Treasury consultation: Improving the efficiency of climate-related financial disclosures

1 October 2026



AUSTRALIAN
FOOD &
GROCERY
COUNCIL

PREFACE

The Australian Food and Grocery Council (AFGC) is the leading national organisation bringing Australia's fast-moving consumer goods (FMCG) sector together to champion growth.

With an annual turnover in the 2024-25 financial year of $182.6 billion, Australia's food and grocery manufacturing sector makes a substantial contribution to the Australian economy and is vital to the nation's future prosperity. Each business in the sector has contributed towards an industry-wide $4.5 billion capital investment in 2024-25, underpinning the sector's continued growth.

Food and grocery manufacturing together form Australia's largest manufacturing sector, representing over 33 per cent of total national manufacturing turnover. The industry makes a large contribution to Australia's rural and regional economies, with over 30 per cent of its 301,000 employees based outside metropolitan areas.

It is essential to the economic and social development of Australia that the magnitude, significance and contribution of this industry is recognised and factored into the Government's economic, industrial and trade policies.

The industry's growth ambition to 2030 is set out in *Sustaining Australia: Food and Grocery Manufacturing 2030*, which outlines a path to expand domestic manufacturing, create jobs, increase exports and strengthen the sovereign capability of the entire sector.

This submission has been prepared by the AFGC and is informed by, and reflects, the collective views of the membership.

EXECUTIVE SUMMARY

AFGC welcomes the opportunity to respond to Treasury's consultation on improving the efficiency of climate-related financial disclosures. This submission draws upon extensive feedback from AFGC members, including subject matter experts, with direct experience in undertaking climate-related reporting, including Australian Sustainability Reporting Standards S2 (ASRS S2).

This submission addresses Treasury proposals identified in the consultation paper dated August 2025. AFGC's response has used Treasury's four Review Principles and the associated questions to guide its assessment and recommendations.

AFGC's response addresses:

- **Proposal 1:** Adjusting assurance settings
- **Proposal 2:** Improving consistency in the application of existing requirements
- **Proposal 3:** Setting clearer boundaries on value-chain information requests
- **Other opportunities:** improved alignment between domestic frameworks and AASB S2, and Registered Company Auditor practical experience requirements

Overall, AFGC supports maintaining limited assurance only, applying existing requirements more clearly and proportionately, and providing firm boundaries on value-chain information requests.

AFGC also supports changes that improve the operation of the framework without materially disrupting those undertaking reporting for 2026-27. Where legislative change is contemplated, it should be limited, and ideally part of the proposed 2028–29 Review.

AFGC considers that this current Review should focus on practical support, clarification and relief, rather than introducing additional obligations on to reporting entities.

SUMMARY OF RECOMMENDATIONS

AFGC's overarching recommendations are summarised below. Further sub-recommendations and supporting detail are set out in the relevant sections of this submission.

- **Recommendation 1:** AFGC recommends that Government adopt Option 1a and maintain the existing limited assurance requirement for climate-related financial disclosures.
- **Recommendation 2:** AFGC further recommends that if there is any future consideration of reasonable assurance, then it should only occur after the assurance market has had sufficient time to mature and should also be supported by clear evidence.
- **Recommendation 3:** AFGC recommends that Government proceed with Proposal 2 and provide clearer guidance on key terms and concepts to improve consistency in the application of existing requirements.
- **Recommendation 4:** AFGC recommends that Government reinforce the existing boundaries for Scope 3 information requests and provide greater certainty about the use of estimation methods and secondary data under AASB S2.
- **Recommendation 5**: Government should improve alignment between domestic reporting frameworks (especially NGERs) and AASB S2 requirements to reduce duplication and improve reporting efficiency:
- **Recommendation 6:** Government should broaden the pool of suitably qualified assurance providers while maintaining appropriate quality and competency standards
- **Recommendation 7**: Additional guidance be provided on the minimum requirements of which risks (transition and/or physical) are to be covered in the analysis of each climate scenario.

