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Director
Climate Disclosure Unit
Climate & Energy Division
Treasury
Langton Cres
Parkes ACT 2600

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Directorate Office

3 Kings Meadow
Osney Mead
Oxford OX2 0DP
UNITED KINGDOM

www.xbrl.org

Via Email - ClimateReportingConsultation@treasury.gov.au

Dear Director

EXPOSURE DRAFT: TREASURY LAWS AMENDMENT BILL 2024: CLIMATE-RELATED FINANCIAL DISCLOSURE

On behalf of XBRL International, I am writing to provide our comments about the Exposure Draft on *Treasury Laws Amendment Bill 2024: Climate-Related Financial Disclosure*. We strongly support the implementation of mandatory climate-related financial disclosures, ensuring that investors, regulators, and policymakers have access to decision-useful information and ensuring the Australian economy is on an equal footing to its peers. In order to reap the benefits that these changes might bring about, it is critical that Australia consider international comparability and alignment in this field. This includes planning for digital comparability now, in preparation for the time that mandatory digital reporting might come into effect.

XBRL International is the global not-for-profit standards development organisation that has developed, maintained, and continues to enhance the XBRL specifications. Our public-interest purpose is to enhance transparency and accountability in business performance by providing global data exchange standards for business reporting. We are a global not-for-profit that works in the public interest, supported by more than 500 organisational members worldwide. Our specifications are freely available and are an important part of the fabric of reporting in more than 70 countries around the world, in use by well over 100 regulators, and used by more than 10 million private and public companies globally.

In this letter we provide a number of responses, largely focused on the need, in the short to medium term, for Australia to require companies to disclose their climate and financial information in a manner more suited to the 21st century.

Australia should plan now for digital reporting

The use of XBRL for mandatory corporate reporting is very well established around the world, including within reporting regimes in the US, Europe, Japan, China, India, Korea, the UAE, South Africa, Mexico, Chile and Peru to name just a few.

Investors have repeatedly made the case for digital disclosures. A recent UK FRC lab survey of investors prioritised timeliness, comparability and traceability, all underpinned by mandatory digital disclosures¹. Analysis from Deloitte's Access Economics unit last year made a compelling economic case for the introduction of Inline XBRL based disclosures in Australia².

We are sure that the Treasury has this in mind already, but we would like to make some key points that should be taken into consideration today.

1. We live in a digital age: Plan for the shift to Inline XBRL

We are in 2024, not 1924. To ensure international competitiveness for corporate investments, and full visibility going forward, Australian climate disclosures need – in the short term – to be prepared in such a way as to facilitate the automated consumption of high quality data that can be utilised (*inter alia*) in investor, regulatory and policy maker models directly. This data needs full traceability, whether the reports have been consumed directly or arrive via a data provider. In other words, these reports need to be digital, which in practice means they need to be prepared in Inline XBRL. The XBRL standard has come a very long way since the purely machine-readable formats provided in the first decade of operation of the specifications (and for example used in SBR). Inline XBRL provides both human and machine-readable information in a single report.

We expect that the majority of ISSB reporting nations will elect to require digital (ie: Inline XBRL) based reporting, in a similar manner to that set out within Europe's CSRD and ESEF mandates.

Examples of what these kinds of integrated reports can look like in Inline XBRL are widely available. For a UK example (under the still voluntary SECR regime), please explore the:

[Aviva 2022 Annual Report](#).

India has a rather different approach to its ESG reporting, via its now mandatory BRSR regime, and that country is working with the ISSB to determine its pathway to comparability. Nevertheless, BRSR reporting is now mandatory and is provided in XBRL format. These disclosures (for the 1000 largest companies) already provide valuable analytic insights. Here is an exemplar dashboard that we developed for SEBI:

[BRSR Analytics](#)

(Click the "full screen" icon at the bottom right of the dashboard for the best result).

¹ See [AP 6](#) from the 1 February 2024 meeting of the ITCG.

² [Embracing the power of digital corporate reporting](#), Deloitte Access Economics, June 2023

Inline XBRL based reporting provides digital, structured data that is readable by both machines and humans. Human readers can view the information in an intuitive format that can look and feel like a familiar – and highly formatted – PDF report, but it can also be accessed and collated by computers that use published XBRL tags to assign meaning to the numbers and text.

Digital reporting therefore enables detailed analysis of disclosures and the drawing of comparisons between issuers. Automated validation processes facilitate data quality control and oversight by regulators and exchanges. There is a large global ecosystem of software and services able to support corporate issuers in creating and reviewing their digital disclosures, including a number already operating in Australia.

