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Climate Disclosure Unit
Market Conduct Division
The Treasury
Langton Crescent

PARKES ACT 2600

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To Whom It May Concern,

Thank you for the opportunity to provide a submission on the Climate-related financial disclosure consultation paper. Idemitsu Australia's responses to the questions are outlined in this submission.

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?**

As a large private company that is foreign owned we currently are not required to comply with disclosures for listed entities in Australia. As a result, the introduction of mandatory reporting of climate related disclosures (to the extent that it applies to unlisted entities preparing general purpose financial statements) will likely cause a considerable increase in the costs of meeting reporting obligations. The primary users of our financial reports are currently able to request specific information directly from us, therefore, any mandatory disclosures in relation to climate risks are not deemed to result in a substantial benefit to users, beyond the information they are currently able to request to understand such risks about our business.

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?**

Idemitsu Australia's strong preference is for these mandatory climate reporting requirements to not be applied to unlisted entities. If a phased approach is adopted, at bare minimum we propose that there is a considerable delay before these requirements apply e.g. years commencing on or after 1 July 2025 for large listed entities and 1 July 2027 for small listed entities (that meet certain criteria) and certain large private entities (if at all). A phased approach will allow the learnings from larger listed entities to be seen and any adjustments to initial reporting requirements made ahead of adoption by small listed entities and large private entities. Any application date should be for the Australian financial year commencing on or after 1 July (ie first potential application year for 31 December reporting entities would be for the following year commencing 1 January).

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?

As discussed above, we consider these mandatory climate reporting requirements should only apply to large listed entities only as these entities have public accountability to investors.

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

As much as possible alignment with the principles in the ISSB standards should occur, to allow for cross border comparability, except where Australian specific circumstances requires further guidance on application of principles and associated disclosures. Materiality principles will be important.

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?

A one-size fits all approach to designing the framework often results in too many extensive disclosure that are of little value and timely and costly to prepare. Suggest a tiered reporting approach similar to financial reporting eg simplified disclosure regime would be appropriate to introduce when considering future phases of implementation to small listed entities and potentially large private entities (if at all).

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?

There is benefit in having these disclosures included in a separate sustainability report, particularly where forward looking risks and considerations are being outlined. The annual report is more focussed on the operational and financial performance for the reporting period that has been completed. Where an alternative sustainability report is prepared, we suggest that cross references to this report are made in the annual report eg in the directors report.

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)?

Similar concept of materiality that applies under IFRS ie information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of that reporting.

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?

The preference would be to have no assurance undertaken given the additional time and cost of engaging assurance providers to complete this. An alternative proposal would be to include a statement from

management that the information contained in the report is a reasonable assessment of management's expectations ie self assessment of the reasonable presentation of information contained in the report. If there was a decision to proceed with assurance of information included in a separate sustainability report, we suggest that a medium level of assurance is required ie review rather than audit by assurance provider.

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?

There should be no new or additional reporting requirements for reporting of emissions to avoid duplication of effort with other existing reporting. We propose that requirements under the Safeguard Mechanism NGER's annual reporting framework should be used for reporting. Scope 3 emissions should be included in reporting and an appropriate and simple methodology for businesses to understand and report scope 3 emissions should be developed.

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

We agree that conceptually a common baseline of metrics should be defined so that there is a degree of consistency between disclosures. We do not agree with the proposed industry specific metrics shown for Coal Operations in Appendix B of IFRS S2 (extract below) . We only recommend the use of the absolute emissions metrics for greenhouse gas emissions (ie scope 1 and 2). A number of other metrics shown in the Appendix are not climate related (eg. water management licence non compliances) and we note that reporting on environmental compliance can be found in annual environmental reports already required to be submitted to the Government. These items are not linked to climate and as such should not be required. Further we disagree with the reserve valuation and capital expenditure reporting metrics proposed. Many of these considerations are already part of development approval application processes so this is duplicated in these metrics. The Goal is to reduce emissions and have transparent related financial disclosure, not report on all environment related obligations and duplicate information already provided elsewhere.

Coal Operations

Industry Description

The Coal Operations industry includes companies that mine coal and those that manufacture coal products. Mining activity covers both underground and surface mining, and thermal and metallurgical coal.

