals by the International Sustainability Standards Board (“ISSB”) and United States Securities and Exchange Commission (“US SEC”) aimed at enhancing climate related disclosures.

BHP supports the Government’s objective to ensure Australia remains aligned with international capital markets and believes that the standardisation and international alignment of climate disclosure requirements in Australia will benefit investors, while building on the work of companies such as BHP that have placed climate action and transparency at the forefront of their corporate agendas.

We offer our views to Government based on BHP's experience in preparing climate disclosures on a voluntary basis to assist the Government in the design of an effective regime for Australia.

### **The importance of a global baseline of sustainability reporting standards**

It is our belief that consistently applied disclosure requirements, overseen by regulators, are key to ensuring complete and transparent reporting. Current global practice includes a number of standards and interpretations, creating a disclosure system that is difficult for both companies and investors to navigate and potentially unreliable. We are particularly supportive of efforts by governments and regulators to establish a common set of requirements for large companies.

Given the benefits of a shared set of transparent standards and methodologies to enable comparisons to be drawn, we endorse the Government's commitment to standardise and align climate reporting in Australia and replace the more ad hoc approach that currently exists. We are therefore supportive of a Climate-related Financial Disclosure (hereafter referred to as "CFD") regime being introduced in Australia, particularly if it is aligned with the TCFD's recommendations and the ISSB disclosure standards once these are finalised. We believe this will be foundational to building global consistency and comparability in sustainability reporting.

We also encourage the initial implementation of CFD to cover as much of the economy as possible in a timely manner as this would give regulators the greatest scope to manage systemic risk and avoid creating adverse competition impacts between those entities in and out of scope or incentives for regulatory arbitrage.

Given the Government's proposal to align an Australian CFD regime with the global baseline envisaged by the ISSB, we would like to draw your attention to the feedback submitted by BHP to the ISSB in July 2022 as part of the consultation process for the Exposure Draft IFRS S2 Climate-related Disclosures (hereafter referred to as 'Exposure Draft'). The feedback is available at <https://www.ifrs.org/content/dam/ifrs/project/climate-related-disclosures/exposure-draft-comment-letters/b/bhp-af003291-e91c-43b2-a3c3-bb4bf6d7bd6f/bhp-comments-issb-exposure-draft-ifrs-s2-climate-related-disclosures.pdf> and is summarised below where relevant.

### **Balancing decision-usefulness with operational practicality**

We have focused our feedback to the consultation paper on the need to balance enhancing the decision-usefulness, consistency, and comparability of disclosures with the practicality of implementation and ongoing compliance. While broadly supportive of Australian CFD reporting requirements, our review of the Exposure Draft, on which it is proposed the requirements are based, identified a number of areas in which the practical application of certain proposals is expected to be challenging, costly or potentially impracticable. We have highlighted such areas in our responses to individual questions in the Attachment.

We thank you in advance for your consideration of our feedback and again want to commend the Government on its efforts to provide Australians and investors with greater transparency through CFD disclosures. We would also be delighted to discuss our response in further detail.

  
**Group Sustainability and Climate Change Officer, BHP**

**Attachment**

# Attachment

## BHP response

**Question 1: What are the costs and benefits of Australia aligning with international practice on climate-related financial risk disclosure (including mandatory reporting for certain entities)? In particular:**

### **1.1 What are the costs and benefits of meeting existing climate reporting expectations?**

Based on BHP experience with voluntary reporting against the TCFD framework, the key costs, at least initially, are associated with implementation of processes and governance mechanisms to facilitate effective reporting against the framework. Large entities are often already subject to greenhouse gas (GHG) emissions reporting regulation and/or voluntary disclosures in Australia, and therefore initial costs associated with emissions collection will be limited; for entities who historically have not reported emissions, this is likely to result in additional costs. Key challenges in terms of cost of mandatory reporting would be associated with preparation of scenarios (if companies have not done so previously) and physical risk disclosure, given this is a less mature area.

Aligning a CFD regime in Australia with international practice is expected to reduce compliance costs to the preparers (in comparison to compliance against multiple, fragmented regimes). It is also expected to benefit users of the reported information, particularly where investors are taking a global perspective when deciding where to allocate their capital, as poorly-aligned information is less useful to investors and more costly to process when making decisions.

