



Climate-Related Financial Disclosure

Ampol Submission

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About Ampol

Ampol Limited (**Ampol**) manages Australia's largest fuel and convenience network as well as refining, importing, and marketing fuels and lubricants. With our extensive expertise, we have grown to become the largest transport fuels company listed on the Australian Securities Exchange (**ASX**). We also have a New Zealand Exchange (**NZX**) listing as a Foreign Exempt Issuer.

In recent years, we have expanded our national and international footprint to develop a reliable and adaptable supply chain extending from regional hubs in Singapore and Houston, where we operate our trading and shipping offices, to the May 2022 acquisition of Z Energy, New Zealand's leading transport fuels supplier. Across Australia and New Zealand, this footprint serves over 110,000 B2B and SME customers in markets such as mining and aviation, and over four million retail customers every week. Across all its entities, Ampol has approximately 9,000 employees.

In May 2021, Ampol released its Future Energy and Decarbonisation Strategy, which sets out our plans to transition our business to future fuels and energy solutions. Ampol will transition in line with customer demand, technology availability, and our ambition to achieve net zero emissions across our operations by 2040, with interim targets also established. Ampol has launched its electric vehicle charging brand, AmpCharge, as well as home electricity brand, Ampol Energy.

Introduction

Ampol welcomes the opportunity to provide feedback on the proposed views set out in the Climate-Related Financial Disclosure Consultation Paper – June 2023 (**Consultation Paper**). As noted in Ampol's submission to the previous 'discovery' consultation, dated 17 February 2023, Ampol is supportive of the development and implementation of climate-related financial disclosure requirements.

This submission outlines Ampol's feedback on the 'design' Consultation Paper, including the proposed positions relating to coverage, content, framework, and enforcement of the requirements. Specifically, Ampol expresses concern for the following components raised in the Consultation Paper:

- Mandatory disclosure of scope 3 emissions with reasonable assurance within only three years following commencement of the disclosure regime. The nebulous nature of such data means that reasonable assurance is inherently unachievable in the current environment, particularly given the methodology of calculating this data is unsophisticated and heavily reliant on third parties.
- The proposed modified liability approach is insufficient to manage the significant risk exposure associated with mandatory climate-related financial disclosures, particularly regarding scope 3 emissions data and forward-looking statements. The alternative proposal for a safe harbour is substantially more suitable and would support entities to confidently disclose decision-useful information whilst managing risk exposure.
- The materiality thresholds as set out by the International Sustainability Standards Board (**ISSB**) are markedly different from the existing Australian OFR requirements under the *Corporations Act 2001* (Cth) (**Corporations Act**). Ampol is concerned that implementation of the ISSB's materiality thresholds will lead to ongoing continuous disclosure obligations for reporting entities. Ampol maintains the view that materiality should be defined by the company and continue to follow established precedents, as per the OFR requirements.

A key point that Ampol seeks to clarify with Treasury is the process of disclosing climate-related information for entities with differing financial reporting periods. For instance, Ampol's financial reporting year is January-December, while emissions data is calculated under the *National Greenhouse and Energy Reporting Act 2007* (Cth) (**NGER**) timeframe (July-June). Further detail on this is provided below, see page 5.

For further details or to answer any questions, please contact [REDACTED], General Manager, Investor Relations and Sustainability at [REDACTED].

Reporting entities and phasing

Reporting entities

Proposal: that all entities that meet prescribed size thresholds and that are required to lodge financial reports under Chapter 2M of the Corporations Act would be required to make climate-related financial disclosures.

Ampol is supportive that all entities that meet the prescribed size thresholds and that are required to lodge financial reports under Chapter 2M of the Corporations Act be required to make climate-related financial disclosures.

Ampol agrees that including entities based on their size is usually proportional to risk, as the larger and more interconnected an entity is, the higher the chance they will face physical and transitional climate-related risks. Also, larger entities have greater capability and, therefore, are more likely to have a material impact on managing these risks, as well as seizing opportunities that may accelerate climate action.

Further, Ampol agrees that all entities registered as a 'Controlling Corporation' reporting under the NGER Act also be required to make climate-related financial disclosures, as these entities are inherently exposed to material climate-related risk.

The use of existing thresholds will help to simplify what could otherwise be an arduous process of identifying entities subject to climate-related financial disclosures.

However, Ampol seeks clarification for the use of thresholds when regarding large organisations that publish financial statements on behalf of a broader group of entities, where some of those entities may individually meet the prescribed size thresholds to trigger mandatory climate-related financial disclosures. For instance, Ampol Limited is the parent entity that publishes financial statements for the Ampol Group, including Ampol Australia Petroleum Pty Ltd, which technically meets the thresholds under Chapter 2M of the Corporations Act.

