

Climate Disclosure Unit
Market Conduct Division
The Treasury
Langton Crescent
PARKES ACT 2600

24 February 2023

By email: climatereportingconsultation@treasury.gov.au

Dear Unit

Submission in response to Climate-related financial disclosure Consultation paper

The Business Council for Sustainable Development (**BCSD**) Australia welcomes the opportunity to make this submission to the Unit. Our Response to the Questions is in **Appendix A** to this letter.

BCSD Australia (www.bcsda.org.au):

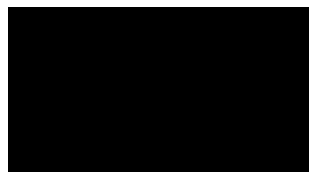
- is a 70-member (private, public, philanthropic and academic sector) organisation;
- is the Australian representative of the World Business Council for Sustainable Development (WBCSD) (www.wbcsd.org) which is a global organisation of over 200 member companies and 70 business networks; and
- aims to drive impactful action towards sustainable development by leveraging the role of businesses as the locus of innovation and positive change.

Enclosed is information that our organisation has published through it work with members on TCFD:

1. [CEO Guide to TCFD](#) with various CEO signatures
2. TCFD Preparer Forums - [oil & gas](#), [electric utilities](#), [chemicals](#), [construction & building materials](#), [food/ag/forest products](#), [autos](#)
3. Scenario approach for [energy](#) and [food, agriculture and forest products](#)
4. [Demystifying scenarios guidance](#)
5. Releases for sector work had lots of senior quotes too see [electric utility and chemical here](#).

We would also welcome the opportunity to speak directly on these points at the appropriate time.

Yours faithfully,




CEO | Business Council for Sustainable Development Australia


Appendix A

Responses to specific questions

Questions	Responses
<p>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:</p>	<p>In Summary: Benefits outweigh costs</p> <p>The WBCSD has identified the importance of climate-related financial risk disclosure for businesses, as it enables investors and other stakeholders to make informed decisions about the financial implications of climate change. Failure to disclose these risks can lead to financial losses, reputational damage, and legal action.</p> <p>In terms of the costs and benefits of meeting existing climate reporting expectations, the WBCSD has found that the costs of implementing these practices are relatively low compared to the benefits. Climate reporting can help businesses identify and manage climate-related risks and opportunities, reduce their exposure to financial risks, and enhance their reputation among investors, customers, and other stakeholders. By taking action to disclose climate risks, businesses can also contribute to the global transition to a low-carbon economy, which can benefit both the environment and the economy.</p> <p>However, if Australia chooses not to align with international practice and global baseline standards for climate reporting, it risks being left behind as other countries and businesses take action to address climate-related risks. This could lead to financial losses, as investors and other stakeholders may shift their investments to companies that are taking action on climate change. It could also damage Australia's reputation as a sustainable and responsible business destination, which could have negative implications for the economy.</p> <p>In conclusion, the costs of climate reporting are relatively low compared to the benefits, and failure to disclose climate risks can lead to financial losses and reputational damage. Therefore, it is in the best interest of businesses to align with international practice and global baseline standards for climate reporting. By doing so, they can manage climate-related risks, enhance their reputation, and contribute to the global transition to a low-carbon economy.</p>

<p>1.1 What are the costs and benefits of meeting existing climate reporting expectations? 1.2 What are the costs and benefits of Australia not aligning with international practice and in particular global baseline standards for climate reporting?</p>	<p>Specifically,</p> <p>1.1 Costs and Benefits of Meeting Existing Climate Reporting Expectations:</p> <ul style="list-style-type: none"> • Costs: Implementing climate reporting practices may require additional resources and staff training, which could lead to short-term costs for businesses. However, these costs are relatively low compared to the potential financial losses and reputational damage that could result from failing to disclose climate risks. • Benefits: Climate reporting enables businesses to identify and manage climate-related risks and opportunities, which can help to reduce their exposure to financial risks in the long run. By disclosing climate risks, businesses can also enhance their reputation among investors, customers, and other stakeholders, which can lead to increased investment and sales. Moreover, taking action to address climate risks can position businesses as leaders in sustainability, which can be a competitive advantage in the marketplace. <p>1.2 Costs and Benefits of Australia Not Aligning with International Practice:</p> <ul style="list-style-type: none"> • Costs: Failure to align with international practice on climate-related financial risk disclosure can result in financial losses, reputational damage, and legal action. Investors and other stakeholders may shift their investments to companies that are taking action on climate change, which could lead to a loss of funding for Australian businesses. Moreover, failing to address climate risks could lead to increased insurance costs and other financial liabilities. • Benefits: The only potential benefit of not aligning with international practice on climate-related financial risk disclosure is short-term cost savings for businesses. However, these cost savings are likely to be outweighed by the potential long-term costs of failing to disclose climate risks. <p>In summary, while there may be short-term costs associated with implementing climate reporting practices, the benefits in terms of managing climate-related risks and enhancing reputation far outweigh these costs. Moreover, failing to align with international practice on climate-related financial risk disclosure can lead to significant financial losses and reputational damage, while the potential benefits of not aligning are limited.</p>
<p>Question 2: Should Australia adopt a phased approach to climate disclosure, with the first report for initially covered entities being financial year 2024-25?</p>	<p>The decision to adopt a phased approach to climate disclosure should be based on careful consideration of a range of factors. These include the availability of data and resources, the readiness of businesses to implement climate reporting practices, and the potential impact of climate risks on the economy.</p> <p>In terms of the first report for initially covered entities being financial year 2024-25, this would provide businesses with sufficient time to prepare for climate reporting, while also ensuring that disclosure is implemented in a timely manner. The phased approach would also enable businesses to gradually increase their capacity to report on climate risks and would allow for the identification of any issues or challenges that may arise during the implementation process.</p> <p>When determining the cohorts covered in subsequent phases of mandatory disclosure, and the timing of future phases, several considerations should be taken into account. These include the size and complexity of the business, the sector in which it operates, and the level of exposure to climate risks. It may also be beneficial to consult with stakeholders, including investors and other business partners, to ensure that the reporting requirements are appropriate and effective.</p>

