



AGL Energy Limited

T 02 9921 2999

F 02 9921 2552

agl.com.au

ABN: 74 115 061 375

Level 24, 200 George St

Sydney NSW 2000

Locked Bag 1837

St Leonards NSW 2065

Australian Government

The Treasury

By email: climatereportingconsultation@treasury.gov.au

9 February 2024

AGL Response to the exposure draft of the Treasury Laws Amendment Bill 2024: Climate-Related Financial Disclosure

AGL is a leading integrated essential service provider, delivering 4.3 million gas, electricity, and telecommunications services to our residential, small and large business, and wholesale customers across Australia. We operate Australia's largest electricity generation portfolio and have the largest renewables and storage portfolio of any ASX-listed company, having invested billions over two decades in renewable and firming generation.

As the global community responds to the risks of climate change, AGL, as Australia's largest corporate emitter, recognises the large part that we must play in the transition to a low carbon economy.

In September 2022, AGL released its inaugural Climate Transition Action Plan (CTAP) which states AGL's updated ambition for decarbonisation, including the following commitments:

- Targeting a full exit from coal-fired generation by the end of FY35 (up to a decade earlier than previously announced);
- Ambition to meet customer energy demand with around 12 GW of new firming and renewable assets by 2036; and,
- An initial target of 5 GW of new firming and renewables by 2030.

Our plan recognises that a balance needs to be struck between responsible transition and rapid decarbonisation to keep Australia's electricity supply secure, reliable, and affordable. We are committed to working constructively with our stakeholders, including government, our people and the communities in which we operate, to lead a responsible and orderly transition.

The key points raised in this submission are summarised as follows:

- AGL supports the policy position taken by Treasury in mandating climate-related financial disclosures that align with the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards.
- AGL has reservations that the proposed structure of entities' disclosures envisaged by the draft Treasury legislation appears to deviate from the intended principles of the IFRS standards, which may result in less accessible and less comparable disclosures than intended. We encourage Treasury to consider amending the draft legislation to enable companies to meet the ASRS requirements by either integrating the required disclosures throughout the Annual Report or by reporting these in a separate chapter.



- AGL recommends renaming the Sustainability report to reflect its scope and content more accurately.
- AGL is seeking more clarity around the assurance requirements.

The importance of transparent disclosure of climate-related risks

AGL has significant experience relating to climate-related financial disclosures in Australia. In recent years, AGL has sought to play a leading role in the way business engages on the critical issue of climate change, and we have been a proud leader in corporate climate disclosures. As an early adopter in Australia, AGL has made a commitment to disclose climate-related information in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework. Although the use of the TCFD framework is currently voluntary in Australia, our stakeholders, including investors, governments, customers, and the community, expect us to be transparent about our climate-related risks, opportunities and performance. AGL has been incorporating climate-related risk, governance, and strategy disclosures in our annual corporate reports since 2016, and since 2018, these disclosures have been aligned with the TCFD framework.

We detailed the work we are doing in transitioning our portfolio and disclosing climate risks through our CTAP and TCFD reports in our submission to Treasury's first consultation on climate-related financial disclosure. Based on our experience with these types of disclosures, we are supportive of the adoption of mandatory climate-related reporting in Australia, and how this will feed into the Treasury's sustainable finance agenda, improving transparency for markets and encouraging the investment that will underpin Australia's transition to a net zero emissions economy.

Support for mandatory disclosure

AGL supports the policy position taken by Treasury in mandating climate-related financial disclosures that align with the IFRS Sustainability Disclosure Standards. Recognising the critical role that climate-related risks and opportunities play in today's business landscape, AGL endorses a globally consistent approach to reporting. By aligning with IFRS standards, AGL believes that Australian entities can contribute to a more transparent and comparable international reporting landscape, allowing for investor confidence and better-informed decision-making.

Further, AGL extends its support for Treasury's forward-looking stance on sustainability disclosures. We acknowledge the evolving expectations of stakeholders and investors regarding comprehensive sustainability reporting beyond climate-related aspects. AGL recognises the importance of considering a broad spectrum of sustainability factors, ranging from environmental and social impacts to governance practices. By endorsing further sustainability disclosures in the future, AGL envisions a reporting framework that not only addresses current concerns but also stays ahead of emerging sustainability issues.

Questions on alignment and clarity of information

AGL has some reservations that the draft Treasury legislation appears to deviate from the intended principles of the IFRS standards which may result in less accessible and less comparable disclosures than intended. We understand that the proposed legislation requires the disclosures pursuant to the Australian Sustainability Reporting Standards (ASRS) to be housed in a separate section, or fourth chapter, of an entities' Annual Report, thereby posing a risk of potential misalignment with the intention of the IFRS standards to integrate climate related financial disclosures in the entities' existing corporate reporting.

AGL emphasises that the lack of provisions for integrated reporting in the draft legislation could hinder AGL's ability to transparently convey a comprehensive view of its financial performance and sustainability efforts in



a way that best meets the expectations of our investors and other stakeholders. This deviation from international reporting norms may lead to Australian Annual Reports not effectively addressing the expectations of global capital markets, and is unlikely to drive best-practice or innovation in reporting.

We encourage Treasury to consider amending the draft legislation to enable companies to meet the ASRS requirements by either integrating the required disclosures throughout the Annual Report (including Operating and Financial Review, Financial Statements and Corporate Governance Statement) or by reporting these in a separate chapter. We consider that the ASRS Index proposed in the draft Standards (ASRS basis for conclusions BC43), provides an adequate tool to ensure that report users can readily locate climate-related information.

AGL additionally draws attention to the terminology used in the proposed legislation, specifically the designation of the new section as a 'Sustainability Report.' We are concerned that this title might be misleading for readers, particularly considering that the disclosures within this report will not initially extend beyond those related to climate change. To address this, AGL recommends renaming the report to reflect its scope and content more accurately, proposing alternatives such as 'Australian Sustainability Reporting Standards Disclosure' or 'Climate-related Financial Disclosures.'

AGL is also concerned about the current lack of clarity surrounding the assurance requirements beyond the minimum requirements of limited assurance over scope 1 and 2 greenhouse gas emissions in the first year of reporting, and reasonable assurance over all disclosures from 1 July 2030. The absence of clear guidelines for the intervening period poses a significant challenge for all reporters, hindering our ability to adequately plan both budgets and workloads.

We note that the proposed commencement date for Group 1 reporters is 1 July 2024. Given aspects of the standards effectively require companies to have process and procedures in place from 1 July 2024 in order to publish ASRS-compliant disclosures within FY25 reports, we note the importance of finalising both the legislation and the standards significantly in advance of the commencement date.

Should you wish to discuss any aspect of AGL's submission, please contact Anita George (ageorge@agl.com) or Cathlin Thurbon (cthurbon@agl.com.au).

Yours sincerely,

Anita George

Head of Sustainability

AGL Energy Limited