

Climate Disclosure Unit
Market Conduct Division
The Treasury
Langton Crescent
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Australia

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Climate-related financial disclosures

We refer to the Treasury's second consultation paper on climate-related financial disclosure, open for consultation until 21 July 2023. We welcome the opportunity to continue contributing our perspective on the Australian climate disclosure regime.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank and is responsible for investing the Norwegian Government Pension Fund Global. NBIM is a globally diversified investment manager with 1,865 billion AUD at year end 2022, 24.6 billion of which invested in the shares of Australian companies.

The long-term return of the fund depends on sustainable economic, environmental and social development, as well as well-functioning and efficient markets. Climate risk has long-term and systematic characteristics, and our investments are exposed to both physical and transition risks. We support global principles and standards that underpin an orderly climate transition, and have promoted the development of strong reporting frameworks for corporate climate risk disclosure for over a decade. Limited access to high-quality data on the climate risk faced by companies hampers our ability to take better investment decisions, undertake more purposeful company engagement and develop tailored voting decisions.

As a global investor with holdings in 70 different countries, we have a clear interest in this information being reported in a consistent and comparable manner across markets, and in disclosure regimes based on global standards. We therefore welcome the Australian government's commitment to introduce standardised, internationally aligned reporting requirements covering governance, strategy, risk management and targets. We look forward to the Australian Accounting Standards Board's consultation on the Australian climate disclosure standards, and strongly welcome the intention to align the latter as far as practicable with the final IFRS Climate Disclosure Standard S2. We concur with Treasury's assessment that this international alignment is key to meet the information needs of global investors and help minimise compliance costs for reporting entities.

Regarding the reporting content, we welcome the alignment existing definitions of financial materiality adopted in international standards, notably the ISSB approach to materiality. We note the suggested disclosure requirements on strategy and scenario analysis, which would require qualitative information as a starting point and quantitative scenario analysis by end

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state. We highlight in this respect that the International Sustainability Standards Board has taken a similarly flexible approach of requiring a method of scenario analysis which is “commensurate with the entity’s circumstances”, thereby considering an entity’s exposure to climate-related risks and opportunities as well as the skills, capabilities and resources available to the entity. Adopting the ISSB approach as an alternative could encourage entities which have the necessary capabilities and expertise to go beyond a qualitative assessment, and less-sophisticated entities to meet the requirement with qualitative disclosures. We also welcome the intention to require reporting entities to use at least one future scenario which is consistent with the goals of the Paris Agreement, as this would enhance comparability of resilience information. Finally, we highlight the importance of transition planning, and therefore welcome the reference to the Treasury’s forthcoming work on the development and disclosure of company transition plans, as part of the broader consultation on the Government’s Sustainable Finance Strategy later this year.

Regarding the scope of the regime, we welcome the alignment with the financial reporting requirements under the Corporations Act, which will ensure application to private companies as well. As noted in the consultation paper, this approach is similar to the one taken in other countries, and important to ensure the level playing field between public and private companies. On the implementation approach, we welcome the decision to phase-in the requirements, and notice this approach has been taken by many jurisdictions worldwide. In relation to the reporting framework, we support the decision to require climate disclosures as part of reporting entities’ annual report, and agree with the observation that this will help integrate climate risks and opportunities into the company’s overall strategy and decision-making. For investors to use this information in a reliable manner, it is important that climate disclosures are subject to similar oversight and ideally the same governance processes as financials, with a final sign-off from the company’s board. Similarly, we welcome the requirement to submit climate disclosures at the same times as financial information, as this will also help ensure a joined-up narrative from reporting entities, and integrated analysis from investors. Finally, we support the requirement to introduce assurance requirements moving from limited to reasonable assurance over time, and welcome the intention to align as far as possible with the forthcoming sustainability assurance standard of the International Auditing and Assurance Standards Board.

We thank you for considering our perspective and remain at your disposal should you wish to discuss these matters further.

Yours sincerely,



Chief Governance and Compliance Officer

Senior ESG Policy Adviser