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

climatereportingconsultation@treasury.gov.au

Public Submission to the Climate-related Financial Disclosure Consultation Paper

This submission is made in response to the consultation paper released in December 2022 on the review of Climate-related financial disclosure. This submission is made by our private equity business Adamantem Capital and our public equities business Melior Investment Management.

[redacted]

[redacted]
Managing Director
Adamantem Capital

[redacted]

[redacted]
Chief Executive Officer
Melior Investment Management

Adamantem Capital Pty Ltd
Level 8, 167 Macquarie St, Sydney NSW 2000
P: +61 2 9004 6060 I E: info@adamantem.com.au
ABN: 91 614 857 037

Melior Investment Management Pty Ltd
Level 8, 167 Macquarie St, Sydney NSW 2000
P: +61 2 9004 6071 I E: info@meliorim.com.au
ABN: 16 629 013 896

Treasury consultation paper on climate-related financial disclosure

Adamantem Capital and Melior Investment Management (the "Adamantem Group") submission

INTRODUCTION

The Adamantem Group welcomes the opportunity to provide feedback on the recent Treasury Consultation paper on disclosure of climate-related financial disclosure. This submission is made by our two key operating businesses, our private equity business Adamantem Capital[1], and our public equities business Melior Investment Management[2].

WHO WE ARE

Adamantem Capital

Adamantem Capital is a private equity investment manager, established in 2016, specialising in the Australian and New Zealand mid-market. It invests with conviction behind clear, well-articulated and well-researched value creation opportunities. Adamantem Capital currently manage two private equity investment funds which were established to make control investments in companies with an enterprise value of between A$100 million and A$300 million operating in Australia and New Zealand. Adamantem fully integrates responsible investing into its investment approach, focussing on delivering financial returns alongside environmental and social outcomes. A key area of focus as part of its environmental sustainability agenda is assessing and managing climate risk in its investments.

Melior Investment Management

Melior is a specialist impact investment equities manager founded in Australia in 2018, and is manager of the Melior Australian Impact Fund. Melior's vision is to seek to invest for a better future by delivering long term competitive returns and contributing to the United Nations Sustainable Development Goals. Melior’s investment philosophy is that investing in companies that contribute to the SDGs, and have strong financial and ESG credentials, has the potential for benchmark outperformance over time. Melior seeks to contribute to the SDGs through allocating its investment capital, engaging management and boards to improve their sustainability and Impact practices and publicly advocating for better social and environmental outcomes and measuring progress.

[1] Adamantem Capital Management Pty Ltd (ABN 31 616 283 124)
[2] Melior Investment Management Pty Ltd (ABN 16 629 013 896)

WHY WE WANT TO RESPOND

We believe that our collective experience in: 1) advocating, and actively supporting, private and public companies to enhance their climate reporting and strategies; and 2) integrating climate risk analysis into the investment decision-making process and reporting to our investors, will provide useful insights to the Treasury Consultation from an investment manager perspective. Implementation of standardised, internationally-aligned requirements for disclosure of climate-related financial risks creates the opportunity to guide and harmonise the private sector in meeting the objective of the 2022 Climate Change Bill - Net Zero emissions by 2050. Companies and investors will benefit from adopting appropriate disclosure requirements as it will promote more effective measurement and management of transition and physical climate risk, and more efficient allocation of capital, as the global economy transforms to Net Zero.

OUR RESPONSES TO THE TREASURY CONSULTATION QUESTIONS

We provide responses below to certain questions In the Treasury Consultation paper.

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

Question 1.1

The absence of a mandated disclosure framework in Australia currently causes companies and investors to unnecessarily spend significant resources on climate-related reporting due to lack of clarity and comparability of disclosures. As of 31 December 2022, we believe that only 31%[3] of ASX300 companies publish annual reports aligned to the current TCFD framework.

