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Australian Accounting Standards Board

Re: Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information

BHP (hereinafter "we," and "our") appreciates the opportunity to provide comments in response to the Australian Accounting Standards Board's ("AASB") consultation on the Australian Sustainability Reporting Standards ("ASRS"). We have been an early supporter of climate-related disclosures and commend the Government's commitment to design and implement standardised, internationally-aligned requirements for climate-related disclosures in Australia. A move toward a consistent and decision-useful climate-related disclosure regime, which seeks to meet increased demand from investors and other users and is implemented in a workable manner for reporting entities, will enable Australia to align with similar developments in major international capital markets. We therefore encourage maximum alignment of a Climate-related Financial Disclosure regime in Australia with the International Sustainability Standards Board ("ISSB") disclosure standards (as applicable to climate-related reporting) released in June 2023. We believe this alignment at the jurisdiction-level with ISSB is integral to achieving global consistency and comparability in climate-related financial reporting. This will benefit investors and support companies, such as BHP, that have placed climate action and transparency at the forefront of their corporate agendas.

BHP's experience and engagement on climate-related disclosures

BHP is a global resources company producing some of the essential resources needed to support the global energy transition, such as nickel and copper, and we strive to produce them sustainably, efficiently and ethically. Our purpose is to bring people and resources together to build a better world.

As one of the world's leading mining companies, we are committed to playing our part to help accelerate the Australian and global pathways to decarbonisation. This includes increasing awareness of the vital role of the mining industry in providing essential commodities as building blocks for the renewable energy and other decarbonisation infrastructure required to enable a net zero greenhouse gas ("GHG") emissions future. BHP's Climate Transition Action Plan 2021 and Annual Report 2023 outline our approach to reducing GHG emissions and managing climate-related risks, including our climate change targets and goals.

We began reporting in alignment with the Task Force on Climate-Related Financial Disclosures ("TCFD") framework in our Annual Report 2017, and were represented on the Task Force from its inception. Since then, we have continued serving as one of our industry's leading voices in shaping the TCFD and other global reporting standards, having contributed to consultations on the development of proposals by the ISSB and United States Securities and Exchange Commission ("US SEC") aimed at enhancing climate-related disclosures.

Supportive of standardised, internationally aligned climate-related disclosures

As outlined in our first, and second responses to the Government's consultations conducted by the Australian Treasury, BHP supports the Government's objective to ensure Australia remains aligned with international capital markets. We have reiterated this point in our recent submission to Treasury in relation to the Exposure Draft legislation to enact Australia's corporate climate-related financial disclosure requirements.

We have focused our feedback in relation to the AASB Sustainability Reporting Exposure Draft ED SR1 ("Exposure Draft") on the need to balance enhancing the decision-usefulness, consistency, and comparability of disclosures with the practicality of implementation and ongoing compliance. In our feedback to the ISSB's consultation in July 2022, we suggested a number of areas where additional guidance or definitions would help ensure consistent application and disclosure.

In particular, we believe that cross-industry metric disclosures on risks and opportunities would strongly benefit from provision of application guidance. Without guidance, the disclosures against these metrics may lead to misleading comparisons between entities, with consequential reduced comparability and so usefulness to users. We also recommend that the ASRS incorporate a mechanism for periodic review to consider future alignment with other jurisdictions.

Dr Fiona Wild

Group Sustainability and Climate Change Officer, BHP

Specific matters for comment

Presenting the core content of IFRS S1 in [draft] ASRS Standards

1 *In respect of presenting the core content disclosure requirements of IFRS S1, do you prefer:*

(a) *Option 1 – one ASRS Standard that would combine the relevant contents of IFRS S1 relating to general requirements and judgements, uncertainties and errors (i.e. all relevant requirements other than those relating to the core content that are exactly the same as the requirements in IFRS S2) within an Australian equivalent of IFRS S2;*

(b) *Option 2 – two ASRS Standards where the same requirements in respect to disclosures of governance, strategy and risk management would be included in both Standards;*

(c) *Option 3 – two ASRS Standards, by including in [draft] ASRS 1 the requirements relating to disclosures of governance, strategy and risk management, and in [draft] ASRS 2, replacing duplicated content with Australian-specific paragraphs cross-referencing to the corresponding paragraphs in [draft] ASRS 1 (which is the option adopted by the AASB in developing the [draft] ASRS 1 and [draft] ASRS 2 in this Exposure Draft); or*

(d) *another presentation approach (please provide details of that presentation method)?*

Please provide reasons to support your view.

