Climate-related financial disclosure

Consultation paper

KPMG Australia

February 2023

–

KPMG.com.au

Contents

Executive summary

As a leading professional services firm, KPMG Australia (KPMG) is committed to meeting the requirements of all our stakeholders – not only the organisations we audit and advise, but also employees, governments, regulators and the wider community. We strive to contribute to the debate that is shaping the Australian economy and welcome the opportunity to provide a submission in response to Treasury's consultation paper *Climate-related financial disclosure.*

In responding to the consultation paper KPMG brings a wide-ranging level of global experience in financial reporting and the audit of financial statements, including internal controls over financial reporting; climate strategy and decarbonisation; and wider corporate and sustainability reporting. We have been providing assurance over sustainability information, including climate change risks and greenhouse gas (GHG) emissions, for over two decades.

KPMG's response seeks to answer the questions set out in the consultation paper and stresses the need for Australia to align our climate reporting requirements with the global baseline envisaged by the International Sustainability Standards Board (ISSB).

KPMG considers that any phased adoption of mandatory climate financial disclosures will require a balance between capacity building and ensuring that a sufficient level of emissions in Australia are covered. Initially we recommend that large, listed entities, significant financial institutions, entities with facilities covered by the Safeguard Mechanism and entities providing critical infrastructure that are exposed to physical climate risks should be subject to the disclosure regime.

Additionally, KPMG considers that climate disclosures included in primary reports to investors should be investment grade and be subject to assurance, consistent with proposals in other jurisdictions. There may be scope to initially provide limited assurance, with a commitment to move to reasonable assurance at a future point in time. Policymakers should consider schemes like the *Greenhouse and energy reporting audit framework*[1] to ensure robust independence and quality management standards.

Thank you for the opportunity to participate in the development of this important framework and we look forward to working with the Government on the legislative and governance model and interaction with other reporting obligations.

If you would like to discuss the contents of this submission further, please do not hesitate to reach out.

Yours sincerely,

[redacted]

National Managing Partner

Audit, Assurance & Risk Consulting

KPMG Australia

[redacted]

Partner

ESG Services

KPMG Australia

[1] Legislative framework for audits (cleanenergyregulator.gov.au)

Background

KPMG is a global network of professional firms providing a full range of services to organisations across a wide range of industries, governments and not-for-profit sectors. We operate in 147 countries and territories and have more than 219,000 people working in member firms around the world. In Australia, KPMG has a long tradition of professionalism and integrity combined with our dynamic approach to advising clients in the digital-driven world.

KPMG's commitment to Climate Action

KPMG supports scientific consensus that human activity is the primary cause of climate change and acknowledges our responsibility in limiting warming to less than 1.5° above pre-industrial levels.

Under our Climate Action Plan to 2022, we have committed to be a net zero emissions business, an enabler of the circular economy, and to transparently managing our climate risk and ongoing contribution to the UN Sustainable Development Goals.

KPMG is certified carbon neutral through Climate Active. On our journey to net zero, we are also committed to driving continuous operational improvement and minimising our impact on the planet through energy and waste efficiency, the sourcing of 100 percent renewable energy, by reducing non-essential business travel and working with suppliers to minimise supply chain emissions.

Climate Change & Sustainability

KPMG's Climate Change & Sustainability (CC&S) team works with organisations to help them manage the risks and opportunities associated with climate change and GHG emissions, and to enhance all aspects of sustainability reporting and communication. Our Better Business Reporting team works closely with CC&S to assist organisations integrate sustainability information with financial disclosures to explain how they create sustainable long term value for their investors and other key stakeholders, as well as ensuring that internal processes and systems are aligned and provide investment-grade information. We also provide assurance services over climate and other sustainability-related disclosures, as well as financials, to enhance the credibility of reported information.

We have been providing assurance over sustainability information, including climate change risks and greenhouse gas (GHG) emissions, for over two decades. During this time, we have been actively engaged with organisations in the largely voluntary landscape of sustainability standard setting, including with GRI, CDP, Climate Active, the Climate Disclosure Standards Board and the Value Reporting Foundation (VRF) ahead of their consolidation into the IFRS® Foundation, as well as the Taskforce on Climate-related Financial Disclosures (TCFD).

Section 1: KPMG Findings

Process, costs, and benefits

Finding 1: KPMG analysis has found that 97 percent of Australia's top companies are now providing sustainability reporting ahead of any government mandate, clearly demonstrating the value of disclosure to many organisations.

Recommendation 1: All ISSB sustainability standards, not only those relating to climate reporting, should be the Australian baseline for sustainability standards and accordingly there must be a compelling reason to depart from this international baseline.

Covered entities and timing

Recommendation 2: KPMG supports mandatory climate disclosure requirements commencing in 2024, with the first reports being required for financial year 2024-25, consistent with other comparable jurisdictions.

Recommendation 3: KPMG supports the adoption of a phased approach to implementing mandatory climate disclosure requirements with clear timeframes communicated for entities captured in future phases.

Finding 2: The large, listed organisations in Australia are the most progressed in their early adoption of voluntary reporting, however these entities do not account for a significant share of Australia's emissions. For example, scope 3 emissions make up the majority of an entity's greenhouse gas emissions, however these emissions are not reportable under the National Greenhouse and Energy Reporting (NGER) Scheme. In addition, only 50% of 2020-21 NGER companies are listed on the ASX; and only 13% of 2020-21 NGER companies are included in the ASX 100.

Recommendation 4: Any phased adoption will require a balance between capacity building and ensuring that a sufficient level of Australian emissions are covered. KPMG suggests that the final implementation phase for covered entities be in line with international best practice and be no later than end of financial year 2028. It will be important that clear signposts are communicated so smaller entities can prepare for the disclosure requirements and that voluntary early adoption is encouraged.

Recommendation 5: KPMG considers that entities with facilities covered by the Safeguard Mechanism that are currently required to report under NGERs and entities providing critical infrastructure that are exposed to physical climate risks should be included in the early phases of mandatory climate disclosure requirements.

Recommendation 6: In relation to determining size thresholds for large, listed companies KPMG supports using market capitalisation. The size threshold for large could then be set at ASX200 or ASX300. The threshold would need to have a specified measurement date so that entities would be clear as to whether they fell within the threshold for reporting.

