

Climate-Related Financial Disclosure

Policy position statement

Position

The Council acknowledges broadly that climate change presents significant risks, but also opportunities, for many businesses in the national horticulture industry and supply chain.

The Council supports a regime of Climate-Related Financial Disclosure (CRFD) that enables business managers, owners, directors and investors the ability to better assess and respond to climate risks and opportunities, without creating any undue or burdensome administrative and reporting requirements.

The Council advocates for regulation to prohibit reporting entities requesting Scope 3 emissions data from all horticultural businesses in their supply chains. Regardless of any prohibition through regulation, the Council calls on reporting entities, in all instances, to instead make their own estimates of their Scope 3 emissions from horticulture businesses.

Overview

Climate-Related Financial Disclosure

The intent of CRFD regulation is to enhance the quality and comparability of disclosures concerning material climate-related financial risks and opportunities within Australia's financial reporting framework. By mandating that large businesses and financial institutions prepare a sustainability report alongside their annual financial statements, the regulation seeks to provide investors and the public with greater transparency regarding entities' climate-related plans and strategies. This initiative is also designed to support regulators in assessing and managing systemic climate-related risks to the financial system.

The regulation requires entities to disclose their governance and risk management processes related to climate risks, including controls, procedures, and any metrics and targets associated with climate-related financial risks and opportunities. This encompasses reporting on greenhouse gas emissions across Scope 1, 2, and 3. The overarching intent is to align Australia's disclosure standards with international frameworks, such as those developed by the International Sustainability Standards Board, thereby improving consistency and comparability across entities and jurisdictions.

The regulation applies to listed and unlisted companies and other entities obligated to prepare financial reports under Chapter 2M of the Corporations Act 2001. Notably for horticulture, it excludes family trusts, sole traders, and partnerships, as they are not incorporated entities and generally fall outside the scope of financial reporting obligations.

The regulation will be applied in a phased approach, ultimately requiring all entities to report meeting at least two of the following criteria: (i) \$50 million or more in consolidated revenue, (ii) \$25 million or more in consolidated gross assets, or (iii) 100 or more employees.

Scope 3 emissions reporting

Entities captured under the CRFD regime will be required to report Scope 1, 2, and eventually Scope 3 emissions. Scope 1 and Scope 2 emissions must be disclosed from the time a company falls into a reporting group. Scope 3 emissions will be phased in, as voluntary in the first year and then mandatory from the second year of reporting for each group.

- Scope 1 emissions are direct greenhouse gas emissions from sources owned or controlled by an organisation (e.g., fuel combustion on-site).
- Scope 2 emissions are indirect emissions from the generation of purchased electricity, steam, heating, or cooling consumed by the organisation.
- Scope 3 emissions are all other indirect emissions that occur in an organisation's value chain, such as those from suppliers, transportation, or product use.

CRFD regulation does not require small businesses in supply chains to supply Scope 3 emission data or information to reporting entities. Instead, reporting entities are expected to:

- Apply a materiality lens, against emissions volume, intensity or financial risk, in determining whether Scope 3 emissions are required to be disclosed in detail.
- Use “reasonable efforts” to estimate Scope 3 emissions, applying a recognised methodology (e.g. GHG Protocol).

However, reporting entities may still request Scope 3 emission data voluntarily. Communications from major supermarkets indicate an anticipation of asking smaller suppliers for Scope 3 data.

Horticulture emissions profile

Horticulture stands out in agriculture for delivering high nutritional value foods with a comparatively low greenhouse gas (GHG) emissions profile, making it a compelling component of both sustainable food systems and climate-smart agriculture.

