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1. INTRODUCTION

Team Global Express (TGE) appreciates this opportunity provided by the Climate Disclosure Unit, Market Conduct Division, The Treasury ("the Treasury" or "Treasury") to provide our initial views on key considerations for the design and implementation of standardized, internationally aligned requirements for disclosure of climate-related financial risks and opportunities in Australia.

Please note that in the below we have limited our feedback to the paper such that only areas of the most relevance to Global Express are noted.

2. BACKGROUND

Global Express is one of Australia's most significant transport and logistics networks spanning road, rail, air, and sea. Our footprint sees us delivering a vast range of goods to customers and consumers around the country.

As a regional leader in the transport and logistics sector, we see sustainability as a core corporate responsibility: central to our people's aspirations and values, and to our purpose as an organisation.

We are determined to play our part responsibly, meeting the current needs of our communities without compromising the ability of future generations to do the same. As such, we seek to decarbonise our footprint so that by 2035, we are either carbon neutral or very close to it, noting this is a significant challenge.

In a significant step towards meeting these commitments, we are planning our transition to decarbonise our 6500-strong heavy transport fleet with a combination of electric vehicles, hydrogen fuel cell vehicles, and the use of renewable diesel. We will also rely on supportive policy frameworks from the government and the update to several pieces of legislation – particularly to encourage the production and uptake of renewable diesel, followed by electric and hydrogen vehicles when they become more readily available.

We believe that by embarking on a series of pioneering commercial trials, we will be actively delivering on a core component of our business strategy and contributing to broader societal climate goals.

3. RESPONSE

It is widely recognized that the continued emission of greenhouse gases will cause further warming of the earth and that warming above 2° Celsius (2°C), relative to the pre-industrial period, could lead to catastrophic economic and social consequences.

There is a growing demand for decision-useful, climate-related information by a range of participants in the financial markets. Debtors, creditors and investors are increasingly demanding access to risk information that is **consistent, comparable, reliable, and clear**.

There has also been an increased focus on the negative impact of weak corporate governance on shareholder value, resulting in an increased demand for transparency from organizations on their risks and risk management practices, including those related to climate change.

This demand has resulted in the development of several climate-related financial disclosure standards, which have tended to focus on the disclosure of climate-related information, such as greenhouse gas (GHG) emissions and other sustainability metrics.

Users of such climate-related disclosures commonly cite the lack of information on the financial implications around the climate-related aspects of an organization's business as a key gap.

Users also cite inconsistencies in disclosure practices, a lack of context for information, and non-comparable (a lack of like-for-like) reporting as major obstacles to incorporating climate-related risks and opportunities as considerations in their investment, lending, and insurance underwriting decisions over the medium and long term.

In addition, evidence suggests that the lack of consistent information hinders investors and others from considering climate-related issues in their asset valuation and allocation processes.

We are keen to work closely with Government to provide feedback on a more detailed design proposal following feedback on this paper.

Q1.1 What are the costs and benefits of meeting existing climate reporting expectations?

TGE believes that effective disclosure will be critical to managing the systemic financial risks associated with climate change and the costs of climate reporting will include the cost involved in collecting, analysing, and reporting climate-related data which can be onerous, time consuming and costly for a business to undertake.

For many organisations, climate reporting will represent a paradigm shift in how governance, strategy, risk management, metrics and targets are set and disclosed. It will require investment in key business processes and in some instances a shift in entire operating models.

This reporting will require organisations to clearly understand climate-related risks and opportunities and scenarios. In order for strategies to come into place for managing and mitigating risk and opportunities in multiple scenarios, clearly defined and publicly communicated governance structures, and an intricate understanding of a company's own data and systems will be required.

However, this granularity will provide improved access to capital, process improvement for enhanced internal decision-making capabilities and business resiliency, increased trust between the organisation, society, and investors, and improved collaboration and partnership potential.

Credible climate risk disclosures will be important for investors in managing long-term financial risk by ensuring sufficient data and information is available for them to effectively and efficiently manage and price climate risks across their portfolios.

It will also become a central tool for regulators to inform monetary policy, supervision, and financial stability, by improving the visibility of the system-wide implications of decarbonisation and climate change itself.

1.2 What are the costs and benefits of Australia not aligning with international practice and in particular global baseline standards for climate reporting?

TGE believes that the absence of adequate information on climate risk and opportunities is already contributing to systemic financial stability risks and barriers to investment in low-emissions and climate-resilient economic activity.

This includes the possible over- or under-valuation of emissions-intensive activities, the over or under-pricing of climate change risk, and the possible mispricing of assets.

