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Improving the Efficiency of Climate-related Financial Disclosures

The Civil Contractors Federation National (CCF National) is the national peak body for the civil construction and maintenance industry, with 1,200 contractor members with CCF Branches in every State and Territory across Australia.

Our industry underpins the delivery of every major infrastructure program across the country. Our members build the roads, bridges, subdivisions, and enabling infrastructure that supports every community in Australia.

CCF National welcomes the opportunity to provide feedback on the Treasury Consultation Paper *Improving the Efficiency of Climate-related Financial Disclosures*.

A. Introduction

Some of our Group 1 reporting entities completed their first year of mandatory climate-related financial disclosures under AASB S2 in FY26. These members are privately owned infrastructure contractors, and our submission is based on their practical experience preparing and obtaining assurance across their first sustainability reports.

CCF National supports the objectives of the climate-related financial disclosure regime and recognises the importance of improving transparency regarding climate-related risks and opportunities. However, our members' experience suggests there are opportunities to improve the efficiency of the framework without reducing disclosure quality or materially impacting international alignment.

A significant proportion of the effort associated with AASB S2 reporting is, according to our members, not related to data collection. Rather, the most resource-intensive aspects involved interpreting and evidencing compliance with subjective and principles-based disclosure requirements.

Considerable time is being spent by management, advisors and assurance providers having to debate ambiguous disclosure wording, materiality assessments and the application of professional judgement, often resulting in multiple revisions that we firmly believe have limited impact on the usefulness of information provided to users.

In our view, the greatest efficiency gains in amending the process will come from reducing uncertainty around interpretation, materiality assessments and assurance expectations, rather than changing the fundamental reporting requirements.

Many civil contractors are already subject to multiple sustainability-related reporting frameworks. These can include National Greenhouse and Energy Reporting (NGER) requirements, Infrastructure Sustainability Council (ISC) ratings, government client sustainability reporting obligations, lender ESG reporting requirements, Modern Slavery reporting and procurement-related sustainability disclosures. A recurring concern raised by members is the duplication of data collection, verification and assurance effort across these frameworks.

CCF encourages Government to prioritise greater interoperability between existing sustainability reporting frameworks to minimise duplicate compliance activities while maintaining disclosure outcomes.

Treasury has asked that submissions address how each proposal supports or detracts from its four guiding principles: reducing compliance costs, maintaining alignment with IFRS S2, minimising disruption for reporting entities, and leaving more systemic issues to the 2028-29 Review. We address these throughout. In summary, the changes we propose are largely to guidance, interpretation and process rather than to AASB S2 itself, so they would reduce cost without affecting international alignment, and could be introduced with little disruption to entities that have already invested in their reporting systems.

B. Treasury Proposal 1: Adjusting assurance setting

CCF National's members prefer Treasury's ***Option 1a – Maintain Limited Assurance*** as the ongoing assurance requirement for climate-related financial disclosures.

Our members' first-year reporting experience revealed that the current framework of *Limited Assurance* already requires significant management effort, governance oversight, documentation, auditor engagement and iterative review processes. Although this effort is already considerable, our members feel the current framework provides an appropriate balance between increasing confidence in disclosures and maintaining a proportionate compliance burden on reporting entities.

While assurance is an important component of the regime, contractor members are not persuaded that transitioning to reasonable assurance would deliver benefits proportionate to the additional cost and effort required by both reporting entities and assurance providers.

In our members' experience, many assurance discussions centred on judgement-based matters rather than factual inaccuracies or deficiencies in underlying data. Significant time is spent by our members having to resolve ambiguities in disclosure wording, materiality assessments, the level of detail required within disclosures and the evidence necessary to support particular statements.

As a result, a substantial proportion of the assurance process is spent focused on interpretation rather than verification.

This suggests the primary challenge for our members in relation to the current framework is not the level of assurance being applied, but the inherent subjectivity associated with certain disclosure requirements.

Maintaining the *Limited Assurance* framework would:

- Reduce future compliance costs for reporting entities.
- Maintain consistency with international practice, where few if any jurisdictions currently plan to move to reasonable assurance.
- Allow reporting entities and assurance providers to focus on improving reporting processes and governance maturity.
- Avoid introducing a more onerous assurance requirement where significant judgement and uncertainty remain embedded in many disclosures.