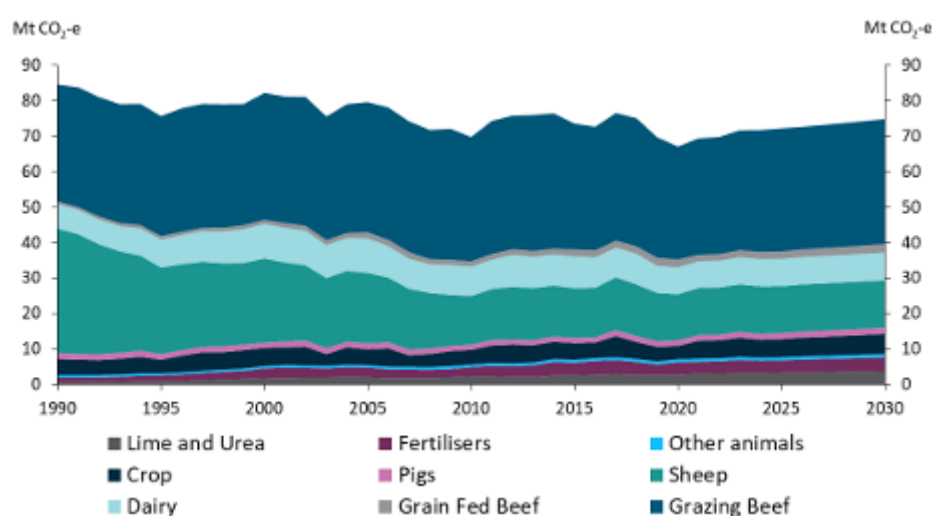
Between 2005 and 2022, agriculture contributed between 12% and 18% of national greenhouse gas emissions. Almost 80% of Australia's agricultural emissions are methane, deriving mainly from cattle and sheep industries.

This means, for many reporting entities, the emissions in their supply chain emanating from the national horticulture industry may be relatively negligible, low

risk, and therefore potentially immaterial. As a result, reporting entities are less likely to be justified in requesting Scope 3 emissions data or estimates directly from their suppliers.

The way the national inventory accounts for agriculture and land emissions makes it challenging to assign different sources to individual commodities. It includes emissions from biological processes associated with agricultural commodity production, such as emissions from enteric fermentation, agricultural soils, manure management, application of fertilizers, but excludes emissions from energy used in farm machinery or electricity use, which are significant in terms of that emitted by horticulture.

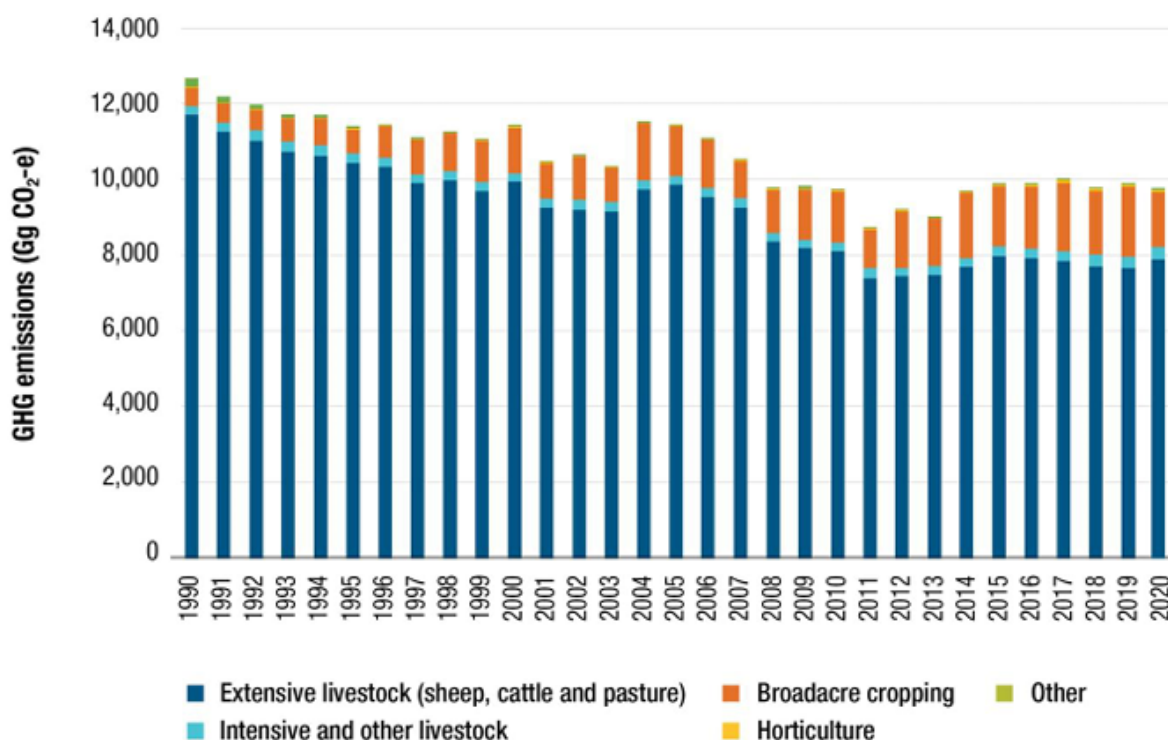
Figure 1: Agriculture emissions, 1990 to 2030, Mt CO₂-e



