

**Australian Government's
Climate-related Financial Disclosure Consultation
Mondelez International
July 2023**

About Mondelēz International

Mondelēz International (MDLZ) is one of the largest snacking companies in Australia with iconic brands including Cadbury Dairy Milk, The Natural Confectionery Company and Philadelphia Cream Cheese. We have over 2000 employees across seven manufacturing sites in metropolitan and regional Australia.

Importantly in Australia, we partner with over 500 small businesses who supply many of our input materials including cane sugar from Queensland and fresh milk from Tasmania and South Australia, for instance.

In our contributions to people and planet, we are focused on leading in areas where we can help deliver the most positive impact, including by:

- helping to build a thriving cocoa sector;
- reducing packaging waste and increasing the use of recycled packaging materials;
- sourcing our ingredients sustainably; and
- reducing our carbon emissions footprint.

Not only is this the right thing to do, it is fundamental to our continued growth and success and creates value for the world at large. As a global business, we have set ambitious sustainability goals, including working towards net zero GHG emissions by 2050.

Support for Climate-related Financial Disclosure

We firmly support the Australian Government's efforts to standardise climate-related financial disclosures and recognise that Federal Treasury has undertaken broad ranging consultation on the path to implementation. We commend Treasury for its 'open door' approach in working with so many stakeholders.

In particular, we recognise that Treasury has acted on a number of issues raised during the initial consultation process including in our submission of February 2023. Overall, we are satisfied the process is moving in the right direction. That said, Mondelēz International retains several concerns arising from the second consultation report, released 27 June 2023.

- **Scope 3 emissions:** We suggest the deferral of Scope 3 emissions requirements until such a time that all parties can be assured that accurate data can be collected and reported in a timely and efficient manner to investors.
- **Alignment with global reporting dates:** We request that Treasury consider providing flexibility in reporting timelines to accommodate companies, such as ourselves, that operate on a calendar year basis.
- **The need for more guidance on local vs. global reporting:** We recommend that companies be entitled to elect to report by reference to either its local operations, or where relevant, the company's global parent's operations.

- **Liability and enforcement:** We do not agree that the current proposed settings for time and scope-limitations of liability appropriately balances the risk to reporting entities and the provision of useful information to investors.

These concerns are set out below, along with more detail on our recommendations for adjustments that could be made to the proposed framework to help companies make available to investors clear and reliable information on financially-material climate-related risks. We would also suggest that the government support regular reviews to ensure the framework remains best practice, perhaps every three years.

We look forward to further discussions with Treasury on these important issues.

Key Issues

Scope 3 Emissions

Our major concern remains the reporting of Scope 3 emissions under the Climate-related Financial Disclosure framework. We acknowledge the proposal to defer the reporting of Scope 3 emissions for 12 months from the 2024/25 start date.

While this is welcome, it will still place a significant burden on reporting entities and, by extension, the small businesses in their supply chains. Should entities be required to report Scope 3 emissions along the timeframes and lines proposed, we are concerned that the challenges of accessing and compiling the required data, coupled with the risks for unreliable or incomplete information, are disproportionate to the potential utility of the resulting disclosure to investors, particularly noting that Scope 3 emissions data is not comparable across organisations which could mislead, rather than inform, investors.

For these and other reasons, we suggest the deferral of quantitative Scope 3 emissions requirements until such a time that all parties can be assured that accurate data can be collected and reported in a timely and efficient manner to investors. This presents significant workability challenges at this time.

To put matters into perspective, Mondelēz International has a significant supply chain of small businesses. We currently engage with over 500 small business suppliers who are essential to our business.

These include dairy farmers in Tasmania and South Australia and sugar cane farmers in Queensland. In addition, we rely on many small businesses to supply dried fruit, packaging, cocoa and other essential ingredients for our products.

Many of these relationships are long-lasting and extremely productive for both parties. We value these small business relationships and wish to guard against actions that could disadvantage what are often family-run businesses.

In order for MDLZ to accurately report on Scope 3 emissions, we would need to rely on data from most, if not all, of these small business suppliers. This will place a massive and unreasonable burden on these small business operations.

Calculating Scope 3 emissions is inherently different and far more challenging than quantifying Scope 1 and 2 emissions. This is reflected in the fact that the National Greenhouse and Energy Reporting (NGER) process exempts Scope 3 emissions from being reported. If required to report on Scope 3 emissions, companies would face vast uncertainties.

As previously stated, we are strongly committed to working towards net zero GHG emissions by 2050. Our business globally is working hard to achieve this. We believe that it would be reasonable for reporting entities to be required to provide qualitative disclosures, and not quantitative disclosures, in relation to Scope 3 emissions.