Against Treasury's principles, retaining Limited Assurance would lower compliance costs and avoid disruption to entities' existing arrangements. As the Consultation Paper notes, few if any jurisdictions currently plan to progress to reasonable assurance, so it would also support, rather than weaken, international alignment. Entities that wish to obtain a higher level of assurance voluntarily, for example to meet client or financier requirements, would remain free to do so.

If Government does not adopt Option 1a, CCF National would prefer Option 1b (delaying the transition to reasonable assurance until 2035) over Option 1c. A two-tier model would add complexity for preparers and assurance providers, and would still bring a higher level of assurance and its associated cost to the emissions disclosures that members are already reporting. In either case, any move to reasonable assurance should be conditional on demonstrated market capability, data maturity and greater certainty in how materiality and estimation requirements are applied.

Costs and Effort

Given the different sizes and commercial operating choices of our members, CCF National has not sought to quantify costs for the purposes of this submission.

However, our members have provided clear feedback that preparing and assuring their first sustainability report has been onerous, and even our larger members have required a substantial commitment of management time and resources across sustainability, finance, executive leadership and external assurance providers.

User Demand and Benefits

Our members acknowledge increasing market interest in sustainability-related information from government clients, financiers, insurers and supply chain partners. However, much of this information is already being collected through existing procurement processes, Infrastructure Sustainability Council (ISC) requirements, prequalification frameworks, financing arrangements and project-specific sustainability obligations. We understand that members have not yet observed a corresponding increase in demand for the incremental disclosures generated through AASB S2 reporting.

At this early stage of implementation, the costs of preparing and assuring disclosures remain more readily observable than any incremental benefits generated through improved decision-making by report users. This consideration is particularly relevant when our members have evaluated whether the additional costs associated with reasonable assurance can be justified.

C. Treasury Proposal 2: Improving Consistency in the Application of Existing Requirements

CCF National strongly supports Treasury's Proposal 2.

Based on our members' first-year reporting experience, additional guidance is likely to provide a significant improvement in reporting efficiency while maintaining disclosure quality and international alignment.

Application of "Undue Cost or Effort"

The concepts of "reasonable and supportable information" and "undue cost or effort" are important proportionality mechanisms within the Australian Accounting Standards Board S2 *Climate-related Disclosures* (AASB S2).

While the Australian Securities and Investments Commission (ASIC) and the AASB have published guidance materials on these concepts, our members' experience is that significant uncertainty remains regarding how preparers and assurance providers should apply them in practice. This uncertainty could result in conservative interpretations, extensive documentation requirements and prolonged assurance discussions, increasing compliance costs without necessarily improving the usefulness of disclosures.

Materiality and Financial Impact Assessments

The most significant challenge our members experienced during implementation related to assessing materiality and determining whether climate-related risks and opportunities should be quantified financially.

A recurring challenge throughout both the reporting and assurance process was determining whether estimated financial impacts were sufficiently reliable and decision-useful to warrant disclosure.

In many cases, entities may be able to develop indicative estimates. However, those estimates can be subject to significant uncertainty and may not be sufficiently precise to provide meaningful information to report users.

Considerable effort was spent by members assessing:

- Whether a financial impact estimate could be determined with sufficient reliability;
- Whether estimates were sufficiently robust to withstand assurance scrutiny;
- Whether high-level estimates would provide meaningful information to report users;
- Whether uncertainty surrounding estimates supported qualitative rather than quantitative disclosure; and

- Whether impacts that appeared relatively small should nevertheless be disclosed because materiality could not be determined with a high degree of confidence.

For private companies, these challenges can be particularly acute.

These challenges are further amplified for project-based infrastructure contractors. Civil construction businesses typically operate on relatively low margins under competitively tendered contracts and have limited ability to recover additional compliance costs. Unlike many corporate reporting entities, risk profiles, supply chains and operational activities can vary significantly between projects, creating additional complexity when assessing long-term climate risks, opportunities and financial impacts.

In some circumstances, an entity may be able to estimate a financial impact, but the estimate may be highly uncertain, relatively immaterial, commercially sensitive, or all three. There is currently limited guidance on when qualitative disclosure is sufficient and when quantitative disclosure is genuinely expected.

As a result, significant management and assurance effort can be devoted to debating disclosure outcomes rather than improving the quality of information itself.