### **1.2 What are the costs and benefits of Australia not aligning with international practice and in particular global baseline standards for climate reporting**

We view alignment with international reporting regimes as critical to minimising the risk associated with CFD disclosure and reducing the significant resource burden of compliance. Even relatively minor differences in requirements such as period of coverage or reporting boundaries can require almost full replication of the necessary data gathering, analysis and verification processes. These differences would also give rise to an increased risk of inconsistency between disclosures under differing regimes, reducing the decision-usefulness of the information and potentially adding to legal and reputational risks. These risks will be particularly pertinent in relation to companies reporting in multiple jurisdictions.

Ensuring consistency across markets is paramount to driving efficiency and cost savings associated with CFD reporting both from preparer and user perspectives and is important to maintaining Australia's competitiveness to attract capital.

**Question 2: Should Australia adopt a phased approach to climate disclosure, with the first report for initially covered entities being financial year 2024-25?**

We support an approach that ensures as wide coverage of the economy as possible from the outset. This will avoid creating adverse competition impacts between those entities in and out of scope or incentives for regulatory arbitrage. Furthermore, given the nature of some disclosures requires entities to gather and understand climate information from third parties in their value-chains, wider coverage would make it easier for all parties to comply with their value-chain related disclosures.

As mentioned in the consultation paper, timeliness in implementation of a CFD is key to remaining in alignment with other jurisdictions, such as the United Kingdom, for example, which already requires TCFD-aligned reporting for premium listed companies (with reporting for other listed entities to commence from accounting periods beginning on or after 1 January 2022).

To the extent that disclosure of climate-related information for historical fiscal years included in financial statements is mandated (which is consistent with International Financial Reporting Standards (IFRS) under which we prepare our financial statements), we would recommend a phased implementation approach for any financial statement disclosures which allows the inclusion of only current year fiscal information in the first year of reporting. We note that such a phased approach would be consistent with that proposed by the ISSB in its Exposure Draft.

### **2.1 What considerations should apply to determining the cohorts covered in subsequent phases of mandatory disclosure, and the timing of future phases?**

Large entities will be dependent on the disclosure of entities in their value chains to produce and improve the quality of certain proposed disclosures (for example, Scope 3 emissions). Therefore, we would encourage as wide coverage as possible in the initial phase in order to avoid creating adverse competition impacts between those entities in and out of scope or incentives for regulatory arbitrage.

We suggest that this potential impact on the quality and consistency of disclosure across the economy as a whole is considered, along with other factors such as the relative costs of applying the requirements for other entities, when designing the scope and timing of future mandatory disclosure phases.

### **Question 3: To which entities should mandatory climate disclosures apply initially?**

#### **3.2 Are there any other types of entities (that is, apart from large, listed entities and financial institutions) that should be included in the initial phase?**

We recommend that equivalent reporting requirements should apply to large entities that are neither listed nor considered financial institutions. As articulated in the consultation paper, this would give regulators the greatest scope to manage systemic risk and avoid creating adverse competition impacts between entities not covered or incentives for regulatory arbitrage. Additionally, this would support the ability of listed entities to produce the required climate information that is dependent on entities in its value chain reporting.

### **Question 4: Should Australia seek to align our climate reporting requirements with the global baseline envisaged by the International Sustainability Boards?**

BHP supports seeking alignment with the global baseline envisaged by ISSB, subject to suitable resolution of the feedback received through the Exposure Draft consultation process (see our response to Qu. 4.1 below). The Government should also explore alignment and/or equivalency with climate-related financial disclosure regimes proposed in other jurisdictions, in particular the United Kingdom, United States and European Union.

#### **4.1 Are there particular considerations that should apply in the Australian context regarding the ISSB implementation of disclosures relating to: governance, strategy, risk management and/or metrics and targets?**

BHP has provided a detailed response on the ISSB Exposure Draft that outlines considerations in relation to the disclosure requirements proposed in the Exposure Draft. BHP's submission to ISSB is available at:

<https://www.ifrs.org/content/dam/ifrs/project/climate-related-disclosures/exposure-draft-comment-letters/b/bhp-af003291-e91c-43b2-a3c3-bb4bf6d7bd6f/bhp-comments-issb-exposure-draft-ifrs-s2-climate-related-disclosures.pdf>

#### **4.2 Are the climate disclosure standards being issued by the ISSB the most appropriate for entities in Australia, or should alternative standards be considered?**

BHP has been one of the leading voices in shaping the TCFD disclosure standards from an industry sector perspective and supports the objectives of the ISSB, believing that the standardisation of CFDs across jurisdictions benefit investors while building on the work of companies that have placed climate action and transparency at the forefront of their corporate agendas.

