

About CDP

CDP welcomes the opportunity to provide input on the Treasury's consultation on mandatory disclosure for Australia, and we commend the Treasury for advancing this discussion. Our overall impression is that the principles laid out in the discussion paper are aligned with global best practices in high-quality environmental disclosure. We look forward to supporting the development of the Australian climate disclosure regime.

We are pleased to offer the feedback below from our perspective as a global non-profit that runs the world's environmental disclosure system for companies, cities, states and regions. CDP scores are used to drive investment and procurement decisions that facilitate the creation of a zero-carbon, and resilient economy. CDP data powers the global ESG ecosystem and is incorporated into platforms and outlets like Bloomberg, MSCI, DJSI, and Euronext, among others. CDP is also a founding member of the Science Based Targets Initiative, the We Mean Business Coalition, the Investor Agenda and the Net Zero Asset Managers Initiative.

CDP gathers corporate environmental data on behalf of more than 700 financial institutions with over \$130 trillion USD in assets and over 280 purchasing organizations representing more than \$4 trillion USD in annual procurement spending. CDP pioneered using capital markets and corporate procurement to motivate companies to disclose their environmental impacts, and to reduce greenhouse gas emissions, safeguard water resources and protect forests.

Nearly 20,000 organizations around the world disclosed data through CDP in 2022, including more than 18,700 companies worth half of global market capitalization. CDP scores are used to drive investment and procurement decisions towards a zero-carbon, and resilient economy. CDP data powers the global ESG ecosystem and is incorporated into platforms and outlets like Bloomberg, MSCI, DJSI, and Euronext, among others. CDP is also a founding member of the Science Based Targets initiative, the We Mean Business Coalition, the Investor Agenda and the Net Zero Asset Managers initiative.

CDP data is available at no charge for government entities for the purposes related to research and policy formulation, implementation, and evaluation. We would welcome to the opportunity to discuss the best way for CDP's data, platform, and other resources to support the Treasury's efforts to improve the state of climate disclosure in Australia.



Director, Southeast Asia and Oceania

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?

There will be costs to align with international practice on climate-related financial disclosure. On the government and regulatory side, this will include the burden of formulating and implementing new reporting requirements, as well as ongoing monitoring and evaluation costs. There may also be technology costs as relevant disclosure mechanisms are developed and deployed. On the corporate side, there will be the costs associated with any new compliance requirements, as well as specific costs associated with gathering and reporting the required data. Assurance requirements will add additional costs.

While these costs are real, they are more than offset by the financial benefits of adopting a globally aligned reporting standard. Companies in jurisdictions mandating high-quality environmental disclosure can enjoy increased access to markets and customers with similar reporting requirements. Research also indicates that companies reporting environmental data benefit from greater access to capital than non-reporting firms and show stronger performance in the shape of higher returns and improved stock performance¹. CDP's experience working with corporates indicates that many disclosing companies experience greater strategic resilience and an enhanced capacity to identify potential climate-related opportunities, as well as cost savings through identifying opportunities like improved energy efficiency.

Capital market actors also stand to benefit from the proposed disclosure requirements. A robust reporting regime can function as a catalyst to mobilize private sector finance to deliver on Australia's 2030 emissions target and 2050 net-zero commitment and, more broadly, to channel capital toward nature-positive, resilient businesses. This is in part facilitated by the richer ESG data landscape that mandatory disclosure yields, allowing investors to more accurately price climate-related risks into company valuations.

On a societal level, improved corporate performance and the reorientation of the financial system around a low-carbon economy points toward both mitigated and avoided impacts of climate, for the benefit of all.

It is important to note that as high-quality mandatory reporting proliferates across jurisdictions, the costs imposed by the regime will decline and the benefits will increase. At present, the quantity and quality of disclosures is currently inadequate for investors to effectively respond to material climate risks and opportunities, and for governments and financial regulators to address systemic risks to financial stability. As documented in [CDP's 2019 climate change report](#), voluntary climate disclosures from 96 Australia-based companies identified AU\$79.4 billion in climate-related risks and AU\$113 billion in potential opportunities. While these figures are already significant, the real risks and opportunities are likely much higher. Thus, the high-quality mandatory reporting is essential to help manage the risks and capture opportunities across the real economy.