	<p>In addition, the timing of future phases should be based on the readiness of businesses to implement climate reporting practices, as well as the need to address emerging climate risks. The phasing of reporting requirements could be based on an assessment of the maturity of businesses in terms of their climate risk management practices, with those that are more advanced being required to report earlier.</p> <p>In conclusion, a phased approach to climate disclosure could be an effective way to ensure that businesses are able to report on climate risks in a timely and effective manner. The decision to adopt a phased approach should be based on careful consideration of a range of factors, including the readiness of businesses to implement climate reporting practices, the availability of data and resources, and the potential impact of climate risks on the economy. The cohorts covered in subsequent phases of mandatory disclosure, and the timing of future phases, should be based on the size and complexity of the business, the sector in which it operates, and the level of exposure to climate risks, among other factors.</p>
<p>2.1 What considerations should apply to determining the cohorts covered in subsequent phases of mandatory disclosure, and the timing of future phases?</p>	<p>Outlined below are some important considerations to keep in mind when designing climate-related risk reporting requirements:</p> <ul style="list-style-type: none"> • Materiality: This refers to the size, type, and complexity of businesses or entities being assessed, as well as the relative relevance of their activities or operations to the issue of climate change. • Feasibility: The technological capability of businesses or other organizations to measure, monitor, and report on their emissions, as well as the availability of sufficient data and information to support their reporting. • Risk: The degree of exposure that businesses or organizations have to climate-related hazards, including physical risks, transition risks, and liability risks. • Uniformity and comparability: The need for consistency and comparability in climate-related disclosures across a range of businesses and sectors, as well as alignment with international reporting systems and standards. • Investor demand: The level of demand from investors and other stakeholders for increased transparency and disclosure on climate-related risks and opportunities. <p>It is important to consider each of these factors when designing climate-related risk reporting requirements, in order to ensure that the reporting framework is effective, efficient, and meets the needs of businesses, investors, and other stakeholders. By taking a comprehensive and holistic approach to climate-related risk reporting, businesses can improve their resilience and competitiveness in a rapidly changing global environment.</p>
<p>Question 3: To which entities should mandatory climate disclosures apply initially?</p>	<p>The decision of which entities should be subject to mandatory climate disclosures will require careful consideration of a range of factors. One possible approach is to focus initially on large, listed entities and financial institutions, which are likely to have the greatest exposure to climate-related financial risks and the resources and capacity to implement climate reporting practices effectively. In addition to large, listed entities and financial institutions, there may be other types of entities that should be included in the initial phase of mandatory climate disclosures. High-risk sectors such as mining and energy or those with significant greenhouse gas emissions could be included.</p> <p>Large companies with significant operational and supply chain impacts resulting in greater carbon footprint should be a priority for climate disclosure requirements. Industries such as cement, steel, and chemicals have significant greenhouse gas emissions and are critical to the transition to a low-carbon economy, so they should also be required to disclose their climate-related risks and opportunities. Energy and resource companies have a significant impact on the environment and society through their production and use of fossil fuels, so they should be required to disclose their climate-related risks and opportunities, as well as their strategies for transitioning to a low-carbon economy. Large transport companies should also be included as they have a significant impact on greenhouse gas emissions and are critical to the transition to a low-carbon economy.</p> <p>Financial institutions have a key role to play in financing and investing in the transition to a low-carbon economy. They should be prioritized for disclosing their exposure to climate-related risks and opportunities, as well as their strategies for managing those risks and opportunities. Non-exempt Government entities should also be included as they have a larger social and environmental footprint through policies and procedures.</p>

