

2 October 2026

Mr Stephen Green  
Acting Director, Sustainable Finance Unit  
Climate and Energy Policy Branch  
The Treasury  
Langton Crescent, Parkes ACT

Submitted via: [Treasury Consult Hub](#)

Dear Mr Green,

**Investor Group on Climate Change submission to Treasury consultation on improving the efficiency of climate-related financial disclosures**

The Investor Group on Climate Change (IGCC) welcomes the opportunity to provide comment on Treasury's proposed options to improve the efficiency of the Australian climate-related financial disclosures regime.

IGCC is the leading network for Australian and New Zealand investors to understand and respond to the risks and opportunities of climate change. Our 100+ member organisations collectively manage over \$4.5 trillion in assets locally. They include our countries' largest superannuation and retail funds, and their beneficiaries include more than 15.8 million Australians, and millions more New Zealanders.

IGCC and our members have long been supporters of climate-related financial disclosures and were instrumental in the establishment of the Australian regime. As both users of these reports, and reporting entities themselves, our members have unique perspectives on where there may be opportunities to improve the efficiency and quality of the disclosures. As active investors in global markets, many of our members can compare experience of the Australian regime with experiences of other jurisdictions' approaches.

We welcome the government's clear statement that any reforms proposed or sought in this consultation are designed to improve the efficiency of the regime only and not weaken it. While there are lessons that can be taken from the experience of Group 1 entities' first year reporting, a degree of friction is to be expected with the introduction of any new regime. Where changes can reduce that friction, they should be considered, but the underlying objectives and principles of the regime remain sound and should be held to.

Climate related economic damage and disruption is increasing, and the transition is proving to be more complex, meaning the need for good, evidence-based management of climate risks and opportunities is only growing. Mandatory climate disclosures, particularly as the number and nature of entities entering the regime grows in consecutive phases, play an important part in building the evidence base and driving the change to internal corporate culture and processes that treat climate as the material financial risk it is.

The attached submission contains our responses to the proposals in the consultation paper, informed by feedback from our members and collaboration with fellow peak organisations, including the Australian

Council of Superannuation Investors (ACSI), the Australian Sustainable Finance Institute (ASFI), the Responsible Investor Association Australasia (RIAA), the Association of Superannuation Funds of Australia (ASFA), Chartered Accountants Australia and New Zealand (CAANZ) and many others. We have also participated in and been grateful for the quality of the discussions through the Treasury-convened consultation roundtables and note many of our member organisations have also participated directly. While this submission has been informed by our members, it is the IGCC's policy position and does not necessarily represent the final consensus view of the entire IGCC membership. We note many IGCC member organisations will be making submissions of their own and/or contributing to the submissions of other peak bodies.

At a high level, IGCC supports:

- Targeted reforms to assurance requirements in the short term that reflect the current level of data and market capability but do not unduly constrain future policy
- The provision of more guidance and clarity for reporting entities, users of reporting, assurance providers and regulators. Such guidance should not seek to limit the flexibility inherent in the current regime, but address the most commonly reported ambiguity in ways that promote transparency, consistency and harmonisation
- A full, transparent and detailed review of the policy intent, legislation and all supporting or related guidance as part of the 2028-29 statutory review, including meaningful consultation with entities across the information chain.

IGCC and our members would welcome the opportunity to further engage with you and your team in the development of reforms to the important climate-related financial disclosures regime.

If you have any questions about the matters raised in this submission, please contact Francesca Muskovic, Executive Director of Policy, at [Francesca.Muskovic@igcc.org.au](mailto:Francesca.Muskovic@igcc.org.au) or on 0413 587 898.

Sincerely,



**Rebecca Mikula-Wright**

Chief Executive Officer  
Investor Group on Climate Change

# Submission to the Treasury

## Improving the efficiency of climate-related financial disclosures

2 October 2026

### Introduction

IGCC represents institutional investors managing more than A\$4.6 trillion on behalf of over 15.8 million Australians and millions more New Zealanders. We have consistently supported mandatory, internationally aligned climate disclosure, through submissions to Treasury's 2022 and [2023](#) consultations, the [2024 exposure draft legislation](#), and [joint statements](#) with 14 other peak industry bodies.

