[redacted]

From: [redacted]
Sent: Friday, 21 July 2023 7:20 PM
To: Climate Reporting
Subject: Climate-related financial disclosure: Second consultation submission

Dear Climate Disclosure Unit,

RE: CLIMATE-RELATED FINANCIAL DISCLOSURE - Second Consultation

I am a sustainability professional (BEng Environmental/BScience Geographical Science) with both Australian and international (UK and Hong Kong) experience in catchment management, energy management, small scale renewable energy systems, sustainability and GHG reporting. I am also a member of a successful family run beef cattle enterprise situated in western Queensland.

I welcome the opportunity to respond to this consultation and offer the following for your consideration.

<u>Climate-related financial disclosure consultation - Introduction</u>

In your opening (page 3) you state:

"Stakeholders were almost universally supportive of the Government mandating climate-related risk disclosures."

I believe this sentence to be mis-leading and untrue. Do you refer to the stakeholders who responded to this consultation, or all affected stakeholders? It suggests that all stakeholders – whether they responded or not – are almost all universally supportive which you have not, and cannot substantiate.
Of the 180 named responding stakeholders, listed on the Treasury's webpage, approximately:

- 27% were from the professional services sector;
- 24% from the investment/finance sector;
- 17% from academia or research entities.

That equates to approximately 68% of respondents who are set to significantly benefit from the introduction of mandatory reporting.

"*The reform is also likely to increase the level of demand for professional services." (page 7)*

It goes without saying that those in the professional services sector would support mandatory reporting as it will be exceptionally profitable for business, potentially in perpetuity. This financial benefit will also be realised by academics, universities and research bodies as they look to develop the supporting reporting tools, education, and training to fill the "skills" gap, and the obvious funding opportunities that will flow. As so often, the opportunity costs of such focus have not been assessed.

The whole premise of this mandatory standardisation of reporting is to the benefit of investors, asset managers and those in the finance sector. There is no skin off their noses nor burden incurred. Investors, banks and consumers demand certainty and assurance of sustainable best practice though without any appreciation of the cost to companies and inadvertently to themselves, as taxpayers.

Only 23% of these responding stakeholders would bear the full brunt of these proposals, with the majority representing critical pillars of the Australian economy and stewards of our natural capital and landmass.

"*It is important to our producers, that the unique and sustainable nature of beef production systems in Australia is understood and valued in discussions about climate reporting and emissions reduction. Simply imposing standards* *and frameworks that have been developed overseas will not necessarily lead to the same outcomes under Australian conditions." – Cattle Australia, consultation response.*

Australia's agricultural producers manage over half of the Australian landmass with the beef industry being stewards of 80% of this land. They are some of the key entities to which climate change is most material, and whose council you should genuinely seek.

The list of stakeholders who responded to the initial consultation is not a diverse, nor representative, sample of stakeholders. This is not surprising given the timing of the initial consultation during the school holidays and festive period. My deep fear, in reading many of the original submissions and the Government's response, is that you have listened to the loudest voices, and with the operational capacity to respond in the given timeframe – the ones who have much to gain from this, and little to lose.

A second issue I take with this unsubstantiated statement is that no where in the original consultation did you explicitly ask whether stakeholders supported mandatory reporting. What was supported by the majority was, in principle, the Australian Government's move to develop standardised, internationally aligned requirements for disclosure of climate related financial risks and opportunities in Australia. "If" was used prolifically used by stakeholders to put forward recommendations, this should not be assumed to mean "when".

Timeline and Scaled Thresholds

"The vast size differences in Australia's listed companies in both employee count and revenue also greatly varies the in-house compliance resources available to them. Reporting compliance such as modern slavery, Australian Packaging Covenant Organisation (APCO), and a variety of voluntary schemes such as Forest Stewardship Council, ISO, Global Reporting Initiative and BCorp are just a snapshot of the sustainability compliance frameworks undertaken by our members. Considering these factors, in particular the inclusion of Scope 3 emissions since the last consultation on this standard, we would recommend the Treasury initialise this program only with large, listed companies with revenue upwards of $500 million annually." – CEO, Australian Beverages, consultation response.

"We believe that small and medium sized businesses (with revenues up to $100 million) should be exempt from these climate-related financial disclosure requirements" – Australian Retailers Association, consultation response.

"The Australian Government may wish to follow the European Union's example of a simplified set of voluntary reporting guidelines for small and medium-sized enterprises" –Australian Small Business and Family Enterprise Ombudsman, consultation response.

"We propose that businesses should only be included if there is a material benefit to disclosing climate information, particularly recognising the challenges of the current operating environment – contending with a declining raw milk pool, rising input costs and labour shortages. For example, listed companies disclose to inform shareholders. For private, non-listed and smaller family businesses, the benefits of disclosure may be harder to quantify versus the additional costs and risks."– Australian Dairy Industry Council, consultation response.

These are but some of the concerns raised by responding stakeholders to the Government's "One-Size-Fits-All" approach to mandatory disclosures. They highlight the severe lack of demand-side appreciation of the uniqueness and nuances between sectors, industries, and production systems within a landscape so ecologically and climatically diverse as Australia. When, and by who, has a cost-benefit analysis been completed to understand financial implications for the mandating of these disclosures?

In particular, the disregard of the substantial burden on SMEs is concerning. The Government will be enforcing the diversion of capital, time and resource to these proposals which will necessitate the diversion of valuable capacity to where those closest to the land might deem it appropriate to apply it. We talk a great deal about social license to operate – it is at this point that the Government should consider their own and revisit the principles of the "triple bottom line", and a focus on people alongside planet and profit.

Reporting Content

In the consultation document the Government recognises that many Australian firms already voluntarily report their climate-related risks.

Then why mandate?

Our major export industries are fully aware of their exposure on the international market and had the foresight to create their own sustainability roadmaps, targets, data collection technology and reporting methodologies in collaboration with their international partners and marketplaces and aligned these with recognised standards and protocols.

The little recognition of these early movers and their ambitions, and the significant investments made, I see as insulting. Mandating these disclosures voids all their groundbreaking work and suggests that these entities be treated as guilty until proven otherwise.

"ISSB climate disclosure standards are not appropriate for Australian Land use, and land use change and the forestry sector. The climate disclosure standards being issued by the ISSB are not the most appropriate for organisation level greenhouse gas (GHG) reporting in the Australian land use, and land use change and forestry sector. Australia should consider allowing flexibility with respect to standards used, specifically allowing standards published by ISO (ISO 14064-1, for organisation level GHG reporting, and ISO 14068 on carbon neutrality, currently under development)." – Australian Forest Products Association, consultation response.

"The red meat industry is concerned about the proposed use of the ISSB standards (IFRS S2 Climate related Disclosures). The (draft) ISSB standard requires exclusive use of GHG Protocol for quantification of GHG emissions and removals. Requiring the GHG Protocol will be burdensome for the agricultural sector, and will create disincentives for land-based sequestration and associated carbon offsets if the current draft GHG Protocol Land Sector and Removals Guidance is not substantially revised in the final version." – Meat Livestock Australia, consultation response.

In conclusion

I do not support the Government's proposal of mandatory climate-related financial disclosure in Australia. The reporting burden in terms of costs, time and manual effort has not been genuinely considered and its unfair impact on specific industries and small-medium businesses will invariably leave them at a competitive disadvantage. The Government has a social license to operate and ironically in the pursuit of planet, you are neglecting the people dedicated to making a sustainable profit for Australia.

I look forward to your acknowledgement of this email and continued participation in this consultation process.

Kind regards,
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