Insurance Council of Australia

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Climate Disclosure Unit
The Treasury
Langton Crescent
PARKES ACT 2600

To whom it may concern,

Improving the efficiency of climate-related financial disclosures – Consultation Paper

The Insurance Council of Australia (Insurance Council) welcomes the opportunity to provide feedback on Treasury's consultation paper, *Improving the efficiency of climate-related financial disclosures*. The Insurance Council is the representative body of Australia's general insurance industry. Our members account for approximately 90 per cent of total premium written by general insurers and reinsurers. As a foundational component of the Australian economy, the general insurance industry writes 90 million policies a year, paying out $58.9 billion in claims in 2025 – an average of $226 million every working day.

In support of the Australian Government's mandatory climate disclosure regime, the Insurance Council and its members have invested considerable resources to meet the new requirements across legal advice, pre-assurance work, climate scenario analysis, risk and opportunity assessment, data collection and executive and board review. This reflects a generational change in the way climate-related financial information is reported and governed.

Clear, comparable and decision-useful information about climate-related risks and opportunities is an important foundation of a well-functioning financial system, particularly when internationally aligned. However, with the regime now in place there are clear opportunities to ensure it is proportionate and practical, recognising the maturity of underlying data, methodologies and assurance capability. We acknowlege that this review aligns with other markets globally, for example New Zealand is currently reviewing its mandatory climate-related disclosures regime to ease compliance costs for businesses while maintaining core climate transparency for large financial and market institutions

The Insurance Council broadly supports the proposals outlined in the consultation paper, as they represent an important opportunity to improve the efficiency of Australia's climate disclosure regime while maintaining the quality, credibility and comparability of disclosures. The Insurance Council supports the overall direction of the proposed reforms and considers they can be strengthened through targeted refinements to assurance settings, implementation guidance, value-chain reporting arrangements and sustainability assurance capability. Our recommendations on these matters are outlined in more detail below.

1. Proposal 1: Adjusting assurance settings

Which of the options outlined above would help to achieve the four key principles underpinning this reform process? Please explain any impacts on compliance costs, international alignment, disclosure quality, investor information needs and implementation certainty. Why is this your preferred option?

The preference of Insurance Council members is for limited assurance to be retained as the permanent mandatory baseline. Limited assurance provides an appropriate balance between

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enhancing the credibility and integrity of climate-related financial disclosures through independent external assurance and managing the associated cost and resourcing burden for reporting entities.

Insurers do not consider that mandating reasonable assurance would currently deliver a commensurate increase in stakeholder value or decision-useful information. The additional cost and effort required to obtain reasonable assurance would be disproportionate to the likely benefits for reporting entities, their shareholders and other users of financial reports.

Limited assurance also better reflects the nature of climate-related financial disclosures. Many disclosures are inherently uncertain, require significant judgement and contain forward-looking information that cannot necessarily be verified to the same degree of confidence as historical financial information. Climate disclosures may also depend heavily on information outside the reporting entity's direct control, including supplier information, emissions factors, industry datasets, portfolio-level information and other estimates. As a result, an entity may have strong internal governance and controls but remain unable to obtain evidence capable of supporting reasonable assurance over some disclosures.

Retaining limited assurance would establish a consistent market-wide baseline while allowing individual entities to obtain reasonable assurance voluntarily where this aligns with stakeholder expectations and the maturity of their governance, systems, controls and reporting processes. This flexibility is particularly important for Group 2 and Group 3 entities, which may require additional time to build capability and assurance readiness, and whose stakeholders may not seek or place material value on reasonable assurance.

Members are less supportive of applying reasonable assurance only to selected "mature" metrics or disclosures. While this approach could limit costs and enable more targeted investment, it would require government and standard setters to establish clear baseline standards and determine how the maturity of individual metrics should be assessed. These distinctions may be difficult to develop and apply consistently, particularly as methodologies and data availability continue to evolve.

For reporting entities: Please provide information on the financial and administrative costs associated with obtaining assurance over your sustainability report. Where possible, please provide detailed information to quantify this impact.

Insurer's experience indicates that assurance costs are already material and vary significantly according to entity size, reporting maturity and the scope of external support required. One insurer reported an external audit fee of just under $90,000 for FY26, estimated to increase to approximately $140,000 in FY27 as the assurance scope expands. Another reported approximately $200,000 in first-year assurance costs and around $500,000 in additional third-party advisory costs. A further member reported that sustainability assurance increased its external audit fees by approximately 10 to 15 per cent in the first year, excluding internal staff costs.

