



# Climate Related Financial Disclosure

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Australian Treasury Consultation – JLL Response

February - 2023



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### The Australian Treasury Consultation Paper: Climate-related financial disclosure

We appreciate the opportunity to respond to your invitation to comment on the *'Australian Treasury Consultation Paper: Climate-related financial disclosure'* published on 12 December 2022.

With the built environment responsible for close to 40% of global carbon emissions, reducing the environmental impact of real estate will be a key priority for government, investors, developers and corporate occupiers over the next decade. JLL's purpose is to shape the future of real estate for a better world. Our SBTi net zero target by 2040 includes our scope 1, 2 and 3 emissions (51% by 2030). In our scope 3, sees 95% of our emissions arising from the consumption in those buildings we manage on behalf of our clients. Being one of the largest global real estate and investment firms, this sees us squarely aligned with the decarbonisation of our own business and our clients real estate in the race to net zero.

We value the Treasury's responsiveness in addressing the need for the design and implementation of standardised, internationally aligned requirements for climate-related financial disclosures in Australia. We have thoroughly outlined our recommendations and provided in-depth responses to the specific questions in the submission.

We would be pleased to discuss our comments with members of the Treasury. If you have any queries with respect to our comments or require further information, please contact me at

██████████ or on mobile ██████████.

Yours sincerely

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Head of Sustainability Consulting – Australia

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# JLL Response

## Question 1 – Cost and benefits

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

JLL fully recognises the importance of climate reporting and the role it plays in promoting sustainability and accountability within the business world. It is crucial that companies and organisations be transparent about their actions and their impact on the environment. Climate disclosure provides a valuable platform for companies to showcase their commitment to addressing climate challenges, demonstrate their leadership in this crucial area, and support investment decisions as the world moves towards a low-carbon economy. By providing accurate and comprehensive climate-related financial disclosures, stakeholders are empowered to make informed decisions and drive positive change. JLL believes that the ongoing efforts to enhance climate disclosure will play a key role in the fight against climate change and contribute to a more sustainable future for all.

The implementation of climate reporting in the corporate sector is expected to incur additional expenses. These costs can be broken down into several components, including the cost of data collection, management and digitalisation, consulting fees for risk modelling and reporting processes, reporting costs, and assurance costs. Although these costs may vary significantly, it is important to consider each component in order to fully understand the financial impact of these proposals. Given the limited time, it is not feasible for us to quantify the cost of implementing climate reporting, but it can be assumed that they would be comparable to the costs of financial reporting. We recommend that the Treasury or other relevant standard-setting bodies conduct further analysis to obtain a clearer understanding of the overall cost of implementation. The cost assessment should be conducted beyond its normal scope in a flexible manner, accounting for both direct and indirect financial impacts e.g. the opportunity cost of missed international trading opportunities if Australia does not mandate climate-related financial disclosures, while its trading partners do.

Aligning with the best global baseline standards for climate reporting in Australia can bring several benefits, including improved comparability, consistency, and transparency of climate-related financial disclosures. This can make it easier for both domestic and foreign investors to access and compare information, leading to increased investment in the Australian market. Furthermore, alignment with global best practices can enhance Australia's reputation as a transparent and reliable market, further attracting investment and boosting the country's competitiveness.

## Question 2 – Phased approach

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

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

JLL is of the view that adopting a phased approach in Australia, similar to other comparable jurisdictions, to mandatory climate-related financial disclosure by initially targeting larger entities and then gradually expanding to a greater range of entities would maximise the initial benefit from increased transparency. This approach allows larger entities with more resources to adequately respond to the new requirements and gives smaller entities time to benefit from the institutionalisation of climate reporting in the Australian market.

JLL fully acknowledges the recent consultation conducted by the AASB and AUASB in *ED321*<sup>1</sup> with various Australian preparers and assurance providers regarding the Australian implementation of the ISSB [Draft] IFRS S1 and S2 Standards, which indicated a preference for a two-to-three-year implementation period for the standards, with early adoption permitted. We agree with the reasons set out in the joint response from the AASB and AUASB and believe that these reasons accurately reflect the current state of the market in Australia, as follows:

- a) the current skill and resource gap in the market is significant;
- b) the current quality of data in the sustainability reporting space is poor;
- c) many of the systems and processes needed to collect the necessary data to comply with the ISSB [draft] standards do not exist;
- d) the proposals in the ISSB [draft] standards are complex;
- e) entities will benefit from additional time to implement systems and processes effectively before they are subject to independent assurance.

While we acknowledge the results of the consultation and the preference for a minimum two-to-three-year implementation period, however, we believe that there is an opportunity to advance this timeline to enhance the competitiveness of the Australian market and support the country's commitment to achieving net zero. In light of this, we recommend that a detailed phased implementation timeline be established for the first reports required for different categories of entities, starting from the expected commencement of the Australian climate reporting regulatory framework in early 2024:

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<sup>1</sup> In April 2022 the AASB published [ED 321 Requestion for Comment on ISSB \[Draft\] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and \[Draft\] IFRS S2 Climate-related Disclosures](#). ED 321 was also accompanied by a survey.

