

2 October 2026

The Treasury
Langton Crescent
Parkes ACT 2600



Submitted online

Improving the efficiency of climate-related financial disclosures

The Australian Financial Markets Association (AFMA) is responding to Treasury's consultation paper on improving the efficiency of climate-related financial disclosures (the consultation paper).

AFMA is the leading industry association representing Australia's financial markets - including the capital, credit, derivatives, foreign exchange, and other specialist markets. We have more than 140 members, from Australian and international banks, leading brokers, securities companies, government treasury corporations to energy firms, and industry service providers. As many AFMA members are Group 1 or Group 2 reporting entities, they have direct experience implementing the regime and are well placed to provide practical insights on opportunities to improve its efficiency, reduce unnecessary compliance burdens, and maintain high-quality, internationally aligned disclosures. AFMA's submission is made through the lens of entities that are currently required to report under the current regime, predominantly wholly owned Australian subsidiaries of large foreign companies that generate group-level reports, as opposed to investors that may seek to rely on the reports.

Introduction

AFMA has long advocated for the establishment of the climate-related financial disclosure regime to create a holistic set of internationally aligned and interoperable standards and welcomed its introduction. Australia's regime, alongside our global peers, is in a nascent state that requires ongoing examination for opportunities to enhance and improve the efficiency and international interoperability of this complex regime. It is worth noting that the international benchmark against which much of this regulation is aligned (being the EU's regime), has been considerably modified from its original scope in order to address undue regulatory burdens, technical complexities, implementation challenges, inconsistencies and broader inefficiencies (which has also happened in New Zealand). It's important that Treasury consider international reforms in the context of its evaluation of international alignment. In this regard, AFMA would also like to make Treasury aware that in the time since consultation on this paper began, the UK's Financial Conduct Authority (FCA) has simplified its regime to align listed issuers' sustainability disclosures with international standards by allowing listed companies to apply the climate-related UK SRS requirements on a 'comply or explain' basis.¹ This is a move away from its initially proposed mandatory approach following feedback

¹ <https://www.fca.org.uk/publication/policy/ps26-19.pdf>

on the disproportional burden for smaller businesses and limited utility where information is not material to the business model.

AFMA therefore welcomes Treasury's intent to address such challenges in Australia's regime through this consultation, ahead of the 2028/29 statutory review. AFMA sees a number of key opportunities to practically enhance the regime, providing greater clarity and consistency for investors and other users, reducing burden for in scope entities, whilst maintaining its robustness and integrity. We welcome the three proposal areas identified by Treasury and provide further detailed commentary below. Reforms to these three issues alone are not likely to meaningfully enhance efficiency and we encourage Treasury to consider broader concerns that can be reformed ahead of the 2028/29 statutory review. A key action Government can take now is to permit wholly owned Australian subsidiaries of foreign companies to rely on home-office or consolidated group level reports, where these are publicly available and already exist, to boost utility of reports and reduce overall burden and costs associated. We believe this step and others recommended below are consistent with Government's productivity drive and red tape reduction efforts.

It's important to safeguard the integrity and efficiency of the regime as swiftly as possible to maintain our global standing and remain an attractive destination for global capital. Furthermore, getting the settings right at this point is particularly important as we have now had the opportunity to reflect on learnings from Group 1 entity reports whilst at the same time, the International Sustainability Standards Board (ISSB) is currently supporting other jurisdictions with implementation, building on the early lessons from Australia's example.

Table of AFMA Recommendations

- i.** Wholly owned Australian subsidiaries of foreign companies should be permitted to rely on home-office or consolidated group level reports, where these are publicly available and already exist
- ii.** Implement Option 1a: Maintain the limited assurance requirement
- iii.** Key related measures of the three-year modified liability regime should be extended until after the completion of the 2028/29 statutory review and include a transition period for implementing the review's outcome
- iv.** Provide clearer examples for entities that are part of a corporate group or shared value chain in relation to applying the proportionality mechanisms in AASB S2, rather than general additional guidance
- v.** Additional guidance, clarity and expectations on applying paragraphs 17-19, B13-19 and B21-37 in AASB S2 is required
- vi.** The AASB should make clear in its guide on climate-related risks and opportunities that rigorous internal management assessment of risk takes precedence over any investor or user assessment
- vii.** Provide greater emphasis within guidance on how information is expected to be used by investors and other users
- viii.** Consider whether legislative, regulatory or administrative changes could enable all reporting entities that determine they have no material climate-related risks or opportunities, validated by an external assurance provider, to access a streamlined reporting pathway and provide additional guidance for assurance providers
- ix.** Provide clearer and more technical guidance on the permitted use of PCAF and GHG Protocol

