asifma

Growing Asia's Markets

02.10.2026

TO

The Treasury
Via: Improving the efficiency of climate-related financial disclosures - Consult hub

CONFIDENTIAL

Dear Sir / Madam

Submission – Improving the efficiency of climate-related financial disclosures

The Asia Securities Industry & Financial Markets Association ("ASIFMA")[1], on behalf of our members, welcomes the opportunity to comment on the issues raised in Treasury's consultation paper on "Improving the efficiency of climate-related financial disclosures" (**Consultation Paper**) and commend the aim of enhancing efficiency by achieving a more appropriate balance between valuable disclosure and the associated costs.

Our response has been drafted with the support of law firm Mallesons[2] based on feedback from the wider ASIFMA membership. We would be happy to discuss if you have any questions in relation to our submission.

We have set out below our key recommendations to the consultation questions, and included detailed responses in the Annexure.

Key recommendations:

- **Proposal 1: Adjusting assurance settings**

  Maintain limited assurance on an ongoing basis, supported by corresponding liability protections and directors' declaration settings. This would provide a proportionate approach that reflects current market capability, data maturity and international practice while reducing compliance costs and operational burdens.

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

  While further targeted guidance in specific areas may support reporting entities, Group 1 entities have already formed judgements based on the standard. Any new guidance that requires them to

[1] ASIFMA is an independent, regional trade association with over 150 member firms comprising a diverse range of leading FIs from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative, competitive and efficient Asian capital markets that are necessary to support the region's economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the GFMA alliance with SIFMA in the United States and AFME in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

[2] Mallesons acts for a broad range of ASX-listed and unlisted entities across all sectors and market capitalisations, including financial institutions, resources companies, technology companies and many more. This submission is also are informed by this breadth of practice and by Mallesons' involvement in the climate-related financial disclosure processes of its clients.

reconsider their approach could significantly increase costs and effort. Significant guidance is already available, including on the "undue cost or effort" proportionality mechanism, and reporting entities should not be overwhelmed by excessive or duplicative guidance.

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

  Reduce the burden of value-chain data collection by improving access to standardised domestic emissions factors and enabling appropriate reliance on estimates and secondary data. Any standardised data requests should remain flexible and avoid creating additional or unnecessary administrative burdens.

- **Interaction of proposals and additional efficiency measures**

  Prioritise ongoing limited assurance, corresponding liability and directors' declaration protections, and improved domestic emissions factors. Treasury should also consider allowing wholly-owned Australian subsidiaries of global groups to rely on parent-level disclosures where there are no external investors or lenders, avoiding unnecessary duplication while maintaining disclosure quality.

The table below sets out our detailed responses to the consultation questions under each of the above proposals.

If you have any further questions, please contact Ms Diana Parusheva-Lowery, Managing Director, Head of Public Policy and Sustainable Finance, ASIFMA at dparusheva@asifma.org

Yours sincerely



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Annexure 1 ASIFMA submission

#	Consultation Question	Submission
Proposal 1: Adjusting assurance settings		
1	Which of the options outlined above would help to achieve the four key principles underpinning this reform process (see Box 1)? Please explain any impacts on compliance costs, international alignment, disclosure quality, investor information needs and implementation certainty. Why is this your preferred option?	• Our preferred option is 1a, which maintains the limited assurance requirement on an ongoing basis. Given the nature of much of the content in a climate report - particularly its forward-looking elements, the judgement involved in materiality assessments, evolving methodologies, and ongoing data limitations - it does not appear proportionate to move to reasonable assurance at this stage. • Indefinite maintenance of limited assurance would serve the purpose of helping to reduce costs and operational burden for entities subject to the reporting regime. It seems a proportionate response for Treasury to take at this stage, given the current maturity of sustainability reporting globally. It would broadly align with Treasury's position as set out in the Consultation Paper: - It recognises the practical challenges associated with assuring climate-related information (e.g. availability of data, evolving practices, uncertainty of forward-looking climate outlooks). - It aligns with other jurisdictions (few other jurisdictions, if any, are progressing to reasonable assurance). Option 1a would be in line with the limited assurance standard which multinational groups experience in many other markets in which they have a presence. - It better aligns compliance expectations with current market capability and data maturity. - The benefit of reasonable assurance may not justify the compliance cost. • In many circumstances, discussions around assurance are often framed primarily through the 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. As discussed further below, members have reported they are unaware of any requests for stronger comfort on current disclosures, which supports continuing with the current limited assurance approach. • To ensure the overall framework remains proportionate and workable, the assurance settings should be aligned with the directors' declaration and liability settings. The transitional "reasonable steps" declarations and modified liability settings were designed to protect directors and companies during the phase-in period, when reasonable assurance is not

