February 17, 2023

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

Submitted via email: climatereportingconsultation@treasury.gov.au

Dear Sir/Madam,

Public comment on Climate-related Financial Disclosures (the "Consultation")

Environmental, Social and Governance (ESG) factors impact risks and opportunities in Australia with climate change being the clearest and most pressing illustration. However, without access to consistent, comparable and timely information on climate risks facing companies, capital market participants cannot respond to the challenges presented by climate change.

As a leading provider of climate risk data and analytics to the global investment community, MSCI has collected climate and ESG-related disclosures from thousands of companies globally for over two decades and developed tools to assist investors in their analysis of climate and ESG risk to their portfolios.

MSCI supports the efforts of the Australian Government (the "Treasury") to require large, listed entities and financial institutions to report climate-related financial disclosures.

We have 4 general comments set out below and offer more detailed responses to the Annex I to this cover letter.

Disclosure standards for climate change and ESG should incorporate international standards
We support the disclosure framework to be aligned with global initiatives such as the Taskforce for Climate-related Financial Disclosures ("TCFD")[1] which is currently being replicated for local jurisdictional adoption by the International Sustainability Standards Board ("ISSB") through its Climate-related disclosures exposure drafts.[2] Currently, there are fewer than 200 Australian entities that formally support the TCFD framework. The IFRS's draft framework is emerging as a global baseline and other jurisdictions such as the UK, New Zealand and Canada have extended support to use the IFRS' sustainability disclosure standards as the core of their own disclosure rules. A mandatory adoption of the TCFD framework and a subsequent alignment with the standards emerging under the ISSB would result in more Australian entities disclosing data that are user friendly and globally comparable.

1 Taskforce on Climate-related Financial Disclosures
2 IFRS Sustainability Disclosure Standards | Exposure Draft - S2 Climate-related Disclosures (IFRS | March 2022)

Mandatory disclosures of Scope 1, Scope 2 and Scope 3 emissions
MSCI supports efforts to improve disclosure on Scope 3 emissions. Of the 252 Australian companies in the MSCI ACWI IMI,[3] currently fewer than 50% of the constituents disclose Scope 1 and 2 emissions, and only 33% disclose Scope 3. For investors and users of data, it is important that Scope 3 emissions disclosure is consistent and comparable, which will not be achieved where an entity applies its own definition of materiality. Making the disclosures of Scope 3 emissions mandatory would provide a more comprehensive picture of an entity's exposure to transition-related risks. For more details please refer Exhibit 2 in the Annex.

Mandatory disclosure of common baseline of metrics
We support the disclosure of a core set of cross-industry metrics by the covered entities that are consistent with the metrics recommended by the TCFD. These core set of cross-industry metrics shall provide a common set of consistent and comparable climate-related disclosures applicable across sectors and industries. A lack of such consistent disclosures limits the quantity and quality of decision-useful information for investors and other users of climate data. For more details please refer our response to Question 10.

Disclosures of robust and credible transition plans and targets
We support the disclosure of credible transition plans and the disclosure of performances against those plans and targets. The climate disclosure requirements should include disclosures recommended by the TCFD's transition plan elements.[4] It could also include current metrics the entity will monitor to track progress against plans and targets. For more details please refer our response to Question 11.

We have set out in Annex 1 our detailed responses to the questions posed in the Consultation. While the Consultation covers a range of issues, we comment only on those matters where MSCI's experience are most relevant.

Please do not hesitate to contact us to discuss our submission.

Yours faithfully,

Managing Director, Global Head of ESG Research
MSCI ESG Research LLC

3 MSCI All Country World Investable Market Index
4 TCFD, Guidance on Metrics, Targets and Transition Plans, October 2021.

Annex

MSCI responses to questions posed in the Consultation

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)?

MSCI believes there are a number of advantages in Australia adopting mandatory and internationally-aligned climate-related disclosures for entities:

Reporting aligned with the Task Force on Climate-related Financial Disclosures ("TCFD"): According to the most recent figures from the TCFD, the number of Australian companies which support and report in line with the TCFD is behind some of the other G20 economies, including the UK, Japan and the U.S.[5] There are currently less than 200 Australian firms which officially support the TCFD.[6] Therefore, a clear benefit of requiring entities to report on climate information on a mandatory basis is that it would enhance both the quantity and quality of climate-related data that investors and other users have access to.

Benefits of consistent and comparable climate data: Introducing standardised, internationally-aligned climate-related disclosure requirements will also provide users, investors and policy makers, with detailed and comparable information by which to assess the exposure of a company to climate risks. Entities can be compared against each other to assess their relative exposure and performance (via quantitative metrics).

