

## Allianz Australia Insurance Limited

ACN 000 122 850 ABN 15 000 122 850

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Manager  
Corporations Branch  
Market Conduct Division  
Treasury  
Langton Crescent  
PARKES ACT 2600

**Email: [climatereportingconsultation@treasury.gov.au](mailto:climatereportingconsultation@treasury.gov.au)**

### **Allianz submission on Climate-related Financial Disclosure – Consultation Paper**

Allianz Australia (**Allianz**) welcomes the opportunity to comment on Treasury's consultation paper relating to climate-related financial disclosure. Allianz provides general insurance cover to 3.5 million customers Australia-wide, including home, motor, small business, workers compensation and travel insurance. Sustainability is an important pillar of the Allianz business both globally and locally. Allianz supports the alignment of existing and future climate and sustainability frameworks across jurisdictions globally. Clear and comparable disclosure of sustainability and climate related information is vital if we are to transform economies and societies to net-zero by 2050.

Allianz has also worked closely with the Insurance Council of Australia (ICA) to prepare an industry-wide submission. This submission compliments the ICA submission and provides some additional points that are of particular importance to Allianz.

**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?

In terms of the costs and benefits to Allianz of aligning with international practice on climate-related financial risk disclosure climate reporting provides Allianz with important data to inform strategy, planning and decision making across the business. Increasingly it is also an expectation of our stakeholders including our customers, Board, shareholders and regulators. Climate reporting allows Allianz to demonstrate progress toward sustainability goals and highlights those actions that are most successful and those that may require revision. Reporting on climate contributes to managing and reducing risk to the business and its customers and improved operational performance.

Existing climate reporting expectations require input and collaboration from multiple departments. This requires considerable time, resources and expertise. Capability building has been necessary and will be ongoing as climate reporting grows and matures including the use of external advice to support internal staff.

Cultural change and effectively embedding climate reporting also requires resources. This includes establishing, reviewing and revising appropriate targets, developing action plans and monitoring. Ensuring that climate risks are considered alongside other business risk disclosures will also require ongoing resourcing and upskilling of staff.

Allianz supports aligning with international practice and using a staged approach to ensure effective implementation and resourcing. Aligning to international practice is also key for Allianz as a subsidiary of a global enterprise to align our internal reporting and local requirements, which will be more efficient and support better decision making.

**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?

Allianz supports a phased approach to climate disclosure. Allianz would support the first report being 2 years after the standards have been formally released. Allianz would like to see flexibility in annual reporting periods to align the reporting with their applicable financial year reporting timeframe. For Allianz this is the calendar year, ie 1 January to 31 December.

Scope 1 and 2 emissions reporting is continually improving and the gaps in data are closing. Scope 3 emissions reporting is currently very difficult and there are significant data gaps. Allianz would support the use of proxy data where available and would welcome guidance on this from the Government on sources, methodologies and calculations but this should be aligned internationally. Where actual data is available this should be actively encouraged.

Importantly, the longer the time frame before smaller organisations are required to report on Scope 1 and 2 emissions, the harder it will be for larger organisations to report on Scope 3 emissions. For example Allianz will need Scope 1 and 2 data from its value chain suppliers and customers to report on Scope 3 emissions. Therefore phased timing needs to consider smaller organisations reporting and Allianz would support early uptake of climate reporting from smaller businesses in Australia.

**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?

Allianz supports the size thresholds set out by the Australian Sustainable Finance Institute (ASFI) as a guide that could be considered. Allianz seeks to avoid duplication of reporting in businesses that have multiple entities – one central report for organisations with multiple entities is preferred.

The first phase of reporting currently proposes making disclosure mandatory for large, listed businesses and financial institutions. Allianz suggests this is expanded to also include high carbon emitting industries that are not publicly listed, ie other industries in addition to financial services might include energy, mining and construction organisations as an example. This will help support the shift to net zero by increasing disclosure in high carbon emitting companies.

Allianz is of the view that there could also be benefits to prioritising mandatory climate disclosures for large businesses in high climate risk regions of Australia (for example cyclone

affected areas, flood prone regions and coastal regions). Businesses that have a large proportion of their assets, operations and services located in high-risk areas will need to consider how long-term climate risks will affect their investors and customers.

**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?

Consistent global reporting standards are supported by Allianz to enable effective comparison and improvement across the globe.

**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)?

The new regulatory framework needs to be flexible, for streamlined review and updates as methods, processes and metrics improve over time. Clear guidance is also sought from the Government on where appropriate information and data can be sourced or to provide proxy data whilst methods to collect actual data are still being developed. Allianz seeks to ensure that the regulatory framework has significant guidance to ensure consistency in reporting. Allianz would like sufficient time frames for reporting as climate reporting is complex and requires the collection of data and information from multiple sources. A minimum of 3 months post the end of the reporting period is needed to collate all information.