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		required and may not yet be obtainable. If Treasury maintains limited assurance as the ongoing requirement, consideration should be given to extending/retaining those settings on a corresponding basis. • The consultation should also consider whether the "reasonable steps" directors' declaration is, in practice, achieving its intended protective effect. Given Australian Sustainability Reporting Standard AASB S2 *Climate-related Disclosures* (**AASB S2**) requires an explicit and unreserved statement of compliance approved by the Board,[3] it is difficult to see how the declaration materially reduces exposure. Consideration should be given to a more targeted defence for directors and companies that take reasonable steps in preparing disclosures (e.g., where they reasonably rely on third party information for Scope 3, even if that information later proves inaccurate).
2	**For reporting entities:** Please provide information on the financial and administrative costs associated with obtaining assurance over your sustainability report. Where possible, please provide detailed information to quantify this impact.	• Some reporting entities have said the ratio of assurance costs to internal costs for preparing the report are roughly 1:1, which does not include legal or any other external fees. • The costs will of course vary according to the level of assurance. Mallesons analysed[4] mandatory sustainability reports published on the ASX on or before 3 March 2026 and found, of the 23 companies: - over 30% exceeded the minimum requirements for their first mandatory reporting year by obtaining limited assurance on aspects of their climate reporting that did not legally require assurance (e.g., disclosures relating to energy consumption, Scope 3 emissions, and renewable electricity usage); - 2 companies obtained reasonable assurance over part of their sustainability reports – specifically over their Scope 1 and 2 emissions; and - 1 company obtained limited assurance over its entire sustainability report. • Assurance costs associated with reasonable assurance over limited assurance are expected to be significantly higher, with some estimating 30% higher costs.
3	**For reporting entities:** To what extent are investors, lenders, shareholders or other stakeholders seeking	• We see some value in limited assurance for Scope 1 and 2, but don't think that extending assurance beyond this meets the cost / benefit trade-off. This is particularly relevant in the early years of disclosure as best practice is still emerging and auditors may not have a comprehensive understanding of either the requirements or what effective implementation looks like.

[3] Para 72, Appendix D, AASB S2.

[4] See: Mandatory Sustainability Reporting in Practice at https://www.mallesons.com/au/en/insights/latest-thinking/publication/mandatory-sustainability-reporting-in-practice.html

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	reasonable assurance over sustainability disclosures? Have any stakeholders indicated that the level of assurance influences their decision-making or confidence in reported information?	• In circumstances where there are no external investors or lenders, particularly for wholly-owned Australian subsidiaries of global groups, the incremental benefits of climate reporting and assurance are limited because there are no clearly identifiable external users of the disclosures. By contrast, the compliance and assurance costs are material. A move to reasonable assurance would further increase both external assurance spending and internal resourcing requirements, worsening an already unfavourable cost–benefit outcome. • Furthermore, as discussed above, for many reporting entities in the financial services sector, prudential and regulatory authorities are often the main stakeholder. Given the consultation's objective of making the process more efficient, this is another reason a limited assurance model is sufficient. • No members have reported seeing requests for disclosures to be audited, except in very limited circumstances like where they use Scope 1 and 2 data as a KPI for a sustainability-linked cash flow facility with a bank. Similarly, members have provided feedback that when engaging with issuers, they don't recommend the issuer get their entire sustainability reports assured – in their view, it adds little value to the disclosures. In some instances, it is helpful to have assurance over Scope 1 and 2 emissions to provide confidence regarding the maturity of measurement standards, but beyond that it isn't seen as being valuable.
Proposal 2: Improving consistency in the application of existing requirements		
4	Would this option help achieve the guiding principles outlined in this paper? Please explain any expected impacts on compliance costs, international alignment, disclosure quality and implementation certainty.	• While further targeted guidance in some specific areas may support reporting entities, this needs to be considered in the context that Group 1 reporting entities have already formed judgements based on the standard, and it could significantly increase cost and effort for those entities if new guidance were to come out and require them to rethink their approach. • There is also significant guidance already available, and a need to ensure reporting entities are not being overwhelmed with too much guidance. For example, guidance on the 'undue cost or effort' proportionality mechanism is already available in: - the Australian Accounting Standards Board's (**AASB's**) guidance (Knowledge Hub and Technical FAQs, including Proportionality Mechanisms in AASB S2 (released September 2025), Disclosing information about anticipated financial effects (released November 2025), and various other materials prepared by the AASB); - ASIC's regulatory guide 280; - the IFRS S2 basis for conclusions and ISSB staff papers (e.g., February 2023, topic: Proportionality and support for those applying IFRS S1 and IFRS S2); and