This results in poor decision-making and the misallocation of capital, the cost of Australia not aligning with international best practice and - in particular - global baseline standards for climate reporting will be high.

2.1 What considerations should apply to determining the cohorts covered in subsequent phases of mandatory disclosure, and the timing of future phases?

TGE believes that Australia should adopt a phased approach to climate disclosure, with the first report due for initially covered entities being financial year 2024-25. This would provide for a level of certainty for Australia, consistent with the international implementation of climate

disclosure which has generally followed a 'phased' approach with many countries applying obligations to an initial set of entities and gradually expanding to a greater range of entities.

TGE believes that a size threshold will be the most important parameter. Larger entities will likely have more resources to adequately respond to new requirements, while smaller firms will have the time to benefit from the institutionalisation of reporting in the market prior to commencing their own reporting.

This will allow for time for the regulators to have the greatest scope to manage systemic risk, and to avoid creating adverse competition impacts between entities not covered and incentives for regulatory arbitrage.

3.1 What size thresholds would be appropriate to determine a large, listed entity and a large financial institution, respectively?

TGE believes that in this instance, market capitalization, total assets, turnover, and/or the number of employees may be considered.

Regulators could also perhaps use existing available information like an emissions database or NGRS for factors considered such as the proposed safeguard mechanisms.

3.2 Are there any other types of entities (that is, apart from large, listed entities and financial institutions) that should be included in the initial phase?

TGE believes that overseas incorporated organizations should be required to make disclosures if their Australian business is over the given thresholds outlined.

For the purposes of transparency for investors, it may be that equivalent reporting requirements should apply to large entities that are neither listed nor considered financial institutions.

It is likely that over time, a wide variety of schemes should have standardised climate disclosure requirements.

4.1 Are there particular considerations that should apply in the Australian context regarding the ISSB implementation of disclosures relating to: governance, strategy, risk management and/or metrics and targets?

TGE believes that whilst the TCFD recommendations used commonly around the world have seen some uptake in Australia, they also leave significant scope for disclosures to vary in reporting across a variety of entities.

TGE is supportive that the ISSB aims to fill this gap by providing the necessary standardisation and comparability between climate disclosures, as part of a comprehensive global baseline of sustainability-related disclosure standards.

TGE believes that disclosures relating to governance, strategy and risk management should consider country-specific risks.

The information used to assess, manage and monitor a company's performance in relation to sustainability-related and climate-related risks and opportunities over time, is likely to need to reflect Australia's unique and ultimate climate goals.

4.2 Are the climate disclosure standards being issued by the ISSB the most appropriate for entities in Australia, or should alternative standards be considered?

The ISSB's global baseline presents a unique opportunity to reduce the existing and further fragmentation of sustainability disclosure requirements. Widespread use of the baseline will reduce the costs for data preparers and improve information usability for data users.

We believe that the climate disclosure standards should be consistent with the existing regulatory national framework for financial reporting (IFRS), under which the Corporations Act and regulations under that Act establish reporting rules, and covered entities report to ASIC and the ASX (as relevant).

The current requirements to disclose any material risks as part of an operating and financial review could be expanded, with overarching obligations for climate disclosures set through regulatory guidance or standards (for example, by adjusting ASIC regulatory guidance so that it directs affected entities to apply ISSB standards once finalized).

Accordingly, TGE emphasises that we believe that the ISSB is likely to be the most appropriate approach to Australia.

7. What considerations should apply to materiality judgements, when undertaking climate reporting, and what should be the reference point for materiality (for instance, should it align with ISSB guidance on materiality and is enterprise value a useful consideration)?

Australia's corporate law already requires material risks to be disclosed. While there is established understanding of financial materiality, assessing materiality of climate and sustainability reporting is an ever evolving area and is highly dependent upon the industry in which the assessment is being undertaken.

The ISSB Standards go beyond climate by creating a standalone framework for broader sustainability-related disclosures. 'Sustainability' includes the extent of a company's impacts and dependencies on resources and relationships, such as its workforce and supply chain, and relationships with local communities (including Indigenous peoples) and natural resources.

As currently drafted, the ISSB Standards require more specific climate-related disclosures than are currently required under the recommendations of the Task Force on Climate-Related Financial Disclosures. For instance, whereas the TCFD recommendations require that reporting entities 'describe' certain matters without qualifying the level of detail needed, the ISSB Standards require more granular information about current and future sustainability as well as how they intend to respond to those matters.

TGE therefore supports the use of the ISSB guidance on materiality, being the definition of materiality as in IFRS accounting standards, with potential for additional sustainability-related guidance.

