

25 July 2023

Climate Disclosure Unit
Market Conduct and Digital Division
The Treasury
Langton Crescent
Parkes ACT 2600

via email: climatereportingconsultation@treasury.gov.au

Dear Consultation Team,

Re: Climate-related financial disclosure – Consultation paper

The Australian Beverages Council Limited (ABCL) is the leading peak body representing the non-alcoholic beverage industry for over 75 years, and is the only dedicated industry representative of its kind in Australia.

ABCL members constitute around 95 per cent of the industry's production volume and Member companies range from some of Australia's largest drinks manufacturers to small and micro beverages companies whose drinks are enjoyed nationally and globally. Collectively, ABCL members contribute more than \$7 billion annually to the Australian economy and employ more than 46,000 FTEs. The industry pays over \$1.2 billion in taxation along its supply chain per annum. For every direct employee in the beverages manufacturing industry, there are an additional 4.9 jobs generated elsewhere in the Australian economy along its value chain.

The ABCL offers members a unified voice and presence to promote fairness in the standards, regulations, and policies concerning non-alcoholic beverages.

Previous engagement on Climate-related Disclosures

The ABCL previously provided comments to the Australian Accounting Standards Board Request for Comment on Draft IFRS S1 and IFRS S2 in mid-2022, as well as Treasury's initial consultation on this topic in February 2023. We are grateful for the opportunity to continue engagement on this topic through the Treasury.

Phased adoption of requirements

We support Treasury's decision to adopt a tiered approach to initialising reporting obligations, which is necessary for preparing smaller businesses for the transition. However, we are concerned that a 2024-2025 roll out of requirements is premature given the status of program development 11 months from initialisation. The consultation paper acknowledges multiple details (such as NGER Act aligned emission estimations for agricultural or land use) which are not finalised and are anticipated to be provided "over time". To have a successful and smooth roll out of this program, we would submit that Treasury considers delaying the initialisation of the program by at least 12 months to ensure all processes and standards are in place before launch. Simply put, it is inappropriate to introduce mandatory, enforceable disclosures before the Australian standard for reporting has been completely

finalised. Uncertainty in any regard will add labour, risk, and cost to businesses working to do the right thing.

Alignment to NGER Act emissions calculations

While we understand the benefit from a national data perspective in aligning to NGER Act emissions calculations, the IFRS standard and many other sustainability certifications and requirements are aligned to the Greenhouse Gas Protocol standard. With ISSB aligned to GRI and taking over the Taskforce on Climate Related Financial Disclosures from 2024, all education and outreach on an international level will be done to the GHG Protocol specifications. Australian businesses could be put at a disadvantage globally if this program does not allow for a choice between NGER Act and GHG Protocol emissions calculations. This is particularly true for small and medium business with limited resources, who should have the opportunity to align to a standard which will give them the most synergy with other global sustainability initiatives.

Scope 3 emissions requirements

Both businesses and international sustainability organisations admit that Scope 3 reporting is in its infancy, relying on innovators to develop and commercialise measurement solutions that can be more widely adopted. As the reporting landscape exists right now, Scope 3 sustainability software and consultants can run upwards of \$100k for even \$50 million revenue and above businesses. With less in-house labour and financial resources to dedicate to sustainability reporting, we believe Group 3 should be allowed to focus on adopting Scope 1 and 2 emissions only until such time standardisation in Scope 3 reporting enables more streamlined adoption. This could be revisited in 2027 at the time of group initialisation to facilitate roll out over the first 24 months.

Qualitative and quantitative scenario analysis

Of all the proposals put forth by Treasury, incorporating scenario analysis was the requirement that member companies felt they least understood and were least prepared to execute. In general, scenario analysis is a new and emerging field in sustainability reporting that lacks harmonised guidance across industries. While we are not opposed to its inclusion in the future, we believe the government would need to facilitate this process through the development of program-specific guidance and standards. We would encourage Treasury to facilitate that process before mandating scenario analysis.

Overall cost of program implementation

While many companies in Group 1 have longstanding sustainability programs embedded throughout their organisations, many businesses in Groups 2 and 3 are just starting out on their sustainability reporting journeys. This means they have significant work remaining to operationalise and embed these requirements. Our Group 2 and 3 members estimate it will take anywhere from \$150,000-\$500,000 dollars annually to install and maintain this program in their businesses, which is a significant burden for SMEs, particularly in the face of multiple other inflationary pressures. It is from this operational reality that we present the above comments, which centre on executing the confirmed aspects of the program now and allowing more time to finalise the outstanding requirements.

Removal of this uncertainty would significantly reduce the cost and labour associated with transitioning to the standard. Quite simply, smaller businesses do not have the capacity to test propositions or explore options. They need concrete guidance and potentially funding to execute their obligations in this new regulatory reality.

Conclusion

We thank you for the opportunity to provide our comments to the consultation on behalf of the non-alcoholic beverages industry. Should you have any queries regarding the above, please do not hesitate to contact the ABCL Head of Corporate Affairs, [REDACTED]

[REDACTED]

Yours sincerely,

[REDACTED]

[REDACTED]

Chief Executive Officer