As long-term institutional investors and asset managers, our members look to corporate climate disclosures to inform capital allocation decisions and investment stewardship. IGCC's 2026 [State of Net Zero Investment report](#) showed that for the first time, more than 90% of investors have a climate policy, and the percentage of investors issuing climate disclosures that align with widely used reporting frameworks has continued to increase<sup>1</sup>. At the same time, there is a clear trend towards increased emphasis on rigour and evidence-based reporting.

Climate change is a systemic risk to the economy and presents both financial risks and opportunities for investors' portfolios. Managing climate risk requires good data on material impacts, consistently reported to agreed and comparable standards and a clear articulation of the strategic steps being taken in response. Given the nature of the threats posed by climate change, it also requires a forward-looking analysis of the potential scenarios likely to be faced by the company and potential financial impacts.

Reporting against internationally aligned standards improves transparency and ensures consistent, high-quality information – making it more useful for decision-making, risk assessment, portfolio management and company engagement. Disclosures by companies and investors can also be a central tool for regulators to inform policy, financial supervision and stability, by improving understanding and visibility over the system-wide implications of decarbonisation, as well as the physical impacts of climate change.

This consultation is a timely and appropriately targeted one, and we support the principles underpinning the proposed reforms as outlined in the consultation document. However, while there is merit in targeted adjustments in the immediate term, we urge the government to avoid reducing the scope of the regime or watering down its effectiveness or intent. It is still early in the implementation of the regime, and a retreat now would abandon the investment already made by reporting entities, assurance providers, regulators and investors, before the regime has had the chance to deliver on its purpose.

To that end, we welcome the government's clear statement that there is no intention to propose or consider reforms that would water down requirements or reduce the rigour or core functions of the regime. Australia's CRFD regime was introduced to provide greater transparency and accountability

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<sup>1</sup> Investor Group on Climate Change, [State of Net Zero Investment 2026](#), June 2026

when it comes to climate-related risks and opportunities. With Australian investors managing the world's fifth largest pool of capital, such policy remains relevant today and into the future.

Mandatory reporting provides an important feedback loop on areas of market failure and measures of progress for policy makers as the government continues to build out Australia's climate policy architecture. It is also demonstrably driving changes to corporate governance and culture, including at Board level, that recognise climate as a financially material factor and is leading to greater integration of climate risks into financial decision-making<sup>2</sup>.

Since the regime has been introduced, international investors and regulators have been closely watching how the early reporting cycles unfold, the implementation issues that arise, and how government responds to them. Global capital is both increasingly climate-aware, and very mobile, with a high degree of sensitivity to changes in policy direction – particularly in relation to climate, given the material financial risk it represents to investors, assets and states. Australia faces heightened physical risks due to climate change, making the imperative stronger to ensure it remains an attractive destination for capital compared to global peers. This review is an opportunity to consider targeted reforms that genuinely improve the efficiency of the regime, respond to criticism that climate reporting is unnecessary 'green tape' and improve understanding about how the very real and important data is being used and by whom. The upcoming statutory review in 2028/29 should be the process by which a more wholistic review of the regime is undertaken in consultation with stakeholders, and including the issues canvassed in this review.

Through consultation with IGCC's members and stakeholders across the sector, it has become clear that investors rely on disclosures and have appreciated the noticeable uplift in the quality and coverage of reporting under the AASB S2 regime. Similarly, ASIC's review of a sample of sustainability reports released earlier this year notes that the mandatory disclosures regime has improved the quality and transparency of climate-related financial information in the market, as well as led to entities engaging more meaningfully with their climate-related risks and opportunities<sup>3</sup>. Superannuation funds themselves have said publicly that climate reporting is material to their duty to members, which points to genuine use of these disclosures, rather than a compliance formality.

That being said, many of the largest shareholders in Australian companies hold via passive mandates, with many voting and engaging with companies through pooled stewardship programs or by delegating engagement to specialist providers. As asset owners with passive mandates are less likely to directly engage with a company, it is possible this is contributing to the sense among Group 1 entities in particular, that investors are not interested or do not value the disclosures. In fact, much of the real use of disclosures happens upstream, with data providers and investors aggregating disclosed information across companies and sectors to benchmark performance, identify outliers and flag transition risk hot spots. A company's disclosure is one input into that wider analysis, and consistent, comparable reporting matters more than any single conversation with an individual investor about a particular report.