- x. Provide guidance on the treatment of wholesale market instruments and financing transactions, including, repos, reverse repos, and options and how the materiality provisions are intended to apply
- xi. Develop more practical and targeted guidance to support credible valuation of carbon emissions and pricing
- xii. Clarify expectations regarding when reporting relief powers should be used to address unintended outcomes or implementation challenges
- xiii. Progress Option 3b— a central repository of reliable data is required for enduring success
- xiv. Improve alignment between other domestic reporting frameworks and guidance such as NGER and Safeguard Mechanism with the climate-related financial disclosure regime
- xv. To the degree possible, align the CRFD regime with existing cross-border schemes to minimise any unnecessary double reporting of emissions
- xvi. Implement a long-term solution to support second party opinions provider services

Wholly owned Australian subsidiaries of foreign companies

- i. Wholly owned Australian subsidiaries of foreign companies should be permitted to rely on home-office or consolidated group level reports, where these are publicly available and already exist

AFMA recommends that wholly owned Australian subsidiaries of foreign companies should be permitted to rely on equivalent disclosures prepared at the home-office or consolidated group level, where these are publicly available and already exist.

Firstly, for wholly owned Australian subsidiaries of foreign financial services companies specifically, which AFMA has had much discussion with Treasury on, these entities are being required to lodge separate reports to that of their head office or group capturing only the Australian activities conducted by these subsidiaries. However, these activities are often limited to wholesale securities businesses, often working with global clients on global deals, such as the buying and selling of government bonds or conducting repo transactions. In these cases, AFMA sees no meaningful gain and cannot identify a clear user for such a report, yet the costs and burden of providing such a report are sizeable. As an example, AFMA is aware of one entity with an estimated cost of complying with the first-year reporting requirements as approximately \$500k. The compliance costs appear disproportionate to any corresponding regulatory or user benefit. For these specific entities, there are no investors or lenders to them with the only real potential user of a report being a client or counterparty of the entity. As foreign financial services companies operate as a firm across multiple entities, counterparties are clients of the global firm rather than a specific entity and as such, would be better served by the parent or group level report.

More broadly, AFMA thinks it more appropriate for wholly owned Australian subsidiaries of foreign companies to be permitted to rely on home-office or consolidated group level reports, where these are publicly available and already exist as they not only improve the consistency and utility of reports, promoting the disclosure of more consistent and meaningful data, but likewise helps to reduce burden and compliance costs for in scope entities. We believe this is in line with Treasury's policy intent, promotes international interoperability and, as is the recognised case for branches, group or parent reports, have greater utility and support more meaningful insight into a foreign company's approach to climate-related risk, management, investment and related matters.

For example, conducting a materiality assessment for Group 1 and 2 entities that are part of a global group can potentially lead to inconsistent assessment with the global group's own materiality assessment at group-level. Such local assessment also has extremely limited relevance due to the

bespoke nature of a local entity's business and operations, and its reliance on other parts of the global group for part of its activities via intragroup arrangements such as outsourcing. It is likely to confuse or be misleading for any users to see only a limited or narrow snapshot of reportable information in an Australian subsidiary only sustainability report. On the other hand, a global sustainability report at the group level would include reportable information for the foreign company's overall Australian operations, and this would provide a more meaningful overview of the group's exposure, including its Australian operation, to climate-related risks. At the same time, the group or home office report will have greater utility as they often cover matters of governance, strategy and risk management relevant to the local subsidiary. For subsidiaries within large domestic or overseas holding company structures that already produce IFRS or Corporate Sustainability Reporting Directive (CSRD) sustainability disclosures at the consolidated level, AFMA recommends that relief should be available from preparing duplicative local disclosures.

Reference to the entirety of operations as set out in a global sustainability report at group level would be more appropriate in these circumstances to achieve the legislative goal of quality, consistency and comparability. At the same time, Australia already recognises the benefits of consolidated sustainability reporting through section 292A(2) of the Corporations Act. However, equivalent relief is not currently available where an Australian subsidiary forms part of a foreign-headed group that prepares sustainability disclosures in accordance with IFRS S1, IFRS S2 or the CSRD.

