



Laureate Program on Global Corporate Climate Accountability

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Submission to the Productivity Commission's consultation on Business Reporting Requirements

The Productivity Commission is undertaking an inquiry into opportunities to improve the efficiency and value of non-financial business reporting requirements, pursuant to terms of reference received from the Treasurer on 24 August 2026. This submission responds primarily to Information Request 2 (sustainability and environmental reporting) and Information Request 5 (significant interactions between reporting requirements).

This submission is coordinated by the Laureate Program on Global Corporate Climate Accountability ("Laureate Program") based at the University of Melbourne. The Laureate Program is a research program examining domestic and global standards and mechanisms for corporate climate accountability and their role in raising the ambition and ensuring delivery of companies' climate promises. It seeks to develop and implement legal tools to provide clear direction for the actions companies must take to align with global net zero goals. The Laureate Program is headed by Professor Jacqueline Peel, a world-leading expert in international climate law and climate litigation. Other members of the program include: (1) Dr Nina Araneta-Alana, an ARC Laureate Research Fellow who specialises in international law, climate finance and institutional engagement; (2) Dr Suzanne Varrall, an ARC Laureate Research Fellow who specialises in international law and corporate accountability; (3) Charlotte Turner, Masters of Environment student and Research Assistant with the Laureate Program; and (4) Marina Lou, affiliate practitioner working in the field of corporate standards and disclosures.

The submission draws on the Laureate Program's ongoing engagement with the operation of Australia's climate-related financial disclosure framework, including analysis being finalised for a forthcoming submission to the Australian Treasury's concurrent consultation on the efficiency of climate-related financial disclosures. That analysis examines two specific areas of definitional ambiguity in AASB S2 in detail and proposes specific drafting responses. It also proposes that AASB S2 be amended to require a double materiality approach. This submission does not repeat the recommendations but draws out what the analysis suggests about the cumulative costs of non-financial reporting more generally.

This submission makes one general observation and four recommendations. The general observation is that compliance costs should be assessed against the decision-usefulness of the information that reporting produces, since a disclosure that is cheap to prepare but is not comparable or complete does not reduce cost, it only relocates it to the investor and other users. Recommendations 1 and 2 respond to Information Request 5. They identify definitional ambiguity as a driver of cumulative reporting burden, and existing public datasets as a means of reducing this burden. Recommendation 3 proposes a double materiality approach, consistent with European standards, as a way of improving decision-usefulness. Recommendation 4 responds to Information Request 2 and cautions against narrowing the scope of disclosure in response to cost concerns.

Summary of Recommendations

1. There should be guidance that clarifies undefined key disclosure concepts. This would reduce cost across the whole reporting system because ambiguity forces every preparer and every assurance provider to independently resolve the same interpretive question. The Commission's mapping of interactions between reporting requirements (Information Request 5) should treat definitional ambiguity as a driver of cumulative burden, alongside the duplication and misalignment issues that the call for submission already identifies.

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2. Existing public sector datasets – including the CSIRO’s National Climate Risk Assessment and the Department of Climate Change, Energy, the Environment and Water’s national climate scenario guidance – are an underused “tell us once” resource for sustainability and environmental reporting. Guidance directing preparers to have regard to these datasets would lower primary data collection costs.
3. The Commission should consider a double materiality approach, under which entities assess both how sustainability matters affect their prospects and how their activities affect people and the environment. Impacts are often a leading indicator of future financial risk, so this approach would allow users to identify and price emerging risks earlier
4. Reducing the cost of disclosure is not the same as reducing cost. We caution against any regulatory reforms that would narrow the scope of disclosure as doing so would not eliminate the cost of climate-related risk – it relocates that cost to users of the disclosure, and ultimately onto government and taxpayers.