The administrative burden is also substantial. One insurer received more than 28 separate information requests in FY26, many involving multiple components and input from several internal stakeholders, together with around six stakeholder interviews involving between two and six participants. Members also identified legal advice, pre-assurance work for Scope 1 and Scope 2 emissions, preparation of basis-of-preparation documents, AASB S2 gap analysis, climate scenario analysis, risk and opportunity assessment, data collection and validation, and executive and board review as significant cost drivers.

These costs are not confined to the first reporting year. Members expect recurring expenditure on internal subject-matter experts, improved Scope 3 data and controls, pre-assurance for Scope 3 disclosures and scenario analysis, external consultants and higher audit fees as additional disclosure areas become subject to assurance. Several members noted that internal costs are difficult to quantify because responsibility is distributed across sustainability, climate risk, finance, legal, data, actuarial and operational teams.

The evidence also indicates that cost can be disproportionate to an entity's emissions profile and stakeholder needs. One first-year reporter with zero Scope 1 emissions and low Scope 2 emissions nevertheless incurred significant auditor, internal expertise and documentation costs. Members expect reasonable assurance to materially increase evidence gathering, controls testing and documentation, particularly for estimates, third-party information, scenario analysis, insurance-associated emissions and other methodologies that remain immature or inherently judgement-based.

Both external and administrative assurance costs are expected to increase once reasonable assurance is required. The incremental effort associated with reasonable assurance is expected to be substantial because it requires more extensive evidence, controls testing and documentation, particularly where disclosures rely on estimates, third-party information, portfolio-level data, scenario analysis or evolving methodologies.

For reporting entities: To what extent are investors, lenders, shareholders or other stakeholders seeking reasonable assurance over sustainability disclosures? Have any stakeholders indicated that the level of assurance influences their decision-making or confidence in reported information?

Across the feedback received, members reported no stakeholder demand for reasonable assurance. This included listed and unlisted entities and foreign-owned and non-listed subsidiaries. For example, some members reported that following the release of end-of-year results, they did not receive any questions from investors about climate-related matters or the assurance of climate disclosures. Other members similarly reported that shareholders and stakeholders had not indicated that the level of assurance affected their decision-making or confidence in reported information. On the evidence currently available, a mandatory transition to reasonable assurance would therefore impose substantial additional cost without a demonstrated, corresponding user benefit.

If a transition to reasonable assurance were retained over the longer-term, what conditions would need to be satisfied before implementation? For example, market capability, data quality, methodological maturity, assurance capacity, or other factors.

Noting the preference of the Insurance Council's membership is for limited assurance to be retained as the permanent mandatory baseline, if the Government nevertheless retains a longer-term transition to reasonable assurance, the Insurance Council's secondary preference is for its commencement to be delayed and made conditional on a readiness assessment.

A delay would provide reporting entities with additional time to strengthen their governance, systems, processes and controls, spread investments over a longer period, and implement changes in a more structured manner. It would also provide assurance firms with more time to develop their methodologies and workforce capability. While a delay may not reduce the overall cost of reasonable assurance, it could reduce transitional disruption and improve implementation outcomes.

Any future transition to reasonable assurance should occur only when a readiness assessment demonstrates:

- widely accepted and sufficiently stable methodologies for material disclosures, including relevant Scope 3 emissions categories;

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- reliable access to underlying data, including information from suppliers, value-chain participants, portfolios and international operations;
- sufficient assurance market capacity and appropriately qualified personnel;
- consistent regulatory and assurance interpretations of materiality, proportionality, estimation and forward-looking information;
- evidence that investors, shareholders and other users seek and value reasonable assurance, and that the resulting benefits justify the incremental cost;
- sufficient maturity in reporting entities' governance, systems, controls and reporting processes;
- interoperability with international assurance requirements and global group-reporting arrangements; and
- adequate lead time and transitional arrangements to avoid rushed implementation, duplicative investment or the need to redesign systems as methodologies evolve.

2. Proposal 2: Improving consistency in existing requirements

Would this option help achieve the guiding principles outlined in this paper? Please explain any expected impacts on compliance costs, international alignment, disclosure quality and implementation certainty.