TREASURY REVIEW PRINCIPLES

AFGC has used the four principles set out in Treasury's consultation paper to guide its assessment of the proposals and development of the recommendations in this submission:

1. Improve the efficiency of the sustainability reporting framework by reducing compliance costs.
2. Maintain international alignment between AASB S2 and IFRS S2.
3. Minimise disruption for reporting entities.
4. Ensure the 2028–29 Review is used to examine more systemic issues.

These principles have informed AFGC's consideration of whether the proposed changes are proportionate, practical for reporting entities and likely to improve the usefulness of climate-related financial disclosures without creating unnecessary cost, duplication or disruption.

AFGC RESPONSES

TREASURY PROPOSAL 1 - ADJUSTING ASSURANCE SETTINGS

AFGC supports Option 1a, maintain the limited assurance requirement.

AFGC believes the cost burden of reasonable assurance is difficult to justify for climate-related financial disclosures at this stage, and perhaps indefinitely. The transition to reasonable assurance should be deferred until there is clearer evidence of the additional value it provides beyond limited assurance, and until assurance provider capability, reporting systems and data quality have matured sufficiently.

Feedback and cost data from AFGC members indicate that the cost difference between limited and reasonable assurance is substantially greater than Treasury initially anticipated. Treasury previously estimated that reasonable assurance would cost approximately 1.66 times more than limited assurance. AFGC members' first-year reporting experience suggests this significantly understates the likely cost differential for climate disclosure. Climate assurance is considerably less mature than financial statement assurance. Reporting systems, auditor expertise, data quality and assurance methodologies are still rapidly evolving, increasing both direct assurance fees and internal efforts and rework.

AFGC members have advised that auditor fees for Year 1 limited assurance engagements over the prescribed AASB S2 disclosures range from $100,000 to $200,000. Currently, only a small number of member examples have involved reasonable assurance. Where reasonable assurance has been undertaken, members have reported auditor fees to be over three times the cost of a limited assurance engagement.

AFGC expects assurance costs to decline as reporting systems and provider capability mature. However, reporting entities should not bear disproportionate costs associated with building assurance-provider capability.

Direct assurance fees are only part of the cost. Members also report substantial internal effort to prepare information, respond to requests, and rework material where assurance expectations are unclear.

Boards and directors are also operating within a new reporting framework. Greater certainty is needed around the evidence, processes and governance required to support assurance conclusions and directors' sign-off obligations.

AFGC has also not received feedback from members indicating that investors or other stakeholders are seeking a higher level of assurance for climate disclosures. On the evidence currently available to AFGC, it remains unclear what is additional information value that reasonable assurance would provide to users, or what are the identified problems or investor information gaps that it would address.

Additional assurance also creates an opportunity cost by redirecting resources from climate resilience, developing and implementing climate transition plans. Maintaining limited assurance (Option 1a) better supports the Review's objectives of reducing compliance costs and minimising disruption for reporting entities.

On the evidence currently available, AFGC recommends maintaining limited assurance. and applying the following conditions to any future consideration of reasonable assurance.

Recommendation 1: AFGC recommends that Government adopt Option 1a and maintain the existing limited assurance requirement for climate-related financial disclosures.

Recommendation 2: AFGC further recommends that if there is any future consideration of reasonable assurance then it should only occur after the assurance market has had sufficient time to mature and should also be supported by clear evidence that:

- reasonable assurance will provide material additional value to investors and other users beyond limited assurance, and the benefits of reasonable assurance are proportionate to those additional costs;
- assurance provider capability and capacity are sufficiently developed;
- reporting systems and climate data are sufficiently mature to support reasonable assurance efficiently; and
- the full cost to reporting entities, including internal preparation, rework and governance costs, has been assessed.

