



9 February 2024

Director
Climate Disclosure Unit
Market Conduct and Digital Division
The Treasury
Langton Crescent
PARKES ACT 2600
climatereportingconsultation@treasury.gov.au

To Whom It Concerns,

IoT Alliance Australia submission - Climate-related financial disclosure legislation exposure draft and accompanying documents consultation.

[Internet of Things Alliance Australia](#) (IoTAA) thanks the Department of Treasury for the opportunity to submit feedback to the Climate-related financial disclosure legislation exposure draft and accompanying documents consultation.

IoTAA is the peak body for the Internet of Things (IoT) in Australia. A non-profit industry association, we formed in 2016 to enable a data smart Australia, which advances society through trusted, accessible real-time data. We have a focus on data necessary to support net zero transition for business reporting and making impactful climate reduction decisions.

IoTAA fully supports the Government mandating climate-related risk disclosures. We believe the transition from estimated data collection and management to quantified methods will require a significant change for most organisations subject to this reporting regime. Reporting on scope 1 and 2 emissions will be one exercise, upgrading reporting to scope 3 emissions will be more complex and require another level of capability and engagement. In addition, developing trusted data sharing arrangements will be critical to enable sectoral and economy-wide transition.

The IoTAA provides the following specific comments in response to the consultation materials:

- **Baseline Standards versus data quality needed for a low carbon economy**
Using the ISSB standards is an important step forward to provide a global baseline for sustainability and climate disclosure standards and will simplify business requirements for compliance; and improve the identification, measurement and disclosure of climate risks and opportunities.

The data available will however fall short of data quality requirements for many sustainable finance incentives, including for CRFD which will face challenges moving from estimates to quantified data that can be audited and assured. Recognising there will need for a transition to accurate well managed data collection over time, a plan and pathway to reach rigorous, robust digital and systematised data collection and management will be necessary to ensure this pathway is both achieved and done so with minimum friction and barriers. (The IoTAA's response to Treasury's Sustainable Finance consultation also enclosed explains this further.)

There are mentions in the Policy Impact Analysis and the Policy Statement with regard to '...disclosing industry-based metrics, where there are well-established and understood metrics for the reporting entity..'¹. Industry-based metrics or standards for climate reporting will be necessary, however, to our knowledge, it is not clear whether the necessary data standards or requirements are well-established. This is an area the IOTAA welcomes further engagement on.

- **Option 1b** offers a lower cost and less burdensome pathway for businesses to meet their disclosure requirements.

We do have concerns with regards the lack of a roadmap for the phasing in and scaling up of assurance requirements over time. The Policy indicates a commencement date phasing in assurance over 3 years, but it is vague about the level of assurance that is to apply as it uses terms such as 'reasonable assurance'. This needs to be clarified to avoid weakening a potentially powerful transparency tool for the ACCC in addressing and reducing the apparent high incidence of greenwashing (see p8 of the Policy Impact Statement). We believe as stated, this option provides only marginal cost benefits over Option 1a which has stronger assurance requirements.

- **Costs**

With regards to cost estimates, we believe there is significant opportunity for cost reduction over time through automation and systematising data collection, analysis and reporting through digital means. This is also more likely to be the case as entities migrate from using qualitative scenario analysis to inform their disclosures to quantitative scenario analysis by end state. The IOTAA believes these cost benefits are not being adequately recognised.

- **Limited professional capability**

Increased automation of data collection, scenario analysis and reporting will be key to scaling CRFD reporting to an increasing number of entities and for addressing future greater quantitative reporting obligations. Automation also offers the opportunity to significantly ameliorate the anticipated professional capability demand. This capability will be critical to ensure and maintain a world leading reporting level, with improving timeliness and transparency that will be difficult to sustain with professional services only. To enable this, capability and capacity for digital improvements by both reporting companies and those that provide automated tools and services to complement professional services industry for sustainability reporting will be critical.

- **Limited understanding of various elements of climate reporting**

Providing visibility and education about climate reporting and developing systems to collect and analyse data to make effective disclosures, including through making available, developing and utilising digital tools and services will be crucial. We agree that visibility of available data, and identification of data gaps (and alternatives) will make it easier for companies to make these disclosures. As the tools, understanding

¹ <https://treasury.gov.au/sites/default/files/2024-01/c2024-466491-pia.pdf>, page 13

and accuracy of climate reporting improve they will fuel the acceleration of effective methods for addressing climate change, driving net zero outcomes.

