

Submission on Improving the efficiency of climate-related financial disclosures

October 2026

The Australian Retail Council (ARC) welcomes the opportunity to provide feedback to Treasury's consultation on Improving the efficiency of climate-related financial disclosures.

ARC represents the Australian retail sector. Valued at \$444 billion, retail supports more than 1.4 million jobs, including employing more young Australians than any other industry. Retail is embedded throughout the economy and plays a critical role in the supply chain of Australian businesses. ARC advocates for policies and reform that drive growth, resilience, and long-term prosperity for Australian retail and the millions who rely on it.

Executive Summary

Climate-related financial disclosures play an important role in improving transparency, supporting informed decision-making and helping investors and stakeholders understand climate-related risks and opportunities. Having completed the first year of reporting, ARC believes the core objectives of the sustainability reporting framework remain appropriate. The framework has driven substantial investment in governance, systems, data collection and assurance capability. However, implementation has demonstrated that reporting requires a significant commitment of time, capability, resources and substantial costs on businesses. Several friction points have emerged:

- **Duplication:** overlapping requirements across climate reporting, National Greenhouse and Energy reporting (NGER), and other regulatory or voluntary frameworks.
- **Inconsistent application:** differing interpretation of requirements across entities, assurance providers and regulators.
- **Limited international interoperability:** divergence from global standards that creates additional work for multinational groups.
- **Disproportionate burden:** the cost of compliance obligations exceeding the value they give to decision makers.

These issues risk diverting resources toward compliance activity rather than high-quality, decision-useful disclosure. Addressing them offers an opportunity to improve efficiency without compromising the integrity, transparency or investor confidence the regime is designed to protect.

Recommendations

Based on the experience of reporting entities, ARC recommends reforms that focus on:

1. Permanently maintaining limited assurance as the mandatory assurance requirement.
2. Reducing disproportionate compliance costs and administrative burden.

3. Providing authoritative and practical implementation guidance.
4. Maintaining international alignment between Australian disclosures and comparable jurisdictions.
5. Adopting a proportionate and timely approach to Scope 3 reporting.
6. Introducing a subsidiary reporting exemption or otherwise establishing proportionate reporting arrangements for wholly owned subsidiaries and multinational group structures.

Responses to Consultation

1. Proposal 1: Adjusting assurance settings

1.1 We support retaining limited assurance as the ongoing mandatory assurance requirement for climate-related financial disclosures (Option 1a).

Limited assurance provides the appropriate level of independent scrutiny while recognising the inherent uncertainty associated with many climate-related disclosures thereby achieving the four key principles underpinning this reporting regime as outlined in the consultation paper. Permanently settling on limited assurance also provides reporting entities with a stable planning horizon, enabling investment in systems, processes, and internal controls without the uncertainty of a future assurance escalation that may or may not proceed.

Climate reporting relies on estimates and assumptions, scenario analysis, supplier-provided data and broader, secondary datasets. Given the practice remains unstandardised, the degree to which professional judgement is involved in assuring disclosures is significant. Proceeding with reasonable assurance in this context, will add additional compliance costs and complexity as set out below:

- **Financial cost:** The cost of limited assurance is already significant (on par with the cost of the full financial statement audit conducted under reasonable assurance). A mandated transition to reasonable assurance would increase these costs materially, without a corresponding improvement in the quality or usefulness of the disclosed information. For example: an ARC member reports that the majority of emissions come from the purchase and consumption of electricity, gas and fuel from a relatively small number of well-established companies. The member receives limited assurance over these emissions for several years, with little to no change in methodology or providers, little internal judgement or measurement methodology requirement, and no material errors identified. Increasing the assurance level over this dataset will not benefit shareholders or other report users. However, this would dramatically increase both the cost of assurance and the time required to meet reporting obligations.
- **Administrative burden:** Even with the support of global accounting firms, our members report that the current administrative burden is significant, requiring input from national and global assurance specialists given the lack of established precedent. This extends engagement timelines, increases management time spent on assurance and inflates costs far beyond what would be expected in a mature assurance environment. Beyond external fees, substantial effort is required within multiple business functions, including across finance and sustainability teams. Data must be collected and validated, supporting documentation prepared, audit trails maintained and governance and review processes completed. Multiple systems and business units are required to provide input. These burdens would intensify significantly under a reasonable assurance requirement.