TREASURY PROPOSAL 2: IMPROVING CONSISTENCY IN THE APPLICATION OF EXISTING REQUIREMENTS

AFGC supports Proposal 2 and Treasury's proposed approach to provide clearer guidance on key concepts, particularly on 'undue cost or effort' and proportionality, to improve consistency and reduce unnecessary assurance activity and rework.

AFGC considers that climate-related financial disclosures should provide useful and decision-relevant information to investors. However, the requirements should not become so onerous that they create a barrier, disincentive or opportunity cost that prevents reporting entities from improving their climate transition plans and/or their implementation.

The application of 'undue cost or effort' should therefore recognise the relationship between the effort required to produce additional information and the value that information provides to investors and other users. Where substantial additional analysis, systems work, data collection or assurance activity produces little additional decision-useful information, this should be relevant to determining whether the requirement involves 'undue cost or effort'.

AFGC also supports greater clarity on the application of proportionality. Proportionality should not be determined solely by the size and complexity of the reporting entity. It should also reflect the nature, materiality and extent of the entity's climate-related risks and opportunities.

Proportionality and materiality are related but distinct concepts. Materiality determines whether information is relevant to users, while proportionality should inform the effort, analysis and evidence reasonably required to address that information that is relative to the size of the reporting entity.

Entities operating within the same sector can have materially different climate risk profiles. For example, a marketing company or an urban-fringe food packing facility will have significantly lower exposure to physical climate risks than a dryland grazing or cropping operations. Applying the same expectations for analysis and documentation to both entities, without regard to their respective risk profiles, will result in unnecessary compliance activity without improving the usefulness of the disclosure.

AFGC considers that practical, sector-relevant guidance would assist reporting entities and assurance providers to determine what constitutes a proportionate response in different circumstances. This should include worked examples that demonstrate how proportionality can reflect differences in climate exposure, business model, operational complexity and materiality.

AFGC also supports practical guidance for entities that conclude they have no material climate-related risks or opportunities. The guidance should set out the evidence, governance and documentation expected to support that conclusion, including how proportionality applies where climate exposure is low.

Capability of assurance providers

Consistency also depends on assurance-provider capability and experience.

Mandatory climate-related financial reporting and assurance remain relatively new in Australia compared with established financial reporting frameworks. Reporting entities are experiencing differences in interpretation and evidentiary expectations between assurance providers. Where similar requirements are interpreted differently, reporting entities can face additional information requests, repeated analysis and rework.

Guidance should focus on areas where judgement is producing materially different approaches, and workloads, across reporting entities and assurance providers.

Director capability

Directors are being asked to exercise judgement within a new reporting framework. Clearer guidance and practical capability building would help directors consistently apply concepts such as ‘undue cost or effort’ and ‘proportionality’, without encouraging an overly conservative approach that adds cost without improving disclosure.

AFGC also considers the current director relief settings are appropriate and recommend they should be continued whilst reporting capability is still being developed.

Better navigation, not simply more guidance

Improved consistency does not necessarily require more guidance.

The priority should be to make the existing framework easier to navigate and apply, rather than add layers of documentation. New documents should be linked with, and make reference to, previously issued guidance and relevant training materials from all related parties.

Government and its agencies should consider practical navigation tools, including consolidated guidance, decision pathways, worked examples and clear cross-references to relevant requirements. These tools should be tested to ensure they support reporting entities and assurance providers to reach a consistent interpretation efficiently.

A simpler pathway for Group 3 entities

AFGC also supports considering a simpler, more proportionate pathway for Group 3 entities.

Group 3 entities are generally smaller and likely have fewer internal resources dedicated to climate reporting, sustainability, and assurance. Applying the same level of procedural complexity expected of larger reporting entities may create disproportionate compliance costs without delivering equivalent additional value for investors.

A simpler pathway should not reduce the quality or integrity of material climate-related information. Rather, it should clarify the level of analysis, documentation and supporting evidence reasonably expected from Group 3 entities, having regard to their size, complexity and climate risk profile.