Recommendation 7: In relation to determining size threshold for financial institutions, we recommend utilising existing definitions for example APRA's definition of a "significant financial institution".

International alignment of disclosures

Recommendation 8: KPMG does not support incorporating additional Australian-specific climate-related matters within the proposed framework. However we note that there is no specific consideration of Indigenous Australians in the proposed international standards, and the views of Indigenous Australians should be specifically sought and considered during the implementation of the standard in Australia.

Regulatory framework for required disclosures

Recommendation 9: KPMG considers that the legislative responsibility should be incorporated in the Corporations Act with compliance with the climate and sustainability disclosure standards required, as made by the Australian Accounting Standards Board, similar to the model of financial statements being required to comply with Australian Accounting Standards.

Periodic reporting requirements

Finding 3: KPMG's analysis has found that 38% (compared to 35% in 2021) of companies are reporting on their progress in implementing the TCFD recommendations in their primary report to shareholders, however 76% of the ASX100 state that they report their climate risks in line with TCFD recommendations, either in the annual report, as part of the sustainability report or in a standalone TCFD climate report.

Finding 4: Analysis of feedback on ISSB proposals showed many respondents supported reporting sustainability-related information at the same time as the financial statements, however there are practical challenges in achieving this in the shorter term.

Recommendation 10: Initially, KPMG recommends that businesses should determine how they report in order to reduce pressure on internal teams during the annual reporting period, noting that material climate risk must be reported in the organisation's financial report. As long as the required disclosures can be easily located (for example, through a navigator/checklist by a user), we do not believe location of disclosures to be a critical issue in the short term.

Recommendation 11: In the longer term, we recommend alignment with the ISSB proposals that look to align the mandatory climate disclosure reporting requirements with that of the financial statements, with some optional transition relief being made available.

Assurance of climate risks

Recommendation 12: KPMG supports the decision by the ISSB to fully align its description of materiality with the IFRS Accounting Standards.

Finding 5: KPMG's analysis found that 51 percent of ASX100 companies obtain third-party assurance of sustainability information reported compared to 63 percent of the G250.

Recommendation 13: KPMG considers that climate disclosures included in primary reports to investors should be investment grade and be subject to assurance, consistent with proposals in other jurisdictions. There may be scope to initially provide limited assurance, with a commitment to move to reasonable assurance at a future point in time.

Recommendation 14: KPMG considers that policymakers should consider schemes like the *Greenhouse and energy reporting audit framework* for ensuring robust independence and quality management standards for assurance work.

Recommendation 15: KPMG recommends that reporting entities should be able to appoint one firm to provide assurance over both their financial statements and other mandatory disclosures, such as climate-related disclosures, simplifying the implementation of mandatory assurance at, or soon after, the adoption of the climate-related financial disclosure standards.

Reporting of metrics, offsets and transition plans

Recommendation 16: KPMG considers that there is merit in adopting a phased implementation of some disclosures consistent with proposed global standards, for example, Scope 3 GHG emissions disclosures. We do acknowledge that the determination of Scope 3 GHG emissions can be challenging for certain entities, especially initially.

Data and capability to support climate reporting

Recommendation 17: In order to address potential data gaps, the Federal Government should conduct a national climate data audit to better understand data gaps when analysing climate risk.

Governance of supporting information for disclosures

Recommendation 18: KPMG does not consider that a particular authority should be responsible for providing information for use in climate-related financial disclosures in Australia, however supports the ongoing work of specific industries in producing information and implementation guidance on climate scenarios in their sector. KPMG also supports the provision of assistance for smaller entities in navigating data requirements when they are eventually captured by the framework.

Proportionate application of liability

Recommendation 19: KPMG considers that it would be useful to introduce or provide clarity on any protections for preparers, specifically in relation to the disclosures arising from these new standards. This would improve Australian disclosures and align with disclosures in other jurisdictions that do have more extensive and trusted "Safe Harbour" protections.

Other implementation issues

Finding 6: Globally, jurisdictions are developing and mandating sustainability reporting requirements that extend beyond climate. Global consistency in broader sustainability reporting requirements, in line with ISSB requirements, ensures Australian entities are not at a disadvantage and can participate on the global stage, accessing capital markets, meeting stakeholder needs, and protecting or supporting their enterprise values.

Recommendation 20: We consider it important to ensure there is sufficient flexibility in the current framework/reforms on climate reporting to enable a timely rollout and adoption of broader sustainability reporting requirements in Australia, without the need to go through additional consultations and legislative reforms.

Recommendation 21: Where benefits clearly exceed costs, KPMG would support the introduction of mandatory digital financial reporting. This should enhance consistency and transparency of information available to investors.

Financial reporting framework

Recommendation 22: KPMG believes that the continuation of Structure 1 would be the best interim model given the capabilities, capacities and operating models of the existing bodies who can deliver mandatory climate disclosure requirements within the required timeframes. KPMG believes that a move to the other structures proposed should be subject to its own separate and extensive consultation process given the substantial change proposed.

Section 2: KPMG insights

KPMG insights

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?

KPMG's recent Sustainability Survey[2], found that there has been a substantial improvement in sustainability reporting from two years ago, which shows that even in the absence of public policy directives, Australian companies are taking the initiative and meeting the demands from their stakeholders, such as investors and regulators. So much so that ninety-seven percent of Australia's top companies are now providing sustainability reporting, and are generally outperforming global peers, with a steep improvement in climate reporting since 2020.

- **90 percent** of ASX100 companies **recognise climate as a financial risk**
- 20 percent more (now **89 percent**) are **reporting carbon targets**
- **74 percent are now reporting against TCFD**, which is above global peer G250[3] of 61 percent
- Reporting of '**social' risks to the business is now up to 90 percent** which is 40 percent above global peer G250.

KPMG's report *Corporate Reporting Trends 2022* also found that the level of reporting on plans to reduce carbon emissions, and inclusion of carbon reduction targets (e.g., towards net zero) has increased[4]. However, there are still companies that are not applying the TCFD recommendations, and the mandatory requirement to disclose climate risk will be an additional cost burden.

The benefit of meeting existing climate reporting expectations is the ability of an entity to participate on the international stage and to engage on global capital markets, where there is an expectation that entities are disclosing climate-related risks and opportunities and how an organisation is responding to these. The benefits extend to protecting revenue, cost savings and, ultimately, to supporting enterprise value.

