

21 July 2023

Ms Sam Reinhardt
Deputy Secretary, Fiscal Group
Climate Disclosure Unit
Market Conduct and Digital Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: climatereportingconsultation@treasury.gov.au

Dear Ms Reinhardt,

CCAA RESPONSE TO CLIMATE-RELATED FINANCIAL DISCLOSURE CONSULTATION PAPER

We thank The Treasury for the opportunity to comment upon the Climate-related financial disclosure Consultation paper which requests feedback and comment on the detail, implementation, and sequencing of standardised, internationally aligned requirements, including proposed positions relating to coverage, content, framework and enforcement of the requirements for the disclosure of climate-related financial risks and opportunities in Australia.

Introduction

Cement Concrete & Aggregates Australia (CCAA) is the peak industry body for the \$15 Billion heavy construction materials industry, which comprises cement and clinker manufacturing and supply, aggregates extraction and distribution, and pre-mixed concrete manufacture and distribution to meet Australia's building and construction needs.

Our sector generates over in annual revenues and employs 30,000 Australians directly and a further 80,000 indirectly. CCAA represents a substantial majority of these companies, ranging from large global corporations to SMEs and family operated businesses. Our sister organisation, the **Cement Industry Federation (CIF)** represents the interests of Australia's clinker and cement manufacturers, these companies are also members of CCAA.

Our industry is committed to the protection and improvement of its environmental performance, and we strongly believe that we have an obligation to supply construction materials in an environmentally responsible and sustainable manner. In 2021, the Cement & Concrete industry publicly [declared its ambition](#) to deliver net zero carbon cement and concrete to Australian society by 2050.

CCAA acknowledges that with this ambition to deliver net zero, that a clearly defined and internationally consistent and aligned standard of climate-related reporting metrics to report against will be important for businesses within our sector and their shareholders, as we transition to a decarbonised future.

General Comments

CCAA agrees with and endorse the submission put forward by the CIF on this matter, which reflects our concerns regarding these proposals on our industry, at every implementation stage defined. Further to this, CCAA's substantially wider industry base, covering all classes of cement, pre-mixed concrete, and aggregate supply in Australia, means that we have significant concerns regarding the mandatory reporting entity thresholds, which as proposed, will capture a significant number of industry participants at the Group 3 implementation stage that may meet the employment and revenue thresholds but have very limited climate related impacts and opportunities.

We note that the International Sustainability Standards Board (ISSB) is expected to release consultations in the second half of 2023 which would guide, as far as practicable, the formal establishment of proposals developed by the Australian Accounting Standards Board (AASB). We believe that the timing of Treasury's proposals are ill considered and should instead be delayed until these bodies have resolved their position.

In addition to the very short timeframe for industry groups to respond to this consultation, we believe that the extensive proposed disclosure requirements which seek to include various metrics such as emissions data, scenario analysis, climate resilience initiatives, controls and procedures and climate-related risks and opportunities etc. is unprecedented and potentially far beyond the capabilities of many businesses likely to be captured in Group 2 and certainly Group 3. Reporting Scope 3 emissions would be problematic in the timeframe issued to Group 1 businesses. All of this information will require the assistance of experienced sustainability consultants (of which there is a large shortfall across Australia) or a significant requirement for the adoption of formal training programs. The timeframe in which to implement these proposals is unrealistic, particularly without agreement on a standard set of metrics and we recommend that the roll out frequency for these groups be extended for at least 12 months more than currently planned.

CCAA notes our larger members are already captured under Chapter 2M of the Corporations Act 2001 (Cth) (Corporations Act) as a Controlling Corporation reporting under the National Greenhouse and Energy Reporting (NGER) Act 2007 (Cth) for mandatory reporting requirements, as well as the reformed Safeguard Mechanism, both of which require accounting of emissions and annual emissions reductions. However, we believe that the proposed extension of mandatory reporting to the Group 3 category (businesses with less than 250 staff, consolidated gross assets of over \$25 Million or consolidated revenue of over \$50 Million will have enormous difficulty in meeting the proposed mandatory reporting schedules. While we note that it is not proposed to implement this stage until 2027-28, we argue that most, if not all these medium sized businesses represent little to no climate-related risks in their outlook and that this threshold subjects' businesses of this size and scale to excessive regulatory burden.

Proposal Responses

Proposal: that all entities that meet prescribed size thresholds and that are required to lodge financial reports under Chapter 2M of the Corporations Act 2001 (Cth) (Corporations Act) would be required to make climate-related financial disclosures.

CCAA's larger members are controlling corporations under NGERs and therefore will be covered by the first phase (Group 1) of the proposed new reporting requirements.

Proposal: From commencement, companies would be required to disclose information about governance processes, controls and procedures used to monitor and manage climate-related financial risks and opportunities.