As such, Ampol seeks an adjustment to the above proposal that would allow for parent companies to publish climate-related financial disclosures on behalf of their entire group, exempting their owned entities which may individually trigger the prescribed size thresholds as described in the Consultation Paper from provision of climate-related financial disclosures.

Phased implementation approach

Proposed roadmap for mandatory disclosure requirements.

Ampol is supportive of the three-phased implementation approach proposed by Treasury. As noted in our February 2023 submission, Ampol is concerned that workforce shortages and knowledge and capability gaps for climate-related financial disclosures will impede effective implementation of mandatory reporting in Australia. A phased approach that commences with larger entities should help to mitigate this.

However, it is imperative that the timeline proposed to successively introduce other entities to mandatory reporting be adhered to, rather than delayed for any group. This will ensure a fair regime that captures all relevant entities within an appropriate timeframe, and strengthens and protects Australia's credibility during this critical implementation period.

Reporting content

Climate-related financial disclosure standards

Ampol notes that the Australian Accounting Standards Board (**AASB**) will formally establish detailed disclosure standards. We plan to participate in the upcoming public consultation on the development of the standards, which is expected to commence in the second half of 2023.

Ampol is supportive that the standards be aligned as far as practicable with the final standards developed by the ISSB. We believe that the financial sector must provide transparency on climate-related matters to remain an attractive market for investors.

An internationally aligned climate-related financial disclosure regime in Australia would strengthen the efficiency, transparency, consistency, comparability, and reliability of local disclosures. This will support investors and local regulators by providing key decision-relevant information about financial risks and opportunities that Australian reporting entities face from climate change.

Phasing of reporting requirements

As stated above, Ampol is supportive of the three-phased implementation approach proposed by Treasury. However, Ampol seeks clarity on the application date and reporting period for mandatory climate-related financial disclosures.

The Consultation Paper is not clear that entities can incorporate climate-related financial disclosures as part of their usual reporting period and only references July-June financial years. Given one of the reform principles is 'scalable and flexible', referring to building on existing financial reporting systems, Ampol would seek to incorporate the disclosures into the January-December reporting period as per Ampol's Annual Reports.

On a related note, much of the emissions data currently reportable under the NGER framework will be captured under the mandatory climate-related financial disclosures. The NGER framework does not offer flexibility in reporting periods and, as such, entities that publish financial reports outside of the July-June cycle will have emissions data misaligned to the reporting period of their financial data.

For instance, under the NGER framework, Ampol publishes its scope 1 and 2 emissions data for the period July-June each year. This information is also included within Ampol's Sustainability Report, included within the Annual Report. In current practice, there is clear stipulation of the differing reporting periods between the financial information within the Annual Report and the emissions data within the Sustainability Report.

Ampol wishes to flag this misalignment in reporting periods as a matter of awareness, as there is no appetite to adjust emissions data from the July year end to the December year end for reporting under both NGER and the mandatory climate-related financial disclosure standards. If this were enforced, it would be cause for significant administrative burden to reconfigure emissions data from the July-June period to the January-December period.

Materiality

Proposal: Principles of financial materiality would apply.

Ampol supports the reform principle of international alignment; to align Australian standards with the ISSB as much as practicable. However, there are instances where it is appropriate for Treasury and the AASB to create requirements bespoke to Australia's unique context.

As outlined in Ampol's previous submission to the 'discovery' Consultation Paper, there are clear differences in the materiality thresholds of the ISSB and the existing Australian OFR requirements under the Corporations Act. The likely impacts of directly adopting the ISSB materiality principles in the Australian context were explored in detail by Herbert Smith Freehills (**HSF**).

HSF found that the adoption of the ISSB's materiality threshold will lead to the undesired effect of turning climate- and sustainability-related reporting documents into sources of ongoing continuous disclosure obligations for reporting entities. This is relevant to forward-looking statements that reporting entities are required to continuously disclose under the ISSB. If adopted in Australia, this would result in a requirement for reporting entities to closely monitor and, where necessary, update their climate- and sustainability-related disclosure documents to prevent a false market from occurring.

Ampol shares these concerns and considers it necessary for the climate-related financial disclosure framework to not be subject to Australia's continuous disclosure regime other than when existing OFR requirements are met.

Under the Corporations Act, Australian corporations are subject to extremely limited requirements to make forward-looking statements in their OFR. Further, the materiality judgement in relation to forward-looking statements is generally grounded by an 'impact' on the achievement of stated outcomes.

