Treasury consulation on Sustainable Finance Strategy

UNISUPER SUBMISSION

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Executive Summary

UniSuper welcomes the opportunity to provide feedback to Treasury's consultation on the Sustainable Finance Strategy. We embed environmental, social and governance considerations (ESG) across all investments.

Since 2018, UniSuper has aligned our own climate related reporting to the Task Force on Climate-related Financial Disclosures (TCFD) and advocated for mandatory climate reporting. The Treasury Sustainable Finance Strategy provides a framework for continuous improvement.

UniSuper endorses the goals of the Paris Agreement and at the core of our position is the view that global warming represents a long-term risk to economies, industries, societies and the environment. We also acknowledge that a just transition implies that certain segments of society and underdeveloped countries may be unfairly bearing the cost of the transition. An orderly transition requires that we get the sequencing right. Compromising energy security raises the risk of losing mainstream support for the transition.

Our role as an investor and provider of capital requires a balanced and pragmatic approach which includes considering the risks and opportunities for our portfolios. As a fiduciary, our primary duty is to act in the best financial interests of our members.

The key points raised in this response to consultation are:

1. As per feedback in our submission to Treasury's consultation on climate-related financial disclosure, the International Sustainability Standards Board (ISSB) reporting standards were designed for corporations to provide information to financial institutions. **Super funds, as aggregators of underlying investments should have a different, but aligned, reporting framework**. The difference in audience and use cases for corporate reporting compared with superannuation funds needs to be acknowledged and implemented reflecting this.
2. The introduction of the **proposed reporting frameworks, taxonomy and labelling needs to recognise the costs that will be incurred** by superannuation funds. Superannuation funds need to carefully manage all expenditures and make decisions that add value to members, are in their best financial interest and deliver adequate value to retirement outcomes**.**

3. **Clear but realistic government targets and regulatory certainty are needed to unlock investment in sustainable themes.** We continue to look for opportunities to invest in companies that support decarbonisation while providing attractive returns for our members. Inevitably, there will be risks involved so discipline is required.

As a large superannuation fund, the first priority areas should be:

- **Establishing frameworks for sustainability-related financial disclosures (Priority 1)** which are tailored for the relevant industry, audience and use case. Superannuation funds rely on company reported information for their own sustainability-related disclosures.

- **Addressing data and analytical challenges (Priority 5 & 7)** to clarify expectations regarding data use, availability and limitations in order to align enforcement of 'greenwashing' with clear guidance and a risk-based approach.

- Developing a pragmatic, useable **Sustainable Finance Taxonomy (Priority 2)** to allow for improved clarity in reporting and labelling.

- Establishing clear targets, regulatory certainty and acknowledging the frameworks within which superannuation funds operate in order to **catalyse sustainable finance flows and markets (Priority 10)** and unlock capital to support Australia's transition.

General Feedback

- Each Pillar and Priority should be linked back to an intended outcome. At present, it is unclear what each specific component is seeking to achieve for different stakeholders.

- This strategy document should define the roles and responsibilities for different actors in the system. Clarifying the different roles, expectations and contributions to the Sustainable Finance Strategy will help focus areas of engagement for corporates to financial institutions, the Government and policy makers.

- To develop and implement the below priority areas, the strategy paper should develop a staged approach to developing and implementing the agenda. This approach should give priority to foundational areas of the strategy (such as improved corporate reporting on sustainability criteria) before implementing requirements that build off this (such as labelling or asset owner disclosure requirements). We encourage ongoing dialogue with stakeholders. Engagement with industry and investors needs to be early, detailed and ongoing.