Compliance Costs should consider Decision-Usefulness and Information Asymmetry

The call for submissions asks how reporting burdens might be reduced, and separately, to what extent the reported information is used by stakeholders and what effect its availability has had on their decisions. We submit that the reporting’s compliance costs are meaningful when read against the decision-usefulness of what it produces. An objective of the mandatory climate disclosure regime is to correct an information asymmetry between firms and investors that currently prevents the costs of climate change from being internalised in capital allocation and risk-management decisions. A disclosure that can be low-cost to prepare but is not comparable across entities, or omits categories of risks that are financially material, does not result in meaningful reductions in cost. It simply shifts costs from preparers on to investors and other users, and ultimately the Australian Government and broader Australian economy, that will bear the cost of realisation of climate damage through more frequent and severe extreme weather events. IFRS S2, which AASB S2 adopts, states that its requirements are “intended to elicit decision-useful information from an entity regarding the climate-related risks and opportunities that could reasonably be expected to affect the entity’s prospects.” Our review of current disclosure practice suggests that in at least two respects, ambiguity in what a disclosure requirement actually demands is itself generating cost, both for users who cannot compare disclosures, and for preparers and assurance providers who must repeatedly resolve the same undefined questions.

These recommendations are also consistent with Australia’s obligations under international law as clarified in the July 2025 Advisory Opinion of the International Court of Justice on States’ obligations in relation to climate change.¹ As affirmed by the ICJ, the government has a legal obligation to make all reasonable efforts and demonstrate the highest possible ambition to achieve the 1.5C° temperature goal of the Paris Agreement. This includes exercising regulatory due diligence with regard to companies in its jurisdiction. Meaningful climate disclosure is central to that due diligence. It is the mechanism through which climate-related risks are made visible to investors, lenders and regulators, allowing the costs of climate change to be reflected in capital allocation decisions.

Recommendation 1: Defining key concepts can reduce duplicated compliance costs

AASB S2 requires entities to disclose their assessment of the resilience of their strategy and business model to climate-related risks, typically informed by scenario analysis. In practice however, “resilience” is not itself defined with any precision, and reporting entities have adopted markedly different approaches to satisfying this requirement. The consequence is a cost-problem for preparers. Because no shared floor exists for what evidence substantiates a resilience conclusion, each reporting entity and each assurance provider must independently determine what will satisfy the requirement.

¹ *Obligations of States in respect of Climate Change*, ICJ Advisory Opinion (23 July 2025), ICJ General List No. 187.

Case study 1: Port Waratah Coal Services (A.C.N. 001 363 828), Sustainability Report 2025²

Port Waratah Coal Services, a company that predominantly services the processing of thermal coal exports through the Port of Newcastle, identified the following transition risks to their business:

- potential market competition,
- producer circumstances,
- government policy as well as climate change

In disclosing its anticipated financial effects, it did not explicitly state its assumptions and scenarios used for assessing its anticipated financial effects. To the extent future demand forecasts were considered, it disclosed that “through the operation of relevant contract clauses a 5% reduction in contracted capacity compared to prior year was balanced by an offsetting increase in the coal handling charge.”

In discussing its resilience, the definition of resilience was not disclosed by the company. It stated that there is uncertainty in assessing climate-related resilience and to the extent that earlier adaptation is required: “[A]n earlier adaptation would include accelerated decommissioning of assets and associated rehabilitation of land as required by legal obligations.”

It appears that Port Waratah Coal Services’ understanding of resilience is such that it will have the ability to retire assets in an orderly manner, rather than continue a level of business operations that is similar to its current business strategy.

Case study 2: Rio Tinto Annual Report (2025)³

Rio Tinto assesses the resilience of its portfolio against three transition scenarios aligned to different temperature outcomes: the Conviction scenario is the central case scenario with an estimated temperature rise of approximately 2.1°C to 2.3°C by 2100; the Resilience scenario estimates a temperature rise of 2.5°C by 2100; while the Aspirational Leadership scenario is aligned with the 1.5°C goal under the Paris Agreement.

