21 July 2023

Climate Disclosure Unit
Market Conduct and Digital Division
Treasury
Langton Crescent
Parkes ACT 2600

Sent via email: ClimateReportingConsultation@treasury.gov.au

Dear Climate Disclosure Unit,

CLIMATE-RELATED FINANCIAL DISCLOSURE: SECOND CONSULTATION

The Chamber of Minerals and Energy of Western Australia (CME) is the peak representative body for the resources sector in Western Australia (WA). CME is funded by member companies responsible for 87 per cent of the State's mineral and energy workforce employment,[1] ranging from mining, manufacturing and supporting services across more than a dozen commodities and a hundred sites across WA from the project development phase to production and closure.[2]

The opportunity to provide input to Treasury's consultation on proposed positions for disclosing climate-related financial risks and opportunities in Australia is welcome. CME notes the contribution of the Minerals Council of Australia (MCA) to this consultation process. We support the important points the MCA has made on behalf of the resources sector nationally.

CME recognises a regime for climate-related financial disclosure (CRFD) in Australia is important to maintain the investment attractiveness of Australian resource projects. We support the Government's efforts to define practical requirements through this consultation. We feel there is an opportunity to adjust some elements of the proposed CRFD framework to improve clarity and efficiency for reporting entities and better manage the transition to mandatory reporting whilst maintaining value for investors.

This submission highlights the following issues raised by our member companies:

1. Modify CRFD requirements to facilitate a smooth transition to mandatory reporting

CME supports the following recommendations made by the MCA, which would help reporting entities transition to mandatory reporting:

- Raise the revenue threshold for reporting from $50 million to $1 billion to align with reporting standards in the UK and New Zealand and protect capital-intensive entities.
- Delay the proposed commencement of reporting for group 3 by 12 months (to 2028/29), providing both groups 2 and 3 two years to learn from the preceding group.
- Clarify the necessary inclusions within a report, including provisions to refer to earlier reports where disclosures are unchanged to emphasise new information.
- Adjust requirements for scope 3 reporting such that scope 3 emissions disclosures are voluntary until relevant specifications and guidelines can be provided.

2. Minimise the cumulative reporting burden for multinational entities

Some reporting entities, including many CME members, have existing international reporting obligations (both voluntary and regulatory). There is an opportunity to reduce duplicative reporting requirements by aligning

[1] Government of Western Australia, *2021-22 Economic indicators resources data*, average number of individuals onsite under State legislation, Department of Mines, Industry Regulation and Safety, 5 October 2022.
[2] Mining includes mineral and petroleum commodities, whilst manufacturing includes alumina production, basic inorganic chemicals (lithium), basic non-ferrous metals (silicon), concrete and fertiliser explosives.

Australia's requirements to equivalent international reporting frameworks or allowing entities to refer to reports made in other jurisdictions. CME supports Treasury's intent to develop standards closely aligned with the International Sustainability Standards Board (ISSB) guidelines.[3] CME recommends this alignment leverages the interoperability of International Financial Reporting Standards *General Requirements for Disclosure of Sustainability-related Financial Information* and *Climate-related Disclosures* (IFRS S1 and S2) with the Global Reporting Initiative standards, with the objective that Australia recognises common or integrated reporting across multiple jurisdictions to reduce the reporting burden for multinational entities.

3. Minimise cumulative reporting burden and compliance costs for all entities by increasing flexibility

CME recognises Treasury's efforts to simplify reporting efforts and minimise duplication; however, there are some specific instances in which some reporting entities, including CME members, will face increased reporting burden and costs that arise due to greenhouse gas accounting protocols differing between international jurisdictions,[4] and misalignment of year-end periods (financial vs. calendar year).

CME recommends that additional flexibility is incorporated into the reporting framework to allow entities to:

- Refer to other reports for elements of disclosures that have already been publicly reported, including in international jurisdictions. This should also be allowed where a global entity's financial year-end is not aligned with the related Australian entity's financial year-end or the fixed June year-end National Greenhouse and Energy Reporting (NGER) data reporting requirement.
- Reference other reports or previous reports for elements unlikely to change year-on-year, such as emissions reduction targets, decarbonisation strategies, and scenario analyses.
- Utilise emissions and assurance data prepared as a requirement of the NGER Act even when the entity's financial year is not aligned with the fixed NGER June year-end.
- Use emissions data from either NGER or Greenhouse Gas Protocol (GHG Protocol) methodologies, especially for multinational entities.

Providing entities with the flexibility to refer to other reports, such as sustainability reports or previous financial disclosures, and use credible data collected for other purposes to meet mandatory CRFD requirements would minimise the cumulative reporting burden and compliance costs without detracting from the integrity of the information.

4. Permit disclaimers on forward-looking statements to support investor decision-making

CME notes Treasury's preference to avoid disclaimers for forward-looking statements to reduce the overall disclosure length and improve readability but is concerned that removing disclaimers from forward-looking statements could compromise the usefulness and accuracy of disclosure.

Disclaimers can include information valuable and useful to investors when making investment decisions, such as future-facing assumptions and relevant external factors that may impact the outcome of forward-looking statements. Without such information, investors may overestimate a reporting entity's degree of influence over future outcomes. CME recommends that the Treasury permit reporting entities to include disclaimers on forward-looking statements within disclosures.

[3] Specifically, alignment with the recently issued IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures as it consolidates recommendations by the Task Force on Climate-related Financial Disclosures recommendations, Sustainability Accounting Standards Board Standards and Integrated Reporting Framework and the Climate Disclosure Standards Board Framework in full.

[4] Multi-national businesses that report emissions under GHG Protocol guidelines at a global level face duplicated emissions estimation efforts for reporting in Australia. In some cases, the NGER framework and GHG Protocol are not aligned: for example, updated global warming potentials for greenhouse gases from Intercontinental Panel on Climate Change Assessment Report 5 were recommended for use by the GHG Protocol from 2016, however were only adopted under the NGER reporting framework from the 2020/21 reporting year.

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Conclusion

CME supports implementing standardised, internationally aligned requirements for disclosing climate-related financial risks and opportunities in Australia. However, there is an opportunity to adjust elements of the framework to improve clarity and efficiency for businesses whilst maintaining value for investors.

Should you require further information regarding this submission, please contact Ms Adrienne LaBombard, Director of Policy & Advocacy, on 0400 912 525 or at A.LaBombard@cmewa.com.

Yours sincerely,

Rebecca Tomkinson
Chief Executive Officer

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