



Australian
Forest
Products
Association

AUSTRALIAN FOREST PRODUCTS ASSOCIATION

Submission to the Exposure Draft ED SR1
Australian Sustainability Reporting Standards –
Disclosure of Climate-Related Financial
Information

1 March 2023



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Australian Government
Australian Accounting Standards Board
Via: www.aasb.gov.au

To whom it may concern

Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information

AFPA welcomes the opportunity to formally provide feedback and comments on the Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information.

The Treasury paper “Climate-related financial disclosure: Consultation paper, June 2023” acknowledged that the NGER Scheme does not provide methods for the estimation of emissions from agricultural sources or land use, land use change and forestry, and stated that “guidance on the estimation of emissions from these sources would be provided over time, drawing on Australia’s national greenhouse gas inventory methods”. However, there is no mention of provision of this guidance in the draft ASRS 2. This is a key gap. It was highlighted in the comments by DCCEEW (see p97 of [ASRS 2 Climate-related Financial Disclosures](#)). Specifically:

BC74 The DCCEEW provided the following comments:

- a. although the methods for Scope 1 GHG emissions prescribed in NGER Scheme legislation may be useful in some instances in the process of estimating Scope 3 GHG emissions, NGER Scheme legislation does not prescribe measurement methods specific to Scope 3 GHG emissions;
- b. to promote greater accuracy of GHG emission estimates, an Australian entity should prioritise using Australian guidance, data sources and emission factors in estimating GHG emissions over foreign data. For example, when estimating GHG emissions from agricultural sources or land use, land use change and forestry—for which NGER Scheme legislation does not prescribe specific measurement methods—the entity should nevertheless attempt to apply Australian-specific methods, using Australian data sources and emission factors, to the maximum extent practicable before referring to foreign GHG measurement frameworks and foreign data; and
- c. the National Greenhouse Accounts Factors, which the DCCEEW publishes every year, provide guidance and emission factors for estimating GHG emissions.

We support DCCEEW’s comments and urge the AASB to develop guidance on methods and data to support scope 1 and scope 3 emissions disclosure by Australian companies. We suggest that such guidance should be developed with input from academia, government and industry representatives with relevant expertise in agriculture and land sector GHG reporting.

We are aware that the Greenhouse Gas Protocol Land Sector and Removals Guidance is due to be finalised and published in 2024, ahead of the first mandatory reporting of ASRS. If it is the intention of the AASB that this guidance should be used in lieu of Australian-specific methodologies, this should be clarified in the text of the Standards.

Thank you for providing AFPA with opportunity to provide feedback and comments on the climate related financial disclosure second consultation document.

We also provide some detailed comment relative to the questions raised in the exposure draft in the attached.

If you have any queries regarding this submission, please contact Sara Bray, Senior Policy Manager via email sara.bray@ausfpa.com.au.

