ATCO

PO Box 7182
Cloisters Square WA 6850

Tel: +61 8 6163 5400

atco.com.au

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To the Australian Accounting Standards Board,

Re: Commenting on the AASB Sustainability Reporting Exposure Draft

ATCO welcomes the opportunity to provide views on the AASB Sustainability Reporting Exposure Draft and accompanying questions provided by the AASB towards the draft standards.

We support continuous improvement and action towards the issue of climate change within Australia, however with prudent management and thought-out success criteria to manage a just transition.

ATCO believe that an appropriately calibrated 'training wheels' approach is important to ensuring a successful implementation of the new requirements which serves both users and preparers of disclosures. There is nothing to be gained for users or preparers of disclosures if the new requirements are poorly implemented.

Imposing obligations and creating legal exposures under the Corporations Act requires certainty about the detailed standards that will apply, sufficient time for investment in systems and processes, development of auditing capabilities and appropriate safe harbours and transitions periods.

The key points related to our submission include:

- Close alignment of the Australian Accounting Standards Board (AASB) standards with the International Sustainability Standards Board (ISSB) standards is critical so that i) users of disclosed information can make valid comparisons between different corporations in different jurisdictions, and ii) compliance costs are minimised for preparers of disclosed information.
- The reporting of emissions information under the new requirements needs to allow for a lag of up to 18 months so that there is sufficient time for some covered entities to align the data submitted under the National Greenhouse and Energy Reporting (NGER) Scheme (by 31 October each year) with the reporting timeline under the new requirements.
- The development of climate disclosure standards should protect reporting entities from having to divulge 'security' sensitive information in terms of critical assets – ATCO see this as a low risk, however consideration is important.
- ATCO seek clarification on 'Sustainability Report' versus Financial Disclosure information (i.e. is a separate report required if the entity is already publishing etc.). This also leads to the how companies should best represent 'climate statements' and 'notes to the statement' in relevant disclosures.

ATCO look forward to further liaison with the AASB to ensure the path forward for climate and sustainability related disclosures is clear, robust and efficient. For ATCO, it is important to navigate international reporting requirements, regulatory reporting requirements and general financial and sustainability related reporting with minimal duplication of effort and costs which are ultimately borne by consumers.

As requested, we have posted a pdf and word document for your internal use.

Yours faithfully,

S R Green

Stevan Green
Executive General Manager – Sustainability and Government Relations

Refer to following table (following pages) related to ATCO's response to the Draft.

	PRESENTING THE CORE CONTENT OF IFRS S1 IN [DRAFT] ASRS STANDARDS	ATCO POSITION AND RESPONSE
1	In respect of presenting the core content disclosure requirements of IFRS S1, do you prefer: (a) Option 1 – one ASRS Standard that would combine the relevant contents of IFRS S1 relating to general requirements and judgements, uncertainties and errors (i.e. all relevant requirements other than those relating to the core content that are exactly the same as the requirements in IFRS S2) within an Australian equivalent of IFRS S2; (b) Option 2 – two ASRS Standards where the same requirements in respect to disclosures of governance, strategy and risk management would be included in both Standards; (c) Option 3 – two ASRS Standards, by including in [draft] ASRS 1 the requirements relating to disclosures of governance, strategy and risk management, and in [draft] ASRS 2, replacing duplicated content with Australian-specific paragraphs cross-referencing to the corresponding paragraphs in [draft] ASRS 1 (which is the option adopted by the AASB in developing the [draft] ASRS 1 and [draft] ASRS 2 in this Exposure Draft); or (d) another presentation approach (please provide details of that presentation method)? Please provide reasons to support your view.	Option 3 Close alignment of the Australian Accounting Standards Board (AASB) standards with the International Sustainability Standards Board (ISSB) standards is critical so that i) users of disclosed information can make valid comparisons between different corporations in different jurisdictions; ii) compliance costs are minimised for preparers of disclosed information; and iii) business systems are consistent and maintained relating to technical and financial definitions across jurisdictions.
	REPLACING DUPLICATED CONTENT WITH REFERENCES TO THE CONCEPTUAL FRAMEWORKS	
2	Do you agree with the AASB's approach to make references to its Conceptual Framework for Financial Reporting (in respect to for-profit entities) and the Framework for the Preparation and Presentation of ED SR1 8 INTRODUCTION Financial Statements (in respect to not-for-profit entities) instead of duplicating definitions and contents of those Frameworks in [draft] ASRS 1 and [draft] ASRS 2? Please provide reasons to support your view.	No position. However, it is important that the context of each standard is maintained and their intent is clear.
	ENTITIES THAT DO NOT HAVE MATERIAL CLIMATE-RELATED RISKS AND OPPORTUNITIES	
3	Do you agree with the proposed requirements in [draft] ASRS 1 paragraph Aus6.2 and [draft] ASRS 2 paragraph Aus4.2? Please provide reasons to support your view	ATCO agrees it is important to reflect material climate-related risks and opportunities. It is equally important to disclose that there are no material climate-related risks and opportunities.
	MODIFICATIONS TO THE BASELINE OF IFRS S1 FOR [DRAFT] ASRS 1	

