



Climate Disclosures Unit
Market Conduct Division
The Treasury
Langton Cres
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On behalf of Persefoni AI Inc. (“Persefoni”), I am pleased to respond to the request for public comment on the December 2022 Consultation Paper on Climate-Related Financial Disclosures. Persefoni is a US-headquartered Software as a Service (SaaS) company that facilitates and automates greenhouse gas accounting and climate reporting. Persefoni operates globally and supports climate reporting by companies in jurisdictions across the world. We offer our comments from the perspective of a global climate reporting software provider. Persefoni is wholly supportive of the work of The Treasury to introduce standardized, internationally aligned reporting requirements. In addition to weighing in on the questions up for consultation, we offer our perspective on the role of technology in reducing the cost of gathering and reporting on greenhouse gas (GHG) emissions, and enhancing the usefulness of climate-related data. We also strongly support the efforts of The Treasury to pursue alignment with the International Sustainability Standards Board’s (ISSB) climate change standards.

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)?

As noted in The Treasury’s consultation paper, several major jurisdictions have proposed or already introduced mandatory disclosure requirements for businesses to disclose their climate-related financial risks, including New Zealand, the United Kingdom, the United States, and Japan to name a few. Investors have long urged companies to provide consistent, comparable, decision-useful climate-related information. As jurisdictional disclosure requirements are increasingly adopted and global standards are developed, Australia’s economy will benefit from remaining aligned with major international capital markets by mandating climate-related financial risk and opportunity disclosures. Australian companies’ ability to access capital should not be hindered due to investors’ challenges with incomplete, unreliable climate information. In this case, the benefits outweigh any costs associated with compliance.

In the United States, a 2020 [recommendation from the Securities and Exchange Commission \(SEC\) Investor-as-Owner Subcommittee of the Investor Advisory Committee Relating to ESG Disclosure](#) (May 14, 2020) (“IAC Recommendation”) highlighted the challenge that investors face due to the lack of adequate trustworthy information. The IAC Recommendation emphasized investors’ growing demand for consistent, comparable, and reliable ESG information; issuers’ confusion over what information to report due to the proliferation of reporting standards; and the significant burden companies face as a result of the many (sometimes hundreds of) questionnaires they are asked to complete by raters and investors seeking sustainability information. The IAC Recommendation cites a [2019 State Street Global Advisors report](#)¹ “The ESG Data Challenge,” which emphasized that “quality data is the lifeblood of investment analysis. While ‘quality’ can be defined in several ways, most investors agree that consistency and comparability in the availability of data across companies are essential elements of an effective data set.”

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

Given that half of Australia’s listed companies are already reporting in line with the Task Force on Climate Related Financial Disclosures (TCFD), a phased approach commencing for financial year 2024-25 appears to be a reasonable time frame for Australian companies. This would be consistent with other jurisdictions such as the United States (based on proposed rule), Singapore, and the European Union’s implementation of the Corporate Sustainability Reporting Directive (CSRD) which will require climate-related financial disclosures beginning in financial year 2024, phased-in through 2028.

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

Yes, Australia should seek to align climate reporting requirements with the global baseline envisaged by the International Sustainability Board (ISSB). In the consultation paper, The Treasury notes that though Australia has seen significant uptake in TCFD reporting, there is still a significant scope for disclosures to vary across entities. Aligning Australia’s requirements with the ISSB will bridge the gap between voluntary, inconsistent reporting and mandated, comparable and decision-useful financial disclosures.