Coordinated implementation guidance would help improve certainty and reduce the risk that reporting entities adopt unnecessarily conservative or inconsistent practices. Guidance is more likely than near-term legislative or standards amendments to reduce cost while preserving flexibility, international alignment and implementation stability.

Guidance should clarify existing requirements rather than create additional obligations. It should be developed jointly or consistently by ASIC and AASB, with Treasury coordinating policy issues, so that preparers and assurance providers are not required to reconcile competing interpretations.

2.2 What challenges arise in applying the "undue cost or effort" principle?

The Insurance Council's members support the inclusion of the "undue cost or effort" principle, as it provides an important proportionality mechanism for reporting entities. However, member feedback indicates that challenges are likely to arise in applying the principle consistently and demonstrating that it has been appropriately used.

A key challenge is the absence of clear thresholds or practical guidance for determining when the cost and effort required to obtain, validate or analyse information becomes disproportionate to its value to users. This may create uncertainty for both reporting entities and assurance providers regarding the evidence and documentation required to support the application of the principle. It may also result in entities adopting a conservative approach and incurring significant additional costs to minimise the risk of subsequent challenge by assurance providers or regulators.

These challenges are particularly acute for Scope 3 emissions, value-chain information, climate scenario analysis and forward-looking estimates. In these areas, the availability, quality and reliability of information may be outside the reporting entity's direct control. Information may need to be obtained from investees, insureds, intermediaries, claims suppliers or other third parties, and entities may need to rely on estimates, emissions factors, industry datasets or other secondary sources.

In these circumstances, the cost and effort required to obtain or validate more granular information may be disproportionate to the incremental value that information provides to users of the disclosures. Nevertheless, uncertainty about how the principle will be interpreted and assured may lead reporting entities to undertake further information gathering, analysis and validation even where the resulting improvement in decision-useful information is limited.

The practical application of the principle may also differ according to an entity's size, business model, reporting maturity and access to information. Guidance should therefore preserve entity-specific judgement rather than impose rigid quantitative thresholds.

2.3 What challenges arise in assessing whether an entity has no material climate-related risks or opportunities?

Assessing whether an entity has no material climate-related risks or opportunities requires significant judgement and may itself involve substantial analysis. Member feedback indicates that a particular challenge is distinguishing between climate-related risks and opportunities that exist and those that are material for disclosure because they could reasonably be expected to affect the entity's financial prospects.

Member experience is not uniform. One Group 1 entity reported no practical difficulty because it had identified material risks and opportunities. Other Group 1 members, however, identified the absence of quantitative thresholds or guidance on evidencing a conclusion of no material risk as a significant barrier. Challenges include determining appropriate time horizons, evaluating physical and transition risks across diverse operations, distinguishing between group and subsidiary circumstances, and understanding the evidence, documentation, governance and board oversight expected. There is also uncertainty as to the appropriate level at which climate-related risks should be identified and articulated, including whether related risk drivers should be grouped into broader risk categories or treated as separate individual risks. This can directly affect the materiality assessment, as the level of aggregation or disaggregation may influence whether a risk is assessed as material. Guidance should explain how to assess and document risks and opportunities that are identified but ultimately determined not to be material, while preserving entity-specific judgement.

Other challenges include determining the appropriate time horizons for the assessment, evaluating physical and transition risks across diverse operations, distinguishing between group and subsidiary circumstances, and understanding the level of evidence, documentation, governance and board oversight expected. Reporting entities may also be uncertain about how to document risks and opportunities that have been identified and assessed but ultimately determined not to be material for disclosure.

2.4 What form of guidance would be most useful?

A combination of authoritative guidance and practical implementation support would be most useful. Member feedback indicates that uncertainty is arising not only from the requirements themselves, but also from how those requirements may be interpreted by reporting entities, assurance providers and regulators. Guidance should therefore support a consistent understanding across all three groups.

