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The Treasury
Climate Disclosure Unit
Climate and Energy Division
Treasury
Langton Cres
Parkes ACT 2600



ASSET MANAGEMENT COUNCIL

Via email: climatereportingconsultation@treasury.gov.au

Response to Draft Climate-related Financial Disclosures Document

Thank you for the opportunity to provide feedback on the following draft documents prepared by the Federal Treasury Department.

- *Mandatory climate-related financial disclosures*
- *Policy Impact Analysis – Climate-related financial disclosures*

The Asset Management Council (AMCouncil) is a professional association with a broad purpose to influence the use of asset management for the benefit of society. The membership of over 3,000 comprises senior business leaders and asset managers of large and small business and the government sector reflecting a diversity of industry sectors across Australia who are incorporating climate reporting within their Asset Management Systems. The Sustainability and Resilience in Asset Management Special Interest Group of the Asset Management Council has a particular interest in these documents and has led the compilation of this submission.

We commend the Australian Government for its proposal to improve the quality of climate-related financial disclosures, aligned with the TCFD, which hopefully will be one means of facilitating a meaningful corporate response to climate change rather than greenwashing which has historically been the case for many organisations. We support the aim of achieving consistent reporting, implementation of a phased approach and the initial qualitative scenario analysis proposed. We hope that this phased approach will encourage early action rather than a delayed approach to meet minimum compliance requirements.

We are of the view that the requirements within these documents could be enhanced to meet the desired outcomes, particularly for organisations investing into, or owning a large physical infrastructure portfolio.

The Federal Treasury documents seem to focus on reporting on scope 1,2 and 3 emissions, and presumably quantifying the costs of meeting net zero or other emission targets. There is little mention of quantifying the extremely high costs of re-aligning, re-locating or changing the means of service delivery to enable assets and the services they provide, to be resilient to increasing climate change risks. This may have an impact on organisations such as privately owned transport and utility networks and facilities (public owned infrastructure is discussed later). There is also a likely flow on impact to upstream/downstream supply chain and other related impacts of climate change on organisations, customers and communities.

Consideration of these additional factors will encourage greater investment in long term strategic planning for physical assets. We understand that the Government has to balance stakeholder needs/cost impacts in drafting its legislation. However, there should be some encouragement to fully quantify and address increasing climate change risk. Initially this could be provided as guidance material on leading practice.

We consider that this regulatory requirement should be extended to public sector entities such as local and state governments, transport agencies and utilities as they often have to address the bulk of costs of climate change impacts (e.g. flooding, droughts, sea-level rise). The current total cost of climate change to the Australian taxpayer is not fully known or communicated.

enabling value from effective asset management

It would be prudent for the audit scope to include a review of an organisation's risk assessment and management processes/plans to determine identification and impacts (direct and indirect) of climate change events and the applicability of mitigation actions and the reliability of cost estimates. This would require a wider range of skills rather than just financial audit skills. We consider that realistic identification of climate-related risks and costs is a cross-disciplinary function requiring the input of technical and environmental specialists, strategic (physical) asset managers, risk managers, as well as financial specialists which requires the breaking down of well-established organisational and discipline siloes. The policy document only partially recognises this under the assurance framework which mentions "...will require entities to obtain an assurance report from their financial auditors who will use technical climate and sustainability experts where required".

The documents recognise the need for a robust assurance framework. This is critical particularly in relation to recent government and community concerns about auditor conflicts of interest, the sensitivities of management and investors to 'bad news', and the historical greenwashing that leads to community scepticism.

It is noted that the consultation process was limited to stakeholders in the financial/ investor sector although mention is made of industry associations. Possibly a wider group of disciplines (e.g. engineers/ strategic asset managers) may have provided some value in the consultation process.

We have the following detailed comments on the Policy position statement:

- Reporting entities. The wording should be specific to large entities and their affiliated entities e.g. management entities, what about PPP's and foreign owned super funds and investment banks not registered in Australia.
- Exemptions. Would ASIC have some an assurance process for Not for Profit as some corporations in PPP's are registered as Not for Profit. These Not for Profit organisations operate the largest government infrastructure in Australia
- Assurance. The assurance process should be carried out by a multi-disciplinary team rather than just a financial auditor and other experts "where required" (also mentioned above)
- Liability framework. The liability should fall on the entire Board responsible for the governance of the organisation.

The Asset Management Council Sustainability and Resilience in Asset Management Special Interest Group has commenced the preparation of a guideline on approaches for the holistic assessment of climate event impacts which will encourage a greater systems thinking approach to this issue. This document will be useful to organisations who want to identify the potential impacts of climate change.

We consider that this is a great opportunity for (physical) asset managers within the organisations covered by the legislation (and others) to proactively contribute to their organisation's efforts to meet the desired outcomes and spirit of the legislation, rather than just its base level compliance.

Yours sincerely,



Toby Horstead
National Chair, Asset Management Council