Australian Government's
Climate-related financial disclosure consultation

<u>About Mondelēz International and our views</u>
Mondelēz International (MDLZ) is one of the largest snacking companies in Australia with iconic brands including Cadbury Dairy Milk, The Natural Confectionery Company and Philadelphia Cream Cheese. We have over 2000 employees across seven manufacturing sites in metropolitan and regional Australia, and source many of our raw materials onshore, including sugar from Queensland and milk from Tasmania and South Australia.

In our contributions to people and planet, we are focused on leading in areas where we can help deliver the most positive impact, including by:

- helping to build a thriving cocoa sector,
- reducing packaging waste and increasing the use of recycled soft plastic materials
- sourcing our ingredients sustainably, and
- reducing our carbon emissions footprint.

Not only is this the right thing to do, it also is core to our continued growth and success and creates value for the world at large. As a global business, we have set ambitious sustainability goals, including to achieve net zero GHG emissions by 2050. Additionally, we joined the United Nations Race to Zero campaign. We are regularly measuring our progress against our goals, which we disclose every year in our Snacking Made Right report: https://www.mondelezinternational.com/Snacking-Made-Right/Reporting-and-Disclosure.

We support the efforts of the Australian Government to standardise climate-related disclosures.

We believe that corporate sustainability disclosures should provide clear and reliable information, and we think it is important to harmonise the rules that govern such reporting across jurisdictions.

We support a principles-based framework that enables companies to effectively and efficiently report financially material sustainability risks and actions taken to address them.

We appreciate the opportunity to provide input on key considerations for the design and implementation of standardised, internationally aligned requirements for disclosure of climate-related financial risks in Australia.

<u>Responses to key consultation areas</u>
Global alignment and interoperability. Leverage international standards and equivalence to harmonise reporting requirements or provide for interoperability.
Treasury should align reporting requirements to international initiatives including the GHG Protocol, the Task Force for Climate-related Financial Disclosures (TCFD), the International Sustainability Standards Board (ISSB) and the Science Based Targets initiative (SBTi) which provide frameworks for climate-related work streams, such as calculating GHG emissions and setting emission-reduction targets.

This would enhance the consistency and comparability of the information furnished to investors and enable companies making the disclosures to do so effectively and efficiently.

We also believe companies should have the flexibility to make corporate sustainability disclosures in a way that would satisfy both the Australian Government's requirements and those in other jurisdictions, e.g., the United States. As a US-headquartered, publicly traded company, we also will be subject to new sustainability-related disclosure requirements implemented by the US Securities and Exchange Commission. Different reporting requirements and standards in different national jurisdictions would generate less, rather than more clarity on sustainability-related risks, as well as excessive complexity and cost. We therefore would like to see requirements and standards aligned. Further, we would like to be able to use the same report, e.g., for disclosing climate-related risks, in the United States, Australia, and other jurisdictions, and for such risks to be reported separately from existing financial reports/disclosures.

Permission to cross-reference corporate sustainability disclosures to relevant authorities in other jurisdictions also would help minimise potentially confusing duplicative reporting.

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Balanced and phased approach. Implement efficient reporting procedures and phase in new disclosure requirements over time.
We urge Treasury to craft requirements that balance the benefits of broader and deeper disclosures with the higher costs and increased complexity of such extended reporting. We note that many companies already voluntarily report on sustainability issues in depth, e.g., their efforts to reduce emissions, enhance energy efficiency, and mitigate the impacts of climate change. Firms often structure such reporting to be consistent with international frameworks such as those mentioned below.

We recommend that companies be permitted to fulfil Australian requirements by referring to such public disclosures in narrative form, essentially incorporating them by reference, rather than unnecessarily duplicating them in their corporate management reports.

This efficient approach would reduce compliance costs and complexity. It also would avoid confusion with disclosures of the same information presented in two different formats.

We also would urge Treasury to carefully consider the volume and nature of the information to be required in new reporting rules.

Wide-ranging mandates for companies to provide page upon page of information on a long list of climate-related topics could result in reporting that would mislead investors by:

- inadvertently highlighting immaterial information, and/or
- obscuring or minimising the weight of other risks already proven to be material.

We believe that disclosure requirements on risks material to investor decisions should give them a clear, accurate, and balanced view of such risks.

To ensure that new disclosure rules are manageable, and that the information disclosed creates a balanced picture of material risks, we recommend that Treasury:
- implements reporting requirements first, on certain priority topics, e.g., Scope 1 and 2 GHG emissions and
- phases in disclosure rules on other topics over time.

With the effects of global warming being felt around the world each day, we believe that prioritising reporting on climate-related risks is necessary to help build momentum for the transition to a decarbonised global economy.

We also suggest that when reporting requirements on new topics are introduced, clear policies accompany them, so companies have clarity on the details of reporting on such topics.