To address our comments above we recommend there be an industry-led review of the costs, capability and capacity for digitally enable carbon capture and management undertaken with a view to reduce collections costs, improve data quality, enable transparency, as well as addressing limited capability and understanding. Without this focus to improve climate reporting and management, Australia's shift away from being a carbon intensive economy runs the risk of not accelerating but slowing down and not achieving its targets and ambitions.

The IoTAA would welcome the opportunity to discuss any aspects of our submission in further detail and how the IoT industry may help to achieve a trusted, efficient and forward-looking climate related financial disclosure measurement and reporting system for Australia. And as mentioned earlier in our submission, we recommend the IoTAA Submission to Treasury's Sustainable Finance Strategy consultations is examined in conjunction with these comments.

Yours sincerely,



Frank Zeichner

Chief Executive Officer
IoT Alliance Australia
0408 233 762
www.iot.org.au



Appendix 1, About IoTAA

IoTAA is the peak body for the Internet of Things (IoT) in Australia. A non-profit industry association, we formed in 2016 to enable a data smart Australia, which advances society through trusted, accessible real-time data, powered by Internet of Things technologies. Our broad membership of over 300 companies and 1000 participants collaborate to drive adoption through knowledge creation and sharing, building ecosystems and public advocacy.

Our focus

We focus on the three key areas that matter most for Australia:

- Sustainability: defining and promoting how organisations access the data they need to support their pathway to net zero and circularity
- Productivity: identifying use cases, highlighting leaders, codifying good practice, IoT/OT convergence and quantifying the value of IoT adoption
- Trusted technology: demystifying IoT technology, creating design and deployment tools and guides, setting the principles and good practices for trust in IoT and developing an IoT for Good charter.

What is IoT?

The Internet of Things (IoT) is a transformative suite of technologies that, if appropriately and sensitively implemented, can help address the great social and ecological challenges of our time. The Internet of Things encompasses Industrial IoT, which is fundamental to Australia's economy including critical infrastructure, manufacturing, cities and placemaking, construction, productivity and consumer IoT. Consumer IoT is growing exponentially and introducing a seismic shift in data use, trust and the balance in consumer and service provider interactions.

Appendix B IoT Alliance Australia submission - Sustainable Finance Strategy - Consultation paper November 2023

1 December, 2023

Sustainable Finance Unit
Climate and Energy Division
The Treasury
Langton Crescent
PARKES ACT 2600
SustainableFinanceConsultation@treasury.gov.au

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IoTAA is the peak body for the Internet of Things (IoT) in Australia. Established in 2016 as a non-profit industry association, our vision is to enable a data smart Australia, which advances society through trusted, accessible real-time data. More information about the IoTAA is available at Appendix 1.

IoTAA supports the activities across government and with industry to address data challenges and priorities that support business and financial institutions to better understand and manage climate-related and sustainability issues. Our response to the Strategy focuses on Priority 7: Addressing data and analytical challenges.

Australia has a significant opportunity to address the data challenges through a national program for digitally enabled emissions data capture and management, to increase the reliability and confidence in climate-related information to:

- Unlock the power of market-based activities to drive emissions reductions transition
- Accelerate the pace of transition
- Advance the digital underpinnings for a thriving low-carbon economy.

1. The key data-related issues for businesses are:

- **Data Requirements:** Understanding differing data needs across multiple government (international, federal and state) and industry requirements e.g. investors, banks, supply chain partners
- **Data quality:** getting and distributing timely, verifiable data at the right level of precision
- **Cost of data collection and management:** Lowering the cost (and complexity) of data collection and management will be critical to adoption
- **Business capability:** Capability and understanding of businesses to collect sustainability data

- **Trusted sustainability data tools and service models.** To assist businesses and to lower the cost.
- **Trusted data sharing models:** to enable scale, inform supply chains, climate scenario assessments, decarbonisation pathways and ultimately to underpin a dynamic low-carbon economy.