	Sources of guidance and references to Sustainability Accounting Standards Board (SASB) Standards	
4	Do you agree with the AASB's views noted in paragraphs BC39–BC41? Please provide reasons to support your view.	ATCO agrees. It is important that international standards align to the Australian context. Whilst ATCO agree that SASB guidelines are relevant, it is appropriate for the AASB to intervene on behalf of Australian entities. This should remain a voluntary mechanism to report against if entities choose.
5	Do you agree with the AASB's view that if an entity elects to make industry-based disclosures, the entity should consider the applicability of well-established and understood metrics associated with particular business models, activities or other common features that characterise participation in the same industry, as classified in ANZSIC? Please provide reasons to support your view.	ATCO agrees that applying the ANZSIC framework for Australian entities against metrics would be consistent across industry, based on the outcomes of an entities climate-related risks and opportunities disclosure requirements. However, there will be instances where climate related risks and opportunities are not specifically covered within AASB guidelines or relevant Australian Sustainability Reporting Standards. ATCO would wish to elect to disclose such information with appropriate disclosure notes to the effect to discern the framework that the data is being represented against (where and when applicable).
6	Do you consider that ASRS Standards should expressly permit an entity to also provide voluntary disclosures based on other relevant frameworks or pronouncements (e.g. the SASB Standards)? Entities are able to provide additional disclosures provided that they do not obscure or conflict with required disclosures. Please provide reasons to support your view.	ATCO agrees. Expressly permitting entities to disclose 'other' information against relevant standards should be made clear in the standards. ATCO issues caution on how prescriptive AASB standards are versus other international standards. There may be the rare instance where the AASB standard conflicts with other standards, but it is in the best interest of the Australian entity to disclose against the 'other' standard or framework. ATCO cannot provide an example at this time, however this may occur for entities where the Australian entity reports to an international global entity.
	Disclosing the location of the entity's climate-related financial disclosures	
7	Instead of requiring a detailed index table to be included in GPFR, the AASB added paragraph Aus60.1 to [draft] ASRS 1 to propose requiring an entity to apply judgement in providing information in a manner that enables users to locate its climate-related financial disclosures. Do you agree with that proposed requirement? Please provide reasons to support your view.	ATCO agrees with this generalised approach. Consideration should be made to cross-referencing an entities "Sustainability Report" or "Sustainability Datasheet" (or like named separate reports) – if this be covered by *ASRS 1 Paragraph 62* then ATCO considers the *ASRS 1 Aus60.1* drafting sufficient.
	Interim reporting	
8	Do you agree with the proposed omission of IFRS S1 paragraphs 69 and B48? Please provide reasons to support your view.	ATCO agrees that interim reporting against IFRS S1 should not be prescribed.
	MODIFICATIONS TO THE BASELINE OF IFRS S2 FOR [DRAFT] ASRS 2	
	Scope of [draft] ASRS 2	

