

Via email: [climatereportingconsultation@treasury.gov.au](mailto:climatereportingconsultation@treasury.gov.au)

February 14, 2023

To Whom It May Concern:

Thank you for the opportunity to comment on the newly proposed Australian Climate Financial Disclosure Rules.

We represent the International Organization for Standardization (ISO) Committee on GHG and Climate Change Management, ISO TC207 SC7. ISO is an independent, non-governmental international standard-setting body composed of representatives from 167 national standards bodies. It was founded in 1947 and through its members, it brings together experts to share knowledge and develop voluntary, consensus-based, market relevant International Standards that support innovation and provide solutions to global challenges. ISO's governance and decision-making procedures are transparent and democratic. Their strong governance provides regulatory bodies with International Standards they can rely on. While ISO offers a diverse range of standards that could provide complementary support to the proposed disclosures rules, this submission will focus on those that are directly under the mandate of ISO TC207 SC7.

We agree that the metrics used to quantify GHG emissions are a key consideration in climate-related financial disclosure. These have the potential to drive mitigation and accelerate climate action to address the urgent issue of climate change and its effect on financial risk. ISO's standards serve as foundational instruments used by organizations, including governments and large corporations, around the globe. They provide the foundation for clear, consistent, and comparable financial disclosure reporting.

We draw your attention firstly to:

ISO 14064-1:2018

Greenhouse gases-Part 1: Specification with guidance at the organizational level for quantification and reporting of greenhouse gas emissions and removals.

There are many companies and organizations throughout the world that rely on the methodology in the ISO 14064 series for their GHG emissions measurement and reduction tracking. This global reach is already in place through the ISO organization.

We would also like to bring to your attention our supporting climate-related standards that the Australian Treasury and Australian organisations may benefit from:

ISO 14064-2:2019

Greenhouse gases- Part 2: Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements

ISO 14064-3:2019

Greenhouse gases-Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions

ISO/Technical Report 14069:2013

Greenhouse gases – Quantification and reporting of greenhouse gas emissions for organizations – Guidance for the application of ISO 14064-1

ISO 14065:2020

General principles and requirements for bodies validating and verifying environmental information

ISO 14066:2011

Greenhouse gases- Competence requirements for greenhouse gas validation teams and verification teams

ISO 14067:2018

Greenhouse gases – Carbon footprint of products – Requirements and guidelines for quantification

ISO 14068 (under development)

Carbon neutrality

We also responded to the International Sustainability Standards Board (ISSB) request for comments on their draft Financial Reporting of Climate Data and we attach the ISO submission to the ISSB to this document, for completeness.

We note in the Australian Treasury request for consultation:

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

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?

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?

We recommend that Australia permit use of the ISO standards for determining and quantifying greenhouse gas emissions in addition to the GHG Protocol proposed in the draft ISSB Climate-related disclosures (Exposure draft, March 2022). We recommend use of the ISO 14064-series

noted above. We attach a short appendix providing more information on the differences between the ISO Greenhouse Gas international standards and the GHG Protocol for reporting GHG emissions. ISO offers a complete package of climate standards including those for verification and validation of greenhouse gas emissions. The standards are developed along accounting guidelines so are easily auditable.

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

We suggest that consistency between entities could be achieved through the development of industry-specific “product category rules”, such as those established under ISO/TS 14027:2017 - Environmental labels and declarations.

Re 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?

It is critical that the board has relevant expertise in GHG counting, and practicalities of MRV, for the specific sectors in question. Therefore, it may be most appropriate to establish a new body to focus on climate and sustainability matters.

ISO TC 207/SC7 is host to internationally recognized experts in greenhouse gas management and its relationship to climate change. We are very willing to contribute our expertise to the Australian Treasury in any way that would be helpful. Our experts can facilitate consultations or help with training. We can discuss the ISO Standards with the Australian Treasury experts at their convenience. We would like to help the Australian Treasury meet the objectives they have set for clear, concise, comparable standards for financial reporting of climate data.

Please contact us for any further information you require.

Yours truly,

[Redacted Signature]

Chair, ISO TC207 SC7 GHG and Climate Change Management and other Activities

[Redacted Signature]

Australian Member, ISO TC207 SC7 GHG and Climate Change Management and other Activities  
Chair, Standards Australia Subcommittee EV-021-07, mirror committee of ISO TC207 SC7

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Australian Member, ISO TC207 SC7 GHG and Climate Change Management and other Activities

[Redacted Signature]

Convenor, SC7 Task Group on Mitigation, ISO TC207 SC7



Canadian Mirror Chair, ISO TC207 SC7 GHG and Climate Change Management and other Activities

## Appendix

We note that the ISSB draft proposal makes frequent mention of the GHG Protocol. ISO 14064-1:2018 is comparable to the GHG Protocol on organizational reporting and we would like to bring to your attention some critical differences:

### **DIFFERENCES BETWEEN GHG PROTOCOL AND ISO 14064-1**

There are several differences between ISO 14064-1:2018 and the GHG Protocol. ISO 14064-1:2018 recommended reporting formats have been designed to mimic financial reporting and appear like a balance sheet with analogue line-item classification (assets = removals, liabilities = emissions, shareholder equity = storage). In addition, ISO demonstrates how to properly report and disclose carbon financial instruments, understanding that they are not necessarily fungible units with the inventory or with themselves (e.g., renewable energy certificate (RECs) measured in kWh and Offsets measured in t CO<sub>2</sub>e/a) but affect stakeholders' decisions. The GHG Protocol does not align similarly in structure but rather has a list of reporting categories.

ISO 14064-1:2018 is flexible enough to align with financial reporting requirements; whereas the GHG Protocol, particularly for Scope 3, Category 15 on financial investments is quite prescriptive and may not align with the mandatory financial disclosures. We believe that sound disclosure for GHG accounting will need to align closely to the financial reporting because many of the indicators that shareholders and stakeholders examine rely on both GHG and financial data. Flexibility is needed to account for the wide variety of organizational structures found in financial reporting.

ISO 14064-1:2018 does not distinguish between Scope 2 and Scope 3 but categorizes both as indirect emissions because from an audit and data management perspective, they present the same challenges in reporting and controls. Instead, ISO 14064-1:2018 uses the approach of establishing a reporting boundary that is relevant to the organization. The GHG Protocol mandates the reporting of certain Scope 3 elements (depending on the industry), which may not be applicable to all organizations. We would recommend great flexibility on the initial climate-related financial disclosure requirements, with strong guidance to support appropriate disclosure rather than being overly prescriptive in the initial stages.

The GHG Protocol does not address audit and auditor requirements to any great extent. We believe the above ISO standards, especially ISO 14065 and 14066 on validation and verification, would be of benefit to the Australian Treasury when implementing the climate change-related disclosure requirements

The Australian Treasury may be interested to read the report on the GHG Protocol prepared by the Chartered Professional Accountants Canada, at <https://www.cpacanada.ca/en/business-and-accounting-resources/other-general-business-topics/sustainability/publications/closer-look-ghg-protocol> . This report identifies the GHG Protocol's development process as an area

requiring attention: “The operations of the GHG Protocol to develop and update the GHG Protocol standards, including due process, independence, funding mechanisms, and the governance structure, are not fully transparent and should be reviewed to determine whether they are appropriate given expanded role of the GHG Protocol.”

We recommend that the Australian Treasury carefully examine some of these differences between ISO 14064-1:2018 and the GHG Protocol and develop a hybrid approach. The GHG Protocol is not policy neutral and is North American centric. ISO standards must be policy neutral and international in application. The Australian climate change disclosure requirements would benefit from a more holistic approach. We would be delighted to discuss this further.