

21 June 2023

climatereportingconsultation@treasury.gov.au

Dear Treasury

Re: Climate related financial disclosures. Second consultation

BSI Group appreciates the opportunity to contribute to this consultation. As a purpose-led organization, we collaborate globally to progress towards a sustainable world. Appointed as the UK's national standards body, we represent UK interests at ISO, engaging with stakeholders to create and maintain market-led standards. In 2021, we led the development of the London Declaration with ISO, committing members to accelerate sustainability goals in line with the Paris Agreement. To support net-zero commitments, we partnered with ISO and the Race to Zero Campaign to create Our 2050 World. This collaborative effort aims to optimize standards' use globally, providing clarity and guidance for climate action.

BSI also plays a crucial role in assurance auditing across the World, where we provide trusted and independent assessments to organizations across various sectors. Our assurance services encompass a wide range of areas, including quality, health and safety, information security, and sustainability. With a dedicated focus on sustainability, we offer comprehensive auditing and verification services to public and private stakeholders and clients across the globe as we assess and verify environmental performance, carbon emissions and social and sustainability practices.

BSI is supportive of The Treasury's focus on the need for robust assurance disclosures and welcomes the proposal that '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 disclosure's. We agree that a phased implementation is the correct approach and that there should be a requirement for qualified and experienced providers of assurance for climate-related disclosures to be independent from the entity being audited to remove bias and risk of conflict of interest.

Head Office (Sydney)
BSI Australia Group Holdings

[Redacted]
[Redacted]
[Redacted]
[Redacted]

[Redacted]
[Redacted]
bsigroup.com/en-au

However, to best support the proposed roll-out and ensure it is successful, BSI disagrees with the approach outlined in the consultation paper that assurance should be conducted or led just by financial auditors. Our recommendation is that it should also be open to non-accounting service providers as, outlined in detail below, this will ensure that there is the capacity and expertise in Australia to meet this ambitious timeline, Australia's approach is aligned with requirements from other international markets and that a competitive environment is created which will ultimately benefit businesses and support Australia's transition to net zero emissions by 2050.

Key focus areas in our submission:**1. Capacity and technical expertise**

We agree that a phased implementation to allow skills, capacity and processes to be developed in the market will be crucial, however by limiting assurance engagements to financial auditors there is a risk the rapid scaling of assurance services will not match with the increasing demand. Technical expertise in climate reporting is already limited in Australia and new market entrants will be required to ensure that the targeted adoption is met. Financial auditors are not necessarily sustainability experts and these engagements will create complexities that they may have limited experience in. The approach of delegating sustainability issues to other assessors could result in increased costs for businesses and the potential acquisition of existing sustainability technical resources, creating a situation where there is no net increase in the delivery resource available. With the likely increase in scope of ESG related reporting requirements, and inclusion of elements like modern slavery, it is imperative that non-accounting service providers with technically competent sustainability expertise are available to both lead and support. Certification bodies, like BSI, have a rigorous process for qualifying assessors to deliver technical work, these processes are regularly assessed by global accreditation agencies, and ensures that any assessor in an engagement does not just have the technical expertise but is sufficiently qualified to deliver credible, transparent and independent assurance.

We understand from the submission that removing risk of conflict of interest is an important consideration and this is shared by BSI where impartiality is a governing principle of how we deliver our services and integrity is one of our founding values. Through their model of operation, certification bodies like BSI offer a trusted independence and remove the risk of conflict of interest issues such as those currently being investigated in Australia through engagements delivered by the big four accounting/consulting firms.

2. Need for a competitive environment

Expanding climate-related assurance beyond financial auditors will foster a competitive landscape, encouraging innovation and driving service quality. Non-finance organizations are already heavily involved and have experience in delivery of ESG related assurance activity, including greenhouse gas emissions measurement and verification, and as outlined above, have the necessary competence and expertise in assurance-based processes and technical qualifications and expertise in sustainability to contribute to the complex level of reporting that is required. By limiting to financial auditors there is the risk that engagements will be dominated by the big four accounting firms and that a high price point will likely be created, especially with a likely mark-up if sustainability experts are required. There is the potential that the likely cost structure will make it challenging for businesses to initially engage and then ensure ongoing compliance, especially those entities in Group 3 who are proposed to report



Inspiring trust for a more resilient world.

from 2027-28 onwards. By including a more diverse set of assurance organizations, including specialized climate and sustainability assurance providers, there will be greater competition to offer the most efficient and reliable assurance services. This competition will lead to better tools, higher service standards and a price accessibility for all organizations that will ensure that reporting requirements are completed and will ultimately benefit businesses and stakeholders seeking robust climate assurance.

With our expertise and commitment to a net-zero world, and our experience and knowledge of work already happening across the World by Government and industry, we are confident in our ability to contribute to this consultation and look forward to being engaged further to support this exciting initiative.

If you would like to discuss anything in the submission please contact me at [REDACTED].

Yours sincerely

[REDACTED]

[REDACTED]

Chief Operating Officer – Australia and New Zealand