(Source: *Australia's emissions projections 2020*, Australian Government Department of Industry, Science, Energy and Resources, December 2020)

An assessment undertaken by the Government of Western Australia found emissions from the state agriculture industry dominated by those from the extensive livestock industry with sheep, cattle and associated pasture emissions accounting for just over 80% of total emissions in 2020, and that horticulture accounted for just 0.4%.

Figure 2: Relative contribution (Gg CO₂e) of the extensive livestock, intensive livestock, broadacre cropping and horticulture industries to total WA Agriculture sector emissions over the past 30 years (1990–2020)



(Source: *Emissions Baseline Report for the Agriculture Sector in Western Australia*, Department of Primary Industries and Regional Development, June 2022)

It is estimated by ABARES there could be as few as 30 businesses in total engaged in horticulture that will be captured by CRFD requirements. In contrast, given the tiered nature of supply chains, many of the 11,000 or more horticulture businesses in Australia will be captured in the Scope 3 emissions of either these 30 reporting entities in horticulture, or by supermarkets and financial institutions.

Policy principles

The Council recommends the following core policy principles are given consideration by reporting entities and regulators as part of the ongoing application, administration, enforcement and any future review of Climate-Related Financial Disclosure as it applies to the national horticulture industry:

1. **Education and awareness:** Regulators implementing CRFD must invest in engaging with and educating reporting entities to ensure they are aware ahead of time of their obligations and understand how to comply effectively.

Engagement should be delivered in a way that is accessible. The benefits to a business from engaging with their reporting requirements, including improved management of climate risks, should be highlighted.

2. **Guidance:** As part of their education efforts, regulators must develop further guidance on the interpretation of the CRFD regulation, and in particular, how to determine the materiality of emissions and what

reasonable efforts must be taken in the context of estimating Scope 3 emissions.

3. **Tools:** Regulators must invest in the development of tools for the use by reporting entities to more accurately estimate Scope 3 emissions, including emission intensity factors for the most common horticultural crops.
4. **Review:** Regulators must commit to regularly reviewing how entities are interpreting and applying their CRFD reporting requirements. If their interpretation is creating undue and unnecessary burden, particularly in requesting suppliers provide their own Scope 3 estimates, then consideration should be given to removing the ability to make these requests.
5. **Collaboration:** Reporting entities must work proactively with their downstream suppliers to assess material climate-related risks and opportunities. Reporting entities must give suppliers an opportunity to inform, and where necessary, correct estimates or assumptions made about their business.
6. **Privacy and confidentiality:** Reporting entities must not use CRFD requirements to solicit data or information beyond that necessary under the regulation, or use any data or information provided by suppliers to meet regulatory requirements for other purposes, including pursuing a commercial advantage.

Priority initiatives to deliver on principles

The Council recommends the following policy and program initiatives to deliver on principles concerning responses to climate change for the national horticulture industry:

1. **Industry collaboration (principles 1, 2 & 3):** Regulators to work collaboratively with industry peak bodies to (a) develop commodity specific tools and information, and (b) to apply best practice to extension for faster adoption, including smaller businesses.
2. **Early review (principle 4):** The Minister should initiate a review of the Climate-Related Financial Disclosure (CRFD) regulation, including its application by the auditing industry and the experience of Scope 3 emitters, at latest by 1 July 2027, ahead when its currently scheduled as soon as practicable after 1 July 2028.

Associated documents

At the time of approval, the Council has the below associated policy positions:

- Policy position statement on Climate change
- Policy position statement on Regulation and compliance
- Policy position statement on Data sovereignty and use

Date of approval

Version 1.0

Approved by the Council on 23 September 2025