

Friday 21 July, 2023

## Climate-related financial disclosure – second request for consultation

Thank you for the opportunity to provide feedback on whether the proposed positions relating to coverage, content, framework and enforcement of the requirements are workable. In line with the policy principles, this consultation seeks to ensure the new requirements are proportionately targeted and provide sufficient clarity as to the requirements of the regime.

We speak from a position of interest as a small, Perth-based sustainability consultancy with clients from both the east and west coast, large and small, listed and private. We guide clients on materiality, reporting standards and frameworks, strategy and communication.

**Proposal: 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.**

We endorse this proposal but would like to note that these disclosure should support reductions in emissions towards Australia's Paris commitments, not just for the financial benefits of investors. We would also note that climate risks are already starting to affect Australian businesses and investors/stakeholders should have these disclosures as soon as feasibly possible

**Proposal: Principles of financial materiality would apply.**

We do not support the principles of financial materiality and would prefer double materiality as aligned to the EU CSRD. Financial materiality does not take into account other stakeholders (like employees and local communities) which may be impacted by a companies climate related risks.

**Proposal: 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.**

We endorse this with no further comments.

**Proposal: From commencement, reporting entities would be required to use qualitative scenario analysis to inform their disclosures, moving to quantitative scenario analysis by end state.**

We support these principles though would make it clear that quantitative scenario analysis is a complex and expensive process, the more support, guidance and best practice examples that could be provided by the government (as soon as possible) would be hugely beneficial. If the government is reluctant to provide scenarios, it

should provide a robust scenario development process instead to ensure alignment to best practice.

**Proposal:** 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.

Again, we fully support the proposal but note this is a complex and emerging discipline that needs support from the government to identify best-practice process. How does this build on scenario analysis? The two are inextricably linked.

**Proposal:** From commencement, transition plans would need to be disclosed, including information about offsets, target setting and mitigation strategies.

Support the proposal but are disappointed that companies could satisfy this requirement by stating they don't have a transition plan

**Proposal:** From commencement, all entities would be required to disclose information about any climate-related targets (if they have them) and progress towards these targets.

Support the proposal but are disappointed that companies could satisfy this requirement by stating they don't have a targets. These should be aligned to Australia's commitments under the Paris Agreement

**Proposal:** 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 and manages risk and opportunities.

We endorse this with no further comments.

**Proposal:** From commencement, scope 1 and 2 emissions for the reporting period would be required to be disclosed.

We endorse this with no further comments.

**Proposal:** Disclosure of material scope 3 emissions would be required for all reporting entities from their second reporting year onwards. Scope 3 emissions disclosures made could be in relation to any one-year period that ended up to 12 months prior to the current reporting period.

We endorse this but note a calculation method should be endorsed before this comes into effect.

**Proposal:** By end state, reporting entities would be required to have regard to disclosing industry-based metrics, where there are well-established and understood metrics available for the reporting entity.



We endorse this with no further comments.

#### **Format requirements**

We understand the logic presented in regards to the location of the disclosures however note that the majority of the Group 1 reporting entities would already be producing sustainability reports likely to contain these disclosures. By moving these to the Annual Report, this will create a disconnect with the rest of the sustainability-related disclosures a company is making. To take this to the next step, what will happen when the assumed development of further ESG standards are released? Is it assumed these will also go into the Annual Report?

#### **Assurance roadmap and timeline for climate disclosures**

We endorse this with no further comments.

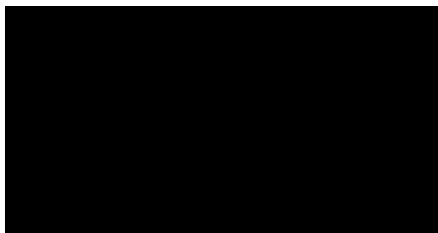
#### **Assurance providers and professional requirements**

It isn't clear whether a provider needs to be on the CER register to be able to perform this assurance.

**Proposal:** 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.

We endorse this with no further comments.

Sincerely,



Futureproof Managing Director