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		- AASB S2 itself. There is also a substantial body of guidance publicly available from accounting firms, law firms, industry bodies like the AICD, and many more, including the e-learning modules and webinars recently developed by ASIC. Ultimately, it's clear from these materials that there are many judgement calls to be made in the particular circumstances, and guidance can't be provided on all possible circumstances. To the extent further guidance is developed it must be carefully considered within this context to avoid duplication, inconsistency or a rethinking of established approaches. • The Consultation Paper identifies that the challenges stakeholders have reported largely arise from the application of principles-based requirements to diverse reporting circumstances (rather than deficiencies in the standards themselves). An additional risk of further guidance is that it inadvertently narrows the flexibility that the principles-based approach is designed to provide, or worse, contradicts the existing guidance issued by ASIC, the AASB, the ISSB or other relevant bodies.
5	**For reporting entities:** What specific practical challenges have you experienced, or do you expect to experience: (a) in applying the "undue cost and effort" principle? Please identify your reporting group and provide examples where possible. (b) In assessing whether your entity has "no material climate-related risks or	• One of the most challenging aspects in practice is assessing whether an entity has "no material climate-related risks and opportunities." The AASB guidance suggests this assessment should be considered from a user's perspective - for example, noting that an entity might conclude a climate-related risk or opportunity could reasonably be expected to affect its prospects based on external expectations, even where management does not share that expectation. In the experience of one of our members, this framing led assurance providers to press for inclusion of additional (and, in some cases, unnecessary) disclosures about risks that management had assessed as not material. A robust management materiality assessment should be sufficient, without requiring entities to adopt the perspective of a hypothetical user who may have different expectations or information. • There is a need for greater certainty that specific requirements do not apply where an entity has determined that no material risks or opportunities exist e.g. scenario analysis in resiliency disclosures. Entities with no material risks or opportunities should have a streamlined path for reporting regardless of size. The current Corporations Act framework appears to limit streamlined treatment to smaller entities, creating unnecessary burden in circumstances where there is no underlying climate-related disclosure need. It also sits at odds with AASB S2, which appears to allow streamlined treatment for any entity with no material climate-related risks or opportunities, because it provides that: - a reporting entity need not disclose information otherwise required by the standard if it is not material information;[5] and

[5] Para B25, Appendix D, AASB S2.

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	opportunities"? Please identify your reporting group and provide examples of evidence, governance processes or judgement areas that would benefit from further guidance.	- information is material if it is about climate-related risks and opportunities that could reasonably be expected to affect the reporting entity's prospects, and otherwise meets the 'material information' test.[6] This is an area where clarity would be helpful. Further guidance on the type and level of evidence required to support a 'no material risks or opportunities' conclusion would also be helpful. • Another concern is that entities may set their sustainability strategy at group level. However, in practice it is difficult for entities to navigate the assurance discussions without overstating the position at a subsidiary level or trying to find materiality at a subsidiary level in order to ease the assurance process. ISSB standards are better suited for public companies with investors and stand-alone sustainability strategies and this should be recognised. • There is also a need for guidance for assurance providers to avoid assurance providers taking a "more than limited" approach where this is not required. Varying assurance expectations across different markets make it incredibly difficult for entities 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 limited assurance.
6	What form of guidance would be most useful to support implementation (e.g. fact sheets, educational modules, detailed guidance materials, workshops, webinars, etc.)?	• Practical, example-based guidance materials (including sector-specific worked examples) would be useful, as they allow entities to understand how principles apply in practice without prescribing rigid requirements. • Fact sheets and targeted guidance from ASIC and the AASB that build on and cross-reference existing materials would also be helpful (as opposed to creating new standalone materials that risk creating further inconsistency/duplication).
Proposal 3: Setting clearer boundaries on value-chain information requests		
7	**For entities in the supply chain of reporting entities:** What has been your experience receiving climate-related	• In our experience, it very much depends on the relationship between the reporting entity and the other entity in the value chain. For example, in a joint venture situation, it may be a negotiation based on existing information sharing rights and obligations. In other cases, reporting entities are including contractual provisions in their template contracts to govern information sharing in relation to climate-related financial disclosures.