By contrast, the draft ISSB standards require a more granular disclosure of 'material information' about 'significant sustainability-related risks and opportunities', with the materiality threshold being determined by reference to whether 'omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reporting make on the basis of that reporting', which is a test that is similar to the test for continuous disclosure in Australia.

Ampol notes Treasury's commentary on page 22 of the Consultation Paper, stating that:

"It is not expected that all changes to underlying assumptions relating to climate disclosures would need to be reported to the market. However, if assumptions attached to a previous disclosure is subsequently found to be incorrect and result in a material effect on the price or value of the entity's securities, then it is expected that the market would be informed."

The above statement is welcomed by Ampol, however it appears inconsistent with the ISSB materiality thresholds Treasury proposes to adopt. Therefore, Ampol seeks clarity on how this would operate regarding materiality and continuous disclosure obligations.

For these reasons, Ampol is of the view that materiality should be defined by the company and continue to follow established precedents as per OFR requirements, rather than newly introduced ISSB materiality principles.

Governance

Proposal: From commencement, companies would be required to disclose information about governance processes, controls, and procedures used to monitor and manage climate-related financial risks and opportunities.

Ampol awaits further guidance on the exact governance information that may form part of mandatory climate-related financial disclosure.

In general, Ampol is supportive of disclosing information about how its governance bodies are involved in overseeing and monitoring climate-related risks and opportunities. The Ampol Annual Report and other public documents already disclose how governance is incorporated in company policy and procedures, as well as how climate-related performance metrics are factored into executive remuneration.

Strategy

Scenario analysis

Proposal: From commencement, reporting entities would be required to use qualitative scenario analysis to inform their disclosures, moving to quantitative scenario analysis by end state.

Ampol acknowledges that the disclosure of scenario analysis would be helpful to users in understanding decisions made by an entity. However, the issue of liability will persist, even under the proposed modified liability approach outlined in the Consultation Paper, which raises genuine risk for publicly reporting both qualitative and quantitative scenario analysis.

Also raised within the Consultation Paper is the infancy of useable Australian-specific climate scenarios both in development and application. Ampol has worked closely with external providers to develop scenario analyses bespoke to the Australian context that, when viewed in line with other entities' global scenario analyses, would depict vastly different outcomes.

For instance, Ampol's analyses illustrate Australian idiosyncrasies unique to Australia's energy mix and consumption. The only commonalities between the Australian-specific climate scenarios with other nations, or a global view, would be the overall climate target and carbon budget, which, for Australia, is approximately 1 per cent of the global budget.

This may have the unintended consequence of disadvantaging those entities that have developed more sophisticated, bespoke modelling for the Australian context. For the disclosure of climate scenarios to add value to overall climate-related financial disclosures across industry, Ampol believes that like-for-like comparison is necessary. Otherwise, it is likely that a user's assessment of such scenarios would be limited to disclosure marketing and efficacy.

Using the TCFD framework, and given Ampol's existing capabilities, Ampol already discloses quantitative scenario assessments. However, noting that many other entities likely do not have this capability yet, the transition period from qualitative to quantitative scenario analysis disclosure seems far too short to be workable. This is especially concerning considering any disclosure would be open to both regulator action from the outset, as well as liability from private litigants within only three years from commencement.

Proposal: From commencement, reporting entities would be required to disclose climate resilience assessments against at least two possible future states, one of which must be consistent with the global temperature goal set out in the *Climate Change Act 2022*.

Ampol is supportive of the requirement that all entities report against one shared scenario, that of the global temperature goal as set out in the *Climate Change Act 2022*. Noting that a benefit of this approach is consistency, which enables greater comparison between entities, Ampol reiterates that the methodology used for scenario analysis is key to ensure genuine consistency. For instance, some entities use critical assumptions that are unique to the Australian context, while others use a high level, global context as informed by the International Energy Agency (IEA) or similar.

As such, Ampol recommends that the standards take this proposal a step further by outlining an official Australian outlook that all applicable entities can then base assessment of a consistent view. In New Zealand, the Climate Change Commission published the specific inputs, assumptions, and data used in modelling unique to New Zealand. If an Australian body were to introduce a similar quantitative outlook, supported by industry consultation, there would be greater consistency in entities' climate resilience assessments of the shared scenario. In turn, this would provide greater decision-useful information for investors, creditors, and other lenders.

Transition planning and climate-related targets

Proposal: From commencement, transition plans would need to be disclosed, including information about offsets, target setting, and mitigation strategies.

The disclosure of transition plans would likely improve information flows and comparability. Given the approach from the ISSB focuses on transparency, Ampol supports alignment to this rather than prescribing certain transition planning activities or targets and ambitions that an entity should meet.