Guidance could include:

- worked examples and case studies, including examples relevant to financial services and insurance, showing how the requirements and principles apply to entities with different business models, reporting structures and levels of reporting maturity;

- joint or closely aligned FAQs from ASIC and the AASB, addressing recurring areas of uncertainty and reducing the risk of inconsistent interpretations by preparers, regulators and assurance providers;
- guidance on the evidence and documentation expected to support significant judgements, including decisions that information is not material or that obtaining more granular information would involve undue cost or effort;
- expectations on the types of risks and opportunities that regulators would expect to see in reporting for particular industries;
- workshops bringing together preparers and assurance providers, using realistic examples to develop a more consistent understanding of the evidence and controls expected;
- recorded webinars and modular educational materials tailored to the different needs of boards, executives, reporting teams and internal subject-matter experts; and
- a standing implementation forum involving reporting entities, regulators, standard setters and assurance providers to identify recurring issues and support timely, coordinated responses as practice develops.

2.5 Are there additional areas where guidance should be considered?

Insurance Council member feedback indicates that further guidance would be beneficial in areas involving significant judgement, uncertainty, third-party information or evolving methodologies. Additional guidance could address, but not be limited to:

- *Use of estimates and secondary information:* The circumstances in which entities may appropriately rely on estimates, proxies, emissions factors, industry averages, portfolio-level information and other secondary sources, particularly where primary data is unavailable or outside the entity's direct control.
- *Scope 3 emissions:* Reasonable expectations for collecting, validating and assuring Scope 3 information, including where data is obtained from suppliers, investees, insureds, intermediaries or other value-chain participants.
- *Application of the "undue cost or effort" principle:* The factors entities should consider when comparing the cost and effort of obtaining or validating additional information with its likely value to users. Guidance should address the evidence, governance and documentation expected to support this judgement, without imposing rigid thresholds.
- *Materiality of climate-related risks and opportunities:* How entities should distinguish between climate-related risks and opportunities that exist and those that are material for disclosure because they could reasonably be expected to affect the entity's financial prospects.
- *Climate matters determined not to be material:* How reporting entities should assess and document risks and opportunities that are relevant from an operational, strategic or sustainability perspective but are ultimately determined not to have a material financial effect.

Proposal 3: Setting clearer boundaries on value-chain information requests

For reporting entities: **What has been your experience engaging your value chain partners to gather data for reporting climate-related information so far? Please identify key challenges,**

including data availability, supplier capability, cost, consistency and use of third-party data providers.

Member experience to date indicates that engaging value chain partners to gather climate-related information can be challenging, particularly where suppliers and other value chain participants have varying levels of climate reporting maturity, capability and awareness.

A key challenge is data availability and quality. Members report that obtaining consistent and reliable information often requires significant follow-up, interpretation and validation. Data is frequently provided in different formats, using different methodologies and with varying levels of granularity, making it difficult to consolidate information and maintain consistency across reporting processes. In many cases, reporting entities are required to rely on estimates, industry datasets or other secondary sources where primary information is unavailable or incomplete.

Supplier capability is also a significant constraint. Many suppliers, particularly small and medium-sized businesses within insurance repair and service networks, have limited experience with climate and emissions reporting and may lack the systems, resources or expertise required to respond to information requests. This can make it difficult for reporting entities to obtain timely, complete and reliable data. Members noted that low response rates to supplier surveys present further challenges and suggest that obtaining more detailed information to support Scope 3 emissions reporting may become increasingly difficult as reporting requirements expand.

Cost and administrative burden are also material considerations. Members reported that establishing and maintaining frameworks to request, collect, validate and consolidate information from multiple value chain participants requires considerable effort. In some cases, insurers have relied on specialist external providers to support data collection, validation and the application of emissions accounting methodologies. While these providers can improve consistency and efficiency, they also add to overall implementation costs.

Would greater availability of standardised domestic emissions factors or other secondary data sources reduce the need for, or the burden created by, value-chain information requests? What types of emissions factors, sectors or data sources would be most useful for sustainability reporting purposes?

Member feedback supports a central, authoritative and regularly maintained repository of credible Australian emissions factors. Such a repository would reduce fragmented sourcing, reliance on costly third-party datasets and repeated primary-data requests, particularly where entity-specific information is unavailable, not reasonably supportable or not material. This would be especially valuable for insurers with large and diverse insured, claims supplier and repair networks, where direct requests can impose cost on both the reporting entity and its value-chain partners while producing low-response or low-quality estimates.

Would standardising data requests for supply chain entities constrain the ability of reporting entities to obtain the data they need to fulfill their reporting obligations?