As such, BHP supports the proposal in the consultation paper for a reporting requirement that is initially TCFD-aligned with scope to reflect ISSB standards when they become available for adoption in Australia.

However, while broadly supportive of the direction of the ISSB Exposure Draft, we have identified a number of areas in which the practical application of the proposal is expected to be challenging, costly or potentially impracticable. Such areas include the proposal to require quantification of the anticipated impacts of climate risks and opportunities, potential changes to organisational boundaries used for emissions reporting and the need for additional clarity around key definitions. We highlighted such areas in our responses to individual questions in our submission to ISSB available at:

<https://www.ifrs.org/content/dam/ifrs/project/climate-related-disclosures/exposure-draft-comment-letters/b/bhp-af003291-e91c-43b2-a3c3-bb4bf6d7bd6f/bhp-comments-issb-exposure-draft-ifrs-s2-climate-related-disclosures.pdf>

While supportive of an ISSB-aligned regime, we would encourage Government also to explore how Australian CFD requirements would align and/or be viewed as equivalent with those proposed by the US SEC in 'The Enhancement and Standardization of Climate-Related Disclosures for Investors'. BHP's comments on the proposal are available at:

<https://www.sec.gov/comments/s7-10-22/s71022-20131388-301539.pdf>

Finally, to reduce the regulatory reporting burden for entities operating in multiple jurisdictions and to seek harmonisation in climate information produced across different regions, Government should consider and seek alignment and/or equivalency with the regulations being enacted by the United Kingdom as well as the European Union.

Ensuring consistency across markets is paramount to driving efficiency and cost savings associated with CFD reporting both from preparer and user perspectives and is important to maintaining Australia's competitive ability to attract capital.

#### **Question 5: What are the key considerations that should inform the design of a new regulatory framework, in particular when setting overarching climate disclosure obligations (strategy, governance, risk management and targets)?**

Key considerations in the design of a new Australian regulatory framework involve balancing the core objective of enabling investors to better assess the climate strategies, governance, risks and targets of companies, while at the same time ensuring practical application is not unduly burdensome, costly or impracticable. Implementation is also likely to better achieve the

desired outcomes where the required disclosures are aligned with other developments in key markets. Such considerations are important to avoid placing entities required to comply with the Australian regime at a competitive disadvantage compared to other markets and to support users of the disclosures to make decision-useful comparisons.

The pillars of strategy, governance, risk management and targets are familiar to BHP, being the basis for TCFD disclosures with which BHP already complies. Therefore, alignment with the TCFD on this approach is strongly supported.

In terms of the two options presented by the Government in the consultation paper, we consider that Option 2, building on existing requirements, is preferable as it should provide for increased flexibility to adjust regulatory guidance as international standards develop over time, as opposed to legislative amendment (which may be required through the Option 1 approach). Building on existing requirements should also help enable greater certainty and predictability by reducing legal challenges to the application or interpretation of new legislation based on terms such as governance, strategy, risk, management, targets and metrics. As noted, the flexibility to align with evolving international standards is an essential criterion for the Government to consider in its design of an Australian CFD regime.

**Question 6: Where should new climate reporting requirements be situated in relation to other periodic reporting requirements? For instance, should they continue to be included in an operating and financial review, or in an alternative separate report included as part of the annual report?**

Currently, BHP's TCFD-aligned disclosures and information is contained in the operating and financial review section of the Annual Report. BHP is supportive of an approach that enables consistency in compliance and permits the use of a single report across all of an entity's reporting jurisdictions. The ability for companies to issue a single report covering multiple jurisdictions including Australia would deliver substantial efficiency savings for entities and avoid investors having to compare an entity's CFD across multiple jurisdictions. As noted above, we support initiatives that enhance the standardisation of all forms of CFD (whether voluntary or mandatory) across jurisdictions.