Alignment with the International Sustainability Standards Board ("ISSB"): The ISSB is expected to finalise its climate reporting standards by the first half of 2023. By aligning its own requirements with the ISSB, Australia can benefit from the positive investor and market-perceptions of having a globally recognized and harmonized approach to climate disclosures. Many other jurisdictions such as the UK, New Zealand and Canada have stated that they will look to use the ISSB framework as their 'baseline'.[7]

In particular:

1.1 What are the costs and benefits of meeting existing climate reporting expectations?

Please refer our response to Question 1 above.

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

Please refer our response to Question 1 above.

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5 Supporters | Task Force on Climate-Related Financial Disclosures (fsb-tcfd.org).

6 Supporters | Task Force on Climate-Related Financial Disclosures (fsb-tcfd.org).

7 UK: PS21/24: Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers; New Zealand: Climate-related Disclosures » XRB; Canada: Canadian securities regulators consider impact of international developments on proposed climate-related disclosure rule - Canadian Securities Administrators (securities-administrators.ca).

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

Yes, a phase-in approach to climate disclosures beginning financial year 2024-25 could be accepted positively by the financial market participants and the covered entities. The disclosure requirements under the European Union ("EU") Commission's Corporate Sustainability Reporting Directive ("CSRD")[8] are also being phased in for different entities. The U.S SEC has also suggested a phased-in approach beginning with large-accelerated filers, gradually moving on to accelerated and non-accelerated filers and smaller reporting companies.[9]
Furthermore, based on our experience, climate disclosures are most effective when provided by entities at least annually; and more frequently, should they experience a significant change in business. The climate disclosures for covered entities should be consistent with the time period and filings that govern their financial disclosures. ESG and climate disclosures are important inputs to understand the future financial prospects of an entity. Synchronising climate and financial disclosures in format and frequency would lower one major barrier for users of company data and assist investors who do not currently receive timely data and data that references the same time periods as financial disclosures.

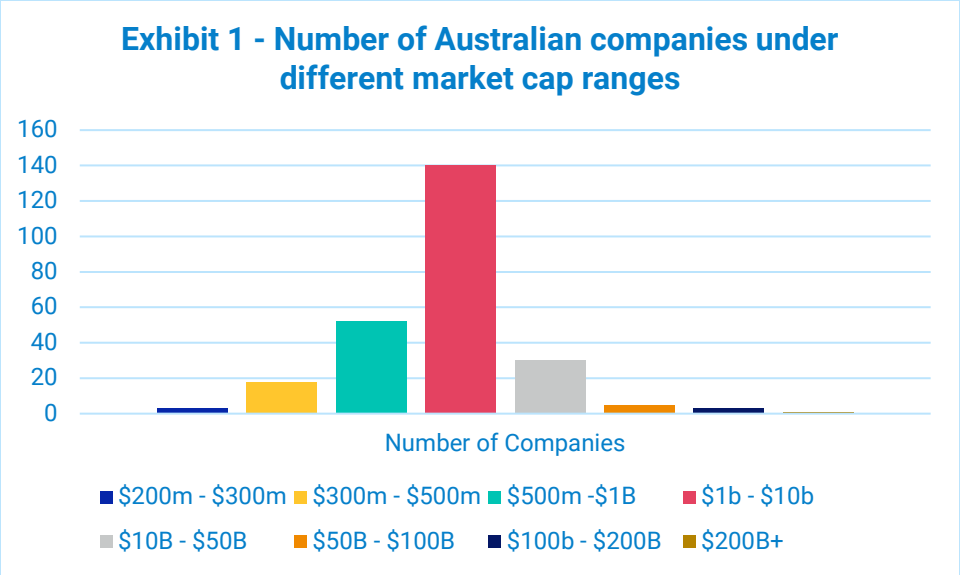
2.1 What considerations should apply to determining the cohorts covered in subsequent phases of mandatory disclosure, and the timing of future phases?

No comment.

Question 3: 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?

When setting a size threshold for covered entities, the Treasury should take into consideration the need to cast a wide net over a significant number of listed firms in order to enable greater disclosure of climate-related information. The threshold should not be set too high as this would result in allowing a large number of entities not to disclose.
Any threshold that may be proposed could require proportionality of sustainability reporting standards and phasing-in of their disclosure requirements to ease the reporting burden for smaller entities. The below Exhibit 1 shows an analysis of the Australian constituents within the MSCI ACWI[10] IMI Index with different market capitalization thresholds.

8 Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU). No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (Article 5 on Transposition).
9 SEC's Proposed Rule - The Enhancement and Standardization of Climate-Related Disclosures for Investors (SEC | March 2022).
10 All Country World Index (ACWI).



Source: *As per MSCI ACWI IMI constituents as of 9th February 2023*

Taking the above findings into account, where the aim is to have a more comprehensive understanding of climate-related risks, the thresholds may be prescribed that could cast the net wider to bring in scope a greater part of the large listed entities.