We note the work to design standardised, internationally aligned reporting requirements for businesses to make disclosures regarding governance, strategy, risk management, targets and metrics.

CCAA does not support the mandating of such disclosures in the absence of internationally aligned Australian disclosure standards. It is in the best interests of businesses – particularly emissions intensive manufacturers – to establish (and report to relevant stakeholders) governance processes, controls and procedures in accordance with the relevant standards – once they are finalised and adopted.

To do otherwise would not only risk access to critical future investment, it would also potentially jeopardise their social licence to operate.

Proposal: From commencement, reporting entities would be required to use qualitative scenario analysis to inform their disclosures, moving to quantitative scenario analysis by end state.

The use of qualitative scenario analysis in the first instance, moving to quantitative analysis by end state, should not be a mandated requirement subject to penalties, but rather encouraged as 'best practice' through the relevant standards as the development and application of Australian-specific scenarios matures.

As noted in the consultation paper, useable Australia-specific scenarios for the corporate sector are yet to mature. Entities should be allowed sufficient time to develop and apply scenario analysis as per the relevant standard, without fear of incurring a penalty.

Proposal: From commencement, reporting entities would be required to disclose climate resilience assessments against at least two possible future states, one of which must be consistent with the global temperature goal set out in the Climate Change Act 2022.

If reporting is to be mandatory, reporting entities should only have to disclose a climate resilience assessment against one possible future state – one that is consistent with the global temperature goal set out in the Climate Change Act 2022.

Reporting entities would, of course, be able to disclose against additional possible future states if they choose to – but only one should be mandated.

Proposal: From commencement, transition plans would need to be disclosed, including information about offsets, target setting and mitigation strategies.

Transition plans, particularly for hard-to-abate sectors with a limited number of currently available decarbonisation pathways, are likely to involve elements of uncertainty and therefore should be treated with caution.

We support more of a focus on transparency rather than prescribing certain transition planning activities or a level of ambition that firms should meet. The scenario where an entity satisfies the disclosure requirement by stating that it does not have a transition plan seems unlikely.

Proposal: From commencement, all entities would be required to disclose information about any climate-related targets (if they have them) and progress towards these targets.

Disclosing information about climate-related targets and related progress should be encouraged via the relevant standards once they are developed but not mandated. This should be a decision made by the particular entity based on their assessment of stakeholder requirements.

Proposal: From commencement, entities would be required to disclose information about material climate-related risks and opportunities to their business, as well as how the entity identifies, assesses and manages risk and opportunities.

Disclosing information about material climate-related risks and opportunities to their business should be encouraged via the relevant standards once they are developed but not mandated. This should be a decision made by the particular entity based on their assessment of stakeholder requirements.

Proposal: From commencement, scope 1 and 2 emissions for the reporting period would be required to be disclosed.

As noted in the consultation paper, entities that report under the NGER Act would report the same emissions and energy data in their company reports as they do in their NGER reporting.

Proposal: Disclosure of material scope 3 emissions would be required for all reporting entities from their second reporting year onwards. Scope 3 emissions disclosures made could be in relation to any one-year period that ended up to 12 months prior to the current reporting period.

The one-year exemption from reporting scope 3 emissions is not likely going to be long enough to allow time for entities to understand and incorporate material scope 3 emissions in line with recognised emissions accounting frameworks such as the GHG Protocol.

The disclosure of material scope 3 emissions should be encouraged via the relevant standards but not mandated. Increased coverage of scope 1 and 2 emissions across the economy would reduce the need for scope 3 emissions data and the associated uncertainties.

Proposal: By end state, reporting entities would be required to have regard to disclosing industry-based metrics, where there are well-established and understood metrics available for the reporting entity.

Industry-based metrics should only be considered where there is a clearly identified (and industry-supported) requirement to do so. Extensive consultation would be required.

Proposal: Climate-related financial disclosure requirements would be drafted as civil penalty provisions in the Corporations Act. The application of misleading and deceptive conduct provisions to scope 3 emissions and forward-looking statements would be limited to regulator-only actions for a fixed period of three years.

Climate-related financial disclosures should be encouraged via the relevant standards but not mandated. Civil penalty requirements should only be required if it becomes clear that the standards are not being widely adopted.

Recommendations

We urge Treasury to reconsider these proposals and to delay any further consideration of mandatory reporting until it receives further inputs from the ISSB and AASB and when agreement can be reached upon the level of climate-related risk for medium sized businesses.

We also recommend that consideration be given to slowing or moderating the impact of the roll out to smaller organisations to avoid applying excessive regulatory burden.

For further discussion of this submission, please contact Andrew Jefferies (National Policy Manager) on andrew.jefferies@cca.com.au or (02) 9667 8325.

Yours sincerely,



**KEN SLATTERY
CHIEF EXECUTIVE OFFICER
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