

# CLIMATE RELATED FINANCIAL DISCLOSURE

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

## DEAR TREASURY,

Please see our responses to your document released for public comment:

Prior to reviewing our responses, please note that climate is not a singular entity and cannot be considered independent of other factors. You cannot and must not look at climate without considering the Environment, Aboriginal culture, European culture, and outside pressures.

- “Climate change is recognised internationally as a material risk to the global financial system – a risk which needs to be managed by capital markets, regulators and corporations”
  - The recently released and current accepted method of best practice in caring for country is to have direct input by Native Title Holders and yet you have no capacity within the document for direct and active Aboriginal involvement or engagement.
- “As part of this commitment, the Government will introduce standardised, internationally-aligned reporting requirements for businesses to make disclosures regarding governance, strategy, risk management, targets and metrics – including greenhouse gasses”
  - Whilst this is a positive step forward, we also cannot lose focus on the fact that here in Australia and more broadly Oceania we have a very unique and biodiverse environment not seen anywhere else. As a result we shouldn’t aim to be like everyone else to the detriment of our unique ecosystems. Meet the standards but in a way that protects and enhances our unique environment.
- “Climate disclosure reforms should assist with: Australia’s transition to net zero emissions by 2050; adaptation to a changing climate; and broader efforts and initiatives to promote a sustainable financial system in Australia and internationally.”
  - As previously mentioned, this is not possible without a strong voice and guidance from the Aboriginal groups across Australia. Each region across the country is so

unique and will be so uniquely impacted, the local group at the impact must be consulted.

- “Businesses, investors, regulators and the public should have a clear and common understanding about obligations for entities to disclose climate-related financial risks. This will require prescription of whom they apply to, how and when they should be made, and clarifying details on content of disclosures.”
  - The key factor here is to ensure that everyone can understand and practically apply the obligations and disclosures. Are they in a manner that all can understand, or are there multiple media forms for the information to be shared in?
- “Climate disclosure requirements should be proportional to the risks they seek to address, particularly regarding whom they apply to, what costs those entities will incur, what data or capability they will require and what liability they may incur.”
  - Who and how will these risks be determined? All current and future risks must be considered, subject matter experts must be engaged to determine the risks independent of the suggested or proposed cost outcomes.

#### Question responses

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)? In particular:

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

We need to consider and factor unique Australian factors whilst looking at alignment, why can't we push for an Australian alignment. Australia has a history of trail blazing, why not now.

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

A benefit to consider with us designing a unique Australian system is having foreign investment protecting Australian environment and culture.

Question 2: 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?

A phased approach is a must, both in terms of starting with big business who has both the greatest gains and best capacity for adoption. Secondly the phased approach must also be in a way that is accessible for different sizes business, a NFP cannot afford or have the capacity to report to the same level of a large mining operation.

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?

The initial uptake of disclosures should be optional and voluntary, this would assist in the identification of things that require fixing and adaption. Then use business tax reports to determine the respective business to start the mandatory adaption. Then proceed on from there.

- 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?

An company or entity that wishes to voluntarily join should not be limited to “large or big business”.

Question 4: 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?

The determining factor as to what alignment that should be adopted should be in large be determined by Australian business. This would encourage business and users to have a vested buy in. This should as always have an independent oversight included.

International standards will not factor in Aboriginal culture and requirements, this is key to the success of climate action and change.

- 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?

Consult business as a matter of tax reporting to get a comprehensive and detailed picture of the Australian entities that it would impact.

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)?

Strategy, governance, risk management and targets need to have both independent environmental goals and outcomes as can be seen in the state of the environment report, and a firm and equal Aboriginal voice. Without these

key components then the reporting and disclosures are then meaningless and void.

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?

Climate and the environment are fundamentally impacting and impacted by operational and financial decisions of business so they should be included with these reports as it then paints a full picture of that particular business model and actions.

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)?

The materiality needs to be measurable by the particular industry in question and transferable across the different aspects of that industry. For example in the agriculture industry the particular materiality needs to apply and be cross referenceable between a WA wheat farmer, a QLD sugar cane producer and a station in the NT. If the ISSB have a system that they believe works, then conduct field trials. Otherwise, industry consultation and have direct input into the development of industry relevant systems.

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?

A subject matter expert or experts needs to provide assurances to all reported disclosures in order to prevent green washing of businesses. This will be highly dependent on the measures that are being reported on, the auditing of these subject matter expert to ensure that they are meeting industry standards and maintaining quality independent standards is critical. The risk if this fails is that all this is for nought and the climate and citizens of the earth will be the victims.

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?

One thing that needs to be considered is what is practical to report on, and can be accurately measured, and what can not. Both the measurable and unmeasurable must be reported on. This will allow re-modelling and updating of procedures as the technology increases.

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

Consistency is a must, without it comparison and mapping becomes difficult and prone to errors and outliers. The baseline needs to be accessible to all levels within an industry and easily usable.

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?

For information consideration, it must be disclosed, there is also a risk of disclosure of confidential and NDA information. This is something that needs to be managed and factored in. This could be potentially managed through the auditing processes.

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

If industry needs time to adapt to the reporting process for different factors, then there needs to be a phased process. The reporting should not cause interruptions to business due to implementation.

Question 13: 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?

If there are data gaps identified and it is also verified through an auditing process, there needs to be a governing body such as the AASB that could be consulted and a path forward mapped. This group if it is the AASB needs to be accessible to all levels of industry and the public to ensure complete and independent transparency.

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

If you consulted with the subject matter experts for different matters they would have initiatives that could assist with information distribution and the users of the information.

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?

If an entity is to provide any supporting information, then that business or entity must be recognised within that particular industry and be able to provide their credentials to match the information being provided. Any actual and all potential conflicts should also be disclosed along with the particular supporting information.

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?

For the 'reasonable grounds' requirements, as an initial outset there needs to be a grace period with warnings followed up with educational material to assist in compliance. But longer term there needs to be reasonable grounds requirements and compliance, this would also be a part of the due diligence of the auditor to assist business to meet the required parameters.

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 don't have a response to this at this time.

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?

A singular approach to just looking at "Climate" without looking at all aspects of the ecosystem is a flawed outlook and will cause more issues than solving. A holistic approach is the best practice and will allow a complete and comprehensive vision of an impact and associated disclosure. This can be seen in the recent reforms to several acts across multiple levels of government.

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


If we are trying to promote sustainability reporting, then digital is of course the preferred method. The global cost of not using digital out ways the costs. If there are barriers to digital reporting then these can be addressed and the appropriate training provided during the initial uptake of the implementation.

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?

Potential Structure 1 but with several additions are needed:

- Cultural engagement and considerations are not factored in.
  - The AASB needs to consult and engage with the country's traditional owners on their inputs and outputs of a standard.
  - Is it and will it be produced in a manner that is accessible and usable to Aboriginal business and corporations?
- Environmental inputs will be needed as well as environmental oversight/engagement to ensure that reportable criteria and data is relevant and up to standards.
- If required the AASB needs to be authorised to directly consult with industry to draft up relevant documentation to be relevant to the industry.

In closing we believe that the climate related financial disclosures is moving in the right direction but there needs to be indigenous and environmental inputs to ensure it is relevant to Australia and fit for purpose.

  
Trace Ecology

