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Climate Disclosure Unit
Market Conduct and Digital Division
The Treasury
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Submitted via email: climatereportingconsultation@treasury.gov.au

The Treasury's Second Consultation on Climate-related Financial Disclosure ("the Consultation")

MSCI¹ welcomes the opportunity to comment on the Consultation. We are a leading provider of climate risk data and analytics to the world's largest financial institutions and have collected climate and environment, social, and governance (ESG) related disclosures from thousands of companies globally for over two decades.

MSCI supports the Australian Government's policy objective of establishing a climate reporting framework aimed at providing investors with high quality, consistent and useful company disclosures. This will be critically important in helping direct capital towards those activities that will shape the transition to a more sustainable economy.

In our response² to the Treasury's first consultation published in December 2022, we suggested alignment with the Taskforce for Climate-related Financial Disclosures ("TCFD") and the International Sustainability Standards Board ("ISSB"). We also reiterated the need for companies to disclose core climate metrics including Scope 3 GHG emissions and credible transition plans.

Therefore, we are pleased that the Treasury has aligned the proposals in the second Consultation with the final ISSB standards.³ We are encouraged by the inclusion of key disclosure requirements such as transition plans, scenario analysis and GHG emissions. To further enhance the development of the final climate reporting framework, we would suggest a strong focus on:

- Quantitative climate metrics. This will support the reporting of comparable and consistent data across companies and ultimately lead to more decision-useful information for investors and other users of the data. Examples could include stringent requirements for companies to carry out quantitative scenario analysis.

¹ MSCI ESG Ratings, research and data are produced by MSCI ESG Research LLC. MSCI ESG Research (UK) Limited is a subsidiary of MSCI ESG Research LLC.

² MSCI's response to the Treasury's first consultation, submitted February 2023, accessed via <https://treasury.gov.au/sites/default/files/2023-04/c2022-314397-msci.pdf>

³ IFRS S2 Climate-related Disclosures, accessed via <https://www.ifrs.org/news-and-events/news/2023/06/issb-issues-ifrs-s1-ifrs-s2/>

- Forward-looking indicators. This will provide investors with an accurate insight into the future climate risk profile of a company by giving a forward-looking assessment. Examples of such information could include climate value-at-risk indicators and portfolio alignment metrics.

We understand that the Australian Accounting Standards Board (“AASB”) will be developing climate reporting standards. We look forward to providing feedback.

In the meantime, we welcome further engagement with the Treasury on this important topic.

Yours sincerely,

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