Phase	Effective Date	Reporting Period	Covered Entities
IFRS S2 Final Standards Released	Mid-2023 (confirmed)	N/A	N/A
Australian Climate Disclosure Standards Released	Early-2024 (expected)	N/A	N/A
Phase 1 Implementation	Reporting in 2025	FY 2024-25	<b>Phase 1 entities:</b> Large listed companies, Non-corporate Commonwealth entities, Large proprietary companies, Large financial institutions
Phase 2 Implementation	Reporting in 2026	FY 2025-26	<b>Phase 2 entities:</b> Other listed companies, Foreign controlled Australian entities, Corporate Commonwealth entities and Commonwealth companies
Phase 3 Implementation	Reporting in 2027	FY 2026-27	<b>Phase 3 entities:</b> Other SMEs, other not-for-profit entities, other Commonwealth entities, and other entities that are not covered in the Corporations Act

With the expected release of the ISSB Final Standards in mid-2023, we recommend that relevant Australian regulators provide further guidance on alignment with the ISSB and encourage all entities to prepare by reporting in a timely manner. Furthermore, we hope to see the relevant standard-setting bodies keep the public informed about the status of the Australian Climate Disclosure Standards through means such as public meeting agendas and work updates, similar to the practices of the ISSB.

Given the time limitations of the public consultation process for Climate-related Financial Disclosure, it is not feasible to quantify the likely effects of implementing the phased approach proposed. We recommend that the Treasury or other relevant standard-setting bodies conduct evaluations of the proposed phased approach to gain a more comprehensive understanding of its potential outcomes.

## Question 3 – Entity size and type

To which entities should mandatory climate disclosures apply initially?

- 3.1 What size thresholds would be appropriate to determine a large, listed entity and a large financial institution, respectively?
- 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?

JLL is of the view that the size threshold to determine a large entity for climate-related financial information should be consistent with the threshold of general-purpose financial reporting in Australia because we consider this proposal:

- a) recognises climate-related financial risk as a material risk which should be included in the financial review of the annual report to reflect the value at risk;
- b) will add a great deal of clarity to users of general-purpose financial reporting;
- c) supports users' views that equal prominence is provided to climate-related financial information as financial statement information;
- d) supports the long-term objective of achieving integrated reporting.

### The threshold for large, listed entities

JLL has not identified a uniform definition of what a large, listed entity is in Australia. However, we recommend the Treasury and relevant standard-setting consider a combination of the following definitions from Australian organisations and comparable jurisdictions to determine an appropriate Australian threshold:

- a) the UK Mandatory Climate Disclosure Rule released in 2022

According to *the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022*<sup>1</sup> and the *Limited Liability Partnerships (Climate-related Financial Disclosure) Regulations 2022*<sup>2</sup>, the mandatory climate disclosure regulations apply to:

- UK companies with more than 500 employees and which have either transferable securities admitted to trading on a UK-regulated market or are banking companies or insurance companies (namely those UK companies that are currently required to produce a non-financial information statement);
- UK registered companies with securities admitted to AIM, and which have more than 500 employees; and
- UK registered companies not included in the categories above, which have more than 500 employees and a turnover of more than £500 million (high turnover companies);

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<sup>1</sup> UK. [The Companies \(Strategic Report\) \(Climate-related Financial Disclosure\) Regulations 2022](#).

<sup>2</sup> UK. [The Limited Liability Partnerships \(Climate-related Financial Disclosure\) Regulations 2022](#).

- a traded LLP<sup>1</sup> or banking LLP which has more than 500 employees; and
- an LLP that has more than 500 employees and a turnover of more than £500m.

b) The U.S. Securities and Exchange Commission (SEC) Rule

The definitions of Smaller Reporting Companies (SRC) and Non-Accelerated, Accelerated, and Large Accelerated Filers in *Rule 12b-2 under the Securities Exchange Act of 1934 (Exchange Act)*<sup>2</sup>:

Status	Public Float	Annual Revenues
Smaller Reporting Company and Non-Accelerated Filer	Less than \$75 million	N/A
	\$75 million to less than \$700 million	Less than \$100 million
Smaller Reporting Company and Accelerated Filer	\$75 million to less than \$250 million	\$100 million or more
Accelerated Filer (not a Smaller Reporting Company)	\$250 million to less than \$700 million	\$100 million or more
Large Accelerated Filer (not a Smaller Reporting Company)	\$700 million or more	N/A

c) The Australian Bureau of Statistics (ABS)

The ABS considers any business with over 200 employees to be a large business, 20 to 199 employees to be a medium business, and under 20 employees to be a small business.

d) The Australian Taxation Office (ATO)

The ATO definition is based on annual turnover and categorises small businesses as those with an annual turnover of \$10 million or less; medium businesses have a turnover of between \$10 million and \$250 million, and large companies have an annual turnover of more than \$250 million. These large enterprises include private, public and foreign-owned companies, trusts, partnerships and super funds.

**The threshold for large proprietary companies**

JLL concurs with the Australian threshold for large proprietary companies outlined in the amended *Corporations Regulations*<sup>3</sup> in April 2019, from financial years commencing on or after 1 July 2019, a proprietary company is defined as 'large' for a financial year if it satisfies at least two of the below criteria:

- the consolidated revenue for the financial year of the company and any entities it controls is \$50 million or more

<sup>1</sup> Limited Liability Partnership.

