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Climate Disclosure Unit
Market Conduct Division
The Treasury
Langton Crescent
PARKES ACT 2600

Beca submission for the Climate Disclosure Consultation paper

Beca is a professional engineering company delivering (inter alia) a raft of infrastructure projects across Australia. Our portfolio includes roads, rail, ports, airports, water treatment, and power programs. Beca is committed to sustainability and the consideration of climate resilience and adaptation planning in the scoping and delivery of services.

Beca supports the Commonwealth Government's efforts for Climate Disclosure (CD) and is in favour of a mandate for Australia that provides a clear and consistent approach for reporting on the climate and sustainability impacts of applicable entities.

In Australia, 90% of ASX100 companies recognise 'climate risk' as financial risk and 74% are currently reporting against Taskforce for Climate-related Financial Disclosure (TCFD) recommendations. Whilst climate disclosure reporting is on the rise in Australia, Beca would like to highlight the importance of its alignment with international frameworks such as International Sustainability Standards Boards (ISSB) as well as other reporting mechanisms to ensure uniformity and credibility.

To date the Australian Securities and Investment Commission (ASIC) and the Australian Prudential Regulation Authority (APRA) have provided leadership on climate disclosure reporting through their guidance document. However, the proposed national directive strengthens current efforts to assist organisations understand their obligations and helps ensure due diligence in reporting.

Our submission

1.1 Why is Climate Disclosure critical for Australia?

The impacts of a changing climate are widely felt across Australia highlighting the importance for businesses to better understand the effects of these increasing risks on their operations. Mandatory provisions for climate disclosure in Australia will also bring Australia in line with international financial market reporting and standards. Key benefits of mandatory Climate Disclosures include:

- Social license to operate: better understanding and incorporation of climate risk will enhance business valuation and reputation in the eyes of investors and lenders.
- Competitive advantage: the survival of businesses in this net zero aspirational economy is dependent on their ability to de-risk their business from both climate risks as well as to take proactive mitigation action which will encourage green investment as well strengthen their customer base. This will also likely boost businesses credit ratings, investor confidence and increase equity financing.

make everyday better.

Failure to mandate National Climate Disclosure reporting may result in:

- Loss of international trade / decline in Australian market confidence.
- Decline in foreign investment.
- Penalties and taxes such as Carbon Border Adjustment Mechanism (CBAM).
- Claims of greenwashing and potential litigation risk.
- Inconsistency in reporting causing non-compliance with international standards.
- Failure to comply with the expectations/requirements of both National Net Zero 2050 target reporting and/or other reporting requirements

1.2 Key considerations for the CD framework

Beca proposes consideration of a phased approach for CD aligned with that adopted by the New Zealand Government and as outlined in their NZ CS 1, 2, 3 (Climate Standards).

Beca proposes the structure of this reporting remains consistent with the international framework established by International Sustainability Standards Board (ISSB) and aligns with standards IFRS S1 and IFRS S2[1] satisfying the need for globally consistent reporting including the core elements of TCFD reporting: Governance, Strategy, Risk Management and Targets & Metrics.

We acknowledge that under each core element sector specific scenarios and metrics will need to be considered and implemented through a phased approach. Climate-related metrics can be generally categorised into two groups — those that apply to organisations (cross-industry) and those that are specific to an industry (industry specific). Australian industry associations, standard setters, and similar organisations together should consider the identification and operationalisation of industry-specific metrics. This approach will permit some flexibility in the reporting of each core element of TCFD reporting while keeping the framework consistent.

In the New Zealand context, the External Reporting Board (XRB) developed a number of provisions that could be adopted irrespective of which tier a business fell under. This approach allowed a phased approach to reporting, while encouraging companies to adopt reporting against all four core elements where possible.

