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To Whom it May Concern

Wollemi.io Submission - Climate-related financial disclosure consultation paper June 2023

About Wollemi.io
Wollemi.io is a climate reporting platform for land and agriculture. We provide automated financed emissions reporting for the financial services sector, which is highly exposed to the agricultural sector ($92bn[1] in lending to agri-business). Agriculture contributes more than 17% of the country's total greenhouse gas (GHG) emissions[2] and is particularly vulnerable to climate fluctuations including drought[3]. With capability that extends to physical risk reporting, Wollemi aggregates a variety of relevant agro-climate and life-cycle emissions data per agricultural production sub-sector (for example beef cattle), both public or open source, supplemented with high resolution private data. We use expert agro-climatic data modeling techniques and machine learning to connect hundreds of data points to local/farm resolution and provide emissions calculations. Our roadmap includes continual fine-tuning where required by adding to our model new farm level data from data partners to ensure optimal financed emissions and physical risk estimates. Wollemi's methodology has been independently reviewed and validated to conform with a number of global frameworks including the TCFD, PCAF, ISSB and APRA CPG229 (the regulator's guidance on climate vulnerability assessment).

Headline response to the consultation paper

- Wollemi is highly supportive of the introduction of climate-related financial disclosure and reporting content that aligns with the global ISSB IFRS 2 standards. International alignment is critical for efficient capital allocation in the acceleration of climate action.
- We flag the phased implementation for climate disclosure as too slow. Our understanding of the Treasury's proposed "end state" for reporting is 2027/8. Practically speaking this means entities with a financial year end of December 2028 will only be required to disclose their climate-related

[1] Australian Banking Association Agribusiness Report 2022
[2] National Greenhouse Gas Inventory Quarterly Update: December 2022
[3]https://www.agriculture.gov.au/abares/products/insights/climate-change-impacts-and-adaptation#the-future-is-highly-uncertain-preparation-is-essential

financial risk in 2029. This is one year out from the government's commitment to reduce GHG emissions 43% by 2030.

- Proposed coverage of reporting entities is sound. However, the proposal falls short in that Commonwealth Financial Institutions are excluded as initial entities that must disclose their climate-related risk.
- While understanding of the requirement to provide sufficient time for reporting entities to get their house inorder for reporting (a transitional period), we believe the proposal underestimates current capability available to reporting entities that meet the proposal threshold. Access to this capability could reduce *the phased and transitional* period timeline.

Timing and coverage

The current consultation paper notes that feedback to its first consultation showed "the strongest focus on the needs for standards to be developed quickly". We support the rapid development and deployment of disclosure requirements as imperative for market certainty, but also for the acceleration of climate action and legislated reduction in GHG emissions. Reports of the planet hitting its hottest day on record in July 2023[4] coupled with the start of a 'super El Niño' weather event signal the urgency of a rapid reduction in GHG emissions. But, how can entities reduce what they don't measure? A proposal for an "end state" for climate disclosure by 2027/8 does not convey or support the urgency of the current climate emergency nor does it adequately support legislated emissions targets.

Country precedents: Climate disclosure requirements in the UK (from 6th April 2022) and New Zealand (from 1 January 2023) demonstrate that rapid deployment of climate disclosure requirements is possible. While both territories have provided exemptions to entities in their first year of reporting - to provide them time to get their house in order - all entities that meet these governments' criteria must report. It could be argued that the size threshold for reporting entities is different in each territory and that the proposed "phased approach" brings in smaller companies (more reporters) over time. However, the proposed "group 3" companies disclosing climate risk from 2027/8 include entities required to report under the NGER Act. This means they are already at an important GHG emissions threshold.
ISSB guidance : The ISSB IFRS 2 guidelines acknowledge the complexity of Scope 3 measurement, and provide a temporary exemption for a minimum of one year following the effective date that reporting is required - this is designed to give time for companies to implement their processes. "A company will also be able to include information that is not aligned with its reporting period, when that information is obtained from companies in its value chain with a different reporting cycle."[5] The paper proposes a *transitional period* from 2024-5 and 2026-27 that requires less onerous disclosure to allow companies time to build capacity. While a *transitional period* may be necessary, as per the ISSB recommendation, this should be capped at the entity's first year of reporting.

[4] https://edition.cnn.com/2023/07/05/world/hottest-day-world-climate-el-nino-intl/index.html
[5] https://www.ifrs.org/news-and-events/news/2022/12/issb-announces-guidance-and-reliefs-to-support-scope-3-ghg-emiss/

Commonwealth Financial Institutions/Public entities: The current proposal notes that the implementation of commensurate arrangements with comparable Commonwealth public sector entities and companies "is being progressed separately". We urge the proposal to take the lead from New Zealand which requires Crown Financial Institutions with greater than $1 billion in total assets under management to produce climate-related disclosures.

Reporting content, benefits and costs

As noted above, Wollemi is highly supportive of the proposal to align Australian standards "as far as practicable with the final standards developed by the ISSB". Given that these were published June 2023, we assume ISSB IFRS S2 standards for climate resilience reporting (use of quantitative scenario analysis) and financed emissions will be implemented.

Capability: As a provider of automated financed emissions (and physical risk) for land and agriculture, many of our customers fall into the first group of entities required to report under the current proposal. We have developed technology that allows for ease of reporting emissions from financial services companies' business and lending activities. We are aware of other technologies in Australia and abroad that calculate scope 3 emissions for other sectors. This means that technology and capability is available and commercially accessible for the reporting of scope 3 emissions for a number of Australian sectors.

Costs: Our research[6] estimates the costs of climate-related risk reporting at between 1 and 10 basis points of financial assets. As an example, an organization with agricultural assets of $4bn, could expect to pay between $400k and $4m to measure and manage their climate-related risks depending on the mix of technology and consultants employed. This is a nominal cost when considering the benefits:

a. Risk management - stress test portfolio risks under alternate climate pathways to plan for a climate resilient future
b. Credit pricing - price climate risk from treasury funding through to customer credit
c. Customer engagement - provide climate leadership and align climate strategy with credit steering

Summary of recommendations

We recommend the following:

1. Provide a transitional period for the introduction of climate-related disclosure (as per the ISSB recommendations), but reduce the phased approach to a maximum of two years for an "end state" by 2026/7
2. Include Commonwealth Financial Institutions and public entities in the disclosure requirements - in part to set the lead for the rest of the market
3. Make public a directory of climate reporting service providers that can support entities (either technology or consulting based) in their disclosure journey

[6] Extensive discussions with financial services companies about their spend on emissions baseline and other climate consulting

We remain open to further discussion and questions. As noted, Wollemi welcomes the introduction of broad based climate risk disclosure requirements as a critical tool for accelerated climate action and to build climate resilience in the agricultural sector and beyond.

Regards,

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Wollemi.io Co-founder and CEO