According to the 2022 TCFD Progress Report, "*80% of companies [reporting under TCFD] disclosed in line with at least one of the 11 recommended disclosures; however, only 4% disclosed in line with all 11 recommended disclosures*"[4]. This opt-in approach for companies has led Australia to lag other regions (such as Europe) in providing adequate and comparable climate disclosures to investors. Whilst we recognise that some companies have made significant efforts to increase climate disclosures, without mandated and standardised reporting this leaves significant gaps in data provided. This causes challenges in tracking and comparing company progress properly, assessing and managing investment risks, and investors' ability to allocate capital in alignment with their target risk and return profiles. It also leads to significant variation in estimates and forecasts used by advisers and asset managers managing physical and transition climate risk within portfolios.

[3] Melior ESG Framework data, 31 December 2022
[4] 2022 TCFD Status Report: Task Force on Climate-related Financial Disclosures - Financial Stability Board (fsb.org)

We believe that there are substantial benefits for companies and investors in adopting climate reporting expectations:

1) Better assessment and management of climate risks. Most importantly, this enables executives and directors to enhance climate resilience (increasingly important in an Australian context). For example, banks can more easily identify and manage stranded asset risk in lending to energy companies (transition risk), or insurance companies can more easily quantify and manage climate-related claims such as those arising from floods or bush fires (physical risk).

2) More accountability for Net Zero targets. Companies will also benefit from more accountability among Board Directors and Executive Teams to meet Net Zero targets where there is clear reporting and progress measurement. This will ultimately benefit Australia in achieving our Net Zero goal.

3) Capital allocation. There are also benefits to investors in adopting climate reporting; from increasing awareness of climate-related financial risks and enabling preferential capital flow (by allowing investors to differentiate between companies' climate risk profiles and direct capital appropriately to mitigate climate risk within portfolios).

<u>Question 1.2</u>

Failing to adopt international practice on climate reporting will be costly to Australian corporates, and private and public sector investment. Firstly, Australia will become less attractive as a destination for international equity and debt if disclosure standards do not meet internationally applicable standards or expectations. At the end of 2021, foreign economies invested c.$4trillion[5] in Australia, with significant capital flows coming from the UK and the US, both of which are rapidly adopting enhanced climate disclosure requirements. Secondly, Australia's current emissions reduction target of 'Net Zero by 2050'[6] is predicated on corporates significantly reducing their emissions. We estimate that ASX300 companies represent ~1/3 Australia's Scope 1 emissions[7], making their emissions reduction plans essential to achieving our national target. Australian corporates must be able to monitor and manage - and be held accountable for - their emissions profile in order to meet climate targets.

Alignment with international practises will benefit Australian companies and their stakeholders in many ways, including:

- It will remove reporting complexities for companies and investors with dual reporting requirements and remove barriers for foreign investors analysing Australian opportunities.

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[5] Statistics on who invests in Australia | Australian Government Department of Foreign Affairs and Trade (dfat.gov.au)
[6] Australian Climate Change Bill 2022
[7]Melior GHG Framework 2022, Quarterly Update of Australia's National Greenhouse Gas Inventory: June 2022 (dcceew.gov.au)

- It will reduce liability risk for both companies and directors, by removing uncertainty and offering necessary direction and accountability on climate reporting. Liability risk can take the form of stakeholder litigation and regulatory enforcement (compliance risk), and could pose significant reputational and financial risk to companies and investors.

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?

We believe that a phased approach is the most appropriate, given the resource intensity, skills and education required to implement mandatory climate disclosures in Australia. This is also consistent with international approaches.

We believe that, assuming appropriate phasing is in place, the reporting requirements should apply to the 2023-24 financial year. This is recognising that the ISSB climate standard is expected to be finalised for adoption in early 2023, and global reporting systems (such as CDP: Carbon Disclosure Project) are preparing to align their platform with the ISSB standards for 2023 reporting[8].