The costs mainly relate to resources needed to invest in processes and systems to capture the data required to enable climate reporting that is robust and transparent. As noted above, many companies are already reporting on climate risk ahead of any mandatory requirement and costs can quickly reduce with experience, leverage of early adopters, and once systems have been established.

---

[2] *Sustainability Reporting Survey 2022 | ASX100 & G250 - KPMG Australia (home.kpmg)*

[3] The G250 companies are the largest 250 companies by revenue based on the Fortune 500 rankings. Just over two-thirds are from China (30%), the US (28%) and Japan (10%).

[4] *Corporate Reporting Trends 2022 (assets.kpmg)*

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

We believe that globally consistent climate reporting standards is an imperative. Alignment of Australian climate reporting standards with those issued by the ISSB, in a timely manner and with due process, will strengthen the ability of Australian entities to participate on the international stage, and in particular to engage on global capital markets. Not aligning will result in both reduced competitiveness and higher costs of capital. Australian entities may also suffer reputational damage and be seen to be laggards in the increasing demand for high-quality, consistent and transparent climate related reporting. Major global capital market participants are actively engaging with the ISSB to maximise interoperability of the ISSB sustainability standard relating to climate with their related proposals to achieve a global baseline (e.g. EU, UK, and the US).

With this perspective, we believe that all ISSB sustainability standards, not only those relating to climate reporting, should be the Australian baseline for sustainability standards and accordingly that there must be a compelling reason to depart from this international baseline at a minimum.

Finding 1: KPMG analysis has found that 97 percent of Australia's top companies are now providing sustainability reporting ahead of any government mandate, clearly demonstrating the value of disclosure to many organisations.

Recommendation 1: All ISSB sustainability standards, not only those relating to climate reporting, should be the Australian baseline for sustainability standards and accordingly there must be a compelling reason to depart from this international baseline.

Question 2: Should Australia adopt a phased approach to climate disclosure, with the first report for initially covered entities being financial year 2024-25?

KPMG understands that the consultation paper is seeking views on a phased approach of implementation, commencing in 2024, with the first reports being required for financial year 2024-25. This would see Australia implement new requirements in a timeframe consistent with other comparable jurisdictions. KPMG supports this approach to timing, noting that the final framework should also allow entities to early adopt if desired.

Mandatory climate reporting represents a new phase in corporate reporting for most entities, and it will take time to both develop and implement processes and controls over all of the proposed disclosure requirements. We see merit in adopting a phased implementation for cohorts of entities, as well as a phased implementation of some disclosures, for example the proposed minimum 12-month delay proposed by the ISSB for Scope 3 GHG emissions disclosures. This approach would provide entities with more time to ensure their resources, data, technical know-how and capabilities are in place to enable reliable reporting on some of these more complex areas.

We believe that clear timelines for any phased mandatory adoption will be critical. This will provide sufficient time for entities with different levels of reporting maturity and resources to prepare and adopt the requirements, as well as minimise transition issues. Clear timelines will allow entities to maximise their readiness for application.

Recommendation 2: KPMG supports mandatory climate disclosure requirements commencing in 2024, with the first reports being required for financial year 2024-25, consistent with other comparable jurisdictions.

Recommendation 3: KPMG supports the adoption of a phased approach to implementing mandatory climate disclosure requirements with clear timeframes communicated for entities captured in future phases.

2.1 What considerations should apply to determining the cohorts covered in subsequent phases of mandatory disclosure, and the timing of future phases?

Any phased adoption will require a balance between capacity building and ensuring that not only are a sufficient level of Australia's emissions covered, but also that those entities exposed to material physical climate-related risk relating to infrastructure and other assets are scoped in over time.

There are a range of international approaches being taken that account for maturity of markets and relevant institutional definitions. For example, the EU will ultimately require reporting by (1) all 'large undertakings', (2) non-EU undertakings with a substantial turnover and (3) all undertakings, except micro undertakings, whose securities are trading on an EU regulated market[5]. In New Zealand the requirement applies to large publicly listed companies, insurers, banks, non-bank deposit takers and investment managers[6]. In the Australian context, we note that the Australian Sustainable Finance Institute Roadmap recommends eventually all ASX listed entities and financial institutions with more than $100 million in consolidated annual revenue to report in line with the TCFD recommendations[7].

Similar to the EU and New Zealand, we recommend that the cohort of entities required to initially apply climate disclosures be extended beyond large, listed entities. Whilst the large, listed organisations in Australia are the most progressed in capacity building, largely due to their early adoption of voluntary reporting, they alone do not cover the majority of Australia's GHG emissions. For example, the ten largest emitters covered by the National Greenhouse and Energy Reporting (NGER) scheme account for about 50% of total Scope 1 emissions, however:

- Scope 3 emissions make up the majority of an entities greenhouse gas emissions and these are not reported under the NGER Scheme;
- Only 50% of 2020-21 NGER companies are listed on the ASX; and
- Only 13% of 2020-21 NGER companies are included in the ASX 100.

In addition, as indirect emissions typically make up the majority of an organisation's total emissions (Scope 1,2,3) it is important that a sufficient cohort of organisations are

---

[5] Corporate sustainability reporting (europa.eu)

[6] Mandatory climate-related disclosures | Ministry for the Environment

[7] The Roadmap — ASFI

eventually captured to achieve reporting of a high percentage of Australia's total emissions.

Due to the reasons outlined above, other cohorts than just large, listed companies will eventually need to be covered if Australia wants to target entities that produce the significant share of Australia's GHG emissions

Considerations, outside of emitting organisations and organisations holding critical infrastructure that are exposed to physical climate risks (see comment in 3. below), to determine cohorts covered in subsequent phases should include:

— Whether an entity has public accountability as defined in AASB 1053 *Application of Tiers of Australian Accounting Standards*. This consideration would capture entities such as registered managed investment schemes and larger superannuation funds – both of which would have high levels of interest from investors and members.
— Large proprietary companies as defined by the Corporations Act 2001[8].
— Public companies as defined by the Corporations Act 2001 that do not have public accountability and meet the size threshold criteria for a large proprietary company.

Cohorts covered in subsequent phases could potentially only be required to provide reduced levels of disclosures, such as only Scope 1 and 2 emissions reporting.

