

9 February 2024

Director  
Climate Disclosure Unit  
Climate & Energy Division  
Treasury  
Langton Cres  
Parkes ACT 2600

Dear Director

**Re: Climate-related financial disclosure: exposure draft legislation**

The Australian Food and Grocery Council (AFGC) welcomes the opportunity to contribute to the Climate-related financial disclosure: exposure draft legislation consultation, given our members, continue to actively engage in advancing their greenhouse gas (GHG) emission reduction and reporting.

The AFGC is the leading national organisation representing Australia's food, beverage and grocery manufacturing sector. With an annual turnover in the 2021-22 financial year of \$144 billion, Australia's food and grocery manufacturing sector makes a substantial contribution to the Australian economy and is vital to the nation's future prosperity.

The diverse and sustainable industry is made up of over 17,000 businesses ranging from some of the largest globally significant multinational companies to small and medium enterprises. Each of these businesses contributed to an industry-wide \$3.2 billion capital investment in 2021-22.

Food, beverage and grocery manufacturing together form Australia's largest manufacturing sector, representing over 32 per cent of total manufacturing turnover in Australia. The industry makes a large contribution to rural and regional Australian economies, with almost 40 per cent of its 271,000 employees being in rural and regional Australia.

**Addressing Scope 3 emission data capture and reporting**

Our members continue to progress in understanding, collecting, and reporting scope 1 and 2 emissions. However, we wish to draw your attention to the pressing need for a standardised industry approach to address scope 3 emissions. Achieving consistent reporting, employing standardised measures, and utilising industry emissions factors are crucial for meaningful and accurate disclosures.

In light of the recent publication by the ACCC on "Making Environmental Claims" in December 2023, our members are eager to ensure that their climate-related financial disclosure reporting impeccably aligns with the guidelines outlined in this comprehensive guide for businesses. The emphasis on aligning with these standards underscores the imperative for the expeditious development of industry-aligned Scope 3 emissions protocols. This proactive approach not only ensures compliance but also positions our members at the forefront of sustainability practices, reinforcing their commitment to environmental responsibility and transparency in the corporate landscape.

## **End Food Waste Australia (EFWA) – GHG Working Group**

In collaboration with EFWA, specifically through our partnership with their GHG Working Group, we are actively addressing the intricate challenge of scope 3 emissions within the food supply chain. Notably, emissions from food loss and waste represent a substantial portion of total greenhouse gas emissions across our member's value chains. Our ongoing collaboration seeks to leverage existing global leading UK frameworks and develop tools and emissions factors which are common to the industry and specific sectors to support our members in reporting and reducing their carbon footprint in the Australian context.

The GHG Working Group has identified key strategic programs, including the development of a Scope 3 Value Chain Emissions Protocol, a standardised supplier reporting mechanism, a Net Zero Guidance package, and an emissions factor database applicable to Australia. These initiatives align with our commitment to creating a library of resources.

We firmly endorse the overarching principle of Scope 3 reporting as a catalyst for transparency and actionable steps in reducing emissions. Recognising the inherent complexity in the food industry's adoption of Scope 3 reporting, we emphasise the need for additional time to support businesses' ability to report Scope 3 effectively. EFWA is actively collaborating with major food industry players to pilot Scope 3 protocols this year, paving the way for published guidance tailored for food and drink companies in Australia. The output of the work being undertaken will deliver a more standardised and impactful approach to emissions reporting within the industry.

## **Timelines for reporting**

Our members have expressed concerns regarding the proposed timeline for climate-related financial disclosures. Many businesses, particularly SMEs, require additional time to build awareness and literacy and allocate resources for the new reporting framework. The impact on SMEs lacking dedicated sustainability resources could be significant.

To address these concerns, we support the proposed phased approach to commencing reporting requirements. However, we recommend pushing the commencement date for Group 1 reporting entities to 1 July 2026 or later to support our member's readiness to meet the proposed disclosure requirements. Additionally, we advocate for a longer timeframe to phase in Scope 3 reporting requirements and a continuous improvement model for Scope 3 reporting. This will allow businesses the time to embed reporting practices and support the entire value chain in upskilling and compliance.