<sup>2</sup> On 12 March 2020, the U.S. Securities and Exchange Commission voted to adopt amendments to the “accelerated filer” and “large accelerated filer” definitions in Rule 12b-2 under the Securities Exchange Act of 1934 (“Exchange Act”). The adopting release for these amendments can be found on the [Commission’s website](#).

<sup>3</sup> AUS. [The Corporations Amendment \(Proprietary Company Thresholds\) Regulations 2019](#).



- the value of the consolidated gross assets at the end of the financial year of the company and any entities it controls is \$25 million or more, and
- the company and any entities it controls have 100 or more employees at the end of the financial year.

### The threshold for large financial institutions

JLL recommends that the Australian Prudential Regulation Authority (APRA)'s definition of a Significant Financial Institution (SFI)<sup>1</sup> be used to determine the threshold for a large financial institution – a SFI means an APRA-regulated entity that is either:

- a) not a foreign ADI<sup>2</sup>, a Category C insurer or an EFLIC<sup>3</sup>, and has total assets in excess of:
  - i) AUD \$20 billion in the case of an ADI;
  - ii) AUD \$10 billion in the case of a general insurer or life company;
  - iii) AUD \$3 billion in the case of a private health insurer; or
  - iv) AUD \$30 billion in the case of a single RSE<sup>4</sup> operated by an RSE licensee, or if the RSE licensee operates more than one RSE where the combined total assets of all RSEs exceeds this amount;  
or
- b) determined as such by APRA, having regard to matters such as the complexity in its operations or its membership of a group.

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<sup>1</sup> APRA. [Letter to all APRA-regulated entities: Minor amendments to centralise the definition of a significant financial institution.](#)

<sup>2</sup> ADI - Authorised deposit-taking institution: A financial institution licensed by APRA to carry on banking business, including accepting deposits from the public. This includes banks, building societies, and credit unions. For AUSTRAC's purposes, the Reserve Bank of Australia and state banks are also ADIs.

<sup>3</sup> EFLIC - Eligible foreign life insurance company.

<sup>4</sup> RSE - Registrable superannuation entity.

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## Question 4 – International alignment

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?

### ISSB Implementation in the Australian Context

JLL has identified several key points of concern regarding the implementation of ISSB [draft] standards in the Australian context:

a) the scalability of ISSB [draft] standards

Special requirements for small-to-medium entities (SMEs) should be considered as we are concerned that many SMEs may not have the capability or capacity to apply the IFRS [draft] S2 Climate-related Disclosures<sup>1</sup> considering the complexity and granularity of the requirements in the proposed and potential, especially in the initial implementation periods as systems, processes, and controls are developed. Some proposed disclosures could be ‘preferred’ rather than ‘necessary’ and some complex disclosures could be simplified by requiring qualitative information rather than quantitative information;

b) the boundary of reporting and the value chain

The ISSB proposed value chain definition lacks clarity to the extent that there is no clear or consistent understanding of what information falls within an entity’s value chain;

c) the proposed requirement for metrics and targets

The industry-specific metrics and targets proposed in ISSB [Draft] IFRS S2 Climate-related Disclosures Appendix B Industry-based disclosure<sup>2</sup> will not currently be possible to be adopted in the Australian market, for the reasons discussed in our response to question 10;

d) the identification of climate-related risks and opportunities

The [Draft] IFRS S2 Climate-related Disclosures proposed that in identifying climate-related risks and opportunities, an entity shall refer to the disclosure topics defined in the industry disclosure requirements (Appendix B Industry-based disclosure requirements). However, the mandatory nature of Appendix B will not be possible to be adopted in the Australian market until ISSB has undergone the appropriate due process, for the reasons discussed in our response to question 10. We recommend the Treasury and relevant standard-setting bodies establish industry requirements specific to the local market in Australia. Furthermore, Appendix B makes a presumption that all identified disclosure matters are material, rather

<sup>1</sup> ISSB. [Exposure Draft IFRS S2 Climate-related Disclosures](#).

<sup>2</sup> ISSB. [\[Draft\] IFRS S2 Climate-related Disclosures Appendix B Industry-based disclosure requirements](#).

than allowing management to exercise judgement in determining what information is material and should be disclosed. We are of the view that management should make this judgement, according to the proposed test of materiality as mentioned in our response to question 7.

**ISSB standards are the most appropriate**

JLL is of the view that:

- a) the ISSB, established at the COP26 and consolidated the CDSB and the VRF in 2022, is widely recognised for its strong resource base and financial support, making it a highly influential global sustainability standards-setting board;
- b) the ISSB Standards are fully built upon the TCFD framework, which is widely recognised for its rigorous and comprehensive approach to reporting on the financial impacts of climate change and its alignment with the goals of the Paris Agreement;
- c) the ISSB announced its new Partnership Framework at the COP27, with more than 20 partner organisations with a timeline for the five-year, three-phase effort, which is designed to support global preparers, investors and other capital market stakeholders in the adoption of ISSB Standards;
- d) the ISSB announced at the COP27 that CDP will incorporate the IFRS S2 requirements into its disclosure platform, allowing CDP's 18,700+ voluntary users to disclose data structured to IFRS S2 in the 2024 disclosure cycle as a step towards delivering a global baseline for capital markets through the adoption of ISSB standards.