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

¹ For a more complete discussion of how Australian companies would benefit under a mandatory environmental disclosure regime, see CDP's policy brief [Confusion to Clarity](#), pp 25-26.

Aside from failing to benefit in the manner outlined above, a continued lack of alignment with global best practices will lead to greater regulatory fragmentation and complicate the efforts of Australian corporations to complete globally. It would also inhibit the growth of a sustainable finance market in Australia, dimming prospects for innovation and access to global sustainable finance products. The cumulative effect of these costs would be to inhibit the transition of the Australian economy to a low-carbon future, potentially leaving Australia to fall behind peer countries with more robust regulatory requirements supporting their climate ambitions.

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?

CDP agrees with the phased approach, and that reporting requirements for initial targets for the regime should begin reporting as soon as possible, and no later than 2024. We believe that this would allow sufficient time for target companies to make their first disclosures. This timeline would also roughly synch with similar standards being developed in peer jurisdictions like the United Kingdom and New Zealand (2023); Canada and Switzerland (2024); and Hong Kong and the United States (2025), with the added benefit of keeping Australia's regulatory environment aligned with global developments.

As discussed in greater detail in our response to Question 13 on data gaps, CDP research indicates that many Australian companies are well positioned to comply with enhanced reporting requirements. In 2022, 263 Australian companies disclosed environmental information to CDP, representing a year-on-year growth of 37%. This rapid progress in terms of both number and quality of voluntary TCFD-aligned disclosure reflects the market's recognition of the need to carry out high-quality disclosure. It also suggests that the Australian mandatory reporting regime could include strong requirements from the outset.

While a phased approach may be necessary for the successful implementation of the regime, the ultimate goal should be economy-wide adoption of the disclosure requirements. As such, the coverage of the regime should expand rapidly economy-wide coverage of all listed companies, financial institutions, (i.e. by the second year, or 2025-2026)

This expansion should include SMEs, which comprise over half of Australia's GDP and 99.8% of its businesses². As such, adequate coverage of SMEs will be key in developing resilience at the national level and in enabling Australia's larger firms to better understand the emissions, risks, and impacts embedded within their supply chains. Given the unique challenges faced by SMEs and the need to develop modified standards to address these challenges, the scope and rollout of mandatory disclosure requirements for SMEs could be adjusted to meet the market's needs. For example, the IFRS is updating its SME accounting standard with reference to the ISSB's climate standard. The Australian regime could consider staking similar steps.

² CSIRO (2022): [SMEs key to driving growth in Australia Simon Hanson, CSIRO SME Director](#).

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?

CDP believes that the regime should cover three types of companies from the outset: large, listed companies; large, unlisted, non-financial companies; and large financial institutions (banking, superannuation, asset management; and insurance). We would propose the following thresholds for determining coverage:

Entity type	Threshold
Listed companies	ASX 300
Unlisted, non-financial companies	≥ \$100m annual consolidated revenue
Financial institutions	Either: ≥ \$100m annual consolidated revenue OR ≥ \$1b in total assets under management

As noted above, we would suggest a rapid expansion of the coverage to include all listed companies. This would allow the regime to begin collecting data on a meaningful segment of the economy in short order.

A3.2 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?

Per our response to Question 3.1, we would propose including large, unlisted companies, as many of these companies will have as significant an environmental profile as listed companies. Excluding unlisted firms and thereby limiting the scope of the regime would undercut its credibility and effectiveness. Exclusion would also complicate efforts to create a level playing field for business of all types.

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?

CDP supports the ISSB standard as a global baseline for climate-related disclosure for financial markets. It is an important step towards more transparency, accountability, and efficiency within financial markets. However, these standards will not represent the entire sustainability reporting scope, in terms of both metrics and topics. We would therefore ask Treasury to consider ISSB disclosure a starting point, beyond which disclosure on other sustainability topics – like biodiversity, deforestation, and water security, among others – can be layered in due course.

With respect to excluding elements of the ISSB standards, CDP would suggest limiting any modifications to the ISSB standards, as this could undercut the global comparability and the consistency of data reported by Australian companies. Any departure from the relevant standards should be minimal. Relevant contextual content could instead be provided in guidance materials and used to direct Australian entities to shape their disclosures while remaining in alignment with the ISSB. This would preserve the integrity of the standard will enabling reporting entities to use the standard’s flexibility in a way suited to the Australian context.

