

The Treasury
Langton Crescent
Parkes ACT 2600
<https://consult.treasury.gov.au/c2026-778607/consultation>

2 October 2026

Dear Treasurer,

Re: Improving the efficiency of climate-related financial disclosures (CRFD)

The Australian Aluminium Council (the Council) welcomes the opportunity to make this submission in response to Government consultation on changes to improve the efficiency of climate-related financial disclosures, focussed on the Consultation Paper (the Paper). The Government should prioritise targeted reforms to CRFD that reduce disproportionate compliance costs and reporting burdens where they are not linked to company scale, climate risk or investor demand, while preserving the integrity of the reporting regime.

The Council is the peak industry association representing Australia's integrated bauxite, alumina and aluminium industry. The Council provides a unified voice across the value chain, working with governments, industry and communities to support a resilient, competitive and sustainable sector that underpins Australia's economic strength, industrial capability and energy transition.

The Council's Membersⁱ include a range of businesses from small privately owned extruders through to major multinationals, each of whom has a range of perspectives. The Council's submission should be read in conjunction with any submissions received directly from our Members. The Council will only respond to selected consultation sections.

The aluminium industry has been operating in Australia since 1955, and over the decades has been a significant contributor to the nation's economy. The Department of Industry, Science and Resources has recently updated its forecastⁱⁱ to earnings reflecting the geopolitical impacts on the sector, remaining at around \$19B in export revenue annually. More than \$14B of this comes from the alumina and aluminium industries, as value adding mineral processing sectors. The industry includes six bauxite mines which collectively produce over 100 Mt per annum making Australia one of the world's largest producers of bauxite. Australia is the world's largest exporter of alumina with five alumina refineries producing around 17 Mt per annum of alumina. Australia is the seventh largest producer of aluminium, with four aluminium smelters, and additional downstream processing industries, including more than 20 extrusion presses. Aluminium is Australia's top manufacturing export. The industry directly employs more than 21,000 people, including 6,600 full time equivalent contractors. It also indirectly supports a further 55,000 families predominantly in regional Australia. The integrated industry contributes around \$18 B to Australia's GDP.

The Council welcomes the Government seeking to enhance the efficiency of the CRFD framework in order to reduce compliance costs while maintaining the quality, consistency and international comparability of sustainability reporting. Members of the Council have been grappling with the costs associated with establishing systems, acquiring assurance, developing appropriate governance

processes and understanding and interpreting new reporting requirements. The Council previously made submissions Treasury on the 2022ⁱⁱⁱ consultation before the commencement of the current Climate Related Financial Disclosures and to the Australian Accounting Standards Board (AASB) in 2025^{iv} midway through the first reporting year. The Council and its Members also submitted indirectly via the Australian Industry Greenhouse Network^v and through informal consultation.

The Council has collated data from across its membership to help inform the positions outlined in this submission (Table 1). The Council's membership includes a range of entities, from large multinationals through to smaller ASX-listed companies and private companies with no external shareholders. There is also significant variation in business size, complexity, and climate risk exposure across the Council's membership. Yet the resource commitment required, including that already incurred by Group 3 entities preparing for future reporting, is not correlated with company scale, climate risk or interest by investors (including for private companies). There are also two case studies appended to this submission which outline these costs in greater detail and potential avenues to reduce them in the future.

Table 1. Example Climate Related Financial Disclosures and Resourcing

Group Sub Group	Group 1 Multi Nationals	Group 1 Extruders	Group 2 Multi Nationals	Group 3
Scope 1 (CO2-e)	>1 Mt	1-10 kt	>900 kt	30 -50 kt
Scope 1&2 (CO2-e)	>1 Mt	10-30kt	>1 Mt	30 -50 kt
Employees	5000	1000-2000	1000	200- 400
Revenue (A\$M)	\$5,500	\$500-\$1000		\$350
EBITDA (\$M)		\$50-\$100		\$70
Internal Resource (Hours)	900	300-1300	900	
Internal Resource *(\$k)		\$80-\$200k		\$100k
External Resource (\$k)	\$300k	\$200-\$300k	\$100k	\$260 - \$400k
Investor Feedback	Limited to no interest	Limited to no interest	No evidence of use	Limited to no interest
Sub Entity ?	Yes	No	Yes	No

*excludes the effort from Board, Audit and Risk Committee and senior management governance time.