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?

Please refer response to Question 3.1.

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

Please refer to our response to Question 1.

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?

Please refer to our response to Question 1.

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?

Yes, the ISSB provides a globally-accepted baseline for entities in Australia to use and to disclose climate-related information. MSCI supports the efforts of the ISSB to propose standardisation of sustainability disclosures that aim to capture issues that could be material to entities. Beyond the ISSB, there are merits in considering the climate-related disclosure standards that were recently published in New Zealand by the External Reporting Board

("XRB").[11] Considering the large number of entities that operate across both Australia and New Zealand, and are listed in both markets,[12] the Treasury may want to also reference the New Zealand standards by the XRB when developing its own framework.

Please also refer to our response to Question 1.

Question 5: 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)?

No comment.

Question 6: 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?

To facilitate ease of access to climate-related data by investors and other users, entities should be required to publish their disclosures in line with their periodic annual reporting cycles. Climate-related information should be located in an easily accessible part of their website or as part of their annual report.

Please also refer to our comments to Question 18.

Question 7: 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)?

As part of the effort to align with the climate disclosure standards issued by the ISSB, Australian entities should take into consideration the current and future guidance from the ISSB on how to apply materiality assessments in their reporting decisions. ISSB's definition of materiality shares the same definition as that used in IFRS Accounting Standards.
As part of its post-consultation deliberations, the ISSB has also tentatively decided to remove the term "enterprise value" from its definition of materiality, and therefore we believe it is not a useful consideration for Australian entities to consider.[13]

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?

We are aware that currently there are different jurisdictions and global standard setting bodies working towards drafting assurance standards. The sustainability reporting / climate reporting standards are still evolving, and an assurance of reporting based on such standards may be premature in the current environment. We believe the Treasury should engage with International

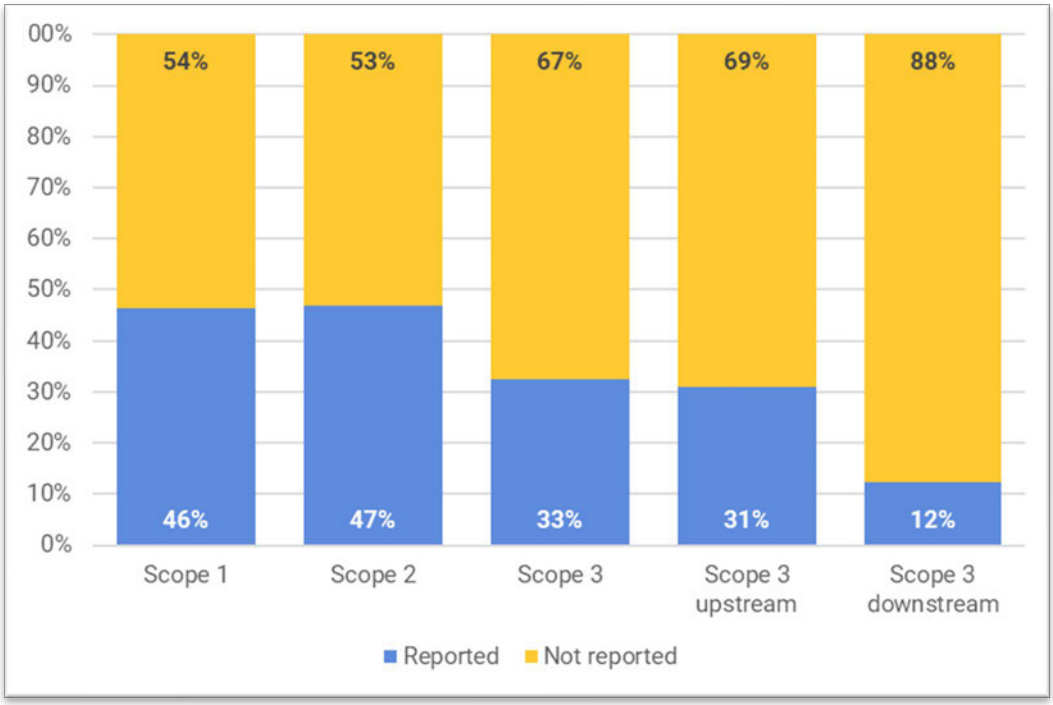
11 Climate-related Disclosures » XRB.
12 Connecting New Zealand companies with global capital (ASX).
13 ISSB Update October 2022 (IFRS | October 2022).

Organization of Securities Commissions ("IOSCO") which is currently consulting with the industry participants and other standard setting bodies on the said matter.[14]

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?

