

February 16, 2023

**Submitted electronically via @treasury.gov.au**

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

**Re: Australia Treasury Climate-related Financial Disclosure Consultation**

To Whom It May Concern:

Calvert Research and Management (“Calvert”) is a global leader in Responsible Investing and part of Morgan Stanley Investment Management, the asset management division of Morgan Stanley. Calvert sponsors one of the largest and most diversified families of responsibly invested mutual funds, encompassing active and passively managed equity, fixed income, alternative and multi-asset strategies and is headquartered in Washington, D.C. With roots in Responsible Investing back to 1982, the firm seeks to generate favorable investment returns for clients by allocating capital consistent with environmental, social and governance best practices and through structured engagement with portfolio companies. With US \$32.73 billion in assets under management as of December 31, 2022, Calvert manages assets on behalf of funds, individual and institutional separate account clients, and their advisors, including Australian clients.

Calvert is pleased the Australian Government will introduce standardized internationally-aligned reporting requirements for businesses to make disclosures regarding governance, strategy, risk management, targets and metrics pertaining to climate change impacts and business strategy – including emissions of greenhouse gases, which we strongly support. Calvert has previously made detailed public submissions to the US Securities and Exchange Commission pertaining to our support for and views on what kinds of climate disclosures from reporting entities would be utilized by investors. Further, we also submitted comments to the ISSB regarding their Climate Exposure Draft and their General Requirements for Disclosure of Sustainability-Related Financial Information. At this time, we have chosen to focus our comments on responding to Question 9 of the consultation paper regarding the importance of mandating the reporting of material Scope 3 emissions.

- 1. Scope 3 emissions provide a more complete picture of climate-related risks:** Such disclosure aids investors in better understanding embedded transition risks and climate-related financial risk across a company’s value chain. For example, CDP determined that Scope 3 emissions account for 75% of companies’ total greenhouse emissions profile on average.<sup>1</sup> Access to such information can be used to mitigate investor exposure to embedded transition risk, and can contribute to portfolio decarbonization strategies. We also recognize the importance and the validity of being able to

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<sup>1</sup> CDP, [https://cdn.cdp.net/cdp-production/cms/guidance\\_docs/pdfs/000/003/504/original/CDP-technical-note-scope-3-relevance-by-sector.pdf?1649687608](https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/003/504/original/CDP-technical-note-scope-3-relevance-by-sector.pdf?1649687608), January 2023.

compare Scope 3 emissions year over year. Over time, this offers investors a useful mechanism to track a company's progress as it addresses its own climate-related value chain risks.

- 2. Mandatory disclosure of Scope 3 emissions:** We support the Australian Government's intention to start mandatory climate disclosure with large, listed entities and to expand to smaller listed entities over time. We propose that the requirement for mandatory Scope 3 disclosures be expanded over time to cover all reporting entities. This end state for disclosure will depend on the further evolution in the market of industry-specific measurement methodologies, appropriate tracking capabilities, and assurance and auditing norms.
- 3. Near-term mandatory disclosure for high-emitting sectors, supported by guidance:** We propose that from the outset the Australian Government require entities in certain heavy-emitting industries (e.g. oil and gas, utilities, transportation, buildings and infrastructure) to disclose their Scope 3 emissions, with the option to explain an absence of disclosure if a company in a heavy-emitting industry determines its Scope 3 emissions are not material. Further, the Australian Government could provide sector-specific guidance on how to do so, including highlighting the Scope 3 categories most critical to report. Over time, the requirement for disclosure and sector-specific guidance should be introduced for all sectors and industries. Such an approach relieves issuers from determining whether their Scope 3 emissions are material and resolves the uncertainty of whether or not they should report.
- 4. Quality of Scope 3 disclosures:** We recommend that a company, where reasonable, begin with estimates and adjust and refine Scope 3 calculations over time. Requiring issuers to describe the data sources and methodologies used to calculate Scope 3 emissions, including the use of emissions reported by parties in the issuer's value chain, and whether such reports were verified by the issuer, by a third party, or are unverified – are all elements that would increase transparency of assumptions underpinning the disclosures.
- 5. Safe harbor and Disclosure Timeframe:** Lastly, we support the creation of a safe harbor for Scope 3 disclosure that lasts for a meaningful period of time, (e.g. from five to seven years) before being phased out. We propose a longer safe harbor period of up to ten years be considered for banks and financial intermediary issuers as they rely on Scope 3 reporting from other entities. We believe these periods of time provide an ample window for companies to begin procuring information and assessing, reporting and managing their Scope 3 emissions, including small and medium companies that rely on quality underlying data across their value chains.

We appreciate the opportunity to submit comments and are willing to provide additional input upon request. Thank you for consideration of including Scope 3 emissions as you develop Australia's climate related disclosure framework.

Sincerely,



President and CEO

Calvert Research and Management