The report states that Rio Tinto’s “economic performance is stronger in Conviction than in Resilience” and that the Aspirational Leadership scenario produces “mixed performance for iron ore” alongside stronger demand for other metals. Despite this variation, the disclosure concludes simply that the company is “resilient to identified climate-related risks and well-positioned to capture opportunities.” No explanation is given as to how declining performance in more severe scenarios is reconciled with an unqualified conclusion of resilience, or what level of decline would have led to a different conclusion.

This gap in reasoning is compounded by the fact that several of the risks and opportunities informing this resilience assessment, including physical risk and energy transition demand, are not quantified in the disclosure. The report states that quantitative financial impacts “have not been disclosed” for these categories, relying instead on qualitative narrative and what it describes as “a relative impact range” across the portfolio.

Both companies can be read as complying with the current text of the standard, yet a reader cannot tell from either disclosure whether “resilient” describes continuity of the business, an orderly wind-down, or something in between. This falls within the duplication of efforts with which Information Request 5 is concerned. Every preparer and every assurance provider is independently required to resolve the same undefined question. The issuance of clarifying guidance could remove duplication for future reporting periods.

We note that the gap also exists in IFRS S2 and UK sustainability reporting standards, though the EU’s new standards set to commence in 2027 outline a more detailed description of resilience. This includes requirements that the relevant business should disclose the results of its analysis of climate resilience in relation to climate-related risks. This includes disclosure of (i) the implications of the assessment, if any, for its strategy and business model; (ii) how the effects identified through the climate-related scenario analysis, if used, inform the undertaking’s potential response to climate-related risks; and (iii) how its transition plan, if existent, and its current and planned mitigation and adaptation actions contribute to its resilience to climate-related risks, as well as areas of uncertainty within its assessment of climate resilience and its capacity to adjust or adapt its strategy and business model to climate change over the short, medium and long term.⁴ Australian guidance could build on these existing efforts to close gaps regarding how resilience should be assessed and disclosed.

² <https://pwcs.com.au/documents/PDFs-Documents/Sustainability-Reports/Port-Waratah-2025-Sustainability-Report.pdf>

³ <https://www.riotinto.com/en/invest/reports>, Annual report, page 74.

⁴ European Commission, COMMISSION DELEGATED REGULATION (EU) 2026/1563 of 3 July 2026 amending Delegated Regulation (EU) 2023/2772 as regards the simplification of certain sustainability reporting standards Disclosure Requirement E1-3

A parallel gap exists in how physical climate risk materiality is assessed. Current guidance and practice under AASB S2 directs entities toward a largely bottom-up, asset level assessment of physical risk (for example, direct damage to owned assets from acute weather events). This approach is not well-suited to capturing indirect, cascading and systemic risk exposures, or disruption transmitted through supply chains, shared infrastructure and service dependencies, which a growing body of international research, including work associated with the OECD and the Network for Greening the Financial System, identifies as a distinct and often larger source of financial materiality. The OECD has explained that such cascading effects arise from the interconnectedness of natural, social and economic systems, propagating through channels including global trade, financial flows and supply networks, and has noted that cascading impacts can pose economic risks of a similar order of magnitude to direct asset risks, given the extent of infrastructure dependency.⁵ The consequences of this approach are illustrated by Ampol's recent disclosure.

Case study 3: Ampol Sustainability Report (2025)⁶

Ampol reports two transition-related risks and two transition-related opportunities and no climate-related physical risks. Based on its materiality thresholds of "Very High" or "Excessively High" under its Group Operational Risk Matrix, it discloses that "climate-related physical risks do not currently pose a material physical risk to Ampol's assets or business activities under any of the selected scenarios or timeframes."⁷