BHP response:

We prefer an approach that maximises alignment with the finalised ISSB standards as this is foundational to building global consistency and comparability in sustainability reporting. The AASB's assumption to prioritise international alignment with amendments made only where necessary, as outlined in the Sustainability Reporting Standard-Setting Framework, aligns to this approach. With this in mind, our preference is to structure two ASRS standards similar to the ISSB standards with one focused on general sustainability information and one on climate-related disclosures. We appreciate the AASB's intention to focus on climate first, however, the proposed structure presents a risk of a broadening gap in connectivity to global standards over time, particularly as new subject matters are considered. We also appreciate the AASB's intention to limit duplication, however, a large portion of Australian entities have overseas operations or investors and as a result will need to align to both the ISSB and AASB standards, meaning an approach diverging from ISSB in this way will likely result in unnecessary reporting burden and costs. We encourage the AASB to present the sustainability reporting standards (general, climate, and future topics) in the same structure that the ISSB has developed with phased implementation requirements so that the climate-first approach is maintained.

Replacing duplicated content with references to the Conceptual Frameworks

2 *Do you agree with the AASB's approach to make references to its Conceptual Framework for Financial Reporting (in respect to for-profit entities) and the Framework for the Preparation and Presentation of Financial Statements (in respect to not-for-profit entities) instead of duplicating definitions and contents of those Frameworks in [draft] ASRS 1 and [draft] ASRS 2? Please provide reasons to support your view.*

BHP response:

We agree with the AASB's approach to make references to the *Conceptual Framework* (in respect to for-profit entities) as this should allow for efficient updates to supporting definitions and references as the Australian-specific reporting context evolves.

Entities that do not have material climate-related risks and opportunities

3 *Do you agree with the proposed requirements in [draft] ASRS 1 paragraph Aus6.2 and [draft] ASRS 2 paragraph Aus4.2? Please provide reasons to support your view.*

BHP response:

We agree with the AASB's proposal to require an entity which assesses climate-related risks and opportunities as not material to explicitly disclose this fact and explain why. This information, in particular the process undertaken to reach this conclusion, will be useful to general purpose financial report ("GPFR") users.

Sources of guidance and references to Sustainability Accounting Standards Board (SASB) Standards

4 *Do you agree with the AASB's views noted in paragraphs BC39–BC41? Please provide reasons to support your view.*

BHP response:

We support the AASB's basis of conclusion to not include references to the industry-based guidance accompanying IFRS S2 until the content has been comprehensively internationalised by the ISSB and has undergone the AASB's own due process. However, we recommend that the AASB monitors developments in other jurisdictions on adoption of the industry-based guidance accompanying IFRS S2 and align accordingly to ensure consistency if a majority of IFRS S2 implementing jurisdictions choose to adopt the guidance.

5 *Do you agree with the AASB's view that if an entity elects to make industry-based disclosures, the entity should consider the applicability of well-established and understood metrics associated with particular business models, activities or other common features that characterise participation in the same industry, as classified in ANZSIC? Please provide reasons to support your view.*

BHP response:

We agree in principle, however, would caution against specifically encouraging disclosures be considered using the ANZSIC industry classification system ("ANZSIC system") without further investigation into its suitability. We understand that, in its current design, the ANZSIC system may not be suitable for entities that span several industry classifications such as mining, smelting and refining, and encourage consideration of whether further guidance on classification is required in these circumstances. We would also encourage the AASB to assess whether the ANZSIC system maps to other prominent classification systems such as the Nomenclature of Economic Activities (NACE) system in European Union.

6 *Do you consider that ASRS Standards should expressly permit an entity to also provide voluntary disclosures based on other relevant frameworks or pronouncements (e.g. the SASB Standards)? Entities are able to provide additional disclosures provided that they do not obscure or conflict with required disclosures. Please provide reasons to support your view.*

BHP response:

We support the ability for entities to provide additional voluntary disclosures. Consideration should also be given to having the ASRS explicitly allow for additional disclosures to meet regulatory requirements from other jurisdictions to accommodate multinational corporations.