**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?

Allianz Australia is a wholly-owned subsidiary of Allianz SE, which is listed on the German Stock Exchange and is therefore not required to release a public annual report in Australia, other than an annual financial report to ASIC, which is made publicly available. As a result, Allianz would support flexibility as to how and where public reporting is provided, in particular, providing the flexibility to align climate reporting with current systems, processes, locations and timeframes with financial reporting obligations.

**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)?

Recent experience from overseas jurisdictions has shown that materiality assessment for climate reporting is still a work in progress. It has been hard for companies to calculate and assess materiality and in some instances the assessments completed have had insufficient evidence to support the decisions made. Clear guidance from the Government on how to assess materiality will be key. Detail and transparency from businesses (listing all assumptions and uncertainty) will also be very important to ensure greenwashing is avoided.

Allianz supports the GRI materiality definition – ‘double materiality’ which has been adopted by the European Union. The double materiality definition includes both financial risks and opportunities for the company but also on the impact of the company’s activities on the

economy, environment and people. Allianz supports this approach as it includes all stakeholders' investors, financiers, employees, suppliers, customers and communities.

**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?

Assurance will be an important tool to ensure consistent and appropriate best practice climate reporting occurs in Australia. Allianz seeks Government standards or guidelines to clearly define the methods, credentials and qualifications of appropriate assurance providers as soon as possible so that companies will understand who to engage. These standards or guidelines will need to be regularly reviewed as methods and processes mature in the climate reporting space. In the initial stages of mandatory climate reporting, Allianz suggests that a Limited Assurance regime be applied.

**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?

Allianz seeks alignment with best practice global frameworks, including the Net Zero Insurance Alliance (NZIA) and the Partnership for Carbon Accounting Financials (PCAF) framework. A staged approach to enable improvements in data collection over time will be needed. Appropriate proxy data sources for when companies are unable to source actual data will be important over the next few years, particularly for Scope 3 emissions. Actual data being the preferred approach, but when not possible, consistent, reputable external provided data will be required. Companies will need to know who to approach for this type of data and the Government could play a role in ensuring these data providers and using best available information and calculations.

**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, Allianz supports that a common baseline be defined.

**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?

Allianz supports consistent disclosure that is subject to assurance in respect of offsets. Clear recommendations and guidance on transition plan content and detail is required, including action plans and implementation plans would be useful and enable better assessment and comparison across companies. In addition, case studies and best practice examples from overseas would be useful. Local case studies could be collected over time.

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

Allianz supports the implementation of reporting 2 years after the standard is released with the option to commence reporting early encouraged if ready.

Allianz supports the use of reputable proxy data, in particular for Scope 3 emissions, to fill gaps until the availability and quality of this data improves. Noting that large organisations like Allianz will find it difficult to report on Scope 3 emissions until smaller companies within its value chain are reporting comprehensively on Scope 1 and 2 emissions. A staged approach will reduce the cost of implementation and increase the quality of the data and methods as climate reporting matures over time.

**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?

There are many climate reporting data gaps in Australia. Until these gaps are filled over time, reputable sources of proxy data will need to be identified for Australian companies to use. Overseas advances in climate data collection and calculation methods and metrics may not perfectly fit the Australian context, however, the data that is being collected by companies in overseas jurisdictions should be used where possible to fill gaps. Large ratings companies like Sustainalytics as an example collect large volumes of data from many different sectors, using proxies and averages provided by these types of companies is useful when no actual data is available.

**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?

Allianz would support the use of standard climate scenarios. It is noted that different jurisdictions overseas have used a variety of climate scenarios. It would be useful to understand which of these scenarios has provided the most appropriate information so that the Australian Government is able to benefit from these lessons. Consistent scenarios will enable clear comparison and measurement and would reduce implementation costs for organisations.

International best practice climate data sources are supported by Allianz, and it would be beneficial if these sources are identified in standards developed. The sources and methods will change over time, but if all companies are following the same methods and using the same data sources each year, the information will be comparable and easier to review and assess.

**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?

Allianz supports the position of AFSI and the ICA in relation to 'reasonable grounds' requirements, particularly the ICA proposal of including a standardised disclaimer.

**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?

Not directly applicable to Allianz Australia.

**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?

Allianz would support flexibility to include growth in sustainability reporting over time.

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

Allianz supports flexibility in reporting options.

**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

Allianz supports Potential Structure 1 (ie. Confirm the AASB as the entity responsible for developing, making and monitoring climate and sustainability related standards) due to the importance of maintaining alignment with international standards across jurisdictions.