Recommended Areas for Additional Guidance to Improve Consistency

We believe additional guidance would be most valuable in the following areas:

- Practical application of climate-related materiality assessments;
- Determining when qualitative disclosure is appropriate;
- Determining when quantitative financial impacts should be disclosed;
- Application of the "undue cost or effort" concept;
- Evidence and governance processes needed to conclude that an entity has no material climate-related risks or opportunities;
- Examples demonstrating acceptable levels of estimation uncertainty; and
- Industry-specific examples and practical case studies.

Guidance on both when qualitative disclosure is sufficient and when quantitative financial estimates are genuinely expected, would significantly improve reporting efficiency and consistency between reporting entities and assurance providers.

As the Consultation Paper notes, further guidance would be issued by ASIC, the AASB and the AUASB. It is important that guidance reaches assurance providers as well as preparers, and that it is consistent across those bodies, so that preparers can rely on it in practice. This approach meets Treasury's principles: it lowers compliance costs, requires no change to AASB S2, and can be introduced without disrupting existing reporting arrangements.

Members also note that significant implementation effort is currently associated with establishing whether disclosure decisions will withstand subsequent assurance scrutiny. We recognise the Consultation Paper's preference for guidance over legislative change, and the existing modified liability and "reasonable steps" settings. Within those settings, ASIC, the AASB and the AUASB should consider safe-harbour style guidance, including a clear statement of how good-faith judgements will be treated, where reporting entities have applied recognised methodologies, exercised reasonable professional judgement and implemented appropriate governance processes. Greater certainty in this area could significantly reduce compliance effort without diminishing disclosure quality.

D. Treasury Proposal 3: Setting Clearer Boundaries on Value Chain Information Requests

Our members have not yet commenced mandatory Scope 3 reporting, but they have existing experience obtaining sustainability-related information from suppliers through Infrastructure Sustainability Council (ISC) requirements and project-specific sustainability obligations.

Based on this experience, we anticipate that supplier engagement, data quality and information verification will become significant challenges as Scope 3 reporting requirements mature.

CCF National supports both Option 3a (additional guidance on what constitutes a reasonable request for information from a reporting entity's value chain) and Option 3b (improved domestic emissions factors), and considers that they work best together.

Government-Supported Emissions Factors

CCF National strongly supports increased availability of publicly accessible domestic emissions factors and other credible secondary data sources.

Reliable government-supported emissions factors would:

- Reduce the volume of supplier information requests.
- Improve consistency between reporting entities.
- Lower compliance costs throughout the value chain.
- Provide a practical solution in sectors where primary data is difficult to obtain.

This is particularly relevant within infrastructure and construction supply chains, where supplier capability and reporting maturity can vary significantly. Without clear boundaries regarding reasonable supplier information requests, there is a risk that reporting obligations are progressively transferred down contracting chains to smaller businesses that are not themselves subject to mandatory reporting requirements. This could create a disproportionate compliance burden on SMEs while delivering limited improvement in reporting outcomes.

Civil contractors see both sides of this issue. Many are reporting entities that will need to request information from their suppliers and subcontractors, and many others are suppliers or subcontractors that will receive requests from several reporting clients. We suggest priority be given to emissions factors for the

materials and inputs most used in civil construction, such as concrete, steel, asphalt, bitumen, aggregates and fuel.

Standardised Supplier Information Templates

We also support the development of standardised supplier information request templates.

Although reporting entities should retain flexibility to request additional information where necessary, a standard baseline template would provide several benefits:

- Increased consistency across reporting entities.
- Reduced duplication of effort.
- Lower burden on smaller suppliers.
- Reduced confusion resulting from multiple customers requesting similar information in different formats.

While Treasury has raised potential concerns regarding standardisation, our members' experience suggests that many smaller suppliers are likely to benefit from greater consistency across reporting requests.

We note the Consultation Paper's concern that a template could encourage reporting entities to request data when secondary estimates would suffice, as AASB S2 permits. We believe this concern can be managed in the design of the template. It could be positioned as a baseline set of questions to be used only where a reporting entity has determined that secondary data or emissions factors are not sufficient, and be paired with guidance that secondary data should be considered first.

While standardisation should not restrict reporting entities from seeking project-specific information where appropriate, CCF National believes a standard baseline supplier information request template would substantially reduce duplication across the market and provide greater certainty to suppliers responding to requests from multiple reporting entities.