Clarity Needed in relation to reporting timelines

MDLZ operates on a calendar year basis, with a 1 January to 31 December financial year. Accordingly, in Australia, MDLZ is required to release its annual report within 4 months after the end of the financial year (eg by 30 April). Furthermore, MDLZ expects to be captured as a Group 1 entity.

The Consultation Paper proposes that Group 1 entities will be required to commence reporting from 2024-25 onwards. We expect Treasury's intention is for the regime to commence from 1 July 2024, which would mean:

- for a Group 1 entity with a 1 July to 30 June financial year, the first annual report subject to the new regime will be the FY25 Annual Report, released in September / October 2025; and
- for a Group 1 entity such as MDLZ with a 1 January to 31 December financial year, the first annual report subject to the new regime will be the FY25 Annual Report, released in March / April 2026.

Structuring the Group 1 scheme commencement in this way would avoid MDLZ and other reporting entities with non-standard financial years being required to report on climate matters in respect of any period falling before 1 July 2024. We consider this an appropriate element of the design of the regulatory system, so as to avoid entities being subject to retrospective regulation (or an unusually truncated period of time to prepare for major reforms).

We request that Treasury confirm this interpretation is accurate by clarifying (i) the date of the commencement of the reporting regime; and (ii) how the commencement of the regime will apply to reporting entities with different financial year ends.

Interaction of Annual Reporting Dates with NGER Act

MDLZ's 1 January to 31 December financial year also gives rise to a complex interface between mandatory climate risk disclosure requirements, and disclosure requirements under the NGER Act, which has a reporting period of 1 July to 30 June.

The Consultation Paper notes that, 'To ensure consistency, companies should report the same emissions and energy data in their company reports as they do in their NGER reporting.' However, in MDLZ's case, this will not be possible because the reporting periods under the two regimes differ.

An ideal outcome would be for the reporting deadline under the NGER Act to be moved for companies like MDLZ with a 1 January to 31 December financial year, so that such companies

could make their NGER Act reports at the same time (and thus use the same data) as their climate-related financial disclosures. This would prevent MDLZ and other similarly placed companies having to calculate and report on scope 1 and 2 emissions twice per year. Aligning the reporting requirements with our existing reporting cycles would also help ensure that our disclosures are based on comprehensive and up-to-date information, enhancing the accuracy and reliability of our climate-related financial reports. It would also facilitate more accurate cross-border comparisons and a more streamlined reporting process by leveraging the existing data collection and reporting infrastructure we have in place.

MDLZ recognizes that changes to the NGER Act are likely outside of the scope of this consultation, but requests that Treasury and the Department of Climate Change, Energy, the Environment and Water discuss a future alignment of dates.

An alternative solution would be to permit companies with 1 January to 31 December financial years to report the same data in their climate-related financial disclosures as those reported in their previous NGER Act reports.

More guidance needed on application to multinational corporate groups

Reporting by subsidiary of foreign parent

MDLZ is listed on the NASDAQ and operates in Australia through a number of wholly owned subsidiaries, including the Australian parent entity, Mondelēz Australia Holdings Pty Ltd (Mondelēz Australia). Like many multinational companies, MDLZ (and the MDLZ group) will ultimately be subject to mandatory climate reporting requirements in its home jurisdiction (the United States). To reduce the compliance and administrative burden on multinational companies, we consider that it would be appropriate to create an exemption from full reporting requirements under the new regime for Australian entities (who would otherwise be captured by the new regime) where their foreign parent company is required, in another jurisdiction, to make sufficiently detailed climate-related financial disclosures and those disclosures cover the Australian subsidiary.

We note that comparable jurisdictions have, or are considering, this type of 'subsidiary exemption'. For example, under the EU Corporate Sustainability Reporting Directive (CSRD), certain subsidiaries may be exempted from reporting where their parent prepares a consolidated group report in accordance with the CSRD or a deemed equivalent.¹ Similarly, Singapore has proposed a subsidiary exemption from full domestic reporting requirements in circumstances where the parent company is preparing equivalent public disclosures which include the relevant subsidiary's activities.²

We appreciate that equivalent foreign or global reporting would not necessarily address all domestic reporting requirements. For example, the Consultation Paper proposes that all reporting entities must disclose Australian-based scope 1 and 2 emissions calculated in accordance with the NGER Act. Nevertheless, we consider that a partial exemption and/or the ability to cross-reference to foreign or global reporting prepared by a parent company eg, against the ISSB standards, for certain reporting requirements, is reasonable, practical and would enable comparable disclosures across international markets.

¹ [EU Directive 2022/2464.](#)

² [Consultation Paper July 2023 – Recommendations by the Sustainability Reporting Advisory Committee.](#)

We expect that this issue will also arise in the context of the consultation on the domestic disclosure standards in the second half of 2023 and reiterate that strong alignment between the ISSB standards and the domestic standards will also minimise compliance burdens for multinational corporate groups.