	<p>Appropriate size thresholds for determining which entities should be subject to mandatory climate disclosures will depend on a range of factors, including the size of the business, the sector in which it operates, and the level of exposure to climate risks. The threshold for a large, listed entity could be based on market capitalization or revenue, while the threshold for a large financial institution could be based on assets under management or total assets. However, the thresholds for determining which entities should be subject to mandatory climate disclosures should be reviewed regularly to ensure they remain appropriate and effective and may be adjusted based on emerging risks associated with climate change.</p>
<p>3.1 What size thresholds would be appropriate to determine a large, listed entity and a large financial institution, respectively?</p>	<p>The size thresholds for determining which entities should be subject to mandatory climate disclosures will depend on a range of factors, including the size and features of the market, the industry, and the regulatory regime. For large, listed entities, market capitalization or revenue could be used as a threshold. The TCFD recommends that publicly traded companies with a market capitalization greater than a certain threshold disclose climate-related risks and opportunities, with the European Union's Non-Financial Reporting Regulation using a threshold of \$2 billion.</p> <p>For large financial institutions, appropriate size thresholds could be based on either their total assets or yearly income. The European Union's Non-Financial Reporting Directive requires financial institutions with more than 500 employees to disclose information that is not related to financial matters. In the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act requires financial institutions with more than \$10 billion in assets to disclose information that is related to their exposure to climate-related risks.</p> <p>It is important to regularly review the thresholds for determining which entities should be subject to mandatory climate disclosures to ensure they remain appropriate and effective. This will require ongoing monitoring of the size and complexity of businesses, as well as the emerging risks associated with climate change.</p>
<p>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?</p>	<p>In addition to large, listed entities and financial institutions, there are other types of entities that should be considered for mandatory climate disclosures. State-Owned Enterprises (SOEs) play a major role in many different economies and have a significant influence on the environment and society. Small and medium-sized businesses (SMEs) have the potential to play an important part in the shift towards a low-carbon economy and should be encouraged to disclose the risks and opportunities associated with climate change. Non-listed firms also have the potential to have a major influence on both society and the environment and should be provided help and direction to disclose their climate-related financial disclosures.</p> <p>Firms that provide professional services, such as accountancy, consulting, and legal services, may play an important role in advising corporations on risks and opportunities connected to climate change. Public sector entities such as government agencies, public utilities, and companies that offer public transit can also have a substantial influence on society and the environment and may be considered for inclusion in future mandatory climate disclosures.</p>
<p>Question 4: Should Australia seek to align our climate reporting requirements with the global baseline envisaged by the International Sustainability Boards?</p>	<p>The decision to align with the ISSB's standards will require careful consideration of a range of factors, including the potential benefits and challenges of doing so.</p> <p>It is worth noting that numerous countries and organizations around the world have already started aligning their climate reporting standards with the recommendations of organizations such as TCFD and IIRC, indicating the global importance of this issue. As previously discussed in response to Q1, aligning Australia's reporting requirements with these initiatives could lead to increased transparency and consistency in reporting, better comparability of climate-related risks and opportunities across companies and sectors, and better alignment of reporting with the goals of the Paris Agreement and other international climate change agreements. However, the decision to align with the ISSB's standards will require careful consideration of a variety of factors, including the potential benefits and challenges of doing so.</p>
<p>4.1 Are there particular considerations that should apply in the Australian context regarding the ISSB</p>	<p>In terms of the particular considerations that should apply in the Australian context regarding the ISSB implementation of disclosures relating to governance, strategy, risk management, and metrics and targets, there are several factors that should be taken into account. These include the size and</p>

<p>implementation of disclosures relating to: governance, strategy, risk management and/or metrics and targets?</p>	<p>complexity of the business, the sector in which it operates, and the level of exposure to climate risks. It may also be important to consult with stakeholders, including investors and other business partners, to ensure that the reporting requirements are appropriate and effective.</p>
<p>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?</p>	<p>The climate disclosure standards being issued by the ISSB are intended to be a global baseline for climate reporting, but they may not be the most appropriate for all entities in Australia. It is important to consider the unique characteristics of the Australian economy and the particular challenges faced by Australian businesses in the transition to a low-carbon economy. Alternative standards may need to be considered in some cases, depending on the specific needs and circumstances of the business.</p> <p>In terms of the benefits of aligning with the ISSB's standards, this would enable Australian businesses to demonstrate their commitment to global best practice in climate reporting, which could enhance their reputation among investors and other stakeholders. Moreover, aligning with the ISSB's standards could help to ensure consistency and comparability in climate reporting across different jurisdictions, which could facilitate the flow of capital to more sustainable businesses.</p> <p>However, there may also be challenges associated with aligning with the ISSB's standards, including the potential costs and resource requirements associated with implementing new reporting practices. It may also be necessary to provide businesses with additional support and guidance to help them meet the new reporting requirements.</p> <p>In conclusion, the decision to align Australia's climate reporting requirements with the global baseline envisaged by the International Sustainability Standards Board will require careful consideration of a range of factors. While there may be benefits to aligning with the ISSB's standards, it is important to ensure that the reporting requirements are appropriate and effective for the unique needs and circumstances of Australian businesses. Alternative standards may need to be considered in some cases, depending on the specific needs of the business.</p> <p>We note for the record that the World Business Council for Sustainable Development (WBCSD) and Business Council for Sustainable Development Australia (BCSD Australia) made submissions to the ISSB Consultation on this issue, and the links to these submissions can be found here (insert hyperlink to submission by WBCSD) and here (insert hyperlink to submission by BCSD Australia).</p>
<p>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)?</p>	<p>The design of such a framework should be informed by a range of factors, including the particular needs and circumstances of Australian businesses, the level of exposure to climate risks, and the potential benefits and challenges of implementing new reporting requirements.</p> <p>In terms of setting overarching climate disclosure obligations, such as those related to strategy, governance, risk management, and targets, the key considerations that should inform the design of a new regulatory framework include:</p> <ol style="list-style-type: none"> 1. Flexibility: The new regulatory framework should be designed to be flexible and adaptable to different business models and sectors. It should also allow for the evolution of reporting requirements over time, as new risks emerge and new reporting practices are developed. 2. Materiality: The new regulatory framework should focus on material climate-related risks and opportunities that are relevant to the business. This will require a careful assessment of the specific risks faced by different sectors and businesses, as well as an understanding of the potential impact of climate change on the economy as a whole. 3. Coherence: The new regulatory framework should be coherent and aligned with other reporting frameworks and standards, both in Australia and internationally. This will help to ensure consistency and comparability in climate reporting and will also facilitate the flow of capital to more sustainable businesses.

