

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

March 2024



National Farmers Federation

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NFF Members



About the NFF

The National Farmers' Federation (NFF) is the voice of Australian farmers.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade, and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

Overview

The NFF welcomes the opportunity to provide a formal submission to the Australian Accounting Standards Board (AASB) to outline industry perspectives, policy concerns, and recommendations to further shape the design of Exposure Draft ED SR1. NFF's *Climate-Related Financial Disclosure Policy* is available as Attachment 1 and should be reviewed in conjunction with this submission. NFF have also provided a response to Treasury Exposure Draft Legislation published for public consultation in January 2024, this is available as Attachment 2, and similarly, should also be reviewed.

NFF are opposed to the introduction of mandatory Scope 3 reporting. The NFF membership retains serious concerns over the necessity and scope of the [Draft] ASRS Standards developed by AASB. The NFF view is Government should not implement this policy for Scope 3 reporting for agriculture. If unavoidable, a formal Scope 3 emissions reporting requirement date beginning 2035 at the earliest should be implemented. Nevertheless, in recognition of the impending nature of this policy reform, NFF have provided several recommendations to ED SR1 to increase the relevance and adaptability of the proposed reform to the sector.

Developmental Process

ED SR1 is comprised of three draft Australian Sustainability Reporting Standards (ASRS Standards) as distinguished:

1. **[Draft] ASRS 1 General Requirements for Disclosure of Climate-Related Financial Information.**
2. **[Draft] ASRS 2 Climate-Related Financial Disclosures.**
3. **[Draft] ASRS 101 References in Australian Sustainability Reporting Standards.**

The NFF holds significant concern over the process by which [Draft] ASRS 1 and [Draft] ASRS 2 have been developed. Despite being constrained (in scope) by the International Reporting Financial Standards (IRFS) and 336A(1) of Treasury Exposure Draft Legislation, unlike the latter, ED SR1 has not been informed by robust stakeholder processes. Stakeholder feedback provided to Treasury between 2022 and 2024 regarding the design and implementation of proposed Climate-Related Financial Disclosure (CRFD) requirements (i.e. public consultations, industry roundtables, and public Q&A sessions) have not been considered by AASB in the design of ED SR1. Rather, as stated in Page 5 of ED SR1, the design of these proposed ASRS Standards appear to have been limited to feedback attributed to Treasury's June 2023 second consultation in addition to informal feedback provided by Governmental staff in Treasury, DCCEE, and the CSIRO. This view is supported by observable differences in NGER thresholds differentiating Groups 1, 2, and 3 between ED SR1 and Treasury Exposure Draft Legislation, the former of which reflects a carbon-copy of that presented by Treasury in June 2023. Furthermore, there also exists placeholder text within ED SR1 awaiting future insertion upon release of Australian Government policy. It is concerning, therefore, to see that the AASB has not communicated with Treasury on this critical reform process and appears to be consulting stakeholders on outdated information with no undertaking for further consultation.

'Depending on the nature and extent of the feedback, the AASB may publish another Exposure Draft or a Fatal-Flaw Review Draft to enable further consultation with stakeholders'.

While the NFF understands that the decision to release ED SR1 ahead of official Government policy was a decision made by the AASB Board, this consultation, nevertheless, is incomplete, unnecessarily rushed, and not fit for purpose. AASB must commit to the publication of a Fatal-Flaw Review Draft alongside an additional Exposure Draft for further public consultation consistent with Government policy. **The provision of a singular consultation document (ED SR1) framed upon a limited and outdated subset of stakeholder input does not resemble best-practice engagement and does not provide industry with confidence that our views are either respected or will be meaningfully considered.** NFF have sought direct engagement with the AASB and have been rebuffed on the basis of *'multiple outreach events'*. More consultation is required.