In relation to the process for phasing out the implementation, Beca suggested developing a supplementary multi-criteria assessment (MCA) framework. The objective of the MCA framework is to assess the climate risk profile of a company by providing a climate vulnerability index (CVI) rating. The CVI rating helps inform the relevant level and pathway of reporting for the respective classification of the business (Tier 1, 2 ,3 etc).

The methodology and assessment criteria of the MCA framework should be sector specific to ensure consistency and comparability. This would inform the triaging and initial screening process that would apply to all businesses and ensure a consistent approach that is both equitable and fair. The suggested MCA criteria include: size (asset portfolio and revenue), emissions profile, risk profile, location and supply chain impact.

Additionally, new legislation and a standardised framework for climate disclosure reporting is suggested that would align to other existing reporting standards (eg: GRI, TNFD, ESG etc) resulting in a more fulsome and

[1] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*

holistic view of a business' sustainability performance. New legislation and a standardised framework will likely facilitate a cleaner and faster transition.

Furthermore, Beca suggest that a CD report could be a separate report in addition to the annual report. However, the financial disclosure on sustainability could be integrated with the company's annual financial reporting to make the business more transparent and accountable. Disclosures should clarify how the four core elements of TCFD reporting reconcile with financial accounting standards and if they do not reconcile this should be explained.

1.3 Characteristics of entities for mandatory disclosure

We suggest Climate Disclosure Reporting be considered for all sized entities (public/private) and be informed by the MCA and CVI metrics discussed above, a high score indicating that reporting is required. However, flexibility can be considered in relation to the level of detail or requirements subject to score. It is also important to consider the inclusion of public entities such as government entities, ministries, councils, etc in the reporting framework.

1.4 Materiality and Assurance of climate risks

Beca recognises the urgency to act on climate change and advocates for/supports actions that fast-track mitigation and adaptation.

Assurance is also a critical step in accelerating climate action. The following criteria are critical considerations for the assurance services in Australia:

1. Auditors have expertise in both financial and sustainability fields.
    a. Financial auditors meet the accounting standards and principles required for disclosures and integration between climate related financial disclosures and financial reporting.
    b. Sustainability or environmental auditors will help ensure use of the appropriate methodology of climate risk assessment, metrics and targets evaluation and may also consider the appropriateness of any Adaptation Plan. We suggest further work may be needed in relation to the assurance of sustainability reporting.
2. Assurance providers are independent helping avoid any bias resulting from risk assessment and/or financial impacts quantification.
3. Assurance providers maintain quality management standards.
4. Assurance providers are locally based and registered auditors in Australia.
5. External financial auditors, as per existing legislation, are accredited by CA Australia, CPA Australia or IPA Australia. Public practitioners are Registered Company Auditors (RCA) with the ASIC and are able to be appointed as a Company auditor. We propose consideration be given to the establishment of a governance framework for sustainability or environmental assurance reporting.
6. Australia's *Climate Change Act 2022* only focuses on scope 1 and scope 2 emissions. Scope 3 emissions are the largest contributor to Australia's emissions profile and consideration should be given to their incorporation into any new legislation and the proposed CD reporting requirement.
7. CD reporting requirements align with the NGER Act 2007 and its Safeguard Mechanism requirement.

1.5 Potential structure

Beca supports option 3 which is similar to the approach adopted by the New Zealand Government's XRB (External Reporting Board).

This structure is more efficient allowing for - faster decision making, better coordination between accounting and auditing standards, and greater independence / flexibility to respond to current and/or future financial reporting developments. This structure will require and help enable closer collaboration between financial and sustainability auditing practitioners.

Beca supports the establishment of national mandatory requirement for climate disclosure. We welcome the opportunity for ongoing engagement with the Treasury department during the development of the legislation. Should you require any further information regarding this submission, please contact [redacted], Sustainability Lead for Beca Australia on [redacted] or [redacted]

Yours sincerely

[redacted]

[redacted]

Senior Associate - Sustainability

endorsed by

[redacted]

Managing Director, Australia

on behalf of

Beca Pty Ltd

[redacted]