Query #	Comment/query raised by AASB	Comment #	Comment/feedback
1	<p><i>In respect of presenting the core content disclosure requirements of IFRS S1, do you prefer:</i></p> <p>(a) (b) (c) (d)</p> <p><i>Please provide reasons to support your view.</i></p>	1	<p>It is expected that ISSB will follow IFRS S1 and S2 with further standards relating to other sustainability topics, such as Nature. Has it been considered whether future standards will be incorporated once published by ISSB? Will this impact how ASRS 1 is presented?</p>
3	<p><i>Do you agree with the proposed requirements in [draft] ASRS 1 paragraph Aus6.2 and [draft] ASRS 2 paragraph Aus4.2? Please provide reasons to support your view.</i></p>	2	<p>Strongly agree. There will be very few entities that can legitimately claim no material risks or opportunities related to climate change. A company claiming this should have to provide clear justification for this view.</p>
4	<p><i>Do you agree with the AASB's views noted in paragraphs BC39–BC41? Please provide reasons to support your view.</i></p>	3	<p>Disagree. While the standard is designed to ensure a universal baseline of reporting, there are industry-specific metrics that are extremely important to stakeholders. In forestry, for example, the industry-based guidance includes a series of sector-specific metrics which would allow for greater comparability between entities than many of the standard metrics.</p>
5	<p><i>Do you agree with the AASB's view that if an entity elects to make industry-based disclosures, the entity should consider the applicability of well-established and understood metrics associated with particular business models, activities or other common features that characterise participation in the same industry, as classified in ANZSIC? Please provide reasons to support your view.</i></p>	4	<p>Disagree. This is too open to interpretation and will inevitably result in entities within the same industry reporting different metrics. If the point of introducing ASRS is to improve 'consistent and comparable reporting' (page 4), the latter is lost by taking this approach. An alternative would be to keep the original wording of IFRS and publish a mapping between the SASB terminology used in the IBG and the ANZSIC classifications.</p> <p>If entities wish to provide additional information or metrics related to sustainability performance, they should be free to do so. However, these should be in addition to standard metrics consistent across a given industry.</p>
7	<p><i>Instead of requiring a detailed index table to be included in GPFR, the AASB added paragraph Aus60.1 to [draft] ASRS 1 to propose requiring an entity to apply judgement in providing information in a manner that enables users to locate its climate-related financial disclosures. Do you agree with that proposed</i></p>	5	<p>Disagree. As the range and volume of sustainability disclosures continues to grow, a standardised index table is an indispensable tool to enable stakeholders to find relevant information. A mandated, standardised approach will help to reduce the risk of unfavourable information being hidden in obscure locations. The value of a clear, standardised index can be seen in disclosures aligned to GRi Standards, which mandate such a table. A similar approach should be adopted by AASB.</p>

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	<p>requirement? Please provide reasons to support your view.</p>		
10	<p>Do you agree with the proposal in [draft] ASRS 2 paragraph Aus22.1? Please provide reasons to support your view.</p>	7	<p>Agree. The 1.5 degC scenarios is a common benchmark EG SBTi target setting so, although in all likelihood we will overshoot it, it still provides a relevant benchmark. For example in a climate risk analysis, limiting warming to 1.5degC would entail substantial regulation, market changes etc, which is significantly different to a 2 degC scenario in terms of transitional risk.</p>
13	<p>Do you agree with the proposed requirements in [draft] ASRS 2 paragraphs 29(g) and Aus29.1 to disclose the information described in points (a) and (b) in the above box? In your opinion, will this requirement result in information useful to users? Please provide reasons to support your view.</p>	8	<p>Strongly agree. There are few stronger signals that a business is taking its Sustainability responsibilities seriously than a genuine impact on executive remuneration.</p>
15	<p>Do you agree with the AASB's view that an Australian entity should be required to convert greenhouse gases using GWP values in line with the reporting requirements under NGER Scheme legislation? Please provide reasons to support your view.</p>	9	<p>Partially disagree. While this approach may be feasible for scope 1 and 2 emissions, it will likely prove problematic for elements of scope 3 reporting where some factors provide a figure in tCO2e calculated using the GWP figures from a specific IPCC AR (which may or may not be AR5, as per NGER), without disclosing the specific volumes of each GHG.</p> <p>If the only (or most) suitable factor available is based on the figures in AR6, this should not preclude it from being used. The wording of ASRS should specify the <i>preferred</i> Assessment Report values (ideally AR6) but should leave provision for AR5 to be used where appropriate. It should be noted that for most activities, the tCO2e values will not be materially impacted by using AR6 over AR5.</p>