Ampol discloses that the "well exceeding 2°C above pre-industrial levels (higher warming scenario)" is the one that "best aligns with Ampol's House View."⁸ This has a temperature outcome of 2.5°C - 3.0°C by 2100 versus 2020 baseline and Ampol states the severity of the physical impact as 'Medium'. In its resilience assessment of the higher warming scenario, Ampol discloses "[I]n a higher warming scenario with a global temperature increase of over 2.0°C, Ampol's assets may experience incremental exposure to physical climate hazards such as flooding, wind, fire and heat stress. These exposures are not expected to be material to Ampol's financial position or operating performance and are managed through existing operational, asset management and business continuity frameworks."⁹

As with resilience, the practical effect of this gap is that each entity separately decides how far its physical risk assessment extends beyond its own asset base, with no shared reference point for what "reasonable and supportable information" should include. As the Ampol disclosure shows, an entity may conclude that no physical risks are material even under a high-warming scenario. This results in a problem of comparability as well as cost, as the same interpretive work is repeated across every reporting entity.

Recommendation 2: Reusing existing data reduces primary collection costs

Guidance should direct preparers to have regard to existing, publicly available government assessments of physical, systemic and cascading climate risk such as the CSIRO's National Climate Risk Assessment¹⁰ and the Department of Climate Change, Energy, the Environment and Water's national climate scenario guidance,¹¹ which entities are not currently directed to consult for this purpose. Relevant secondary sources also include the IPCC's Sixth Assessment Report, which finds that "multiple climate hazards will occur simultaneously, and multiple climatic and non-climatic risks will interact, resulting in compounding overall risk and risks cascading across sectors and regions."¹²

This is an instance of the "tell us once" approach that the call for submission raises across several information requests. There are already assessments that individual entities are able to apply and access for their own reporting. Directing preparers to these sources would lower compliance cost for entities.

⁵ OECD, Managing Climate Risks, Facing up to Losses and Damage <https://www.oecd.org/en/publications/managing-climate-risks-facing-up-to-losses-and-damages_55ea1cc9-en/full-report/component-7.html>.

⁶ Ampol 2025 Annual Report (23 February 2026) <<https://www.ampol.com.au/fd8ce32c-cf62-4385-ae78-014dab9b10f2>>

⁷ Ibid., p.63.

⁸ Ibid., p.52-53.

⁹ Ibid., p.60.

¹⁰ <http://csiro.au/en/research/environmental-impacts/climate-change/National-Climate-Risk-Assessment>

¹¹ <https://www.dceew.gov.au/climate-change/publications/national-climate-scenario-guidance>

¹² IPCC, AR6, WGII Summary for Policymakers (2022), para B.5.

Recommendation 3: Adopt a double materiality approach to improve decision-usefulness

We recommend that the Commission consider a double materiality approach to sustainability and climate-related reporting. Under that approach, entities assess both how sustainability matters affect their own prospects (financial materiality) and how their activities affect people and the environment (impact materiality), as required by the European Sustainability Reporting Standards.¹³ We set out this recommendation in more detail in our submission to the Treasury, an excerpt of which is attached as Appendix A.

A double materiality approach would improve the decision-usefulness of the disclosures. An entity's impact on people, communities and ecosystems is often a leading indicator of its future financial risk. Those impacts affect the entity's financial condition over time through litigation, tighter regulation, higher insurance premiums and disruption to supply chains. A regime confined to financial materiality captures these impacts only after their financial consequences have occurred. Requiring entities to assess impacts as well would allow investors, lenders and regulators to identify and price emerging risks earlier.

Recommendation 4: Reducing costs should not mean reducing scope

We anticipate that other submissions to this inquiry will call for the scope of sustainability and climate-related financial disclosure to be narrowed, citing compliance costs. We would urge the Commission to be cautious about recommendations that reduce the level of disclosure ambition itself, by narrowing what must be disclosed or which entities must disclose. If disclosure requirements are narrowed to reduce preparer cost, the underlying climate-related risk does not disappear. It simply becomes invisible to investors, lenders and regulators who rely on disclosure to price it and allocate capital and design prudential responses accordingly. That cost re-emerges later and typically falls on parties unable to avoid it including investors holding mispriced assets, and ultimately government and taxpayers meeting the consequences of an under-prepared adaptation and disaster response.