N4.2 Are the climate disclosure standards being issued by the ISSB the most appropriate for entities in Australia, or should alternative standards be considered

As the discussion paper notes, the purpose of the upcoming ISSB standards is to establish a global baseline in sustainability reporting alongside the recommendations of the TCFD. We agree that this is both the intent and the likely outcomes of the release of the ISSB standards. Therefore, we would urge the Treasury to adopt the ISSB standards.

Adoption of a different standard would undermine the global relevance of reported data and would add to the regulatory burden of Australian companies that will have to report against the ISSB standard in order to access markets and customers where ISSB reporting is expected. Use of a different standard will complicate efforts to design a system that will benefit Australian companies in the ways outlined in CDP's response to question 1.1. Therefore, CDP would suggest fulsome adoption of the ISSB standard.

However, initial iterations of the ISSB standards are expected to focus primarily on climate and not on other, equally significant environmental matters like water security, deforestation, and biodiversity. We would therefore suggest that the Australian regime overcome these limitations by adopting standards like the TNFD and others as appropriate to ensure a holistic approach to environmental integrity.

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)?

CDP does not take a position on which of the proposed routes would be preferable, provided the final framework features economy-wide coverage carried out in alignment with global standards and practices. Furthermore, the selected framework should best position the regime to deliver Australia's 2025 net-zero target under the Paris Agreement.

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?

CDP would suggest that the regime follow the practices outlined by the TCFD and require climate content to be reported alongside financial information in a company's mainstream report. This would help ensure that climate data is interpreted and contextualized alongside financial information, helping users to form a comprehensive understanding of the reporting entity's position with respect to the intersections between the company's financial and environmental performance. This would also help ensure that climate-related disclosures are accessible to as wide an audience as possible.

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)?

We would also like to propose that Treasury consider building on the ISSB's guidance on financial materiality and enterprise value to include reporting impact on the disclosing entity's impact people and planet, which some have dubbed the "double materiality approach". This would align the regime with recent developments in reporting. For example, the European Commission's European Sustainability Reporting Standard both builds on and goes beyond the recommendations of the TCFD

and embraces impact reporting. Authorities in Switzerland, Malaysia, and the Philippines have also moved in this direction. Similar signalling from Treasury could help ensure that Australia's reporting ecosystem continues to develop in line with global best practices.

Even the ISSB has indicated an openness to adopting the so-called double materiality lens in due course. According to research from the International Network for Sustainable Financial Policy Insights, Research, and Exchange, regulators and policymakers often adopt the double materiality for some combination of the following motivations³:

- because environmental impacts can lead to financial risks for individual entities;
- to enable a more systemic approach by surfacing the risks caused by impacts on the financial system as a whole rather than at the level of the individual reporting entity;
- and to use impact reporting as a tool to drive transformational change beyond the financial system.

We would ask Treasury to consider these benefits of the requiring impact reporting, both within the context of the regulatory power vested in relevant authorities and in the broader context of the steps that will need to be taken to Australia's achievement of its 43% emissions reduction target by 2030 and its 2050 net-zero commitment. .

If it not considered feasible to implement impact reporting at this point, as a first step the disclosure regime can encourage rather than require reporting entities to use the double materiality lens and provide capacity building as appropriate. These efforts can be accompanied by an implementation timeline and a clear explanation of the importance of assessing and reporting on impacts, both in the Australian context and with reference to entities serving markets where the double materiality approach has been adopted. For example, in the case of Australian suppliers serving European customers and who will need to report on impacts in order to comply with customers' needs.

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?

CDP believes that assurance should be required, especially with respect to reported greenhouse gas emissions. Stakeholders feedback to CDP has indicated that assurance greatly increases the value and actionability of emissions data, and for this reason CDP allows responding companies to include assurance statements in the CDP disclosure.

The long-term goal should be to require reasonable assurance, as required in the proposed United States Securities and Exchange Commission rules and recommended in the New Zealand's climate standard. However, it may be necessary to phase in assurance requirements over time. Phasing in requirements is further discussed in our response to Question 8.

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?