- **Inconsistent with purpose of the regime:** Meaningful action on emissions reduction and climate risk management is a fundamental objective of the reporting regime. A move towards reasonable assurance would create a level of complexity which is disproportionate, particularly given that many modelling inputs and assumptions are already disclosed as material uncertainties in the disclosures.
- **Investor need or demand:** Investors, financiers and other users of climate reporting have not demonstrated a widespread need for a transition to reasonable assurance. Current limited assurance arrangements provide an appropriate balance between credibility and practicality. Entities should continue to have the option of voluntarily obtaining reasonable assurance where this is appropriate to meet investor, financing or governance expectations. If investors and capital markets require a higher level of assurance, that demand will be visible over time through voluntary adoption trends. This is a more efficient market-driven signal than a regulatory mandate imposed ahead of market readiness.
- **International alignment:** Maintaining limited assurance supports Australia's competitiveness and alignment with comparable jurisdictions and avoids the risk of Australia imposing more onerous requirements without any tangible benefit. For example, the EU's *Corporate Sustainability Reporting Directive*, currently requires only limited assurance, with reasonable assurance subject to future feasibility assessment. Maintaining limited assurance keeps Australia aligned with international peers without unilaterally imposing a higher standard that would disadvantage domestically reporting entities.

1.2 While ARC does not support this option for the reasons already outlined, in the event Treasury prefers Option 1b, ARC believes the following conditions must be satisfied before implementation proceeds.

- **Proportionality of subsidiary-level reporting:** A thorough evaluation is needed to determine whether requiring detailed sustainability disclosures at the individual subsidiary level, particularly for wholly owned entities with no or limited external stakeholders, delivers meaningful information to users, or whether consolidated, regional, or group-level reporting would be more proportionate, useful, and cost-effective. There should be an exception for entities issuing global or regional reports under the same or similar framework, not to have to produce separate reports for each individual subsidiary. This would greatly reduce cost and administrative burden.
- **Regulatory coordination:** The timing and sequencing of a transition to reasonable assurance must be considered in the context of all concurrent sustainability reporting obligations. These include: the EU Corporate Sustainability Reporting Directive (CSRD), US based climate rules and other non-International Sustainability Standards Board (ISSB) frameworks. This would avoid overburdening reporting entities and assurance providers with overlapping transition timelines.
- **Assurance market readiness:** Assurance firms must demonstrate sufficient knowledge, experience, and operational efficiency to deliver reasonable assurance engagements consistently and without transferring the training burden to reporting entities. Premature adoption of reasonable assurance carries a real risk of sending a false signal to the market regarding the reliability and rigour of sustainability disclosures if assurance providers are not adequately prepared.
- **Methodological maturity and standardisation:** Standard practice must be established regarding acceptable data sources, estimation methodologies, materiality thresholds, and evidence standards for sustainability metrics. It is extremely difficult for reporting entities to build scalable systems and processes when the regulatory environment, assurance expectations, and accepted methodologies remain in flux.

- **Demonstrated market demand:** There should be clear, evidence-based demand from the primary users of the reports for reasonable assurance, as distinct from a regulatory presumption that higher assurance levels are inherently beneficial. Voluntary adoption trends would provide an objective measure of this demand.

1.3 While ARC does not support this option for the reasons already outlined, in the event Treasury prefers Option 1c, ARC recommends that limited assurance be permanently maintained for Australian subsidiaries whose ultimate parent company is not listed or domiciled in Australia.

Subsidiaries typically have no external investors, lenders, or creditors, and report solely for regulatory compliance. Requiring reasonable assurance for such entities imposes disproportionate preparation costs with no commensurate benefit to capital market participants.

2. Proposal 2: Improving consistency in the application of existing requirements

2.1 Inconsistent interpretation of reporting and assurance expectations across preparers, advisors, consultants and assurance providers has been one of the most significant implementation challenges. Authoritative, practical guidance would improve comparability, reduce duplication and lower compliance costs. We recommend that guidance is incorporated into the binding regulatory framework rather than sit in non-binding publications or formats. Our rationale and further details about the types of guidance required are set out below.

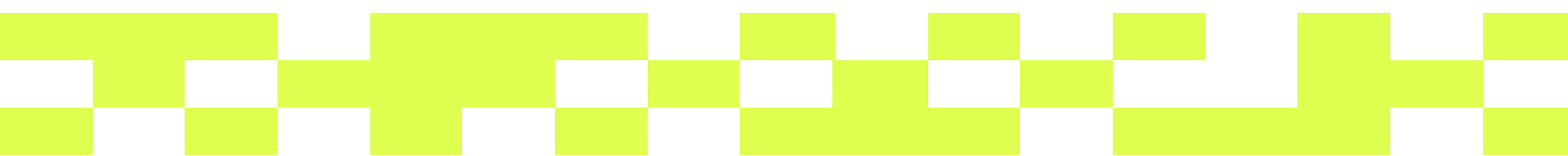
2.2 Guidance must be authoritative: Without authoritative guidance, assurance providers effectively determine what the requirements are, without regard to the legislative text and principles of interpretation. Setting requirements is beyond the remit of providers and raises a rule of law concern. Ideally guidance should be incorporated into the binding framework, for example through amendments to ASIC Regulatory Guide 280, AASB Staff Guidance, or Technical FAQs that carry recognised authoritative weight. Non-binding publications, workshops and educational materials are not an adequate substitute.

