

17 February 2023

Climate Disclosure Unit
Market Conduct Division
The Treasury

Via email: climatereportingconsultation@treasury.gov.au

Dear Climate Disclosure Unit

RE: Green Building Council of Australia submission to the Climate-related Financial Disclosure consultation

Green Building Council of Australia (GBCA) welcomes the opportunity to provide input to the Climate-related Financial Disclosure consultation. The Australian property sector has an excellent track record of high-quality disclosure and reporting of sustainability performance and we support a well-planned move towards mandatory climate-related financial disclosure within timeframes that will allow for industry to appropriately prepare.

GBCA's purpose is to lead the sustainable transformation of the built environment. We do this primarily through our core functions:

- We rate the sustainability of buildings, fitouts and communities through Australia's largest national, voluntary, holistic rating system – Green Star.
- We educate industry, government practitioners and decision-makers, and promote green building programs, technologies, design practices and operations.
- We advocate policies and programs that support our vision and purpose.
- We collaborate with our members and other stakeholders to achieve our mission and strategic objectives.

Green Star is Australia's most widely used sustainability rating system for the design, construction and performance of buildings – including social infrastructure – fitouts and communities. Green Star aims to transform the built environment by:

- reducing the impact of climate change
- enhancing our health and quality of life
- restoring and protecting our planet's biodiversity and ecosystems
- driving resilient outcomes for buildings, fitouts, and communities
- contributing to market transformation and a sustainable economy.

The Australian property sector has long been an international leader in sustainability. It has been quick to adopt voluntary and mandatory disclosure mechanisms such as Green Star, National Australian Built Environment Rating System (NABERS), GRESB (Global ESG Benchmark for Real Assets) and the Commercial Building Disclosure program.

Transparency around sustainability performance and strategy across the property sector has markedly increased since the Green Star rating system was first introduced in 2003. Over 3800 projects have now been certified with Green Star, with over 1600 further projects registered. The Green Star rating system

itself is regularly updated to reflect local and international best practice and expectations. The most recent and transformative update to Green Star has led to the release of the Green Star Buildings rating tool (with updates to all other Green Star rating tools to follow). Credits and guidelines within Green Star Buildings are aligned with a range of established international frameworks including the Task Force on Climate-related Financial Disclosure (TCFD), GRESB, the United Nations Sustainable Development Goals (UN SDGs), the Intergovernmental Panel on Climate Change (IPCC) and the Climate Bonds Initiative. All Green Star rating tools are backed by ACCC Trademark rules and a Quality Management System certified to ISO 9001. This means that those who use Green Star to certify their assets not only have independent, robust and credible verification of the asset's sustainability achievements, but reporting of these achievements can be streamlined for any of the aligned frameworks.

GBCA supports increased disclosure of climate-related financial risks, with disclosure often the first step towards meaningful measurement and then reduced impact over time. GBCA notes that while additional mandatory disclosure will result in costs for industry, many organisations within the property sector are already measuring and reporting climate related risks to investors and other stakeholders and are accustomed to resourcing corporate level sustainability reporting.

GBCA's key priorities in relation to Climate-related Financial Disclosure are as follows:

1. Implementation timeframes should be tailored to industry readiness.

GBCA notes that while the leading edge of the property sector is sophisticated and will readily adopt reporting requirements, much of the sector will require time to upskill and build resources and capability. In principle, GBCA supports an earlier disclosure timeline. This is in line with global investor expectations and will be facilitated by the widespread use of well-established rating tools and benchmarks in Australia. Given the above, and the urgency of the climate crisis, the property sector is well placed to act quickly and meaningfully. However, we recognise that for much of the sector to be able to appropriately prepare, the standards should apply no earlier than reporting periods commencing 24 months following the establishment of a local regulatory implementation framework. Should this be done by mid-2023, we recommend mandatory reporting come into effect in FY25-26.

2. Independent assurance should be the favoured approach.

Independent assurance will support disclosure efforts with enhanced credibility and accuracy. Sustainability reporting should mirror the arrangements for general purpose financial reporting. There may be some initial issues created by a lack of resources in assurance companies to deal with heightened demand. It will take some time for professional firms of all sizes to develop expertise in this space. The Government should take steps to grow and improve skills to undertake assurance activities.

3. A robust and well-resourced governance framework.

GBCA supports an Australian governance framework that mirrors international arrangements. We recommend the Government establish a separate body alongside the Australian Accounting Standards Board with specific responsibility for the adoption of sustainability related standards. This governance model should be reinforced with an overarching governing board.

4. A flexible approach to disclosing Scope 3 emissions.

While there is broad support to measure and disclose Scope 3 emissions in the property sector, data is not readily available across the range of Scope 3 emission sources. There is significant misalignment of approaches to Scope 3 measuring and reporting in the property sector and a combination of technical and legislative barriers stands in the way of full disclosure. For instance, there is currently no established and commonly accepted methodology to measure embodied carbon in building projects and lifecycle analyses can produce significantly divergent outcomes. Tenancy laws also currently prevent building owners from accessing and reporting on tenancy energy usage and associated emissions. The consistent and robust measurement of Scope 3 emissions is an enormous challenge across the economy, not just in the property sector. While we expect data availability and calculation methodologies of Scope 3 emissions to improve over time, a flexible approach will be needed while industry builds its reporting capabilities. GBCA is currently developing a consultation paper regarding Scope 3 emissions in an effort to bring the sector into closer alignment.

GBCA notes that our position outlined in this submission is closely aligned with that of the Property Council of Australia. While GBCA has not provided detailed feedback to each of the questions asked in the consultation paper, we encourage the Climate Disclosure Unit to refer to the Property Council's submission for further input.

GBCA welcomes the opportunity for further consultation to ensure that the sustainability leadership, commitments and achievements of our industry continue to be recognised globally. To arrange further discussion or for additional clarification of the points made above, please do not hesitate to contact [REDACTED], Senior Manager – Market Engagement, via email at [REDACTED]

Yours sincerely

[REDACTED]

[REDACTED]

Chief Executive
Green Building Council of Australia