In recognition that the introduction of ASRS Standards for the disclosure of Climate-Related Financial Information (CRFI) is a significant policy reform, and one that directly impacts (through regulatory measures) industry groups, consultation processes to-date and those anticipated thereafter does not reflect the gravity of the subject. The development of these ASRS Standards must be underpinned by existing, robust stakeholder feedback conducted (and obtained) between 2022-24, and remain industry driven, with feedback (that does not include Departmental advice on alignment with existing legislative/regulatory requirements of other legislators) provided by Government to play an advisory role only. It is inappropriate for specific Government Departments and Organisations to hold material influence over core reform elements they themselves are not captured by. This is a process that must be independently driven by the AASB and confined by robust stakeholder feedback. This is not a process that is limited to accounting outcomes, this will have a material impact on a high number of businesses.

Significance of Policy Reform

Upon analysis of the balance of concerns, the NFF holds the view that the principle of establishing ASRS Standards is in the best interests of the Australian economy, and that the proposals will result in CRFI that is useful to users (i.e. investors). The execution of the proposed policy reform does require significant improvement, our key concerns are articulated in the proceeding sections of this submission.

Currently in Australia, there exist a multitude of competing frameworks each armed with their own set of reporting requirements for the disclosure of CRFI (i.e. different reporting periods, formats, and styles). These include but are not limited to the IFRS, SASB Standards, GRI Standards, and the SDGs. The establishment of a national standard will circumnavigate these competing complexities as it will ensure investors are provided with high-quality, verifiable (via assurance), transparent, and more comparable information about an entity's exposure to climate-related financial risks, opportunities, plans, and strategies. Mandatory disclosure of such information will ensure an efficient allocation of capital can be achieved as investors will be better positioned to make an informed investment decision.

It is unclear, however, whether this proposed policy reform will increase the attractiveness of the Australian economy as a marketplace for investment. While greater information

provision may influence hesitant prospective investors to invest in entities with climate-related opportunities, the mandatory disclosure of an entity's climate-related risks as a component of its Resilience Assessment in line with warming climate scenario analyses (a mandated 1.5°C scenario **and another discretionary scenario of an entity's choice**) may discourage prospective investment. This is because the scenario ambition selected may conflate the anticipated risks that an entity may experience, impacting its perceived attractiveness to investors.

High-Level Policy Concerns

The NFF holds the following high-level policy concerns; these are explored in greater detail in the proceeding sections of this submission.

- 1. There is no Scope 3 reporting exemption for agricultural entities at any threshold.**
- 2. A formal Scope 3 reporting date no earlier than 2035 must be considered and implemented for all reporting Groups (1, 2, and 3).** This is a novel, and extremely complex issue that is likely to require supply chains develop new infrastructure to satisfy demands for Scope 3 reporting, particularly amongst agricultural supply chains which are highly fragmented, localised, and susceptible to pressure exerted by much larger entities captured under this reporting regime.
- 3. Appropriate protections must be built within ASRS Standards and subsequent Exposure Draft Legislation to protect supply chain elements from potential repercussion to those who choose to not provide reporting entities with data to satisfy their mandatory Scope 3 disclosure obligations.**
- 4. Businesses that are not captured under the proposed reporting regime (i.e. do not exceed Group 1, 2, or 3 thresholds) remain not required to undertake measurement and/or provide estimations of their Greenhouse Gas (GHG) emissions data to reporting entities.**
- 5. The proposed expansion of the National Greenhouse and Energy Reporting (NGER) Scheme to include emissions from agriculture and land as recommended by the Climate Change Authority (CCA) must not be entertained or implemented.**
- 6. Unconscionable conduct by reporting entities against suppliers regarding the sharing of data to quantify Scope 3 GHG emissions.**
- 7. Ability of Minister to adjust, by legislative instrument, Group 3 threshold requirements** (as outlined in Treasury Exposure Draft Legislation) and the impact of such action on the number of entities seeking data from the supply chain.