This is also relevant to Information Request 2's question of how reported information is used by stakeholders. A narrower disclosure regime would not simply reduce cost in proportion to the information lost. The case studies above show that the categories of information reported inconsistently are categories that are material to the decisions that this disclosure regime serves to inform. Removing or softening these requirements to reduce cost would remove, disproportionately, more value than cost. For these reasons, we submit that the appropriate response to cost concerns is to improve the clarity and consistency of what is required.

Conclusion

This submission has argued that the compliance costs of non-financial reporting should be assessed against the decision-usefulness of the information that reporting produces. On that basis, it makes four recommendations. First the Commission, should treat definitional ambiguity in disclosure concepts, such as resilience and physical risk materiality, as a driver of cumulative reporting burden. Second, the use of existing, publicly available government and secondary data should serve as a model for reducing primary collection costs across non-financial reporting more broadly. Third, the Commission should consider a double materiality approach, consistent with that required under the European Sustainability Reporting Standards, which would improve decision-usefulness by requiring entities to assess their impacts on people and the environment, which are often a leading indicator of future financial risk. Fourth, the Commission should be cautious about recommendations that would narrow the scope of sustainability and climate-related reporting, which would relocate rather than reduce the cost of climate-related risk. The detailed technical recommendations arising from our review of AASB S2's resilience and physical risk materiality provisions, including proposed drafting, are set out in Appendix A.

¹³ Directive (EU) 2022/2464 of the European Parliament and of the Council <<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464>>.

Appendix A

Extract from forthcoming submission to the Australian Treasury

The following is drawn from technical recommendations the Laureate Program is finalising for a forthcoming submission to the Australian Treasury's consultation on improving the efficiency of climate-related financial disclosures, provided here for the Commission's reference ahead of that submission.

Proposed clarification of AASB S2 para 22 (resilience disclosure)

- The addition of the following text in the first paragraph: "A conclusion that the entity's strategy and business model are resilient should be substantiated by evidence of the entity's adaptive capacity proportionate to the severity of the scenario against which resilience is assessed and shall not be asserted without such substantiation."
- After the sentence, "The entity shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with the entity's circumstances (see paragraphs B1–B18)" the addition of the following text: "Where an entity's climate resilience differs materially between scenarios of differing severity – including between a scenario aligned with the 1.5°C Paris Agreement temperature goal and a scenario materially exceeding it – the entity shall disclose that difference and the basis for it rather than expressing an undifferentiated conclusion of resilience across scenarios."

Proposed clarification of AASB S2 paras 11 and 17 (physical risk materiality guidance)

AASB S2's materiality guidance for physical risk should clarify that reasonable and supportable information includes publicly available assessments of indirect, cascading and systemic risk exposure, not only direct, entity-level asset damage. Appendix B's application guidance at para B23 already establishes that individual immaterial risks can be material in aggregate, but is framed around aggregation of multiple instances of the same type of risk, rather than the transmission of risk through interconnected systems, infrastructure and value chains. We recommend this be extended accordingly.

Proposed amendment of AASB S2 (double materiality)

AASB S2 should be amended to require entities to assess and disclose climate-related matters from both a financial and an impact perspective. Under this approach, a matter is material if it could reasonably be expected to affect the entity's prospects (financial or "outside-in" materiality), if the entity's activities have a significant actual or potential impact on people or the environment (impact or "inside-out" materiality), or both. The model for this approach is the European framework. Articles 19a(1) and 29a(1) of Directive 2013/34/EU, as amended by the Corporate Sustainability Reporting Directive, require undertakings to report the information necessary to understand both their development, performance and position, and the impact of their activities on environmental, social and other sustainability matters. The European Sustainability Reporting Standards give effect to this requirement through a double materiality assessment.