9	Do you agree with the proposal in [draft] ASRS 2 paragraph Aus3.1 to clarify the scope of the [draft] Standard? Please provide reasons to support your view.	ATCO agrees with the additional inclusion, noting that GHG are defined in Appendix A of ASRS 2.
	Climate resilience	
10	Do you agree with the proposal in [draft] ASRS 2 paragraph Aus22.1? Please provide reasons to support your view.	Paragraph 22: *An entity shall disclose information that enables users of general purpose financial reports to understand the resilience of the entity's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the entity's identified climate-related risks and opportunities.* ATCO do not agree to forcing entities to 'disclose 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*.' It would take considerable time and resources to accomplish this task on an annual basis. ATCO understand the reason behind the proposed amendment, however entities that are 'high' emitters may have drastic differences in strategy based on meeting or not meeting 'ambitious' temperature goals. At least in the first instance of the Standard, this should be omitted. Paragraph 22 prescribes the ability to add data as "single or a range". In terms of climate resilience, this should be enough information for stakeholders to make an informed judgement on the position of the entity. For example, companies that may have a weaker forward strategy against climate change are more likely to disclose data with a wide range, thus providing stakeholders with less clarity and therefore higher doubt, and generating a view on the entities climate resilience (or lack of) without disclosing critical market related information that may contravene other disclosure laws and rules. Also, in terms of an entity potentially selling assets (against a particular scenario as an example), this asset offloading does not in all likelihood, actually contribute to reducing emissions overall, but instead transferring the issue to another entity, where that entity may or may not have this particular scenario or strategy disclosed. In terms of **Asset Divestment** has the AASB considered this in terms of the overall disclosure requirements and what this means for actual climate change?

11	Do you agree with the AASB's view that it should not specify the upper-temperature scenario that an entity must use in its climate-related scenario analysis? Please provide reasons to support your view.	Please refer to our response question 10 above. ATCO does not agrees and expects that entities would be inclined to specify their own targets and climate-related scenarios to provide stakeholders with relevant information against their own data, as defined by paragraph 22, choosing to disclose that information or not.
	Cross-industry metric disclosures (paragraphs 29(b)–29(g))	
12	Do you consider the cross-industry metric disclosures set out in paragraphs 29(b)–29(g) of IFRS S2 (and [draft] ASRS 2) would provide useful information to users about an entity's performance in relation to its climate-related risks and opportunities? Please provide reasons to support your view.	This question is referring to the following items: • climate-related transition risks • climate-related physical risks • climate-related opportunities • capital deployment • internal carbon prices • remuneration As collective information across industry, this may provide useful information to stakeholders. In terms of reporting as part of global consolidated group (applicable to ATCO), due considerationto identify appropriate disclosure information must be adopted. ATCO are interested to understand how much the AASB is considering the effect forward-looking disclosures may have on **market sensitive information**? It would be useful in assessing this requirement if the AASB provides further guidance on this going forward.
	Cross-industry remuneration disclosure (paragraphs 29(g) and Aus29.1)	
13	Do you agree with the proposed requirements in [draft] ASRS 2 paragraphs 29(g) and Aus29.1 to disclose the information described in points (a) and (b) in the above box? In your opinion, will this requirement result in information useful to users? Please provide reasons to support your view.	ATCO agrees that consideration of other disclosure requirements should not be overlapped (or overridden) by the new standards.
	GREENHOUSE GAS (GHG) EMISSIONS (PARAGRAPHS AUS31.1 AND B19AUSB63.1 AND AUSTRALIAN APPLICATION GUIDANCE)	
	Definition of greenhouse gases	
14	Do you agree with the AASB's proposal to incorporate in [draft] ASRS 2 the definition of greenhouse gases from IFRS S2 without any modification? Please provide reasons to support your view.	ATCO does not agree. The definition of GHG's should be consistent with the definition provided by the Clean Energy Regulator as part of National Greenhouse Gas Emission Reporting requirements.
	Converting greenhouse gases into a CO2 equivalent value	