For many members, efforts to date have focused primarily on collecting information relevant to Scope 1 and Scope 2 emissions, together with a limited number of Scope 3 categories such as travel and energy use. Collecting emissions data directly from claims suppliers, repair networks and other service providers has generally not yet occurred at scale. Members expect this to be significantly more challenging given the fragmented nature of these supply chains, varying levels of reporting maturity, and the limited climate reporting capability of many suppliers.

Against this backdrop, a mandatory standardised data request could inadvertently increase compliance burden and reduce flexibility. A fixed template may not adequately reflect sector-specific, entity-specific or risk-based information needs, and could encourage reporting entities to request information that is not material simply because it is included in a prescribed format. This risks creating unnecessary reporting costs for both reporting entities and their value-chain partners without improving the quality of disclosures.

However, a voluntary common data set or interoperable request framework could provide meaningful benefits if it is designed to be modular, risk-based and flexible. Such an approach could improve consistency and reduce duplication across requests, while still allowing reporting entities to tailor information requests to their particular circumstances and reporting obligations. Importantly, it should not restrict entities from seeking additional material information where required, nor imply that every data field must be requested from every supplier or value-chain participant. Ultimately, any standardisation framework should support proportionality and efficiency rather than impose a one-size-fits-all approach.

Are there any examples where industry-led standards or common practices are emerging to help standardise the information that is being requested by reporting entities of their value chain partners?

The Insurance Council is aware that reporting entities, industry participants and service providers are developing a range of approaches to support the collection of climate-related information across value chains. However, these approaches remain relatively early-stage and there is not yet a single mature, insurance-wide standard that would be appropriate for regulatory endorsement. At this stage, government should focus on monitoring emerging practices and supporting interoperability across different approaches, rather than mandating a particular platform, methodology or reporting template.

Members currently use a variety of approaches to gather climate-related information, depending on the nature of their operations, reporting maturity and data requirements. For example, some members conduct annual supplier surveys through a third-party provider, although response rates have been relatively low. Other currently collect third-party data for Scope 1 and Scope 2 emissions and a limited number of Scope 3 categories, such as travel and energy use, but do not yet collect emissions data from claims suppliers or repair networks at scale. Another member has adopted a spend-based methodology for Scope 3 emissions to reduce reliance on supplier data that is often unavailable, incomplete or difficult to obtain.

These experiences suggest that value-chain information collection practices are still evolving and that flexibility remains important. Rather than prescribing a single approach, government should support the development of a voluntary, modular and interoperable common data set that can accommodate different business models, reporting capabilities and levels of data maturity. This would promote greater consistency over time while allowing reporting entities to adopt approaches that are proportionate to their reporting obligations and practical circumstances.

For entities subject to both sustainability reporting and NGER reporting requirements: what practical challenges arise when different reporting periods apply?

N/A

For reporting entities and assurance providers: What role have internal and external sustainability experts played in sustainability assurance engagements to date?

Sustainability assurance is inherently multidisciplinary and has required reporting entities and assurance providers to draw on a broad range of specialist expertise. Member experience indicates that internal sustainability specialists have played a central role in preparing disclosures, coordinating business stakeholders, interpreting reporting requirements, assembling supporting documentation and responding to assurance enquiries. Internal climate risk, greenhouse gas accounting, financial reporting, actuarial, risk, investment, data and legal teams have also made important contributions to the reporting and assurance process.

External specialists have likewise been an important source of support, particularly during the early stages of implementation. Members reported using external consultants to assist with greenhouse gas accounting methodologies, emissions calculations, climate scenario analysis, AASB S2 gap assessments and the interpretation of emerging guidance. Within assurance engagements, sustainability specialists have provided technical expertise to assess methodologies, assumptions, climate-related risks and opportunities, and the completeness and compliance of disclosures. Engagement models vary across the industry, with some members relying heavily on sustainability specialists embedded within audit teams, while others have been able to leverage strong internal capability with limited use of external experts.

For reporting entities and assurance providers: Do current arrangements appropriately recognise sustainability expertise within assurance engagements?

Overall, member feedback suggests that current arrangements generally recognise and facilitate the use of sustainability expertise within assurance engagements. Members that have completed assurance reported that sustainability specialists were appropriately integrated into the engagement process and made a valuable contribution, particularly in areas requiring technical judgement such as greenhouse gas accounting, climate-related risks and opportunities, scenario analysis, and the interpretation of emerging reporting requirements.

