



Office of Australian Accounting Standards Board
Podium Level 14, 530 Collins Street
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Australia

Via online submission: aasb.gov.au

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

1 March 2024

To Whom It May Concern

Aurizon Holdings Limited (**Aurizon**) welcomes the opportunity to respond to the Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information (**Exposure Draft**). Aurizon is Australia’s largest integrated rail freight business and a top 100 ASX company. An overview of what we do is outlined in our annual Sustainability Report.

We welcome the development of a standard specific to disclosure of climate related financial information and agree in principle with the objective and scope of the Exposure Draft. Included in Appendix A is our response to specific matters for comment in the Exposure Draft.

We also note the comments in our submission to Treasury on Climate-Related Financial Disclosures: Exposure Draft Legislation regarding immunity from suit and the impact of proposed sustainability reporting amendments on reporting obligations under the Corporations Act (as set out in the submission of Ashurst Australia, which Aurizon noted and adopted in its submission). We are of the view that these comments are also applicable in the context of a consideration of the Exposure Draft.

If you have any questions regarding this submission, please do not hesitate to contact Kath Clapham at kath.clapham@aurizon.com.au.

Yours faithfully

A handwritten signature in blue ink, appearing to read "George Lippiatt", written over a faint grey rectangular background.

George Lippiatt
Aurizon Holdings Limited
Chief Financial Office and Group Executive Strategy

Appendix A: Responses to specific matters for comment in the Exposure Draft

Presenting the core content of IFRS S1 in [draft] ASRS Standards

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 three is our preferred presentation approach as this may assist with future proofing the standards and removes the issue of significant duplication. Where applicable, we strongly support replacing relevant content with Australian-specific references, for example aligning with *National Greenhouse and Energy Reporting (NGER) Act 2007* and related regulations (NGER Scheme legislation), as this would reduce undue cost or effort for those entities which are captured under the NGER Scheme legislation and responsible emitters under the Safeguard Mechanism.

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 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.*

Yes, we agree with the AASB's approach to refer to its *Conceptual Framework for Financial Reporting* as this approach is similar to that adopted in developing Australian Accounting Standards.

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.*

Yes, we agree that where an entity has assessed climate-related risks and opportunities as immaterial that it discloses this fact and explains the reasoning for the conclusion.

We recommend that the standard includes a well-defined materiality definition, clarity on the time horizons over which materiality should be considered or further guidance to determine disclosure requirements, as most assessments will have an element of

materiality uncertainty. The absence of this may lead to inconsistent application of the standard and significantly impact assessments and decision-making for investors. Preparers and users of sustainability reporting information need clear communication regarding materiality. Additionally, the intricate interrelationships between climate related risks and opportunities, coupled with the subjective nature of materiality assessments, may result in omitted or inaccurate financial disclosures, particularly in relation to uncertainty.

Climate resilience

10. Do you agree with the proposal in [draft] ASRS 2 paragraph Aus22.1? Please provide reasons to support your view.

Yes, we agree with the proposal in [draft] ASRS 2 paragraph Aus22.1 for an entity to disclose 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* as Aurizon supports the objective of finding a pathway to limit global warming to less than 2°C, aligned to the Paris Agreement. We also acknowledge the Intergovernmental Panel on Climate Change's (IPCC) Special Report on the impacts of global warming of 1.5°C above pre-industrial levels. This is also consistent with one recommended disclosure from the Task Force on Climate-related Financial Disclosures and the best known and most widely used scenarios produced by the International Energy Agency in the annual release of the World Energy Outlook.

However, detailed guidance is required on the other scenario(s) to be used as the basis for disclosure of climate-related risks. For example, the Exposure Draft does not provide specific guidance on what global or local climate policy scenario (e.g. The Net-Zero Emissions by 2050 Scenario provided by the International Energy Agency) must be used in conjunction with the mandatory physical climate scenario aligned with the most ambitious global temperature goal set out in the *Climate Change Act 2022*. Guidance on the above is needed to ensure disclosure of climate-related risks is consistent and comparable within competitive markets and across industry sectors.

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.

No, there would be merit in specifying the upper-temperature scenario, to enable a consistent approach to the risk assessment and financial considerations applied to climate-related scenario analysis. For example, value is likely to be lost if, in one supply chain, a mine, rail network and port (all owned or operated by separate entities) each choose a different upper limit scenario. This has potential to create uncertainty for stakeholders given the interdependencies each asset's operation and viability has on the others. The use of different upper limit scenarios may also limit the ability for equitable comparison of future states across a supply chain in the example provided.

Greenhouse gas (GHG) emissions (paragraphs Aus31.1 and B19– AusB63.1 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.

Yes, we agree with the AASB's proposal to incorporate the definition of greenhouse gases from IFRS S2 without any modification because as referenced in the Exposure Draft, Australia

does not have a significant presence in the manufacturing of items containing nitrogen trifluoride (NF₃) and it is expected that few Australian entities would have material NF₃ emissions to report.

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.*

Yes, to avoid regulatory burden it is favourable to maintain consistency with the NGER Scheme legislation.

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.*

Yes, the disclosure of market-based Scope 2 GHG emissions in addition to location-based Scope 2 GHG emissions, allows for the recognition of power purchase agreements for green energy. Aurizon currently discloses location-based and market-based Scope 2 GHG emissions in our annual Sustainability Report.

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.*

Yes, the proposed GHG emissions measurement methodologies would allow entities to apply existing methodologies set out in NGER Scheme legislation and provides for an alternative when NGER Scheme legislation is not practicable.

Providing relief relating to Scope 3 GHG emissions

18. *Do you agree with the proposal in paragraph AusB39.1 of [draft] ASRS 2? Please provide reasons to support your view.*

Yes, permitting an entity to disclose in the current reporting period its Scope 3 GHG emissions using data from the immediately preceding reporting period provides flexibility, if required.

Scope 3 GHG emission categories

19. *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 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.*

Yes, this approach allows entities flexibility in the categorisation of Scope 3 GHG emissions.

Carbon credits

22. *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.*

Yes, consistency should be maintained to recognise carbon credits under the Australian Carbon Credit Unit Scheme.