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16	<i>Do you agree with the proposals set out in [draft] ASRS 2 paragraphs Aus31.1(f) and AusC4.2? Please provide reasons to support your view.</i>	10	Agree in principal. However, consistent market-based scope 2 disclosures would rely on energy providers being transparent about the fuel mixes used for individual tariffs. It would also be helpful for a state-specific residual mix factor to be calculated in cases where the source or provider of energy is not known.
17	<i>Do you agree with the proposals in [draft] ASRS 2 paragraphs Aus31.1(b) and AusB25.1? Please provide reasons to support your view.</i>	11	<p>Disagree. The draft states that emissions across all scopes should be calculated by "applying relevant methodologies set out in NGER Scheme legislation, using Australian-specific data sources and factors... to the extent practicable." However, the NGER does not mandate scope 3 disclosures and does not provide suitable emissions factors for their calculation.</p> <p>By following the logic of the standards as they are currently written, this means that for most businesses scope 3 emissions should be calculated using a methodology consistent with the GHG protocol. The standard should be more explicit in their language and clarify exactly which protocols or methodologies are deemed acceptable (eg ISO 14064-1), to avoid a 'wild west' of scope 3 disclosures, or businesses simply interpreting the wording as aligning to NGER and therefore failing to include scope 3 altogether.</p>
18	<p><i>Do you agree with the proposal in paragraph AusB39.1 of [draft] ASRS 2? Please provide reasons to support your view.</i></p> <p><i>Under [draft] ASRS 2 paragraph AusC4.1, an entity would not be required to disclose its Scope 3 GHG emissions in the first annual reporting period in which the entity applies [draft] ASRS 2.</i></p>		<p>Very strongly disagree. The experience of jurisdictions in which scope 3 reporting is commonplace (e.g. Europe), it can take several years of refinement to progress from highly estimated scope 3 emissions calculations to more accurate, useful figures. The sooner businesses begin this journey and begin to discuss emissions with their value chain partners, the sooner they will start to take meaningful action.</p> <p>This approach is also contradictory to the defined <i>Scope</i> of the rest of the standard. By their nature, the physical and transition risks which businesses must take into account extend far beyond their own operational boundaries. It makes no sense to consider a holistic set of risks and opportunities while only accounting for a very limited set of the emissions for which a business is responsible.</p>

Query #	Comment/query raised by AASB	Comment #	Comment/feedback
20	<p><i>Do you agree with the AASB’s proposal to require an entity to consider the applicability of those disclosures related to its financed emissions, as set out in [draft] ASRS 2 paragraphs AusB59.1, AusB61.1 and AusB63.1, instead of explicitly requiring an entity to disclose that information? Please provide reasons to support your view.</i></p>	13	<p>Disagree with additional comment. An approach of <u>not</u> requiring a financial institution to disclose financed emissions is in contradiction to Aus31.1, which mandates businesses to report scope 1, 2 and 3 emissions. As per the GHG protocol and multiple other internationally accepted standards and frameworks, financed emissions represent a source of scope 3 emissions which should be reported by any company to which they are relevant. While it is right to say that an entity should <i>consider the applicability of those disclosures related to its financed emissions</i>’, any business for which these are applicable should be mandated to disclose these in Scope 3 Category 15.</p> <p>AusB59.1 should refer specifically to the PCAF guidance on financed emissions. This provides internationally accepted guidance for the calculation of financed emissions and should be referenced within these standards.</p>
20	<p><i>IFRS S2 paragraphs B61–B63 are based on GHG Protocol Standards requirements, which require an entity to disaggregate its Scope 1 and Scope 2 GHG emissions (in addition to its Scope 3 GHG emissions). The AASB is of the view that entities that apply methodologies set out in NGER Scheme legislation to measure their Scope 1 and Scope 2 GHG emissions may not have the information necessary for those disaggregated disclosures.</i></p>	14	<p>Disagree. The concern around disaggregation of scope 1 and 2 emissions is unfounded. The two scopes include emissions related to entirely separate activities and are therefore naturally disaggregated. As per the GHG protocol, all financed emissions will be reported under Scope 3 Category 15 and therefore will not require any disaggregation of scopes.</p>
22	<p><i>Do you agree with the AASB’s proposal to modify the definition of carbon credit in [draft] ASRS 2? Please provide reasons to support your view.</i></p>	15	<p>ACCU unit appears now well adopted by community and corporate players generally in Australia. Any erosion of confidence/credibility in the ACCU Scheme by CER is not welcomed.</p>