Submission by Chris Haley, [redacted]

Key consultation questions (My comments are in red italics)

Question 1: What are the costs and benefits of Australia aligning with international practice on climate-related financial risk disclosure (including mandatory reporting for certain entities)? In particular:

1.1 What are the costs and benefits of meeting existing climate reporting expectations?

The costs are non-consequential in presenting a new system of governance.

1.2 What are the costs and benefits of Australia not aligning with international practice and in particular global baseline standards for climate reporting?

The costs of having a separate system of measuring the impacts of climate change are significant and having a significant international system in place to measure change in environmental matters is cause for concern. Policy needs to firmly address this to ensure that Australia maintains a system that agrees the rest of the world and makes comparison's between countries easily accessible.

Question 2: Should Australia adopt a phased approach to climate disclosure, with the first report for initially covered entities being financial year 2024-25?

2.1 What considerations should apply to determining the cohorts covered in subsequent phases of mandatory disclosure, and the timing of future phases?

A phased approach would be more equitable given that many companies would be unfamiliar with the system that is a government requirement, however the phasing in process should only last for one year. That is after the introduction of legislation companies would be required to complete the system requirements after 12 months.

Question 3: To which entities should mandatory climate disclosures apply initially?

3.1 What size thresholds would be appropriate to determine a large, listed entity and a large financial institution, respectively?

Large listed entities should only be required to complete the system's requirements if their turnover is greater than $20 million per year. This would enable smaller companies to not complete the requirements but would allow the majority to be captured. Financial institutions should also be treated in a similar fashion.

3.2 Are there any other types of entities (that is, apart from large, listed entities and financial institutions) that should be included in the initial phase?

Not so far as I know.

Question 4: Should Australia seek to align our climate reporting requirements with the global baseline envisaged by the International Sustainability Boards?

Yes, this appears to be an appropriate standard for reporting.

4.1 Are there particular considerations that should apply in the Australian context regarding the ISSB implementation of disclosures relating to: governance, strategy, risk management and/or metrics and targets?

In summary NO. If consumers are to compare companies to each other, they should be reporting equally to enable comparisons to be made.

4.2 Are the climate disclosure standards being issued by the ISSB the most appropriate for entities in Australia, or should alternative standards be considered?

"This announcement sends clear signal to the global market ahead of finance day at COP27 that CDP and ISSB are responding to market demand for effective, consistent climate-disclosures." (IFRS website news) This announcement informs everyone that the climate disclosure standards are critical to maintaining the Paris agreement and company disclosure rules.

Question 5: What are the key considerations that should inform the design of a new regulatory framework, in particular when setting overarching climate disclosure obligations (strategy, governance, risk management and targets?

This paragraph by Karin Kemper said it all: The ISSB is bound to play a fundamental role in helping address climate change and nature loss, decreasing systemic risk for the planet, the global economy and the financial system. It will fill a public-interest gap and provide investors with practical and globally applicable parameters. I look forward to working with Emmanuel to help integrate natural ecosystem topics into the ISSB's work and lift this important aspect into the evolving global sustainability disclosure standards. This moment is especially timely, given the expectation that COP15 will result in the post-2020 Global Biodiversity Framework, and require innovative follow-up linking biodiversity, economics and finance.

Question 6: Where should new climate reporting requirements be situated in relation to other periodic reporting requirements? For instance, should they continue to be included in an operating and financial review, or in an alternative separate report included as part of the annual report?

The climate reporting requirements should be required to be disclosed in the annual report in a similar fashion to all other financial data.

Question 7: What considerations should apply to materiality judgements when undertaking climate reporting, and what should be the reference point for materiality (for instance, should it align with ISSB guidance on materiality and is enterprise value a useful consideration)?

Materiality is an important concept that defines why and how certain issues are important for a company or a business sector. A material issue can have a major impact on the financial, economic, reputational, and legal aspects of a company. So the ISSB guidelines are important for their impact on reporting to the general public.

Question 8: What level of assurance should be required for climate disclosures, who should provide assurance (for instance, auditor of the financial report or other expert), and should assurance providers be subject to independence and quality management standards?

If the company signs the ISSB guidelines, then that should be sufficiently strong representation then the company should have a meaning fine imposed on them such as a percentage of turnover. So for example a largish company with a turnover of $20 million per year should be fined say 30% of their turnover that is $6 million. This should prevent companies from ignoring the penalty.

Question 9: What considerations should apply to requirements to report emissions (Scope 1, 2 and 3) including use of any relevant Australian emissions reporting frameworks?

I found this below helpful and comprehensive. So, each should be included:

Scope 1 covers emissions from sources that an company owns or controls directly – for example from burning fuel in our fleet of vehicles (if they're not electrically-powered).

