



29 February 2024

**Australian Pork
Limited**

PO Box 4746 Kingston ACT
2604 Australia

T: 02 6270 8814

F: 02 6285 2288

ABN 83 092 783 278

www.australianpork.com.au

Australian Accounting Standards Board

Submitted via online form

To whom it may concern,

RE: Australian Pork Limited (APL) response to *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information*

On behalf of the Australian pork industry, we would like to thank you for the opportunity to provide a response to your Exposure Draft ED SR1.

About Australian Pork Ltd

Australian Pork Ltd (APL) is the peak national representative body for Australian pork producers. It is a producer-owned company combining marketing, export development, research and innovation and strategic policy development to assist in securing a profitable and sustainable future for the Australian pork industry.

The domestic pork industry is a vital part of Australia's food supply chain, with pork the second most consumed meat in Australia and all fresh pork consumed in Australia domestically sourced. In 2022/23, the Australian pork industry produced 453,426 metric tonnes of pork. The largest volume of production is sourced from Queensland, Victoria and South Australia from an Australian domestic commercial sow herd, as at 1 July 2023, of 285,538 SOWS.

The Australian pork industry contributes around \$6 billion in gross domestic product to the economy and supports a diverse range of careers across the food supply chain. The industry is domestically focused with around 90% of our production supporting food security for Australians. The value of the 10% exported in 2022/23 was around \$182 million.

Approximately 34,600 jobs are supported by the industry nationally, predominantly in regional Australia, supporting the economic and social prosperity of communities and the wellbeing of individuals. The Australian pork industry's workforce is skilled, specialised and generally engaged on a permanent basis.

Like many rural industries, the pork industry is currently being impacted by staff shortages with the industry willing and able to support more than 36,000 jobs nationwide and opportunity for growth up to 38,000 as Australian pork replaces imported pork in the domestic production of smallgoods.

APL holds a number of roles on behalf of the Australian pork industry. APL is:

- The pork Research, Development and Extension organisation leading climate research and extension in partnership with the Australian government and the research community
- The marketing arm of the Australian pork industry managing national campaigns such as "Get some pork on your fork" and the Valuable Provenance campaign raising awareness of how to support the growth of high-quality smallgoods made from Australian pork,
- The peak body for the Australian pork industry, representing pork within the National Farmers' Federation and other representative frameworks,
- Leading the pork industry's Sustainability Framework implementation,
- Part of the sector-wide collaborative effort to develop an Australian Agricultural Sustainability Framework, coordinated by the National Farmers' Federation on behalf of the Federal Department of Agriculture, and
- The industry signatory to the Emergency Animal Disease Response Deed (EADRA).

Pork emissions and climate exposure

Pork is already a low emissions protein, emitting 3.3kg of greenhouse gas emission per kilo of liveweight produced, second only behind chicken meat. The industry is making further gains in decarbonisation through investment technologies such as renewable energy and better use of waste.

The pork industry has been actively mitigating climate change risks for decades (a 73% reduction in emissions to date) and there is an opportunity to support the industry by providing opportunities to demonstrate the contribution it can make to national climate change targets.

The Industry recognises the importance of acting to reduce emissions and mitigate the impacts of climate change. Climate change is expected to impact the pork industry in a number of ways:

- Increased biosecurity threats: Animal health specialists are predicting that increased temperatures, combined with biodiversity and species migratory changes, will lead to an increased risk of species specific and zoonotic diseases. The pork industry has responded to a range of animal disease threats (Swine influenza 2009, Japanese encephalitis virus 2022) while keeping a watchful eye on the potential threats from key exotic diseases such as Foot and mouth disease and African swine fever.
- Availability of stock feed: The grains industry will be particularly susceptible to the impacts of climate change. The quality and quantity of Australian grain produced and available as stock feed is expected to be impacted by:
 - Changes to the length of growing seasons impacting the varieties able to be successfully grown,
 - Erratic weather impacting the sowing or harvest periods,
 - Weather damage reducing the quality of the grain, potentially impacting the availability,
 - Greater potential for flood or heavy rainfall events to cause soil and crop damage, and
 - Increased frequency of droughts or below average rainfall that drive grain prices considerably higher.

It is important to consider the emissions reduction, emissions reporting and climate change mitigation holistically as part of the entire picture facing agricultural sectors. Emissions reporting can impose additional costs when the impacts of emissions reduction and climate change mitigation are also likely to drive costs of doing business higher for pork producers.

Imposing costly Scope 3 emissions reporting requirements on businesses significantly impacts all businesses along the supply chain. It will require producers to invest scarce resources into complex reporting and data collection mechanisms. Resources that could be used, and many would say should be used, to invest in on-farm action to actively reduce emissions and mitigate climate change rather than focusing on data collection for reporting.

The impact of these costs will be particularly high for those producers that have to report directly and will be therefore required to undertake the climate scenario assessment. It is unlikely producers will be able to undertake these assessments without paying for advice from qualified consultants.

APL believes the AASB needs to consider setting definitive requirements on and clear parameters for the scenarios they are using to ensure all reports can be compared 'like for

like'. This decision should be done in consultation with industry who will be able to provide industry wide data and information that will better inform the process.

APL recommendation: That consideration be given to delaying the implementation of these standards until both government policy is finalised and a full impact assessment has been completed to demonstrate no significant impacts are likely to occur through Scope 3 reporting requirements on agricultural businesses.