Treasury should extend the existing consolidated reporting concept by introducing a subsidiary exemption and ISSB passporting mechanism. Australian subsidiaries should be permitted to rely on an externally assured group sustainability report prepared in accordance with IFRS S1, IFRS S2, or CSRD, subject only to limited Australian-specific additional disclosures and information where necessary for each entity. As highlighted above, this would ease some reporting burden for entities, reduce duplicative reporting while remaining consistent with the policy rationale already reflected in section 292A(2), namely that users are better served by a single coherent group report than multiple reports containing substantially the same information.

We do not believe Australia would be creating a novel concept here. Rather, it would be adopting an interoperability mechanism increasingly reflected in major global sustainability reporting regimes including both IFRS and the CSRD. AFMA would be pleased to work with Treasury on the detail and design of the appropriate settings and believes it appropriate for IFRS and CSRD reports prepared at the group or home office level to be utilised, exempting wholly owned Australian subsidiaries of foreign companies from preparing standalone reports.

In this regard, we would again like to highlight the UK FCA's recent recognition that their rules should address divergences between UK and international companies by requiring international companies to report against UK SRS on a 'comply or explain' basis, which they assess as aligning with the current approach to TCFD. The UK FCA acknowledged that where sustainability reporting in a company's home jurisdiction aligns with the outcomes of UK SRS, it may already broadly comply. Once the rules come into force in 2027, companies may rely on home-jurisdiction reporting to reduce duplication but provide an explanation if the UK SRS requirements are not met in full. We would strongly encourage Treasury to similarly follow suit.

Proposal 1: Adjusting assurance settings

- | |
|---|
| ii. Implement Option 1a: Maintain the limited assurance requirement |
|---|

In AFMA's response to the initial 2023 consultation paper on the regime,² we highlighted that considerable capacity building needed to occur before disclosures can be adequately assured and thus supported the phased approach. AFMA maintains its 2023 position and welcomes Treasury's acknowledgement of the enduring challenges and shortcomings in assurance capabilities at present. Fundamentally, the market is not yet in a position to transition from limited assurance to reasonable assurance, particularly where disclosures rely on significant judgement, estimation and forward-looking assumptions, including strategy, scenario analysis, climate resilience assessments and qualitative climate-related risk disclosures. Equally, there is subjectivity involved in materiality assessments, evolving methodologies and data availability. We therefore support maintaining limited assurance.

Our assessment is that Option 1a is the most appropriate as it maintains consistency across the cohort of reporters and is reflective of current capabilities. We think this position aligns well with Treasury's own thinking as it not only recognises the practical challenges in assuring climate-related information and evolving practices but also supports better alignment with current market capability, data maturity and other jurisdictions, including under the simplified EU regime. We also think it important to note that 'limited' assurance is still comprehensive and its value should not be overlooked and is a proportionate approach that supports the objectives of the regime.

As reporting competency and consistency matures, we appreciate that investors will require a greater degree of certainty with assurance, particularly on materiality issues. We therefore encourage Treasury, as part of this review, to focus efforts on improving key known challenges such as data to support assurance capabilities. We address critical data challenges under proposal 3 below.

In the event Treasury wishes to proceed with extending to reasonable assurance, we believe Option 1c would be preferable of the two, where limited assurance could be applied to the bulk of the report and reasonable only required for Scope 1 and 2 GHG emissions. Option 1b does not address current challenges nor reduce the current compliance costs and capacity building associated with preparing for and transitioning to reasonable assurance. We believe Government should only seek to move to reasonable assurance once the associated compliance costs have been appropriately measured, any increased benefits thoroughly evidenced and addressed the significant existing challenges and gaps in assurance capabilities. In future and in particular, any extension of assurance requirements for disclosure areas that rely significantly on judgement, estimation, forward-looking assumptions, including current and anticipated financial effects of climate-related risks and opportunities, require a thorough market readiness review to be conducted beforehand. AFMA believes it particularly inappropriate to consider any expansion to reasonable assurance ahead of the 2028/29 statutory review. As Treasury is aware, the costs involved in obtaining assurance are significant. We have received feedback from one entity that the AASB S2 Climate Report increased subsidiaries' audit costs by approximately 15%.

