



21 July 2023

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

Via email: [climatereportingconsultation@treasury.gov.au](mailto:climatereportingconsultation@treasury.gov.au)

To whom it may concern

**RE: Climate-related financial disclosure – design consultation**

The Group of 100 welcomes the opportunity to provide feedback on Treasury's second consultation paper on the design of climate related financial disclosure (consultation paper). We would like to note our support for three key concepts introduced internationally and reflected domestically being:

1. that disclosure be proportional to risk;
2. the alignment of ESG materiality to financial materiality; and
3. the introduction of "reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort".

Regarding the specific items queried in the consultation paper, we note the following key points:

- **AASB Funding**

The Australian Accounting Standards Board (AASB) will be pivotal in determining what climate-related financial disclosures in Australia will look like and it is important that they are properly resourced and supported in this key piece of work. The increased funding the AASB received in the October 2022 budget was reversed in the 2023-24 Federal Budget announced in May 2023.

As a result, we understand that the AASB has had to re-evaluate their workplan with a prioritisation of climate disclosures and de-prioritisation of certain financial reporting projects in order to deliver climate standards in time for the proposed 2024-25 reporting period. We consider it fundamental that the AASB be adequately funded and resourced to deliver its expanded scope of work.

- **Scope of Reporting entities**

Reporting entities under the National Greenhouse and Energy Reporting Act (NGER Act) have been identified as emitters with associated risks. We suggest these reporting entities should be reporting entities for climate-related disclosures regardless of whether they are reporters under Chapter 2M of the Corporations Act. We suggest Treasury reconsiders the current wording in Table 2 which references NGER Act reporting entities.

We recommend that this be clarified, that the requirements apply to an Australian consolidated group entity and not subsidiary entities to help ensure the resources devoted to reporting climate-related financial information achieve the most useful outcomes while managing the cost burden to preparers and the demand for assurance providers.

Given Treasury's policy intent to align climate-related disclosures with the financial reporting requirements, we consider it critical that all existing exemptions for financial reporting and assurance are replicated for example '*ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*' and '*ASIC Corporations (Audit Relief) Instrument 2016/784*'. Further, we suggest consideration be given to applying the equivalent of the AASB's Reduced Disclosures Requirements for Tier 2 entities to climate-related disclosures.

- **Transitional arrangements**

The timing of the transitional period from 2024-25 to 2026-27, which involves less onerous disclosure requirements, ends before group three entities commence reporting and when group two entities have completed one reporting cycle. Whilst we appreciate the intent to minimise the transitional period, most group two and three entities are unlikely to have already commenced climate-related disclosures in a voluntary capacity and will therefore benefit the most from a transitional period in their first reporting cycles. We therefore recommend that the transitional period is applied equitably to each group of entities, allowing all entities three years from 2024-25 or from the time of first disclosure.

- **Climate resilience scenario**

We note the proposal for reporting entities to disclose climate resilience assessments against two future states including one consistent with the requirements within the Climate Change Act 2022. We suggest the Government develop an Australian scenario that is consistent with the temperature goal within the Climate Change Act 2022 in order to help entities undertake this assessment consistently and at reasonable cost when the requirement moves from qualitative to quantitative scenario analysis. Additionally, we note the temperature goal within the Climate Change Act is actually represented as a range and suggest for these purposes, an absolute temperature is required.

We also recommend that the Government identify and endorse acceptable methodologies for determining Scope 3 emissions, to support consistency and comparability of disclosures.

- **Timing of reporting**

*IFRS S1 General requirements for disclosure of sustainability-related financial information* (IFRS S1) incorporates transitional arrangements which allows an entity to report its sustainability-related financial disclosures after it publishes its related financial statements for an entity's first annual reporting period (Appendix E section E4). We recommend Treasury considers a similar transitional arrangement to IFRS S1, to allow entities to publish their climate-related financial disclosures at a later date to their annual report in the first year and potentially for a longer transitional period. The duration of the transitional period will be an important consideration in easing pressure and capacity issues for both reporting entities and assurance providers.

- **Assurance practitioners**

We support the proposal that the financial auditor leads the climate disclosure assurance engagement. The financial auditor would be able to provide connectivity and synergies increasing the integrity of information being assured. We recommend that assurance on climate disclosure when conducted by the financial auditor be deemed as 'audit fees' in the annual report.

- **Modified liability approach**

We support the inclusion of the modified liability approach in relation to scope 3 emissions and forward-looking statements and for regulator-only actions over a fixed period of three years. We see this as bringing a practical balance between accountability for disclosures and allowing time for the market to mature.

However, the modified liability approach, which will apply for three years from the commencement of the regime, does not allow all reporting entities the same protections in the first year/s of their reporting. Currently, the protection will only apply to group 1 and group 2 (partially) and will end before the first reporting period commences for group 3 entities.

We recommend the fixed three-year period from the commencement of the regime should be reconsidered and be extended to all reporting entities from their first reporting period, whether voluntary or mandatory. To encourage useful disclosures, we recommend retaining the proposed modified liability approach while experience is gained with the disclosure regime, including maturing the availability and capability of assurance providers.

As well as the above requested response items within the consultation paper, the G100 would also like to make the following observations to assist treasury to consider the appropriate strategic policy settings to ensure the final outcomes meets the needs of the stakeholders whilst striking a balance with resourcing and reality.

- **The changes will add to inflationary pressures**

The Government needs to recognise that these changes will be inflationary, and they are being introduced at a time when the Government (and others like the RBA) are generally doing all they can to minimise inflationary and cost of living pressures, in a weak economy. Inflationary pressures come from the significant near term (ie FY24) and increasing cost of compliance including to gather data, further develop and evolve transition plans, monitor compliance, and assure any climate-related financial disclosures. Whilst we are very supportive of reporting of climate-related risks and opportunities, pursuant to the TCFD framework, the proposals go beyond these global frameworks and will require reporters to accelerate action and investment, with material associated costs. These costs are likely more than expected (or modelled by Treasury) given the nascent state of the climate-strategy and assurance industries, with significant evidence already in the market that the costs associated with climate-related advice/services are spiking, many times above inflation.

- **No evidence that the Government is investing in the climate- and sustainability-related assurance industry**

In Australia, the sustainability assurance industry does not have sufficient maturity, scale, or systems to support the assurance of climate-related disclosures, to a high standard, as flagged in the discussion paper – even for some of Australia’s largest reporting entities. It will take many years for their capability to build and scale. We recommend that a measured approach that allows for the monitoring of limited assurance and the experiences and capabilities of entities and auditors before requiring the transition from limited to reasonable assurance by a specified date. Progress could be accelerated through various measures including urgent support for the University sector to develop and implement short courses and masters programs in sustainability assurance.

We would be happy to discuss and/or expand on the points above. Please contact [REDACTED] in the first instance.

Yours faithfully



[REDACTED]  
Chair Group of 100  
Group Chief Financial Officer  
Ramsay Health Care



[REDACTED]  
CEO Group of 100  
[REDACTED]