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Friday, 9 February 2024

Director

Climate Disclosure Unit

Climate & Energy Division

Treasury

Langton Cres

Parkes ACT 2600

Via Email: ClimateReportingConsultation@treasury.gov.au

Dear Sir / Madam,

The American Chamber of Commerce in Australia (AmCham) writes in response to Treasury's *Climate-related financial disclosure: exposure draft legislation* consultation.

We recommend the Australian Government consider modifying the reporting obligations to align with international standards. This would reduce the risk of:

- Administrative burden and compliance costs as most organisations manage their greenhouse gas emissions at a site level which roll up to a global level;
- Australia becoming a global outlier compared to our peers;
- Australian multinationals and foreign companies with Australian manufacturing facilities being exposed to potential reputational damage compared to their peers who do not maintain such operations resulting in a competitive disadvantage;
- Companies re-considering their local manufacturing presence in Australia and/or disincentivise companies expanding those operations in Australia; and
- Impacting foreign investment in Australia, potentially delaying projects that would otherwise generate jobs for Australians and revenue for the Australian economy.

1.0 Climate-Related Financial Disclosure

Adherence to International Standards

It is important to balance the climate-related goals of this bill with the needs of companies in Australia to operate and grow in a competitive international environment. The reporting obligations should implement international standards such that multinational companies that are already required to report at the group or enterprise level can rely on the data prepared for those reports to meet the compliance obligations of Australia's law to increase consistency and comparability for stakeholders and minimise the addition of further administrative burden.

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As certain standards relevant to climate reporting, including global Scope 3 emissions for many categories of enterprise, have not been developed, the timing of introducing such obligations for companies in Australia should not come into effect until international reporting standards are available.

Enterprise Level vs Jurisdiction Specific Reporting

A key strategy to achieve this goal is to allow for enterprise-level, rather than jurisdiction-specific reporting. This will permit companies with operations in Australia to report their global emissions in responding to a global environmental problem and increase consistency and comparability. Most multinational companies manage their greenhouse gas emissions at a site level which roll up to a global level. These emissions are not tracked based on the corporate subsidiary level and are not representative or reflective of how environmental impacts are managed. For example, Scope 3 emissions are most often considered at a global level given the complexities of supply chains. It would be nearly impossible to separate Scope 3 emissions out for an individual corporate subsidiary entity. Importantly, requiring reporting at the country based subsidiary level does not help stakeholders to fully understand the global environmental impact the company has, which for an issue like climate change requires global action.

Furthermore, enterprise-level reporting will ensure that companies with energy intensive operations in Australia, such as manufacturing, and those with export-focussed operations, will not face reputational damage in comparison to members of the same industry who do not maintain such operations. Jurisdiction-level reporting could act as a disincentive for global companies to expand those operations in Australia, in contrast with the Government's goals to encourage growth in local manufacturing and exports.

Calendar Year vs Fiscal Year Reporting

In addition to enterprise or group-level reporting, adherence to international standards and the resulting comparability would be further enhanced by allowing reporting entities to report emissions based on the calendar year regardless of the entities' fiscal years. Companies that are already collecting and reporting GHG emissions largely do so on a calendar year basis. Requiring reporting on a fiscal year basis would add unnecessary complications to already complex data collection and reporting processes. Additionally, given that multinational companies' fiscal years vary widely, reporting on the calendar year would help mitigate any differences among reporting entities' data and simplify comparison.

Liability of Company Directors

The exposure draft proposes that company directors will have personal responsibility for the contents of mandatory reports. In the first several years of reporting, directors would be required to declare that sustainability reports are compliant without the comfort of an independent assurance regime. Non-expert directors are likely to be exposed to material risk, particularly as the matters required to be reported involve significant uncertainty. This situation should be revised to make it fairer for individual directors.

Implementation

In addition, companies should be given more time to prepare for and adapt business processes to this significant reporting regime, rather than the short period proposed in the exposure draft.

2.0 US-Australia Alliance

The US-Australia alliance is underpinned by core common values including the rule of law, transparency, hard work and fair play.

The relationship has provided an immense benefit to Australia – including new jobs, higher wages, elevated productivity, market access, capabilities, intelligence, interoperability, research and development, trade and investment, cultural ideas, and exchanges of people.

The current two-way trade and investment relationship between our countries is valued at almost \$1.6 trillion. US trade and investment in Australia accounts for approximately \$131 billion or 7% of Australia's GDP.

Over a quarter of all foreign investment in Australia comes from the United States, making it the biggest investor in our country. There are 323,000 Australians working for 1,100 US majority owned companies in Australia on a median salary above \$100,000. US companies also spend \$1.2 billion a year here on research and development.

For these reasons, AmCham's members consider it pivotal that Australia's policy frameworks continue to support foreign investment and the benefits accruing from that investment.

3.0 Conclusion

Thank you for your consideration, and for this opportunity to submit AmCham's views to this consultation process. We welcome any queries you have regarding our submission and any opportunities to engage in further consultation.

Kind regards,

A handwritten signature in black ink, reading "April U. Palmerlee". The signature is written in a cursive, flowing style.

April Palmerlee
Chief Executive Officer

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About AmCham

AmCham was founded in 1961 by Australian and American businesses to encourage the two-way flow of trade and investment between Australia and the United States, and to assist its members in furthering business contacts with other nations. AmCham is Australia's largest and most active international chamber of commerce, representing some of America's most significant companies operating in the Indo-Pacific region, as well as start-ups and SMEs. In pursuing its purpose, the Chamber has found itself not only representing the United States' business view, but also speaking increasingly for a broad range of members involved in the Australian business community.