CDP believes that reporting emissions across all three scopes should be required, a position also expressed in the upcoming ISSB standard. This will ensure that users of the entity's disclosures will have a comprehensive understanding of the reporting entity's emissions profile. It will also build on

³ Boissinot et al (2022). [Aligning financial and monetary policies with the concept of double materiality: rationales, proposals and challenges.](#)

existing frameworks like NGER and CERT. To ensure consistency in measuring and disclosing emissions, we would encourage the Australian regime to refer to globally recognize practices in emissions reporting, namely using the methodology embodied in the World Resources Institute's Greenhouse Gas Protocol. This will ensure that users can meaningfully compares emissions performance across and within sectors.

In addition to mandating Scope 3 reporting for all entities, the regime should underline that financial institutions have an additional requirement to disclose portfolio emissions. CDP data indicates that financial institutions are typically over 700 times greater than their direct emissions⁴, making consistent and comparable reporting of portfolio emissions a critical requirement for any disclosure regime. To ensure that portfolio emissions are disclosed in line with global best practices, CDP would suggest that the guidance for the Australian disclosure regime identify use of the methodology developed by the Partnership for Carbon Accounting Financials (PCAF) as a requirement for financial institutions.

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

A set of common baseline metrics can be a useful tool in ensuring consistency among disclosures and the released of relevant information. Authorities in Hong Kong, Singapore, Malaysia, and elsewhere have taken this approach, requiring a set of ESG disclosures that are deemed material by the implementing authority and required to be disclosed, regardless of the findings of the reporting entity's materiality assessment. As noted in the discussion document and underlined at various points throughout CDP's response, Scope 3 emissions data is critical to understanding a company's overall emissions profile and the risks, opportunities, and impacts embedded within it. We support Treasury's proposal to specify Scope 3 emissions as a required metric.

CDP's disclosure platform, reporting guidance, and scoring methodology incentivize companies to report against the most critical environmental criteria as identified by CDP's global network of stakeholders from the policy, investment, and corporate communities. These metrics are embedded in the 25 TCFD-linked questions in CDP's climate change disclosure questionnaire We would welcome the Treasury and partner authorities to reference CDP's questionnaire and associated guidance material when developing its standard.

While CDP invite the creation of a common baseline, care must be taken to ensure that reporting against a common set of baseline metrics will be seen my companies and treated by the reporting regime as a floor and not a ceiling for disclosure; a defined set of core metrics functions best as a starting point, beyond which companies must report according to metrics deemed material through their own materiality assessments. This is true both of specific metrics and of the TCFD framework and ISSB standards generally, and the Australian regime's guidance document should stress this.

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?

While transition planning is a developing field, forward-looking disclosures are already recommended by the TCFD and are to be included in the ISSB standards. Beyond including these metrics in the regime, we would suggest that the Australian authorities continue to both monitor

⁴ CDP (2021): [The Time to Green Finance](#).

and contribute to the development of global standards and frameworks for developing and implementing credible transition plans, with a view toward incorporation into the regime's disclosure requirements. Recent CDP research indicates that while a growing number of companies acknowledge the need to develop a transition plan, less than 1% of all CDP-responding companies fully align with CDP's transition planning methodology⁵. Strong regulatory action could induce to bridge the gap between rhetoric and action on transition planning.

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

Given the novelty of certain aspects of climate reporting and concerns about a lack of market capacity, it may be necessary to phase in elements of the reporting requirements. However, any delays to implementing a robust disclosure system should be minimal and facilitate – rather than stymie – the rollout of the full requirements of the regime. These should be timebound and accompanied by a clear implementation timeline.

While the phased approach may be particularly relevant with respect to evolving practices like transition planning, the well-established, core components of TCFD reporting should be instituted without delay. This includes disclosure of Scope 3 emissions, which CDP research has found average over 11 times greater than a company's direct emissions.

Even if Scope 3 reporting requirements are not immediately instituted, any phase-in period should be minimal. For example, the New Zealand standard's adoption provision covers only the reporting entity's first year, while the United States Securities and Exchange Commission's proposed rules require Scope 3 reporting for covered entities by 2026 at the latest. Any Scope 3 exemption for Australia should adhere to a similarly brisk timeframe.

The same approach can be taken with respect to assurance requirements; both the New Zealand and American authorities require will require limited assurance of greenhouse gas emissions starting in late 2025. European companies will have to begin providing disclosing assured of GHG data in 2025. CDP believes this the same timeline would apply to Australian entities. The requirements could then be ramped up to reasonable assurance in due course, as in the case of the American requirements for reasonable assurance starting by 2026.