Mandatory disclosure of Scope 1, 2 and 3: To support the disclosure of consistent, comparable and decision-useful information for investors, all covered entities should be required to disclose Scope 1, Scope 2 and Scope 3 emissions, regardless of their own definitions of materiality. Scope 3 emissions are an important proportion of total emissions for most sectors but their disclosure is currently contingent on self-assessed materiality. The research shows that this may lead to underreporting. Adding Scope 3 to mandatory reporting would provide a far more comprehensive picture of an entity's total emissions exposure.
According to MSCI research, the current levels of reported disclosure of Scope 1, 2 and 3 emissions is low (see Exhibit 2). Of the 252 constituents of the MSCI Australian Investible Market Index (IMI), we found less than half of these companies disclosed Scope 1 and Scope 2 (46% and 47% respectively). For Scope 3 disclosure, the number of companies reporting fell even further to just a third (33%). When we looked into Scope 3 downstream emissions, the number of entities reporting fell to 12%.

Exhibit 2: Emissions disclosure rates in the MSCI Australian IMI



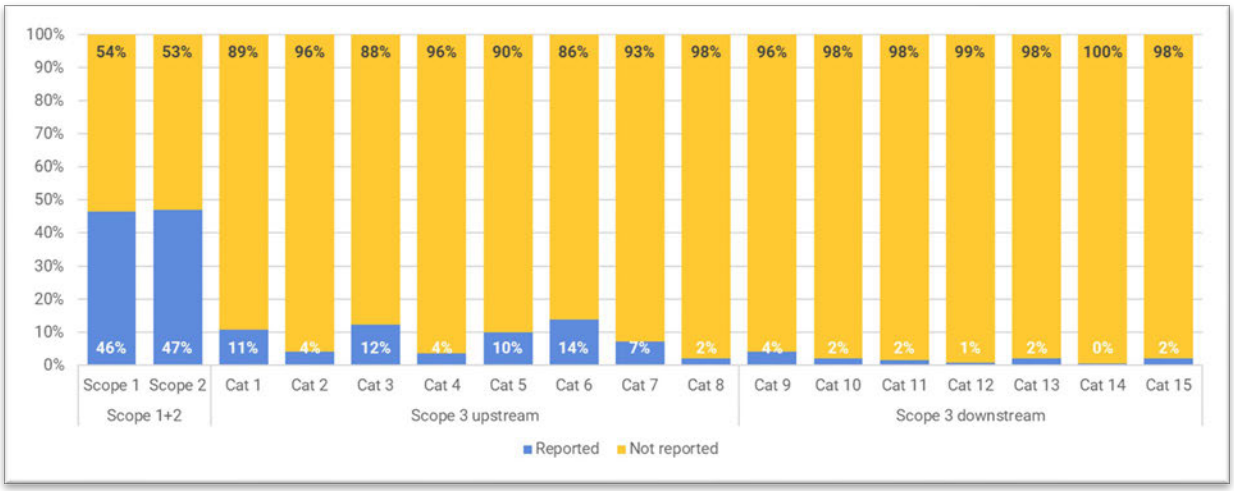
Source: *CDP. Company Disclosures. MSCI ESG Research as of February 9th, 2023.*

To understand the emissions disclosure rates in the Australian markets further, we researched emissions disclosure rates per scope and category among the constituents of the MSCI

[14] IOSCO encourages standard-setters' work on assurance of sustainability-related corporate reporting (IOSCO | 15 September 2022).

Australian IMI. We found that only in a handful of Scope 3 categories (1,3,5 and 6) did we see more than 10% of companies report their emissions data.
Corporate disclosures of Scope 1, Scope 2 and Scope 3 emissions per category in consistent and standardized fashions can allow investors to conduct comparative analysis of individual companies' emissions profiles across peers and help provide them with decision useful information.

Exhibit 3 Emissions disclosure rates per scope and category in the MSCI Australian IMI



Source: *CDP. Company Disclosures. MSCI ESG Research as of February 9th, 2023.*

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

Yes, all covered entities should be expected to disclose a core set of cross-industry metrics, regardless of their industry or sector to enable comparability. These common baseline metrics should be consistent with the cross-industry metrics recommended by the TCFD.
In 2021, the TCFD recommended all organisations disclose data across seven cross-industry metrics categories.[15] This core set of cross-industry metrics are intended to provide a common set of consistent and comparable climate-related disclosures applicable across sectors and industries.
MSCI research shows that at present, many jurisdictions do not yet require entities to disclose information across all of the TCFD cross-industry metrics (see table below), thereby limiting the quantity and quality of decision-useful information for investors and other users of climate data. MSCI would encourage the Treasury to include mandatory disclosure of the TCFD cross-industry metrics.

15 TCFD, Guidance on Metrics, Targets and Transition Plans, October 2021.

Exhibit 4: Adoption of TCFD core cross-industry metrics by jurisdictions

Question 11: 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?