Specific Matters for Comment

Presentation of Core Content of IFRS S1 in [Draft] ASRS Standards

The NFF does not object the proposed development of two separate [Draft] ASRS Standards by the AASB. Any effort to reduce, or mitigate entirely, duplication between

ASRS Standards will provide industry with greater clarity and understanding of the scope and content of this impending regulatory reform. We therefore recommend that the duplication of language across both ASRS 1 and ASRS 2 is removed where applicable.

The NFF understands that the AASB has exposed to a limited subset of stakeholders through its *Agenda Consultation 2022-2026* (conducted on 12 February 2022) a potential introduction of four new ASRS Standards (nature and biodiversity, human capital, human rights, and connectivity) in the medium-term future. The proposed separation structure of ASRS 2 (a topic specific standard) from ASRS 1 will, therefore, mitigate the requirement to re-expose existing ASRS Standards should further standards be developed for consultation. This will enable a seamless consultation and implementation of new ASRS Standards to take shape should it be mandated by Treasury via legislative instrument. On this point, the NFF is not convinced that the national economy is prepared for additional ASRS Standards beyond climate (ASRS 2) for a considerable period.

Entities With No Material Climate-Related Risks and Opportunities

The NFF supports proposed requirements in [Draft] ASRS 1 Aus6.2 as the policy intent is to reduce the regulatory burden for insulated entities to no significant disadvantage or negative effect for investors. We express concern however that entities that do not face material climate-related risks or opportunities within a given financial reporting period **may still be required to produce a separate sustainability report that is covered by the Director's declaration (as indicated in Treasury Exposure Draft Legislation)**. This would impose an unnecessary regulatory weight on reporting entities and will expose decision-makers involved in materiality assessment to potential challenge.

The NFF cannot provide comment on the proposed requirement outlined in [Draft] ASRS 2 Aus4.2 as requested by AASB as this remains undefined, to be determined 'subject to Australian Government Policy'. Application must align with Government policy outlined in Treasury Exposure Draft Legislation (i.e. Group 3 entities that do not face material climate-related risks or opportunities are exempt from mandatory disclosure requirements, including Scope 3). This would ensure the number of reporting entities across all Groups that approach the supply chain for data are minimised, alleviating identified risks in Policy Concerns 6 and 7.

Definitions for climate-related physical risks (acute and chronic) and transition risks while provided in ASRS 2, are subjective, lack necessary clarity, and can be interpreted in a multitude of competing ways. The weight of evidence required to identify whether a risk is likely to be reasonably material will have a direct impact on the number of reporting entities approaching the supply chain seeking data to satisfy mandatory Scope 3 disclosure obligations. It can be argued that any entity with a large agricultural supply chain (particularly if geographically concentrated) has embedded climate-related physical risks.

This is because agricultural production is inextricably linked to and influenced by environmental factors (i.e. 'event-driven' as defined). If assessed accordingly, this would mean that the maximum number of entities will be approaching the supply chain, and by extension primary producers, for data. This is a significant risk because as suppliers turn inward to the supply chain to mitigate reporting costs (Table 1), primary producers may feel compelled, or even threatened, to estimate, measure, and disclose sensitive emissions data at their own individual cost (despite not being legislatively required to do so) to

satisfy the demands of their much larger business counterparts to avoid unnecessary strain on critical business relations. **This risk is explored in greater detail in the *Additional NFF Comments* section of this submission.**

Modifications to the Baseline of IFRS S1 for [Draft] ASRS 1

Location of an Entity's Climate-Related Financial Disclosures

The NFF supports the proposed requirement that an entity is not required to provide a detailed index table to be included in the General-Purpose Financial Report (GPFR), an onerous activity, but rather is allowed to express judgement in the location whereby such information is located.

Interim Reporting

The NFF supports the omission of IFRS S2 paragraphs 69 and B48 within [Draft] ASRS 1 as this will eliminate confusion regarding interim reporting requirements. Similar measures to increase the clarity of ASRS Standards is a positive action, and a principle the NFF supports.