Ampol has already released an iteration of its transition plan by way of its Future Energy and Decarbonisation Strategy (May 2021). This sets out Ampol's target to achieve net zero emissions from operations on an absolute basis (scope 1 and 2) by 2040, with further interim targets set for 2025 and 2030.

Ampol does not believe the modified liability approach proposed in the Consultation Paper is adequate to meet the objectives of climate-related financial disclosures. That is, to assist with Australia's transition to net zero by 2050 and to provide decision-useful information to investors, lenders, and other creditors. Ampol's full perspective on this is outlined on page 11.

Proposal: From commencement, all entities would be required to disclose information about any climate-related targets (if they have them) and progress towards these targets.

Ampol is supportive of disclosing information about climate-related targets. Naturally, it is fair for the public to expect progress updates on meeting these targets. As such, following on from the release of Ampol's Future Energy and Decarbonisation Strategy in May 2021, Ampol is shortly set to release an update on progress in delivering the Strategy. This will include progress on meeting the interim climate targets set for 2025 and 2030.

The Consultation Paper proposes that entities also disclose how their proposed targets (if they have them) compare to the global temperature goal as set out in the *Climate Change Act 2022* and Australia's nationally determined contribution (NDC).

Given this process would also require information about strategies to meet a chosen target, Ampol notes that it would be unreasonable to expect comparisons in how an entity's strategy would change if aiming to meet the global temperature goal or Australia's NDC.

Risks and opportunities

Proposal: From commencement, entities would be required to disclose information about material climate-related risks and opportunities to their business, as well as how the entity identifies, assesses, and manages risks and opportunities.

Ampol is generally supportive of this proposal but seeks further clarity on the level of detail that is expected to be disclosed. As such, Ampol intends to participate in the climate-related financial disclosure standards consultation with the AASB, expected to take place later this year.

Metrics and targets

Greenhouse gas emissions

Proposal: From commencement, scope 1 and 2 emissions for the reporting period would be required to be disclosed.

Ampol already discloses information about its scope 1 and 2 emissions under the NGER framework for the July-June period. It is imperative that entities be allowed to disclose *net* scope 1 and 2 emissions, accounting for eligible units and certificates that are deducted from *gross* emissions data.

This will ensure that entities actively aiming to reduce their emissions profile are able to accurately report their decarbonisation efforts and are not disadvantaged by a requirement to only publish gross emissions data.

Ampol agrees that information about units or certificates surrendered should be accompanied by net emissions data to improve transparency.

Proposal: Disclosure of material scope 3 emissions would be required for all reporting entities from their second reporting year onwards. Scope 3 emissions disclosures made could be in relation to any one-year period that ended up to 12 months prior to the current reporting period.

Ampol's submission to the 'discovery' Consultation Paper noted the complications associated with reporting scope 3 emissions. Primarily, these include:

- **Accuracy** – Difficulty to accurately measure scope 3 emissions. This is of particular relevance to entities with international supply chains where upstream and downstream emissions-producing activities occur externally to Australia's jurisdiction. Further, the pervasive risk of either duplicate counting or under counting of emissions.
- **Reliance on Third Party Data** – Relying on third party data is inherent to calculating an entity's scope 3 emissions. With no robust assurance process in existence, there would be a reliance on unverified, inconsistent third party data to calculate emissions. Further, the ISSB allows for different time periods for third parties emissions estimates. This will likely exacerbate issues of unreliable data, in that there will be misalignments with the rest of reported emissions.
- **Assurance** – The ability to achieve reasonable assurance on data sets that rely on high levels of estimation and reliance on third party data seems unachievable, particularly within such a short timeframe.

It is unclear how the reporting of scope 3 emissions will be useful in meeting the overall objective of mandatory climate-related financial disclosures. Further, mandating reasonable assurance on scope 3 emissions by end state (FY27-28) is virtually unachievable given the nebulous nature of the relevant data, as well as the broader workforce and capability gaps. Also, the requirement of reasonable assurance places increased risk on company directors which would be reflected in significantly increased insurance premiums across industry to protect against liability issues, thus undermining competitiveness. The broader issues around liability are explored in further detail on page 11.

Industry-based metrics

Proposal: By end state, reporting entities would be required to have regard to disclosing industry-based metrics, where there are well-established and understood metrics available for the reporting entity.

Further clarity on this proposal is needed for Ampol to provide a response.

Ampol acknowledges the potential usefulness of industry-based metrics however, as noted in the Consultation Paper, availability of such metrics is highly limited in Australia at this time. Expecting disclosure of industry-based metrics by end state seems unachievable, considering such metrics are not yet meaningful and because end state is only three years following commencement of mandatory climate-related financial disclosures.

