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## Climate-related financial disclosure: exposure draft legislation

Cbus welcomes the opportunity to respond to the exposure draft of the *Treasury Laws Amendment Bill 2024: Climate-related financial disclosure* (Bill).

Cbus has the proud history of being one of Australia's first industry super funds, created in 1984 to assist in giving members a decent standard of living in retirement. Now in our fortieth year, Cbus has more than 910,000 members, managing over \$85 billion of their money (as of 30 June 2023). In seeking to ensure we achieve the best financial outcomes for our members, we recognise the material risks and opportunities that climate change presents.

We have set targets of contributing to a 45% reduction in real world emissions by 2030 and net zero portfolio emissions by 2050. We also maintain a 1% allocation to climate change investments and seek to increase our existing exposure to climate-focused investments across our portfolio. Our strong focus on climate risks and opportunities is supported by the fact we have made voluntary climate-related disclosures aligned with the Taskforce for Climate-related Financial Disclosures (TCFD) since 2019.

Accordingly, Cbus strongly supports the policy objectives of the draft Bill, including the generation of globally comparable, reliable and verifiable disclosures on climate risks and opportunities from Australian entities. These disclosures are a key pillar within the Government's Sustainable Finance Strategy and are critical for the role they will play in supporting local and global investment in Australia's energy transition. The draft Bill and its ability to meet its policy objective also needs to be considered in the context of the Australian Accounting Standard Board's (AASB) complementary work on developing standards for disclosure of climate-related financial information. We believe it is important that this complementary work does not inadvertently undermine the draft Bill's policy objectives.

The specific concern Cbus has relates to the draft AASB standards potentially resulting in Australian disclosures that are not comparable with climate-related disclosures from entities in other jurisdictions. Like other superannuation funds, Cbus is a global investor that recognises the essential role that comparable disclosures play in determining where to allocate capital in members' best financial interests. In recognition of the importance of comparable disclosures, the Government has committed to align Australian standards as far as possible with equivalent global standards.<sup>1</sup>

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<sup>1</sup> The Australian Treasurer's [address to the Australian Sustainable Finance Institute](#) on 12 December 2022.

Despite this commitment to align, there are several areas where we believe the draft AASB standards appears to be diverging from the global standard, the International Sustainability Standards Board (ISSB) standards.<sup>2</sup>

### **Industry-based disclosures**

The draft AASB standards do not require reporting entities to consider the disclosure of industry-based metrics, as required under equivalent International Sustainability Standards Board (ISSB) standards.<sup>3</sup> Investors rely on industry-specific disclosures to compare sustainability performance between peers. Failure of Australian entities to make industry-based disclosures may prejudice access to the critical investment needed for a successful transition, as global investors may feel they lack decision-useful information for prospective investments in Australia.

### **Sustainability Accounting Standards Board (SASB) Standards**

Cbus is also concerned with the AASB's proposal to remove from the Australian standards a requirement for entities who choose to make industry-based disclosures to consider the applicability of SASB Standards. Cbus acknowledges the AASB's concerns with the SASB Standards,<sup>4</sup> but we note that the ISSB has recently updated the SASB standards to enhance their international applicability,<sup>5</sup> and the large number of Australian companies already voluntarily reporting against the SASB standard supports their utility within the Australian market.<sup>6</sup>

In addition, guidance such as that based on the Sustainability Accounting Standards Board (SASB) standards becomes even more important as the Australian sustainability standard moves to extend beyond climate (where cross-industry metrics are not as well developed). We therefore believe it is premature to remove the requirement to consider SASB standards if an entity chooses to make industry-based disclosures.

### **Use of ANZSIC codes**

Finally, Cbus finds the AASB's proposal that entities use the *Australian and New Zealand Standard Industrial Classification* (ANZSIC) classification system for industry-based disclosures problematic. The ANZSIC classification system was last updated in 2006 and may not be sufficient for sustainability reporting, nor for the generation of internationally comparable industry-specific disclosures (e.g., using the SASB standards). For example, ANZSIC does not provide a category for solar electricity production (nor most other renewable electricity production types).

Cbus encourages Treasury to work with the AASB to address the above concerns. Once finalised in a manner consistent with the Government's policy objectives, the standards will be central to attracting the substantial investment required to support Australia's transition to net zero from both local institutional and global investors.

<sup>2</sup> Ibid., p. 24.

<sup>3</sup> Ibid., p. 24.

<sup>4</sup> AASB (2023) *Exposure draft: Australian sustainability reporting standards – disclosure of climate-related financial information*, p. 91.

<sup>5</sup> [IFRS - New and updated resources to help companies apply IFRS S1 and IFRS S2 from 2024](#)

<sup>6</sup> Companies reporting with SASB Standards <https://sasb.org/company-use/sasb-reporters/>