**Question 7: What considerations should apply to materiality judgements when undertaking climate reporting, and what should be the reference point for materiality (for instance, should it align with ISSB guidance on materiality and is enterprise value a useful consideration)?**

The definition and application of materiality is a crucial element in any CFD regime to ensure that companies are not required to disclose significant amounts of information that, due to its financially immaterial nature, is not decision-useful and would risk diluting the effectiveness of the disclosures by overloading users with information. We refer to the submission we made on the ISSB Exposure Draft in this regard.

As outlined in the response to previous questions, BHP is supportive of a reporting regime that is aligned with the ISSB proposals, subject to suitable resolution of feedback provided in the consultation process. Given the importance of consistency and comparability of disclosures, BHP is also therefore supportive of materiality considerations within Australian reporting requirements being aligned with those of the ISSB.

BHP continues to monitor the development of the ISSB requirements in relation to materiality guidance, including the proposed changes highlighted in the consultation paper, and considers that a single materiality framework should be applied to a company's financial statements and broader disclosures and that separate materiality thresholds should not be introduced for specific areas of focus. However, as outlined in our response to the ISSB Exposure Draft, we

believe that additional clarity, definitions or application guidance will be required to support consistent application of requirements.

This supporting guidance on materiality should recognise the uncertainty inherent in assessing climate-related risks, and practical barriers to assessment, such as reliance on third-party information. In relation to the identification and disclosure of climate-related risks, BHP currently applies its risk management framework to seek to identify climate-related risks and assess their materiality, likelihood and potential impact.

However, the identification and assessment of these risks often relies on information from third parties, such as government agencies or other companies including suppliers and customers, and, for aspects of physical risk assessment, advances in climate science.

Therefore, we consider that the suggested approach should allow for entities to use the traditional concepts of materiality to identify and disclose their material climate-related risks, without undue prescription.

**Question 8: What level of assurance should be required for climate disclosures, who should provide assurance (for instance, auditor of the financial report or other expert), and should assurance providers be subject to independence and quality management standards?**

BHP currently obtains reasonable assurance over the Scope 1 and Scope 2 greenhouse gas emissions we report and limited assurance over reported performance of our material sustainability issues, risks and opportunities, including progress against our Scope 3 emissions goals and targets. Refer to section 7.19 Independent Assurance Report in BHP's Annual Report 2022, page 64, for further details.

Third party assurance is important to foster transparency and support confidence by users in the reported information. It will particularly help to increase transparency where data cannot otherwise be verified by external users or regulators (e.g., emissions outside of Australia) and for the reliance by preparers of disclosures on value chain climate data received from other entities. We believe that reasonable assurance over reported Scope 1 and Scope 2 emissions and performance against related targets and goals, and limited assurance over reported Scope 3 emissions and performance against related targets and goals should be the minimum standard. Different phase-in approaches may be appropriate for smaller entities on assurance requirements.

Given increasing complexity in CFD, we support making assurance providers subject to independence and quality management standards that are internationally recognised. Given the rapid evolution of CFD, whether existing standards in relation to assurance providers are fit for purpose or new additional standards are needed should be examined.

**Question 9: What considerations should apply to requirements to report emissions (Scope 1, 2 and 3) including use of any relevant Australian emissions reporting frameworks?**

BHP uses the GHG Protocol series of standards and guidance when preparing its Scope 1, Scope 2 and Scope 3 emissions disclosures. The boundary selected under the GHG Protocol by BHP is consistent with the operational control boundary BHP is required to use for its regulatory reporting in Australia under the National Greenhouse and Energy Reporting Act 2007 (NGER Act). Approximately 80 percent of BHP's reported Scope 1 and 2 emissions in FY2022 originated in Australia. For efficiency and consistency, BHP aims to align its corporate inventory organisational boundaries and its local regulatory boundaries as closely as possible. We would encourage the Government to explore how the existing framework under NGER can be adapted to ensure compatibility for companies with operations in multiple countries and better compatibility with international standards such as GHG Protocol.