Reporting framework and assurance

Reporting location, frequency, and timing

Location

Ampol is supportive of mandatory climate-related financial disclosures aligning with existing corporate reporting practices. As such, inclusion within an entity's annual report seems fair and will ensure that timeframes of regular financial information and climate-related financial information are consistent and generate meaningful, decision-useful information. Ampol is supportive of the proposal to allow some climate-related information to be included in a separate report.

Timing of lodgement

Appreciating the principle of building on existing reporting practices, Ampol notes that it seems fair for the timing of lodgement of climate-related financial disclosures to be consistent with that of regular financial reports. Ampol reiterates that some entities' financial reporting periods do not align with the NGER reporting period so, while disclosed at the same time, emissions data and financial data published in an Annual Report may not be aligned to the same timeframe.

However, the burden of producing this data to an adequate level will require significant effort from teams and individuals that are also key to regular financial reporting. As such, this will be an additional burden on businesses during a period of peak workload.

Continuous disclosure and fundraising documents

See feedback under 'Materiality', pages 5-6.

Assurance

Scope 3 emissions

Ampol has raised several concerns with the reporting of scope 3 emissions (see page 11). The 'interim step' proposed by Treasury to assure scope 3 emissions seems inadequate and not useful in supporting Australia's objective of introducing robust climate-related financial disclosures.

International sustainability auditing and assurance standards

Ampol maintains that Australia's climate-related financial disclosures should align with international standards wherever appropriate. As such, Ampol is supportive of the IAASB's development of an overarching standard for assurance on sustainability reporting.

Liability and enforcement

Modified liability approach

Proposal: Climate-related financial disclosure requirements would be drafted as civil penalty provisions in the Corporations Act. The application of misleading and deceptive conduct provisions to scope 3 emissions and forward-looking statements would be limited to regulator-only actions for a fixed period of three years.

Ampol acknowledged that the modified liability approach is useful in barring liability claims raised by private litigants regarding misleading or deceptive conduct, false or misleading representation, and similar claims relating to scope 3 emissions and forward-looking statements. However, this approach does not address the risk of enforcement action brought by regulators.

Ampol is concerned that, given the highly nebulous nature of scope 3 emissions data, mandatory disclosure of such data without adequate protection from liability presents significant risk to an entity and its board of directors.

The ACCC, ASIC, and other regulators are likely to be active in investigating and enforcing compliance in this area. Misleading and deceptive conduct in the area of greenwashing continues to be a top enforcement and compliance priority for the ACCC. For instance, the ACCC recently conducted an internet sweep of 247 businesses and determined that 57 per cent of those businesses had made concerning, vague, or unclear claims about their environmental concerns. The ACCC has subsequently announced further scrutiny in this area.

This priority area of the ACCC is fair regarding other components of climate-related financial disclosure but becomes unreasonable when concerning mandatory reporting of nebulous information as in the case of scope 3 emissions data. A three-year modified liability approach as proposed by Treasury is not adequate to address this issue and places businesses and their directors at unreasonable risk.

Similar to the ACCC, ASIC has publicly affirmed that targeting greenwashing is a priority for the regulator. ASIC is delivering on this priority through 'proactive surveillance and enforcement of governance and disclosure standards'. In the nine months to March 2023, ASIC issued 35 regulatory interventions against greenwashing activity. While Ampol agrees with this prioritisation and action, the concern is that the proposed mandatory disclosure of scope 3 emissions and forward-looking statements places entities at undue risk of regulator action.

Further, the proposed modified liability approach is unclear in its operation. Ampol seeks to confirm that, if introduced, the approach pertains to relevant statements made within the first three years of mandatory disclosure but that once the three-year period ends, those statements will continue to be protected from retrospective liability (except for regulator-only action).

Ampol's previous submission to the 'discovery' Consultation Paper raised the option of introducing a safe harbour, which was noted as a considered alternative within this current 'design' Consultation Paper. Given the proposed modified liability approach is inadequate to manage risk, Ampol urges Treasury to consider the safe harbour option once again.

The Consultation Paper notes that, as part of the safe harbour option, the inclusion of a proximate cautionary statement would likely lengthen and reduce the readability of disclosures without providing decision-useful information. Further, that a disclaimer may undermine the quality of disclosures.

Ampol disagrees with this perspective, given the sheer scrutiny of climate-related financial disclosures and available information for all other components beyond forward-looking statements and scope 3 emissions data, the quality of disclosures is likely to be high.

On balance, introduction of a safe harbour for this type of information will likely encourage businesses to provide more decision-useful information rather than withhold it as a means to manage risk against attracting regulator action.