We support a phased approach for subsequent cohorts, with a possible gradual move to reporting not just scope 1 and 2 GHG emissions, but scope 3 emissions. Policymakers will need to undertake a regulatory impact statement to assess the costs and benefits of different implementation timeframes. KPMG suggests that the final phase should be in line with international best practice and be no later than end of financial year 2028. It will be important that clear signposts are communicated so smaller entities can prepare for the disclosure requirements.

Finding 2: The large, listed organisations in Australia are the most progressed in their early adoption of voluntary reporting, however these entities do not account for a significant share of Australia's emissions. For example, scope 3 emissions make up the majority of an entity's greenhouse gas emissions, however these emissions are not reportable under the National Greenhouse and Energy Reporting (NGER) Scheme. In addition, only 50% of 2020-21 NGER companies are listed on the ASX; and only 13% of 2020-21 NGER companies are included in the ASX 100.

Recommendation 4: Any phased adoption will require a balance between capacity building and ensuring that a sufficient level of Australian emissions are covered. KPMG suggests that the final implementation phase for covered entities be in line with international best practice and be no later than end of financial year 2028. It will be

[8] A proprietary company is defined as 'large' for a financial year if it satisfies at least two of the below criteria:

— *the consolidated revenue for the financial year of the company and any entities it controls is $50 million or more*
— *the value of the consolidated gross assets at the end of the financial year of the company and any entities it controls is $25 million or more, and*
— *the company and any entities it controls have 100 or more employees at the end of the financial year. [s45A(3)]*

important that clear signposts are communicated so smaller entities can prepare for the disclosure requirements and that voluntary early adoption is encouraged.

Question 3: To which entities should mandatory climate disclosures apply initially?

Determining which entities should mandatorily apply climate disclosures initially should be based not only on size, but also greenhouse gas emission levels and the entities holding critical infrastructure that are exposed to physical climate risks. International best practice as outlined in Question 2 should also be taken into consideration. With these criteria, we consider that the following entities should be included:

— Large, listed entities – see comments on size thresholds in 3.1 below.
— Large financial institutions – see comments on size thresholds in 3.1 below.
— Entities with facilities covered by the Safeguard Mechanism that are currently required to report under National Greenhouse and Energy Reporting (NGER). NGER has established and clear thresholds for reporting which could be readily leveraged to mandate application of climate disclosures.
— Entities providing critical infrastructure that are exposed to physical climate risks that are not captured above. Critical infrastructure is defined under the *Security of Critical Infrastructure Act 2018* (the SOCI Act) and specifies assets within the 11 critical infrastructure sectors, these are listed on the Department of Home Affairs website[9].

Lastly, KPMG understands that the Minister for Finance will lead related work to implement appropriate arrangements for comparable Commonwealth public sector entities and companies to also disclose their exposure to climate-related risk and as such we will not be commenting on public sector cohorts in this response.

3.1 What size thresholds would be appropriate to determine a large, listed entity and a large financial institution, respectively?

We support using an existing reliable basis to determine the size thresholds – a measure that is already established and widely accepted and understood.

To determine a large, listed entity we support using market capitalisation. The size threshold for large could then be set at ASX200 or ASX300. The threshold would need to have a specified measurement date so that entities would be clear as to whether they fell within the threshold for reporting.

To determine a large financial institution, we support using total assets as the threshold measure. This is the measure used by APRA in its definition of "significant financial institution". Significant financial institution means an APRA-regulated entity that has (among other considerations) total assets in excess of $20 billion in the case of an ADI; $10 billion in the case of a general insurer or life company; $3 billion in the case of a private health insurer; or $30 billion in the case of a single Registrable Superannuation Entity (RSE). A significant financial institution can also be determined as such by APRA,

---

[9] Assets captured under the bill (cisc.gov.au)

having regard to matters such as the complexity in its operations or its membership of a group[10].

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 that entities with facilities covered by the Safeguard Mechanism that are currently required to report under NGERs and entities providing critical infrastructure that are exposed to physical climate risks should be included in the initial phase or subsequent phases.

As noted previously, KPMG understands that the Minister for Finance will lead related work to implement appropriate arrangements for comparable Commonwealth public sector entities and companies to also disclose their exposure to climate-related risk and as such we will not be commenting on public sector cohorts in this response.

Recommendation 5: KPMG considers that entities with facilities covered by the Safeguard Mechanism that are currently required to report under NGERs and entities providing critical infrastructure that are exposed to physical climate risks should be included in the early phases of mandatory climate disclosure requirements.

Recommendation 6: In relation to determining size thresholds for large, listed companies KPMG supports using market capitalisation. The size threshold for large could then be set at ASX200 or ASX300. The threshold would need to have a specified measurement date so that entities would be clear as to whether they fell within the threshold for reporting.

Recommendation 7: In relation to determining size threshold for financial institutions, we recommend utilising existing definitions for example APRA's definition of a "significant financial institution".

Question 4: Should Australia seek to align our climate reporting requirements with the global baseline envisaged by the International Sustainability Boards?

As detailed in Question 1.2 above, we believe that Australia should align our climate reporting requirements with the global baseline envisaged by the ISSB.

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?

We do not believe there are particular considerations that should apply in the Australian context, and do not support incorporating additional Australian-specific climate-related matters – and thereby adding additional mandatory disclosures for Australian entities. We are, however, supportive of entities voluntarily reporting additional relevant entity-specific metrics. We also acknowledge that it may be appropriate to consider specific Australian unique attributes within the Australian Standards, for example those that

[10] Minor amendments to centralise the definition of a signification financial institution | APRA

would be applicable to the public sector / not-for-profit entities, in the same way that Australian Accounting Standards include Australian-specific paragraphs.

Although we do not support including specific Australian matters within the proposed Australian standard, we note that there is currently no specific consideration of Indigenous Australians in the proposed international standards. Given the direct relevance of climate change to Indigenous Australians, and the specific challenges in Australia in relation to reconciliation, inclusion, the National Apology and the Uluru Statement from the Heart, we believe that the views, needs and impacts of Indigenous Australians should be specifically sought and considered during the implementation of the climate change reporting standards in Australia.

For example, the past international approach for sustainability reporting would likely lead to a specific future standard addressing the rights and needs of Indigenous Peoples (e.g. GRI 411 *Rights of Indigenous Peoples 2016*) however, we believe that the integration of the views and needs into all topic specific reporting such as this, would likely lead to more inclusive and relevant outcomes.