15	Do you agree with the AASB's view that an Australian entity should be required to convert greenhouse gases using GWP values in line with the reporting requirements under NGER Scheme legislation? Please provide reasons to support your view.	ATCO agrees. This seems like a reasonable approach and consistent with a particular regulator defining the technical aspects of generating defined outcomes. This also reduces administrative burden by aligning CO2 equivalents through different reporting mechanisms.
	Market-based Scope 2 GHG emissions	
16	Do you agree with the proposals set out in [draft] ASRS 2 paragraphs Aus31.1(f) and AusC4.2? Please provide reasons to support your view.	There is no definition in the material for this term. Therefore, basing it on the below: *Market-based Scope 2 greenhouse gas emissions refer to a method of accounting for indirect emissions associated with the consumption of purchased electricity, steam, heating, and cooling. This approach considers emissions from the generation of the electricity or energy that a company consumes, regardless of where the generation occurs.* *Market-based accounting allows companies to take into account the environmental impact of their energy consumption more accurately and encourages them to procure electricity from sources with lower greenhouse gas emissions, such as renewable energy. This approach is part of the Greenhouse Gas Protocol, a widely used standard for greenhouse gas accounting.* In terms of the transition as proposed by Treasury, ATCO supports this.
	GHG emission measurement methodologies	
17	Do you agree with the proposals in [draft] ASRS 2 paragraphs Aus31.1(b) and AusB25.1? Please provide reasons to support your view.	The Exposure Draft calls to "apply methodologies set out in NGER Scheme legislation (established by the National Greenhouse and Energy Reporting Act 2007), using Australian-specific data sources and factors for the estimation of greenhouse gas emissions." However, the document also states "when applying a methodology in NGER Scheme legislation is not practicable, apply... a relevant methodology that is consistent with GHG Protocol Standards." ATCO agree that GHG Protocol Standards should be acceptable given these are more globally accepted than the Australian-specific NGER methodologies.
18	**Providing relief relating to Scope 3 GHG emissions**	
	Do you agree with the proposal in paragraph AusB39.1 of [draft] ASRS 2? Please provide reasons to support your view.	ATCO agrees with this approach. Scope 3 emissions are challenging to report and any relief in an Australian context is welcomed. NGERs reporting does not yet require Scope 3 reporting but alignment going forward (if and when this is put in place) is sensible.
19	**Scope 3 GHG emission categories**	
	Do you agree with the AASB's approach in [draft] ASRS 2 paragraph AusB33.1 to include the Scope 3 GHG emission categories in IFRS S2 as	ATCO agree with this approach of providing flexibility in reporting of Scope 3 emissions.

	examples of categories that an entity could consider when disclosing the sources of its Scope 3 GHG emissions, rather than requiring an entity to categorise the sources of emissions in accordance with the categories of the GHG Protocol Standards? Please provide reasons to support your view.	
20	**Financed emissions**	
	Do you agree with the AASB's proposal to require an entity to consider the applicability of those disclosures related to its financed emissions, as set out in [draft] ASRS 2 paragraphs AusB59.1, AusB61.1 and AusB63.1, instead of explicitly requiring an entity to disclose that information? Please provide reasons to support your view.	ATCO agrees that this approach is reasonable as to provide further flexibility to disclosure requirements.
	Superannuation entities	
21	In your opinion, are there circumstances specific to superannuation entities that would cause challenges for superannuation entities to comply with the proposed requirements in [draft] ASRS 1 and [draft] ASRS 2? If so, please provide details of those circumstances and why they would lead to superannuation entities being unable to comply with the proposed requirements or else able to comply only with undue cost or effort.	Not Applicable (NA)
22	**Carbon credits**	
	Do you agree with the AASB's proposal to modify the definition of carbon credit in [draft] ASRS 2? Please provide reasons to support your view.	According to the CER: Australian Carbon Credit Units (ACCUs) are issued as either Kyoto ACCUs or non-Kyoto ACCUs: • Kyoto ACCUs are issued if the relevant offsets project is an eligible Kyoto project and the reporting period ends on or before the Kyoto abatement deadline • Non-Kyoto ACCUs are issued if the relevant offsets project is an eligible non-Kyoto project, or if the relevant project is an eligible Kyoto project but the reporting period ends after the Kyoto abatement deadline. ATCO agree this is a prudent approach to the definition of carbon credits in the context of ACCUs.
	QUESTIONS SPECIFIC TO NOT-FOR-PROFIT ENTITIES	
23	Do you agree with paragraph Aus3.1(b) of [draft] ASRS 1 and paragraph 2.2(b) of [draft] ASRS 2 that the objective of a not-for-profit entity would be to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, access to finance or cost of capital, and its ability to further its objectives, over the short, medium or long term? Please provide reasons to support your view.	NA

