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bcsd australia

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

21 July 2023

By email: climatereportingconsultation@treasury.gov.au

Dear Unit

Submission in response to Climate-related financial disclosure Consultation paper June 2023

The Business Council for Sustainable Development (**BCSD**) Australia welcomes the opportunity to make this submission to the Unit. Our Response to the Proposals is in **Appendix A** to this letter.

BSCD Australia (www.bcsda.org.au):

- is a 70-member (private, public, philanthropic and academic sector) organisation.
- is the Australian representative of the World Business Council for Sustainable Development (WBCSD) (www.wbcsd.org) which is a global organisation of over 200 member companies and 70 business networks: and
- aims to drive impactful action towards sustainable development by leveraging the role of businesses as the locus of innovation and positive change.

Enclosed is information that our organisation has published through it work with members on TCFD:

1. CEO Guide to TCFD with various CEO signatures
2. TCFD Preparer Forums - oil & gas, electric utilities, chemicals, construction & building materials, food/ag/forest products, autos
3. Scenario approach for energy and food, agriculture and forest products
4. Demystifying scenarios guidance
5. Releases for sector work had lots of senior quotes too see electric utility and chemical here.

We would also welcome the opportunity to speak directly on these points at the appropriate time.

Yours faithfully,

[redacted]

[redacted]
CEO I Business Council for Sustainable Development Australia
[redacted]

[redacted]

Appendix A

Responses to specific questions

Reporting entities and phasing	
Reporting entities	BCSDA Response
That all entities that meet prescribed size thresholds and that are required to lodge financial reports under Chapter 2M of the Corporations Act 2001 (Cth) (Corporations Act) would be required to make climate-related financial disclosures.	BCSD Australia strongly supports the proposal that all entities meeting prescribed size thresholds and obligated to lodge financial reports under the Corporations Act should be required to make climate-related financial disclosures. This requirement aligns with international best practices and contributes to the overall goal of enhancing transparency and managing climate risks. Mandatory climate-related financial disclosures provide numerous benefits for businesses, investors, and society as a whole. By requiring entities to disclose their climate-related financial information, investors gain access to critical data that helps them make informed decisions and assess the risks and opportunities associated with climate change. This transparency enables sustainable investments and encourages the reallocation of capital towards low-carbon and climate-resilient activities. Furthermore, requiring climate-related financial disclosures creates a level playing field among businesses, promoting fair competition and ensuring consistency in reporting standards. It also enables companies to identify and address climate-related risks and opportunities, leading to more effective risk management and long-term value creation. BCSD Australia emphasizes the need for clear guidelines and reporting frameworks that align with international standards, such as the Task Force on Climate-related Financial Disclosures (TCFD). This alignment ensures comparability and facilitates the integration of climate-related information into mainstream financial reporting. In conclusion, BCSD Australia believes that mandatory climate-related financial disclosures for entities meeting prescribed size thresholds are essential for driving sustainable business practices, supporting informed decision-making, and advancing the transition to a low-carbon and climate-resilient economy. By implementing this proposal, Australia can position itself as a global leader in corporate climate transparency and contribute to achieving the Sustainable Development Goals.
Reporting content	
Materiality	
Principles of financial materiality would apply	BCSD Australia welcomes the proposals put forward in the consultation paper, particularly the idea that Australian reporting entities should provide information regarding their climate-related risks and opportunities. This aligns substantially with the IFRS S2 Climate-related Disclosures, a measure we strongly endorse.

