



Woodside Energy Group Ltd

ACN 004 898 962



2 August 2023

Attention: Climate Disclosure Unit, Market Conduct and Digital Division, The Treasury

Submitted via email: climatereportingconsultation@treasury.gov.au

WOODSIDE SUBMISSION TO THE TREASURY CONSULTATION – CLIMATE-RELATED FINANCIAL DISCLOSURE – CONSULTATION PAPER

Woodside welcomes the opportunity to comment on the consultation paper and provides the following information for consideration.

Woodside is proud to be a global energy company, supplying the oil and gas that the world needs and working to develop new energy products. We are proud of the contribution we make to sustainability in the communities we are a part of and the markets we supply.

We support legislative mechanisms that enable standardised, internationally-aligned requirements for the disclosure of climate-related financial risks and opportunities. We also support legislative mechanisms that promote transparency, accountability and comparability for reporting entities in Australia and globally, noting any new regulatory obligations should only be brought into effect, following a process of public consultation and phased implementation to minimise adverse impacts to industry.

We note that the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards build on the existing Task Force on Climate-related Financial Disclosures (TCFD) with the intent to deliver aligned investor-focused sustainability disclosures.

Woodside already discloses climate-related information and released a Climate Report in both 2022 and 2023 which summarise Woodside's climate-related plans, activities, progress and climate-related data for the respective calendar years. These reports are structured to align with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations framework. Woodside considers that these reports contain disclosures consistent with TCFD's four recommendations and eleven recommended disclosures, noting its Guidance for all Sectors and Guidance for Non-Financial Groups.

We recommend that when the accompanying Australian Accounting Standards Board (AASB) standards are prepared, they should allow for sufficient flexibility regarding risks and opportunities, so that reporting entities can provide accurate and decision-useful information to investors in the context of their particular business. For example, our Climate Report 2022 includes a summary of key climate-related risks and opportunities across a short-, medium- and long-term timeframe. The information describes the potential for climate-related risks and opportunities to impact Woodside's business, strategy and financial planning, including potential financial impacts and potential mitigations. Our Annual Report also outlines how Woodside considers the impact of climate and energy transition in assessing the carrying value of assets and liabilities. The Annual Report also describes climate-related assumptions that underpin key areas of the financial statements and the potential short-and long-term impacts differing scenarios could have on the financial results and financial position of Woodside. The

aggregate potential impact of these risks and opportunities is illustrated in a quantitative scenario analysis using scenarios published by the International Energy Agency, including a 1.5°C scenario.

We provide the following comments in response to the consultation paper:

- **Climate-related financial disclosure standards:** We note that the AASB will develop Australian climate disclosure standards which are intended to closely align with International Financial Reporting Standards (IFRS) S2 Climate-related Disclosures and that these will be subject to further consultation processes. We suggest that efforts should be made to reduce duplication across the sets of standards. We note that the AASB standards are proposed to be released in Q2 2024 and encourage early consultation on the content and structure of the standards.
- **Reporting entities and phasing:** We understand that the proposed compliance date for 'Group 1' reporting entities from July 2024 means that the new requirements would apply in the first full reporting period (calendar or financial year, depending on reporting entities' reporting cadence) after the requirements come into effect. As Woodside reports on a calendar year basis, requirements will be reflected in our 2025 Annual Report released in the first quarter of 2026, should the July 2024 legislation date be achieved. We consider that this timeframe may be reasonable, subject to clarification of the AASB standards which will determine the extent of the requirements and the supporting systems and processes that will need to be put into place.

With regards to reporting entities, we recommend that there should be a subsidiary exemption available to entities with parent corporations that are required to report climate-related financial disclosures at an aggregated level, including in Australia under these new requirements or in another jurisdiction under International Sustainability Standards Board (ISSB) requirements. For Woodside, climate-related risks are managed at a group level on a portfolio approach, meaning individual entity reporting would not provide meaningful information.

- **Materiality:** We recognise that the consultation process is focused on financial materiality and we support this approach. However, any future consideration of the application of 'double materiality' and its place within Australian climate-related standards should include a detailed consultation period regarding how ISSB S1 and S2 (focused on financial materiality) and the Global Reporting Initiative (GRI) (focused on impact materiality) may work together. It is noted that the possible future combined requirements of ISSB S1 and S2 and GRI on reporting entities would be significant. Woodside has historically prepared its discretionary sustainability disclosures with reference to GRI and we think that reporting on impact materiality should remain on a voluntary basis.
- **Risks and opportunities:** Woodside supports the intent to provide information to investors regarding material climate-related risks and opportunities where useful, as demonstrated by the information already contained in our suite of corporate reports mentioned earlier in this submission.