Question 2.1

Considerations for determining cohorts covered in the phases of mandatory disclosure include:

- International benchmarks - Thresholds should be consistent with those set by international bodies further on the journey to mandated climate reporting. For example, implementation of the EU Taxonomy reporting standards has been spread over 4 phases between 2022-2025[9]. By aligning with current international phased approaches there is more clarity and efficiency for companies reporting in multiple jurisdictions
- Multiple approaches to phasing - phasing can be done both in terms of **who** needs to report as well as **what** information should be reported at a minimum. Both of these can scale over time. For example, ISSB have suggested that disclosure of Scope 3 emissions will be required a minimum of one year after the effective date of IFRS S2[10]. We believe it is important to have a clear, timebound roadmap to implementation across the economy, ultimately to all companies that report financial accounts, for example over a maximum 2-3 year period.
- Size and resourcing capabilities of companies - larger companies tend to be better resourced and so potentially have the capacity and expertise to manage the first phase of

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[8] IFRS - ISSB at COP27: CDP to incorporate ISSB Climate-related Disclosures Standard into global environmental disclosure platform

[9] What the EU ESG taxonomy requires you to report and when | Insights | Bloomberg Professional Services (**4 stages**. 1: companies >500 employees or covered by Non-Financial Reporting Directive, 2: all non-financial companies, 3: all financial companies report only on investee companies that report Taxonomy alignment themselves, 4: all financial companies using estimates for third country investments)

[10] IFRS - ISSB Update December 2022

reporting. Treasury should keep in mind other reporting requirement thresholds for Australian companies to avoid adding further complexity, e.g. Modern Slavery reporting is required for companies operating in Australia with consolidated revenue >A$100m[11], WGEA Gender Equality reporting is required for non-public sector employers with more than 100 employees[12], NGERs reporting is required for any corporate group with 50 kt or more of greenhouse gases (CO_2-e) (scope 1 and scope 2 emissions) or producing / consuming 200 TJ or more of energy[13].

- Materiality of climate risk - sector classifications (or other measures, such as NGERs thresholds) could also inform the initial phasing of companies captured to ensure that large-emitting companies (e.g. energy companies, airlines) and companies where climate risk is material to their business operations (e.g. banks, utilities, food retail) are prioritised. This would help to ensure that companies whose decarbonisation is critical for Australia to meet its emission reduction targets and companies exposed to high physical transition risks are considered for earlier inclusion
- Existing skills in the market to undertake reporting - In our experience of supporting and advocating for companies to improve climate disclosures and set Net Zero targets, we have identified a material skills gap in the marketplace to satisfy increasing sustainability reporting expectations. A phased approach would be helpful to ensure that companies and other entities (e.g. accountants) have ample time to prepare for new reporting requirements. During the phasing period, it would be helpful to host training sessions and provide resources / guidance for executive teams, board directors and professionals who will be responsible for reporting on and assuring climate-related risks and opportunities.

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?
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?

See our response to Question 2 for more information.

Question 3.1

In relation to large listed entities and large financial institutions:

- ASX 300-listed companies - NGER reporting thresholds, numbers of employees or annual consolidated revenue could be used as a guide
- Large financial institutions - annual consolidated revenue or, in the case of asset managers, total assets under management could be used as a guide.

[11] Commonwealth Modern Slavery Act 2018 - Guidance for reporting entities (homeaffairs.gov.au)
[12] Reporting overview | WGEA
[13] Key steps in reporting your obligations (cleanenergyregulator.gov.au)

In each case, reference should be had to the thresholds set in overseas jurisdictions for phasing (for example the first phasing of TCFD reporting in the UK in relation to asset managers).

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

Yes - we support the development of internationally aligned climate risk disclosure requirements in Australia and agree that the ISSB standards are most appropriate to follow in order to align with international best practice and promote consistency in reporting across jurisdictions. We should aim for a single set of global climate reporting standards to mirror the goal of a single set of high-quality global financial accounting standards.

Question 4.1

Australia should align with best practice in definitions of climate risk, reporting expectations and benchmarking. This is critical to support the implementation of globally consistent frameworks and enable the cross-border flow of capital necessary to support the energy transition and encourage sustainable financing. By adopting and building on these standards, this will ensure comparability and compatibility with some of the major markets expanding beyond the minimum standards, such as Europe.

In the Australian context, nature risk is receiving increasing attention as further evidence proves that climate change has led to higher levels of biodiversity loss and habitat degradation[14]. Given the inextricable link between nature and climate risk, we think the risk management and metrics within the disclosure requirements should ultimately include consideration of nature risk[15]. As per the ISSB development of a separate TNFD standard, we expect that this will be a consideration in the phased approach to new climate disclosures.