	We acknowledge the consultation paper's proposal to postpone the requirement of disclosing industry-based metrics, indicating that such disclosures need to be well established and understood before implementation. However, we strongly believe that there is merit in the Australian government reconsidering this stance. Disclosing industry-based metrics sooner rather than later may lead to a more accurate understanding of the true climate impact of individual industries and allow for more targeted and effective climate action. Further, while we note that the consultation paper does not consider general requirements for the disclosure of sustainability-related financial information outlined in IFRS S1, we see this as an opportunity for the Australian government to reflect on the potential benefits of broadening its disclosure requirements. Such information provides context and clarity to climate-related disclosures, addressing questions such as the timing and location of reporting, materiality assessment, and the relationships between information sources. The consultation paper's current approach does not require companies to apply the global baseline as established in the ISSB Standards, and we encourage a reconsideration of this position. Adhering to these international standards ensures uniformity and comparability of data, which is invaluable for investors making global comparisons. At BCSD Australia, we firmly support the application of financial materiality principles to climate-related financial disclosures. By applying these principles, businesses can prioritise and disclose information that is most relevant to understanding climate risks and opportunities and their potential financial impacts. This approach promotes efficiency, reduces information overload, and enables companies to focus on disclosing climate-related information with significant financial and strategic impacts. Collaboration with international standard-setting bodies like the IFRS Foundation and the Global Reporting Initiative (GRI) is critical in developing consistent, widely accepted principles for assessing the financial materiality of climate-related information. In conclusion, BCSD Australia believes that the Australian government should reassess the consultation paper's current stance, with a view to embracing wider disclosure requirements, promoting global comparability, and accelerating the disclosure of industry-based metrics. This would enhance transparency, facilitate informed decision-making, and ultimately contribute to achieving sustainable development goals.
Alternatives considered	Double materiality has become an essential topic in the global discourse surrounding environmental, social, and governance (ESG) issues and their disclosure in corporate reporting. In essence, double materiality represents the two-fold impact an organization can have – both the impact of sustainability issues on the enterprise (financial materiality) and the influence of the company's activities on society and the environment. Internationally, there has been a growing shift towards recognizing double materiality in policy and regulatory frameworks. The European Union, for example, has been at the forefront of this trend, embedding the concept into its Non-Financial Reporting Directive. This development recognizes that the risks and opportunities associated with ESG factors can be mutually influential, reinforcing the need for comprehensive and balanced reporting. We understand the For/Against argument on this point as follows: • For: Proponents of double materiality argue that it offers a more holistic view of a company's value creation process. It compels businesses to look beyond the immediate financial implications and consider the broader societal and environmental impacts of their operations. This perspective can lead to more informed decision-making, enhance risk management, and present opportunities for innovation and growth, contributing to a company's long-term sustainability and profitability. • Against: However, critics suggest that a focus on double materiality might dilute the primary objective of corporate reporting – to provide clear, concise, and decision-useful information to investors. They caution that it could lead to an overload of information, making it more difficult for investors to discern what is truly financially material. While the Australian Government's proposed requirements currently focus on financial materiality, it is noteworthy that they recognize that companies are not restricted from adopting a broader double materiality approach in their disclosures. Such an approach can provide a more comprehensive picture of a company's ESG performance, demonstrating its commitment to sustainability and enhancing its reputation.

	Given the rapidly evolving landscape of ESG reporting, Australian companies, standard setters, and regulators must remain updated on the changes in definitions and standards related to materiality, particularly in the context of climate-related and nature-related disclosures. The convening of Australian and international dialogues on the subject could offer valuable insights into these evolving expectations and inform domestic guidelines and reporting practices. BCSD Australia advocates for a voluntary adoption of a double materiality approach in disclosures where relevant. Acknowledging broader social and environmental impacts can illuminate a company's proactive commitment to sustainable practices, potentially enhancing its reputation among stakeholders and positioning it favourably in a future where sustainability is increasingly central to business success. To conclude, the concept of double materiality embodies the increasing interconnection between business, society, and the environment. While acknowledging the potential challenges it might bring, its adoption can play a critical role in driving sustainability, transparency, and long-term value creation in corporate reporting. BCSD Australia encourages the proactive consideration of double materiality in Australian companies' reporting strategies, bolstering their role in shaping a sustainable future.
Governance	
From commencement, companies would be required to disclose information about governance processes, controls and procedures used to monitor and manage climate-related financial risks and opportunities	BCSD Australia recognises the critical importance of transparent disclosure concerning governance processes, controls, and procedures used to monitor and manage climate-related financial risks and opportunities. We believe the proposal to require such disclosures from the onset aligns with our steadfast commitment to promoting transparency, accountability, and effective climate risk management within businesses. By disclosing information about governance processes, companies can underscore their commitment to tackling climate-related risks and opportunities at the highest echelons of decision-making. This commitment extends to elucidating the roles and responsibilities of board members and management in governing climate-related matters and demonstrating the establishment of dedicated committees or structures to monitor and manage climate-related financial risks. Disclosure of controls and procedures also provides valuable insight into how companies identify, assess, and respond to climate-related risks and opportunities. This includes divulging risk management frameworks, methodologies for scenario analysis, and ways in which climate considerations are integrated into strategic planning and decision-making processes. BCSD Australia continues to believe that strong governance, bolstered by effective processes and controls, is vital in addressing climate-related financial risks and seizing climate-related opportunities. However, in light of recent developments, we wish to highlight the importance of having companies adopt and adhere to the global baseline set out in the ISSB Standards. Doing so can contribute to more accurate and comparable data that is invaluable to investors. We encourage companies not just to comply with the minimum requirements, but to adopt best practices in disclosing their governance approaches to climate-related matters. As part of this, companies should consider the broader requirements for disclosure of sustainability-related financial information included in IFRS S1, particularly as it relates to governance processes and controls. To assist companies in fulfilling these disclosure requirements, BCSD Australia advocates the development of guidelines and frameworks by relevant standard-setting bodies such as the Task Force on Climate-related Financial Disclosures (TCFD), the IFRS Foundation, and industry-specific initiatives. These resources can provide practical guidance that is tailored to specific sectors, enhancing climate risk management practices. In conclusion, BCSD Australia supports requiring companies to disclose information about governance processes, controls, and procedures used to monitor and manage climate-related financial risks and opportunities from the outset. By enhancing transparency and accountability, these disclosures can promote more effective management of climate risks and align business strategies with sustainable development goals. We call on the Australian government to reflect on this perspective and reconsider its position on ISSB Standards and IFRS S1, to better facilitate global comparability and comprehensive risk management.
Strategy	
From commencement, reporting entities would be required to	BCSD Australia recognises the importance of scenario analysis in assessing and disclosing climate-related financial risks and opportunities. We find alignment with the proposal that reporting entities should initiate with qualitative scenario analysis and transition swiftly to quantitative scenario analysis, reinforcing our commitment to thorough and forward-looking climate disclosure practices.