Sustainability Disclosure Topics & Metrics

Table 1. Sustainability Disclosure Topics & Metrics

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Greenhouse Gas Emissions	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	Quantitative	Metric tons (t) CO_2-e, Percentage (%)	EM-CO-110a.1
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	n/a	EM-CO-110a.2
Water Management	(1) Total fresh water withdrawn, (2) percentage recycled, (3) percentage in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic meters (m^3), Percentage (%)	EM-CO-140a.1
	Number of incidents of non-compliance associated with water quality permits, standards, and regulations	Quantitative	Number	EM-CO-140a.2
Reserves Valuation & Capital Expenditures	Sensitivity of coal reserve levels to future price projection scenarios that account for a price on carbon emissions	Quantitative	Million metric tons (Mt)	EM-CO-420a.1
	Estimated carbon dioxide emissions embedded in proven coal reserves	Quantitative	Metric tons (t) CO_2-e	EM-CO-420a.2
	Discussion of how price and demand for coal and/or climate regulation influence the capital expenditure strategy for exploration, acquisition, and development of assets	Discussion and Analysis	n/a	EM-CO-420a.3

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Production of thermal coal	Quantitative	Million metric tons (Mt)	EM-CO-000.A
Production of metallurgical coal [5]	Quantitative	Million metric tons (Mt)	EM-CO-000.B

Source: IFRS S2 Climate-related Disclosures Appendix B Industry-based disclosure requirements Volume B7—Coal Operations

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 consider that it is appropriate to develop required reporting requirements and guidance material, definitions etc to ensure consistency and transparency of information. If guidance exists under TCFD and ISSB, then Australia should review and adopt similar guidance to the extent applicable rather than creating different guidance. This will allow for better consistency internationally.

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

Phasing needs to be determined based on practicality of understanding emissions, tools/systems available for data collection reporting and related analysis. This roadmap needs to be prepared and then decisions made around phasing and timing e.g. Scope 3 should be introduced later due to challenges in estimating indirect emissions.

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?

As requirements are yet to be developed on sustainability related financial disclosures and climate disclosures at the regulatory level, understandably sufficient time then needs to be allowed for businesses to develop and implement processes and systems to collect, interpret and report data and risks and consider financial implications of these. This is a significant change in the reporting landscape and needs to have a significant lead time to allow businesses to establish processes and systems for this and develop organisation-wide capability in this area eg training etc.

Further, we consider there may be difficulty in getting data from suppliers and downstream in the supply chain. How do small businesses understand and have the resources to capture and determine these emissions and provide these to large businesses? Provision of simple tools for business to enter data that will calculate estimated emissions may be useful to more easily estimate Scope 3 emissions without having to rely on upstream/downstream vendors/customers. Businesses would benefit from clear guidance and tools to make reporting streamlined and provide greater consistency in relation to these scope 3 emissions.

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?

A standard-setter or a scientific body could provide agreed scenarios to be used in scenario analysis, however there should be a process which allows for alternative (not agreed) scenarios to be used.

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?

Given the substantial amount of forward-looking information and assumptions required for climate related disclosures it is important to ensure the liability risk is proportionate with the inherent uncertainty of the information being presented. Some form of 'safe harbour' regime would be appropriate to consider over and above ASIC's existing guidance for forward looking statements to be made on "reasonable grounds".

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?

No comment.

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?

Reporting framework should be designed and developed so that it can expand to include future requirements, however focus should be on the initial reporting requirements. There is existing reporting in Australia of a number of social and governance disclosures through the Federal Governments

Workplace Gender Equality Agency (WGEA). There needs to be a review of what systems of reporting currently exist and streamlining of these so that there is not duplication with current reporting.

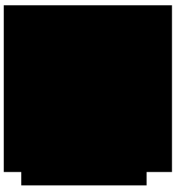
Question 18: Should digital reporting be mandated for sustainability risk reporting? What are the barriers and costs for implementing digital reporting?

Digital reporting should be made available but not mandatory. Systems may be set up to remove any duplication of data and reporting. However, there is always a time and cost to business for changing reporting, integrating systems and this does not always provide incremental value. Any digital reporting needs to consider privacy within documents that are lodged with additional information not required for sustainability 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?

Where financial related disclosures related to sustainability are being made, it is important for there to be alignment with the AASB and AUASB. We would suggest the potential structure 3 to combine the functions of the existing bodies into 1 entity responsible for financial reporting system oversight, standard-setting and advice to government that considers accounting, auditing, climate and sustainability disclosure standards. This body should have specialists in each of the oversight areas rather than be accounting focussed, while ensuring a more streamlined and consistent approach to standard setting.

Yours sincerely,



Group Financial Controller