We note that there are existing reporting requirements and frameworks in Australia including NGERs legislation, Climate Active (Carbon Neutral) and the Clean Energy Renewable Target (CERT) reporting. These frameworks have users with different reporting needs. Whilst we are supportive of the additional reporting above, we caution against adding to reporting in annual reports to the extent that it creates divergence from international standards. For example, we would not advocate changing calculation methodologies away from the recommended global principles, such as the GHG Corporate Standard, where there are differences when compared with these existing local frameworks.

Recommendation 8: KPMG does not support incorporating additional Australian-specific climate-related matters within the proposed framework. However we note that there is no specific consideration of Indigenous Australians in the proposed international standards, and the views of Indigenous Australians should be specifically sought and considered during the implementation of the standard in Australia.

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?

Internationally consistent metrics is key to enabling Australian entities to be benchmarked and assessed so as to access global capital on the same basis as their international peers.

Australia must have climate reporting standards that are consistent with global standards – the baseline for which the ISSB is pursuing. This will ensure Australian entities are on a level playing field with international peers, affording equal access to global capital and business opportunities. In our view, this is in the best interests of the Australian economy.

We note that most sustainability reporting by large, listed companies in Australia (for example, 77% of the ASX100), follow the Global Reporting Initiative (GRI) which utilises a broader definition of materiality[11]. We do not, however, consider this to be a significant concern, as the ISSB sustainability standards, focus on reporting sustainability-related matters material to the company's annual and/or financial report and information needs of the capital markets can be aligned to the broader Impact report (prepared under GRI) if an entity wishes to report under both frameworks. For example, the "nested materiality" concept of reporting on sustainability information[12] demonstrates how this can be done.

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?

We consider that the legislative responsibility should be incorporated in the Corporations Act with compliance with the climate and sustainability disclosure standards as made by the Australian Accounting Standards Board (or other relevant body as determined) required, similar to the model of financial statements being required to comply with Australian Accounting Standards. When legislating the relevant standards within the Corporations Act it will be important for policy makers to ensure there is flexibility for the standards to quickly reflect changes made by the ISSB.

One of the key considerations on an overall level will be the enabling legislation or regulation that implement the requirements for climate and sustainability disclosure obligations. A potential review of how the ASX Corporate Governance Principles and Recommendations and the Operating and Financial Review (required by s299A of the *Corporations Act 2001* and Regulatory Guide 247 *Effective disclosure in an operating and financial review*) need to work together to provide an integrated platform for reporting on these four pillars. In the medium to longer term there is also likely to be linkage with a joint project between the ISSB and the International Accounting Standards Board (IASB) on connectivity in reporting, building on the IASB's Management Commentary project and the Integrated Reporting Framework.

Recommendation 9: KPMG considers that the legislative responsibility should be incorporated in the Corporations Act with compliance with the climate and sustainability disclosure standards required, as made by the Australian Accounting Standards Board,, similar to the model of financial statements being required to comply with Australian Accounting Standards

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?

KPMG's report *Corporate Reporting Trends 2022* found that Task Force on Climate-Related Financial Disclosures (TCFD) reporting has continued, although only 38% (2021: 35%) of companies are reporting on their progress in implementing the TCFD recommendations in their primary report to shareholders. However, KPMG's recent

[11] Sustainability Reporting Survey 2022 | ASX100 & G250 - KPMG Australia (home.kpmg)

[12] *Statement of Intent to Work Together Towards Comprehensive Corporate Reporting – Summary of alignment discussions among leading sustainability and integrated reporting organisations CDP, CDSB, GRI, IIRC ad SASB (September 2020)*

Sustainability Survey found that many others are providing TCFD details outside of the primary report to shareholders and 76% of the ASX100 state that they report their climate risks in line with TCFD recommendations, either in the annual report, as part of the sustainability report or in a standalone TCFD / climate report.

The consultation paper notes that Australian listed entities currently report their climate related risks either through a directors' report or in some cases in a separate sustainability or climate change report. ASIC regulatory guidance[13] recommends that material risks be disclosed in the directors' report as part of an operating and financial review as required under the Corporations Act.

We do receive feedback from users that a separate report is preferable, given it makes it easy to locate the required climate disclosures; however it may create additional compliance costs. Instead, it would be more practical to allow businesses to determine how / timing of reporting in order to reduce pressure on internal teams during the annual reporting period. As long as the required disclosures can be easily located (for example, through a navigator/checklist by a user), we do not believe location of disclosures to be a critical issue as long as it is clear in the description of the report portfolio where the relevant information is contained. Obviously, where climate risks are considered material, they must be disclosed in the organisation's financial report as required under the Corporations Act.

As noted throughout our submission, we believe that alignment of Australian climate reporting standards with those issued by the ISSB is an imperative. The ISSB current proposals may not specify a location for climate-related disclosures, however, the ISSB analysis of feedback received on their proposals showed many respondents supported reporting sustainability-related information at the same time as the financial statements[14]. This would facilitate greater connectivity between sustainability-related information and financial statements, supporting capital allocation decisions.

The ISSB's analysis also highlighted the practical challenges for companies to achieve this – including availability of data, using metrics and third-party data that is not yet final, and relying on estimates. In response to this feedback, the ISSB plans to introduce temporary and optional transition relief to allow companies to report sustainability-related financial disclosures after their financial statements for a short period of time. The ISSB discussed aligning the publication of this sustainability information with interim reporting requirements i.e. with Q2 earnings announcements. After the transition period, companies would need to report sustainability information at the same time as the financial statements.

In the longer term, in considering both the location and the timing of climate-related reporting in Australia, we recommend alignment with the ISSB proposals including the period of any transition relief that is made available.

Finding 3: KPMG's analysis has found that 38% (compared to 35% in 2021) of companies are reporting on their progress in implementing the TCFD recommendations

[13] *Regulatory Guide RG 247 Effective disclosure in an operating and financial review (asic.gov.au)*

[14] *IFRS - ISSB Update November 2022*

in their primary report to shareholders, however 76% of the ASX100 state that they report their climate risks in line with TCFD recommendations, either in the annual report, as part of the sustainability report or in a standalone TCFD climate report.

Finding 4: Analysis of feedback on ISSB proposals showed many respondents supported reporting sustainability-related information at the same time as the financial statements, however there are practical challenges in achieving this in the shorter term.