Therefore, JLL still highly recommends the development of Australian climate change reporting requirements primarily in line with the standards set by the ISSB. In doing so, the Treasury and relevant standard-setting bodies should also consider incorporating industry-specific guidance, both at the national level in Australia and globally, where necessary and relevant. Please refer to our response to question 10 for a more detailed explanation of our position.

## Question 5 – Regulatory framework

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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)?

JLL has not identified any additional considerations that should inform the design of a new regulatory framework. Please refer to our response to question 19.

## Question 6 – Periodic reporting requirements

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?

JLL is of the view that climate-related financial disclosure in Australia should be located in the directors' report as part of an operating and financial review (OFR) of the annual report according to *ASIC RG 247 Effective disclosure in an operating and financial review*<sup>1</sup>, for the following reasons:

Climate change and related events are considered business risks for many companies because they could materially affect their current and future prospects - affecting financial performance, recognition and measurement of assets and liabilities, and business strategies.

In addition, ASIC's focus areas for the December 2022 reporting period highlight the importance of the OFR as a complement to the financial report. The OFR should explain the underlying drivers of the results and financial position, as well as the material business risks (including climate) that may affect the achievement of the entity's strategies and future prospects.

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<sup>1</sup> [ASIC Regulatory Guide 247 Effective disclosure in an operating and financial review.](#)

## Question 7 – Materiality assessment

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)?

JLL is of the view that materiality judgements should align with general-purpose financial reporting when undertaking climate reporting, which is consistent with the ISSB fully aligning its description of materiality with IFRS Accounting Standards. In doing so, it has removed the existing definition of ‘enterprise value’ and the words ‘to assess enterprise value’ from the objective and description of materiality in the initial ISSB [draft] proposals.

JLL fully recognised and supports the climate-related materiality thresholds for Australian reporting entities defined by *AASB 101/ IAS 1 Presentation of Financial Statements*<sup>1</sup> and *AASB/IASB Practice Statement 2 Making Materiality Judgements (APS/PS 2)*<sup>2</sup>:

- a) As defined in AASB 101/IAS 1 and explained further in APS/PS 2, information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting entity;
- b) The AASB 101/IAS 1 materiality definition also highlights that an assessment is made on the basis of size (quantitative) and nature (qualitative factors), or a combination of both;
- c) The APS/PS 2 further emphasises that an item of information could influence primary users’ decisions regardless of its size, and a quantitative threshold could even reduce to zero, such as when information about a transaction, other event or condition is highly scrutinised by the primary users.

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<sup>1</sup> [AASB 101/ IAS 1 Presentation of Financial Statements.](#)

<sup>2</sup> [AASB/IASB Practice Statement 2 Making Materiality Judgements.](#)

## Question 8 – Level of assurance

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?

### A phased approach for assurance

JLL agrees with the consultation result from *ED321* conducted by AASB and AUASB, where Australian stakeholders have suggested that the implementation of audit and assurance for ISSB should be phased in over time, starting with no assurance in the first reporting year, limited assurance in the second reporting years, and increasing to a reasonable level of assurance as time goes on. This approach would allow entities to focus on disclosure without being immediately concerned with the highest level of assurance and would also ensure that the standards can be applied with confidence regardless of the level of assurance required in each jurisdiction. This approach is also consistent with the *US SEC Proposed Rule for Enhancement and Standardization of Climate-Related Disclosures, 2022*<sup>1</sup>.

JLL is of the view that a phased approach should be implemented for the assurance of climate disclosures in Australia. Based on the phased climate disclosures approach outlined in our response to question 12, we recommend the following phased approach for assurance in Australia:

Covered Entities (Please refer to questions 2 and 3 for the definition of entities)	Limited Assurance (All proposed climate disclosures, but excluding Scope 3)	Reasonable Assurance (All proposed climate disclosures, but excluding Scope 3)	Limited Assurance of Scope 3 disclosures only
Phase 1 entities	FY 2025-26 Disclosure	FY 2026-27 Disclosure	FY 2026-27 Disclosure
Phase 2 entities	FY 2026-27 Disclosure	FY 2027-28 Disclosure	FY 2027-28 Disclosure
Phase 3 entities	FY 2027-28 Disclosure	FY 2028-29 Disclosure	FY 2028-29 Disclosure

### The context of assurance

As discussed in question 9, the NGER Scheme is an important component of reporting an entity's GHG emissions. As such, it is recommended to comply with the requirement for independent verification of NGER data. Under the NGER Act<sup>2</sup>, the Clean Energy Regulator (CER) has the authority to commission, or to require a reporting entity to commission, an external audit on aspects of the entity's compliance with the NGER Act and associated legislative instruments. These audits must be carried out by a greenhouse and energy auditor who has been registered under *section 75A of the NGER Act*.

<sup>1</sup> On 21 March 2022, the United States Securities and Exchange Commission issued a [proposed rule for the enhancement and standardization of climate-related disclosures for public companies](#).

<sup>2</sup> [National Greenhouse and Energy Reporting Act 2007](#).