For wholly owned Australian subsidiaries of foreign financial services companies specifically, the costs versus benefits of reporting and obtaining assurance in particular, do not stack up as there are no external investors or lenders. AFMA provides detailed commentary above on this issue, but there is no clear user of these reports. For these entities, clients, who could be considered other possible users, are generally counterparties of the broader firm rather than of specific entities and as such, the group report is more appropriate. Moving to reasonable assurance would further increase these costs and internal regulatory burden whilst further exacerbating the cost/ benefit mismatch for these entities. In many circumstances, discussions around assurance are often framed primarily through the

² [February 2023 response to Treasury's climate-related financial disclosure consultation paper](#)

lens of investors, shareholders etc. and what they would expect to see to provide confidence in the sustainability report. However, for many reporting entities, particularly in the financial services sector, prudential and regulatory authorities are often the main stakeholder.

An additional issue that AFMA wishes to raise is that if Australia moves to reasonable assurance, this will require global firms to support two assurance standards in respect of largely the same data. We believe this undermines the cost, efficiency and international operability objectives.

iii. Key related measures of the three-year modified liability regime should be extended until after the completion of the 2028/29 statutory review and include a transition period for implementing the review's outcome

Significant limitations in data, variability, systems, expertise, forward-looking analysis and other key foundational elements of the regime extend beyond assurance alone. The three-year modified liability regime was rightfully put in place, alongside the phased approach to both Scope 3 emissions and assurance, in recognition of the aforementioned gaps and to allow entities to make comprehensive, good-faith reports. Given these foundational challenges remain, AFMA considers it premature to allow the modified liability settings to sunset before completion of the 2028/29 statutory review, which Treasury has identified as the appropriate mechanism for assessing the ongoing operation and effectiveness of the regime. This is particularly relevant given the statutory review will commence shortly after the current settings are scheduled to expire, creating avoidable uncertainty at a time when the regime is still maturing. We therefore recommend that the modified liability settings be extended until completion of the 2028/29 statutory review to allow all cohorts of reporting entities to continue working through these implementation challenges and any subsequent reforms that may arise from the review. In this regard, we also recommend including a specific appropriate transition period to allow for implementation of the review's outcome. Given the significant judgement, estimation and forward-looking elements inherent in climate disclosures, extending the modified liability settings would provide reporting entities with greater certainty while data quality, methodologies, assurance capabilities and market practices continue to mature. This would support entities to continue preparing comprehensive, good-faith disclosures while the long-term operation of the regime is assessed through the statutory review process.

Proposal 2: Improving consistency in the application of existing requirements

AFMA provides comment on the options posed where additional guidance and clarification is required and provides additional opportunities to improve the consistency in the application of existing requirements. In general, AFMA preferences narrowly targeted guidance to clarify major points of confusion while allowing sufficient room for the market to innovate and mature. To minimise the risk that guidance assumes the status of quasi-regulation or creates potential for misalignment with IFRS S2, it should be positioned as non-authoritative and illustrative. Where possible, guidance should be grounded in existing material provided by the ISSB.

Proportionality mechanisms

iv. Provide clearer examples for entities that are part of a corporate group or shared value chain in relation to applying the proportionality mechanisms in AASB S2, rather than general additional guidance

AFMA encourages the AASB to limit broad additional guidance on the application of proportionality in AASB S2, as similarly expressed above and particularly for entities that are part of a corporate group

or shared value chain. Instead, we would support development of clearer examples that demonstrate when an entity may rely on existing group or home office level information, application of estimation techniques, amending depth of disclosures commensurate with their size, exposure, etc. which would reduce duplication, enhance efficiency, and help ensure disclosures remain focused on material information that supports decision making. Guidance could also clarify how concepts including 'undue cost or efforts' apply for these types of entities who are reliant on group or overseas resources.