However, some members also identified an opportunity to strengthen the regulatory framework by more clearly recognising sustainability assurance expertise within the Registered Company Auditor (RCA) practical experience pathway. While current standards allow specialist expertise to be incorporated into assurance engagements, the existing framework does not provide clear recognition of sustainability assurance experience, qualifications or professional expertise. Over time, this may constrain practitioner supply and limit competition as demand for sustainability assurance services increases.

For reporting entities: Have you experienced any challenges in obtaining sustainability assurance services with appropriate climate-related expertise? If so, please describe the nature and extent of those challenges.

Insurers have generally not experienced significant challenges obtaining sustainability assurance services with appropriate climate-related expertise. Members that have completed assurance engagements reported access to suitably qualified specialists and valued the involvement of sustainability experts within audit and assurance teams. For example, one Group 2 entity preparing for its first sustainability reporting cycle has already been assigned a dedicated sustainability assurance partner.

However, members noted that the sustainability assurance market is still developing and that future market capacity may become a challenge as mandatory reporting requirements expand and assurance obligations increase. While organisations with strong internal sustainability capability may be well positioned to manage assurance requirements, entities with more limited in-house expertise may face a narrower pool of specialists, higher costs and increased competition for suitably qualified practitioners. These concerns are likely to become more pronounced if reporting requirements expand or if the regime transitions to reasonable assurance.

Members also highlighted the importance of clearer recognition of sustainability qualifications, accreditations and supervised practical experience to support the growth of assurance market capacity. Strengthening pathways for recognising sustainability expertise would assist reporting entities in assessing assurance teams, support firms in building specialist capability and help address potential future workforce constraints.

The Insurance Council and its members recommend Treasury to continue monitoring assurance market capacity, including the availability, cost and accessibility of climate-related expertise, before making changes that would increase demand for sustainability assurance services. Any reforms should support the development of specialist capability while maintaining assurance quality, independence, professional standards and clear accountability for assurance outcomes.

6. Interaction of proposals and further efficiency measures

6.1 Which proposal or combination would provide the greatest efficiency improvement relative to implementation effort?

The strongest package would combine an ongoing limited assurance baseline with coordinated proportionality guidance, practical value-chain guidance, improved domestic emissions factors and alignment mechanisms across reporting frameworks. These measures are mutually reinforcing and can reduce cost without weakening core disclosure requirements.

Better guidance and secondary data would improve consistency and reduce value-chain burden. Proportionate assurance would avoid imposing reasonable assurance controls on information that remains inherently estimated. Alignment and data reuse would reduce duplicative data preparation and assurance work.

6.2 What risks or unintended consequences could arise, and how should they be mitigated?

While the proposals outlined in the consultation paper have the potential to improve the efficiency of climate-related financial disclosures, careful implementation will be important to avoid unintended consequences.

A key risk is the emergence of divergence between Australia's reporting framework and international standards, particularly IFRS S2 and the ISSB baseline. Given the global nature of insurance and financial markets, fragmentation could increase compliance costs for multinational groups, create duplication in reporting processes and reduce the comparability of Australian disclosures. International alignment should remain a central design principle for any reforms.

There is also a risk that implementation guidance becomes overly prescriptive in an effort to improve consistency. While guidance can reduce uncertainty and support more consistent application of the requirements, excessively detailed guidance may inadvertently remove the professional judgement that is necessary when assessing materiality, applying the "undue cost or effort" principle, or determining the most appropriate sources of information. This could encourage a compliance-focused approach that prioritises documentation over meaningful risk assessment and disclosure.

Similarly, efforts to standardise value-chain information requests may increase rather than reduce reporting burdens if they result in one-size-fits-all templates that are not proportionate to the needs of different sectors, business models or reporting circumstances. Mandatory data requests could

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encourage reporting entities to seek information that is not material simply because it appears in a prescribed template, creating unnecessary costs for both reporting entities and their value-chain partners. This risk is particularly relevant for insurers, whose value chains often comprise large numbers of small businesses with limited climate reporting capability.