Disclosing the location of the entity’s climate-related financial disclosures

7 *Instead of requiring a detailed index table to be included in GPFR, the AASB added paragraph Aus60.1 to [draft] ASRS 1 to propose requiring an entity to apply judgement in providing information in a manner that enables users to locate its climate-related financial disclosures. Do you agree with that proposed requirement? Please provide reasons to support your view.*

BHP response:

Each entity has nuanced needs and context around how climate-related financial risks and opportunities are managed based on maturity, industry and diverse value chains. As a result, disclosures will take various forms and may be relevant across multiple sections within an entity’s Annual Report and within other documents in its Annual Reporting suite, particularly as financial and sustainability risks integrate further. We recommend the AASB maintains its position to allow entities to identify an approach to disclosing the location of climate-related financial disclosures that is tailored to its reporting context and allows GPFR primary users and other stakeholders to easily navigate the content. We would also recommend providing further clarity on this point and working with Treasury to ensure consistency across the ASRS and implementing legislation, as we note that the Policy Statement accompanying the exposure draft of the *Treasury Laws Amendment Bill 2024: Climate-Related Financial Disclosures* states on page 4 that entities should include an index table with their annual report to enable users to readily navigate the climate disclosures, which appears at odds with the AASB’s position in [draft] ASRS 1 paragraph Aus60.1.

Related to this, we also note the draft standards include requirements and direct inferences that an entity’s climate-related financial disclosures form part of the GPFR (e.g., [Draft] ASRS 1 paragraphs Aus10.2, 21(b)(ii), 60 and 61 and the definition of “climate-related financial disclosures” in Appendix A). Given many entities define the Financial Statements as a GPFR (excluding the directors’ report or the Operating and Financial Review), there may be an implied expectation that the climate-related financial disclosures sit within the Financial Statements, contrary to the AASB’s intention. We encourage the AASB to explicitly define expectations on how entities should define a GPFR that includes climate-related financial information, including how this should relate to the financial report, sustainability report and directors’ report as defined in the *Corporations Act 2001*. We note that the AASB intends the definition for a “general purpose financial report” currently provided under its *Conceptual Framework for Financial Reporting to apply (*[Draft] ASRS 1 Appendix A paragraph AusA1) to apply to the ASRS, however this is broadly descriptive of the type of content that distinguishes a GPFR rather than specifying where it may be located within an entity’s broader suite of reports or how it relates to other such reports.

Interim reporting

8 *Do you agree with the proposed omission of IFRS S1 paragraphs 69 and B48? Please provide reasons to support your view.*

BHP response:

BHP supports the clarification provided that the AASB does not intend to create a new obligation for the inclusion of climate related- financial disclosures within the half-year report (or any other form of interim reporting).

Scope of [draft] ASRS 2

9 *Do you agree with the proposal in [draft] ASRS 2 paragraph Aus3.1 to clarify the scope of the [draft] Standard? Please provide reasons to support your view.*

BHP response:

We support the scope clarification provided in [Draft] ASRS 2 paragraph Aus3.1 and believe this clearer boundary definition will enhance the usability of the ASRS in relation to climate change. We note that other environmental matters mentioned, such as ozone depleting emissions, could be addressed in future topic-specific sustainability standards. This would be broadly consistent with how other standards such as European Sustainability Reporting Standards have approached their scope.

Climate resilience

10 *Do you agree with the proposal in [draft] ASRS 2 paragraph Aus22.1? Please provide reasons to support your view.*

BHP response:

We agree with the AASB's proposal to specify the most ambitious global temperature goal set out in the *Climate Change Act 2022* (i.e., 1.5°C above pre-industrial levels) as the lower-bound scenario. As mentioned by the AASB, this would reduce ambiguity and reduce unnecessary effort in determining the interpretation of this disclosure requirement. We also support the proposed approach to allow entities to use their own sources for climate scenario preparation (subject to meeting the proposed requirement to disclose against at least two possible future states, of which one is a scenario aligned to the most ambitious of the Paris Agreement's global temperature goals). We see this approach as not only providing flexibility but also encouraging a diversity of perspectives on potential future(s) across the economy, which we expect will facilitate continued improvements in climate scenario modelling.

11 *Do you agree with the AASB's view that it should not specify the upper-temperature scenario that an entity must use in its climate-related scenario analysis? Please provide reasons to support your view.*

BHP response:

We agree that an upper-temperature scenario should not be specified. The complexities of climate modelling mean that a high temperature/emissions scenario (e.g., SSP5-8.5) does not always produce climate projections representing the highest risk or "worst case", compared to low or medium emissions scenarios. As such, specifying an upper-temperature scenario could lead to under-assessment and disclosure of physical climate-related risks.

