

Climate Disclosure Unit  
Market Conduct and Digital Division  
The Treasury

via email: [climatereportingconsultation@treasury.gov.au](mailto:climatereportingconsultation@treasury.gov.au)

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## Climate-related financial disclosure second consultation

Thank you for the opportunity to provide comment on the second consultation paper (the paper) for the proposed climate-related financial disclosures regime in Australia.

Australian Retirement Trust (ART) appreciates the ongoing opportunity to be actively involved in the consultation process. We are broadly supportive of the proposals in the paper and submit the following views in relation to proposals concerning 'Transition planning and climate-related targets', and 'Metrics and targets':

### Transition planning and climate-related targets

ART welcomes the inclusion of proposed reporting requirements around transition plans and targets, with a reporting framework that follows the ISSB S2 Standard. These reporting requirements will help us and our external fund managers better assess the transition pathways set by our investee entities.

We also acknowledge the proposal's focus on transparency, rather than ambition, noting that the setting of unachievable targets or transition plans would be counterproductive and run the risk of greenwashing. At the same time, we disagree with the position in the paper that the proposed disclosure requirement could be met by a reporting entity to state that they do not have (or intend to develop) a transition plan where a reasonable assessment would indicate that the reporting entity has material climate-related risks. In addition, the absence of guidance on ambitious action in the paper does not address the gap in the guidance for developing credible and ambitious transition planning in the Australian market. We note the paper has flagged that this is intended to be addressed in the forthcoming consultation on the Government's Sustainable Finance Strategy. Given the imperative to accelerate real-world decarbonisation in the critical decade to 2030, we encourage Treasury to prioritise this guidance.

Our view has also been informed by learnings from the *Modern Slavery Act 2018* (Cth) (MSA). The Statutory Review of the MSA<sup>1</sup> made several recommendations to improve the MSA, including that the MSA "require [reporting] entities to implement a due diligence system that will go beyond reporting and will impose a duty on [reporting] entities to take effective action to identify and assess risks, and track performance in addressing them." Put differently, the recommendation is for more action. Whilst the risks associated with climate change are different than those associated with modern slavery, we consider the learnings on the level of ambition in the MSA to be applicable to reporting on the identification, assessment, and management of climate-related risks.

### Metrics and targets - Phased implementation approach

As indicated in our submission to the first Treasury consultation on climate-related financial disclosures, ART supports a phased implementation for mandatory climate disclosure, with the first

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<sup>1</sup> Australian Government, Professor John McMillan, AO, "Report of the statutory view of the Modern Slavery Act 2018 (Cth): The first three years", May 2023, <https://www.ag.gov.au/sites/default/files/2023-05/Report%20-%20Statutory%20Review%20of%20the%20Modern%20Slavery%20Act%202018.PDF>

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report for initially covered entities for FY2024-25 and a transition period of two to three years for smaller entities. We are also supportive of the proposal to include material scope 3 emissions, also subject to phased implementation although have some concerns with the proposal that disclosure of scope 3 emissions would be required for reporting entities for their second reporting year onwards.

We would like to emphasise the scope 3 emissions reporting challenges that superannuation funds face. These can be grouped into data gap challenges and methodology challenges. The proposed phased implementation approach outlined in the paper means that superannuation funds will not have a complete Australian data set for scope 3 emissions for several of the initial reporting periods. In addition, we note that ART and many other superannuation funds have significant exposure to non-Australian assets, many of which do not currently disclose their emissions and are not currently required to do so by law. These data gaps mean that superannuation funds would need to estimate the emissions of investee assets that do not disclose their emissions. In addition, there are some financial products (e.g., derivatives, risk mitigants, etc.) for which there is not an agreed upon methodology for calculating emissions. As a result, the emissions estimates for these financial products may not be reliable or consistent across the sector.

ART notes that Treasury has acknowledged these challenges in the paper, and particularly the expectation that most scope 3 disclosures might be estimates in the immediate term. Nonetheless, ART suggests Treasury consider granting transitional relief for an additional year to financial institutions, in particular, where the provision of capital is on the basis of public information (e.g., listed equities and listed bonds through public market programs), from the requirement for comprehensive financed scope 3 emissions disclosure standards until these challenges can be more adequately addressed.

We trust these views will be beneficial to Treasury's considerations and would welcome the chance to discuss them further. [REDACTED], Senior Manager Policy and Government Relations, is the primary ART contact about this submission and can be contacted at [REDACTED]

Yours sincerely

[REDACTED]

Chief Financial Officer  
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