Entities should disclose robust and credible transition plans: To enable investors and other market participants to build a comprehensive picture of how an entity plans to transition to a lower-carbon economy, it may be helpful for the climate disclosure requirements to include disclosures recommended by the TCFD's transition plan elements.[16] This includes but is not limited to metrics. The transition plan should describe metrics the entity will monitor to track progress against plans and targets, including related operational and financial performance metrics, metrics aligned with the cross-industry, climate-related metric categories, and industry-specific or organization specific metrics.

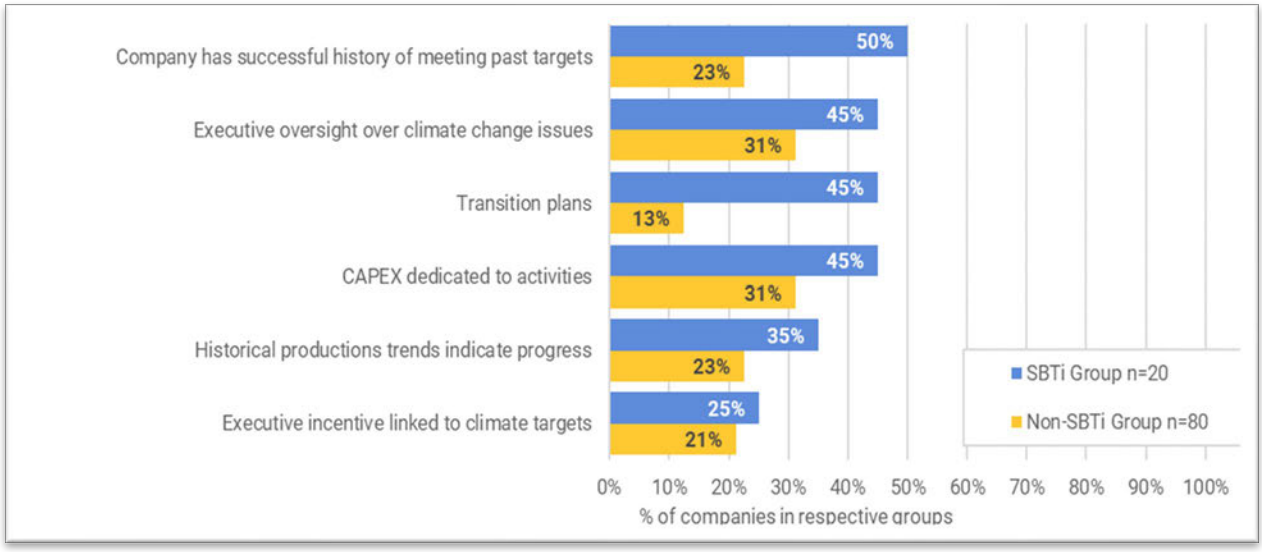
Entities should disclose science-based targets: We have observed an increasing number of companies setting climate targets, including net-zero emission targets. Of the 252 constituents in the MSCI Australian IMI as of February 2023, 43% (100) have set climate targets. Of these, only 20 companies have committed to Science Based Target Initiative ("SBTi") standards.[17]

The Glasgow Financial Alliance for Net Zero ("GFANZ"), for example, has proposed its own framework to help investors assess the credibility of corporate climate targets or likelihood that those target will be met. We found companies with SBTi-approved targets typically scored better in the GFANZ framework than those without (see Exhibit 5). This may suggest that

16 TCFD, Guidance on Metrics, Targets and Transition Plans, October 2021.
17 Science Based Target Initiative, Net Zero Standard.

companies that went through a rigorous third-party target-validation process (e.g., SBTi) were more likely to have disclosed transition planning and capital allocation for decarbonization activities and demonstrated successful track records — increasing the transparency of emissions-reduction strategies and enhancing the feasibility of climate targets.

Exhibit 5: Credibility assessments of constituents of the MSCI Australia IMI with climate targets



Source: *CDP. Company Disclosures. MSCI ESG Research as of February 9th, 2023.*

MSCI has developed a three-part framework, the Climate Target Scorecard, for assessing the robustness of corporate decarbonization targets that may provide some guidance on what matters for investors (see table below).[18] The framework evaluates a company's climate commitments based on their comprehensiveness, ambitions and feasibility.

Analytical Framework	**Descriptions**	**Key Components**
Comprehensiveness of the target	Does the target focus on the majority of a company's emissions?	Type; Unit; Target scopes; Target coverages; and Percentage of company footprint covered by the target.
Ambition of the target	How much and how quickly does a target aim to reduce emissions?	Remaining emissions reduction; Normalized reduction per year; Target year; Projected target emissions against net-zero trajectory in 2030; and Projected target emissions against net-zero in 2050.
Feasibility of the	How feasible is a	Track record of meeting previous targets;

[18] Breaking Down Corporate Net-Zero Climate Targets (MSCI | May 2021).

target	given target, and how much confidence can investors have in its achievement?	Progress on active targets; Intention to use carbon offsets; Revenue from climate change solutions; and Decarbonization strategy by scope and category.