	<p>4. Integration: The new regulatory framework should be integrated into existing reporting requirements, such as those related to financial and sustainability reporting. This will help to ensure that climate-related risks and opportunities are fully integrated into business decision-making and risk management processes.</p> <p>5. Transparency: The new regulatory framework should be transparent, with clear reporting requirements and guidelines that are easy to understand and implement. It should also allow for public disclosure of climate-related risks and opportunities, which will enhance accountability and enable stakeholders to make informed decisions.</p> <p>In conclusion, the design of a new regulatory framework for climate disclosure obligations should be informed by a range of factors, including flexibility, materiality, coherence, integration, and transparency. By considering these key considerations, it will be possible to develop a framework that is appropriate and effective for the unique needs and circumstances of Australian businesses, while also contributing to the global transition to a low-carbon economy.</p>
<p>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?</p>	<p>The new climate reporting requirements are becoming increasingly important considerations for businesses and should be situated in relation to other periodic reporting requirements. One approach could be to include the climate reporting requirements in a separate report, such as a sustainability report, that is included as part of the annual report. This could demonstrate businesses' commitment to sustainability and enhance their reputation among investors and other stakeholders. It could also ensure that the reporting requirements are clear and concise, and that they do not add unnecessary complexity or burden to existing reporting practices.</p> <p>Alternatively, inclusion in existing operating and financial reviews could have the advantage of integrating climate-related information into the entity's overall narrative and financial reporting, highlighting the linkages between climate risks and financial performance. It could also improve the comparability of climate-related information across entities.</p> <p>To achieve clarity and transparency in climate reporting, the disclosures should be clear, succinct, and transparent, and focus on the information that is most important to investors and other stakeholders. Materiality should be based on a comprehensive evaluation of the materiality of climate-related risks and opportunities. The disclosures should be incorporated into the entire reporting structure of the organization, and they need to relate to the company's more comprehensive sustainability strategy and goals.</p> <p>Consistency and accessibility are also important considerations in climate reporting. The disclosures should be made available on the website of the firm and be in a format that is easy to download and share. The disclosures must also be subject to independent assurance to provide stakeholders with the trust that the information is accurate and reliable.</p>
<p>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)?</p>	<p>Considerations of materiality are crucial when reporting on climate issues. Materiality is defined as the importance of information and its relevance to the decision-making process of stakeholders. Businesses must consider the particular risks and opportunities associated with climate change that are relevant to their operations and assess their potential impact on financial performance and long-term sustainability. The International Sustainability Standards Board (ISSB) provides guidance on materiality in sustainability reporting, defining it as "the extent to which information influences or has the potential to influence the economic, environmental, and social decisions of stakeholders."</p> <p>In addition to ISSB guidance, other factors that should be considered when making materiality judgments include the size and complexity of the business, the sector in which it operates, and the level of exposure to climate risks. It may also be appropriate to consider the potential impact of climate risks and opportunities on the enterprise value of the business, as this can be an important consideration for investors and other stakeholders. Ultimately,</p>

	<p>businesses must ensure that their materiality judgments are rigorous, transparent, and consider all relevant factors to provide clear and transparent information on the risks and opportunities associated with climate change.</p> <p>When deciding whether climate-related risks and opportunities are material, businesses should consider relevance, magnitude, timing, expectations of stakeholders, and business value. These factors help to determine the potential impact of climate-related risks and opportunities on the ability of the business to produce value in the short, medium, and long term. It is also important to consider the magnitude, scale, and effect of these factors, as well as the potential influence on the company's financial performance and reputation over time. Judgments on materiality should be based on the expectations of stakeholders, which include investors, customers, workers, and other stakeholders. Lastly, businesses can utilize a company's enterprise value as a measurement of the company's overall financial success and long-term sustainability, considering the significance of climate-related risks and opportunities.</p>
<p>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?</p>	<p>To ensure the credibility and reliability of climate disclosures, a moderate level of assurance should be required, which is not less than limited assurance. Assurance providers, such as auditors or other experts, must be independent and subject to quality management standards to ensure the objectivity and integrity of the assurance process. A combination of assurance providers may also be appropriate depending on the business's needs. The level of assurance may vary from no assurance for voluntary disclosures or less significant risks and opportunities, to reasonable assurance for situations where disclosures are required by law or risks and opportunities are viewed as considerable.</p> <p>It is important that assurance providers have the necessary expertise and experience to conduct a comprehensive analysis of the climate disclosures in an impartial and objective manner. They should not have any conflicts of interest with the business, and should adhere to a code of ethics that mandates honesty and objectivity. Quality management standards, such as those established by the International Auditing and Assurance Standards Board, provide a framework for effective assurance processes that include requirements for quality control, risk management, and ongoing enhancement.</p> <p>By ensuring the credibility and reliability of climate disclosures through effective assurance processes, businesses can enhance their reputation among investors and other stakeholders, and contribute to the development of a more sustainable and resilient economy.</p>
<p>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?</p>	<p>To effectively report emissions, businesses need to use appropriate reporting frameworks such as the National Greenhouse and Energy Reporting Scheme (NGERS) in Australia, which provides a clear and consistent approach to measuring and reporting emissions. The Greenhouse Gas Protocol is also an international reporting framework that businesses can refer to when reporting greenhouse gas emissions.</p> <p>It is important to take into account the specific needs and circumstances of the business when considering requirements to report emissions. This includes factors such as the size and complexity of the business, the sector in which it operates, and the level of exposure to climate risks. It is also important to report on all relevant emissions sources, including Scope 1, Scope 2, and Scope 3 emissions.</p> <p>To ensure the accuracy and reliability of the reported emissions, businesses need to implement appropriate verification and assurance processes. This may involve the use of independent third-party verifiers, such as auditors or sustainability experts, to ensure that the reported emissions are consistent with the relevant reporting frameworks and standards.</p> <p>BCSDA recommends several improvements for existing Australian Emissions Reporting Frameworks. Firstly, it suggests lowering the reporting threshold for greater coverage. Secondly, it recommends improving the quality and consistency of data by strengthening reporting rules and norms, providing better training and assistance for reporters, and enhancing the accuracy of emissions factors. Thirdly, it recommends reporting on Scope 3 emissions, which is not required by the NGER Scheme. Fourthly, it suggests harmonizing the NGER Scheme with international reporting standards such as TCFD and IIRC's ISSB to improve the consistency of emissions data. Lastly, BCSDA recommends providing more transparency in emissions reporting by making specific</p>