Cross-industry metric disclosures (paragraphs 29(b)–29(g))

12 *Do you consider the cross-industry metric disclosures set out in paragraphs 29(b)–29(g) of IFRS S2 (and [draft] ASRS 2) would provide useful information to users about an entity's performance in relation to its climate-related risks and opportunities? Please provide reasons to support your view.*

BHP response:

The requirement to define the amount and percentage of assets or business activities that are (i) vulnerable to climate-related transition risks and climate-related physical risks; and (ii) aligned with climate-related opportunities could provide a misleading view given that not all climate-related risks and opportunities are of equal potential severity, importance and/or value and may differ in inherent and residual risk ratings. Requiring metrics which quantify only the aggregated total risk or opportunity may lose this nuance and result in misleading comparisons between entities, with consequential reduced comparability and so usefulness to users. There are also challenges with the proposed capital deployment metric, particularly given the lack of definition for what constitutes spend deployed towards climate-related risks and opportunities (which is likely, for example, to become increasingly indistinguishable from normal business spending as an entity's management of climate-related risks and opportunities and its broader climate response, is integrated into business-as-usual planning, strategy and operational and commercial decision-making). Therefore, we strongly recommend that the AASB provide further application guidance for these cross-industry metric disclosures, that are context specific.

13 *Do you agree with the proposed requirements in [draft] ASRS 2 paragraphs 29(g) and Aus29.1 to disclose the information described in points (a) and (b) in the above box? In your opinion, will this requirement result in information useful to users? Please provide reasons to support your view.*

BHP response:

We agree with inclusion of the disclosures requirements in [draft] ASRS 2 paragraphs 29(g) and Aus 29.1. We believe that disclosing how climate-related considerations are factored into executive remuneration is a useful metric for the users of the report. For example, in the United Kingdom the Financial Reporting Council in its *CRR Thematic review of climate-related metrics and targets* called out that "Investors have expressed particular interest in the incorporation of ESG-related factors into directors' remuneration[1]". We also support the clarification and consistency that would be achieved by the intention to define "executive" and executive management" in line with *AASB 124 Related Party Disclosures*.

Definition of greenhouse gases

14 *Do you agree with the AASB's proposal to incorporate in [draft] ASRS 2 the definition of greenhouse gases from IFRS S2 without any modification? Please provide reasons to support your view.*

BHP response:

We support this approach. While Australia does not have a significant presence in the manufacturing of items containing NF_{3}, entities may have operations in other countries outside Australia where this may be a material emissions source for them. Therefore, keeping consistency with the IFRS S2 greenhouse gases definition is important for completeness, consistency, and comparability of the GHG emission inventories disclosed by different entities.

Converting greenhouse gases into a CO_2 equivalent value

15 *Do you agree with the AASB's view that an Australian entity should be required to convert greenhouse gases using GWP values in line with the reporting requirements under NGER Scheme legislation? Please provide reasons to support your view.*

BHP response:

We provide conditional support. This appears to be a reasonable amendment to minimise the regulatory burden for Australian companies and align reporting under the ASRS as closely as

[1] CRR Thematic review of climate-related metrics and targets, July 2023 (frc.org.uk), p. 33

possible with National Greenhouse and Energy Reporting ("NGER") Scheme reporting. However, if other jurisdictions choose to adopt the current IFSR S2 global warming potential ("GWP") definition (based on AR6 values), the AASB's proposed amendments may in fact increase the regulatory burden for Australian companies operating across multiple jurisdictions and may impact the usability of the disclosures reported if multiple sets of GHG inventories were required to be reported. Therefore, this amendment may have unintended consequences and impact global consistency and comparability. We recommend that the ASRS incorporate a mechanism for periodic review of referenced GWP values to consider future alignment with other jurisdictions. This may need to leave open the option to change the GWP values used for ASRS reporting if the GWPs used for NGER Scheme reporting have not kept pace with international standards for corporate reporting.