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?

CDP has been supporting companies in Australia and globally to identify and close data gaps relevant to the TCFD framework. In 2021, 185 Australian companies were among the nearly 19,000 companies globally to submit data to CDP. Our data suggests that while uptake of the TCFD recommendations in Australia is somewhat uneven, overall the Australian market is prepared for robust disclosure requirements. For example, CDP data indicate that 41% of all Australian companies disclosing through CDP respond to at least 80% of CDP's TCFD-aligned questions, and 17% respond

⁵ CDP (2023): [Are companies developing credible climate transition plans?](#)

to all CDP-aligned questions. With additional capacity building and a mandate from the CFR, it appears that the Australian market is well positioned for widespread adoption of climate reporting.

Additional data insights and raw data from CDP-responding companies in Australia is available free for regulators. We would invite Treasury to contact us if this would be of interest.

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?

CDP does not take a position on this question. We encourage regulators to align reporting requirements with global standards and frameworks, and we would suggest that any authority invested with the responsibility to provide external supporting information should ensure that the relevant information is so aligned.

With respect to external resources, CDP's scoring methodology identifies several third-party resources and reference materials that reporting companies can use in preparing their disclosures. These resources are rooted in the best practices as identified by CDP's stakeholder network of companies, investors, regulators, and global civil society organizations. We would invite the relevant authority, if established, to reference CDP's scoring methodology and technical notes in developing such resources.

For example, with respect to scenarios for use in climate-related scenario analysis, CDP recommends companies to choose a variety of scenarios in their analyses (namely, a 1.5-degree scenario and 3+ degree scenario) best suited for their business. [CDP's Technical Note on Scenario Analysis](#) provides that public scenarios used in analysis should adhere to several criteria:

- Peer reviewed
- Used/referenced and issued by an independent body
- Supported by public datasets
- Regularly updated
- Linked to functional tools (i.e. visualizers, calculators, mapping tools, etc).

We would suggest that the authority use similar criteria for selecting external information.

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?

CDP has identified the use of a robust enforcement system as a critical element of a high-quality mandatory disclosure system, and we applaud the Treasury for taking steps to craft a suitable enforcement mechanism. With respect to application of liability, CDP appreciates the need to provide disclosers with protections from penalties with respect to uncertainties and assumptions within their disclosures.

However, any such provisions should be timebound and limited to the minimum length necessary for disclosing entities to develop capacity in robust and accurate disclosure. The stringency of the regime should increase and expectations for robust, accurate disclosure become more robust as the reporting regime is implemented.

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?

CDP lacks insight into the relevant intersecting reporting requirements, so we will withhold comment on this question, aside from saying that we believe that environmental disclosure requirements should be designed to maximize accessibility and relevance to stakeholders. To this end, we support the TCFD recommendation that climate-related disclosures should occur alongside required financial disclosures.

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?

CDP would recommend that the proposed regime emphasize flexibility to incorporate mandatory reporting on other sustainability topics, such as water, biodiversity, and deforestation, as relevant standards are developed. This is consistent with Australia's commitment to article 15 under the Global Biodiversity Framework. This will ensure that the regime maintains a holistic orientation that accurately captures the full range of environmental risks, opportunities, impacts, and dependencies relevant to the disclosing entity. As an initial step, we would suggest prioritizing the recommendations of the TNFD as they are developed, similar to the proposed efforts to incorporate the ISSB standards into Australia's reporting regime. The regime could then be expanded to cover topics.

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

As a digital reporting platform used by nearly 19,000 companies in 2022, CDP can attest to the value of digital reporting, namely in facilitating analysis and comparison of data submitted by reporting companies. The digitally standardized data provided by CDP facilitates informed decision-making for companies, investors, and policymakers across the global economy. This experience suggests that data generated by the Australian regime would benefit from a similar arrangement. We would invite Treasury and other regulators to consider adopting CDP's disclosure platform as a tool to drive digital reporting.

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?

This question is beyond CDP's area of expertise, so we will withhold comment beyond saying that we support efforts to remove the identified structural barriers in order to create greater flexibility for the Australian reporting regime to align with global best practices in corporate environmental disclosure regulation.