2.3 A guidance hierarchy is required: Reporting entities cannot currently determine which guidance takes precedence if they disagree with their assurance provider. If additional guidance is issued, the Government or ASIC should:

- Explicitly identify which reference materials preparers should rely on when preparing Australian disclosure reports
- Establish a clear hierarchy of authoritative and non-authoritative sources and
- Confirm that materials outside the hierarchy, including speeches, conference remarks and informal commentary, should not be relied on for report preparation or assurance.

2.4 Key areas requiring authoritative guidance: Reporting entities, advisers and assurance providers apply differing interpretations to concepts such as materiality, proportionality, "reasonable and supportable information" and "undue cost or effort". Our members have identified the following as requiring particular attention:

- **Proportionality:** Detailed guidance and thresholds on how to operationalise "reasonable and supportable information" and "undue cost or effort".
- **"No material climate-related risks or opportunities":** Guidance and clear evidence thresholds for making this declaration is required.



A member has provided feedback that an assurance provider has advised that to provide a clean assurance opinion, an entity must disclose at least one climate-related risk or opportunity, regardless of whether management's materiality assessment concludes there are no material risks. Their reasoning rests on the assertion that primary users would reasonably assume certain climate risks to exist based on the entity's industry classification alone and that these risks must therefore be disclosed irrespective of the entity's own quantitative or qualitative materiality assessment as they are risks that "could reasonably be expected to affect the entity's prospects."

If management has conducted a rigorous assessment and concluded that no such risks or opportunities are material to the reporting entity, requiring disclosure of immaterial items does not serve the interests of report users and is not consistent with the spirit or the text of the regulation. Clarification, within authoritative guidance, that an entity is not required to disclose climate-related risks or opportunities that it has determined, through a documented and governance-approved process, to be immaterial and that a clean assurance opinion should be available in such circumstances.

- **Pre-mitigation versus post-mitigation assessment:** AASB S2 does not prescribe whether the assessment of climate-related risks and opportunities should be performed on a pre-mitigation or post-mitigation basis. This determination is appropriately left to the reporting entity. For an entity with long-standing operational practices, such as renewable energy procurement maintained for over five years, these are not newly adopted mitigation measures; they are embedded features of the business model that a primary user would already be aware of and would expect to be reflected in any forward-looking risk assessment. Requiring an entity to artificially reverse established operational practices to present a pre-mitigation risk profile, and then disclose those practices as "mitigating actions," introduces significant additional preparation cost and complexity while producing information that does not reflect the actual risk profile of the entity.

A member has provided feedback that an assurance provider requires a pre-mitigation approach in all cases, including for physical risks. For example, in one case, established construction standards (such as elevated ground floors in flood-prone areas) are advised to be treated as mitigation factors to be stripped. Reporting entities require clarity and guidance here. Entities should not have to make hypothetical assumptions about a counterfactual risk profile, which increases the cost and time to prepare and assure the report and produces disclosures that may not be informative.

We recommend that guidance clarify that reporting entities may assess climate-related risks and opportunities on a post-mitigation basis where operational practices are long-standing and embedded in the ordinary course of business, and that the pre- versus post-mitigation approach is a matter of entity judgement, not assurance provider preference.

- **Climate scenarios:** Clarity on which scenarios should be applied. If businesses, even those in the same industry, each use slightly different scenarios, the reports are less comparable and less useful to users. Many organisations also lack in-house climate expertise and rely heavily on external consultants, which adds considerable cost. This will be exacerbated for reporting Group 2 and Group 3 entities.
- **Clarification of the "Primary User" Concept for Wholly Owned Subsidiaries:** Guidance should address how the concept of "primary users" under AASB S2 should be applied in the context of wholly owned subsidiaries of multinational groups. There is a discrepancy between "primary users" under AASB S2 and ASSA 5000, which uses the much broader term of "intended user." Members report that assurance providers are referring to this broader concept when evaluating reporting. We would welcome further clarification on the limitations of "primary users."