	<p>data on emissions available to the public and mandating that businesses reveal their goals for lowering emissions and their progress towards attaining those goals.</p>
<p>Question 10: Should a common baseline of metrics be defined so that there is a degree of consistency between disclosures, including industry-specific metrics?</p>	<p>Defining a common baseline of metrics can be an effective way to ensure consistency and comparability between climate disclosures, particularly for businesses operating in the same industry or sector. By establishing a set of standardized metrics, businesses can provide more meaningful and relevant information to investors and other stakeholders and enable more effective comparisons between different businesses and their climate-related risks and opportunities.</p> <p>In order to define a common baseline of metrics, it is important to note the specific needs and circumstances of the business and the industry in which it operates. This may involve developing industry-specific metrics that are tailored to the unique risks and opportunities associated with climate change in that industry.</p> <p>When defining a common baseline of metrics, it is also important to ensure that the metrics are relevant, transparent, and easily understandable. This may involve consulting with stakeholders, including investors, analysts, and other interested parties, to ensure that the metrics are aligned with their needs and expectations.</p> <p>Ultimately, the definition of a common baseline of metrics should be based on a rigorous and transparent process that takes into account all relevant factors. By doing so, businesses can provide more accurate and meaningful information on their climate-related risks and opportunities and contribute to the development of a more sustainable and resilient economy.</p> <p>In conclusion, the definition of a common baseline of metrics can be a useful tool for ensuring consistency and comparability between climate disclosures. It is important to develop industry-specific metrics that are relevant and transparent, and to consult with stakeholders to ensure that the metrics are aligned with their needs and expectations. By doing so, businesses can provide more meaningful information on their climate-related risks and opportunities and contribute to the development of a more sustainable and resilient economy. There are several examples of industry-specific metrics that have been developed to support climate disclosures and ensure consistency between businesses in the same industry. Here are a few examples:</p> <ol style="list-style-type: none"> 1. The Task Force on Climate-related Financial Disclosures (TCFD) has developed a set of industry-specific metrics and recommendations for different sectors, including energy, transport, and agriculture. These metrics take into account the specific risks and opportunities associated with climate change in each sector and provide a consistent and comparable approach to climate reporting across the industry. 2. The Global Real Estate Sustainability Benchmark (GRESB) has developed a set of metrics for the real estate sector that are specifically tailored to the unique risks and opportunities associated with climate change in this industry. These metrics include measures of energy and water consumption, waste management, and greenhouse gas emissions, and enable real estate companies to compare their performance with others in the industry. 3. The Carbon Disclosure Project (CDP) has developed a set of industry-specific metrics for a range of sectors, including the automotive, chemicals, and retail industries. These metrics are designed to enable consistent and comparable reporting on climate risks and opportunities across the industry and provide investors and other stakeholders with a clear understanding of the sustainability performance of different companies in the same sector. <p>By developing industry-specific metrics, businesses can provide more meaningful and relevant information to investors and other stakeholders and enable more effective comparisons between different businesses and their climate-related risks and opportunities. This can help to enhance transparency and accountability and contribute to the development of a more sustainable and resilient economy.</p>