Pillar 1: Improve transparency on climate and sustainability

PRIORITY 1: ESTABLISH A FRAMEWORK FOR SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES		
Question	***Feedback***	***Recommendations***
General Feedback	Detailed feedback on the specific reporting requirements outlined on [Draft] AASB standards will be included in our response to consultation on the proposed standards. Any mandatory reporting for investors should acknowledge that their ability to report on climate-related information is dependent upon underlying companies to provide reporting. *"The IFRS Foundation's focus is on meeting the information needs of investors. A company is asked to disclose material information about the sustainability-related risks and opportunities that could reasonably be expected to affect its prospects. The definition of material information is aligned with that used in IFRS Accounting Standards—that is, information is material if omitting, obscuring or misstating it could be reasonably expected to influence investor decisions."* IFRS - ISSB: Frequently Asked Questions The ISSB S1 and S2 standards (ISSB) were designed with the sole intention of being applied to companies that receive external capital with the audience using this information being sophisticated institutional investors. The ISSB standards were not designed for use by large asset owners. We stand as the sole jurisdiction implementing ISSB standards to asset owners which is out of step with other markets. The applicability of frameworks, the purpose of reporting and intended audience matters. The ISSB is not designed to meet the needs of multiple audiences (retail audiences, institutional investors, and regulators). Using ISSB as a base case for AASB climate reporting standards for both corporates and financial institutions to report against is problematic, and we encourage it to be applied with its intended purpose only which is as a reporting framework for issuers and debt and equity. UniSuper's submission to Treasury on this can be found here. We advocate for separate but aligned reporting standards, which recognise the intended use case of the output. Other jurisdictions like New Zealand, Japan, Hong Kong and others have introduced	Mandatory climate-related financial disclosure requirements need to be implemented in a manner that is clear and distinct for the intended use case of the reporting entity. The ISSB frameworks (S1 and S2) were designed specifically for the purpose of reporting by receivers of external capital and ISSB does not recommend it for asset owner reporting. It is recommended that separate reporting frameworks are developed and ISSB standards are only applied with its intended purpose. Mandatory reporting timeframes must allow time for entities to develop reporting systems and gain assurance of data before publicly publishing any information. Enforcement of public disclosure guidelines should be sequenced accordingly.

	mandatory TCFD reporting which is principals based, emphasises materiality and is designed for use by financial institutions. We note that AASB will not conclude its consultation on sustainability reporting until after March 2024. Therefore, mandatory reporting timelines need to allow time for development of systems to achieve the reporting requirements. Super funds need sufficient time to collect and analyse the information provided by companies and execute internal reporting before publicly disclosing information. This is to ensure confidence in the information, a reasonable basis for publication and where relevant, time to go through an assurance process. This approach aims to ensure members are provided accurate and useful information. Regulators need to recognise the correct sequencing of enforcement measures.	
What are the opportunities for Government, regulators and industry to support companies to develop the required skills, resources and capabilities to make climate disclosures under the proposed new obligations?	Climate related disclosure applied to superannuation funds should add value to members, being in their best financial interest and delivering value to retirement outcomes. Cost and resource allocation are key considerations for both companies and superannuation funds in fulfilling the obligations for financial disclosures related to sustainability. The introduction of new reporting frameworks increases resource and data requirements, often requiring purchasing of third-party data. For superannuation funds, this translates to higher expenses which may result in higher fees. Evaluating the cost-benefit of these reporting requirements is crucial to ensuring continued value for members and fulfilling fiduciary duties responsibly. Assurance requirements should be laid out clearly in advance to allow companies and superannuation funds to prepare. Given that assurance bodies are currently strained and seeking additional resources, this may result in increased costs and potential delays in the publication of reports. Wherever possible, new standards must complement existing standards to minimise repetition of reporting.	Mandatory reporting frameworks applied to superannuation funds must consider cost, resource, and capability constraints to provide relevant outputs which add value to members' retirement outcomes. Wherever possible, cost impost, duplication and burden should be minimised.
How should the Government, regulators and industry prepare for global developments in sustainability-related financial	Frameworks must be designed with foresight to anticipate future changes. Development of AASB needs to consider future use cases. For example, modification of S1 from its intended use case of disclosure of sustainability-related risks and opportunities to be climate specific may limit its	Frameworks must be designed to anticipate future changes, but entities need ample time to review, implement

disclosure frameworks and standards, including the TNFD?	application for use on broader issues in the future. Entities need ample time to review and implement any changes.	and gain confidence in data before publicly reporting any information. Reporting frameworks should allow for reporting to improve over time, as many areas of sustainability reporting have data and reporting challenges. Focus must first be put on developing comprehensive reporting on the sustainability criteria (e.g., nature) by companies that receive external capital before being expanded to aggregators (financial institutions and asset owners).