Question 12: Should particular disclosure requirements and/or assurance of those requirements commence in different phases, and why?

No, the disclosure requirements should commence evenly for all the covered entities.

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

No comment.

13.1 How and by whom might any data gaps be addressed?

No comment.

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

No comment.

Question 14: 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?

Climate Scenario Analysis, based on NGFS: Yes, financial sector entities should be required to undertake climate scenario analysis as part of their disclosures. Such analysis should focus on the reporting of forward-looking quantitative data on the material transition and physical risks faced by the entity across multiple climate scenarios, including over the short, medium and long-term. As a member of the Network for Greening the Financial System ("NGFS"), Australia should require financial sector entities to use NGFS reference scenarios for their analysis. At least 31 central banks and supervisors have completed, are conducting or are planning bottom-up or top-down climate scenario analysis exercises, with a minimum of 22 leveraging the baseline NGFS reference scenarios.[19] Countries like New Zealand and the UK have already included climate scenario analysis as part of their disclosure framework.

Portfolio alignment metrics for financial sector: The Treasury should consider including a requirement for financial firms to disclosure a portfolio alignment metric. This will provide transparency on whether the financial sector is reallocating capital flows to support the transition to a net-zero economy. An Implied Temperature Rise ("ITR") metric, such as that provided by MSCI, is designed to show the temperature alignment of investments with global temperature goals. It is an intuitive, forward-looking metric, expressed in degrees Celsius,

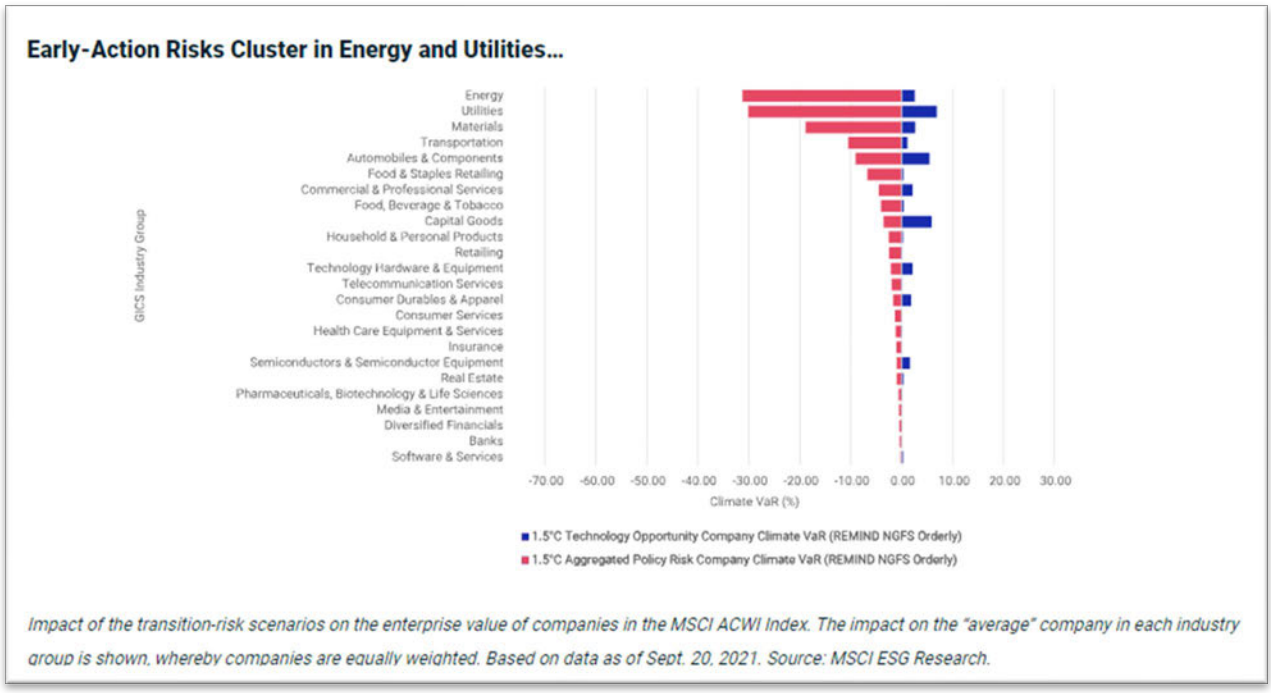
[19] Climate Stress Tests: Upping the Ante for Banks and Insurers - MSCI.

designed to show the temperature alignment of companies, portfolios and funds. In a report in 2022, the Glasgow Financial Alliance for Net Zero (GFANZ) recommended the adoption and disclosure of portfolio alignment metrics such as an ITR metric.[20]

Disclosure of Climate Value-at-Risk metrics: To support the disclosure of decision-useful and comparable scenario analysis data, financial sector entities should be required to disclose their climate value-at-risk. The MSCI Climate Value-at-Risk model is designed to provide forward-looking and return-based valuation assessment by company to measure climate related risks including company value decrease caused by transition or physical risk. The table below shows the building blocks of the Climate Value-at-Risk and how it correlates with some of the disclosure points that framework in Australia could require from entities.