There has also been no detectable level of investor interest in these specific reports compared with other corporate disclosures, nor is there evidence that associated compliance costs are declining over time. These costs may continue to escalate as reporting and assurance requirements increase, further exacerbating the competitiveness challenges facing Australian industry.

Changes to Large Proprietary Company thresholds

While the Council recognises the changes to the definition of "large" companies is intended to reduce the burden on smaller Group 3 entities, it does not reflect that for many industrial companies which have large asset bases and trade in high value commodities, such as aluminium, revenue is a poor proxy for profitability due to thin margins. This is evidenced in the high revenue to EBITDA ratio for Extruders (Table 1) which have small emission profiles. The Council urges consideration of profit (EBITDA), rather than revenue, as a threshold measure, and of the value to the Australian economy of reporting by Group 2 and Group 3 entities, relative to the competitiveness burden these requirements impose on Australian industry, which is not aligned with those faced by international peers. International comparisons are frequently against the European or New Zealand reporting standards, however, in terms of international peers this is largely countries operating outside the OECD^{vi} most of which face no comparable reporting or compliance requirements.

Adjusting assurance settings

The Council supports *maintaining the limited assurance requirement*. Based on experience with National Greenhouse and Energy Reporting (NGER), reasonable assurance could be expected to be three times that of limited, further escalating the costs shown in Table 1.

This cost increase associated with a transition to reasonable assurance (on top of the increasing sections of the report that require assurance) would be of limited additional benefit over qualitative narrative disclosures relative to the associated cost, effort and shareholder value. For assurance of other climate reporting data, it is Members experience that reasonable assurance costs can be three times higher than for limited assurance.

Additionally, the climate-related disclosures being made within AASB S2 are a mixture of qualitative and quantitative data. Quantitative data (numerical values/measurements) easily allows limited or reasonable assurance utilising the data-driven financial audit processes, whereas qualitative data (descriptive / non numerical) requires a different approach with auditing to look at objectivity, consistency and process rigor behind it. Whilst both can technically be done at a reasonable level, the value for the change in assurance levels (high v moderate assurance) does not outweigh the addition to assurance costs. For example: physical climate risk disclosures are inherently forward-looking and often rely on scenario analysis, assumptions and evolving methodologies - these features make them more suitable for limited assurance at this stage. In addition, parts of the annual disclosure will remain relatively consistent each year, making annual assurance of certain sections repetitive without value.

It is important to note that there is considerable difference in the assurance of historical data, as for a financial report, compared to forward looking data which, form a significant part of the S2 disclosures or third-party data, such as Scope 3 emissions. As suggested in the Paper, uplift of capacity in audit firms would also be required with the move to mandatory reasonable assurance. Where guidance includes language such as evidence could include X, Y or Z; auditors have taken this as meaning they require X, Y and Z.

Members have not reported feedback from investors on the level of assurance in the sustainability disclosures.

It would also be beneficial to allow assurance to be performed by third party auditors (i.e. not mandating completion by the financial auditor), this would improve competitiveness in the selection of auditors. Members note that there are challenges in finding an auditor which can meet the increasing list of mandatory and voluntary assurance requirements including NGER, European Union Carbon Border Adjustment Mechanism (EU CBAM), Aluminium Stewardship Initiative (ASI), International Council on Mining and Metals (ICMM), and company Sustainability Reports for other jurisdictions, most of which at least include governance and Scope 1 and 2 reporting, resulting in the need to have the same information and data to be audited by multiple audit firms.

Improving consistency in the application of existing requirements

The Council welcomes the commitment to maintaining international alignment between Australian Accounting Standards Board (AASB) S2 and its global counterpart, IFRS S2 in the Paper. However, the Paper highlights the ongoing uncertainty and inconsistency in application of existing requirements. The Council believes that this is due to the rushed implementation in Australia and was raised in previous submissions, where guidance was still being issued and is the subject of consultation during reporting years.