Moreover, we seek further guidance and tools to facilitate a smoother transition for our members. Adequate support ensures accurate and informed reporting and minimises duplication, complexity, and resource impacts.

## **Assurance**

AFGC and our members would like to highlight that the implementation of assurance programs will introduce substantial resource and cost implications for business. Acknowledging the commitment to aligning climate disclosures with the rigorous standards set by the Corporations Act for financial reports, our members are cognisant of the financial and operational challenges associated with obtaining assurance reports from financial auditors. Leveraging technical climate and sustainability

experts adds another layer of resource investment. The Australian Auditing and Assurance Board's (AUASB) phased approach, commencing with the assurance of Scope 1 and 2 emissions disclosures from July 1, 2024, and extending to all climate disclosures from July 1, 2030, presents a timeline that our members must carefully navigate while considering the associated resource demands.

Our members request that assurance not be made mandatory for the initial year, followed by a requirement for limited assurance spanning 2-3 years. Subsequently, mandate reasonable assurance, contingent upon the availability of suitable methodologies at that juncture. This approach ensures a phased and pragmatic implementation aligned with evolving capabilities.

### Further feedback

In addition to the above, we would like to bring to your attention several additional points for your consideration:

- Continuous Improvement: It is imperative to grant businesses the necessary timeframe to integrate and iteratively enhance their reporting. This accommodation is vital as the landscape of ESG and sustainability is dynamic, and ongoing technical advancements promise to elevate the data sets and standards of reporting. Enabling companies to adapt as data and comprehensive information permeate through their value chains ensures a more robust and responsive approach to evolving industry requirements.
- Global Alignment: Emphasising the need to align reporting demands with leading countries/regions, recognising the global presence of most large consumer packaged goods (CPG) firms.
- ANZ Alignment: Alignment with the Australian and New Zealand (ANZ) region as much as possible, considering the global presence of most large CPG firms.
- Climate Risk vs. Severe Weather Events: Addressing the challenge of distinguishing between long-term climate risks/opportunities and severe weather events, considering the implications for strategic decision-making.
- Rising Temperatures and Crop Choices: Recognising the potential impact of rising temperatures on crop choices, with discussions on climate responses as opportunities and significant strategic decisions for companies/sectors.
- New Processing Technologies: Highlighting noteworthy initiatives, such as introducing new processing technologies and practices overseas, such as water-use efficiency and natural genetic resistance to pests and diseases.
- Crop Varieties Disparity: Pointing out the variance in the various crop varieties sold in Australia and globally.
- Evolution of Reporting Space: Acknowledging the need for time for our members to navigate this evolving reporting space and the lack of reliable data being available across value chains due to differing maturity levels across the spectrum.
- Ongoing Education and Integration: Stressing the importance of viewing the ongoing education and integration of requirements as an evolving necessity, considering the intricate nature of the task, resource demands, and the continually shifting landscape.
- Multinational companies: We acknowledge that many of our members currently report on global reporting undertaken by their companies and that they need time to implement additional reporting to meet the proposed reporting requirements.

- Acquisitions and Mergers: Ensure time is given for a merged or acquired company to submit its operational reports, allowing sufficient duration for the seamless integration of corporate controls.

In conclusion, we appreciate the government's commitment to addressing climate-related financial disclosure but request that the release of the legislation be delayed and the transition period be extended to allow our members to meet the reporting requirements whilst remaining focused on emission reductions. The AFGC's members aim to work collaboratively towards a sustainable future, and we believe that the proposed adjustments to the commencement dates, additional support mechanisms, and the highlighted points above will contribute to the successful implementation of the legislation.

Thank you for considering our members' feedback. We look forward to continued collaboration to achieve our shared goals.

Yours sincerely,



Barry Cosier  
Director – Sustainability  
Australian Food and Beverage Council