Recommendation 10: Initially, KPMG recommends that businesses should determine how they report in order to reduce pressure on internal teams during the annual reporting period, noting that material climate risk must be reported in the organisation's financial report. As long as the required disclosures can be easily located (for example, through a navigator/checklist by a user), we do not believe location of disclosures to be a critical issue in the short term.

Recommendation 11: In the longer term, we recommend alignment with the ISSB proposals that look to align the mandatory climate disclosure reporting requirements with that of the financial statements with some optional transition relief being made available.

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)?

There are many different definitions of materiality in the world of sustainability reporting – the key differences relate to the nature of impacts (eg financial impacts or non-financial impacts) and to whom those impacts relate (ie which stakeholders are prioritised). Different frameworks around the world are putting different priorities on these issues based on the intended actual goals of the specific reporting (eg market stability, international competitiveness or achieving environmental and social outcomes).

The ISSB have carefully considered this issue and have concluded that they will prioritise the needs of climate information to investors. This is the same as the successful predecessor climate reporting framework, the TCFD Guidelines, which was established to increase the stability of the capital markets through improved information and market transparency on this emerging issue. This prioritisation has consequently flowed through to the ISSB definition of materiality.

On the basis that the goals in Australia are the same as the ISSB standards, ie that the key benefits for Australia are the international competitiveness and access to global capital for our domestic entities, materiality judgements when undertaking climate reporting should align with those made by the ISSB when it issues its final sustainability standards.

In its deliberations, the ISSB agreed to fully align its description of materiality with IFRS Accounting Standards. In doing so, it has removed the proposed definition of 'enterprise value' and the words 'to assess enterprise value' from the objective and description of materiality in its proposals. It also agreed to remove 'significant' from the description of which sustainability-related risks and opportunities to disclose.

The ISSB also plans to develop guidance to help companies apply the requirements on first identifying the risks and opportunities that matter and then the material information to provide in relation to them. It aims to build on IASB® literature – which is applied also in Australia – such as:

- the materiality assessment process described in IFRS Practice Statement 2 *Making Materiality Judgements*; and
- explanations in the IASB's management commentary proposals that support companies in making the link between matters that could affect prospects and material information.

Full alignment with the ISSB definitions of materiality will enable Australian businesses to directly leverage this emerging implementation guidance.

Recommendation 12: KPMG supports the decision by the ISSB to fully align its description of materiality with the IFRS Accounting Standards.

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?

KPMG's recent Sustainability Survey[15], found that 51 percent of ASX100 companies obtain third-party assurance of sustainability information reported compared to 63 percent of the G250.

For relevant organisations providing climate disclosures, including performance data, in their primary report to investors, the disclosures should be investment grade and so be subject to audit (there may be scope to initially provide limited assurance, with a commitment to move to reasonable assurance at a future point in time). This is consistent with proposals in other jurisdictions,(e.g. Europe and United States). In the third phase of New Zealand's regime, elements of disclosures relating to greenhouse gas emissions will be required to have independent assurance.

In relation to establishing independence and quality management standards, we suggest policymakers look to assurance schemes already in place. For example, the Greenhouse and energy reporting audit framework has been developed in consultation with industry, accounting professionals drawing upon existing international standards.

Under the NGER Act, the Clean Energy Regulator is required to maintain a register of auditors, and Part 6 of the NGER Regulations provides more information about the requirements for auditors to obtain and maintain registration, as well as the standards of professional conduct. These requirements include that you: comply with the code of conduct, act independently and perform objective audits, maintain adequate insurance, actively participate in audits under the schemes, maintain continuous professional development, report annually, participate in any reviews or inspections, and retain adequate records. Audit team leaders must also ensure that audits are carried out and

[15] Sustainability Reporting Survey 2022 | ASX100 & G250 - KPMG Australia (home.kpmg)

reported on in compliance with all relevant auditing and assurance standards set by the Australian Auditing and Assurance Standards Board.

The New Zealand Government is also currently consulting on whether they introduce an occupational licensing regime for the practitioners that carry out the assurance over the disclosures[16]. In line with policymakers in New Zealand, any additional quality and management standards should be subject to cost benefit analysis so that regulatory burden doesn't exceed benefit.

Lastly, we suggest that reporting entities should be able to appoint one firm to provide assurance over both their financial statements and other mandatory disclosures, such as climate-related disclosures. The appointment of one audit firm would simplify the implementation of mandatory assurance at, or soon after, the adoption of the climate-related financial disclosure standards.

Finding 5: KPMG's analysis found that 51 percent of ASX100 companies obtain third-party assurance of sustainability information reported compared to 63 percent of the G250.

Recommendation 13: KPMG considers that climate disclosures included in primary reports to investors should be investment grade and be subject to assurance, consistent with proposals in other jurisdictions. There may be scope to initially provide limited assurance, with a commitment to move to reasonable assurance at a future point in time.

Recommendation 14: KPMG considers that policymakers should consider schemes like the *Greenhouse and energy reporting audit framework* for ensuring robust independence and quality management standards for assurance work.

Recommendation 15: KPMG recommends that reporting entities should be able to appoint one firm to provide assurance over both their financial statements and other mandatory disclosures, such as climate-related disclosures, simplifying the implementation of mandatory assurance at, or soon after, the adoption of the climate-related financial disclosure standards.

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?

Based on evidence of different levels of current readiness of ASX large, listed entities versus smaller and non-listed entities (S&P/ASX 200: 83%, ASX 201-500: 41% and ASX 500+: 12% reporting under at least one environmental or social framework in 2021), there is merit in adopting a phased implementation of some disclosures depending on entity size, for example, Scope 3 GHG emissions disclosures.

We strongly support the adoption of the ISSB climate disclosure standard to achieve globally consistent climate disclosure reporting.

The ISSB is continuing to progress deliberations on its climate proposal. In this regard, amongst other decisions, the ISSB has agreed:

- that Scope 1, 2 and 3 emissions should be disclosed;

[16] Mandatory climate-related disclosures | Ministry for the Environment

- clarified requirements for Scope 2 emissions, requiring location-based disclosures;
- provided guidance on measuring emissions; and
- support for reliefs relating to Scope 3 emissions, including a later effective date for such disclosure.