Modifications to the Baseline of IFRS S2 for [Draft] ASRS 2

Scope of [Draft] ASRS 2

The NFF supports the proposal in [Draft] ASRS 2 Aus3.1 to clarify the scope of the [Draft] Standard. This will ensure a clear distinction between both proposed ASRS Standards.

Climate Resilience

Aus22.1 [Draft] ASRS 2: *'Further to paragraph 22, an entity required by the Corporations Act 2001 to prepare climate-related financial disclosures shall disclose its climate resilience assessments against at least two relevant possible future states, one of which must be consistent with the most ambitious global temperature goal set out in the Climate Change Act 2022'*.

The NFF is concerned that the addition of Aus22.1 to [Draft] ASRS 2 is an unnecessary regulatory burden of substantial cost, particularly for Group 3 reporting entities (who are less positioned to have the necessary infrastructure in-place to accommodate for and conduct such complex modelling).

The mandatory disclosure of an entity's climate-related risks as a component of its Resilience Assessment in line with warming climate scenario analyses (a mandated 1.5°C scenario **and another discretionary scenario**) may discourage prospective investment. To combat this problem, the NFF would prefer the AASB mandate a lower- and upper-warming scenario and provide reporting entities a decision to voluntarily align their Resilience Assessment against a third scenario of their choosing. This will balance reporting ambition and the regulatory cost of undertaking a scenario analysis (Table 1).

GHG Emissions (Paragraphs Aus31.1 and B19–AusB63.1 and Australian Application Guidance)

Converting GHGs into a CO2 Equivalent Value

If reporting entities are required to quantify their GHG emissions using Global Warming Potential (GWP) values listed in AR6 as described in BC70-BC72, this will increase the regulatory burden for entities captured and required to report under the NGER Act (which is aligned with the Paris Agreement and AR5). Therefore, if an AR6 requirement is mandated for all reporting entities including those captured under NGER, the process of GHG quantification and reporting will essentially be duplicated, resulting in a substantial increase in initial transition and ongoing costs to meet regulatory compliance. These costs have been estimated by Treasury in its *Policy Impact Analysis Climate-Related Financial Disclosures* document and highlighted in Table 1.

Table 1: Total cost per entity under recommended Option 1B, Treasury to achieve regulatory compliance under the proposed reporting regime (i.e., Scopes 1, 2, and 3 reporting and other associated costs).

Activity	Transitional Cost (\$)	Ongoing Cost (\$)
Familiarisation and education costs	116,960	0
Legal review	10,472	7,854
System changes	245,000	0
Data collection	245,000	242,550
Scenario analysis	245,000	161,700
Scope 3 modelling	245,000	161,700
Preparation of climate report	149,600	48,960
Assurance (audit compliance)	49,815	49,815
TOTAL	1,306,847	681,154

The NFF supports measures to mitigate and eliminate this regulatory burden by creating a standardised approach for quantifying GHG emissions irrespective of whether an entity is NGER captured or not. The NFF, therefore, agrees in principle with the addition of AusB22.1 and AusB22.2 to [Draft] ASRS 2 which requires an entity to convert GHGs using the GWP values in the IPCC assessment report identified in [Draft] ASRS 101 which refers to AR5 and not AR6. A better outcome would be to standardise reporting alongside the established science of AR6. This is because AR6 more accurately reports the GWP of GHGs for key agricultural GHGs like CH₄ and N₂O, ensuring agriculture is more accurately represented in Scope 3 disclosures (as opposed to AR5 which overestimates the GWP of several GHGs). NFF recognises, however, that AR6 has not been adopted by AASB in ED SR1 as it would create unfair regulatory burden for NGER reporting entities as opposed to other captured entities that are not NGER captured (i.e., who would then be required to report in AR5 and AR6).