use qualitative scenario analysis to inform their disclosures, moving to quantitative scenario analysis by end state.	Qualitative scenario analysis has been an essential first step in climate risk assessment, as it allows companies to evaluate potential climate-related impacts on their business and to explore various plausible future scenarios. This approach takes into account diverse qualitative factors, such as policy developments, technological advancements, and market trends. Thus, it plays a critical role in helping companies understand potential implications for their financial performance. However, while qualitative scenario analysis serves a crucial purpose, we argue that a swift transition towards quantitative scenario analysis is necessary. Quantitative scenario analysis provides more precise, measurable data on climate-related financial risks and opportunities, enhancing the robustness and specificity of disclosures. Assigning numerical values and probabilities to different scenarios enables a sharper understanding of financial impacts, which facilitates more informed strategic decisions. BCSD Australia is cognisant of the government's preference for scenarios presented by reputable sources like the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA). We firmly agree with this stance. Relying on credible sources helps to prevent 'scenario shopping'—the selective use of scenarios that may downplay risks or enhance a company's performance, potentially leading to incomplete or misleading reporting. To avoid this, companies should be actively encouraged and supported to transition rapidly to quantitative scenario analysis, quantifying the potential financial and non-financial impacts of different scenarios for a comprehensive assessment of risks and opportunities. We advocate for the Australian government to provide more backing to those reputable sources delivering climate scenarios, supporting them in their critical role of informing communities, companies, and the capital market. This support would help accelerate the transition from qualitative to quantitative scenario analysis, thereby enhancing the accuracy and comprehensiveness of climate-related financial disclosures. To further assist companies in this transition, BCSD Australia supports the development of guidance and methodologies by standard-setting organisations like the Task Force on Climate-related Financial Disclosures (TCFD), the IFRS Foundation, and the Global Reporting Initiative (GRI). These resources can provide companies with a clear roadmap to transition from qualitative to quantitative scenario analysis, thereby ensuring consistency, comparability, and usefulness of disclosures across different industries. In conclusion, while recognising the value of qualitative scenario analysis, BCSD Australia strongly advocates for a rapid transition to quantitative scenario analysis. We call upon the Australian government to reconsider its position, to provide greater support for reputable sources delivering climate scenarios, and to endorse the swift transition to quantitative scenario analysis. Doing so will ultimately result in more robust climate risk assessments, informed strategic decision-making, and the transition to a more sustainable and resilient economy.
From commencement, reporting entities would be required to disclose climate resilience assessments against at least two possible future states, one of which must be consistent with the global temperature goal set out in the *Climate Change Act 2022*	BCSD Australia acknowledges the criticality of evaluating climate resilience and affirms its support for the proposal requiring reporting entities to disclose climate resilience assessments against at least two possible future states. Significantly, one of these scenarios should align with the global temperature goal outlined in the Climate Change Act 2022. Climate resilience assessments offer an insightful lens into a company's preparedness and adaptability to climate-related risks and opportunities. By assessing their resilience against different climate scenarios, including those put forward by reputable bodies like the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), companies can pinpoint vulnerabilities, strategize risk mitigation, and capitalize on opportunities arising from the transition to a low-carbon economy. Furthermore, the requirement for reporting entities to assess their climate resilience against at least two future states, one being consistent with the global temperature goal, fosters a holistic understanding of climate change's potential impacts. This approach steers companies towards contemplating both mitigation efforts to limit global warming and adaptation measures to enhance resilience in the face of changing climate conditions. BCSD Australia supports this proposal as it endorses the integration of climate resilience considerations into strategic planning and decision-making processes. It assists companies in anticipating and addressing climate-related risks and opportunities, stimulating long-term value creation and enhancing transparency for investors and stakeholders.