We believe that Australian entities should be required to disclose these emissions to maintain global alignment and are encouraged by the practical and considered response by the ISSB in finalising these. We recommend Australian entities are required to report Scope 1 and 2 emissions in accordance with the NGER framework. We believe that the NGER framework is materiality consistent with the GHG Protocol, acknowledging that the GHG protocol itself is also in the process of being revised.

Given the significant proportion of an entity's total GHG footprint that Scope 3 GHG emissions typically comprise, disclosing Scope 3 GHG emissions is important to the understanding of the entity's business model, risks, opportunities and enterprise value. We do acknowledge that the determination of Scope 3 GHG emissions can be challenging for certain entities, especially initially.

Recommendation 16: KPMG considers that there is merit in adopting a phased implementation of some disclosures consistent with proposed global standards, for example, Scope 3 GHG emissions disclosures. We do acknowledge that the determination of Scope 3 GHG emissions can be challenging for certain entities, especially initially.

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 common baseline of metrics is central to comparability and consistency. The ISSB climate proposals include industry-specific metrics and propose to include the SASB metrics as integral to its climate reporting. In deliberations, the ISSB agreed to initially classify the SASB metrics included in Appendix B of proposed IFRS S2 as illustrative examples, with a clear intention to make Appendix B mandatory in the future, subject to further consultation. Australian requirements should align with this global approach.

Internationally consistent metrics is key to enabling Australian entities to be benchmarked and assessed so as to access global capital on the same basis as their international peers. We recommend that additional metrics, if any, for Australian entitles are kept to a minimum to maximise international consistency and alignment.

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?

As discussed in Question 8, all disclosures should be investment grade and so be subject to assurance. This assurance will not only provide credibility for reported information (and so confident use in investor decision-making), but the assurance also demonstrates the importance of such non-financial data to the Board/ Executive.

The draft ISSB standards already include proposed disclosures in relation to carbon offsets and carbon targets.

KPMG notes ASIC's Information Sheet: *How to avoid greenwashing when offering or promoting sustainability-related products* and its guidance around establishing 'reasonable grounds' for a stated sustainability target. To avoid breaching the misleading statement prohibitions ASIC advises that an entity should clearly explain: what your target is, how and when you expect to meet your target, how you will measure your progress or milestones and any assumptions you have relied on when setting that target or when measuring your progress. KPMG considers that this guidance and ASIC recent enforcement activity is proportionate and reasonable.

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

As discussed above, a phased approach to both reporting and assurance should also be considered. This could be 12 months following initial mandatory disclosure.

We also see that this phasing should be aligned but does not need to be the same. For example:

— consideration of limited assurance in the initial period(s) moving to reasonable assurance would be appropriate allowing time for entities' reporting and systems of controls to mature, reducing the effort required to achieve the higher levels of assurance.
— phasing could also be staggered, such that mandatory assurance follows on a year after the mandatory reporting timelines.

This approach would be consistent with requirements in other jurisdictions, (e.g. Europe, NZ and United States).

Question 13: Are there any specific capability or data challenges in the Australian context that should be considered when implementing new requirements?

We do not foresee significant challenges for greenhouse gas emissions determinations and climate disclosures, for entities initially captured under the phased approach to these reforms. There are some challenges within Australian organisations in determining Scope 3 financed emissions, however we do consider that Scope 3 challenges can be overcome with additional implementation timeframes. Overall, our experience indicates that some clients find data management challenging due to:

- Lack of data governance for ESG purposes – governance that is applied for other purposes isn't sufficient to address the needs of ESG data;
- Quality issues – data being relied upon for financed emissions estimates is often not fit for purpose – a good example is the lack of accuracy of ANZSIC codes attached to clients and assets, which means portfolio estimates are less accurate;
- Heavy reliance on manual data entry – much of the data sourced externally is processed and used manually.

APRA's Climate Vulnerability Assessment[17] found that while inputs and estimates essential to modelling a transition to a lower emissions economy scenario remain a significant challenge, these data limitations do not provide a justification for delaying initiatives to better understand climate risk. The CVA also noted that financial institutions can adopt a staged approach to climate risk assessment, leveraging available data while building their internal capacity, and incorporating modelling and data developments over time.

There may be some concerns around capacity and skillsets in understanding data within smaller organisations and we suggest that greater resources and capacity building programs may be required. We consider that following the timeframes determined by the ISSB for this supplementary data will provide entities the appropriate time to ensure their resources, data, technical know-how and capabilities are in place to enable reliable reporting on some of these more complex areas.

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?

In the United Kingdom the Committee on Climate Change (CCC) publishes a national assessment of the risks and opportunities facing the UK from climate change. As part of the research program to support the risk analysis six independent research projects, were recently published including:

- Projections of Future Flood Risk
- Projections of Future Water Availability
- Understanding how behaviours can affect climate risk
- Climate-driven threshold effects in the natural environment
- Interacting risks in infrastructure, the built and natural environments
- A consistent set of socioeconomic data for use by the analytical teams

To address potential data gaps, the Federal Government should conduct a national climate data audit to better understand data gaps when analysing climate risk.

Recommendation 17: In order to address potential data gaps, the Federal Government should conduct a national climate data audit to better understand data gaps when analysing climate risk.

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?

We do not consider that a particular authority should be responsible for providing information for use in climate-related financial disclosures in Australia, and the governance of that information (for instance, a standard-setter or a scientific body to provide agreed scenarios to be used in scenario analysis). There may need to be some consideration of support for smaller entities in navigating data requirements when they

[17] *APRA's Climate Vulnerability Assessment*

are eventually captured by the framework. Climate related disclosure guidance is extensive in the existing Task Force on Climate-related Financial Disclosures (TCFD) guidance materials, NGER Act, NGER (Measurement) Determination 2008 and related guidance and GHG Protocols. The ISSB climate proposal also includes guidance and requirements in this area.

While guidance exists currently, KPMG supports the ongoing work of specific industries in producing information and implementation guidance on climate scenarios in their sector. For example, APRA recently undertook a Climate Vulnerability Assessment on behalf of the Council of Financial Regulators (CFR) to assess the potential future financial impacts of climate change, and to help banks, insurers, and superannuation trustees better understand and manage these risks[18].

