

8/06/2023

Committee Secretary  
Senate Standing Committees on Environment and Communications  
PO Box 6100  
Parliament House  
Canberra ACT 2600

## **RE: Senate enquiry into Greenwashing**

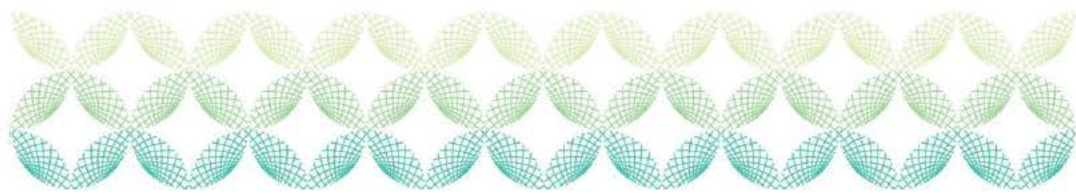
Accounting for Nature Ltd ('AfN') welcomes the Senate enquiry into greenwashing.

The UN Decade on Ecosystem Restoration represents an urgent call to arms for both public and private sectors to take unprecedented, large scale and impactful action to address biodiversity loss and climate change. Organisations that depend on and impact nature at any point in their value chain are at risk of asset loss, productivity and financial loss, and loss of social licence. To reduce this risk, organisations are being increasingly encouraged to shift to 'nature-positive' and 'nature-based' investments which offers opportunity through brand enhancement, carbon/nature credit revenue, sustainable investment taxonomies and access to new and emerging 'green' markets.

To ensure there is transparency in the market, organisations are increasingly being demanded to disclose their nature-related risks and opportunities. This has been demonstrated by the recent and strong interest in the Taskforce for Nature-based Financial Disclosure (TNFD). There are currently over 500 companies which are members of the TNFD forum. Collectively, the members represent institutions with a combine market capitalisation of over US\$4 trillion, with over US\$18.3 trillion in assets under management and a footprint in over 180 countries.

Accounting for Nature Ltd, is an independent, not-for-profit Australian company that accredits and certifies the measurement of the state of nature. The Accounting for Nature® Standard, associated scientific monitoring methods, and other pieces of market infrastructure are playing a critical role in supporting the transparent, evidence-based and the integrity of green claims and sustainability reporting – including those around "nature positive". We have been recognised as a leader in this field by governments, the private and not-for-profits, including the TNFD.

Established 4 years ago with financial support from the Queensland government, the Accounting for Nature® standard is a globally applicable, independent, innovative environmental condition accounting framework for measuring, monitoring, certifying, and reporting the condition of environmental assets (e.g., vegetation, soil, water, fauna etc) over time.



Since our establishment, AfN has:

- Formally accredited 21 methods through the independent Scientific Advisory Committee (covering native veg, fauna, water, and soil).
- Signed formal MOUs/contracts with 40+ organisations, ranging from ASX listed agricultural firms (AACo) to conservation organisations (Bush Heritage and QTfN), financial institutions (Pollination), government (Qld), NRMs (Burnett Mary Regional Group, NQ Dry Tropics), carbon aggregators (GreenCollar, CO2 Australia), service providers (Deloitte), indigenous organisations (NAILSMA) and philanthropic givers (Minderoo, Australian Ethical).
- Registered more than 50 environmental accounting projects (covering over 6 million ha's in Australia) in AfN's public registry.
- Trained 650+ people in the use of the Accounting for Nature<sup>®</sup> Framework via AfN's online training platform, and accredited 90 AfN Experts in environmental accounting skills.

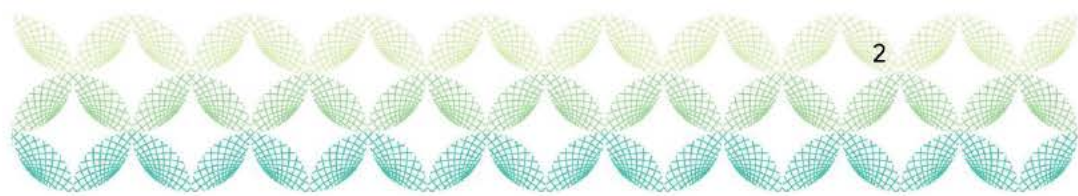
AfN continues to field increasing interest in environmental accounting from government and corporates with potential projects across the world and across a range of end-uses; ranging from substantiating claims related to "nature-based solutions" and "carbon plus co-benefit" markets, impact investment due diligence, green bond issuance, philanthropic giving, and government policy.

The Accounting for Nature framework involves summarising complex scientific information into a single metric – the Econd<sup>®</sup> to describe the condition of an environmental or ecosystem asset as a score from 0 to 100 (100 being reference/undegraded condition).

The Econd<sup>®</sup> is a simple and easily understood metric that enables the environment to be better incorporated into decision making. Using the Framework, proponents can produce Environmental Accounts across scales (project, property, regional, state, national) that are independently audited, ensuring transparency and integrity to claims regarding the state and change in the condition of nature.

To reverse nature loss by 2030, it is critical that nature finance is rapidly scaled. There is significant opportunity for Australia to play a pivotal role in green financing and nature-based solutions as we transition to net zero and deliver on our commitments to 30% of Australian land and sea protected by 2030.

However, 'greenwashing' presents a significant risk to achieving these objectives. Greenwashing can result in a market distortion that unfairly diverts investment away from ethical or sustainable companies that may find it difficult to compete with companies that engage in greenwashing. This will seriously undermine efforts to transition to a clean, low carbon, nature-positive economy by stopping or slowing investment into important climate and nature-based solutions.



Greenwashing can also undermine the credibility of legitimate climate and nature positive products. This results in distrust in claims, distrust from the public, and distrust and loss of credibility in the market. In our view, the following elements are critical to enable the growth of high integrity private markets for biodiversity:

1. 'Sustainability', 'green' or 'nature – positive' claims must be supported by **independent audits** of actual outcomes for nature, and the data that evidences the relevant outcomes should be made publicly available to ensure full transparency and establish trust in nature repair markets.
2. Claims must be **accurate**, and scientifically supported to ensure any claims on biodiversity or nature uplift is not misreported or misrepresented.
3. Claims must be **specific**, referring to a specific purpose and not be open to boarder interpretation.
4. Claims must be **coherent** and articulated in line with the level of understanding of the intended audience and in a manner that outcomes, attributions, and benefits are not misrepresented.
5. Claims must be **relevant** and be supported by a relevant Standard.
6. Claims must be **transparent** and provide adequate information to enable the intended audience to make decisions with reasonable confidence.
7. Finally, there must be **consistency** in disclosure requirements. For example, over 70% of the top 200 listed companies on the Australian share market now have net zero claims. However, there is inconsistency in what emission scopes are measured and reported. As expectations and future obligations arise regarding nature related disclosures, consistency in disclosure requirements will be critical to enable high integrity, high impact investment and minimise greenwashing.

Greenwashing poses a significant threat to market integrity by delaying meaningful and impactful investment in mitigating climate change and biodiversity loss.

However, there is also a significant opportunity for Australia to play a pivotal role in green financing and nature-based solutions but it must be supported by a zero-tolerance greenwashing policy to enable the market to rapidly scale to meet the challenge.

Yours sincerely,

Dr Adrian Ward

CEO, Accounting for Nature Ltd

