SUBMISSION
CLIMATE RELATED FINANCIAL DISCLOSURE
JULY 2023

The Australian Retailers Association (ARA) appreciates the opportunity to make a second submission to Treasury on Climate Related Financial Disclosure.

The ARA is Australia's oldest, largest and most diverse retail body, representing a $400 billion sector that employs 1.3 million Australians. As Australia's peak retail body, the ARA informs, advocates, educates, protects and unifies our independent, national and international retail members.

Our members operate 120,000 shopfronts and on-line stores across the country, across all retail categories - from food to fashion, hairdressing to hardware, and everything in between. The ARA is proud to represent the rich diversity of Australian retail, from our largest national and international retailers to our small and medium members, who make up more than 95% of our membership.

This submission has been informed by consultation with the ARA's Advisory Committees and our diverse membership base.

EXECUTIVE SUMMARY

Retailers are cognisant of the significant risks they face due to climate change, encompassing all areas of their operations and supply chains. As a result, the ARA and our members have a strong commitment to Australia's transition to net-zero emissions as evidenced by our Net-zero Roadmap, Climate Action Plan and recently launched educational resources to support retailers in implementing and accelerating their own transition to net-zero.

The ARA acknowledges a number of the recommendations raised in our previous submission to Treasury have been reflected in the subsequent consultation paper.

In particular, we welcome the department's pursuit of a more standardised, internationally aligned approach to disclosure of climate-related financial risk, which will reduce the administrative burden on multinational organisations and provide a standardised template for reporting in Australia.

The ARA broadly supports the reform principles, as well as the proposed disclosure framework, as it will provide the requisite flexibility for retailers to expand into the rapidly evolving state of natural capital disclosure and will support transparent public disclosure of all value chain emissions.

However, the ARA also makes the following observations and recommendations for consideration by Treasury.

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RECOMMENDATION 1

ALIGNMENT WITH INTERNATIONAL FRAMEWORKS

The ARA is fully supportive of Treasury's proposal to align the framework with pre-existing standards as much as possible.

1.1 The ARA recommends alignment with the International Sustainability Standards Board (ISSB) to minimise the compliance obligation and ongoing reporting and administrative burden faced by all reporting entities and, in particular, multinational enterprises.

1.2 The ARA recommends that standards should provide reporting entities with the flexibility needed to determine which sustainability-related risks are material to their organisations.

1.3 In order to cater to the diverse needs of businesses, particularly those that are already required to report, the ARA recommends allowing disclosures in accordance with other standards and frameworks to be included in the same report if:

a) The standards and frameworks applied are clearly disclosed; and

b) Any additional disclosure should not contradict or obscure information required

RECOMMENDATION 2

IMPORTANCE OF PHASED APPROACH

The ARA is broadly supportive of the proposed phased approach to implementation, extended over four years from 2024-25 to 2027-28.

2.1 As outlined in our previous submission, the ARA recommends that small and medium sized businesses (with revenues up to $100 million) be exempt from these climate-related financial disclosure requirements. These businesses have limited resources to appropriately manage the administrative burden that climate-related disclosures would create.

2.2 The ARA recommends that the four-year implementation timeline is the minimum time frame to be adopted, to ensure that reporting entities have appropriate procedures in place to meet mandatory disclosure requirements.

RECOMMENDATION 3

INTRODUCTION OF A SUBSIDIARY EXEMPTION

3.1 Wherever a parent company discloses at an aggregated level, the ARA recommends that there should be a subsidiary exemption.

3.2 The ARA proposes consideration of the exemption for subsidiaries, as outlined in Singapore's Sustainability Reporting Advisory Committee consultation paper (p.17) as below:

> *C14. To reduce compliance burden, we propose to have a non-listed company exempted from reporting climate-related disclosures if both conditions are met:*
>
> *(a) its immediate, intermediate or ultimate parent (local or foreign), determined according to the prescribed accounting standards in Singapore, is minimally preparing climate or sustainability reports in accordance with the prescribed climate-related disclosure in Singapore or deemed equivalent; and*
>
> *(b) its activities are included in that parent's report, which is available for public use.*

RECOMMENDATION 4

PROVISIONS FOR SAFEGUARDS AROUND DISCLOSURE

4.1 The ARA recommends that additional safeguards be created to ensure that directors or companies are not penalised for making forward-looking statements within climate-related financial disclosures. These statements have a degree of uncertainty, potentially creating a risk for company directors in terms of misleading or deceptive conduct, and a risk to retail businesses in terms of greenwashing.

4.2 The ARA suggests that any inaccurate disclosures – due to factors outside of organisational control - do not result in liability for directors or companies.

4.3 Therefore, the ARA is supportive of the December 2022 Advice on ISSB Draft Standards which states that, "*directors should not face increased liability risks under ISSB standards and should not need any kind of 'safe harbour'.*"

RECOMMENDATION 5

EDUCATION AND UPSKILLING FOR IMPACTED BUSINESSES

5.1 The ARA recommends that government and regulators take an active role in upskilling and supporting all impacted businesses prepare for any future changes in disclosure requirements.

5.2 The ARA recommends future compliance frameworks should adopt an "education before enforcement" approach to encourage best efforts and continuous improvement, without the threat of penalty for unintentional non-compliance.

5.3 The ARA would welcome the opportunity to be involved in the design and delivery of education and awareness campaigns targeted at retailers, who have uniquely climate risks in comparison to other sectors.

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Thank you again for the opportunity to provide a submission to the Treasury. We look forward to further engagement as the proposed reforms are implemented.

Any queries in relation to this submission can be directed to our policy team at policy@retail.org.au.

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