Verification and Assurance Expectations

An additional issue that warrants consideration is the verification of supplier-provided information.

As reporting entities become increasingly reliant on information obtained from suppliers, questions arise regarding:

- The extent to which supplier-provided information must be verified.
- The level of assurance expected over supplier-provided data.
- Whether assurance expectations will progressively extend further through supply chains.

Additional guidance in this area would improve consistency and reduce uncertainty for both reporting entities and assurance providers. Members are concerned that assurance expectations may progressively extend deeper into supply chains over time, creating increasing reporting and verification obligations for subcontractors and suppliers. Clarifying the reasonable level of reliance that reporting entities may place on supplier-provided information would improve certainty and reduce unnecessary compliance costs.

E. Opportunity 2: Sustainability Assurance Capability

Our members' first-year reporting experience has highlighted the important role of sustainability specialists within assurance engagements.

Climate-related reporting requires expertise across greenhouse gas accounting, climate risk assessment, scenario analysis, transition planning and financial reporting. Consequently, assurance engagements frequently require the involvement of both traditional assurance practitioners and sustainability specialists.

While capability across the market continues to develop, our members' experience suggests that greater consistency in the application of reporting requirements is likely to deliver more immediate benefits than increasing assurance requirements.

Further guidance and consistency in assurance expectations would help reduce implementation effort while maintaining confidence in reported information.

F. Additional Comments

The infrastructure sector has invested significantly in recognised sustainability programs such as Infrastructure Sustainability Council (ISC) ratings and government infrastructure sustainability requirements. These frameworks already require reporting, verification and governance processes across many sustainability-related metrics. Treasury should consider whether there are opportunities to improve alignment between these established frameworks and climate-related financial disclosure requirements to reduce duplication and improve efficiency.

Our members' experience has highlighted that the user base for sustainability reports differs significantly between privately owned reporting entities, and listed entities. While listed companies report to a broad range of investors and capital market participants, private companies often have a much narrower group of report users.

Despite this, private entities are subject to substantially the same reporting and assurance requirements and compliance burden as listed entities. As we have mentioned in this submission, at present the costs of preparing and assuring disclosures are easier to observe than the benefits generated through improved decision-making by report users.

CCF National welcomes the 2026-27 Budget decision to raise the large proprietary company thresholds, which will relieve smaller Group 3 entities from mandatory reporting. We ask that the timing of that change be confirmed as soon as possible, so that affected entities can plan accordingly.

As the regime matures, the 2028-29 Review and future reviews should continue to consider whether reporting obligations remain proportionate to the benefits delivered across different entity types. There may be merit in considering aspects of international approaches that initially focused mandatory reporting requirements on publicly listed entities, reflecting their broader investor base and greater reliance on public capital markets.

More broadly, CCF National encourages the Government to prioritise reforms that reduce interpretive uncertainty, improve consistency and provide practical implementation guidance. Based on our members' first-year experience, these measures are likely to deliver greater efficiency benefits than changes to the underlying reporting framework itself.

Conclusion

CCF National supports the objectives of Australia's climate-related financial disclosure regime but believes there is opportunity to improve reporting efficiency while maintaining disclosure quality and international alignment.

Based on our members' first-year reporting experience, we recommend that the Government:

- Maintain *Limited Assurance* as the ongoing mandatory assurance requirement;
- If Option 1a is not adopted, delay the transition to reasonable assurance until 2035 (Option 1b).
- Provide practical guidance on materiality, undue cost or effort and disclosure of financial impacts, including regulator guidance on how good-faith judgements will be treated;
- Increase the availability of government-supported emissions factors and secondary data sources;
- Clarify assurance and verification expectations for supplier-provided information;
- Improve interoperability between climate-related disclosure requirements and existing sustainability reporting frameworks; and
- Use the 2028-29 Review to test whether reporting obligations remain proportionate for privately owned entities.
- Provide a standardised baseline supplier information request template and clearer limits on supply chain verification expectations.

Our members' experience indicates that reducing uncertainty around judgement, interpretation and assurance expectations would deliver the most meaningful reduction in compliance burden while preserving the integrity and usefulness of climate-related financial disclosures.

For further discussion on this submission, please contact Rowan Carter, Director of Policy and Advocacy rcarter@civilcontractors.com

Yours sincerely,

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