<p>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?</p>	<p>In order to provide transparent information about how they are managing climate-related risks, businesses should consider key factors. These may include:</p> <ol style="list-style-type: none"> 1. Setting clear and ambitious targets for reducing greenhouse gas emissions, and publicly disclosing their progress towards these targets. For example, the Australian company Qantas has set a target to reach net zero emissions by 2050, and has publicly disclosed its progress towards this target in its annual sustainability report. 2. Developing robust transition plans that outline the steps the business will take to achieve its emissions reduction targets. For example, the Commonwealth Bank of Australia has developed a transition plan that includes a range of measures to reduce its greenhouse gas emissions, including investments in renewable energy, energy efficiency initiatives, and the development of a low-carbon investment portfolio. 3. Using greenhouse gas emissions offsets to meet their published targets, where appropriate. For example, the Australian airline Virgin Australia has used a range of emissions reduction measures, including the use of offsets, to achieve its target of carbon neutrality for its domestic operations. <p>By providing transparent information about their climate-related risks and management strategies, businesses can enhance their reputation among investors and other stakeholders, and contribute to the development of a more sustainable and resilient economy. Some examples of companies and institutions that have provided transparent information about their climate-related risks and management strategies include:</p> <ol style="list-style-type: none"> 1. BHP, a global mining company, has developed a climate change strategy that includes a range of measures to reduce its greenhouse gas emissions, improve energy efficiency, and increase its use of renewable energy. The company has also set ambitious emissions reduction targets and has publicly disclosed its progress towards these targets. 2. The University of Melbourne has developed a sustainability plan that includes a range of measures to reduce its greenhouse gas emissions, improve energy efficiency, and increase its use of renewable energy. The university has also developed a greenhouse gas emissions inventory, which provides transparent information on its emissions profile and progress towards its emissions reduction targets. 3. Westpac, a major Australian bank, has developed a climate change action plan that includes a range of measures to reduce its greenhouse gas emissions, improve energy efficiency, and increase its use of renewable energy. The bank has also set ambitious emissions reduction targets and has publicly disclosed its progress towards these targets. <p>In conclusion, businesses should consider a range of factors when providing transparent information about how they are managing climate-related risks, including their transition plans and use of greenhouse gas emissions offsets. By doing so, they can enhance their reputation among investors and other stakeholders, and contribute to the development of a more sustainable and resilient economy.</p>
<p>Question 12: Should particular disclosure requirements and/or assurance of those requirements commence in different phases, and why?</p>	<p>In order to effectively report on climate-related risks and opportunities, it may be appropriate to phase in disclosure requirements and assurance of those requirements, particularly if a business is new to climate reporting or if there are significant data or reporting challenges that need to be addressed. A phased approach can provide the necessary flexibility for businesses to adapt to changes in reporting requirements and manage the costs of compliance.</p> <p>For example, a phased approach may be appropriate if a business needs to invest in new data collection and reporting systems in order to comply with the reporting requirements. In this case, it may be necessary to phase in the reporting requirements over a period of time to allow the business to develop and implement these systems. Similarly, a phased approach may be appropriate if there are significant data gaps or uncertainties that need</p>

to be addressed in order to provide accurate and reliable reporting. In this case, it may be necessary to phase in the reporting requirements and assurance of those requirements to allow the business to address these data gaps and uncertainties.

Phasing in disclosure requirements and assurance of those requirements can also help to ensure that the reporting is accurate and reliable and can help to build stakeholder confidence in the reporting process. Additionally, businesses can focus on increasing the accuracy and reliability of their reporting by employing a phased strategy, which enables them to enhance the quality of their data over time and ultimately improve the quality of their reporting.

Benefits of a Phased Approach: A phased approach to climate reporting offers several benefits to businesses, including flexibility, prioritization, improvements made in stages, increased data quality, and engagement of stakeholders.

Flexibility is one of the primary benefits of a phased approach, as it enables businesses to adapt to changes in reporting requirements and manage the costs of compliance. A phased approach also makes it possible to prioritize reporting obligations based on their significance and effect, which may assist businesses in concentrating on the most essential components of their climate risk management and reporting.

In addition, a phased approach may make it possible to make changes in reporting in stages over the course of time, enabling businesses to build on their past reporting efforts and refine their reporting procedures. By focusing on increasing the accuracy and reliability of their reporting, businesses can enhance the quality of their data over time, resulting in improved reporting quality.

A phased approach may also be helpful in engaging stakeholders, such as investors, regulators, and civil society, by providing for greater input and comment on reporting requirements and processes. By engaging stakeholders, businesses can better address stakeholder concerns and build greater trust and confidence in the reporting process.

Finally, addressing climate-related financial disclosure standards may be costly, which is especially problematic for smaller businesses that have less resources to work with. A phased approach can help businesses manage the costs of compliance by providing the necessary flexibility to adapt to changes in reporting requirements.

In summary, a phased approach to climate reporting and assurance can provide businesses with the necessary flexibility to adapt to changes in reporting requirements and manage the costs of compliance. By prioritizing reporting obligations, making improvements in stages, and engaging stakeholders, businesses can enhance the quality of their reporting and build greater trust and confidence in the reporting process.

Question 13: Are there any specific capability or data challenges in the Australian context that should be considered when implementing new requirements?
13.1 How and by whom might any data gaps be addressed?

There are several capability and data challenges that should be considered when implementing new climate reporting requirements in Australia. These challenges include:

1. Limited availability and consistency of climate-related data: One of the key challenges for businesses in Australia is the limited availability and consistency of climate-related data. This can make it difficult for businesses to accurately report on their greenhouse gas emissions and climate-related risks and opportunities.
2. Limited capability and expertise: Another challenge is the limited capability and expertise of businesses to accurately report on their climate-related risks and opportunities. This may be due to a lack of knowledge or resources, or a lack of understanding of the specific requirements of the reporting framework.
3. Data management and integration: A further challenge is the effective management and integration of climate-related data across different parts of the business. This can be particularly challenging for large, complex organizations with multiple business units and systems.