Recent international research reinforces this. A 2025 feature for the Hong Kong Institute of CPAs, drawing on the Principles for Responsible Investment and major asset managers, found that investors use sustainability disclosures to refine risk analysis, assess financial materiality and determine which

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<sup>2</sup> Investor Group on Climate Change, [State of Net Zero Investment 2026](#), June 2026

<sup>3</sup> Australian Securities and Investment Commission (ASIC), [Report 839 ASIC's review of sustainability reports lodged for 31 December 2025](#), September 2026

companies qualify for sustainable investment products — use that is largely invisible to the reporting company itself<sup>4</sup>.

Similarly, reporting by unlisted entities is important given they sit inside the same investment chain as listed companies. Institutional investors, including superannuation funds, are reporters themselves, and rely on consistent data from the unlisted entities they invest in and lend to, in order to meet their own disclosure and stewardship duties. Unlisted reporting closes a gap that would otherwise leave a large share of the economy invisible to the investors and lenders allocating capital to it - it is data and information material to decision-making.

We recognise there has undeniably been a cost impost for reporting entities in transitioning to the regime – including many of the IGCC members who are both users and reporting entities themselves. Large reporters have made significant upfront investment in systems, data and people for their first reports, with additional costs for assurance, but arguably that cost is unlikely to recur at the same scale. There is also clear value in the mandatory reporting regime and it could be expected that this will only continue to grow as more entities report more data, processes are embedded and efficiencies found, and capacity and capability across reporters, users and assurance providers builds.

It should be noted that at the time of this consultation only Group 1 entities have been through a full reporting cycle. While there are potential efficiencies to be found in the process, any changes may also add additional costs and should be carefully considered and calibrated, particularly given Group 2 entities are already in the process of preparing to report. It is also important to consider that measures which may improve efficiency for reporting entities now could worsen efficiency and substantially add to costs for other parts of the information chain of disclosures, including assurance providers and the users of disclosures. Any changes contemplated as a result of this consultation must consider the whole-of-system impacts, not merely respond to immediate pressure points.

While this consultation is useful, it is deliberately contained. We look forward to a broader scope for the 2028-29 statutory review of the regime, at which time there should be more evidence available from a greater pool of reporting entities and users to inform the development and consideration of any changes. We call on government to commit to including issues such as assurance settings, reporting timeframes, and scope of the regime in that review and allowing sufficient time for detailed and meaningful consultation with all stakeholders.

### **Proposal 1: Adjusting assurance settings**

IGCC supports an assurance framework that is robust enough that investors and other stakeholders can rely on the integrity of the information provided and that is also proportionate to the availability of data and the maturity of the market.

Australia is a leader among jurisdictions implementing IFRS-aligned mandatory reporting regimes insofar as no other jurisdiction has requirements for reasonable assurance across the entire climate report. Currently, comparable jurisdictions are either limiting the scope of mandatory assurance requirements or only requiring limited assurance. While IGCC does not support entirely removing a transition to reasonable assurance in the Australian context, it is clear that until data availability and assurance provider capacity and capability improve, there is scope to consider further delay to any

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<sup>4</sup> Principles for Responsible Investment (PRI). [“The investor effect: what’s really driving sustainability reporting?”](#) HKICPA A Plus, 2025

mandatory requirement without compromising the quality of information and data disclosed, or the comparability of disclosures in Australia with international jurisdictions.

It is also worth reiterating in this context that it is still early days in the implementation of the disclosure regime, and assurance providers, like reporting entities, are still coming to grips with the requirements of the regime and how to respond. This is an area where further guidance may be more impactful in improving efficiency and reducing costs than any substantial changes to the regime itself.

In addition to guidance, IGCC suggest consideration be given to allowing appropriately qualified sustainability auditors to provide assurance of climate disclosures where that could fill the current capability gap in financial audit providers' capabilities and relieve some of the capacity constraints and inconsistencies that are creating higher costs for reporting entities at the moment. Subject to the development of a set of criteria including expertise, independence and quality, and appropriate oversight and accountability mechanisms, this approach could improve efficiency of assurance without compromising quality or reliability for users of disclosures.