8. What level of assurance should be required for climate disclosures, who should provide assurance (for instance, auditor of the financial report or other expert), and should assurance providers be subject to independence and quality management standards?

TGE is supportive of independent assurance in the instance of larger or material entities. For smaller entities or where the materiality of such a report is irrelevant, such assurance may be costly and unnecessary.

Where used, the assurance provider should be subjected to independence and quality management standards, in particular in relation to emissions reporting.

10. Should a common baseline of metrics be defined so that there is a degree of consistency between disclosures, including industry-specific metrics?

TGE is supportive of defining a common baseline of metrics and especially industry-specific metrics which would provide a degree of consistency between entities and disclosures among the same industry.

12. Should particular disclosure requirements and/or assurance of those requirements commence in different phases, and why?

Some requirements may be challenging for particular organizations or sectors to report, or may be time-consuming with little outcome.

In that instance, it may be necessary to have a phased-in approach to disclosure – for example in the implementation of scope 3 reporting when Australian entities are still at the starting point of reporting scope 1 and 2 emissions.

This will be industry dependent.

13. Are there any specific capability or data challenges in the Australian context that should be considered when implementing new requirements?

TGE believes that Australia still has a long path ahead of it in relation to climate related financial disclosures.

To give investors access to decision-useful information, and to effectively price and manage climate risks, there is an urgent need to strengthen climate information architecture from a business and industry side. There are three building blocks which are needed to support this transition:

- (i) high-quality, reliable, and comparable data;
- (ii) a harmonized and consistent set of climate disclosure standards; and
- (iii) a broadly agreed-upon global taxonomy.

While a growing number of firms in Australia set emission reduction targets for themselves, the vast majority still do not provide this information.

Data gaps are particularly large for small and medium enterprises and for firms in emerging markets.

These gaps make it difficult to assess firms' exposure to climate risk and determine the impact of their investments on nonfinancial objectives, such as combating climate change.

13.1 How and by whom might any data gaps be addressed?

Data gaps exist across risk factors, regions, and industries. For instance, gaps are observed in Scope 3 emissions data and in the granularity of geographical and issuer-specific data.

Moreover, in terms of disclosures, concerns about comparability and standardization coexist with flexible formats of disclosure.

The incorporation of climate risks into reserve management is still in its early stages. The main way that could address this issue is by introducing a standard method of calculation and it should be comparable with the other related jurisdictions as well.

13.2 Are there any specific initiatives in comparable jurisdictions that may assist users and preparers of this information in addressing these challenges?

There is significant global attention on how businesses and capital markets are responding to the climate crisis, including an ever-increasing regulatory and investor scrutiny.

The collection of the most relevant and accurate data and information and how to best report is also a challenge.

Climate data can sometimes be more qualitative than quantitative and significant inroads are required into the collation of (for example) fuel management protocols.

Aligning and integrating climate-related information and disclosures with company climate commitments, targets, and strategic decisions and quantifying, wherever appropriate, the financial impacts of climate issues would be an appropriate approach to follow.

Ensuring climate-related reporting complies with reporting requirements without material omissions or misstatements, based on a company-specific materiality determination, and trying to follow a standardized and verified approach would help to improve the quality of data reported.

18. Should digital reporting be mandated for sustainability risk reporting? What are the barriers and costs for implementing digital reporting?

Digital reporting is a viable way of reporting environmental and climate-related data. It will be through digital platforms that this data can be compared, consolidated, and interpreted.

We believe that digital platforms should be encouraged, but may not be possible to mandate in the first instance.

We believe that the entities who qualify for reporting will in most instances meeting certain revenue or turnover thresholds, and are therefore likely to have the necessary resources to perform this task digitally.

19. Which of the potential structures presented (or any other) would best improve the effectiveness and efficiency of the financial reporting system, including to support introduction of climate related risk reporting? Why?

We believe that sustainability-related disclosures are as important to investor decision-making as financial disclosures.

Processes and institutional arrangements for the climate disclosure regime do not necessarily need to be identical to the financial reporting framework, however they will need to ensure that:

- sustainability-reporting is afforded the same status as financial reporting; and
- appropriate governance and oversight arrangements are in place; and
- assurance is carried out by experts with relevant qualifications and expertise.

We also acknowledge that the final point above here will be very challenging to meet, as there is an extreme skills shortage for those who have expertise in both climate (especially biodiversity) and financial risks. These risks are inherently very different in terms of risk type, probability assessment and time horizons and so finding appropriately qualified individuals will be very challenging.