Question 4.2

Yes - we believe that the ISSB climate disclosure standards are most appropriate for Australian entities given they have international acceptance and traction, they are ready for imminent release (expected to be finalised in 2023), and they are comprehensive and well-designed (incorporating considerations of a range of other frameworks, including TCFD and SASB[16]).

The scope of the standards requires companies to disclose both climate-related risks related to the company (specifying both physical risk and transition risk) and identification of climate-

[14] Key findings | Australia state of the environment 2021 (dcceew.gov.au)
[15] Solving for Nature Loss: The Next Frontier in Climate Action - Melior Investment Management (meliorim.com.au)
[16] Sustainability reporting – what you need to know to be prepared for the ISSB Sta (allens.com.au)

related opportunities[17]. By adopting these standards from the outset, the necessary uplift in climate disclosures will improve international financing opportunities and avoid duplicate / translation disclosures for companies opting to comply with ISSB standards independently.

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)?

In addition to our comments in relation to phasing in Question 2, we believe that the key principles to follow in designing the framework should be to;

- Follow international best practice and maintain consistency
- Ensure clarity and simplicity to reduce the reporting burden and enhance comparability of disclosures
- Focus on materiality
- Design the framework to be auditable

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?

We believe that, consistent with the updated ASIC guidance (2019)[18], climate disclosures of listed companies should be included in the operating and financial review required under *The Corporations Act (2001)*. As bodies such as the ISSB release further guidance on sustainability risks outside of climate change, integrated reporting will be the most efficient way for stakeholders to interpret both the financial and ESG risks of a company.

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?

We understand that the IAASB *(International Auditing and Assurance Standards Board)* is currently developing new sustainability assurance standards, which are expected to be available for public comment by second half 2023[19] and aiming for final approval in late 2024 - early 2025[20]. Government, financial regulators and the AUASB should actively engage in this work to ensure applicability and prompt adoption in the Australian market.

We believe that, like financial-related disclosures, climate risk reporting carries significantly more value and reliability once data disclosures have been audited and assured. Therefore, we would encourage new climate-related financial disclosures to be designed to be able to be fully assured and be subject to the same independence and quality management standards as

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[17] https://www.ifrs.org/groups/international-sustainability-standards-board
[18] 19-208MR ASIC updates guidance on climate change related disclosure | ASIC
[19] Balancing Urgency and Effectiveness in International Sustainability Assurance Standards | IFAC (iaasb.org)
[20] Sustainability Assurance Update (10/22) (auasb.gov.au)

financial reports (i.e. audited by a registered company auditor and signed off by company directors, pending IAASB guidance). This is consistent with international best practice; for example, the EU CSRD (Corporate Sustainability Reporting Directive) will make it mandatory for companies to carry out an audit of the sustainability information that they report from financial year 2024[21].

Introduction of this requirement should be phased according to the same resourcing considerations and skills availability as referred to in our response to Question 2.

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?

In order to manage and mitigate climate risk effectively, companies should measure, disclose and reduce both upstream and downstream emissions. We understand that the ISSB standards will require companies to disclose scope 1, scope 2 and scope 3 greenhouse gas emissions[22], albeit under a phased approach. Therefore, we suggest that this is incorporated into mandatory climate reporting from the outset, to ensure consistency and align with international best practise.

In the Australian context, measurement and reporting of emissions including Scope 3 will be a significant leap from reporting requirements today. We estimate that today c.180 ASX300 companies report Scope 1 & 2 emissions, and only 107 report Scope 3 emissions[23]. This means that most large corporations, and a long tail of smaller / non-listed companies are yet to measure or disclose their full emissions profile. That said, given Scope 3 emissions are estimated to make up c.87% ASX300 emissions (Scope 1: 10%, Scope 2: 3%)[24], it is essential that these be measured and reduced in order to achieve national Net Zero emissions.