For Scope 1 emissions, while the NGER Determination provides a comprehensive list of emission factors that are relevant to Australia, there is room for improvement to keep up with other jurisdictions. For example, the emission factors available for bioenergy, including biofuels, are relatively limited compared to other jurisdictions such as United Kingdom that provides a more comprehensive set of emission factors for specific feedstocks that biofuels are derived from and associated lifecycle emissions.

For Scope 2 emissions, BHP would encourage that the widely adopted and internationally recognised Corporate GHG Protocol Scope 2 Guidance (Scope 2 Guidance) and the market-based accounting approach (in addition to the location-based approach) be adopted (and adapted for Australian energy market context) for purposes of disclosure in Australia. However, appropriate tracking and surrender mechanisms to energy and GHG emission reduction attribution rights associated with purchased energy would need to be established to ensure that Scope 2 emission reductions are not double counted across Australian entities. The Clean Energy Regulator has been looking to improve the market-based accounting approach that is adopted for the Corporate Emissions Reduction Transparency Report. BHP has provided feedback on the key current issues, particularly in relation to double counting, to the Clean Energy Regulator, which is available at:

<https://www.cleanenergyregulator.gov.au/DocumentAssets/Documents/submissions/CERT-c3-2022/BHP.pdf>

For Scope 3 emissions, BHP uses the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Scope 3 Standard) and GHG Protocol Technical Guidance for Calculating Scope 3 Emissions (Scope 3 Guidance), as appropriate. Given the international recognition of the Scope 3 Standard, we would encourage its adoption as a baseline for Scope 3 reporting in Australia, bearing in mind the current limitations and challenges on provision and estimation of Scope 3 emissions data. Any proposed disclosure rules for Scope 3 emissions should reflect the inherent limitations of data availability and data quality with respect to Scope 3 emissions.

**Question 10: Should a common baseline of metrics be defined so that there is a degree of consistency between disclosures, including industry-specific metrics?**

BHP supports the ISSB industry specific metrics, provided some of the concerns regarding their practicality and applicability in an international context that are articulated in our submission on the ISSB Exposure Draft are addressed. BHP would encourage the Government to explore this topic in more detail to identify additional metrics that could reflect Australia specific circumstances.

**Question 11: What considerations should apply to ensure covered entities provide transparent information about how they are managing climate related risks, including what transition plans they have in place and any use of greenhouse gas emissions offsets to meet their published targets?**

The ability of investors and other stakeholders to assess the credibility of delivering on entities' stated ambitions is paramount to drive transparency and minimise any risk or perception of greenwashing in relation to climate action.

Achieving consistent disclosure among preparers of disclosures will also be supported by ensuring requirements include sufficiently detailed definitions and guidance to enable consistent application.

A consistent disclosure format for the publication of Scope 1 and 2 targets (given greater maturity compared to Scope 3) that includes minimum information to allow investors and other stakeholders to evaluate the position fairly and consistently. This information should include



target year; base year; reduction % (absolute); cumulative carbon budget over the target time period; organisational boundary used; whether Scope 2 market-based or location based accounting method is used for measurement of performance; emissions included (e.g., whether it is only CO<sub>2</sub> or includes other GHG gases), adjustments made (or not made and explanation of why) (e.g., due to methodological changes and/or acquisitions and/or divestments). Underlying energy consumption data (e.g. in GJ) that is aligned to the target boundary would also help evaluate performance. A supporting narrative on how the target is to be delivered, as well as any other major assumptions or caveats, are also vital for transparency. Understanding how entities are planning to use offsets to deliver their ambition, how they are sourced, and particularly any overreliance on offsets as opposed to structural abatement is key in evaluating credibility of emission reduction plans.

We would also encourage the Government to review the work that is already underway in other countries on the specific disclosure requirements in relation to transition plans, such as the work undertaken by the Transition Plan Taskforce in the United Kingdom available at <https://transitiontaskforce.net/>.

**Question 14: Regarding any supporting information necessary to meet required disclosures (for instance, climate scenarios), is there a case for a particular entity or entities to provide that information and the governance of such information?**

BHP agrees that transparency in disclosures of certain supporting information, such as an entity's climate-related scenarios, is useful in that it may enhance the comparability of entities' approaches, minimise misinterpretation and support ongoing maturity of analysis. However, there may be confidentiality, competition or other legal concerns around disclosure of certain information, such as pricing information used in climate-related scenarios. Therefore, BHP's position is that entities should not be required to disclose any information which may be commercial-in-confidence, legally privileged or otherwise confidential.