2. Priorities and next steps

Our view is that the top 4 priorities should be:

- Focus on data requirement for the key market sectors across the key government and industry instruments.
 - e.g. CRFD, ratings, labelling and financial market assessments.
- Assess the data quality needs for those above.
 - noting drivers for carbon accounting and business transition
- Assess the capability and cost for progressive digitally enabled emissions data capture and management.
 - With reference to the planned CFR [Council of Financial Regulators] assessment of options to address key sustainability-related data challenges faced by financial system participants, due by end 2024, **we recommend this be a key option with close engagement of industry.**
- Development of principles for trusted sustainability data sharing models

Followed by:

- Governance framework for data collection, custodianship and sharing.
- Accreditation standards and processes for trusted data collection, processing distribution and sharing.
- A roadmap for progressive digitally enabled emissions data capture and management incorporating:
 - Best practice guides and tools for businesses to transition to trusted, quantitative data collection and sharing.
 - Capacity building and skills uplift

3. Government supported, industry led approach to accelerate digital enablement

IoT Alliance of Australia (IoTAA) proposes a government supported, industry led approach is needed to accelerate digitally enabled emissions data capture and management to underpin a reliable and trusted, scalable transition to a low-carbon economy. IoTAA has considerable experience and expertise to be able to assist the Government, focus on the data needs for Australian business to transition to net zero. We would welcome the opportunity to discuss our submission in further detail and to contribute to addressing sustainability data and analytical challenges.

Yours sincerely,



Frank Zeichner

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Chief Executive Officer
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Responses to Consultation paper:

Pillar 1: Improve transparency on climate and sustainability

Priority 4: Develop a labelling system for investment products marketed as sustainable

What should be the key considerations for the design of a sustainable investment product labelling regime?

Sustainable investment product labelling schemes will need broad industry support and financial, investment market recognition to be effective. There are a number of initiatives that have been developed internationally and in Australia in different sectors which can form useful models for such a scheme, e.g.

- Infrastructure Sustainability Council, IS Rating Scheme (IS)²
- Green Building Australia, Green Star rating scheme³
- NABERS (National Australian Built Environment Rating System)⁴

These schemes are providing early stimulus and incentive for businesses to report on and meet ratings criteria. A government developed labelling regime should take consideration of complementary alignment or even reinforcement, where possible.

Pillar 2: Financial system capabilities

Priority 7: Addressing data and analytical challenges

For feedback

What are the priorities for ensuring that data-related initiatives already underway are tailored to meet the needs of firms and investors?

The key data-related issues for businesses are:

- **Data Requirements:** Understanding differing data needs across multiple government (international, federal and state) and industry requirements e.g. investors, banks, supply chain partners.
- **Data quality:** getting and distributing timely, verifiable data at the right level of precision.
- **Cost of data collection and management:** Lowering the cost (and complexity) of data collection and management will be critical to adoption.
- **Business capability:** Capability and understanding of businesses to collect sustainability data.
- **Trusted sustainability data tools and service models.** To assist businesses and to lower the cost.

² <https://www.iscouncil.org/is-ratings/>

³ <https://new.gbca.org.au/green-star/rating-system/>

⁴ <https://www.nabers.gov.au/>

Trusted data sharing models: to enable scale, inform supply chains, climate scenario assessments, decarbonisation pathways and ultimately to underpin a dynamic low-carbon economy.

The data challenges are widely acknowledged by important financial and government entities including:

The recent Australian Sustainable Finance Institute Tracker says that according to the Australian Council of Superannuation Investors:

"...We firmly believe that without accurate and assured data that entities can have confidence in, there are inherent risks. These risks include the potential inability of entities to accurately measure what is necessary for further reducing their emissions and effectively managing unexpected events, such as extreme weather or other shocks.

The absence of trusted, quantitative, and timely data could significantly impede the key reform principles of CRFD, including supporting climate goals, ensuring continuous disclosure, scalability, flexibility, and improving information flows in a cost-effective manner..."⁵

The federal government's CRFD consultation document also acknowledges data challenges and proposes:

"...Proposal: From commencement, reporting entities would be required to use qualitative scenario analysis to inform their disclosures, moving to quantitative scenario analysis by end state..."⁶

"...Proposal: By end state, reporting entities would be required to have regard to disclosing industry-based metrics, where there are well-established and understood metrics available for the reporting entity..."⁷

Data Requirements for business: Understanding differing data needs across multiple government (international, federal and state) and industry requirements e.g. investors, banks, supply chain and partners.

There are several important government and industry incentives and requirements; state, national and global, that have been developed (or are being developed) to help and drive the net zero transition including:

- Climate-related Financial Disclosure (CRFD)
- Australian sustainable finance taxonomy
- A future Carbon Border Adjustment Mechanism (CBAM)
- Sustainability ratings and labelling schemes to support investment and differentiated financial products.
- Sectoral transition plans and a National Net Zero Plan
- Updated Full Carbon Accounting Model

⁵ Australian Sustainable Finance Progress Tracker 2023, page 37:
https://static1.squarespace.com/static/6182172c8c1fdb1d7425fd0d/t/6531ded6aa646b79bafeea55/1697767146964/757ASFI_Progress-Tracker23_v6.pdf

⁶ <https://treasury.gov.au/sites/default/files/2023-06/c2023-402245.pdf>, page 13h

⁷ <https://treasury.gov.au/consultation/c2023-402245>

- Local, state and territory government incentives as well as market and industry incentives

In addition, there will be further requirements on nature-related risks including meeting Australia's interest in protecting natural landscapes, ecosystems, and biodiversity in the next few years.