Market-based Scope 2 GHG emissions

16 *Do you agree with the proposals set out in [draft] ASRS 2 paragraphs Aus31.1(f) and AusC4.2? Please provide reasons to support your view.*

BHP response:

We provide conditional support. We support the proposals to explicitly include market-based Scope 2 GHG emissions reporting in addition to the location-based Scope 2 emissions reporting outlined in [draft] ASRS 2 paragraph Aus31(f). We do not support the phase-in provision in [draft] ASRS 2 paragraph AusC4.2 as it would impact comparability of GHG inventories for users of the reports and would disadvantage entities that are procuring renewable energy and associated contractual attributes of that energy. We recommend that market-based Scope 2 reporting should be included from the first reporting period as this would enhance comparability while resulting in only minimal additional reporting burden for those entities without contractual arrangements that meet the market-based criteria. If the provision in [draft] ASRS 2 paragraph AusC4.2 is included, it should not apply to entities that choose market-based Scope 2 reporting for measurement of their GHG emissions targets. In those circumstances, entities should report market-based Scope 2 emissions from their target baseline year to ensure transparent and comparable reporting.

We also would recommend incorporating flexibility into the market-based reporting (rather than solely deferring to the NGER Scheme legislation) by allowing for the application of the current GHG Protocol Scope 2 Guidance and any subsequent updates. This is important for two reasons: (i) the market-based approach under the NGER Scheme currently does not fully align with the GHG Protocol Scope 2 Guidance that may be used as the default market-based reporting methodology in other jurisdictions; and (ii) the GHG Protocol Scope 2 Guidance is currently undergoing review with a large volume of feedback received, so it is possible that there will be changes to how market-based emissions will be accounted for. Therefore, we encourage ASSB to work with the Australian Government Department of Climate Change, Energy, the Environment and Water and other agencies to continue improving the alignment of the market-based methodology under both the NGER Scheme legislation and GHG Protocol Scope 2 Guidance.

GHG emission measurement methodologies

17 *Do you agree with the proposals in [draft] ASRS 2 paragraphs Aus31.1(b) and AusB25.1? Please provide reasons to support your view.*

We support as much alignment as possible with the NGER Scheme legislation for GHG emission sources located in Australia to reduce the regulatory burden on reporting entities. We also welcome flexibility in allowing usage of other methodologies, in particular the GHG Protocol Standards. Some further guidance and/or examples would be warranted to clarify the intended application of the wording "to the extent practicable" in [draft] ASRS 2 paragraph Aus31.1(b), in relation to market-based Scope 2 emissions reporting (see our comment on question 16 above).

Providing relief relating to Scope 3 GHG emissions

18 *Do you agree with the proposal in paragraph AusB39.1 of [draft] ASRS 2? Please provide reasons to support your view.*

BHP response:

We support the addition of [draft] ASRS 2 paragraph AusB39.1 to allow for usability of Scope 3 GHG emissions data for the immediately preceding period, if reasonable and supportable data related to the current reporting period is unavailable. This is a reasonable and practical allowance, particularly given the lag in availability of Scope 3 data that can occur due to different reporting periods of an entity's suppliers and customers.

Scope 3 GHG emission categories

19 *Do you agree with the AASB's approach in [draft] ASRS 2 paragraph AusB33.1 to include the Scope 3 GHG emission categories in IFRS S2 as examples of categories that an entity could consider when disclosing the sources of its Scope 3 GHG emissions, rather than requiring an entity to categorise the sources of emissions in accordance with the categories of the GHG Protocol Standards? Please provide reasons to support your view.*

BHP response:

We do not support this approach. IFRS S2 specifies that companies should use the Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard and the categorisation of Scope 3 emissions is an integral part of that standard. Not applying the Scope 3 emissions categories in accordance with this standard would reduce comparability between reporting entities and may create additional reporting burden. We also note that the proposed definition under section 9 of the *Corporations Act 2001* and [draft] ASRS 101 would not allow for changes made from time to time to the Corporate Value Chain (Scope 3) Accounting and Reporting Standard to be incorporated automatically. This risks creating a material misalignment and inconsistency of disclosure requirements across jurisdictions. We recommend that a provision be included in the legislation and amendments be made to [draft] ASRS 101 to allow for periodic updates to the Corporate Value Chain (Scope 3) Accounting and Reporting Standard reference. Alternatively, the contents of the Corporate Value Chain (Scope 3) Accounting and Reporting Standard could be incorporated into the ASRS, which could itself be updated periodically.