2. Computers are dumb: Make it easy for them and use the ISSB taxonomy

We appreciate that the policy proposal suggests that Australian conditions will be best served if, rather than adopting the IFRS ISSB sustainability standards directly, they should be modestly customised through the publication of equivalent climate disclosures standards to be published by the AASB. This clearly is the approach already used for the accounting standards. However:

Please don't create an Australian AASB version of the ISSB XBRL taxonomy.

Without extensive additional mapping work it will be impossible to compare Australian digital disclosures with those of their international peers.

For example, if there was to be a AASB climate disclosure taxonomy, it might have a concept or “tag” called **aasb:scope1GHGmissions** contained within it. That tag can't automatically be compared by a machine to **issb:scope1GHGmissions**. The prefix (**issb** vs **aasb**) is a flag to a computer that they are different.

Therefore we urge the Treasury and the AASB to not only plan for digital reporting but to ensure that as digital reporting is embraced, that the official IFRS taxonomies are used as the digital baseline. Note that it is possible to add the relevant AASB references to the XBRL taxonomy, in order to provide the relevant Australian paragraph numbers and sections.

3. Identifiers matter: Use the LEI

It might seem a small thing, but international comparability in a digital age is significantly impaired where users need to carry out significant work to determine the identity of reporting companies. We urge the Treasury to add a requirement for at least the Group 1 and Group 2 entities identified in the policy statement to simplify the analysis of Australian corporate disclosures in this field by:

- A. Mandating the use of the LEI as the internationally recognized and unique identifier.
- B. Mandating at least annual LEI renewals immediately prior to annual report dates, to ensure that this critical corporate information is up to date.

We note that the cost on the street for LEIs has now fallen to around US\$55. All these entities can afford this tiny price for international identification.

Comparability, Connectivity and Assurance

4. Emissions measurement should align with agreed international best practices.

We are somewhat concerned about actual and potential divergence from international best practices that the legislation proposes.

We note that the NGER has been in place for nearly two decades, is well understood by many reporting entities impacted by the legislation and in some important respects diverges from the GHG Protocol in order to improve clarity and specificity. Nevertheless, in our view the use of a national set of measurement standards means that Australian climate disclosures will, over time, not be perceived to be as comparable and therefore as useful as the disclosures made by companies in other countries making disclosures that are fully aligned with the GHGP.

The GHGP is undertaking a major review³ at this time. Perhaps not before time. The ISSB, in considering its approach to this question, specifically in relation to S2, determined that the consistent use of the GHGP would provide a common basis of measurement. Note that when the GHGP is updated, the ISSB will carry out an assessment and consult on determining whether S2 references to the new version of GHGP should be updated.

We recognise that the ISSB gives specific mention to those situations in which national legislation requires the use of alternative measurement protocols. We don't think that this should be read as an invitation and that as tens of thousands of GHGP compliant reports become available in a digital form in the next 3-4 years, we would encourage Australia to consider international comparability of corporate reports in this field as its key goal.

In other words, in due course, we think Australia should develop mechanisms to permit the replacement of the NGER definitions with the approach taken in S2 – currently the GHGP. The benefits of comparability – and investor perceptions about consistency, outweigh other considerations. We would urge Australia to contribute to the GHGP review with this in mind.

5. Combined Disclosure is very useful. Assurance is Important.

We strongly support the proposal to include the 'sustainability report' to form part of an annual financial report instead of publishing it as a separate report. This move is significant in ensuring the reliability of climate-related information presented by companies, not least to simplify the integration and validation of financial and climate metrics once all this information is digital. This is especially important for physical intensity measures.

³ See the GHG Protocol Update Process pages [here](#).

We are highly supportive of the proposals to require assurance over corporate climate disclosures. We would urge the Treasury to consider, in due course, requiring that assurance is extended to cover an independent review of management tagging decisions, once digital disclosures are introduced.

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Thank you for the opportunity to comment. We strongly urge the Australian government to adopt a digital-first approach to climate disclosures before long, one which could easily be expanded to financial disclosures.

A progressive digital disclosure regime positions Australia at a considerable advantage in the global arena, especially at a time when the demand for climate-related information and investment opportunities in climate-friendly initiatives is escalating and becoming increasingly pivotal. This forward-thinking approach aligns with the growing international focus on climate change and sustainability and positions Australian companies as leaders in environmental stewardship and sustainable practices.

We are very happy to provide additional information or answer any questions that you might have. You are welcome to reach me at the email address or phone numbers provided in the covering email.

Thank you for your time.

Sincerely



John Turner
CEO

cc: Keith Kendall, AASB
Doug Niven, AUASB
Sue Lloyd, ISSB
Ann Tarca, IASB