Recommendation 18: KPMG does not consider that a particular authority should be responsible for providing information for use in climate-related financial disclosures in Australia, however supports the ongoing work of specific industries in producing information and implementation guidance on climate scenarios in their sector. KPMG also supports the provision of assistance for smaller entities in navigating data requirements when they are eventually captured by the framework.

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 perceived increased risks of disclosing forward-looking statements in Australia by directors, it would be useful to introduce or provide clarity on any protections for preparers, specifically in relation to the disclosures arising from these new standards.

This would improve Australian disclosures and align with disclosures in other jurisdictions that do have more comprehensive and trusted “Safe Harbour” protections. We recommend appropriate consideration of this legal concern to facilitate the smooth and best implementation of these new standards.

KPMG notes ASIC’s Information Sheet: *How to avoid greenwashing when offering or promoting sustainability-related products* and its guidance around establishing ‘reasonable grounds’ for a stated sustainability target. To avoid breaching the misleading statement prohibitions ASIC advises that an entity should clearly explain: what your target is, how and when you expect to meet your target, how you will measure your progress or milestones and any assumptions you have relied on when setting that target or when measuring your progress.

Recommendation 19: KPMG considers that it would be useful to introduce or provide clarity on any protections for preparers, specifically in relation to the disclosures arising from these new standards. This would improve Australian disclosures and align with

[18] APRA releases results of inaugural Climate Vulnerability Assessment | APRA

disclosures in other jurisdictions that do have more extensive and trusted "Safe Harbour" protections.

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?

We do not see the new climate reporting requirements conflicting with other current reporting obligations, such as continuous disclosure. If considered a material and reportable matter with a significant impact on enterprise value either now or with a high likelihood in future, then we would expect it to fall within the continuous disclosure requirements. Similarly, a proposed acquisition that would significantly impact on group GHG levels, climate-related targets etc would be disclosed in related prospectuses and ASX announcements.

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?

The benefits of having a consistent framework and reforms for climate reporting noted in our response to question 1.1, extends to broader sustainability reporting matters. The current Australian climate reforms which seek to apply the ISSB standard on climate, should be designed with enough flexibility to capture all other ISSB sustainability standards issued in the future. This will ensure Australian entities meet global investor expectations, maximise their ability to participate on the international stage and to engage in global capital markets.
We consider it important to ensure there is sufficient flexibility in the framework/reforms on climate reporting to enable a timely rollout and adoption of broader sustainability reporting requirements in Australia, without the need to go through additional consultations and legislative reforms.

This will ensure that Australia is not at a disadvantage and is aligned on the international stage with other key jurisdictions i.e. EU, mandating sustainability reporting that goes beyond climate.In the interim, we would be supportive of entities using the ISSB general disclosure standard on a voluntary basis to help them identify sustainability-related information that could affect how the entity creates value; illustrates the structure and form of disclosures on other topics; provides guidance on the reporting entity, connecting information and materiality; and recommending the use of existing voluntary standards.

Finding 6: Globally, jurisdictions are developing and mandating sustainability reporting requirements that extend beyond climate. Global consistency in broader sustainability reporting requirements, in line with ISSB requirements, ensures Australian entities are not at a disadvantage and can participate on the global stage, accessing capital markets, meeting stakeholder needs, and protecting or supporting their enterprise values.

Recommendation 20: We consider it important to ensure there is sufficient flexibility in the current framework/reforms on climate reporting to enable a timely rollout and adoption of broader sustainability reporting requirements in Australia, without the need to go through additional consultations and legislative reforms.

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

KPMG understands that 14 G20 countries have already implemented mandatory digital financial reporting, including the United States, United Kingdom, France and Germany. While this question relates to digital sustainability risk reporting, we consider that any mandate should consider the coverage of both financial reporting and sustainability risk reporting.

As noted in the Consultation paper, no listed companies have lodged digital financial reports with ASIC in the decade since the voluntary regime commenced. The accounting profession, through CPA Australia, have been advocating for mandatory digital financial reporting for listed companies[19].

A greater uptake in digital reporting aligns with KPMG's vision for its audits to be more digitally enabled, data-driven and ultimately more real time. The Government should conduct a regulatory impact statement to fully assess the costs and benefits of mandatory digital financial reporting, noting that costs would be trending down overtime as more information is made digitally accessible.

Where benefits clearly exceed costs, KPMG would support the introduction of mandatory digital reporting. This should enhance consistency and transparency of information available to investors.

Recommendation 21: Where benefits clearly exceed costs, KPMG would support the introduction of mandatory digital financial reporting. This should enhance consistency and transparency of information available to investors.

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?

Given the urgent needs of investors around climate related financial information and the pace of international developments in this area, it is important that the structures support and facilitate the speed of change required in the short term. As a result, we believe that the continuation of Structure 1 would be the best interim model given the capabilities, capacities and operating models of the existing bodies who can deliver within the required timeframes.

The other potential structures may have merit in the medium to longer term, however, given these considerations are far wider than just the topic of climate change and impacts would be pervasive to Australia's entire corporate reporting and governance framework, we believe this these matters should be subject to its own separate and extensive consultation process given the substantial change proposed.

---

[19] Make digital financial reporting mandatory, accountants urge | CPA Australia

Recommendation 22: KPMG believes that the continuation of Structure 1 would be the best interim model given the capabilities, capacities and operating models of the existing bodies who can deliver mandatory climate disclosure requirements within the required timeframes. KPMG believes that a move to the other structures proposed should be subject to its own separate and extensive consultation process given the substantial change proposed.

Key authors and contacts

[redacted] – Partner in charge, Climate Change & Sustainability, Audit, Assurance & Risk Consulting

[redacted] – Partner, Climate Change & Sustainability / Banarra, Audit, Assurance & Risk Consulting

[redacted] – Partner, Department of Professional Practice, Audit, Assurance & Risk Consulting

[redacted] – Partner, ESG Services, Audit, Assurance & Risk Consulting

[redacted] – Director, Department of Professional Practice, Audit, Assurance & Risk Consulting

[redacted] – Director, Lead Better Business Reporting, Audit, Assurance & Risk Consulting

[redacted] – Partner, Audit, Assurance & Risk Consulting

[redacted] – Director, Government and Regulatory Affairs

[redacted] – Senior Manager, Department of Professional Practice, Audit, Assurance & Risk Consulting

[redacted] – Partner, Department of Professional Practice, Audit, Assurance & Risk Consulting

KPMG.com.au