Audits may examine:

- the reporting of emission sources, energy consumption and energy production; and
- the effectiveness of internal controls associated with data collection, record keeping and reporting processes. Significant penalties may apply to an entity's Executive Officers for contravention of the NGER Act.

Furthermore, JLL recognised the *AA1000 Assurance Standard v3*<sup>1</sup> as the globally leading benchmark for ensuring that organisations are adhering to their stated sustainability goals and principles. The *AA1000AS v3*, going beyond simple data verification, assesses the organisation's adherence to the *AA1000AP (2018)* principles of inclusivity, materiality, responsiveness, and impact, and focuses on the processes required for responsible assurance engagements. Therefore, we recommend incorporating *AA1000AS v3* complementarily to further enhance the robustness and quality of the overall assurance process for Australia.

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<sup>1</sup> The *AA1000 Assurance Standard (AA1000AS v3)* serves as a standard for assurance on sustainability information across organisations of all types, based on the effective application of the *AA1000 AccountAbility Principles (AA1000AP, 2018)*.



## Question 9 – Greenhouse gas emissions

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

JLL agrees that, as a global baseline, the ISSB Standards should refer to the Greenhouse Gas Protocol (GHG Protocol). However, we recommend that the Australian climate reporting standards, specifically regarding emissions reporting, be established through a combination of ISSB [draft] standards and relevant jurisdictional GHG emission reporting standards. This combination should be used only if they are aligned with the GHG Protocol or are at least of the same quality as the GHG Protocol. In the case of Australia, existing emissions reporting frameworks could be more stringent and are also accompanied by more guidance and support than the GHG Protocol, for regional specifically, such as the NGER Scheme under the NGER Act, Corporate Emission Reporting Transparency Initiative (CERT)<sup>1</sup> and the Climate Active Carbon Neutral Standard<sup>2</sup>.

For scope 1 and scope 2 emissions reporting in Australia, we recommend using the NGER Scheme. However, as the *NGER Act* currently only addresses scope 1 and scope 2 emissions, and given the importance of scope 3 emissions which make up a significant portion of some businesses' emissions, we also recommend reporting Scope 3 emissions in accordance with *the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Standard*<sup>3</sup>. For financial institutions, *the Global GHG Accounting and Reporting Standard for the Financial Industry*<sup>4</sup>, published by the Partnership for Carbon Accounting Financials (PCAF), offers specific guidance on calculating scope 3, category 15 (investments) emissions.

It should be noted that the reporting of Scope 3 emissions in Australia comes with some complexity and regulatory barriers. To effectively report these emissions, it is important that the government provides information and sets up appropriate scope 3 data collection systems and representative benchmarks and estimation platforms that are tailored to the Australian market. We recommend incorporating the following resources:

- a) The *Scope 3 Evaluator Tool*<sup>5</sup> jointly developed by GHG Protocol and Quantis provides users a simple interface to make a first, rough approximation of their full scope 3 footprint, regardless of their organization type and size;

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<sup>1</sup> The Corporate Emissions Reduction Transparency (CERT) report is a voluntary initiative for eligible companies to present a snapshot of their climate-related commitments, progress and net emissions position.

<sup>2</sup> The Climate Active Carbon Neutral Standard for Organisations is a voluntary standard to manage greenhouse gas emissions, achieve carbon neutrality and to seek Climate Active certification. It provides best-practice guidance on how to measure, reduce, offset, validate and report emissions that occur as a result an organisation's operations.

<sup>3</sup> GHG Protocol. Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

<sup>4</sup> PCAF (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition.

<sup>5</sup> GHG Protocol & Quantis. Scope 3 Evaluator Tool.

- b) [Scope 3 Calculation Guidance](#)<sup>1</sup> provided by GHG Protocol details multiple calculation methods for each scope 3 category based on level of specificity and available data;
- c) [Scope 3 Inventory Guidance](#)<sup>2</sup> developed by the United States Environmental Protection Agency (US EPA) provides resources and emission factors (USEEIO<sup>3</sup> and EF Hub<sup>4</sup>) to help organizations develop a scope 3 emissions inventory;

We believe that the government has a crucial role in addressing the challenges of reporting Scope 3 emissions and supporting businesses in this endeavour.

In light of the capability and data challenges faced by some organizations, as discussed in question 13, we suggest a one-year transition period for the implementation of scope 3 reporting, similar to the *US SEC Proposed Rule*. This will provide adequate time for businesses to process and report their Scope 3 emissions data in accordance with the standard. Our proposed phased approach for emissions reporting in Australia is as follows:

Covered Entities (Please refer to questions 2 and 3 for the definition of entities)	All proposed climate disclosures, including GHG emissions metrics: Scope 1, Scope 2, and associated intensity metric, but excluding Scope 3	GHG emissions metrics: Scope 3 and associated intensity metrics
Phase 1 entities	Reporting period: FY 2024-25	Reporting period: FY 2025-26
Phase 2 entities	Reporting period: FY 2025-26	Reporting period: FY 2026-27
Phase 3 entities	Reporting period: FY 2026-27	Reporting period: FY 2027-28

<sup>1</sup> GHG Protocol. [Technical Guidance for Calculating Scope 3 Emissions](#).