24	Is there additional guidance that you consider would be helpful in explaining the objective of a not-for-profit entity preparing climate-related financial disclosures? If so, please provide details of that guidance and explain why you think it would be helpful.	NA
25	Do you agree with the proposal in [draft] ASRS 1 paragraph Aus6.1 and [draft] ASRS 2 paragraph Aus4.1? Please provide reasons to support your view.	NA
26	Do you agree with the AASB's view noted in paragraphs BC31–BC33 that the proposed clarification in [draft] ASRS 1 paragraph Aus6.1 and [draft] ASRS 2 paragraph Aus4.1, together with the practical expedients already provided through the baseline of IFRS S1 and IFRS S2, would be sufficient to address the cost-benefit and scalability concerns for not-for-profit entities preparing climate-related financial disclosures? Please provide reasons to support your view.	NA
27	If you disagree with the AASB's view in Question 26, what other modifications could be made to the baseline of IFRS S1 and IFRS S2 as included in the [draft] ASRS to assist not-for-profit entities to comply with climate-related financial disclosure requirements without undue cost or effort? Please specify which requirements in [draft] ASRS 1 and [draft] ASRS 2 you would suggest modifying, how those requirements could be modified and why you think the modifications would be helpful.	NA
	QUESTIONS SPECIFIC TO NOT-FOR-PROFIT PUBLIC SECTOR ENTITIES	
28	Unless already provided in response to Question 27, are there any other modifications or additions that could be made to the baseline of IFRS S1 and IFRS S2 as included in the [draft] ASRS to: (a) assist not-for-profit public sector entities to apply the concept of value chain and other climate-related financial disclosure requirements; and (b) better support alignment with public sector projects related to climate-related matters, such as the Australian Government's Australian Public Service (APS) Net Zero 2030 policy, which is a policy for the APS to reduce its greenhouse gas emissions to net zero by 2030? In your response, please specify: (a) which requirements in [draft] ASRS 1 and [draft] ASRS 2 you would suggest modifying, how those requirements could be modified and why you think the modifications would be helpful; and	NA

	(b) which of the following levels of government entities should be subject to your suggested modifications or additional requirements. Please provide reasons to support your view. (i) Whole of Government; (ii) General Government Sector; (iii) Government departments; (iv) Government entities; and (v) Local governments.	
29	Do you agree with the AASB's proposed approach of deferring consideration of whether to undertake a domestic standard-setting project to address Australian public sector climate-related impact reporting? Please provide reasons to support your view.	NA
	GENERAL MATTERS FOR COMMENT	
30	Has the AASB Sustainability Reporting Standard-Setting Framework (September 2023) been applied appropriately in developing the proposals in this Exposure Draft?	ATCO: Yes
31	Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, including any issues relating to: (a) not-for-profit entities; and (b) public sector entities?	Consideration of a 'subsidiary exemption' available to entities with parent corporations (such as ATCO) that report climate related financial disclosures at an aggregated level in jurisdictions aligned to the ISSB standards.
32	Do the proposals create any auditing or assurance challenges and, if so, please explain those challenges?	The commencement date should give all covered entities, including Group 1, a minimum of 12 months from the date legislation is proclaimed and AASB standards have been finalised to develop internal capabilities and capacity to meet the disclosure requirements. At the very least, the legislation should be amended to defer the commencement date for Group 1 entities until 1 January 2025 to give entities such as ATCO time to prepare and potentially adjust to the final AASB standards. The reporting of emissions information under the new requirements needs to allow for a lag of up to 18 months so that there is sufficient time for some covered entities to align the data submitted under the National Greenhouse and Energy Reporting (NGER) Scheme (by 31 October each year) with the reporting timeline under the new requirements.
33	Would the proposals result overall in climate-related financial information that is useful to users?	ATCO agrees that this information will be useful to users. ATCO seeks clarification on 'Sustainability Report' versus Financial Disclosure information (i.e. is a separate report

		required if the entity is already publishing etc.). This also leads to the how companies should best represent 'climate statements' and 'notes to the statements' in relevant disclosures.
34	Are the proposals in the best interests of the Australian economy?	ATCO agrees that this is in the best interests of the Australian economy. Close alignment of the Australian Accounting Standards Board (AASB) standards with the International Sustainability Standards Board (ISSB) standards is critical so that i) users of disclosed information can make valid comparisons between different corporations in different jurisdictions, ii) compliance costs are minimised for preparers of disclosed information and iii) business systems are consistent and maintained relating to technical and financial definitions across jurisdictions.
35	Unless already provided in response to specific matters for comment above, what are the costs and benefits of the proposals, whether quantitative (financial or non-financial) or qualitative? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs of the proposals.	ATCO have not completed a cost/benefit analysis. However, consideration must be given to: • Full auditable data, data storage and robust reporting tools • Scenario Planning Analysis tools with additional internal approval processes • Additional personnel (temporary and full time) and consulting resources • Increased Auditing/Assurance fees • Increased approval processes and Board Audit & Risk Committee considerations • Increased Stakeholder Engagement activities • Potential other regulatory (technical or non-technical) costs or implications. Based on the above, annual costs could be expected to be material.