In this context, the Council suggests that reporting by additional Groups should at least be delayed (if not removed) and current levels re-assessed. This would be consistent with other jurisdictions such as the European Union which has delayed commencement by two years^{vii}, despite a longer lead time than the Australian scheme. This would allow for not only additional consolidated guidance to be issued but for some of the international issues, such as referencing the report of a parent entity to be resolved.

While Members appreciate that AASB have created a Knowledge Hub^{viii} to compile the guidance they have developed, with links to guidance developed by ASIC, and resources from other agencies, it is worth highlighting that it is not straightforward to find the most appropriate resources. Consolidation and further mapping may increase usability.

Setting clearer boundaries on value-chain information requests

Given the challenges and costs associated with Scope 1 and 2 reporting for some entities and the complexity of Scope 3 reporting, the Council would support at a minimum the provision of additional guidance on what constitutes a reasonable request for information and that this could be complemented by the provision of additional domestic emission factors, such as has been done for the Guarantees of Origin framework. While some suppliers may provide product emission intensity data, it can be more difficult to confirm the methodology, and if that fits within the jurisdictional relief criteria. Noting the previous issues on meeting current requirements, consideration should be given to delaying Scope 3 reporting for 2026-27 until this guidance has been provided.

Other potential avenues to improve efficiency of disclosure requirements

Domestic Frameworks

The Council has previously raised concerns related to lack of alignment between domestic frameworks and AASB S2 requirements. The CRFD framework that requires disaggregation of Scope 1 and 2 emissions into Australian Accounting Standards (AAS) entities (Section 29 a) iv) is problematic not only from the perspective of the number of individual disclosures for large corporates but also because these financial groupings do not necessarily align with the asset boundaries and facility listings under NGER. Reporting emissions data by AAS entity will add to the administrative complexity and effort as this is different from the NGER structure. As described in the Paper, some reporters are required to report on a different period, such as a calendar year compared to financial year for NGER. While the quantum of emissions over the two periods is unlikely to change the level of risk for the entity, it can result in a material increase in workload and assurance costs, especially if transitioning to a new audit firm, to compile the data for a different period. In the first year of reporting, there was added workload to set up systems for the report at the AAS entity level and for a different time period. Auditors requested evidence from the period where they had already provided reasonable assurance on a facility's data.

The Council suggests allowing operational control and financial year data to be able to be reported to align with NGER.

Subsidiary relief

In the development of the legislation and guidance issues were raised about allowing an Australian entity to reference a report produced by a parent entity in another jurisdiction. For multinationals this would be a welcome addition and likely to improve clarity. Many companies set targets at a corporate level, reporting against these targets at a different level, potentially also having to use different reporting methods, may cause confusion for stakeholders. Additionally, much of the strategy and governance occurs at the higher level and therefore this is also the level where climate change metrics are included in remuneration, which is complex to translate to the sub entities. Further, especially for investors, there is likely little value in understanding the risk exposure for only part of a listed entity. The additional costs related to auditing sub-entities is not insubstantial.

The cost and effort associated with applying for ASIC relief for subsidiaries and JVs is not insubstantial and the Council would welcome the inclusion of a provision in the regulation that exempts entities from reporting where the ultimate parent is already captured, similar to the European Corporate Sustainability Reporting Directive approach.

Conclusion

In conclusion, to reduce the competitiveness burden that this legislation places on Australian industry, the Government should prioritise targeted reforms to ensure CRFD reporting obligations are proportionate to company scale, climate risk and stakeholder demand, thereby reducing unnecessary compliance costs while maintaining the integrity, quality and international comparability of disclosures. The Council would be pleased to provide further information on any of the issues raised in this submission.

Kind regards,



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Copy to:

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Case Study 1: Current Climate Related Assurance Activities

Smelter X is a subsidiary (managed joint venture) of multinational Parent Company. Climate-related disclosures for the Parent Company include Smelter X, with the metrics component capturing the equity basis only. Smelter X's Corporation Act reporting (directors reports/financial statements etc) utilise a calendar year reporting period (January to December) to align with the Parent Company's financial reporting.