[6] Para 17, Appendix D, AASB S2.

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	financial disclosure information requests, including requests made directly by reporting entities or by third-party data collection providers? Please describe the nature, frequency and administrative impact of these requests.	
8	**For reporting entities:** What has been your experience engaging your value chain partners to gather data for reporting climate-related information so far? Please identify key challenges, including data availability, supplier capability, cost, consistency and use of third-party data providers.	• As mandatory Scope 3 disclosures have not yet commenced for most reporting entities, practical experience is limited. Key challenges we have observed to date include the lack of standardised data formats, limited capability of supply chain partners, and the cost and administrative burden of data collection. • The way the standard is currently set up is to encourage data based on direct measurement. Specifically, the standard requires reporting entities to prioritise data based on direct measurement, over estimates.[7] Unless the standard or legislation is changed in this regard (which at least some members would support), it is difficult to see how further guidance will reduce the burden on supply chains. • One legislative change that may help is ongoing liability protections as discussed at item 1 above. They may make a material difference by reducing the risk of liability associated with Scope 3 and other disclosures, and therefore the need for onerous information requests on value chain partners.
9	Would greater availability of standardised domestic emissions factors or	• Greater availability of standardised domestic emissions factors should reduce the burden on both reporting entities and supply chain partners by reducing the need to rely on information requests, subject to it being clear in the standard/legislative framework that entities can rely on the emissions factors.

[7] See B40, Appendix B, AASB S2.

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	other secondary data sources reduce the need for, or the burden created by, value-chain information requests? What types of emissions factors, sectors or data sources would be most useful for sustainability reporting purposes?	
10	Would standardising data requests for supply chain entities constrain the ability of reporting entities to obtain the data they need to fulfill their reporting obligations?	• The Consultation Paper recognises the risk that standardised templates could encourage unnecessary data requests and create further administrative burden, which we agree is a risk. Likewise, standardised templates may not cater to all circumstances, given the many and varied value chain participants and different approaches to preparation of sustainability reports adopted by reporting entities. • As noted above, the more effective approach may be to modify the liability settings to reinforce the use of estimates and secondary data in AASB S2.
Interaction of proposals and other ideas to be considered		
11	Which proposal or combination of proposals would deliver the greatest improvement in efficiency relative to implementation effort? Please explain your reasoning.	• Option 1a (ongoing limited assurance), together with consequential changes to the liability regime and directors' declaration requirements, and Option 3b (improving domestic emissions factors) should reduce costs at both ends of the reporting process, assurance and data collection, without undermining the quality or credibility of disclosures. • Additional guidance (Proposal 2) would be helpful to the extent it is not inconsistent with existing guidance and does not create new uncertainty or require reconsideration of recently established approaches.

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12	Are there any significant risks or unintended consequences that may arise from implementing one or more proposals outlined in this paper? If so, how could those risks be mitigated?	• The primary risk is that further guidance contradicts or creates confusion with the existing guidance, requiring additional work by entities that have now established their approaches. • This risk can be mitigated by ensuring that any new guidance builds in a logical way on existing guidance, and is very careful not to reduce the flexibility that the principles-based approach in the standard is designed to provide.
13	Are there any additional efficiency-enhancing policy proposals that Government should consider which are consistent with the objectives and scope of this consultation process? Please explain how any proposed reform would improve efficiency while maintaining disclosure quality, international alignment and implementation certainty.	• Where entities have no external investors or lenders (and no realistic prospect of future external funding), the only plausible external users of an entity-level climate report are clients or counterparties. In practice, global financial institutions operate across multiple legal entities and counterparties typically engage with—and assess exposures to—the firm on a consolidated basis rather than by reference to a particular subsidiary. For wholly-owned Australian subsidiaries of global groups with no external investors or lenders, entities should be permitted to rely on parent-level reporting to meet climate reporting expectations. • Put another way, Australia should consider allowing group level disclosure to meet local entity level requirements. This would remove the need for duplication at the local entity level, in particular when standards etc. are globally applied. As ISSB is rolled out in more jurisdictions, this will provide material time savings and efficiency, while not diluting the quality of information available to local clients / stakeholders. In practice, most investors / entities adopt group level policies on climate mitigation and governance, that are then either cascaded or duplicated at the local level – therefore group level disclosures (with a local 'cut' of emissions etc.) typically don't result in any material loss of insight or information.