Businesses need to consider the data requirements for these schemes and how they can collect, analyse and process the data needed to support those relevant to them – and the data requirement differ, as do their effect on transition and industry behaviour.

Climate-Related Financial Disclosures will provide a powerful, annual individual corporate lens on business plans and strategies which is necessary but not sufficient to drive transition across sectors or to a low carbon economy. Further mechanisms such as those identified in the list above, and more precise and timely data, will be required for the finance industry and for material transition at industry and sectoral level.

For example, financial entities will also need to know how companies' net zero transition is performing against comparable peers so they can understand the relativities and make effective decisions about where to invest. Data collected and used in ways such that comparisons can be made will also require greater quantifiable granularity and rigor. Further information going into the detail of this is provided in the body of our submission below.

Understanding differing data requirements and identifying the data gaps for multiple incentives (and sustainability frameworks) across multiple industry sectors and supply chains needs to be prioritised. This should further be focussed in on the key government identified sectors for carbon emissions reduction are:

- Electricity and energy
- Transport
- Industry and waste
- Agriculture and land
- Resources
- Built environment.

A newly formed industry body Infrastructure Net Zero⁸ (INZ), a peak body of built environment and infrastructure (including Transport) has been formed in September 23 and is setting up a task-group and program to assess the data requirements for infrastructure transition. IoTAA has been a catalyst in setting up this activity and with INZ IoTAA is establishing the scope of work to focus on these data requirements. Initial focus will be on embodied carbon emissions.

Data quality: getting and distributing timely, verifiable data at the right level of precision.

The right level of quality of data is critical for the differing data requirements above. This affects the ease and cost of collection as well as the trust and risk in the data and assumption that can be made on the quality. Key attributes are the level of precision, timeliness and verifiability of the sustainability data. There are existing frameworks and standards that can go a long way in setting the right foundations for credible and trusted sustainability data for the Strategy, which are also dependent on the scope of data requirement and the destinations for the data.

⁸ <https://www.infrastructurenetzero.org/theinitiative>

Addressing our sustainability data challenges will require matching data quality with data requirements based on recognised standards and methods.

Some good examples of standards are:

1. The [Partnership for Carbon Accounting Financials](#) (PCAF), the Global Green House Gas Accounting and Reporting Standard for the financial industry which focuses on measuring and reporting financed emissions. It states that:
“... The Financed Emissions Standard provides guidance on data quality scoring per asset class, facilitating data transparency and encouraging improvements to data quality in the medium and long term...”⁹

*And further “...Data quality financial institutions shall ensure that their GHG accounting appropriately reflects the GHG emissions of their loans and investments and serves the decision-making needs of internal and external stakeholders. To safeguard these outcomes, financial institutions should use the **highest quality data** available for each asset class for calculations and, where relevant, **improve the quality of the data over time** [bold added]”*

The PCAF further relates data quality with risk and finance instruments. IoTAA have been in discussions with the banking industry who see collection of data at more granular PCAF 2 or better is needed to move the data quality up from the current PCAF level 5, which will not be fit for purpose for GHG reporting for the finance industry.

2. The GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (referred to as the Scope 3 Standard). The parent document to this is a guidance (see below) that offers an internationally accepted method to enable GHG management of companies' value chains. This guidance serves as a companion to the Scope 3 Standard to offer companies practical guidance on calculating their scope 3 emissions. It includes information not contained in the Scope 3 Standard, such as methods for calculating GHG emissions for each of the 15 scope 3 categories, data sources, and worked examples. The following provides a bit more information about this Guidance

[The GHG Protocol Technical Guidance for Calculating Scope 3 Emissions](#)¹⁰

Author: World Resources Institute, World Business Council for Sustainable Development
Industry Group: All Industry Groups
It provides guidance on data types, levels of granularity and primary and secondary data sources.

Cost of data collection and management: Lowering the cost (and complexity) of data collection and management will be critical to adoption.

We contend that manual methods will be costly and scale poorly with the requirements higher precision data and multiple data requirements. They also suffer from poor transparency as to methods and repeatability.

