



CADWALADER  
**CLIMATE**  
Connecting Climate Change and the Law

## Regulation: Australian Treasury Launches Consultation on Climate-Related Financial Disclosure

December 20, 2022

Regulation



By **Simon Walsh**  
Special Counsel | Global Litigation

The Australian Treasury **announced** a consultation into proposed rules on climate-related financial disclosure, which will align with the International Sustainability Standards Board (“ISSB”) recommendations. The **consultation**, which “seeks initial views on key considerations for the design and implementation of standardised, internationally-aligned requirements for disclosure of climate-related financial risks and opportunities in Australia,” will be open for responses until February 17, 2023. The consultation also seeks views on relevant related matters, such as any required changes that need to be made to ensure financial reporting bodies “can keep pace with the expansion of international standard-setting priorities on climate and sustainability reporting.”

The consultation sets out six principles to guide the climate-related financial disclosure reforms:

- The reforms should support Australia’s climate goals.
- The reforms should improve the quantity, quality, and comparability of disclosures.
- All parties, including businesses, investors, regulators, and the public should have a clear understanding of the obligations imposed by the requirements.
- The new requirements should “as far as possible” be aligned with international reporting standards.
- The requirements should build upon the existing financial reporting system and be scalable and flexible.
- The climate disclosure requirements should be proportional to the risks they seek to address.

Simon O'Connor, CEO of the Responsible Investment Association Australasia, stated that “responsible investors will welcome the government’s national sustainable finance agenda, which will finally bring Australia in line with other countries – such as the UK – by supporting the finance sector to contribute to the nation’s prosperity.”

**Taking The Temperature: With this announcement, Australia follows several other jurisdictions, including New Zealand, Japan, the European Union, and the UK, that already have established mandatory climate-related reporting. The U.S., Switzerland and Singapore are also currently developing compulsory climate-related disclosure requirements. While the trend toward mandated disclosure presents the possibility of convergence toward global unified standards, that harmony is proving elusive. Australia’s proposal aligns with the ISSB, as opposed to some other jurisdictions, such as New Zealand and the UK, which align with the Task Force on Climate-related Financial Disclosures (“TCFD”) recommendations. While the ISSB and TCFD approaches overlap in significant respects, material differences exist as well. Australia’s rationale for opting for the ISSB recommendations is that the TCFD approach “leave[s] significant scope for disclosures to vary in reporting across entities” and instead 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.” As we have discussed, the existence of different standards across jurisdictions will pose a continuing challenge for companies that conduct business in more than one country.**