'No material climate-related risks or opportunities'

v. Additional guidance, clarity and expectations on applying paragraphs 17-19, B13-19 and B21-37 in AASB S2 is required

As Group 1 and 2 entities are not permitted to elect to apply or make a statement of '*no material climate-related risks or opportunities*', additional guidance, clarity and expectations on the materiality provisions of Appendix D in AASB S2, would be welcomed. In particular, applying B25 where an entity deems specific information is not material and/or determines, after thorough assessment, that it has very limited exposure to climate-related risks and opportunities:

An entity need not disclose information otherwise required by an Australian Sustainability Reporting Standard if the information is not material. This is the case even if the Australian Sustainability Reporting Standard contains a list of specific requirements or describes them as minimum requirements.

vi. The AASB should make clear in its guide on climate-related risks and opportunities that rigorous internal management assessment of risk takes precedence over any investor or user assessment

One practical, likely unintended consequence that has arisen is applying the concept of considering climate-related risks and opportunities from a user/ external perspective. The AASB guide states: "*An entity might judge that a climate-related risk or opportunity could reasonably be expected to affect its prospects (based on the expectations of an external party), even though the entity itself might not have that expectation.*" We understand this phraseology has inadvertently caused assurance providers to push reporting entities to make additional, arguably unnecessary disclosures concerning possible risks to satisfy this guide, when this has already been internally assessed as being not material.

Whilst considering the user is an explicit requirement of the international standards, we request that the AASB guide on climate-related risks and opportunities make clear that robust internal assessments of risks are sufficient without requiring entities to artificially envisage the position of a theoretical user with different information levels, to alleviate any misinterpretation.

It's important that any guides, educational material or relevant supporting documentation underpins that disclosures of information that is not material is voluntary.

vii. Provide greater emphasis within guidance on how information is expected to be used by investors and other users

To ensure that disclosures are providing genuine value in decision making for investors and users of reports, we think greater emphasis within all related guidance issued around how information is expected to be used and considered by users, would be of benefit. This would help avoid simply increasing reporting and ensure that disclosures are targeted to support more informed decision making, as the regime intended. AFMA suggests responses received from users as part of this consultation could be a good starting point if they have outlined to Treasury how they utilise and apply

these disclosures into their investment considerations across their own internal strategic, risk and other investment factor frameworks.

viii. Consider whether legislative, regulatory or administrative changes could enable all reporting entities that determine they have no material climate-related risks or opportunities to access a streamlined reporting pathway and provide additional guidance for assurance providers

In instances where an entity determines it has no material climate-related risks or opportunities following a comprehensive materiality risk assessment and verification by an external assurance provider, the entity should be permitted to lodge simplified climate statements. AFMA sees no logical reason for the current restrictions on accessing streamlined reporting that still requires the entity provide its documented assessment of that conclusion, explanatory basis and Directors Declaration regarding the materiality of climate-related risks or opportunities. In the interest of reducing unnecessary burden, we ask Treasury and ASIC to consider opportunities for all entities to access a streamlined reporting pathway where cases are appropriate.

Additionally, we believe there is a need for additional guidance to be provided to assurance providers to avoid providers taking a 'more than limited' approach where this not required. Varying assurance expectations across different markets make it incredibly difficult for firms to manage local reporting across all the markets where they may be subject to sustainability reporting requirements. It is therefore essential to keep assurance providers focused on the proscribed limited assurance.

It is also the case that subsidiaries may set their sustainability strategy at group level. However, in practice it is difficult for these subsidiaries to navigate the assurance discussions without overstating the position at subsidiary level or trying to find materiality at subsidiary level in order to ease the assurance process. ISSB standards are better suited for public companies with investors and stand-alone sustainability strategies. We believe this should be recognised.

Technical issues requiring additional guidance and clarification

ix. Provide clearer and more technical guidance on the permitted use of PCAF and GHG Protocol

AFMA would be grateful if the AASB could set out additional guidance on how these methodologies can be utilised to satisfy the requirements for information that reporting entities are obligated to disclose. The Partnership for Carbon Accounting Financials (PCAF) and Greenhouse Gas Protocol (GHG Protocol) are efficient and globally interoperable methodologies utilised by many global firms. In particular, additional clarity on any perceived deviations from Australian requirements or instances where exclusions permitted under the methodologies would not satisfy Australian requirements, is requested.