We also recommend that the reporting boundaries for climate related risk disclosures should be limited to those entities whose financial statements are consolidated with the reporting entity's own financial statements and should not include equity method investments or other non-controlled affiliates or associates, inline with the GHG protocol. The complexity of attempting to collect, consolidate and report on corporate sustainability matters of non-controlled entities is overly burdensome as it requires harmonisation of tracking in areas that might otherwise not be material to one of the businesses. It will also potentially create conflicts between the reporting entity and any non-controlled affiliates.

In addition, we would request that reporting should be completed at a parent company level in relation to "subsidiary" (controlled entities).

Scope 3 emissions. Consider any mandatory reporting on Scope 3 emissions at a later stage, and align requirements for Scope 3 to the GHG Protocol.
We recommend Treasury consider any mandatory reporting requirements on Scope 3 emissions at a later stage, and in-line with GHG Protocol requirements.

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Calculating Scope 3 emissions is very different and more challenging than quantifying Scope 1 and 2 emissions. Scope 3 emissions cover a variety of third parties, who may:

- not have accurate and reliable data,
- may refuse to provide data,
- fail to provide it on a timely basis, or
- furnish data that is flawed, inconsistent, and not comparable.

Scope 3 emissions data is not comparable across organisations, and we believe that investors should not rely on it to make investment decisions.

There is a need for alignment between global standard setters on Scope 3 emissions disclosures and for a legal and regulatory framework with appropriate levers and sanctions to:

- enable organisations subject to reporting obligations to secure reliable and relevant data, and/or
- for appropriate adjustments to be made to reporting standards to manage any shortcomings in the data.

Reporting companies should not be held liable for 3 Scope emissions targets based on third parties' data unless and until there are regulations in place:

- obliging relevant third parties to provide accurate and timely data, and
- providing for the imposition of sanctions if they fail to comply with such obligations.

If companies were held liable for their Scope 3 disclosures, and firms' legal or related risks grew in connection with requirements on such disclosures, private sector goals on curbing Scope 3 emissions, and progress toward realising these objectives, could be impeded.

We encourage Treasury to:

- ensure that reporting on Scope 3 emissions fully aligns with existing international standards, preferably GHG Protocol, and frameworks, and
- provide clear and unambiguous legal protections for such disclosures.

Flexibility. Reflect dynamic nature of sustainability challenges and solutions through flexibility in reporting rules. Companies understand that achieving their sustainability goals and delivering against their plans is not a linear journey. These actions will involve adjustments over time, and plans will have to evolve in response to unforeseen developments.

Likewise, companies recognise that methods for capturing, addressing, and reporting on corporate sustainability risks may change as new technologies and tools emerge.

Flexibility in new disclosure requirements would enable companies to navigate this rapidly evolving and highly technical policy area. Prescriptive disclosure requirements on sustainability goals, plans, and exposures would run the risk of instituting a static mandate that does not reflect the dynamic nature of reporting methodologies or company and investor practices and preferences.

We recommend that new climate-related financial disclosure requirements reflect greater flexibility in the following ways:

- grant companies the latitude to report in an efficient way, including on where and when they report on corporate sustainability matters,
- focus new reporting requirements on core priority areas initially, and phase in reporting requirements in other areas over time,
- adjust reporting requirements and methodologies to keep pace with changes in international protocols and the emergence of new technologies to assess, address, and report on risks,
- any mandatory reporting requirements on Scope 3 emissions at a later stage, and in-line with GHG Protocol requirements, and

- provide for legal safe harbour on new corporate sustainability disclosure requirements.

Acquisitions. Provide for a transition period before requiring climate-related financial disclosures on acquisitions.
We believe Treasury should look to the GHG Protocol and the SBTi for guidance on how to cover company acquisitions in climate-related financial disclosure requirements.

More specifically, we recommend that any requirement to cover an acquisition should become effective:
- two years after the climate-related risk associated with that acquisition is deemed material, using the methodology specified in the GHG Protocol and SBTi guidance,
- to provide the enterprise with sufficient time to assess, embed, and extract relevant and consistent data to be used in reporting.

Removal of duplicative reporting or alignment of reports across government.
We currently disclose a range of reporting data to various federal and state government entities (close to 20 reports per annum). In addition to modern slavery, payment terms, packaging, dairy code compliance, gender equity, and industrial disputes, we report via the following:
- National Pollutant Inventory (air emissions to state Environmental Protection agencies),
- National Greenhouse and Energy Reporting Scheme (air emissions) and
- Australian Bureau of Statistics (environmental indicators survey).

Whilst Treasury's climate-related disclosures are said to be specific in focus, we encourage coordination between federal and state officials and across departments to:
- review existing reporting frequencies and formats, and
- align and rationalize any new requirements with existing ones,

to avoid complexity and unnecessary administrative burden on both the government and reporting companies.

Periodic reviews. Assess effectiveness and workability of any new reporting requirements after entry into force.
We also would urge Treasury to conduct a post implementation review of all the key elements of any final climate-related disclosure reforms.

This would enable Treasury to assess the effectiveness of the design after it has been in use, through feedback from the companies that are making disclosures and the investors who are reviewing this information and making decisions based on it. It is suggested that an initial review be conducted two years after implementation, and follow-up assessments every four years thereafter.