Authoritative guidance should clarify that the "primary user" assessment is entity-specific and should have regard to the actual characteristics, knowledge, and information access of the entity's identified primary users. For wholly owned subsidiaries with no external investors, lenders, or creditors, this should permit a materially different approach to the scope and granularity of disclosures — including, where appropriate, cross-referencing or incorporating relevant disclosures made by the parent group, rather than reconstructing them at the subsidiary level. This clarification would directly advance the Treasury's stated principle of reducing compliance costs without compromising the quality or usefulness of information available to the entity's actual users. It would also reduce the risk of producing disclosures that may be misleading in their apparent specificity, when the underlying climate risk is in fact managed and governed at a level above the reporting entity.

2.5 Examples of guidance that would provide the greatest benefit: Detailed, practical implementation guidance would provide the greatest benefit, including:

- Practical examples of acceptable methodologies, climate scenarios, documentation expectations and assurance evidence to support significant judgements and disclosures
- Worked case studies and practical disclosure examples
- Guidance on secondary data, emissions factors and estimation techniques where primary data is unavailable
- Best practice application of "reasonable and supportable information" and financial impact assessment methodologies
- Standardised disclosure templates, education materials and a centralised repository of information, which would reduce rework and red tape and strengthen comparability.

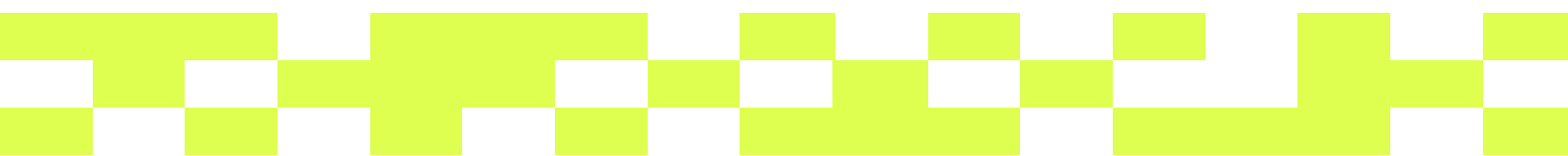
3. Proposal 3: Setting clearer boundaries on value-chain information requests: Scope 3 Disclosures and reporting

Many ARC members operate within global supply chains and recognise the importance of understanding the value-chain and associated risks. However, reporting obligations must remain proportionate and practical.

Only information that is reasonably available without undue cost or effort should be required and government should improve access to credible secondary data, calculation tools and supplier reporting templates to improve consistency, reduce reporting costs and minimise duplication across supply chains. Any Australian data repositories should be interoperable with internationally recognised methodologies and frameworks to avoid creating additional compliance burdens for multinational organisations.

Members have highlighted the following challenges with value-chain information requests:

- **Uneven supplier capability:** Suppliers have varying levels of climate-reporting maturity and are subject to different reporting requirements across the countries in which they operate. Most cannot provide product- or activity-level emissions data, and that is unlikely to change quickly across a large, diversified supply chain. Businesses face significant challenges obtaining reliable and comparable information from suppliers, many of whom lack the capability, systems or resources to measure and report emissions. Reporting entities frequently rely on supplier estimates, secondary datasets and industry averages, creating uncertainty and increasing assurance complexity. These challenges are particularly pronounced for organisations with large and highly diverse supply chains operating across multiple jurisdictions.