Whilst this additional guidance and clarification is sought, and we agree that regulations and relevant bodies may appropriately reference such voluntary industry standards to promote consistency and interoperability, this should not be conflated as mandatory nor seek to convert voluntary guidance and recommendations into legal obligations.

x. Provide guidance on the treatment of wholesale market instruments and financing transactions, including, repos, reverse repos, and options and how the materiality provisions are intended to apply

AFMA previously raised this issue with the AASB Implementation Advisory Panel in 2025 who, at the time, were only able to provide additional guidance/clarification on Australian-specific matters and

we likewise encouraged greater clarification on inclusion of these instruments in a submission during ASIC’s RG 380 consultation.³ We therefore still see merit in providing additional guidance and clarity as to the treatment of wholesale market instruments and financing transactions such as repos, reverse repos and options, and how the materiality provisions are intended to apply here.

xi. Develop more practical and targeted guidance to support credible valuation of carbon emissions and pricing

As approaches to carbon pricing and emissions evolve, it would be beneficial to develop practical and targeted guidance to support high confidence and credible valuation of carbon emissions and pricing. By outlining what government assesses as credible sources to utilise when placing a value or price on carbon emissions, this would provide entities greater confidence and consistency in the types of considerations made by in scope entities.

Exercising relief powers

xii. Clarify expectations regarding when reporting relief powers should be used to address unintended outcomes or implementation challenges and outline specific grounds for granting relief

The relief powers are largely open to interpretation, and their legislative intent has not been meaningfully articulated. It would be beneficial for Treasury to issue clarification on its expectations regarding when reporting relief powers should be used. Commentary from Treasury on how the three pillars of the relief can be satisfied, and how they were envisaged to operate, would be of benefit. It would be of added benefit for Treasury to outline specific grounds for granting relief such as for wholly owned Australian subsidiaries of foreign companies, as recommended above.

Proposal 3: Setting clearer boundaries on value-chain information requests

xiii. Progress Option 3b— a central repository of reliable data is required for enduring success

From the initial stages of the regime’s design, AFMA has been concerned by the lack of available and accessible consolidated, machine readable and democratised data, as well as the challenges and burden in extracting reliable supply and value chain data. Data reliability, collection and processing is a significant enduring challenge. This is a particular pain point within the regime that is burdensome for small business, scope 3 emissions reporting and for entities with large value chains. We therefore agree that Option 3b ‘Reducing supply chain administrative burdens through improving domestic emissions factors’ would be of most benefit to all involved.

Long term success, efficiency and cost-effective reporting will ultimately rely on reducing the reliance of primary data collection and instead utilise machine readable, easily accessible, reliable secondary data. There are material challenges and barriers in particular for obtaining Scope 3 emissions data. In this regard, we would welcome clarification from Treasury, publicly, that AASB S2 does not require reporting entities to obtain Scope 3 information directly from value-chain entities and that secondary data and estimation methodologies are permissible where appropriate, consistent with the intent of AASB S2. We think it is important that Scope 3 emissions data should not be required to be obtained directly from value-chain entities and that secondary data and estimation methodologies should be

³ [https://www.afma.com.au/policy/submissions/2024/r70-24-asic-cp-380-\(1\).pdf?ext=.pdf](https://www.afma.com.au/policy/submissions/2024/r70-24-asic-cp-380-(1).pdf?ext=.pdf)

permissible where appropriate. This would in turn help reduce the pressure and burden on suppliers, particularly small business, in providing this data.

As the paper highlights, it supports highly fragmented sectors, increased credibility of estimated Scope 3 footprints and reduces burden on small business. Government investment in a centralised, machine-readable emissions data repository is critical and represents one of the most significant opportunities to reduce reporting costs, improve data quality and enhance consistency across the regime. In this regard, the Department of Climate Change, Energy and Environmental and Water's Environment Information Australia portal may be worth utilising to host the repository.⁴

For businesses with global footprints, however, it is important that Australian emissions factors are translatable. The emissions factors would need to be published in a format and structure capable of being ingested directly into global consolidation and carbon accounting systems. We think international operability here is important as a repository that only functions within the Australian perimeter fails to recognise the cross-border nature of many business enterprises. At the same time, it's important that use of a centralised repository remain optional with reporting entities retaining the flexibility to utilise existing estimation methodologies, data sources and processes where these are appropriate and fit for purpose.

It is also important that reporting entities' right to request data from their supply chains is not unreasonably restricted and that any amendments to those rights come with a reasonable transition period as it may result in data gaps. This again compounds the rationale to extend the modified liability settings. Failure to provide a reasonable transition period would create data gaps. This is particularly important as a centralised data repository would be a multi-year build and until its built and well populated, supplier engagement remains the only route to obtain primary data for the categories where it matters. It is important that the request right is not curtailed in anticipation of a solution that isn't capable of yet being delivered.