	In light of the insights gained, we argue for a swift transition from qualitative to quantitative scenario analysis to improve the accuracy and comprehensiveness of climate resilience assessments. We further advocate for government support for those reputable sources providing climate scenarios, as they play a crucial role in delivering these scenarios to communities, companies, and the capital market. To facilitate these climate resilience assessments, BCSD Australia endorses the development of standardized methodologies and guidance by relevant organizations such as the Task Force on Climate-related Financial Disclosures (TCFD), the IFRS Foundation, and the Global Reporting Initiative (GRI). These resources can aid reporting entities in effectively assessing their climate resilience, ensure consistency in reporting, and provide investors with meaningful information for decision-making. In conclusion, BCSD Australia strongly supports the proposal requiring reporting entities to disclose climate resilience assessments against at least two possible future states, including one aligned with the global temperature goal. By incorporating climate resilience assessments into their disclosures, companies can enhance their adaptive capacity, mitigate risks, and contribute to a more sustainable and resilient economy in line with the objectives of the Climate Change Act 2022. We encourage the Australian government to adopt these measures for a resilient and sustainable future.
Transition planning and climate-related targets	
From commencement, transition plans would need to be disclosed, including information about offsets, target setting and mitigation strategies	BCSD Australia acknowledges the critical role of transparent transition plans in addressing climate change, and firmly supports the proposition requiring reporting entities to commence disclosure of such plans, including essential details on offsets, target setting, and mitigation strategies. Disclosing detailed transition plans furnishes investors and stakeholders with valuable insights into companies' strategic alignment with the objectives of the Paris Agreement, specifically, the goal of limiting global warming to 1.5 degrees Celsius. These disclosures not only illustrate a commitment to managing the transition towards a low-carbon economy but also provide comprehensive visibility on strategies and measures aimed at reducing emissions and enhancing sustainability. Mandatory disclosure of transition plans, which encapsulate information on offsets, target setting, and mitigation strategies, provides a robust platform for companies to articulate their approach to managing climate-related risks and capitalizing on opportunities. It also promotes the setting of ambitious, science-based targets, the implementation of innovative solutions, and the alignment of business models with sustainable principles. Reflecting on insights from earlier discussions, it's apparent that a rapid transition from qualitative to quantitative scenario analysis within these transition plans offers a higher level of precision. This not only provides comprehensive insights to investors and stakeholders, but also enables companies to accurately assess climate-related risks and opportunities. In this context, tools like the WBCSD developed Climate Scenario Catalogue can play a pivotal role. This tool models multiple drivers across the energy, food, and land use sectors, such as carbon pricing, consumer shifts, and technology innovations to create a wide range of climate scenarios that can be used for climate scenario analysis. This analysis is a powerful method by which companies can assess potential risks and opportunities from society's response to climate change and challenge business as usual assumptions. BCSD Australia advocates for the provision of guidance and best practices from credible organizations like the Task Force on Climate-related Financial Disclosures (TCFD), in order to support reporting entities in disclosing comprehensive and meaningful transition plans. Such guidance aids companies in setting science-based targets, choosing appropriate mitigation strategies, and accurately reporting their progress towards decarbonization. Furthermore, BCSD Australia underscores the importance of sector-specific guidance and scenarios to accommodate unique challenges and opportunities faced by different industries. Such tailored guidance enhances the relevancy of transition planning and reporting, allowing companies to address sector-specific risks and contribute to sector-wide decarbonization efforts. The Australian government can play a pivotal role in helping develop these sector-specific scenarios, thereby guiding businesses in their transition strategies. In conclusion, BCSD Australia strongly supports the proposal requiring reporting entities to disclose transition plans, including information about offsets, target setting, and mitigation strategies. Transparent disclosure of transition plans fosters accountability, promotes sustainable business practices, and enables