To showcase whether there is a case for a particular entity or entities to provide such information, MSCI illustrated the uneven distribution of climate impacts for different sectors building on scenarios developed by the NGFS. For example, in the NGFS' 1.5°C Net-Zero 2050 scenario, carbon-intensive sectors and industry groups such as energy, utilities and materials carried the highest policy risk, with the average energy company losing around 31% of enterprise value.

Exhibit 6: Early-Action Risks Cluster in Energy and Utilities



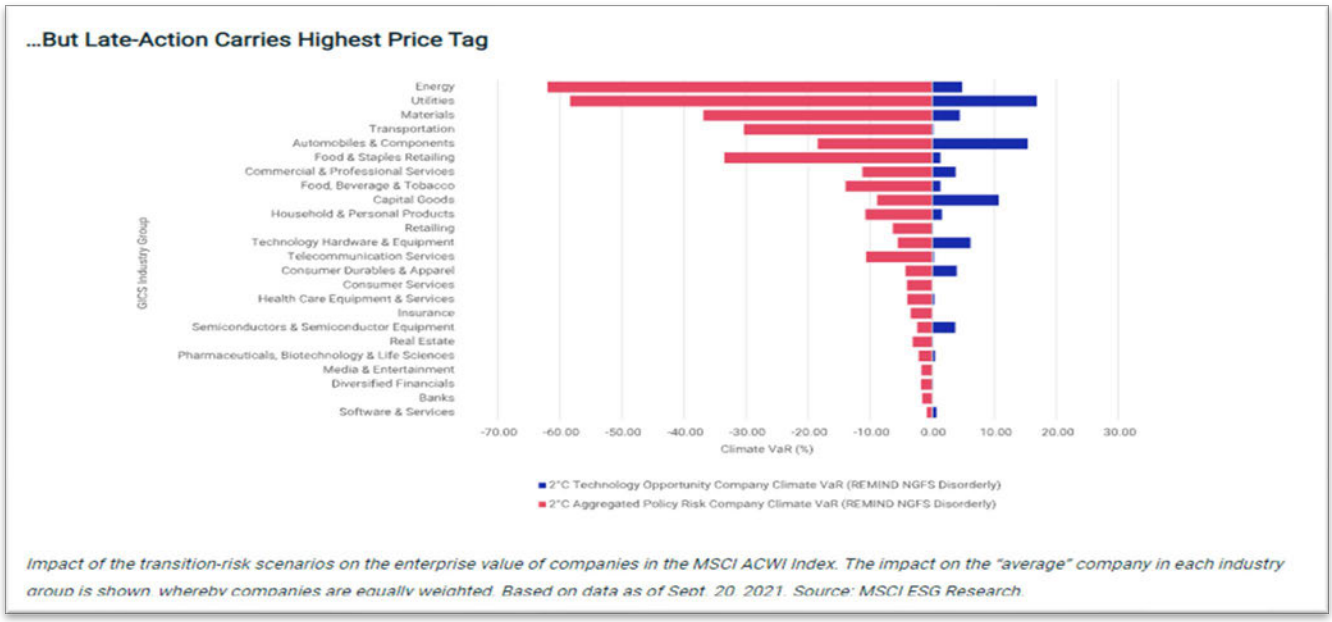
Impact of the transition-risk scenarios on the enterprise value of companies in the MSCI ACWI Index. The impact on the "average" company in each industry group is shown, whereby companies are equally weighted. Based on data as of Sept. 20, 2021. Source: MSCI ESG Research.

Under the NGFS late-action 2°C scenario, the policy risks increase substantially, with the average energy company doubling its loss to enterprise value compared to the 1.5°C scenario (62% vs. 31%, respectively). However, other industry groups would face greater proportionate losses. For example, the average transition risk for food and staples retailing would quintuple to -33.46% in a

[20] GFANZ -2022-Concept-Note-on-Portfolio-Alignment-Measurement June2022.pdf (bbhub.io).

late-action 2°C scenario from -6.73% in an early-action 1.5°C scenario, with most of the increased risk coming from electricity use (Scope 2).