Like many of our peers in other peak groups and organisations across our membership, IGCC views the options presented in the paper as unlikely to address all of the challenges reporting entities, assurance providers and users of disclosures are facing. However, there is also an imperative to ensure the disclosures regime can continue to drive transparency and governance improvements in identifying and managing climate risks and opportunities across sectors and the economy. The very real costs that are being incurred by reporting entities going through the assurance process must also be taken into consideration. In that context, IGCC recommends any changes implemented as a result of this review not limit future policy flexibility, particularly in relation to assurance settings. We view the 2028-29 statutory review as the most appropriate mechanism by which the broader objectives, costs and benefits of assurance settings are considered and more lasting solutions are achieved.

Therefore, of the options presented in the consultation paper, IGCC finds Option 1b preferable as it is relatively straightforward to implement and maintains the minimum requirement of limited assurance that Option 1a would enshrine, but without unduly limiting future policy or causing significant disruption to reporting entities in the immediate term. In principle, we also support the concept of a 'tiered' approach outlined in Option 1c, but believe further extensive consultation is required to ensure the definition of 'mature metrics' or the scope of limited vs reasonable assurance is fit for purpose, meaning it will take longer and be potentially more disruptive to implement. We again reiterate the request that the upcoming statutory review of the regime include a broader review of assurance settings, including their scope, as by that stage stakeholders and government will have the benefit of substantially more experience and data (evidence) than is currently available to determine the appropriate and proportionate settings now and into the future.

In delaying the transition to reasonable assurance, Option 1b would allow time for reporting entities, assurance providers and data service providers to develop the necessary systems and build capacity. It allows reporting and audit practices to be more fully established and capability to be built across the ecosystem. As more entities come into the regime and more data is collected and available, efficiencies and improvements will be found, ultimately reducing the cost premium of a move to more stringent assurance requirements. Of course, this is reliant on all parties in the information chain continuing to invest in preparing for more rigorous assurance, and there is a risk that delaying the transition to reasonable assurance means this important work is also delayed.

Option 1b would also bring Australia into line with those international jurisdictions not requiring reasonable assurance until much later and aligns with the government's proposed reforms to remove a substantial portion of Group 3 entities from the reporting regime and the associated impact on data availability. Importantly, it preserves the signal that more stringent assurance sends, namely that these disclosures are material to financial decision-making, valued and used by investors, and should be high-quality and defensible.

IGCC does not support Option 1a at this stage, which, while perhaps reducing some costs in the short term, removes that signal and could see disclosures become less reliable and ultimately more expensive for other parts of the reporting chain, particularly investors reliant upon input from other entities for their own reporting.

From the investor perspective, assurance is not simply about the quantitative aspects of an entity's disclosures. Equally important is understanding and independent validation of the more qualitative aspects including decision-making and governance processes that underpin the way an entity identifies and responds to climate risks and opportunities, including in forecasts.

With respect to Option 1c, although the principle is worth considering, at this stage significantly more detail and consultation is required on the identification of 'mature metrics' to ensure any change reflects current market capability and transition timeframes are appropriate. Although Treasury's paper doesn't specify the metrics likely to be considered 'mature', assuming most fall within the definition of Scope 1 and 2, that emissions data is generally more available and relies on internal reporting entity data more than third party data. In requiring reasonable assurance for Scope 1 and 2 disclosures only, Option 1c generally reflects the relative availability and quality of data and the maturity of the sustainability assurance market. However, as the market matures, it could be expected that more metrics would be sufficiently 'mature' to allow a requirement for reasonable assurance, and there should be a clear process by which that takes place. Higher assurance requirements for specific disclosures or class of disclosures should be based on evidence that it is proportionate and materially improves investor confidence and/or decision-making.

Although it is not contemplated in this paper, there are additional measures which could also help reduce the burden on smaller entities. This includes a one-to-many type approach to assurance for climate data providers such as that being developed by IGCC, the AuASB and CAANZ currently. Such an approach would see assurance 'travel' with the data, meaning the assurance provider of any reporting entity using that data does not need to 're-assure', potentially substantially reducing time and costs.

In addition to any changes, it is important that government play a more active role in communicating the importance of the data being collected and its uses. One of the criticisms of climate reporting both in Australia and internationally, is that the reports are not used in any meaningful way and are simply an exercise in green tape box ticking. As anyone familiar with capital allocation decision-making knows, that is not the case - investors consider all information available to them and are increasingly viewing climate as a material financial risk. Entities who fail to appropriately quantify and disclose the climate risks they face, let alone take steps to mitigate them, will be considered more risky and therefore less attractive to capital. Australia cannot afford to be a laggard in attracting investment that powers growth and productivity across the economy.