	<p>To address these challenges, it is important to develop a comprehensive data management and reporting strategy that takes into account the specific needs and circumstances of the business. This may involve:</p> <ol style="list-style-type: none"> 1. Developing a robust data collection and reporting system that is aligned with the relevant reporting framework, and that takes into account the specific data requirements of the business. 2. Ensuring that the data is accurate, reliable, and consistent, and that appropriate verification and assurance processes are in place. 3. Building capability and expertise within the business to ensure that staff have the necessary knowledge and skills to accurately report on their climate-related risks and opportunities. 4. Building partnerships with other organizations and initiatives that can assist in addressing data gaps and other data-related challenges. For example, the Task Force on Climate-related Financial Disclosures (TCFD) provides guidance on climate reporting, and the Climate Active program provides certification and verification services for businesses that are seeking to reduce their greenhouse gas emissions.
<p>13.2 Are there any specific initiatives in comparable jurisdictions that may assist users and preparers of this information in addressing these challenges?</p>	<ul style="list-style-type: none"> • Reporting frameworks for disclosing climate-related financial information: A number of countries have developed their own frameworks for reporting financial information related to climate change. These frameworks provide guidance on the data required and how to disclose risks and opportunities associated with climate change. The Task Force on Climate-related Financial Disclosures (TCFD) framework is an example of such a framework, which has been developed by the United Kingdom to provide guidance on how to report climate-related financial risks and opportunities. • Climate data repositories: Several international organizations have created repositories of climate data that can be utilized by businesses to disclose climate-related risks and opportunities. The (now former) Climate Disclosure Standards Board (CDSB) developed a Climate Change Reporting Framework, which provides a set of reporting criteria for corporations to disclose climate-related financial risks and opportunities. • Climate data platforms: Various data platforms have been developed in recent years, each of which provides businesses with data on the climate-related risks and opportunities that their operations face. These platforms collect data from diverse sources such as satellite images, meteorological data, and financial data, to provide businesses with insights on the climate risks and opportunities that pertain to their operations. One example is the Climate Risk Platform, which was established in partnership between the European Investment Bank and the Global Covenant of Mayors for Climate and Energy. • Industry-specific initiatives: To address the climate-related financial data gaps in their respective industries, several industry groups and organizations have launched their own initiatives. For example, the TCFD has issued industry-specific guidelines for companies in the financial sector to provide guidance on how to report climate-related financial risks and opportunities. Such guidance aims to help corporations better disclose their exposure to climate change risks and opportunities in a consistent, comparable, and comprehensive manner.
<p>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?</p>	<p>There may be a case for a particular entity or entities to provide supporting information for climate disclosures, particularly if that information is complex or requires specialist expertise. This entity or entities could be responsible for developing and providing guidance on the use of climate scenarios, as well as other supporting information such as data and metrics.</p> <p>In order to ensure that the information provided by this entity or entities is reliable and accurate, it is important to establish a robust governance framework that sets out clear guidelines and standards for the development and use of this information. This may involve:</p> <ol style="list-style-type: none"> 1. Establishing a clear governance structure that outlines the roles and responsibilities of the entity or entities responsible for providing the information, as well as the roles and responsibilities of other stakeholders such as businesses, regulators, and investors.

	<ol style="list-style-type: none"> 2. Developing clear guidelines and standards for the development and use of the information, including standards for data collection and reporting, and guidelines for the use of climate scenarios. 3. Ensuring that the information is transparent and accessible, and that appropriate disclosure mechanisms are in place to ensure that stakeholders have access to the information they need. 4. Building partnerships with other organizations and initiatives that can assist in the development and use of this information, and that can help to build stakeholder confidence in the reporting process.
<p>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?</p>	<p>Effective climate reporting requires businesses to account for ambiguity and make assumptions about the future. However, to ensure that liability is proportionate to the inherent uncertainty within some required climate disclosures, businesses need to implement measures that enable them to provide accurate and reliable information while acknowledging the uncertainties and assumptions involved in making these assessments.</p> <p>One approach to achieve this goal is to establish clear standards and guidelines for assessing the reliability and accuracy of climate reporting. This includes developing criteria for data collection and reporting, setting clear thresholds for acceptable levels of uncertainty or assumptions, and building partnerships with organizations that can provide independent verification and assurance.</p> <p>The use of "reasonable grounds" requirements and disclosures of uncertainties or assumptions are vital components of climate reporting, as they enable businesses to report their climate-related risks and opportunities accurately and reliably. This is essential to provide investors and other stakeholders with meaningful and relevant information and help build stakeholder confidence in the reporting process.</p> <p>Implementing a "safe harbour" clause is another strategy to ensure that liability is proportionate to the inherent uncertainty within some necessary climate disclosures. This would involve the establishment of a transparent framework of assumptions, data sources, and reporting procedures for climate-related information, as well as the provision of legal protection for businesses that comply with these criteria.</p> <p>In addition, clear guidelines and criteria for disclosure, including the identification of specific risks and opportunities that are material to the business, should be set to ensure that liability is proportionate to the inherent uncertainty within some required climate disclosures. Businesses should be required to disclose the assumptions and methodology used in the development of the disclosed information, as well as any limits or uncertainties associated with the information.</p> <p>Finally, a framework for assurance and independent review of the disclosures can help to ensure that the information provided is reliable and transparent, and that the liability associated with the disclosures is proportionate to the level of uncertainty and risk involved in the situation. By implementing these measures, businesses can enhance transparency and accountability and contribute to the development of a more sustainable and resilient economy.</p>
<p>Question 16: Are there particular considerations for how other reporting obligations (including continuous disclosure and fundraising documents) would interact with new climate reporting requirements and how should these interactions be addressed?</p>	<p>As climate reporting becomes an increasingly important consideration for investors and other stakeholders, it is important to ensure that new climate reporting requirements are integrated effectively with other reporting obligations, including continuous disclosure and fundraising documents.</p> <p>One way to achieve this is to adopt leading practice in relation to climate reporting, and to ensure that this leading practice is reflected in other reporting requirements. This could involve:</p> <ol style="list-style-type: none"> 1. Ensuring that climate reporting requirements are aligned with existing reporting requirements, and that they are integrated effectively into existing disclosure frameworks.