The ISSB was founded in 2021 by the International Financial Reporting Standards (IFRS) Foundation to develop global standards for sustainability reporting, informed by existing standards that are widely-used but also widely-varied. In March of 2022, the ISSB released

¹ Co-authored by Persefoni Sustainability Advisory Board member Rakhi Kumar.

two exposure drafts for general sustainability-related and climate-related disclosure standards. The ISSB's Exposure Draft IFRS S2 Climate-related Disclosures builds on the TCFD recommendations, and provides additional detail that will drive further comparability in TCFD reporting. It would require companies following the ISSB standards to disclose Scope 1, 2 and 3 emissions. In addition, many jurisdictions have public plans to incorporate ISSB standards in their domestic reporting requirements, including the UK and Japan. The SEC also sought public feedback on the possibility of allowing ISSB-aligned reporting as an alternative reporting mechanism. As mentioned above, globally accepted accounting and disclosure standards are essential for efficient and effective measurement and management of the climate crises (as well as other ESG matters). To avoid further divergence and increase harmonization internationally, The Treasury should seek alignment with the ISSB's global baseline standard.

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?

In its September 2022 statement encouraging standard-setters' work on the assurance of sustainability-related corporate reporting, the International Organization of Securities Commissions Organisation (IOSCO) reported that after engaging with investors, issuers, assurance providers and standard setters, assurance is needed to enhance the reliability of corporate sustainability reporting.² IOSCO continues to share that investors see reasonable assurance as the long-term target, especially as it relates to metrics associated with GHG emissions, but understand that limited assurance may be the most realistic objective in the short term.

The International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) are working to create standards for providers of sustainability assurance following an early 2022 IOSCO roundtable in which they created a dedicated workstream to support and promote the development of a sustainability-related assurance framework. The IAASB and IESBA are working collaboratively to ensure international financial reporting, sustainability standards, and assurance standards are compatible. For this reason, we believe that pursuing a phased approach that leads to reasonable assurance is most sensible, and encourage The Treasury to look at the work of the IAASB and IESBA in collaboration with IOSCO and the ISSB once available.

² IOSCO Statement, "IOSCO encourages standard-setters work on assurance of sustainability-related corporate reporting" 15 September 2022.

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?

We suggest The Treasury consider the use of the Greenhouse Gas (GHG) Protocol as an underlying framework for Australia’s emissions reporting requirements to be built upon. The GHG Protocol Corporate Standard is the preeminent carbon accounting standard used around the world and offers a common and familiar baseline for measuring GHG emissions.

Additionally, we recommend The Treasury require Scope 1, 2, and 3 emissions including upstream, downstream and value chain emissions. This would align with the ISSB’s upcoming disclosure requirements. During its October 2022 meeting, the ISSB voted unanimously to require company disclosures on Scopes 1, 2 and 3, applying the GHG Protocol Corporate Standard. The ISSB will develop relief provisions in order to help companies ease any challenges during application, and we recommend The Treasury look to this guidance as it develops its requirements.

Question 13: Are there any specific capability or data challenges in the Australian context that should be considered when implementing new requirements?

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

The Treasury should consider the role of software in reducing the cost of compliance and enhancing the benefits of climate disclosure. Capabilities exist in the market to reduce the costs and complexity of complying with the proposed disclosure requirements by harnessing technology and machine learning. This was exemplified with the US SEC’s Proposed Climate Rule. The SEC’s Proposed Climate Rule’s Economic Analysis estimates that larger reporting companies will incur first-year compliance costs of \$640,000, with subsequent year costs estimated at \$530,000. A [2022 survey](#) conducted by The SustainAbility Institute by ERM (“ERM”) drew consistent conclusions. The ERM survey found that, on average, corporate issuers spend \$533,000 annually on climate-related disclosure activities, while institutional investors spend an average of \$1,372,000 annually to acquire and analyze climate data to inform their investment decisions. These numbers represent a current baseline on the basis of voluntary disclosures and are instructive as to the level of cost and effort incurred by issuers and investors in generating, acquiring, and using climate-related information currently.

Current costs that companies incur in generating GHG emissions data reflect significant manual effort by company employees and external consultants. As the ERM survey notes, “costs can include data services, internal data collection, [and] external consultants.” These costs include costs associated with attempting to manually complete complex processes that

are poorly suited to spreadsheets. Software services can reduce the costs associated with manual process upkeep.