As part of developing the mandatory reporting framework, consideration should be given to how this will integrate with existing Australian emissions reporting requirements (such as NGERs). The design principle should be to maintain the quality and breadth of reporting consistent with international best practice, while streamlining companies' reporting obligations to reduce the reporting burden, inefficiencies and potentially conflicting information sources for investors. This may require consideration of whether NGERs reporting requirements would need to evolve to align with new climate disclosure reporting requirements to avoid inconsistency and confusion.

Acknowledging the significant uptick in reporting requirements that will be required, it may be appropriate to use thresholds (e.g. NGERs) to phase in requirements for reporting Scope 1, 2 & 3 emissions. For example, companies currently reporting Scope 1 & Scope 2 emissions under NGERs could be required to include Scope 3 disclosures earlier, whilst those companies not yet reporting under NGERs would first be required to report Scope 1 & 2 emissions and then

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[21] Corporate sustainability reporting (europa.eu)

[22] ISSB, *ISSB unanimously confirms Scope 3 GHG emissions disclosure requirements with strong application support, among key decisions* (October 2022).

[23] Melior GHG Framework, 2022

[24] Emmi / Melior data, 2022

subsequently Scope 3 emissions. It would be useful to specify what categories should be included in measurement of emissions (particularly in respect to Scope 3 emissions) to enhance reporting accuracy and avoid companies focusing on measuring immaterial Scope 3 sources. We suggest that the timing of the reporting requirement should also be considered (e.g. to align with financial reporting) - this would be a useful step towards integrated reporting and avoid multiple reporting periods for companies (NGERS reports currently need to be submitted by 31st October[25]).

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

Standardised metrics and targets would help to ensure comparability, both in respect of the progress within each organisation, and across organisations.

There are a range of approaches that could be taken, and care should be taken in designing any mandatory metrics to ensure they are useful and not misleading. We suggest consideration is given to:

- A set of common metrics which are sector agnostic, and mandatory for all companies to report. The NGERs framework could be reviewed as a starting point for these common disclosures. These common metrics should be designed to ensure that all reporting companies are compliant with the upcoming ISSB climate standard.
- A set of additional sector specific measures. This would assist to overcome the limitations of cross-sector metrics and contribute to the goal of increased transparency and accountability. In designing these, reference could be had to existing frameworks (such as SASB 'Climate Metrics Table'[26]). One example of a useful industry-specific metric could be banks' financed emissions. Lending to fossil fuel companies represents a material risk to the Australian financial system, and creates significant climate risk associated with banks' loan books. By ensuring that financed emissions are reported consistently for commercial banks, and ensuring that inclusion of financed emissions in Net Zero targets is disclosed consistently, investors could make better judgement of the risk associated with investments in banks[27].

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?

We have seen a significant uplift in company commitments to a Net Zero target over the last 3 years; in December 2019 only 6% of ASX300 companies had committed to a Net Zero emissions target, versus 49% ASX300 in December 2022[28]. Whilst this progress is pleasing to see, there is also increasing ambiguity over what constitutes 'Net Zero' and how companies plan to achieve

[25] How to report (cleanenergyregulator.gov.au)
[26] Climate-Risk-Technical-Bulletin2022-050222.pdf (sasb.org) Climate Metrics Table
[27] The critical role the big four banks play in climate action - Melior Investment Management (meliorim.com.au)
[28] Melior Quarterly Report December 2019, December 2022 - based on Melior ESG Framework

it. Therefore, it is increasingly important for investors to understand what time-bound climate action plans are in place to pivot companies' existing assets, operations, and business models to align with a Net Zero.

We as investors use climate action plans, climate transition plans or net zero plans to:

- inform capital allocation and investment decisions
- support ongoing stewardship priorities with companies
- assess company progress against their climate targets and commitments to their stakeholders and exposure to climate risk
- inform voting on climate-related shareholder resolutions, director elections, remuneration, 'Say on Climate' votes and other matters at company AGMs
- assess portfolio alignment with our climate policies and targets.