<sup>2</sup> US EPA. [Scope 3 Inventory Guidance](#).

<sup>3</sup> USEEIO. EPA's [supply chain GHG emission factors](#) are based on US Environmentally-Extended Input-Output models and are presented in emissions per dollar of spend.

<sup>4</sup> EF Hub. EPA's [GHG Emission Factors Hub](#) provides factors for most scope 3 categories. Some categories do not require specific emission factors, because the emissions-generating activities have associated scope 1 and scope 2 factors already available.

## Question 10 – Metrics

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

JLL supports a common baseline of metrics to be defined to ensure a degree of consistency, including both cross-industry metrics and industry-specific metrics in Australia.

### Cross-industry metrics

JLL agrees with and endorses the establishment of a common baseline of cross-industry metrics in Australia, as outlined in *paragraph 21 of [Draft] IFRS S2 Climate-related Disclosures* the proposed seven cross-industry metric categories, incorporating the TCFD's criteria, that all entities would be required to disclose:

1. greenhouse gas emissions – discussed in our response to question 9;
2. transition risks;
3. physical risks;
4. climate-related opportunities;
5. capital deployment towards climate-related risks and opportunities;
6. internal carbon prices;
7. the percentage of executive management remuneration that is linked to climate-related considerations

### Industry-specific metrics

We are fully in support of industry-specific metrics and disclosure requirements being established for Australian climate disclosures. and we appreciate the proposed industry-specific metrics in the ISSB *[Draft] IFRS S2 Climate-related Disclosures Appendix B Industry-based disclosure*, which have been derived from the SASB Standards. However, we recognise the challenges associated with their adoption in the Australian market. The reason for this is attributed to the SASB Standards were taken have not previously been exposed for public consultation in Australia and the *Appendix B* proposals are US-centric and not fully representative of the Australian or global market.

In light of this, we recommend relevant Australian standard-setting bodies establish a common baseline of industry-specific metrics that are tailored to the Australian context. This requires a thorough analysis of the differences and similarities between the industry categories and descriptions in *Appendix B* and the *Australian and New Zealand Standard Industrial Classification 2006*<sup>1</sup>, as well as the evaluation of the suitability of industry-based metrics for both Australian and multinational entities.

To address the challenge of finalising these industry-specific metrics before the first phase (discussed in question 2) of climate-related disclosure in Australia, we recommend the prompt establishment of non-mandatory implementation guidance. This will allow phase 1 entities (discussed in question 2) to prepare

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<sup>1</sup> Australian Bureau of Statistics. [Australian and New Zealand Standard Industrial Classification \(ANZSIC\), 2006 \(Revision 2.0\)](#).

for the disclosure requirements and provide them with the necessary time to fully understand the metrics and integrate them into their reporting processes.

## Question 11 – Offsets and transition plans

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?

### Transition plan

JLL supports the inclusion of an entity's transition plan in the requirements for climate disclosure in Australia, which is critical for primary users of general-purpose financial reporting to assess the entity's strategy in responding to significant climate-related risks and opportunities that can reasonably be expected to affect its enterprise value.

We recommend incorporating the following standards and guidance to maximise the transparency of the transition plan:

- a) Specifically, we recommend the requirements of transition plans align with *paragraph 13 of [Draft] IFRS S2 Climate-related Disclosures*, that an entity shall disclose information about how it plans to achieve any climate-related targets that it has set (this includes information about the use of carbon offsets); its plans and critical assumptions for legacy assets; quantitative and qualitative information about the progress of plans previously disclosed by the entity;
- b) The *Financial Institution Net-Zero Transition Plans*<sup>1</sup> published by the Glasgow Financial Alliance for Net Zero (GFANZ) comprising ten core components, grouped into five themes in developing and executing a credible transition plan;
- c) The disclosure requirements should also demonstrate compliance with existing ASIC, ASX and APRA in disclosing climate risks and strategies for managing risks.

### Carbon offsets

We further recommend the disclosure requirements regarding carbon offsets include:

- a) the extent to which the targets rely on the use of carbon offsets;
- b) type of carbon offset: whether the offset will be nature-based, such as reforestation or improved land management practices, or based on technological carbon removals, such as carbon capture and storage and whether the amount intended to be achieved is through carbon removal or emission avoidance;
- c) additionality: whether the carbon offset project provides emissions reductions that are additional to what would have occurred in the absence of the project;
- d) permanence: whether the carbon offset project is permanent or has a long-term horizon, and measures should be in place to ensure the emissions reductions are not reversed.
- e) leakage: whether the carbon offset project has the avoidance of unintended consequences, or leakage. It refers to the unintended increase in emissions that can occur outside of the project boundaries, offsetting the emissions reductions achieved within the project. To avoid unintended

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<sup>1</sup> GFANZ. [The Financial Institution Net-Zero Transition Plans](#).

consequences, it is crucial to conduct thorough assessments of the potential for leakage and implement measures to mitigate it;

- f) verification standards: declaration of whether the offsets are subject to a third-party offset verification or certification scheme, following recognised carbon offset standards, including Australian-specific standards, such as the National Carbon Offset Standard (NCOS), the Climate Active Carbon Neutral Standard, the Climate Bond Standard for Land Use, Land Use Change and Forestry (LULUCF) and the Carbon Neutral Protocol. In addition, entities may also choose to seek certification under one of the global standards, such as VCS, the Gold Standard, or the Clean Development Mechanism (CDM) of UNFCCC, etc;

By presenting clear, concise and accurate information, the integrity and transparency of carbon offsets can be strengthened and the potential for "greenwashing" or "carbon laundering" can be reduced.