Under the *National Greenhouse and Energy Reporting Act 2007* (NGER) Parent Company is the controlling corporation but has assigned reporting obligation to a subsidiary for the Smelter X facility under a 22X agreement. As part of NGER reporting, Smelter X facility undergoes voluntary reasonable assurance annually to ensure accuracy of submissions and subsequent liabilities.

In addition, as a trade exposed entity, Smelter X is eligible to apply for a Trade-Exposed Baseline-Adjustment (TEBA) determination for Safeguard baseline decline adjustments which involves a 3 yearly audit of emission and financial data.

As part of the Safeguard reforms in 2023, Smelter X underwent a one-off Emission Intensity Determination (EID) assurance activity to set their baseline emissions intensity. This was required by every existing Safeguard facility unless they adopted the less favourable industry default.

As a large user of energy, Smelter X must participate in the Renewable Energy Target (RET). Annual applications for RET exemption certificates are required by Smelter X as a trade exposed emissions intensive activity. This includes a 5 yearly audit of energy use.

As of 2025, Smelter X was required to submit as a Year 1 entity under AASB S2.

Smelter X holds ISO14001, ISO45001, and ISO9001. ISO has undergone updates in the past few years to ensure that climate change is considered appropriately, and assurance activities capture risk processes and strategic decision making related to climate change, particularly for ISO14001.

Assurance activities (in the past 3 years) where 100% of the assurance was Smelter X climate related

Activity	Period	Assurance Type	Frequency	Cost (AUD)	Annualised Cost* (AUD)
AASB S2	January to December	Limited (year 1 requirement)	Annual	\$95,000	\$95,000
NGER	July to June	Reasonable	Annual	\$40,000-47,000	\$44,000
EID	5 financial years (FY18-22)	Reasonable	One off	\$58,000	\$19,000
RET	January to December	Reasonable	5 yearly	\$17,500-30,000	\$17,500
TEBA	July to June	Reasonable	3 yearly	\$320,000	\$107,000
Total annualised cost spent on climate related assurance					\$282,400

*Averaged over multi-years if assurance activity is not conducted annually

Assurance activities where Smelter X climate related topics are included in the scope

Activity	Period	Assurance Type	Frequency	Cost (AUD)	Annualised Cost* (AUD)
Parent Company Annual Reporting	January to December	Reasonable	Annual (Smelter X is sampled xyz years)	Covered by Parent Company	Covered by Parent Company
ISO14001; 45001; 9001 (Smelter X certifications)	n/a	Certification	Annual (recertification = every 3 yrs. Surveillance = other 2 yrs)	\$40,000 - 55,000	\$46,000

* Averaged over multi-years if assurance activity is not conducted annually

The above captures current assurance activities for Smelter X, it is noted that there are additional “in progress” legislative changes & commitments that will require new climate-related assurance or increases in assurance types. Whilst Smelter X’s qualification and the exact assurance detailed may not yet be finalised, these are likely to include (at minimum):

- EU Carbon Board Adjustment Mechanism (CBAM) annual assurance (reasonable);
- Aluminium Product Guarantee of Origin (PGO) assurance (proposed as annual / reasonable – TBC);
- LME Responsible Sourcing CBAM annual assurance (may allow use of CBAM assurance - TBC);
- AASB S2 limited to reasonable assurance progression.

There are also voluntary market entry assurances that occur such as Environment Product Declarations (EPDs).

Case Study 2: Impacts to Compliance Costs if recommendations implemented.

The Council has considered a range of possible reforms which address the issues raised in this submission and then assessed the cost implications of these changes to Smelter X.