Scope 2 are emissions that a company causes indirectly when the energy it purchases and uses is produced. For example, for our electric fleet vehicles the emissions from the generation of the electricity they're powered by would fall into this category or fuel burnt by shipping containers for goods used by the company.

Scope 3 encompasses emissions that are not produced by the company itself, and not the result of activities from assets owned or controlled by them, but by those that it's indirectly responsible for, up and down its value chain. An example of this is when we buy, use and dispose of products from suppliers. Scope 3 emissions include all sources not within the scope 1 and 2 boundaries.

Question 10: Should a common baseline of metrics be defined so that there is a degree of consistency between disclosures, including industry-specific metrics?

Yes, of course there should be a common requirement so that a degree of consistency between companies. How else are the companies going to be measured if not by their emissions?

Question 11: What considerations should apply to ensure covered entities provide transparent information about how they are managing climate related risks, including what transition plans they have in place and any use of greenhouse gas emissions offsets to meet their published targets?

I presume that there is currently a climate risk analysis that supports this question. Transition plans that accommodate such exercises as "greenwashing" should be prohibited thereby ensuring that companies properly analyse their data on the effect of their analysis correctly.

Question 12: Should particular disclosure requirements and/or assurance of those requirements commence in different phases, and why?

Typically, companies should be required to state their Scope 1 and Scope 2 emissions so that the company is clear on its contribution to the caarbon dioxide problem.

Question 13: Are there any specific capability or data challenges in the Australian context that should be considered when implementing new requirements?

No, the system should follow international procedures.

13.1 How and by whom might any data gaps be addressed?

Arena would seem to be the ideal proponent to measure any companies that the data gaps would need to be addressed. They will need additional funding and legal support to impose this requirement. The ability of Arena to impose significant fines for non-compliance will need to be further investigated. The issue of "greenwashing" should not be permitted.

13.2 Are there any specific initiatives in comparable jurisdictions that may assist users and preparers of this information in addressing these challenges?

There is the European Commitment to Climate Change as shown in this website https://climate.ec.europa.eu/eu-action/european-green-deal/european-climate-law_en

Question 14: Regarding any supporting information necessary to meet required disclosures (for instance, climate scenarios), is there a case for a particular entity or entities to provide that information and the governance of such information?

The existential threat posed by climate change requires enhanced ambition and increased climate action by the Union and the Member States. The Union is committed to stepping up efforts to tackle climate change and to delivering on the implementation of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change (the 'Paris Agreement') (4), guided by its principles and on the basis of the best available scientific knowledge, in the context of the long-term temperature goal of the Paris Agreement. Copied from here:

https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32021R1119&from=EN

Question 15: How suitable are the 'reasonable grounds' requirements and disclosures of uncertainties or assumptions in the context of climate reporting? Are there other tests or measures that could be considered to ensure liability is proportionate to inherent uncertainty within some required climate disclosures?

Uncertainty should be dealt with in the same way as outlined in the website:

https://www.auasb.gov.au/admin/file/content102/c3/ags1028_7-97.pdf

Question 16: Are there particular considerations for how other reporting obligations (including continuous disclosure and fundraising documents) would interact with new climate reporting requirements, and how should these interactions be addressed?

There will always be conditions that are changeable for companies that for example diversify and take on new business opportunities. In this case, the company should assess the effects of taking on a new business opportunity and assess its opportunity to ameliorate the *opportunities to decrease the carbon dioxide emissions in its planned assumptions. Or if this is not possible, they should intimate their plans to reduce emissions in the future.*

Question 17: While the focus of this reform is on climate reporting, how much should flexibility to incorporate the growth of other sustainability reporting be considered in the practical design of these reforms?

Maybe growth needs to be taken out of the equation and we need to accept that growth is no longer achievable in the current climate! Other sustainable measures should not be used as a compensatory system.

Question 18: Should digital reporting be mandated for sustainability risk reporting? What are the barriers and costs for implementing digital reporting?

Sustainability depends largely on the industry that the company is involved in and therefore should not be involved in the environmental assessment.

Question 19: Which of the potential structures presented (or any other) would best improve the effectiveness and efficiency of the financial reporting system, including to support introduction of climate related risk reporting? Why?

Mandatory enforcement of ESG goal reporting will be a big step in the right direction. This should be a separate section of the annual report that clearly and unequivocally spells out the company requirements. This will enable investors to easily appreciate the company's commitment to the disclosure of performance in relation to material ESG risks and opportunities, both qualitatively and quantitatively, to explain how these material topics inform a company's strategy and overall performance.