Practical templates, worked examples, and simplified decision pathways could help Group 3 entities comply efficiently while maintaining decision-useful disclosure.

Efficiencies in reporting could be realised where a local subsidiary of a multinational already reports. Where equivalency exists then duplication should be avoided.

Recommendation 3: AFGC recommends that Government proceed with Proposal 2 and provide clearer guidance on key terms and concepts to improve consistency in the application of existing requirements. This includes:

- provide clearer guidance on the application of ‘undue cost or effort’, including recognition of the relationship between compliance effort and the additional decision-useful information produced;
- clarify that ‘proportionality’ should take account of the nature and materiality of an entity’s climate-related risks and opportunities, as well as its business size and complexity;
- provide practical guidance on the evidence, governance and documentation expected where an entity concludes that it has no material climate-related risks or opportunities;
- develop practical and sector-relevant worked examples to support consistent interpretation by reporting entities and assurance providers;
- focus clarification on areas where inconsistent interpretation is creating unnecessary information requests, assurance activity and rework;
- consolidate navigation tools, decision pathways and practical examples rather than just increasing the volume of guidance;
- provide practical implementation support, templates and proportionate guidance for Group 3 entities, without changing the substantive requirements of AASB S2.
- support director capability through practical guidance and education on judgement-based concepts, and
- continue the current director relief settings for the foreseeable future
- Australian subsidiaries of multinational reporters that have already reported at a group level in another jurisdiction can make reference to the group report where it provides an equivalent level of disclosure to the Australian requirements.

TREASURY PROPOSAL 3: SETTING CLEARER BOUNDARIES ON VALUE-CHAIN INFORMATION REQUESTS (SCOPE 3 EMISSIONS)

AFGC supports reinforcing the existing boundaries for external Scope 3 disclosure under AASB S2. Industry-level emissions factors can provide an appropriate basis for external reporting where they produce a reasonable estimate, and farm-level data should not be required solely for this purpose. This does not prevent entities from seeking more granular data for internal management, emissions-reduction programs, sectoral targets or voluntary commitments.

Scope 3 emissions disclosures become mandatory from an entity's second reporting year and can provide users with information relevant to assessing climate-related risks across the value chain.

The information needed for external reporting under AASB S2 may differ from the more granular data an entity chooses to use for internal management, emissions-reduction programs, sectoral targets or voluntary commitments such as science-based targets. The appropriate level of precision depends on the purpose for which the information is used however, ASRS S2 should be seen as the simplest use case.

For external disclosure under AASB S2, industry-level emissions factors can provide reporting entities with sufficiently decision-useful information about Scope 3 emissions without requiring extensive primary data collection throughout the supply chain.

AFGC has previously developed a *Scope 3 Emission Factors Workbook* for 12 food categories. The factors are largely drawn from existing published data and allow AFGC members to use their procurement and production data to efficiently estimate Scope 3 emissions without any additional cost to supply chain partners. AFGC recognises that these emissions factors will contain a degree of uncertainty. However, this does not prevent them from providing information that is adequate for external AASB S2 disclosure.

Where a reporting entity has access to more accurate or specific data, we recommend that it should use the best available data. An entity may also choose to collect more granular data for other purposes where this is needed for internal decisions, target-setting or performance tracking.

For external reporting, the framework should not create an expectation that buyers of agricultural products obtain upstream emissions information directly from primary producers or aggregators solely to meet AASB S2 disclosure requirements. Such an expectation would impose additional information requests and compliance costs across the supply chain without necessarily improving the usefulness of disclosures.

AFGC supports continued development of robust domestic emissions factors for agricultural products.

In the interim, AFGC members' approach for 2025–26 reporting should be recognised as capable of meeting the needs of AASB S2 disclosure where appropriate industry-level factors and procurement data are used.

This is also consistent with guidance issued by the Department of Agriculture, Fisheries and Forestry in January 2026. That guidance states that 'reporting entities may estimate Scope 3 emissions using industry averages or secondary data' and that farm-level information is not mandatory for Scope 3 reporting.

