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Reg. No. 202133623C

16 February 2023

Climate Disclosure Unit
Market Conduct Division
Treasury
Langton Cres Parkes ACT 2600, Australia
climatereportingconsultation@treasury.gov.au

Re: Terrascope's Response to the Australian Treasury Climate Reporting Consultation

Dear Treasury,

Terrascope welcomes this opportunity to provide our views and input as the Australian Treasury designs and implements standardised, internationally aligned climate-related financial disclosures.

About Terrascope. We are an end-to-end decarbonisation SaaS platform that enables enterprises to measure and manage their Scope 1, 2 and 3 greenhouse gas emissions – an essential input for corporations to assess and disclose their climate transition risks and opportunities. Headquartered in Singapore and serving large enterprises across Asia-Pacific, Japan and Europe, our data science and machine learning platform is designed to bring speed and accuracy to carbon accounting for companies in real economy sectors - from agriculture, food & beverages, manufacturing and luxury to transportation and real estate. We empower companies to measure and reduce their Scope 3 supply chain emissions. Our client base includes multinational corporations in the Australian market.

For clarity and conciseness, Terrascope is pleased to communicate the following key points:

- **Mandatory reporting will reduce friction for companies.** Without mandatory climate disclosure reporting, companies can choose from as many as 500 sustainability frameworks, including the Task Force on Climate-Related Financial Disclosures (TCFD), Climate Disclosure Standards Board (CDSB) and the Global Reporting Initiative (GRI), among many others. Mandatory reporting will focus effort on where it matters most for consistency and comparability in climate disclosure reporting, and therefore provide transparency on progress towards decarbonization goals.

- **Aligning with global standards is essential.** Australia should align climate reporting requirements with the ISSB's proposed global climate disclosure baseline, including for materiality judgements and industry-specific metrics as outlined in Appendix B of ISSB's climate exposure draft. The large, listed entities and other institutions covered by this

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disclosure generally operate across jurisdictions; consistency with ISSB guidance will reduce the cost of compliance for multinational companies.

- **Companies should begin reporting as soon as possible.** It would be beneficial for the Government to invite companies to prepare and submit their first climate disclosure report for the financial year 2023-24, with the necessary disclaimers such as safe harbor provisions, to encourage companies to undertake the baseline preparations that will enable more robust reporting for the mandatory regime beginning in the financial year 2024-25.

  While some companies have been reporting on a voluntary basis, it will be the first reporting cycle for others. Our experience shows that it takes at least one reporting cycle for companies to identify and fill critical data gaps. The quantitative data underpinning robust climate reporting requires time and experience, and it is important that companies begin compiling their first comprehensive GHG inventory covering Scope 1, 2 and 3 as soon as possible.

- **Mandating Scope 3 is essential for understanding and managing systemic transition risks of large, listed entities and other institutions covered by the mandatory regime.** Scope 3 typically contributes ~85% of an enterprise's overall emissions and offers the biggest opportunity for climate action and decarbonisation that can be undertaken or influenced by the company. For example, identifying an emissions hotspot in Scope 3, Category 1 (purchased goods and services) led a client to redesign their manufacturing process, reducing by 20% the input material required, as a precursor to the company's targeted engagement with priority supply chain stakeholders for this hotspot. Challenges to measuring Scope 3 emissions are being overcome using tech-enabled solutions, namely data science and machine learning, which significantly increase the speed and accuracy of Scope 3 measurements.

- **Assurance of carbon data software platforms is an opportunity for scale.** As demand for climate data escalates, a new segment of climate tech has been developed: carbon data software platforms that provide corporate leaders with more accurate and real time analytics. For example, PwC's report on the State of Climate Tech 2021 refined the horizontal climate tech area: *Climate Change Management and Reporting*, where new climate tech ventures have emerged to help stakeholders—private companies, investors, and other bodies—to set and deliver on their net zero commitments. The Treasury should consider the need for assurance of climate change data platforms, in addition to the assurance of the climate disclosure reports. For example, GHG Protocol offers a "built on the GHG Protocol" stamp, and CDP offers a list of "accredited solutions providers". As a general expectation, assurance providers should be subject to independence and quality management standards.

We welcome the Treasury's initiative to join other jurisdictions introducing mandatory requirements for large businesses to disclose their climate-related risks, including mandatory

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Scope 3 transparency, with a view to producing better quality, internationally comparable disclosures.

Terrascope remains available to discuss our comments or answer any specific questions that the Treasury or its staff may have. Please contact [redacted], Head of Sustainability, at [redacted] in this regard.

Sincerely,

[redacted]

Chief Executive Officer