PRIORITY 2: DEVELOP A SUSTAINABLE FINANCE TAXONOMY		
Question	***Feedback***	***Recommendations***
What are the most important policy priorities and use cases for an Australian sustainable finance taxonomy? What are the key insights from international experience to date?	The taxonomy must strike a balance, avoiding excessive restrictions or overly complex classifications. Clarity is crucial to prevent entities from creating their own supplementary categorisations and methodologies to explain revenue stream categorisation. Consistency in reporting from companies will facilitate use of the taxonomy by superannuation funds to assess exposure to sustainable investments and provide useful information to members. Superannuation funds rely on company reported information hence can only report against a taxonomy once companies disclose their revenue alignment. Aiming for criteria which is too advanced or technically complex may limit access to true transition opportunities. For example, science-based decarbonisation pathways are not available for all sectors, particularly hard to abate sectors like oil and gas, aluminium, steel making and companies	A taxonomy must strike a balance between meeting sustainability outcomes while being pragmatic & workable in order to establish an investment universe which can provide superannuation members with positive retirement outcomes while supporting Australia's transition.

	with diversified supply chains. Similarly, ‘do no significant harm’ thresholds must not be so restrictive that the investment universe becomes unfeasible. It is crucial to align government ambition and policy, especially in safeguarding emissions-intensive industries like gas and steel that contribute significantly to the nation's economy. The taxonomy should reflect a pragmatic and realistic approach to Australia’s transition pathway, taking into account an economic and just transition. Super funds are global investors, so interoperability with global markets is essential. We need to clarify whether the taxonomy will only apply to Australian investments or extends across the entire portfolio. It's important to recognise that what constitutes a "transition" in Australia may differ globally and providing a category that reflects this and the industries that are prevalent in the Australian economy is important. Aligning with other taxonomies becomes a crucial consideration, especially for investors navigating the complexities of a global market. It will also mean that Australia, as a destination for foreign financial capital, will not be at a disadvantage.	
What are priorities for expanding taxonomy coverage after the initial focus on climate mitigation objectives in key sectors? What are appropriate long-term governance arrangements to ensure that the taxonomy is effectively embedded in Australia’s financial and regulatory architecture?	For companies, taxonomy aligned reporting should be incorporated into sustainability related financial disclosures. Superannuation funds rely on company reported information, hence, can only report against a taxonomy once companies disclose their revenue alignment. We would find a taxonomy helpful in reporting to members on positive outcomes of our investments. We agree that the taxonomy should not be incorporated into regulatory requirements until it is established as credible, internationally aligned, readily usable by financial market participants and materially supports the development of Australia’s sustainable finance products, markets and capabilities. The taxonomy should be flexible and encourage innovation, but stable enough to facilitate superannuation funds to make long-term investment decisions. Clauses for grandfathering taxonomy-aligned investments as the criteria changes could be one way to provide this certainty.	Before mandating or taking action on reporting, enforcement bodies must establish and communicate clear expectations and guidance regarding data use, availability and limitations.

PRIORITY 3: SUPPORT CREDIBLE NET ZERO TRANSITION PLANNING		
Question	***Feedback***	***Recommendations***
What are key gaps in Australian capability and practice, including relative to 'gold standard' approaches to transition planning developed through the TPT and other frameworks? To what extent will ISSB-aligned corporate disclosure requirements improve the transparency and credibility of corporate transition planning? What additional transition disclosure requirements or guidance would be most useful in the medium-term?	It is unclear if credible net zero transition planning refers to companies or financial institutions (or both). Corporate disclosure requirements should recognise that financial institutions rely on company reported information for their reporting. Thus, companies must disclose material information about sustainability-related risks and opportunities affecting their prospects. This is especially important in industries where transition risk is high and planning is financially material. For superannuation funds, considering the audience and purpose of reporting is essential. The priority is optimising financial outcomes and providing members with sufficient, decision-useful information to inform investment choices. Input data and output reporting differs on use case; for example, information used for investment analysis is distinct from what members may need to make an informed choices amongst investment products. It is also different to information needed for regulatory bodies to assess if climate risk is being managed appropriately. It's essential to recognise the distinct audiences and purposes for reporting between financial institutions and companies. Similarly, some reporting which is valuable for companies may not be relevant for financial institutions in an investment decision-making process. For example, scenario analysis for a company can show areas of risk and opportunity in their current business model and guide future plans. Scenario analysis on an investment portfolio constructed today may not provide decision-useful information because the portfolio is dynamic and will react and respond to the changing broader environment.	Corporate disclosure requirements need to consider the intended purpose and audience of the reporting. The consultation paper states the Government does not intend to introduce transition planning disclosure requirements that go beyond the ISSB in the near term. Because ISSB was created for companies that receive external capital (ie not asset owners) application should be limited to this cohort.
Are there related priorities and opportunities for supporting enhanced target setting and transition planning for nature and other sustainability issues?	Sequencing of sustainability disclosures needs to consider the data available. Super funds cannot be expected to report on sustainability topics where underlying information is not available. See response to Priority 7 for more detail.	Sequencing of broader sustainability targets and disclosure needs to consider data availability. Super funds cannot be expected to report on issues where underlying information is not available.