We note the parallel climate-related financial disclosure requirements being considered in other jurisdictions where we are active and understand that the consideration of climate-related disclosures by the United States Securities and Exchange Commission is ongoing. We recommend that the Treasury's consultation and the proposed development of relevant AASB standards consider international climate-related financial disclosure requirements to endeavour to reduce duplication and impacts on reporting entities operating in multiple jurisdictions.

- **Metrics and targets:**
 - **Industry-based metrics:**
We recommend that further consultation processes are required on an industry-by-industry basis to develop industry-based metrics. Woodside would be willing to participate in a relevant industry working group.
- **Reporting framework and assurance:**
 - **Location:** We understand that certain disclosures will need to be included in an entity's Annual Report and include an index table displaying climate disclosure requirements and correlating disclosure section and page number. We also understand that entities

may report the proposed 'metrics and targets' in a separate report, provided it is referenced in the director's report. Where an entity may not produce an additional report, clarity is sought on whether they may instead outline this information on their website as an alternative method of disclosure.

- **Assurance:** We recommend that the proposed phasing across all scopes should be extended to two years from date of effect, because the requirements are new to both reporting entities and assurers alike with new processes and systems needing to be put in place. Existing assurance providers may need time to develop and scale up their own resources, in order to provide appropriately skilled assurance services in this field.

The approach to require reasonable assurance of Scope 3 emissions is not considered practical given the nature of these emissions. It is recommended that Treasury undertake a separate consultation with reporting entities regarding the assurance of Scope 3 emissions. This would benefit from being done on an industry-basis to ensure a consistent approach. Woodside would be willing to participate in a relevant industry working group'.

- **Liability and Enforcement**

- **Balancing policy objectives and tactical use of regulations:** Woodside notes that Treasury's Proposal acknowledges the difficulty in compiling quality data in the required areas and we believe that protection from private litigation is appropriate. However, Woodside believes that further protection for reporters is reasonable and appropriate in the circumstances.
- **Protections greater than 3 years:** Woodside recommends that any protection considered has a tenor of greater than the proposed 3 years. We believe the requirements around forward-looking settlements will remain very challenging, in particular those concerning scope 3 emissions, beyond this 3-year timeframe.
- **Safe harbour:** As noted in the Australian Institute of Company Directors (AICD) 23 February 2023 submission, many other jurisdictions provide safe harbour protections for forward-looking statements. As a company with secondary listings in the US and UK, Woodside must maintain compliance with all 3 regimes. In an increasingly global capital market, consistency in reporting between jurisdictions is relevant for Australian based companies. A safe harbour would reflect the nascent expertise and assurance industry as noted by Treasury, and the inherent difficulty of forward-looking statements for items such as scope 3 emissions. Woodside is supportive of the options suggested by AICD on page 18 of such submissions, in particular Option C.
- **Interaction with voluntary and continuous reporting:** Woodside believes consideration should be given by Treasury as to how the proposed liability and enforcement regime will work between continuous and voluntary reporting and the new mandatory reporting by the same entities. The new laws provide an opportunity to create a harmonious regime to avoid compliance for both readers and consumers and to avoid stifling voluntary reporting.
- **Review:** Whichever option is selected, Woodside suggests that a periodic review be undertaken by Treasury of the efficacy of the liability regime. For example, once each 3 years for the first 9.


- **Other comments:**

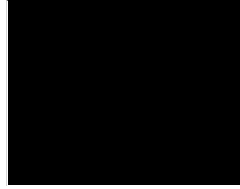
- Further information regarding the interaction of the IFRS Transition Implementation Group and the AASB would be helpful in terms of the development and timing of consistent provision of guidance to reporting entities.
- We suggest that Treasury consider the establishment of a mandatory review of the requirements after the initial transitional period, to ensure they are generating the intended outcomes and remain consistent with developing international practice.


We remain available to meet with the Treasury to discuss further.

Yours faithfully

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Executive Vice President Strategy and Climate

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Executive Vice President and Chief Financial Officer