	stakeholders to make informed decisions. By providing clear guidelines and sector-specific guidance, reporting entities can effectively communicate their transition to a low-carbon economy, making a significant contribution towards a more sustainable future.
From commencement, all entities would be required to disclose information about any climate-related targets (if they have them) and progress towards these targets	BCSD Australia recognizes the imperative of openly disclosing climate-related targets and their subsequent progress. We fully endorse the proposal mandating all reporting entities to reveal any climate-related targets set and track their achievements from the initiation of the reporting requirements. Transparent disclosure of climate-related targets provides a window into companies' goals and ambitions in combating climate change. This transparency enables stakeholders to evaluate the commitment and ambition level of entities in pursuing greenhouse gas emissions reduction, shifting towards renewable energy sources, and endorsing sustainable practices. Making it compulsory for entities to disclose climate-related targets and their progress towards them promotes accountability and incentivizes action. It prompts companies to set ambitious targets that align with the Paris Agreement's objectives, fostering innovation and encouraging strategic investments in climate solutions. It also provides investors with the means to assess companies' performance and progress in managing climate-related risks and turning them into opportunities. In the context of our previous discussions, it is important to note that the alignment of transition plans with the global target of limiting global warming to 1.5 degrees Celsius should reflect in these disclosed targets. This would be in line with globally recognized initiatives such as the Science-Based Targets initiative (SBTi). To facilitate reporting entities in disclosing climate-related targets and progress, BCSD Australia encourages the adoption of internationally recognized frameworks and initiatives, such as the SBTi and the Climate Action 100+. These frameworks offer guidance and best practices for setting science-based targets and tracking progress in consonance with the Paris Agreement's goals. BCSD Australia also underscores the importance of sector-specific scenarios, as they enable each industry to set relevant and realistic targets and strategies. Government support in developing these scenarios could significantly enhance their effectiveness. Furthermore, BCSD Australia emphasizes the need for consistent and comparable reporting methodologies to enable meaningful comparisons across entities and sectors. Unified reporting standards and metrics, such as those developed by the Global Reporting Initiative (GRI) and the Carbon Disclosure Project (CDP), can augment the quality and reliability of climate-related target disclosures. In conclusion, BCSD Australia firmly backs the proposal requiring entities to disclose information about their climate-related targets and report their progress. Such transparency fosters accountability, spurs ambitious action, and allows stakeholders to assess entities' performance and commitment to addressing climate change. By harnessing internationally recognized frameworks and unified reporting standards, reporting entities can deliver meaningful and comparable information to promote informed decision-making and expedite the transition to a sustainable, low-carbon economy.
Risks and Opportunities	
From commencement, entities would be required to disclose information about material climate-related risks and opportunities to their business, as well as how the entity identifies, assesses	BCSD Australia affirms its support for the proposal mandating entities to reveal information about significant climate-related risks and opportunities, as well as detailing their protocols for identifying, assessing, and managing these factors, starting from the inception of the reporting requirements. The disclosure of material climate-related risks and opportunities is vital in enabling stakeholders to comprehend the potential ramifications of climate change on a company's operations, fiscal performance, and long-term sustainability. It facilitates informed decision-making by investors, customers, employees, and other stakeholders and encourages meaningful engagement with companies on their climate-responsive strategies. Mandating entities to unveil their processes for pinpointing, assessing, and managing climate-related risks and opportunities guarantees transparency and accountability. It assures stakeholders that companies are equipped with robust systems to critically analyze and react to climate-related challenges while seizing emerging opportunities.