Subsequently, to ensure legislative consistency and a more accurate reporting of emissions, the NFF recommends further amendment to the *National Greenhouse and Energy Reporting Regulations 2008*. Previous amendments have adopted a band-aid style approach where the carbon dioxide equivalence (GWP100 value) of GHGs listed in the NGER Act are updated via definitional amendment in alignment with published IPCC Assessment

Report findings. This process is unnecessarily complex and should be eliminated through the following consequential amendment:

2.02 Definition of carbon dioxide equivalence – values specified for determining carbon dioxide equivalence.

- **Repeal:** ‘For the definition of carbon dioxide equivalence in section 7 of the Act, the value specified in relation to a kind of greenhouse gas is the value specified as the Global Warming Potential for that greenhouse gas mentioned in an item of the following table’.

Replace to the Following Effect: ‘Entities are required to convert GHGs into a CO2 equivalent value using GWP values based on the latest IPCC assessment available at the reporting date’.

Table 2: Comparison of IPCC GHG GWP across AR4, AR5, and AR6 Assessment Reports for key agricultural GHGs¹. Through amendment to the *National Greenhouse and Energy Reporting Regulations 2008*, the NGER Act has adopted AR5 GWP values from 2020-21 (as highlighted in yellow).

Greenhouse Gas	100-Year Time Period				20-Year Time Period			
	AR4 2007	AR5 2014	AR6 2021	AR4 2007	AR5 2014	AR6 2021	AR6 2021	
	Feedback Not Included		Feedback Included		Feedback Not Included		Feedback Included	
CO ₂	1	1	1	1	1	1	1	
CH ₄ fossil origin	25	28	34	72	84	86	82.5	
CH ₄ non-fossil origin							80.8	
N ₂ O	298	265	298	289	264	268	273	

In addition to estimating using GWP100, entities should be able to provide supplementary reporting using GWP* or another suitable metric if they choose to do so, especially given AR5 overestimates the GWP of several GHGs, is not in line with more recent established science, and alternate reporting metrics such as GWP* for example are understood to represent agriculture’s impact more accurately, particularly for CH4 from livestock.

NFF’s Climate Change Policy is available as Attachment 3.

Providing Relief Relating to Scope 3 Greenhouse Gas Emissions

The NFF agrees with the proposal to permit an entity to disclose in the current reporting period its Scope 3 GHG emissions using data from the preceding reporting period, if reasonable and supportable data related to the current reporting period is unavailable. This will provide regulatory relief for Scope 3 reporting.

¹ Department of Climate Change, Energy, the Environment and Water: Quarterly Update of Australia’s National Greenhouse Gas Inventory: June 2023

Australian Carbon Credit Units

The NFF supports the proposal to modify the definition of carbon credit in [Draft] ASRS 2 to include carbon credits issued under the ACCU Scheme. This will ensure non-Kyoto ACCUs (that are not uniquely serialised) are appropriately recognised within the context of the standard.

Quantification of Costs and Benefits

The quantification of reporting costs has been estimated by Treasury in its *Policy Impact Analysis Climate-Related Financial Disclosures* document. Under recommended Option 1B (which aligns significantly with ED SR1), the following costs have been identified and quantified:

- Initial transition costs to achieve regulatory compliance for each captured entity (i.e. Group 1, 2, and 3) will exceed \$1 million per year per entity, and annual compliance costs, although decreasing through time, will exceed \$500,000 per entity. This is a significant regulatory burden.
- Average estimated compliance burden under Option 1B for Group 1, 2, and 3 decrease in total cost per captured entity (\$811,838, \$785,695, and \$33,956 respectively).

Additional NFF Comments

Interaction Between Scope 3 Reporting and the Supply Chain: Material Risks to Agriculture

Primary and Secondary Data

Regarding the quantification of Scope 3 GHG emissions, it is the position of the NFF that entities not captured under the proposed reporting regime remain not required to undertake measurement and/or provide estimations of their GHG emissions data to reporting entities. Non-captured entities must not be compelled to disclose sensitive information about their business at their individual expense if they chose to withhold the sharing of such information.