According to a report by Forrester, "[Sustainability Management Software Empowers Sustainability Transformation](#)," technology tools have begun to play an important role in helping companies to measure their GHG emissions and make use of that data to manage their climate-related risks and opportunities and communicate with investors. Moreover, according to the report, competition in the software market should drive cost reductions and innovation that will further benefit companies and investors. The report notes, "consolidation in the market is in full swing . . . this evolving market will continue to fuel corporate sustainability action."

To illustrate, Persefoni's software facilitates companies' measurement and reporting of their carbon footprint through three main functions, which would help Australian companies efficiently submit climate information in a cost-effective manner. First, it simplifies the process of measuring and reporting a company's carbon footprint by taking otherwise complex information and breaking it down into information familiar to business managers. Whether an organization is at the beginning stages of carbon accounting, calculating its carbon footprint, or developing its carbon reduction plan, Persefoni's Climate Management & Accounting Platform (CMAP) reduces the technical barriers around carbon accounting. For example, the built-in questions during first-time setup simplifies the onboarding process and facilitates the gathering of a company's emissions data. That information is then mapped to the GHG Protocol's Scopes 1, 2, and 3 emissions.

Second, it facilitates the ingestion of data into the platform, making the data more useful and reducing the cost of data acquisition. Data can be entered through application programming interface ("API"), bulk uploads, or manual entry in response to questions in the tool. The most efficient means of data acquisition is by API, which allows data to flow directly from its source (for example, the company's financial system or a utility provider) into the platform in real time. This process reduces the time and effort that many companies currently devote to entering data into spreadsheets or responding to questionnaires.

Third, the platform applies appropriate emission factors to the data and conducts calculations in accordance with the GHG Protocol (and for financed emissions, in accordance with PCAF) to derive companies' GHG emissions. This facilitates and streamlines a process that currently can be expensive and time consuming for companies relying on consultants and spreadsheets to calculate their emissions footprints. It also reduces the opportunity for error and creates transparency as to the calculations conducted.

[The Forrester Consulting Total Economic Impact™ study](#) commissioned by Persefoni reveals the cost of climate disclosure can be reduced significantly by adopting Persefoni's climate management and accounting platform. The study interviewed four Persefoni customers and evaluated the return on investment a composite organization experienced from deploying the Persefoni platform.

The study found that the companies were able to address key challenges in measuring and managing their emissions by investing in Persefoni and that there was a quantifiable benefit in doing so. High level findings of the study for the composite organization implementing Persefoni show 40% efficiency improvements in carbon accounting and reporting resources by year 3 due to the automation of manual efforts with Persefoni. These improvements total approximately \$900,000 in benefits over a 3 year period from resource efficiencies and avoided spending on third-party consultants. Significant additional benefits the study found, such as adherence to compliance requirements, improved business decision-making, elevated brand reputation, and enhanced employee engagement and retention were not quantified in the ROI results and add to the utility of automation.

Beyond measuring and reporting a carbon footprint, Persefoni's platform has the capabilities to enable companies to track their progress and improve decision-making towards their decarbonization goals, such as science based targets. Persefoni's Net Zero Navigator tool, jointly developed with Bain & Company, allows companies to build and track a decarbonization strategy uniquely tailored to their needs. The tool helps companies to create decarbonization scenarios to evaluate different outcomes based on reduction target, implementation timeline, ROI models, and carbon pricing. Additionally, Persefoni's Decarbonization Pathway and Reduction Modeling capabilities enable companies to effectively tailor their decarbonization pathway to their operations by providing modeling capabilities for a granular look at both Scopes 1, 2, 3 and electrical facility emissions. These capabilities also allow users to model how adjusting their Scopes 1, 2, 3 and electrical facility emissions by a user-selected percentage will impact their total footprint. This enables users to focus on where their most significant footprint reductions can be made.

Conclusion

We welcome the Australian Government and Treasury's proposal on climate-related financial disclosures. We are supportive of The Treasury in seeking to align their requirements with the efforts of the ISSB to develop a global baseline standard. As described above, software tools exist in the market as a resource to reduce cost and complexity for Australian companies as they prepare to comply with the proposed requirements.

Sincerely Yours,



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Persefoni