and manages risk and opportunities	Considering insights from earlier discussions, it is crucial to recognize that transition plans should be aligned with the goal of limiting global warming to 1.5 degrees Celsius, as defined by the Paris Agreement. Thus, these disclosed risks and opportunities should reflect this alignment, as it is directly connected to entities' risk assessment and management processes. BCSD Australia advocates the utilization of internationally accepted frameworks and tools, such as the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, to aid reporting entities in disclosing climate-related risks and opportunities. The TCFD framework offers valuable guidance on disclosing climate-related information spanning governance, strategy, risk management, and metrics and targets. Additionally, we highlight the need for the integration of climate-related risks and opportunities into companies' comprehensive risk management frameworks. Embedding climate considerations into extant risk management processes enables companies to bolster their resilience, uncover innovative solutions, and make informed strategic decisions. In this context, sector-specific scenarios, as discussed previously, can significantly aid in risk assessment and management tailored to individual industry needs. In conclusion, BCSD Australia stands firmly behind the proposal requiring entities to disclose information about significant climate-related risks and opportunities, along with their processes for identifying, assessing, and managing them. This transparency enables stakeholders to discern a company's exposure to climate risks and its strategies for capitalizing on climate-related opportunities. By leveraging established frameworks like the TCFD recommendations and integrating climate considerations into risk management, entities can enhance their resilience, contributing meaningfully towards a sustainable and low-carbon future.
Metrics & Targets	
From commencement, scope 1 and 2 emissions for the reporting period would be required to be disclosed.	BCSD Australia strongly supports the proposal necessitating entities to disclose scope 1 and 2 emissions from the initiation of the climate-related financial disclosure requirements. The disclosure of scope 1 and 2 emissions is critical to understanding a company's direct and indirect greenhouse gas emissions arising from its operations and energy use. It furnishes stakeholders with vital data about a company's environmental impact and its trajectory in reducing its carbon footprint, thus demonstrating alignment with the broader goal of limiting global warming to 1.5 degrees Celsius. Mandating the disclosure of scope 1 and 2 emissions bolsters transparency and accountability in corporate environmental reporting. It empowers investors, customers, and other stakeholders to scrutinize a company's environmental performance, establish benchmarks, and compare performance across industries. It also provides important information for sector-specific scenario development, allowing for more accurate assessments of progress towards decarbonization within different sectors. To ensure consistent and standardized reporting of scope 1 and 2 emissions, BCSD Australia promotes the adoption of recognized protocols and methodologies, like the Greenhouse Gas Protocol. These comprehensive frameworks provide guidance on the calculation, reporting, and verification of emissions, guaranteeing consistency and comparability of emissions data. Furthermore, BCSD Australia acknowledges the sector-specific challenges some industries may encounter in measuring and reporting emissions, particularly for scope 2 emissions where precise data from electricity suppliers is paramount. As such, we recommend the development and implementation of supporting technical guidance and capacity-building initiatives to assist entities in accurately quantifying and reporting their scope 1 and 2 emissions. Here, government participation can play a pivotal role in facilitating accurate data collection and verification. In conclusion, BCSD Australia stands firm in its support for the proposal requiring entities to disclose scope 1 and 2 emissions for the reporting period. Transparent disclosure of emissions data enables stakeholders to assess a company's environmental performance and progress towards reducing its carbon footprint. By leveraging established frameworks, providing support for accurate measurement and reporting, and understanding sector-specific needs, entities can enhance transparency, accountability, and contribute significantly to the transition towards a low-carbon economy.
Disclosure of material scope 3 emissions would be required for all reporting entities	BCSD Australia acknowledges the complexities and nuances surrounding the proposal to require the disclosure of material scope 3 emissions for all reporting entities from their second reporting year onwards. In assessing the pros and cons of this approach, we strive for a balanced view that considers both the benefits and potential challenges. • **FOR** requiring the disclosure of scope 3 emissions:

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onwards. Scope 3
emissions
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could be in relation
to any
one-year period that
ended up to 12
months prior to the
current reporting
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Comprehensive Impact Assessment: Scope 3 emissions often represent the majority of a company's greenhouse gas emissions, including emissions from the value chain such as purchased goods and services, transportation, and the use and disposal of products. Disclosing these emissions offers a more comprehensive view of a company's environmental impact.
Value Chain Accountability: Requiring scope 3 emissions disclosure fosters accountability throughout the value chain, encouraging companies to collaborate with suppliers and customers to drive collective emissions reductions.
Stakeholder Engagement: Transparent disclosure of scope 3 emissions allows investors and other stakeholders to assess the full environmental impact of a company, promoting sustainable business practices.
Competitive Advantage & Innovation: Companies that manage and reduce their scope 3 emissions can unlock innovation, improve efficiency, reduce costs, and gain a competitive advantage.
Investor Confidence: Transparent disclosure of scope 3 emissions increases investor confidence as it demonstrates the company's commitment to managing all aspects of climate-related risks and opportunities.