BHP does not consider that climate-related scenario analysis should be mandated, and supports the use of alternative methods where scenario analysis is unable to be performed. For instance, entities of smaller size may not have the capability, resources or experience to undertake detailed climate-related scenario analysis. However, we would support transparency regarding disclosure of why an entity considers itself unable to undertake climate-related scenario analysis, which could serve to incentivise additional disclosures and reduce any barriers to climate-related scenario analysis being undertaken in the future.

There is a case for Government to develop a public repository of climate scenarios (drawing on the existing work of domestic and international institutions such as TCFD's [The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities - TCFD Knowledge Hub \(tcfdhub.org\)](#)). This would lower the cost for entities using these scenarios as inputs to their climate reports, particularly where entities have not prepared these scenarios before.

It would, however, be important also to enable entities to use other sources of climate scenarios, or utilise their own, to enable a diversity of perspectives with respect to the potential future(s), provided transparent explanations are provided for why they are used.

**Question 15: How suitable are the 'reasonable grounds' requirements and disclosures of uncertainties or assumptions in the context of climate reporting? Are there other tests or measures that could be considered to ensure liability is proportionate to inherent uncertainty within some required climate disclosures?**

Data availability and quality inherently affects the overall quality of CFD reporting. These concerns are heightened in respect of forward-looking statements, which are inherently more uncertain and require judgments and predictions about the future. In particular, in the response

to the ISSB Exposure draft, BHP highlighted concerns around the proposal to require quantification of the anticipated impacts of climate-related risks and opportunities on an entity's future financial performance and position, acknowledging that the Exposure Draft would allow any financial impacts to be disclosed as a range. Further detail of those concerns is included in BHP's response to the Exposure Draft.

In addition, BHP is concerned that Scope 3 emission disclosures present inherent verification challenges due to the information being sourced (or derived from information sourced) from third parties. Similar challenges arise where an entity needs to rely on external estimates, data or other information that is outside its control in relation to Scope 2 emissions, such as where their calculation is dependent on supplier-provided emissions factors for purchased electricity or an external average energy generation factor for a relevant electricity grid. Further, in instances where Scopes 1 and 2 emissions are reported as part of an entity's equity share or financial control boundary emissions inventory for an operation in which it has an interest but does not have operational control (such as a non-operated joint venture, joint operations or associate activities), reporting would rely on data supplied by the operator.

Consequently, any CFD regime must reflect these difficulties to ensure liability is proportionate to inherent uncertainty.

**Question 17: While the focus of this reform is on climate reporting, how much should flexibility to incorporate the growth of other sustainability reporting be considered in the practical design of these reforms?**

BHP is supportive of there being flexibility within this reform to incorporate the growth of other sustainability reporting requirements. We acknowledge the increased momentum behind efforts globally to enhance and consolidate prominent, voluntary sustainability reporting frameworks and have proactively engaged on their development. We also recognise the sustainability reporting directives and guidance currently being developed in key global markets and would encourage the Government to review the approach in other countries on specific sustainability disclosure requirements to ensure the Australian regime is both standardised and internationally-aligned.

**Question 19: Which of the potential structures presented (or any other) would best improve the effectiveness and efficiency of the financial reporting system, including to support introduction of climate related risk reporting? Why?**

BHP has considered the potential structures outlined to support implementation of climate risk disclosure standards and the ongoing efficiency and effectiveness of the financial reporting system and considers that the consultation paper identifies appropriate risks and opportunities across the various alternative structures, including:

- Existing standard setting experience and relationships with other international standard setters;
- The need to ensure sufficient and appropriate expertise and resources is dedicated to the development of the Australian CFD regime;
- Collaboration between the development of financial reporting and climate-related standards;
- Building a structure that is sufficiently flexible to accommodate future developments in climate-related, and broader sustainability, standards.

While the consultation paper outlines key considerations, BHP believes that the Government is best placed to determine the most appropriate structure in the Australian context. However, BHP encourages the Government to ensure that the development and implementation of the

disclosure regime not significantly delayed as a result of the time taken to determine and implement any final structure.