As outlined in [Draft] ASRS 2 B46, an entity's measurement of its Scope 3 GHG emissions will be based on '*data obtained directly from specific activities within the entity's value chain (primary data), data not obtained directly from activities within the entity's value chain (secondary data), or a combination of both*', with primary data prioritised as the first preference of choice. Examples and collection sources used to underpin primary and secondary data for Scope 3 GHG emissions are outlined below in Table 3.

In alignment with public commitments to design mandatory CRFD reporting requirements '*as far as possible with IFRS S2 issued by the ISSB*', we seek to ensure this important choice distinction is maintained and that language outlined across B38 to B42 is not altered, or if it is, that AASB commit to undertaking further consultation. This is a significant subject that will affect all supply chain elements, particularly agriculture, a major food and fibre producer.

Table 3: Differentiation between primary data and secondary data examples available to an entity to measure and/or estimate its Scope 3 GHG emissions.

Primary Data	Secondary Data
As Described: Data provided by suppliers or other entities in the value chain related to specific activities in an entity’s value chain.	As Described: Data that is not obtained directly from specific activities within an entity’s value chain, used to approximate the activity or emission factors.
Examples: <ul style="list-style-type: none"> • Meter readings. • Utility bills. • Supplier-specific emission factors for purchased goods or services. • Other methods that represent specific activities in the entity’s value chain. 	Examples: <ul style="list-style-type: none"> • Industry-average data (e.g. from published databases, Government statistics, literature studies, and industry associations).
Sources of Collection: <ul style="list-style-type: none"> • Internally (an entity’s own records). • Externally from suppliers and other value chain partners. 	Sources of Collection: <ul style="list-style-type: none"> • Third-party data providers.

Although entities can use either direct measurement and/or estimation methodologies to quantify their Scope 3 GHG emissions to satisfy CRFD reporting requirements and maintain regulatory compliance, there exists a serious risk that that captured entities (i.e., suppliers) will offload the regulatory cost of data collection and Scope 3 modelling (Table 1) onto the supply chain. As suppliers turn inward to the supply chain seeking emissions data to mitigate these costs, primary producers may feel compelled, or even threatened, to estimate, measure, and disclose sensitive emissions data at their own individual cost (despite not being legislatively required to do so) to satisfy the demands of their much larger business counterparts to avoid unnecessary strain on critical business relations. This is a significant material risk for the sector, especially as the meat and dairy industry alongside other food industries are ranked the highest fragmented industries in Australia² (based on limited available data), rendering available the option for suppliers to terminate existing contracts and go elsewhere if their data requests are not satisfied, resulting in a loss of critical farm revenue streams.

Unconscionable Business Conduct

While no legal definition is provided, upon analysis of previous legal cases, unconscionable conduct is generally comprised of the following elements:

1. There must be a special disadvantage between the parties (i.e. a considerable difference in bargaining strength).
2. There must be an unconscientious taking of that advantage.

² <https://www.rba.gov.au/publications/rdp/2014/2014-07/str-aus-dom.html>

3. The defendant is unable to establish that the transaction was fair, just, and reasonable.
4. A pattern of long-term behaviour even if the impacted party did not suffer explicit loss or damage.

The NFF notes that there have been previous instances where major supermarket chains have been declared to have engaged in unconscionable conduct in their dealings with certain suppliers. This is not a novel issue; it is a real material risk to the sector.

While the NFF understands that the Australian Competition and Consumer Commission (ACCC) is responsible for regulating and prosecuting unconscionable business conduct practices violations against *Australian Consumer Law*, previous investigations have taken significant time to resolve, and it remains unclear if the ACCC has the current, or future, internal resource capabilities required to police such activity across all aspects of the national economy. AASB has acknowledged this risk, it must seek proactive engagement with the ACCC, ASIC (Australian Securities and Investments Commission), Treasury, and Government to develop appropriate safeguards for supply chain elements.