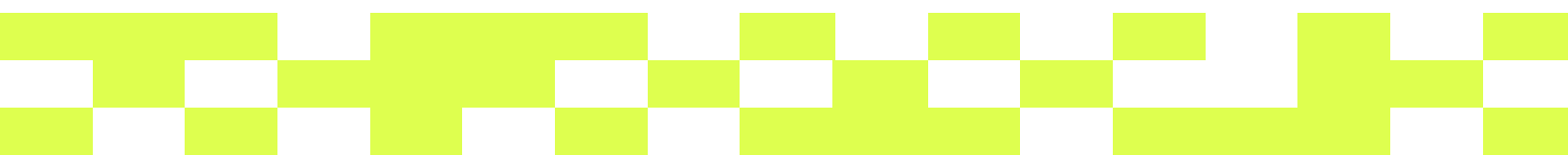


- **Inconsistent methodologies:** Suppliers that do report use different methodologies, formats, emissions factors and reporting boundaries. Making their data comparable requires significant normalisation effort.
- **Limited ability to validate:** Reporting entities often have little visibility over the assumptions, calculations and controls behind supplier-provided data, which makes it hard to verify.
- **Resource-intensive engagement:** Running questionnaires, building supplier capacity and verifying responses takes considerable resources, yet still covers only a fraction of the footprint that modelled estimates can. Third-party data platforms help fill gaps but have their own consistency and timeliness issues.
- **Boundary mismatch:** Reporting boundaries are drawn around legal and financial entities rather than around how operations actually work. For a global business measuring emissions to support decarbonisation, it is often more practical to model with limited inputs than to chase primary data from individual partners.
- **An absence of standardised secondary data:** For several members, standardised emissions factors and credible secondary data would reduce supplier requests and provide a consistent basis for estimating emissions where primary data is unavailable, incomplete or difficult to obtain. They would also improve comparability, transparency and assurance by reducing differences in methodologies and assumptions. As the retail value chain often extends beyond Australia, the framework should include credible international factors and datasets for imported products, overseas manufacturing, global freight and supply chains, not only Australian sources. Priority datasets should cover freight and logistics, manufacturing, textiles, consumer goods, packaging, waste, construction materials and agricultural commodities. Standardised calculation tools, templates and spreadsheets would further reduce implementation and compliance costs and support consistent, reviewable methodologies.
- **Standardised data requests are required:** Some members have advised that standardised requests would improve efficiency, consistency and comparability by reducing duplication and clarifying what suppliers may reasonably be asked to provide. However, they will not resolve supplier responsiveness, data quality or timing challenges, particularly where suppliers have limited climate-reporting capability or operate in jurisdictions with limited or differing requirements. A central repository of recognised emissions factors, industry datasets and other credible secondary sources would provide a reliable alternative when primary data is unavailable, incomplete or delayed. For some members it would be helpful to combine standardised requests with recognised calculation methodologies and accessible secondary datasets as a practical approach for complex global supply chains. Australian data repositories should be interoperable with internationally recognised methodologies and frameworks to avoid creating additional compliance burdens for multinational organisations.

4. International alignment and interoperability

Australia should continue to align its climate disclosure framework with internationally recognised standards, which will reduce duplication, improve comparability, support more efficient reporting and maintain competitiveness, particularly for multinational corporations operating across multiple jurisdictions.

Additionally, for multinational group structures, duplication can be avoided when high-quality climate reporting is already undertaken at the parent company. ARC recommends recognising equivalent international reporting and streamlined subsidiary reporting pathways that avoid unnecessary duplication of disclosures.



Reforms that introduce uniquely Australian reporting requirements should be largely avoided. We recommend that climate disclosure obligations remain closely aligned with internationally recognised sustainability reporting standards and implementation approaches. As many reporting entities operate across multiple jurisdictions, divergence from global requirements can create unnecessary duplication, increase compliance costs and reduce comparability. Future reforms should therefore seek alignment in relation to disclosure methodologies, assurance expectations and implementation timeframes wherever possible. Australia should retain its current reporting settings and align future implementation timelines with comparable international regimes, including the EU's phased approach under the CSRD.

Consideration should be given to disclosures that rely on emerging methodologies, significant estimation uncertainty or third-party data. The table below outlines practical phase-in measures that would support high-quality reporting outcomes while maintaining transparency and comparability.

5. Conclusion

Climate-related financial disclosures play an important role in supporting informed decision-making and enhancing transparency.

The first year of implementation demonstrates that there is significant scope to improve reporting efficiency while maintaining disclosure quality and investor confidence. Key opportunities for reform include maintaining limited assurance as the mandatory assurance standard, improving the consistency of implementation and assurance expectations, supporting practical and proportionate Scope 3 reporting, reducing duplication for multinational organisations and wholly owned subsidiaries, and strengthening international alignment and interoperability.

By focusing on proportionality, consistency and practicality, meaningful and transparent reporting can continue to be delivered without unnecessarily diverting resources away from emissions reduction, climate resilience and broader sustainability initiatives.

Please contact policy@retail.org.au if you have any questions about this submission.

About ARC

ARC represents the Australian retail sector. Valued at \$444 billion, retail is the nation's largest private sector employer, supporting more than 1.4 million jobs, including more young Australians aged 15 to 24 years than any other industry. ARC's membership is diverse. From family-owned small and independent businesses, comprising 95 per cent of our membership, to large national and international retailers supporting communities across metropolitan and regional Australia. With more than 155,000 retail outlets nationwide and a growing online presence, the retail sector is embedded throughout the economy, playing a critical role in the supply chain of Australian businesses. ARC advocates for policies and reform that drive growth, resilience, and long-term prosperity for Australian retail and the millions who rely on it. At a time of rapid change, from technological disruption and international competition to shifting consumer behaviour and sustainability expectations, effective policy settings are critical for retailers, workers, consumers, and communities.