## Question 12 – Phasing of specific disclosure requirements

Should particular disclosure requirements and/or assurance of those requirements commence in different phases, and why?

Our recommendation of a phased disclosure approach is included in response to question 12 and a relevant phased assurance approach is included in response to question 8.

## Question 13 – Data and capability

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?

13.2 Are there any specific initiatives in comparable jurisdictions that may assist users and preparers of this information in addressing these challenges?

Based on our experience, we have identified several key data issues regarding the estimation of GHG emissions in the building sector:

- a) accurate information on division of energy consumption between landlords and tenants: a clear understanding of landlord energy consumption, e.g. in provision of base building services or in serving common areas, is crucial to calculation of scope 3 emissions for tenants. Landlords in turn require knowledge of tenant energy consumption for calculation of their own scope 3 emissions. Achievement of this relies on support for / action to implement three key enablers:
1. sufficient and appropriate submetering to measure division and consumption of energy within a building between tenancies and landlord areas and services, including sub-metering to measure energy delivered in alternative forms to tenanted areas, e.g. chilled water or hot water which is generated centrally but which is ultimately used in tenanted areas;
  2. mechanisms which enable or mandate sharing of energy consumption information between landlord and tenant; and,
  3. clear guidance / accounting principles providing certainty on categorisation of emissions between scopes 1&2 and scope 3 for all parties, particularly in the case of landlord operated base building services e.g. which provided cooling which is then consumed in tenanted areas – this has been a long standing “grey area” across the industry and clear rules are needed to enable comparable reporting across the real estate industry.
- b) poor waste management: we believe that the current level of accuracy for scope 3 emissions related to waste is insufficient, which is due to the inadequate waste data collection by most waste management service providers. Additionally, we recommend the reporting entities improve waste separation, which enables a better picture of emissions and potential mitigation measures. To allow this, the government needs to publish associated emission factors;
- c) lack of information or data relating to refrigerant leakage; the best proxy for this is understanding the exact top-up charge weight and refrigerant type. This is necessary for scope 1 reporting and will represent an increasing share of scope 1 emissions in buildings as they shift away from fossil fuel use and towards electrification. The collection and record-keeping of this data is mandatory in some countries, including the UK;
- d) no published emissions conversion factors for freshwater use in the Australian context. This leads to under-reporting of an entity’s scope 3 emissions.



e) availability of Environmental Product Declarations (EPDs) – increased availability of EPDs across manufactured materials and products is needed to support improved scope 3 reporting, particularly where embodied carbon is concerned.

In general, emission conversion factors published by the Australian Government i.e. National Greenhouse Account Factors (NGAF) lack some of the nuance and differentiation required to enable more sophisticated calculation of emissions e.g. waste factors by both type and disposal route (rather than mutually exclusive factor sets);

See Question 9 re: the need to develop Australia specific benchmarks to support calculation of scope 3 emissions across category 1 (Purchased Goods and Services).

## Question 14 – Governance of supporting information

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?

JLL supports the provisions of climate information and climate risk modelling<sup>1</sup> from the Australian Climate Service in collaboration with CSIRO as a publicly accessible resource to help Australian sectors to mitigate and adapt to climate change impact. However, we believe that companies should be allowed to use other credible and reputable, public database or private climate modelling providers and climate scenarios that are relevant to their specific circumstances. This is particularly crucial for companies that have assets located internationally or have a global interest, as some providers offer more comprehensive and accurate information on a global scale, allowing for standardised reporting and increased accuracy across that entity's operations.

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<sup>1</sup> CSIRO's Conformal Cubic Atmospheric Model (CCAM) is helping Australian sectors to mitigate and adapt to climate change impacts by providing high-resolution climate information.

## Question 15 – Proportionate application of liability

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?

In contrast to current reporting requirements being mainly backward-looking in nature, climate disclosure involves forward-looking information. The legal requirement for a reasonable basis for these statements, coupled with the low threshold for shareholder and other stakeholder class actions in Australia, would create a material risk of breach and exposure to damages. To mitigate the risk of breach and exposure to damages due to misleading or deceptive conduct as outlined in the Corporations Act, we recommend implementing "safe harbour" provisions in Australian climate disclosures, similar to the US Securities and Exchange Commission for scope 3 emissions reporting. This would allow for the inherent uncertainty in climate disclosure, encouraging appropriate good-faith disclosure without fear of litigation. By implementing such provisions, companies would be able to effectively balance the need for comprehensive disclosure with the risk of legal liability.

## Question 16 – Interaction with other requirements

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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?