Full support for the views and recommendations raised in the NFF submission to the AASB

APL wholly supports the submission and concerns raised by the National Farmers Federation (NFF) in their submission and wish to provide further insight below on the concerns of pork producers regarding the proposed accounting standards and approach.

Inconsistent with Treasury process for Financial Disclosures

APL would support far greater harmonisation across State, Territory and Federal Governments on reporting expectations and the process of prioritising emissions reporting against other more active emission reduction activities. A more consistent approach across governments would better support targeted and appropriate investment being made by industries to provide the required level of emissions reporting.

Overall, the draft standard is ahead of government policy, which is only currently being considered by parliament. The standard is also ahead of the agricultural industries steps to develop consistent data collection mechanisms. The agricultural industries are still developing baseline standards and building their understanding of the technology available or still to be developed to undertake reporting against the yet to be finalised baselines. There are no current technologies or consistent data collection mechanisms available to support the level of individual farm level reporting being proposed.

Considerable work is being done at the industry level which can provide the necessary data. Greater collaboration would provide confidence to Government that industry level emissions reporting could meet their and the investment sectors reporting needs. We believe there is considerable opportunity to work with industry bodies proactively, prior to requiring reporting or data collection from individual farmers.

For example, the proposed NGER thresholds designed to differentiate Groups 1, 2, and 3 are not consistent with those published by Treasury on 12 January 2024, but rather reflect their initial June 2023 position. The inconsistency will create considerable misalignment of activities and create considerable confusion.

The draft standard would benefit from greater consistency with Treasury policy. By reviewing and including the considerable feedback provided by agriculture into the Treasury process through public consultations, industry roundtables and Q&As, the draft standard could be redrafted to more accurately reflect a consistent position and provide confidence to industry on those areas to prioritise.

While we can appreciate the desire to integrate these disclosures and appreciate that they will provide meaningful insight to investors, it needs to be done in a staged way to explore the potential impacts, particularly for the agricultural sector. There is a need to show progress without the strict requirements for complete reporting.

APL recommendation: That consideration be given to better harmonise the proposed standards with Treasury policy on financial disclosures.

The uniqueness of agriculture

The significant disparity in production systems within and between agricultural sectors mean there is no one size fits all mechanism to account for or report on climate actions. Each agricultural sector is at a different point in their development of industry sustainability frameworks. Benchmarking activities, baseline data and reporting metrics are still being developed and field tested for on-farm practicality and achievability.

This will not be a pure accounting exercise. There will need to be consideration of science and associated data collection mechanisms, some of which are not yet commercially available, which goes into the estimation and measurement of climate related financial disclosures. While mechanisms are being developed there is not yet a way to undertake quantitative scenario analysis that would be required by the proposed standard.

APL recommendation: That consideration be given to allowing agricultural industries to undertake the required research to develop the science and then develop industry wide agreed reporting on climate related risks and opportunities prior to being required to report under this standard.

Inclusion of Scope 3 within the Financial Disclosures requirements

There is an opportunity to better understand how the Australian pork industry is a national industry with a broad range of production systems employed. We represent a range of pork producers, from very small up to very large vertically integrated businesses. The major concern for pork businesses in the climate related financial disclosure is around the management of Scope 3 supply chain emissions and the impacts this can have on businesses.

The obligation for requiring businesses to make disclosures which include emissions will require a significant proportion of our industry to provide data to businesses further along the supply chain to assist with their required disclosures. There is an opportunity to better define the requirements and improve clarity regarding:

- What data will be required, and/or
- The level of detail which will be required, and/or
- The format for the provision of that data.

Without this clarity the process will be:

- Time consuming to produce,
- Prone to duplication with the data requested multiple times by different companies, and
- Inconsistently supplied or required in complex formats without a standard format.

This will result in a significant monetary and resource impost on producers, taking time, focus and finances away from their core business – farming to produce quality food for Australians.

While APL understands and supports the goals of the reporting action being taken, we believe it is critical to recognise that large businesses within the Australian Pork industry face significant barriers to meeting reporting expectations.

The existing regulatory and supply chain oversight of Australian pork businesses is already complex, extending across Local, State and Federal jurisdictions. Further, consideration and clarity should be given on how the input supply chain and then post farm gate product Scope 3 emissions could be reported. The developing international guidance on this area should also be considered.

Concerns regarding interaction with NGER Act changes

As outlined in the NFF submission, of particular concern is the relationship between the proposed standards and the NGER Act. Pork industry currently only has a small number of businesses which are reporting through NGER. However, NGER have drafted a policy which would require all businesses to report. Your proposed requirements:

"any business reporting to NGER must provide a sustainability report for each financial year irrespective of size"

would impose a huge cost on producers as this scenario would impose the need for sustainability reporting on all pork producers regardless of size or scope of their operations.

This is concerning for the pork industry. The Climate Change Authority has recommended that emissions from the Agriculture, Land Use, Land-Use Change and Forestry be reported under the NGER scheme in a separate and staged manner. This will result in further businesses being captured under the NGER emissions reporting and the need to provide sustainability reporting under the AASB standards at an increased cost. As many of these businesses will be small, the regulatory and financial burden will be significant.

APL recommendation: That the AASB publish another exposure draft for full public consultation to ensure agricultural industries' are being considered.

We would be happy to share further information in support of a better option for farming businesses, please contact the APL General Manager of Policy and Industry Relations, Tanya Pittard (tanya.pittard@australianpork.com.au; 0484 740 613).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'M. Andrae', with a stylized, cursive script.

Margo Andrae

Chief Executive Officer