⁹ <https://carbonaccountingfinancials.com/en/standard> Executive Summary Page 8

¹⁰ <https://www.tcfhub.org/resource/the-ghg-protocol-technical-guidance-for-calculating-scope-3-emissions/>

There is a major challenge for businesses is the cost in terms of people and investment for collection and management of sustainability data necessary for multiple destinations. e.g. CRFD, sustainability ratings schemes, carbon markets, CBAM, etc. This challenge will be significantly more complex as scope 3 emissions are applied that will likely require sharing of data across multiple supply chains and multiple sectors.

The opportunity is to take advantage of technology and increasing digitalisation to enable a managed and progressive digitally enabled emissions data capture and management transition.

Digital capture and processing also enable lower-cost re-use and re-purposing of sustainability data to adjust to multiple data requirements and layers of data quality.

There are some businesses today who are well down this track, however widespread adoption will depend on a national approach.

We contend that digitally enabled emissions data capture and management is needed for cost-effective, scalable collection and sharing of sustainability data.

Business digital capability, maturity and readiness: Capability of businesses to collect and process sustainability data.

In order to realise the benefits of a digitally enabled emission data capture and management, the digital capability and capacity of businesses and the supporting capacity and trust in sustainability data service providers and tools needs to be assessed.

IoTAA recommends there needs to be an analysis the capability of manual processes and skills versus digital tools for delivery of an adequately scaled sustainability data underpinning for net zero transition' with a focus on the capability of organisations to transition away from more manual processes. Without this understanding it will be a challenge to understand where the data and digital capability gaps are across key sectors and the wider Australian business environment and where the friction points and barriers are for business to meet their climate transition obligations.

In many cases especially for smaller businesses in-house collection and processing may be difficult or cost prohibitive. In these cases, and for larger businesses seeking to streamline or outsource this work, there is a growing digital industry capability to provide tools and services to meet their needs.

Trusted sustainability data tools and service models. To assist businesses and to lower the cost.

In many cases especially for smaller businesses in-house collection and processing may be difficult or cost prohibitive. In these cases, and for larger businesses seeking to streamline or outsource this work, there is a growing digital industry capability to provide tools and services to meet their needs.

A few examples are:

- a. Wollemi.io - a climate reporting platform for the land and agricultural sector that measures financed emissions (bank/insurance/asset management business activities) per the TCFD/PCAF/ISSB ¹¹
- b. Avarni.co - end to end carbon accounting management software that identifies and calculates scope 1 - 3 emissions ¹²
- c. IBM Envizi Environmental Suite – capture, consolidation, management, analysis and reporting of environmental data ¹³
- d. The “GLens” solution by Knowledge Lens (a Rockwell Automation Company) - this platform permits real time acquisition, monitoring, reporting and analytics of environmental data

However, businesses will need to know and understand which platforms, tools and sustainability data service providers are appropriate to their needs and with what recognizable level of accreditation.

Trusted data sharing models: to enable scale, inform supply chains, climate scenario assessments, decarbonisation pathways and ultimately to underpin a dynamic low-carbon economy.

Businesses will need to be confident in the data sharing arrangements to move to managing scope 3 emissions and to make the necessary decisions, use their purchasing power and supply chain partnerships to drive emission reductions.

While there are a number instances of shared data platforms, the governance, standards and accreditation of trusted platforms with agreed data sharing rules, principles and practices are not agreed and aligned to enable widespread adoption. Moreover, trust is not yet built with disclosing companies to provide their sensitive data and be confident in its confidentiality.

Trusted sustainability data sharing models will be able take advantage of developing data sharing frameworks established across sectors where trust circles and known parties and relationships for data sharing are already in place. For example, the Australian Farm Data Code aims to promote adoption of digital technology, by ensuring that farmers have comfort in how their data is used, managed, and shared.¹⁴

“Yet despite an increasing interest in the future of data economies, the shift from ‘big data’ to ‘shared data’ remains beset by two chronic problems: a lack of trust regarding privacy, security and the appropriate use of data, and a lack of clear, sustainable economics”¹⁵

¹¹ <https://www.wollemi.io/>

¹² <https://www.avarni.co/>

¹³ <https://www.ibm.com/products/envizi>

¹⁴ <https://nff.org.au/programs/australian-farm-data-code/>

¹⁵ [Potential implications and benefits for the agricultural technology sector from the introduction of the Australian Agricultural Data Exchange — Charles Sturt University Research Output \(csu.edu.au\)](#)

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