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AustralianSuper submission to the Exposure Draft Legislation for Climate-related financial disclosure

AustralianSuper welcomes the opportunity to provide an investor perspective on the Climate-related financial disclosure: Exposure draft legislation ('Draft Legislation') and accompanying explanatory materials and Policy Statement released by Treasury.

Background

AustralianSuper is Australia's largest superannuation fund, with over 3.3 million members, and over \$317bn in member assets under management. Around half of the retirement savings we manage on our members' behalf is invested in Australia, including more than \$60 billion in Australian listed equities and more than \$20 billion in domestic infrastructure assets. Our purpose is to help members achieve their best financial position in retirement.

Superannuation is a significant pool of patient capital focused on creating value over the long term. We recognise the material financial risks climate change and other sustainability issues present to economic systems globally, and to members' retirement outcomes.

AustralianSuper has made a commitment to achieve net zero emissions by 2050 in the investment portfolio. To achieve emissions targets, investors require a stable regulatory environment that gives both investors and investee companies the confidence to manage climate risks and commit capital to transition-enabling activity across the economy.

As outlined in previous submissions on the development of climate and sustainability reporting in Australia, AustralianSuper welcomes standardised, internationally-aligned requirements for disclosure of climate-related financial information in Australia. Climate disclosure is one component of the broader whole of government approach needed to facilitate Australia's transition to a low-carbon economy.

The disclosures will significantly improve the extent to which investors have access to clear, credible, and comparable information on company climate-related plans and strategies for responding to climate change, allowing investors to make informed decisions as they address climate risks and opportunities in their portfolios.

Commentary

AustralianSuper is supportive of the draft legislation. We support the timely introduction of reporting for large listed and unlisted entities, asset owners and high emitters captured under the *National Greenhouse and Energy Reporting Act 2007*.

AustralianSuper will be both a preparer of climate disclosures and a user of climate disclosures produced by the companies we invest in. For asset owners like AustralianSuper, our Scope 3 disclosure is aggregated from company

and asset manager emissions disclosure. Therefore, the quality, comparability and usefulness of our Scope 3 emissions disclosure will be reliant on the availability, standardisation and quality of the emissions data reported by listed and unlisted companies and managers across our global portfolio.

We support the principle of continuous improvement in reporting from one reporting cycle to the next, including through phased assurance requirements.

There are some areas in which the Draft Legislation would benefit from improved clarity and further guidance, particularly for asset owners, to ensure it meets its objectives. These are summarised below.

Timing of commencement

The implementation of the Draft Legislation relies significantly on provisions that will be contained the Australian Sustainability Reporting Standards (ASRS Standards). We note that the ASRS Standards are under consultation until 1 March 2024. While we recognise the need to expedite the introduction of climate reporting in Australia, legislation would benefit from a start date that better aligns to the commencement with the finalisation of the ASRS Standards.

Areas for clarification and further consideration

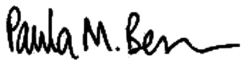
1. *Assets test for asset owners.* We support an assets under management (AUM) test to effectively bring asset owners like superannuation funds into the regime. An assets under management test focuses asset owner disclosures on the portfolio and aligns with international approaches. However, it is unclear how the assets under management test interacts with the size-based threshold criteria that determine group-by-group phasing into the regime. The relationship between the asset owner AUM test and the existing three threshold criteria should be clarified.
2. *Customised guidance for asset owners.* As raised in our previous submissions, the ISSB standard was not designed for reporting by asset owners and there are data availability and aggregation challenges for asset owners that are not applicable to companies. Asset owners are required to report, aggregate and synthesise Scope 3 emissions across a multitude of investments, which may not in turn produce equivalent reporting. There is a need for the ASRS Standards to include additional guidance and metrics for asset owners to ensure reporting is high-quality, useful and fit for purpose for members. We welcome ongoing engagement with asset owners to improve the extent to which reporting is high-quality and useful for members.
3. *International alignment.* AustralianSuper supports close alignment of the draft legislation and the ASRS Standards with the ISSB standard. We acknowledge the ASRS Standards have revised the IFRS Standards to take account of the Australian regulatory context. However, we recommend that the ASRS Standards maintain the elements of the IFRS S1 and S2 standards as much as possible and avoid unnecessary structural revisions that subtract from the global standards, ie. maintain reference to SASB cross-industry metrics, to ensure comparability and interoperability of sustainability standards across regions. Accordingly, we encourage the development of ASRS 1 (General Requirements) in a manner that will allow for the application of the standard to the broader set of sustainability-related risks and opportunities in line with the process being undertaken by the ISSB and countries other than Australia.

4. *Scenario analysis.* AustralianSuper agrees with the Policy Statement that the Standards should require entities to use at least two possible future scenarios and one of these scenarios must align with the most ambitious global temperature goal in the *Climate Change Act 2022* – limiting global warming to 1.5 degrees. We strongly support the inclusion of a 1.5 degree aligned scenario but would also recommend the inclusion of an upper limit temperature scenario (in the range of 3 to 4 degrees) to allow investors to fully consider physical climate change risk.
5. *Sustainability report location.* We support the alignment of sustainability reporting with annual reporting obligations, and the provision of a climate disclosure index table to assist users to navigate detailed climate disclosures. However, the Policy Statement suggests that both the sustainability report and the index table should be included in the annual report. It should be clarified that cross-referencing between the sustainability report and the annual report is sufficient to ensure users are able to access climate disclosures.

We will provide more detailed input in our submission to the ASRS Standards.

Should you have any questions, please contact Nick Coates, Head of Government Relations & Public Policy via email at: ncoates@australiansuper.com.

Yours sincerely



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