Other potential avenues to improve efficiency of disclosure requirements

Opportunity 1: Improved alignment between domestic frameworks and AASB S2 requirements

xiv. Improve alignment between other domestic reporting frameworks and guidance such as NGER and Safeguard Mechanism with the climate-related financial disclosure regime

As AFMA expressed in its submissions to both consultation rounds on the Productivity Commission's Pillar 5 'Investing in cheaper, cleaner energy and the net zero transformation' inquiry,⁵ for entities captured under more than one environmental reporting regime, the climate-related financial disclosure regime, Safeguard Mechanism and National Greenhouse and Energy Reporting (NGER) scheme could be better aligned and consolidated to minimise duplicative reporting, assurance and costs. In particular, where the same emissions data is reported under both NGER and the climate-related financial disclosure regime, a single assurance process should be sufficient to avoid unnecessary duplication of cost and effort.

As part of this workstream, it would be beneficial for regulators to consider broader interlinkage with other frameworks, standards and guides that can be utilised, particularly as it relates to use of methods and, for example, targets under the Safeguard Mechanism. We ask that Treasury create an enabling environment by supporting utilisation of existing interlinked methods, analysis, standards and frameworks that it considers robust and compliant for use under its existing/ intended program

⁴ <https://www.dcceew.gov.au/initiatives/eia-portal>

⁵ [R32-25 Productivity Commission- Pillar 5.pdf](#)

and likewise the climate-related financial disclosure regime. Across government departments, regulators and other bodies, we encourage more holistic consideration of guidance that is issued and highlight opportunities for interoperability.

Avoiding double reporting

xv. To the degree possible, align the CRFD regime with existing cross-border schemes to minimise any unnecessary double reporting of emissions

Similar to Opportunity 1 discussed above, AFMA also recommends the alignment of the climate-related financial disclosure regime with existing cross-border schemes, where feasible and logical, so that the same identified emissions aren't reported in different ways. Beyond simply filing timetables alignment, we see benefit in alignment of boundaries, definitions and emissions factors. Boundary divergences can result in inconsistent public figures for the same activity and creates restatement risk that the alignment of dates alone cannot address. We encourage Treasury to consider any opportunities to minimise this.

Interaction of proposals and other ideas to be considered

It's important that investors remain confident in the regime whilst ensuring that practical implementation, challenges and material barriers are acknowledged and appropriately addressed. As highlighted above, over the longer term there will rightfully be an expectation amongst investors that the quality of climate-related financial disclosures will mature, to the extent that greater confidence can be feasibly placed on it. In this regard we would expect that regulatory requirements evolve in a consistent and commensurate manner as confidence and capabilities grow and believe Treasury should seek to strike the appropriate balance.

xvi. Implement a long-term solution to support second party opinions provider services

Whilst AFMA appreciates this issue is under ASIC's mandate, it's nevertheless an important concern for industry and the preparation of disclosures. Second Party Opinion (SPOs) provide the market enhanced integrity and confidence in sustainability-related claims, statements, products, investments and other relevant material and information. SPOs therefore play an important role in supporting robust governance and disclosure outcomes and are used in conjunction with governance processes and assurance providers.

In recognition of this valuable service and concerns that it could invoke the provision of financial product advice, ASIC issued a no-action position for a contravention of the requirement to hold an AFS licence in connection with an offer to wholesale clients that involves the provision of financial product advice, in 2024 for a two-year period. Following representations from AFMA and industry, pleasingly, ASIC extended its position for an additional two-year period. The extended no action position will sunset on 15 June 2028 ahead of the 2028/29 statutory review.⁶

With an already significant vacuum of limited providers and skill sets, AFMA encourages Treasury to work with ASIC on a more permanent solution. SPOs and reporting entities cannot continue to operate long term on a class no action position as it provides only temporary support and is not conducive with business planning needs.

* * * * *

⁶ <https://www.asic.gov.au/about-asic/news-centre/news-items/asic-extends-class-no-action-position-to-second-party-opinion-providers>

AFMA would welcome the opportunity to discuss this submission further and would be pleased to provide any additional information or clarity as required. Please contact Monica Young via myoung@afma.com.au or 02 9776 7917.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Monica Young' in a cursive style.

Monica Young

Policy Manager