Recommendation	Issues addressed
a) Open assurance provider scope to allow for use of non-financial auditors (as appropriate)	• Costs associated with financial assurance providers are approximately double that of other GHG assurance providers. • There is smaller pool of competent auditors who meet the financial assurance requirement (with GHG knowledge). • Being a global company, financial auditors are even further limited to the “Big 4”. We are seeing these companies have less capacity to take on new clients and assurance projects.
b) Assurance to be kept at limited assurance rather than increasing to reasonable assurance (reform option1a)	• Reduction in costs associated with assurance (noting for other GHG assurance, difference between reasonable assurance compared to limited is approximately 3 times) • Aligns more closely with Cost Benefit Analysis for most companies who have multiple assurance activities.
c) Review the assurance frequency for the report components. For example: change assurance to 3 yearly (unless there is a material change to disclosure) for certain sections & annual for others. Suggestion: • Governance – 3 yearly • Strategy – 3 yearly • Risk Management – 3 yearly • Metrics & Targets - Annual	• Reduction in costs associated with assurance, putting assurance effort where there are financial exposures and potential for material changes year on year.
d) Allow acceptance of other assurance activity statements for metrics section. For example: Entities that have assurance completed as part of NGERs, allow that to be included as the assurance statement for Metrics.	• Reduction in costs associated with assurance, putting assurance effort where there are no other assurance activities that cover the scope.

Impacts to AASB S2 at Smelter X assurance based on the recommendations:

Option	Annual Cost (AUD) (avg over 3-year period) *	Calculation Assumptions	Potential savings (per year)
Current approach remains	300,000 2 x FTE time over 3 months	Limited to reasonable assurance currently seeing 3 times costs	0
A	150,000 2 x FTE time over 3 months	Non-financial assurance providers currently 50% cost of financial assurance providers	\$150,000
B	95,000 2 x FTE time over 3 months	Cost of current limited (limited Year 1 scope) assurance is consistent costing for full limited in future years	\$205,000
C	200,000 2 x FTE time over 3 months	50% of current assurance time is spent on Metrics & Targets assurance	\$100,000
D	150,000 2 x FTE time over 3 months	50% of current assurance time is spent on Metrics & Targets assurance. - NGER assurance is acceptable for Metrics & Targets assurance.	\$150,000
A and B	47,500 2 x FTE time over 3 months	- Non-financial assurance providers currently 50% cost of financial assurance providers - Cost of current limited (limited Year 1 scope) assurance is consistent costing for full limited in future years	\$252,500
A, B, and C	31,666 2 x FTE time over 3 months	- Non-financial assurance providers currently 50% cost of financial assurance providers - Cost of current limited (limited Year 1 scope) assurance is consistent costing for full limited in future years 50% of current assurance time is spent on Metrics & Targets assurance	\$267,000
A,B,C and D	7,916 2 x FTE time over 3 months	- Non-financial assurance providers currently 50% cost of financial assurance providers - Cost of current limited (limited Year 1 scope) assurance is consistent costing for full limited in future years 50% of current assurance time is spent on Metrics & Targets assurance - NGER assurance is acceptable for Metrics & Targets assurance.	\$292,000
B and C	63,333 2 x FTE time over 3 months	- Cost of current limited (limited Year 1 scope) assurance is consistent costing for full limited in future years 50% of current assurance time is spent on Metrics & Targets assurance	\$237,000
B, C and D	15,833 2 x FTE time over 3 months	- Cost of current limited (limited Year 1 scope) assurance is consistent costing for full limited in future years 50% of current assurance time is spent on Metrics & Targets assurance - NGER assurance is acceptable for Metrics & Targets assurance.	\$284,000
C and D	50,000 2 x FTE time over 3 months	50% of current assurance time is spent on Metrics & Targets assurance - NGER assurance is acceptable for Metrics & Targets assurance	\$250,000

*Cost is calculated based on current assurance cost and listed assumptions. The costs are annualised (averaged over a 3-year period to account for the recommended option with some components being 3 yearly)

References

- i <https://aluminium.org.au/about/our-members/>
- ii <https://www.industry.gov.au/sites/default/files/2026-07/resources-and-energy-quarterly-june-2026.pdf>
- iii <https://aluminium.org.au/wp-content/uploads/2023/02/230217-Aluminium-Climate-Related-Financial-Disclosure.pdf>
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