Scope 3 Methodologies and Guidance

B39: 'An entity is required to use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort when the entity selects the measurement approach, inputs, and assumptions it uses in measuring Scope 3 greenhouse gas emissions'.

It is unclear how the policy intent that Scope 3 disclosures would represent information that is available at the reporting date without undue cost or effort is reflected in-practice.

This is apparent as no formal guidance has been provided by Federal Government to assist entities determine what methods are acceptable, or available for estimating Scope 3 emissions. While AASB have developed in place an *Application Guidance Hierarchy* (Figure 1), outlining an elimination process for an entity to follow regarding how to quantify its GHG emissions (Figure 1), this is inadequate. In addition to example methodologies outlined in the *Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard*, and other technical guidance published by the GHG Protocol, there are no methodologies that encompass all of agriculture, and those that exist and are somewhat applicable to the sector (i.e. tools to estimate emissions from ammonia, wood, lime, and N₂O emissions from nitric acid production) are limited in their ability to produce useful results for the general agricultural supply chain.

Therefore, Government must develop separate guidance on additional methods for Scope 3 estimation for agriculture inclusive of carbon calculators. We understand that AASB has expressed significant interest in the development of guidance material, as demonstrated in Roundtable discussions held in February 2024. By creating a credible, referable, and detailed document, businesses (captured and not captured under the reporting regime) will have greater certainty on what estimation methods are available to them, and by extension, an approximate quantification of estimation costs involved. This will reduce time and monetary costs attributed to the research and exploration of unknown available secondary data collection methodologies and will ensure entities do not create their own bespoke methodologies in alignment with the policy intent that disclosures are undertaken 'without undue cost or effort'. A proposed addition to the *Application Guidance Hierarchy*

(figure 1) is provided in red to reflect this necessity. All stakeholder groups (not just accounting interests) must be broadly consulted on the design of such guidance material prior to the finalisation of these [Draft] ASRS Standards. This cannot be a process undertaken in vacuum.