Application to Australian wholly owned group

We would appreciate if Treasury could clarify that where an Australian parent entity reports under the new regime (presumably on a consolidated group basis), none of its wholly owned Australian subsidiaries will be required to report under the new regime.

Global or local level reporting

Treasury in its Consultation Paper has proposed a number of reporting requirements which will likely prove challenging for MDLZ without further clarity around their application to multinational companies. Generally speaking, Mondelēz Australia seeks to align with its international parent company, MDLZ, which provides strategic direction for Mondelēz Australia to (after consideration by directors and management) implement across domestic operations.

As a result, we expect that several reporting requirements under the new regime will require substantial input from our global parent company, including across governance, strategy, scenario analysis and transition planning. It is unclear from the Consultation Paper whether Mondelēz Australia can satisfy these reporting requirements by relying on MDLZ disclosures relevant to the global group, or if Mondelēz Australia will be required to create additional disclosures that draw on the global disclosures but relate only to MDLZ in Australia. As a member of a multinational corporate group, it will be difficult for Mondelēz Australia to comply with the new regime without referencing global information (for example, scenario planning in the event of an increase in forecast global temperatures).

We recommend that companies be entitled to elect to report against certain requirements by reference to either their local operations, or where relevant, the company's global parent's operations. Alternatively, we respectfully ask Treasury to provide clarity on a range of issues with respect to whether local or global reporting will be required.

We note that the ability to reconcile local (or country) level data and metrics with global data is consistent with developments in comparable jurisdictions, such as the EU where multinational companies will begin reporting global level data for the purposes of the EU CSRD. This enables investors to understand an entity's local level data in the context of the organisation's global footprint when reporting is occurring across the same time periods

Liability and Enforcement

MDLZ agrees that it is appropriate for the new climate reporting requirements to be drafted as civil penalty provisions. However, we do not agree that the proposed modified liability settings appropriately balance the risk to reporting entities and the provision of decision-useful information to investors. MDLZ believes it is too early to subject reporting entities to significant liability on new climate-related financial disclosure requirements (for example, all forms of regulator actions are permitted from the commencement of the regime).

Companies and regulators are facing a great deal of ambiguity in a rapidly evolving and highly technical policy area. Methodologies for quantifying climate-related risks, and standards for reporting on them, are still under development in multiple jurisdictions, including Australia. Accordingly, local and global expertise in measuring and reporting on key reporting requirements, specifically scope 3 emissions, scenario analysis and transition planning, is unlikely to become widely available and of high quality in the near future.

We consider the 3-year period of protection from private litigation with respect to these reporting requirements (scope 3 reporting, scenario analysis and transition planning) to be inadequate and recommend that the period of protection from private litigation be extended to at least 5 years.

Further, as previously noted, MDLZ has a very wide base of Australian small business suppliers, on which it would have to rely on to produce its scope 3 emissions reporting. We doubt many of these suppliers will have the resources or access to consultants to assist them with preparing accurate reports. This is likely to place MDLZ, and other reporting entities with a diffuse and small supplier base, in a position where their scope 3 reports are based on potentially unreliable data. MDLZ considers that extending the modified liability period will enable the growth of local capabilities and resources to support scope 3 emissions and other reporting requirements, thereby reducing the risk to reporting entities, while increasing the accuracy of disclosures to investors.

Additionally, we request that Treasury clarify the application of the modified liability approach in relation to private litigant claims. It is unclear from the Consultation Paper whether the fixed period of protection from private litigants operates to limit claims made during that period (only), or whether it extends to limit claims made during or after that period provided they relate to disclosures made during that period. We expect that it is the latter, however we would appreciate clarification that disclosures made during the fixed period will be protected from claims on a go forward basis.

Disclaimers

MDLZ also notes the Consultation Paper sets out that disclaimers to exclude liability where a relevant forward-looking statement was identified as such, was not preferred on the basis of lengthening and therefore reducing readability of disclosures without providing decision-useful information.

We consider that disclaimers may have utility in relation to historic, rather than forward-looking statements, such as scope 3 emissions reporting. Treasury should consider the application of such disclaimers to limit liability in relation to historic scope 3 emissions reporting, for example, the use of proximate cautionary statements identifying relevant factors, such as the quality and availability of third-party data collection and reporting, that could cause the actual results to differ materially from those in the relevant statement.

Conclusion

Mondelēz International is committed to transparent climate-related financial disclosures and welcomes the developments in Australia to drive climate action. We believe that with sufficient guidance and support from the Australian Government, we can enhance our reporting capabilities and contribute meaningfully to the nation's climate-related financial disclosures.