	<ol style="list-style-type: none"> 2. Providing clear guidance to businesses on how to meet their climate reporting obligations, including guidance on the types of information that should be disclosed, and the frequency and timing of reporting. 3. Ensuring that there is effective oversight and monitoring of climate reporting, including regular audits and reviews of reporting practices. 4. Building partnerships with other organizations and initiatives that can provide independent verification and assurance of climate reporting, and that can help to build stakeholder confidence in the reporting process.
<p>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?</p>	<p>While the focus of the current climate reporting reform is on climate reporting, it is important to consider the potential for these reforms to incorporate the growth of other sustainability reporting in the future. This could involve designing reporting frameworks and standards that are flexible enough to incorporate emerging reporting practices and evolving standards.</p> <p>To ensure that this flexibility is built into the design of these reforms, it is important to adopt leading practice in relation to sustainability reporting, and to align these practices with emerging frameworks such as the Task Force on Nature-related Financial Disclosures (TNFD) and the Task Force on Social-related Financial Disclosures (TSFD). This could involve:</p> <ol style="list-style-type: none"> 1. Aligning climate reporting requirements with emerging sustainability reporting frameworks such as the TNFD and TSFD, which focus on nature-related and social-related risks and opportunities. 2. Providing clear guidance to businesses on how to meet their sustainability reporting obligations, including guidance on the types of information that should be disclosed, and the frequency and timing of reporting. 3. Ensuring that there is effective oversight and monitoring of sustainability reporting, including regular audits and reviews of reporting practices. 4. Building partnerships with other organizations and initiatives that can provide independent verification and assurance of sustainability reporting, and that can help to build stakeholder confidence in the reporting process. <p>By adopting leading practice in relation to sustainability reporting, and by aligning these practices with emerging frameworks such as the TNFD and TSFD, businesses can provide more meaningful and relevant information to investors and other stakeholders, and can contribute to the development of a more sustainable and resilient economy.</p>
<p>Question 18: Should digital reporting be mandated for sustainability risk reporting? What are the barriers and costs for implementing digital reporting?</p>	<p>Digital reporting has the potential to enhance the quality and reliability of sustainability risk reporting by increasing the transparency and accessibility of information, and by improving the accuracy and timeliness of reporting. However, there may be barriers and costs associated with implementing digital reporting, which should be carefully considered in any decision to mandate digital reporting.</p> <p>One potential barrier to digital reporting is the lack of standardized digital reporting frameworks and formats, which can make it difficult for businesses to adopt digital reporting practices. Another potential barrier is the cost of implementing digital reporting systems and processes, which can be significant, particularly for small and medium-sized enterprises.</p> <p>To address these barriers and costs, it may be necessary to establish clear standards and guidelines for digital reporting, and to provide support and guidance to businesses on how to implement these standards and guidelines effectively. This could involve:</p> <ol style="list-style-type: none"> 1. Developing clear standards and guidelines for digital reporting, including standards for data collection and reporting, and guidelines for the use of digital reporting systems and platforms. 2. Providing support and guidance to businesses on how to implement digital reporting systems and processes, including training and capacity building programs.

	<ol style="list-style-type: none">3. Ensuring that digital reporting systems are user-friendly and accessible, and that appropriate technical support is available to businesses that are adopting these systems.4. Building partnerships with other organizations and initiatives that can provide expertise and support for digital reporting, and that can help to build stakeholder confidence in the reporting process. <p>By mandating digital reporting for sustainability risk reporting, and by addressing the barriers and costs associated with implementing digital reporting, businesses can provide more meaningful and relevant information to investors and other stakeholders, and can contribute to the development of a more sustainable and resilient economy.</p>
<p>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?</p>	<p>There are various potential structures that could be adopted to improve the financial reporting system's effectiveness and efficiency and support the introduction of climate-related risk reporting. However, the most appropriate structure will depend on the specific context and objectives of the reform, and each structure has its advantages and disadvantages. One possible approach is to empower an existing entity such as the Australian Securities and Investments Commission (ASIC), the Australian Prudential Regulation Authority (APRA), or the Australian Accounting Standards Board (AASB) that already has the required knowledge, experience, and resources to carry out the task effectively, which could be a more cost- and time-effective option in some circumstances. On the other hand, if the mission demands a significant departure from the existing regulatory framework or a multidisciplinary approach not covered by any existing bodies, then forming a new organization might be the most appropriate option. However, such an organization would require sufficient resources, autonomy, and specialized knowledge to carry out the task efficiently.</p>