## **Proposal 2: Improving consistency in the application of existing requirements**

IGCC supports the establishment of External Reporting Australia (ERA) due to commence later this year, combining the responsibilities of the Financial Reporting Council (FRC), AASB, and AUASB. This consolidation creates a single entity with responsibility for overseeing accounting, auditing, and sustainability reporting standards in Australia, and should provide greater consistency in the application of existing and future reporting requirements.

We urge government to ensure the ERA and the Sustainability Standards Board, as well as relevant regulators, are appropriately resourced to be able to deliver useable guidance materials in a timely manner and to proactively engage with stakeholders in their development and dissemination. Industry-led efforts to develop guidance are useful as a starting point, however that developed and issued by standard setters or regulators would provide greater certainty and confidence for industry.

Along with other sector peak bodies, IGCC strongly supports the development of further guidance for reporting entities, assurance providers and users of climate disclosures, including on those concepts listed in the consultation paper. Any such guidance should address the conflicting interpretations of key terms and concepts among preparers, advisers, lawyers and assurance providers.

In particular, we support guidance on:

- ‘Undue cost and effort’, including what this means for different types of entities
- Materiality as a concept across the standard
  - Specifying the framing of the term given it has both a technical financial use and a more common use, as both are deployed in different places in the standards
  - With respect to emissions reporting, and specifically whether the GHG Protocol materiality regime or a classic financial regime approach is used
- Value chain scoping in different operating contexts or sectors
- Temperature scenarios - the standards presently specify temperature for scenarios, but do not specify a likelihood/year (for example, 50% likelihood of 2 degrees by 2100). This is becoming a problem in scenario selection, and is a non-trivial point of possible difference when it comes to the impact of said scenarios
- Scope 3 emissions reporting, particularly the purpose and materiality, including of cross-industry metrics
- Physical risk identification and scenario analysis
- Sector-specific guidance where there may be differences in sectoral approaches

Any guidance must be useable by the intended audience, illustrate a range of acceptable approaches rather than impose a single template, and cover different sectors, business models, reporting groups and level of capability. In some cases, specific guidance in the form of worked examples or case studies, fact sheets and decision trees or checklists would be valuable.

While guidance is important, the climate reporting regime does contain a degree of flexibility that should be maintained. In seeking to provide clarity, any sector or industry guidance should be broadly applicable and not be drafted in such a way as to become effectively directive. Limiting flexibility or broad application also risks reducing international alignment and comparability of the regime, which has been a great benefit for increasing Australia’s access to global capital and attractiveness as an investment destination.

Given it is still early in the implementation of the climate reporting regime, incremental rather than wholesale changes are required. IGCC would not be supportive of amendments to legislation or standards as a means to providing greater clarity at this stage, except as a last resort or in circumstances where an error in drafting has been identified. Such changes would create unnecessary policy uncertainty given they would take some time to be implemented and may ultimately not provide any additional clarity to what could be done in the form of additional guidance.

Finally, while it is not guidance per se, there is a clear need for greater awareness raising and education about the role of climate reporting and how the data collected informs decisions by investors but also by governments in addressing systemic resilience across the economy.

### **Proposal 3: Setting clearer boundaries on value chain information requests**

The inclusion of scope 3 emissions data is a critical element for assessing material risk and opportunity across the value chain. In line with the position outlined in response to Proposal 2 (above), IGCC is broadly supportive of the provision of further clarity and guidance on the boundaries of value chains and the types of information required for Scope 3 emissions reporting.

In our view, it is currently not reasonable to expect entities to complete a full assessment of Scope 3 against every category. Rather, a materiality assessment could determine which categories should be prioritised based on their material effect on an entity's assessment of transition risk or emissions exposure. Entities may still choose to voluntarily complete and disclose a wider range of Scope 3 emissions, but it would not be required.

Of the options presented in the consultation paper, IGCC would support Option 3a provided it is consistent with any additional guidance and clarification being contemplated under Proposal 2.