Exhibit 7: Impact of the transition risk scenarios on the enterprise value of companies



Impact of the transition-risk scenarios on the enterprise value of companies in the MSCI ACWI Index. The impact on the "average" company in each industry group is shown, whereby companies are equally weighted. Based on data as of Sept. 20, 2021. Source: MSCI ESG Research

Question 15: 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?

We understand that one of the goals of this paper is to actively encourage climate disclosure by covered entities wherever that disclosure is material to investors. Entities face numerous challenges in disclosing Scope 3 emissions because the data may be derived from various sources using different methodologies and include estimates. On this basis, covered entities may be reluctant to disclose Scope 3 emissions if they face material liability and/or regulatory risk. We support the introduction of a safe harbor specifically for Scope 3 emissions, as well as a safe harbor for other forward-looking climate-related disclosures, to encourage proactive, good faith disclosure by covered entities.

Question 16: 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?

We favor consistency and alignment between the disclosure requirements being proposed here and existing climate disclosure guidance in Australia, namely from the Australian Prudential Regulation Authority ("APRA"). In November 2021, APRA published guidance for banks, insurers,

and superannuation trustees on managing financial risks associated with climate change.[21] The guidance includes a section on climate-related disclosure in which APRA indicates it "considers it better practice for any disclosures to be produced in line with the framework established by the TCFD."

Question 17: 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?

While developing the requirements for entities to report climate-related disclosures, the Treasury should consider acknowledging the growing prominence of wider sustainability matters which are becoming increasingly important to investors and other users of sustainability data, namely nature and biodiversity.

Task Force for Nature-related Disclosures: Biodiversity and climate change are inextricably linked. Biodiversity loss reduces nature's ability to absorb greenhouse gases — forests, wetlands and oceans annually absorb 5.6 gigatons of carbon. Climate change, in turn, takes a bigger toll on nature.[22] We are seeing that regulators around the world are intensifying their focus on the destruction of ecosystems and the Taskforce on Nature-related Financial Disclosures ("TNFD") is developing a standard framework to report related risks.[23] Investors inevitably will be encouraged or mandated to integrate biodiversity loss into their portfolio decisions.
The ISSB has stated that once it has finalized its climate-related disclosure standards, it will work on producing a draft standard for biodiversity-related disclosures.[24] In the EU, the European Financial Reporting Advisory Group ("EFRAG") has already included biodiversity reporting as part of its draft set of European Sustainability Reporting Standards ("ESRS"), which were submitted to the European Commission and are expected to be finalized and adopted by this summer.[25]

Geospatial data for biodiversity and deforestation risks: Geospatial analysis, as suggested by the TNFD, may help investors and companies assess region-specific biodiversity risks. MSCI research found that 39% of MSCI ACWI constituents had assets in biodiversity-sensitive areas, with metals and mining companies representing a high share of assets in sensitive areas with limited practices to manage these risks.[26] By requiring entities to disclose metrics around their exposure to biodiversity and deforestation risks, investors will get access to a more comprehensive understanding of an entity's nature-related risks.

21 Prudential Practical Guide (APRA | November 2021).
22 Biodiversity: The New Frontier of Sustainable Finance - MSCI.
23 TNFD nature-related risk and opportunity management and disclosure framework (TNFD).
24 IFRS - ISSB describes the concept of sustainability and its articulation with financial value creation, and announces plans to advance work on natural ecosystems and just transition.
25 First Set of draft ESRS - EFRAG.
26 Location Matters: Using Geospatial Analysis to Assess Biodiversity Risks - MSCI.

Question 18: Should digital reporting be mandated for sustainability risk reporting? What are the barriers and costs for implementing digital reporting?

Harmonised global implementation of digital reporting: There is a need for cooperation with other stakeholders for consistent global implementation, such as the ISSB[27] and the EFRAG[28] who are both in the process of developing their own digital reporting taxonomies. This would ensure that Australia is aligned with ongoing jurisdictional initiatives on sustainability disclosures.

Standardized digitization of reported ESG data: We would recommend covered entities to tag the sustainability and climate-related disclosures in a digital format. With the increase in textual data / narrative, the detailed tagging would help in synthesizing varied sustainability and climate-related disclosures consistently especially for qualitative data. We would support a well-defined list of tags (vs. allowing custom tags) or a guidance to define the sustainability and climate-related tags that is aligned with existing reporting standards and taxonomy to avoid incomparability in the disclosures by different entities. We believe a broader adoption of standardized digital format could ensure higher data comparability and consistency.

Question 19: Which of the potential structures presented (or any other) would best improve the effectiveness and efficiency of the financial reporting system, including to support introduction of climate related risk reporting? Why?

No comment.

[27] Staff request for feedback to inform future development of the IFRS Sustainability Disclosure Taxonomy for digital reporting (ISSB | May 2022).

[28] EFRAG seeks candidates to join its new ESRS digital reporting consultative forum (December 2022).