



**CEMENT INDUSTRY  
FEDERATION**



**CEMENT INDUSTRY FEDERATION  
SUBMISSION**

*Climate-related financial disclosure*  
Consultation paper

**17 February 2023**



**BORAL™**



## Introduction

Thank you for the opportunity to contribute to consultation on the *Climate-related financial disclosure Consultation Paper*.

The Cement Industry Federation (CIF) is the national body representing all Australian integrated cement manufacturers – Adbri Ltd, Boral Cement Ltd and Cement Australia Pty Ltd.

Cement is the critical material required to produce most cement and concrete types used in Australia. Cement is a critical input for Australia's residential and commercial construction industry, as well as for major infrastructure projects.

After water, concrete (including cement) is the most used material in the world and will continue to be crucial in supporting a modern world.

## About Australia's Cement Industry

The Australian integrated cement manufacturing industry is a domestically focused sector with the majority of production consumed locally.

As such, Australian cement manufacturing is referred to as an 'import-competitive' sector, which means it must keep production costs lower than its international counterparts to remain competitive.

Cement manufacturing and distribution provides thousands of jobs and critical investment in regional Australia as well as the suburban and industrial areas of our cities.

A key current and future focus is decarbonising our sector whilst maintaining international competitiveness. This will not be an easy task and will require action across the full cement and concrete value chain.

A recent report by VDZ – Decarbonisation Pathways for the Australian Cement and Concrete Sector - found that the investment required to decarbonise the cement and concrete sector will be significant and that government incentives, as well as changes to standards and procurement policies, will need to be implemented to support our net zero strategy.

The following comments should be read in the context of the industry's focus on the challenges and opportunities of decarbonising our sector by 2050, which will require significant effort across the full value chain.

## Covered Entities and Timing

**A phased, trial period approach is recommended in the first instance to ensure the framework is robust and cost effective.**

Any mandatory climate-related risk framework must be carefully developed in full consultation with key sectors of the economy to minimise unintended consequences as well as the reporting burden on participants.

A phased, trial period approach would give businesses time to develop and implement any additional systems and measures that will be required. Such an approach would also allow for the development of related services (e.g., audit capacity) and for further consideration of less well-defined reporting elements (such as Scope 3 emissions for example).

A trial period would also allow for due consideration to be given to how the framework relates to other domestic and international reporting schemes – with a particular focus on removing duplication and streamlining reporting requirements wherever possible across all Australian programs and jurisdictions.

Ideally, the initial trial period would be held over at least one full reporting year to allow time for systems and measures to be developed and implemented. Alignment with proposed future reviews of related climate policy, such as the SGM in 2026-27, should also be considered as this would allow for the framework to be adjusted as required.

Future phases should be based on the outcomes of the initial trial phase/s and incorporate the key learnings into the process.

## **International Alignment of Disclosures**

**The standardisation of climate-risk related reporting in Australia and internationally is supported in principle.**

Aligning with international ‘best practice’ wherever possible should be a key goal of any Australian climate-risk reporting framework – noting that there are several different types of risk reporting frameworks and associated metrics to consider (e.g., reporting cycle length and materiality definitions).

This is on the proviso that such an approach does not unduly impact on the international competitiveness of companies/corporations operating in Australia – especially those operating in critical manufacturing sectors such as cement, concrete and lime.

An effective Australian climate-risk reporting framework would incorporate the most favourable aspects of international best practice into a balanced and streamlined approach that minimises the reporting burden on affected parties whilst achieving the required levels of reporting.

## **Periodic Reporting Requirements**

**New reporting requirements should build on existing practice in Australia with a key focus on minimising any additional regulatory burden and costs.**

Any new reporting framework should allow for the continuation of existing reporting practices (e.g., annual reports, sustainability reports etc.) where a company’s/corporation’s climate reporting requirements are in line with current (e.g., ASIC regulatory guidance) and future regulatory guidance.

## **Materiality of Climate Risks**

**Materiality is typically best determined by reporting entities subject to appropriate guidelines.**

In terms of climate reporting, a materiality threshold is generally put in place by the reporting entity to avoid spending a disproportionate amount of time focussing on emissions from sources that are relatively small in terms of the overall emissions profile for the entity. Such emissions remain a part of the analysis, however they are typically aggregated and subject to differing degrees of certainty.

This is common practice amongst international programs (e.g., TCFD and CDP) and should be maintained in any new reporting framework.

Assurance requirements in the context of any new climate-related risk disclosure framework should consider the current levels of assurance required under existing schemes such as the National Greenhouse & Energy Reporting scheme (NGERs), as well as the capacity of providers to meet any possible increase in demand for auditing services.

## Scope 3 Emissions

**Mandatory Scope 3 emissions reporting should not be included in the initial data reporting framework until clear definitions and reporting methodologies are developed.**

The reporting of Scope 3 emissions is complex and each industry sector has its own set of challenges in determining and collecting material Scope 3 emissions data across the value chain.

An initial trial phase could allow for entities to voluntarily include specific Scope 3 emissions, where materiality is defined by the entity and where the information is robust and readily available. Under this approach the goal would be to build confidence in the understanding and subsequent wider reporting of Scope 3 emissions.

The trial would also allow for learnings from best practice international programs to be considered and implemented wherever possible.

## Costs, Benefits and Supporting Information

**Any mandatory climate-related disclosure framework needs to be designed with the intention of keeping compliance costs as low as possible.**

The costs of meeting existing climate reporting requirements for all stakeholders, including the mandatory National Greenhouse and Energy Reporting scheme (NGERS), voluntary schemes (such as CERT) as well as shareholders, are not insignificant in terms of internal resources as well as the relevant auditing requirements.

However, these reporting requirements generally have, in consultation with industry, been developed and tweaked over time to ensure they are as streamlined as possible and CIF members are well versed in their application.

The benefits include consistent and streamlined reporting of the relevant data as required, keeping in mind that the energy and emissions component of cement and lime manufacturing are already a critical focus of the day-to-day operations of these facilities.

A key consideration that must be top of mind when discussing public reporting of climate and energy data at a facility level is competitiveness – especially given the limited number of Australian facilities and the relative ease of associating energy and emissions data with production.

This remains a key competitiveness concern for our sector.

## Other Implementation Issues

### Sustainability Reporting

The focus of this consultation is to consider the design elements of a possible climate-risk disclosure framework in support of the Government's climate reporting commitments. Given the short timeframes involved and the complexity of the task this should remain the sole focus of this consultation.

From an industry perspective, sustainability and the associated reporting of key metrics, is fundamental to maintaining a social licence to operate. This is especially the case for industries that operate in regional and sometimes small communities, where there is a strong focus on key sustainability metrics (e.g., dust, noise, air quality etc.) as part of the day-to-day operation of the facility.

As such, understanding and communicating performance and identifying risk to stakeholders has always been a fundamental aspect of doing business for integrated cement manufacturers in Australia.

The incorporation of other sustainability reporting into possible a climate-risk disclosure framework should only be considered if there is a demonstrated requirement to do so.

Digital reporting is supported in principle provided that it is not mandatory and is developed in close consultation with industry (e.g., as part of a phased trial).