Such guidance should clarify that AASB S2 does not require entities to obtain primary emissions data from suppliers, customers, investees or other value-chain participants. Entities should be permitted to use internal information, secondary data, estimates, proxies and sector averages where these provide reasonable and supportable information, and the guidance should help preparers understand how to determine when such information types are adequate. Primary data remains important where the risks are material and the information is available, or the reporting entity differs from the sector as a whole.

IGCC also supports the proposal in Option 3b to increase availability of domestic emissions factors. Credible, well-governed and accessible emissions factors can reduce duplicated effort for preparers and users and improve comparability. However, they should complement and not replace entity-specific information where that information is available, material and important to the assessment.

We also strongly support improving the quality and scope of the data. This is particularly the case for Scope 2 electricity emissions factors which tend to be significantly out of date. It is essential that they map to AEMO's CEDII (carbon dioxide emissions intensity index) and current AEMO data for non-NEM states. This matters because it creates an official government version of emissions intensity data that is disconnected from the actual emissions intensity that AEMO oversees. Further, the annual emissions factor documentation would do well to show the emissions intensity on a more granular time basis with reference to variation in system mix, so that users can start to see and engage with different emissions implications of energy use in different seasons and times of day.

While IGCC does not support a requirement for actual and verified reporting for all Scope 3 activities at this stage, there is an opportunity to better use emissions intensity data already reported for facilities captured by the Safeguard Mechanism (SGM) to ensure methane leakage from extractive industries is reported (in Scope 3 reporting) using actual emissions and not flat emissions factors. Given the significant variability in methane leakage between sites, it is important that customers of coal and gas have visible, traceable Scope 3 emissions from which to build their disclosures. If a supplier is listed as the parent company or site owner of a SGM covered facility, they are required to publish annual emissions intensity data (per unit of goods sold) consistent with their SGM NGER data submissions. From this, downstream entities could calculate actual Scope 3 emissions attached to the product. For other emissions categories, further consultation is required on whether it might be appropriate to use an emissions factor.

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

IGCC supports greater alignment where it is feasible, including of measurement periods or submission timeframes. However, the data collected under NGERS and its purpose is distinct and important from that captured under AASB S2 and neither should be unduly compromised by any such alignment.

### **Opportunity 2: Registered Company Auditor (RCA) practical experience requirements**

*See discussion under Proposal 1: Assurance settings*

### **Other ideas for consideration (Question 36)**

*Improving methane emissions transparency*

IGCC proposes Treasury and/or the relevant entity includes in their work program a timetable to introduce a very simple contribution to methane emissions transparency.

Reporting entities with direct methane leakage already report raw methane volumes through pre-existing NGER regulations. This is typically shown as a carbon dioxide equivalent value using a 100-year conversion factor (Global Warming Potential 100). We ask that this conversion is retained and complemented by dual conversion and reporting using the 20-year conversion (GWP 20) to make the near-term climate potency of methane visible. The same principle should be applied to other material quantities of superpollutants in the reporting entity's value chain. All this would require is the use of a second multiplier, or factor, for the near-term potency conversion.

As well as providing decision useful information with very minimal effort, there is a clear direction of travel that dual conversion and reporting of superpollutants will come to be required. IGCC notes that the GHG Protocol confirmed the Corporate Standard Technical Working Group will “*revisit the 100-year GWP... and consider additionally a 20-year GWP, particularly for short-lived GHGs such as methane*”<sup>5</sup>.

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<sup>5</sup> Greenhouse Gas Protocol, [Corporate Accounting and Reporting Standard \(Corporate Standard\) Version 3.0, Standard Development Plan](#), 29 July 20206

### *Improving efficiency of reporting for group structures*

While not specifically addressed in the consultation paper, IGCC strongly advocates for more flexibility to report in aggregate for funds and subsidiaries at a group level.

Some of our members have a range of individual fund entities that are required to report under the Australian Accounting Standards Board (AASB) alongside various Australian corporate entities. In practice, most IGCC members adopt group-level policies on climate mitigation and governance, and adopting a more flexible approach to consolidating reporting would avoid unnecessary duplication and provide material time savings and efficiency while still maintaining the quality of information available to stakeholders.

At a minimum, we also recommend allowing more flexibility for cross referencing between group and fund disclosures and supporting guidance that doing so will not result in information otherwise outside the scope of AASB being captured under assurance requirements.