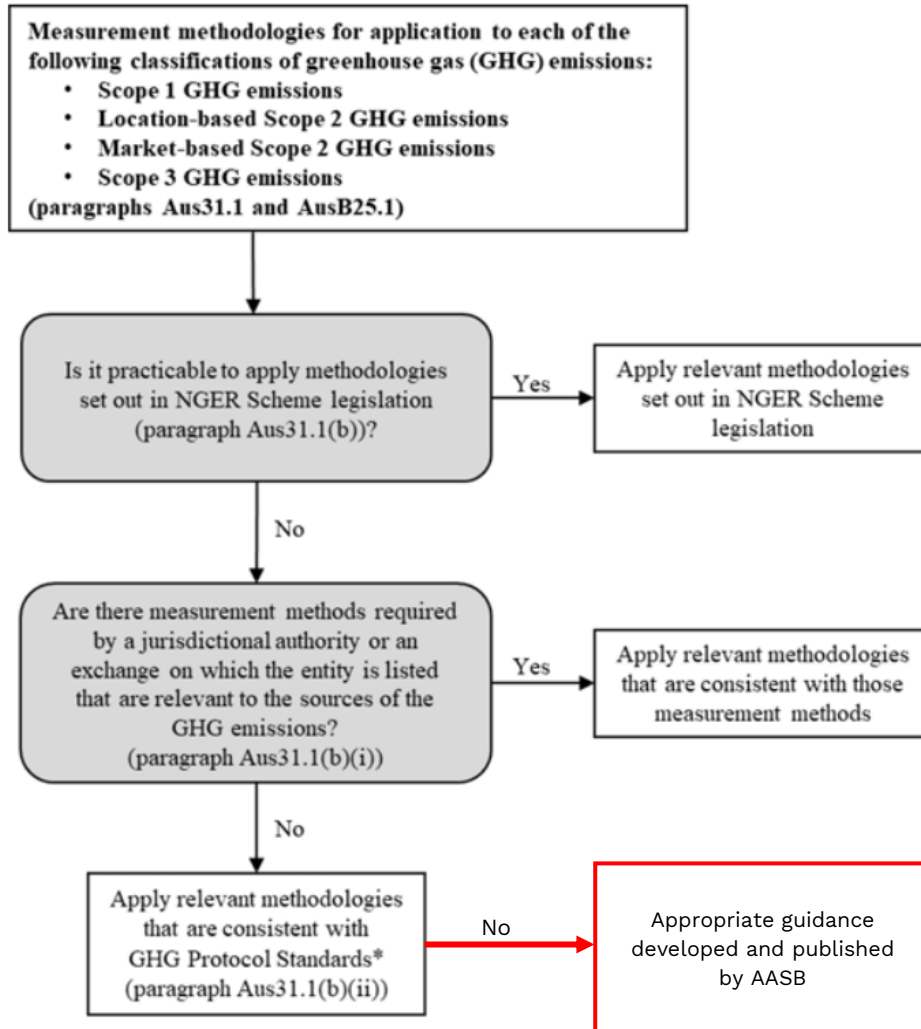


Figure 1: Australian application guidance for GHG measurement methodologies (paragraphs Aus31.1(b) and AusB25.1) and proposed NFF recommendation.

It is critical to note that in terms of reporting, for an extensive period, the agriculture sector has been heavily focused and involved in ensuring that credible carbon calculators are developed for public use. Carbon calculators developed by the sector such as those outlined in Table 4 should be considered by AASB or another appropriate Government body in the design of such guidance material. The NFF understands that Treasury is seeking to ensure carbon calculators can be used to support disclosures.

Table 4: List and description of carbon calculators developed by the agriculture sector.

Name/Title of Carbon Calculator	Scope 1 and 2 Estimation	Scope 3 Estimation
Australian Dairy Carbon Calculator	✓	✓ (Limited Estimation)
Agricultural Innovation Australia beta GHG Environmental Accounting Platform	✓	✓
Australian Wine Carbon Calculator	✓	✗
Greenhouse Accounting Framework Tools	✓	✓
HortCarbon Info	✓	✓
MLA Carbon Calculator (SB-GAF Tool Digitised Version)	✓	✓

Captured NGER Entities

Under the proposed ASRS Standards, entities that are registered corporations (or are required to register) under the NGER Act are categorised as Group 1 or 2 reporting entities dependent on whether they exceed the 50,000 tonne CO₂-e combined Scope 1 and Scope 2 GHG emissions ‘publication threshold’.

In December 2023, the CCA recommended the following policy action to Federal Government³: ‘Reporting under the NGER scheme should be extended to agriculture and land emissions in a separate and staged manner’.

If the scope of the NGER Scheme is expanded to include agriculture and land as recommended by the CCA, NGER reporting agricultural entities will be required to prepare a sustainability report for each financial year irrespective of their revenue, gross assets, or number of employees. **This is a significant concern to the NFF, and we seek to ensure no new additional legislation proposing an expansion of the NGER Scheme to include emissions from the agriculture or land sectors is introduced.**

Conclusion

The NFF thanks the AASB for the opportunity to provide a formal submission to guide the strategic design of Exposure Draft ED SR1. This is a significant policy reform; we look forward to further engagement on the development of these draft ASRS Standards. Please do not hesitate to contact Warwick Ragg, General Manager NRM via e-mail: WRagg@nff.org.au at the first instance to progress this discussion or to seek further clarification.

³ <https://www.climatechangeauthority.gov.au/sites/default/files/documents/2023-12/2023%20NGER%20Review%20-%20for%20publication.pdf>

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Tony Mahar', written in a cursive style.

TONY MAHAR

Chief Executive Officer

Attachment 1: NFF 2023 Climate-Related Financial Disclosure Policy

Attachment 2: NFF Treasury Climate-Related Financial Disclosure Exposure Draft
Legislation Submission

Attachment 3: NFF 2023 Climate Change Policy



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