Carbon credits

22 *Do you agree with the AASB's proposal to modify the definition of carbon credit in [draft] ASRS 2? Please provide reasons to support your view.*

BHP response:

The approach proposed by the AASB to allow for recognition of carbon credits issued under the Australian Carbon Credits Unit Scheme to meet the definition of a 'carbon credit' in the context of the Standard is a logical and reasonable modification for the Australian context.

General matters for comment

32 *Do the proposals create any auditing or assurance challenges and, if so, please explain those challenges?*

BHP response:

While entities are likely accustomed to record-keeping requirements for financial information, record-keeping for sustainability information in order to facilitate appropriate assurance requirements (and comply with the proposed record-keeping requirements under proposed sections 286A(1) and (2) of the *Corporations Act 2001* under the exposure draft legislation) represents a new and unfamiliar area. What might be suitable and sufficient record-keeping to support data/information integrity and assurance with respect to a diverse and broadly-based set of climate statements and notes (particularly in relation to risks and opportunities) is likely to be subjective and context-specific. BHP suggests further guidance on the nature of record-keeping for sustainability statements is required to facilitate appropriate assurance requirements, while minimising the administrative burden.

It will also be important that the first set of assurance standards from the Australian Auditing and Assurance Standards Board ("AUASB"), together with the ASRS, are finalised by a reasonable period in advance of commencement of the first annual reporting period. This will enable reporting entities to ensure the necessary systems and processes are in place for mandatory climate-related financial reporting and assurance and to commence the required record-keeping from the start of the first reporting period. These factors support amendment of the commencement date for Group 1 entities so that the first sustainability report would be required for annual reporting periods starting on or after 1 January 2025.

33 *Would the proposals result overall in climate-related financial information that is useful to users?*

BHP response:

We believe the proposals have strong potential to provide information that is useful to users. However, there are certain risks within the proposed requirements that may inhibit the usefulness of information, including non-alignment with global standards, inconsistency of application across industries and regulatory regimes, inaccuracy of the reported information and inconsistency of audit approach. To address these risks, we recommend the AASB prioritise alignment with international sustainability standards (as applicable to climate-related disclosures), provide clear and consistent requirements in collaboration with the AUASB and Treasury, and provide additional explanatory guidance on application for reporting entities, particularly on the more complex areas noted in this submission.

34 *Are the proposals in the best interests of the Australian economy?*

BHP response:

We view alignment with international reporting regimes as critical to minimising the risk associated with climate-related financial disclosures, reducing the significant resource burden of compliance and enabling comparability to maximise the decision-usefulness of reports for users. Building towards consistency across markets is paramount to driving efficiency and cost savings, and effectiveness, associated with climate-related financial disclosures both from preparer and user perspectives and is important to maintaining Australia's competitiveness to attract capital.

To reduce the regulatory reporting burden for entities operating in multiple jurisdictions and to seek harmonisation in climate information produced across different regions, the AASB should consider and seek alignment and/or or equivalency with the regulations being enacted by the United Kingdom, the United States as well as the European Union.

35 *Unless already provided in response to specific matters for comment above, what are the costs and benefits of the proposals, whether quantitative (financial or non-financial) or qualitative? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs of the proposals.*

BHP response:

Based on BHP's experience with voluntary reporting against the TCFD framework, and more recently reporting under the United Kingdom Listing Rules, we see the development and implementation of systems and processes, and governance mechanisms, to facilitate effective reporting as being a key, initial cost. Large Australian entities are often already subject to GHG emissions reporting regulation and/or investor expectations for climate-related reporting, and therefore initial costs associated with emissions data collection are likely to be limited. However, the costs of implementing more integrated data capture, analysis, risk assessment and governance processes and systems, particularly for non-GHG climate data, along with the costs of associated assurance requirements, may be considerable. We believe one of the key cost-related challenges of mandatory reporting would result from the preparation of climate scenarios (if companies have not done so previously) and developing physical risk disclosures, given this is broadly a less mature disclosure area for Australian companies.

Aligning a climate-related financial disclosures regime in Australia with international practice is expected to reduce compliance costs for preparers when compared to the expected costs of achieving compliance against multiple, fragmented regimes. It is also expected to benefit users of the reported information, particularly where investors are taking a global perspective when deciding where to allocate their capital, as poorly-aligned information is less useful to investors and more costly to process when making decisions.