Clear reinforcement of this position would provide greater certainty to reporting entities, assurance providers, agricultural businesses and supply-chain partners. It would also reduce the risk of reporting entities passing unnecessary data requests upstream to farmers and smaller suppliers.

Assurance of Scope 3 emissions

Scope 3 emissions also present challenges for assurance because estimates often rely on emissions factors, secondary data, modelling, and information outside the reporting entity's direct control.

AFGC does not consider that reasonable assurance of Scope 3 emissions is practical under current conditions. The cost of attempting to obtain reasonable assurance over industry-level emissions factors and complex upstream supply-chain estimates would be substantial and, in some cases, may not be technically achievable. More importantly, it is unclear that this additional assurance effort would provide a corresponding increase in decision-useful information or transparency for investors. AFGC therefore supports changing the current assurance pathway so that Scope 3 remains subject to limited assurance.

The assurance framework should recognise the inherent characteristics of Scope 3 data and avoid creating expectations that reporting entities obtain increasingly granular supplier-level information simply to satisfy assurance requirements.

Recommendation 4: AFGC recommends that Government reinforce the existing boundaries for Scope 3 information requests and provide greater certainty about the use of estimation methods and secondary data under AASB S2.

AFGC further recommends that:

- external reporting: Industry-level emissions factors and procurement data should be explicitly recognised as an acceptable basis for Scope 3 disclosure under AASB S2 where they provide a reasonable estimate and more specific data is not readily available.
- external reporting: Reporting entities should use the best data reasonably available, including more specific supplier or activity data where it is available and proportionate, without creating a general expectation that primary data must be collected throughout the supply chain.
- external reporting: Consistent with existing government guidance, Treasury should confirm that buyers of agricultural products are not required to obtain farm-level emissions data solely for AASB S2 disclosure, and that industry averages and secondary data may be used.
- internal reporting and voluntary commitments: Reporting entities should remain free to seek more granular supplier or farm-level data where it is relevant and proportionate for internal management, emissions-reduction programs, target-setting, performance tracking or voluntary commitments. These uses should be clearly distinguished from the minimum information needed for external disclosure under AASB S2.
- the development and availability of robust domestic emissions factors for agricultural products should continue to be strengthened, including through the National Greenhouse Accounts Factors and other relevant government and industry initiatives.
- reasonable assurance should not be required for Scope 3 emissions as it provides limited additional value provided to investors but significant costs for reporters.
- assurance expectations should not indirectly create new upstream data requirements. Reporting entities should not be compelled to seek more granular supplier or farm-level information solely to

satisfy an assurance provider where the disclosure requirements themselves permit estimation using industry averages or secondary data.

OTHER POTENTIAL AVENUES TO IMPROVE EFFICIENCY OF DISCLOSURE REQUIREMENTS

AFGC supports climate-related financial reporting that provides primary users of general-purpose financial reports with useful, decision-relevant information. AFGC has identified two further opportunities to improve alignment across existing reporting frameworks and strengthen assurance market capacity.

Opportunity 1: Improved alignment between domestic frameworks and AASB S2 requirements

AFGC supports greater alignment between domestic reporting frameworks and AASB S2 where this can reduce duplication and improve reporting efficiency.

AFGC supports a targeted reform that would allow reporting entities to use the most recent completed NGER data for relevant Scope 1 and Scope 2 disclosures where reporting periods differ, subject to proportionate reconciliation and disclosure of material timing or boundary differences. This would reduce duplication while preserving the usefulness and comparability of the sustainability report.

AFGC recognises that operational boundaries under NGER and AASB S2 may not always be identical. Reporting entities should therefore be able to use the most recent NGER data as a practical basis for disclosure, with proportionate adjustments or explanation where reporting boundaries differ.