AGAINST mandatory scope 3 emissions disclosure from the second reporting year:

Complexity & Cost: Measuring and reporting scope 3 emissions can be complex and resource-intensive, especially for smaller entities. It requires collaboration and data collection from multiple stakeholders, adding logistical and financial burdens.
Accuracy & Comparability Concerns: The inherent complexities in calculating scope 3 emissions may lead to inaccuracies in reported data and difficulties in comparison between entities.
Time Constraint: Establishing robust data collection systems, engaging with suppliers and customers, and aligning reporting cycles may take more time than the proposed framework allows.

Despite the potential challenges, BCSD Australia supports the disclosure of scope 3 emissions from the second reporting year onwards. We recognize the momentum within the industry towards more comprehensive emissions reporting, as demonstrated by initiatives from companies like Schneider Electric and Lendlease, as well as industry organizations such as the World Business Council for Sustainable Development's Partnership for Carbon Transparency (https://www.carbon-transparency.com/about-us) and the Green Building Council of Australia (GBCA).
We advocate for the use of established methodologies, like the Greenhouse Gas Protocol's Scope 3 Standard, for consistent and comparable reporting. We also underscore the need for flexibility in reporting timelines and further support for entities in building capacity for accurate data collection and collaboration, thereby addressing some of the identified challenges.
In conclusion, we affirm that the benefits of transparent disclosure of scope 3 emissions, while recognizing and addressing the associated complexities, can enhance corporate sustainability performance, facilitate informed decision-making by stakeholders, and significantly contribute to global decarbonization efforts.
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BCSD Australia appreciates the potential of industry-specific metrics in bolstering relevant, reliable, and comparable climate-related disclosures across diverse sectors. The proposed mandate for reporting entities to consider disclosing industry-based metrics – where such metrics are well-established and understood – aligns with our advocacy for enhanced transparency and consistency in environmental reporting.
Employing industry-based metrics presents numerous advantages. They introduce a standardised framework for measuring and reporting climate-related information tailored to the unique contexts of individual sectors. This permits benchmarking and comparison within specific industries, equipping investors, stakeholders, and consumers with the means to assess the performance of companies within their respective sectors and to make informed decisions.
In acknowledgement of the practical challenges, we note that not all sectors currently possess well-established and understood metrics. Under such circumstances, reporting entities are encouraged to develop and disclose contextually relevant, meaningful metrics aligned with their specific industry conditions. Collaborative efforts among industry stakeholders – inclusive of business associations, standard-setting bodies, and NGOs – can significantly contribute to the development and endorsement of these tailored metrics.
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BCSD Australia encourages reporting entities to actively engage with their industry peers, stakeholders, and subject-matter experts to identify and adopt industry-based metrics that are robust, scientifically sound, and aligned with global best practices. Through such collective endeavours, we can reinforce the credibility and comparability of climate-related disclosures while simultaneously driving improvements in industry-wide sustainability performance.

Sources such as the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI) offer comprehensive industry-specific guidelines for sustainability reporting that entities could adopt. Additionally, initiatives such as the Task Force on Climate-related Financial Disclosures (TCFD) provide robust frameworks for climate-related financial disclosure that can be tailored to specific industries.

In conclusion, BCSD Australia stands firmly behind the proposal to encourage reporting entities to disclose industry-based metrics where well-established and understood metrics exist.

The adoption of industry-specific metrics enhances transparency, comparability, and accountability in climate-related reporting, thus enabling stakeholders to accurately assess the sustainability performance of companies within their sectors. By leveraging established metrics and fostering cross-sector collaboration, reporting entities can drive sector-wide sustainability improvements, contributing significantly towards the achievement of global climate goals.

Reporting framework and assurance

Assurance

Assurance providers and professional requirements

The assurance of climate-related disclosures is integral to building trust and confidence among stakeholders. As such, BCSD Australia recognizes the need for assurance providers to be independent, thus ensuring a lack of external influence or bias and minimizing the risk of conflicts of interest. This requirement aligns with existing legally enforceable mandates under Part 2M.4 and s307C of the Corporations Act and auditing standards.

The proposal for financial auditors to lead climate disclosure assurance engagements, supported by technical climate and sustainability experts when required, is a pragmatic approach. Financial auditors bring the requisite professional qualifications and a deep understanding of assurance processes; however, they may not always possess the specific skills or expertise to assure climate-specific elements. Consequently, enlisting the support of third-party assurance providers with specialized expertise can augment the quality of climate disclosure assurance.