In order to achieve better transparency, we propose that new climate reporting standards should include a minimum requirement to disclose detail of companies' strategies to meet their net zero plan, report progress against interim emissions reduction targets set, and report the use of carbon offsets and new technologies necessary to achieve Net Zero emissions. Recognising that each industry is at a different stage on the decarbonisation technology curve, disclosure on the use of carbon offsets and reliance on new technologies should be a core element of climate reporting. We believe that best-practice transition plans also include elements such as; absolute emission reduction targets, interim milestones and KPIs, business strategy linked to KPIs and executive remuneration linked to climate targets[29].

In the absence of company disclosures on their climate transition plan, Melior currently use SBTi[30] to verify which company Net Zero targets are achievable / include a comprehensive strategy to achieve them.

International expectations are also developing in this area. In response to significant private sector demand, the UK Government established the Transition Plan Taskforce[31] to develop the gold standard for private sector climate transition plans in the UK and build on the ISSB standards. Listed companies and large regulated asset owners and asset managers will be required to disclose transition plans as part of their TCFD-aligned disclosures from 2023, initially on a comply or explain basis. There is a strong case to establish a similar initiative in Australia to develop granular transition plan standards and guidance suitable for incorporation into domestic regulatory frameworks.

Question 13: Are there any specific capability or data challenges in the Australian context that should be considered when implementing new requirements?
13.1 How and by whom might any data gaps be addressed?
13.2 Are there any specific initiatives in comparable jurisdictions that may assist users and preparers of this information in addressing these challenges?

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[29] Melior Transition Framework, 2022
[30] Companies taking action - Science Based Targets
[31] Transition Plan Taskforce | Setting a robust standard (transitiontaskforce.net)

We have highlighted in previous questions the data challenges with the current climate reporting framework in Australia and approaches overseas. We would particularly highlight a lack of standardised Australian-focused climate scenarios (both transition and physical), lack of a consistent set of physical risk datasets which would enhance comparability of data, and lack of granularity around the details of companies' emissions measurement methodology and climate transition plans.

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?

We believe that scenario analysis provides valuable supporting information, particularly for high-emitting companies or companies relying on the development of new technologies to achieve their Net Zero plans. The ISSB have confirmed that companies will be required to use climate-related scenario analysis to report on climate resilience and support their disclosures under ISSB standards[32] . The TCFD notes that "scenario analysis is a well-established method for developing strategic plans that are more flexible or robust to a range of plausible future states"[33].

The 2022 TCFD status report also highlights that "disclosure of the resilience of companies' strategies under different climate-related scenarios continues to have the lowest level of disclosure across the 11 recommended disclosures"[34]. In the TCFD survey of asset managers on scenario analysis and reporting, 90% respondents said that they 'report scenario analysis' or 'plan to report scenario analysis', meaning there is significant demand for these disclosures[35]. Standards, regulatory guidance (built on the disclosure requirements of the ISSB climate standard) and availability of a range of Australia-specific climate scenarios would help to address these gaps.

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?

Given the increasing demand for sustainability reporting from various stakeholders, and the ISSB pipeline of new sustainability standards, there should be flexibility to incorporate other areas of sustainability reporting into the new climate reporting guidelines. Other proposed areas that the ISSB is expected to cover[36] include the following topics (and may need to be included in future sustainability reporting);

- Biodiversity, ecosystems and nature loss
- Circular economy

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[32] IFRS - ISSB confirms requirement to use climate-related scenario analysis

[33] The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities - TCFD Knowledge Hub (tcfdhub.org)

[34] 2022-TCFD-Status-Report.pdf (bbhub.io)

[35] 2022-TCFD-Status-Report.pdf (bbhub.io), Figure A24

[36] AP1A: Items to be considered in development of Request for Information (ifrs.org)

- Cybersecurity and customer privacy
- Economic Inequality
- Human capital
- Human rights
- Water and marine resources

Climate reporting reform should be flexible enough that the broad format can be adapted to include the likelihood of additional reporting topics.

One inter-related topic that we are increasingly raising with companies is nature risk. The TNFD (Taskforce of Nature-related Financial Disclosures) have released their initial beta version of the framework and are expected to release the TNFD recommendations in September 2023[37]. This is a rapidly evolving area that companies may need to include within their climate reporting in the near future.

[37] TNFD releases third iteration of beta framework – TNFD