Recommendation 5: Government should improve alignment between domestic reporting frameworks and AASB S2 requirements to reduce duplication and improve reporting efficiency as per the following recommendations:

- confirm that reporting entities may use data from the most recent completed NGER reporting year for relevant Scope 1 and Scope 2 disclosures where reporting periods differ, subject to appropriate reconciliation and disclosure of material timing or boundary differences;
- allow proportionate adjustments or reconciliation where NGER and AASB S2 operational boundaries differ; and
- avoid unnecessary duplication of emissions calculations where reliable information has already been prepared under an existing domestic reporting framework.

Opportunity 2: Registered Company Auditor practical experience requirements

AFGC supports measures that broaden the pool of suitably qualified assurance providers available to reporting entities.

A broader assurance market should increase competition, help manage costs and improve the efficient delivery of assurance services. Current settings may favour established financial assurance providers and create a first-mover advantage that may not be efficient for reporting entities or investors over the medium to longer term.

Climate-related assurance also requires skills and experience that are not necessarily limited to traditional financial audit practices. AFGC therefore supports changes to practical experience requirements that allow

more suitably qualified assurance professionals to participate in the market while maintaining appropriate quality and competency standards.

This becomes more important if Treasury does not adopt Proposal 1a and reasonable assurance requirements are retained or expanded over time. In that case, demand for assurance services would increase materially, and assurance market capacity would need to expand accordingly.

Recommendation 6: Government should broaden the pool of suitably qualified assurance providers while maintaining appropriate quality and competency standards by:

- review RCA practical experience requirements to support a broader pool of suitably qualified assurance providers with relevant climate and sustainability expertise;
- maintain appropriate competency and quality requirements without unnecessarily restricting participation to established financial assurance providers;
- consider the effect of current requirements on competition, market concentration, assurance capacity and cost; and
- if Proposal 1a is not adopted, update auditor eligibility and practical experience requirements to ensure the market can meet increased demand for assurance services.

Opportunity 3: Clearer guidance on the requirements for climate scenario analysis

AFGC members have noted variations in how peers and some service providers interpret what is needed to undertake climate scenario analysis.

The most minimal interpretation is that two scenarios are required to be analysed. First, a high-warming scenario to test physical risks, and second, a low-warming scenario to test transition risks.

There is a different interpretation that recommends, in addition to the above steps, that testing for transition risks also be done in a high-warming scenario, and testing for physical risks be undertaken in a low-warming scenario.

AFGC is of the view that these two additional actions provide little additional value to investors and, in fact, may make it harder for users to understand the most material risks. Meanwhile, this creates extra cost and effort for reporting entities.

AFGC regards a physical risk assessment in any low warming scenario as unnecessary, furthermore a 1.5C warming scenario in now unlikely and the low scenario analysis should at least be 1.7C degrees and only for transition risks and opportunities.

Recommendation 7: Additional guidance be provided on the minimum requirements of which risks (transition and/or physical) are to be covered in the analysis of each climate scenario.

CONCLUSION

AFGC supports the Government's objective of improving the efficiency of climate-related financial reporting while maintaining useful, decision-relevant information for users. The immediate priority should be to reduce unnecessary cost and complexity, improve consistency and provide greater certainty for reporting entities, while avoiding material disruption ahead of the 2028–29 Review. Reporting entities still require a period to build their capabilities to successfully undertake AASB S2 reporting.

If reporting entities are given opportunities to build their climate resilience capability they will become genuinely better at managing climate risks and consequently, will then welcome increased transparency. If we, as a nation, take a 'compliance first' approach, then the required capability build, and resulting transparency will be unnecessarily delayed.

AFGC thanks Treasury for the opportunity to contribute to this consultation and welcomes further engagement on the proposals, the development of practical guidance and implementation support, and the 2028–29 Review.



The figures on this page exclude the fresh food sector and are based on 2024-25 ABS data.

1: This is total number of employees, head count basis and does not include seasonal employees.
2: Gross fixed capital formation for food, beverage and tobacco manufacturing subsector is taken as indicator of capital investment.