JLL is of the view that reporting entities should consider how they can integrate climate-related information into their existing reporting processes, such as by updating their continuous disclosure to include information about their emissions and energy use. Fundraising documents may need to include information about an entity's climate risk and its plans for addressing those risks. It is crucial for reporting entities to ensure that their climate-related reporting is consistent across all reporting obligations, including continuous disclosure and fundraising documents, which will help to minimise the risk of conflicting or inconsistent information being provided to stakeholders. Given the limited time for this public consultation, JLL has not identified other particular considerations.

## Question 17 – Flexibility to incorporate other sustainability reporting

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?

JLL recognises the growing need for expanding climate-related reporting into other areas of sustainability reporting in the future. With investors increasingly seeking access to international capital markets and investing in sustainable investments, it is crucial for companies to stay ahead of the curve by providing comprehensive and up-to-date information on their sustainability efforts. To remain competitive in the international market, it is necessary for companies in Australia to be proactive in their approach to sustainability reporting and to leave sufficient flexibility for expanding the scope of what is covered in their reporting. Specifically, to prevent duplicate reporting, it may be necessary to provide flexibility for reporting entities that have already reported through recognised international schemes such as GRI, CDP, enabling them to continue their current practice. By being at the forefront of these changes, companies can demonstrate their commitment to sustainability, attract investment, and support sustainable growth in the future.

## Question 18 – Digital reporting

Should digital reporting be mandated for sustainability risk reporting? What are the barriers and costs for implementing digital reporting?

JLL acknowledges the primary benefit of digital consumption of sustainability-related financial information, as compared to paper-based consumption, is improved accessibility, enabling easier extraction and comparison of information. To encourage the widespread use of digital reporting and taxonomies in Australia, JLL believes it is important to establish a global baseline for the taxonomy to ensure consistency in electronically tagging a minimum set of disclosures.

However, JLL is of the view that the reasons behind the failed uptake of digital reporting for financial disclosures should first be explored and resolved, the government should review and improve the relevant system to ensure that digitalisation facilitates the process instead of reporting for entities, rather than incurring extra costs or layers of complexity. Following this, digital reporting for financial disclosure should be mandated first, given its consistent reporting and industry experience. Gradual implementation of sustainability disclosure can then follow, taking into account the barriers and costs associated with digital reporting. This approach will ensure a smooth transition and increase the adoption of digital reporting in sustainability-related financial information in Australia.

## Question 19 – The best structure of reporting framework

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?

JLL is of the view that the potential structure 1 to confirm the AASB as the entity responsible for developing, making and monitoring climate and sustainability related standards, would best improve the effectiveness and efficiency of the Australian financial reporting system. This is due to the following reasons:

- a) The AASB possesses extensive industry experience, a well-established reputation for setting credible standards, and strong relationships with international standards-setting bodies;
- b) This potential structure aligns with *the Treasury Laws Amendment (2022 Measures No. 1) Bill 2022: Sustainability Standards*<sup>1</sup>, confirming the AASB, AUASB and FRC as the entities responsible for developing sustainability standards; developing auditing and assurance standards for sustainability purposes; and providing strategic oversight, respectively;
- c) This potential structure is deemed to be efficient and not overly burdensome. And as it is already included in the proposed law amendment, thus necessitating minimal additional effort;
- d) The potential structure 2 to establish a separate sustainability standards board is currently not necessary in Australia and it is resource-consuming to involve a legislative design process, introduction and passage through parliament, and board establishment processes. This structure would further fragment the Australian financial reporting framework and could exacerbate the existing resourcing and administrative inefficiencies;
- e) The potential structure 3 to reform may introduce uncertainty for stakeholders and could impact the timely implementation of climate-related risk disclosure in Australia.

On top of that, we recommend AASB establish a dedicated task force to focus specifically on climate disclosure and general sustainability disclosure, working in close collaboration with the AASB's traditional financial reporting groups to ensure that the disclosure requirements are incorporated with existing financial reporting processes.

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<sup>1</sup> [The Treasury Laws Amendment \(2022 Measures No. 1\) Bill 2022.](#)

## Final Reflections

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JLL is committed to decarbonising the built environment and collaborating with all stakeholders to achieve this outcome. The Australian Government's climate change reforms will be transformative in the race to net zero.

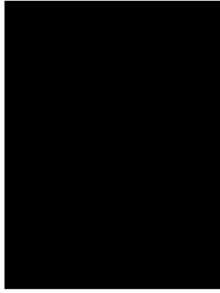
*Our cities are dominated by old, under utilised and energy inefficient buildings. These buildings present a huge challenge for owners, occupiers, policy makers and communities to make them future fit for a low carbon world.*

*Government and regulators have a role to play. Policy at multiple levels are influencing investment decisions and will continue to do so. The development of an Australian climate risk disclosure framework is an important step in creating clarity and certainty for business and investors. JLL is taking urgent climate action to accelerate the transition to net zero, enhance performance, mitigate risks, and shape the future of real estate for a better world. We look forward to being part of the solution and working with Government, industry and our clients to achieve this ambition.*

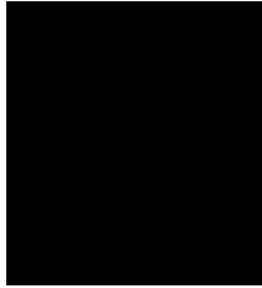


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### About JLL

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