Another risk is that reforms create uncertainty for reporting entities that have already invested significantly in systems, controls, governance frameworks and reporting processes to comply with the existing regime. Several members noted that climate reporting methodologies, emissions measurement approaches and assurance practices are still evolving. Frequent changes to requirements may require entities to redesign systems, duplicate implementation efforts and divert resources away from improving the management of climate-related risks and opportunities.

There are also risks associated with assurance market capacity. While most members have not experienced significant challenges obtaining climate-related assurance expertise to date, the market remains relatively immature and demand for specialist skills is expected to increase as reporting obligations expand. Reforms that increase assurance requirements without corresponding growth in market capability could contribute to practitioner shortages, increased costs and reduced competition.

These risks can be mitigated through a combination of measures, namely the Government should:

- maintain close alignment with IFRS S2 and other internationally recognised frameworks;
- develop guidance collaboratively with preparers, assurance providers and users to ensure it remains principles-based and practical;
- prioritise voluntary, modular and interoperable tools over mandatory templates or prescriptive approaches;
- provide adequate lead times and transition arrangements for any material changes;
- support the development of sustainability assurance capability and clarify pathways for recognising relevant expertise;
- regularly review implementation outcomes to ensure reforms are reducing costs and complexity without undermining disclosure quality.

6.3 What additional efficiency-enhancing proposals should government consider?

Treasury should provide additional guidance on the disclosure of Category 15 financed emissions, including the appropriate level of disaggregation expected in public disclosures. Member feedback indicates that reporting entities with significant investment portfolios are concerned that current requirements may be interpreted as requiring the disclosure of highly detailed emissions information by individual asset, asset class or investment category.

This has raised concerns for reporting entities with substantial investment portfolios, as such disclosures may reveal commercially sensitive information about investment strategies, portfolio composition and asset allocation decisions. The disclosure of this information is unlikely to provide material additional benefit to users of financial reports, while creating potential commercial risks, increasing assurance requirements and imposing significant compliance costs.

Guidance should therefore clarify that aggregated portfolio-level disclosure of Category 15 emissions is sufficient in most circumstances, unless more granular information is necessary to understand an entity's climate-related risks and opportunities. This would provide greater certainty to reporting entities and assurance providers, reduce unnecessary reporting burdens and help avoid outcomes where commercially sensitive information is effectively required to be disclosed through sustainability reporting.

This issue is relevant not only to insurers but to any reporting entity with significant investment portfolios. Providing clear guidance on the appropriate level of aggregation would promote greater consistency across reporting entities, improve comparability of disclosures, reduce compliance and assurance costs, and support the Government's objective of improving the efficiency of the climate-related financial disclosure framework while maintaining the provision of decision-useful information to investors and other users.

Additional guidance is also required on the treatment of emissions associated with insurance claims. These emissions arise from activities funded through claims payments, including building repairs, reconstruction, vehicle repairs, restoration services, temporary accommodation and replacement goods. As insurers increasingly quantify their Scope 3 emissions, uncertainty has emerged regarding whether these emissions should be classified as purchased goods and services (Scope 3 Category 1), treated as insurance-associated emissions within Category 15, or fall outside reporting boundaries altogether.

Member discussions reveal divergent interpretations, with some insurers viewing claims-related emissions as part of their operational supply chain, while others consider them to be insurance-associated emissions that are outside climate disclosure requirements. At present, neither the Australian climate disclosure framework nor existing greenhouse gas accounting standards provide guidance on this issue. As a result, insurers are required to exercise significant judgement when determining their approach, documenting their rationale and engaging with assurance providers and auditors in the absence of a clear market standard.

Treasury should clarify the intended treatment of claims-related emissions, including whether emissions associated with claims activities are expected to be disclosed or are intended to be excluded. Clear guidance would promote greater consistency across the insurance sector and reduce unnecessary compliance and assurance costs.

Conclusion

The Insurance Council and its members strongly support Treasury’s objective of improving the efficiency of climate-related financial disclosures while maintaining the credibility, comparability and decision-usefulness of reported information. As outlined above, member experience demonstrates that the greatest opportunity for reducing burden lies not in fundamentally redesigning the regime, but in improving the implementation of the existing framework through greater certainty, proportionality and practical guidance.

We trust these comments are of assistance. If you have any questions in relation to this submission, please contact Ange Nichols, Senior Adviser, Climate Change ange.nichols@insurancecouncil.com.au.

Yours sincerely,

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