The expansion of the assurance market to include new players is critical to prevent an over-concentration that may stifle competition. It's crucial to encourage the entrance of diverse assurance providers to broaden the market, increase capacity, and maintain a high level of professional, ethical, and quality controls.

Leveraging existing structures, such as the Clean Energy Regulator's (CER) Register of Greenhouse and Energy Auditors, can efficiently connect audit leaders with technical experts. Furthermore, expanding the scope and quantity of auditors on the register could enhance its utility and foster greater business engagement. Using the CER register is a cost-efficient solution to maintain the quality of climate disclosure auditors, circumventing the need for establishing a separate register and the associated overhead costs.

However, BCSD Australia recognizes the challenges involved in providing assurance on Scope 3 emissions, especially for small and medium-sized enterprises (SMEs). SMEs may lack the resources or expertise to navigate complex ESG reporting requirements and effectively address their emissions. In response to this, BCSD Australia supports the development of capacity-building initiatives designed to assist SMEs with their ESG reporting obligations.

Lastly, BCSD Australia acknowledges that capacity building is not solely needed by SMEs but also by regulators and standard setters. Ensuring they possess the requisite skills or technical expertise to assure climate-specific elements is fundamental to the integrity of climate-related disclosures. A capacity-building program for these parties, especially for those in Groups 2 and 3, is critical to the effective implementation of these assurance processes.

In conclusion, BCSD Australia supports the proposed approach to assurance of climate-related disclosures. However, it emphasizes the importance of capacity building for SMEs, regulators, and standard setters, and the need for diversification in the assurance market to ensure high-quality, unbiased, and robust audits.

Liability and Enforcement

Climate-related financial disclosure requirements would be drafted as civil penalty provisions in the Corporations Act. The application of misleading and deceptive conduct provisions to scope 3 emissions and forward-looking statements would be limited to regulator-only actions for a fixed period of three years.	The application of misleading and deceptive conduct provisions to regulator-only actions for a fixed period of three years aims to strike a delicate balance. It seeks to protect the interests of investors and the public while offering legal assurance to reporting entities as they navigate the landscape of climate-related disclosures. This approach acknowledges the dynamic nature of climate-related disclosures and provides an adjustment period for reporting entities. We look at the For/Against argument on this as follows: • **For**: This limited application of misleading and deceptive conduct provisions offers a buffer to reporting entities as they adapt to new reporting requirements. It reduces the immediate risk of private litigation, affording entities the chance to refine their disclosure practices. This grace period allows for a smoother transition, mitigating the potential burden on companies during the initial phase of implementation. It encourages reporting entities to improve the accuracy, reliability, and transparency of their climate-related disclosures, using robust internal governance processes, effective risk management systems, and engagement with relevant stakeholders and experts. • **Against**: However, the limitation may also unintentionally shield entities from full accountability for their climate-related disclosures, potentially reducing the impetus for rigorous data verification and transparency. This limited exposure to legal repercussions may permit misleading or deceptive practices to go unchecked, thereby potentially endangering the interests of investors and other stakeholders. Balancing these arguments, BCSD Australia supports this temporary limitation as a pragmatic approach to help entities transition to the new requirements. It underscores the importance of proactive engagement with regulators, industry peers, and other stakeholders to ensure compliance with climate-related financial disclosure requirements. Collaboration and the sharing of best practices can enhance entities' understanding of the regulations, improve disclosure quality, and build trust with investors and the public. Regarding the exclusion of damages claims, BCSD Australia holds the view that such claims should not be categorically excluded. However, injunctions or orders should be allowed in cases of non-compliance. This approach supports the objective of climate-related financial disclosures - to improve corporate transparency and accountability - while discouraging non-compliant behaviours. Finally, BCSD Australia stresses the importance of continuous evaluation and revision of the regulatory framework to ensure its effectiveness and alignment with emerging international standards and practices. Ongoing dialogue between regulators and reporting entities is crucial to address challenges, provide clarity, and support the evolution of climate-related financial disclosure requirements. In summary, BCSD Australia supports the introduction of climate-related financial disclosure requirements as civil penalty provisions in the Corporations Act. It sees value in limiting the application of misleading and deceptive conduct provisions for a fixed period of three years, offering reporting entities an opportunity to enhance disclosure practices, engage with stakeholders, and contribute to the progress of transparent and reliable climate-related disclosures in Australia.