	Establishing clear targets for the entire economy enhances regulatory certainty and helps mitigate investment risk. However, targets must be realistic and accompanied by a feasible plan for achievement. Unrealistic targets or those lacking a viable plan can escalate uncertainty, creating a divide between aspirations and actual outcomes. It is advisable for the Government to set ambitious targets, ensuring they are grounded in a reasonable basis.	Clear but realistic government targets and regulatory certainty are needed to unlock investment in sustainable themes

PRIORITY 4: DEVELOP A LABELLING SYSTEM FOR INVESTMENT PRODUCTS MARKETED AS SUSTAINABLE

Question	*Feedback*	*Recommendations*
What should be the key considerations for the design of a sustainable investment product labelling regime?	The design of a sustainable investment product labelling regime requires a balance between promoting transparency and sustainability while avoiding undue prescription that may stifle innovation. To ensure a successful and effective regime, several key considerations should be taken into account: **Flexibility and Adaptability:** • A sustainable investment product labelling regime should be designed with flexibility in mind. Financial markets are dynamic, and investment strategies evolve. A regime that allows for adjustments and adaptations over time ensures that it remains relevant and effective in capturing the diverse range of sustainable investment approaches. **Materiality and Relevance:** • It is essential to identify and prioritise key sustainability indicators that are material to the specific characteristics of each investment product. A one-size-fits-all approach may not be suitable, as different asset classes and investment strategies may require unique sets of indicators to accurately reflect their sustainability impact. **Transparency and Disclosure:**	Existing labelling systems should be used as a basis to minimise disruption to existing sustainably labelled products. A transition period is required for any new or changed requirements. Any labelling framework should be practical and efficient to implement, relying on readily available data. The labelling regime must recognise underlying data is still being built out, therefore requirements should be principles based and not overly prescriptive. Over time this can be refined.

	• The labelling regime should require clear and concise disclosure of sustainability metrics. This allows investors to make informed decisions based on reliable information. Metrics should be meaningful but use data which is readily available as reported by underlying companies. **Transition Period:** • A reasonable transition period should be provided recognising the need for industry participants to adapt to new requirements. A phased implementation approach, along with clear guidelines for existing products, can mitigate disruption and facilitate a smoother transition.	It is essential that investors can construct a sensible investable universe to ensure sustainable investments products can deliver best outcomes for members.
How can an Australian model build off existing domestic approaches and reflect key developments in other markets?	RIAA is actively implementing a labelling system, aiming to align with international standards and address ASIC’s requirements on greenwashing. Operating on a voluntary basis in an environment with limited regulatory guidance, RIAA has achieved significant uptake in Australia. Major funds, including UniSuper, have aligned their products with RIAA’s standards. It is crucial for the Government to minimise changes and provide stability. Making use of RIAA’s standards in the initial phase could be the most efficient approach, as highlighted in the strategy document. The associated costs of labelling must be carefully considered. As reporting requirements increase, the expenses related to purchasing data for high-confidence standards also rise. As a superannuation fund, we need to ensure that the process operates in the best financial interests of members and considers value-added aspects in reporting and data purchasing. The EU’s use of ‘Article 8+’ for funds falling under Article 8 but not progressing to Article 9 suggests an interest in lower-fee products achieving comparable outcomes without the burdensome costs of extensive reporting and data collection. This emphasises the importance of cost-effectiveness and efficiency in the labelling process to ensure uptake. The labelling process should align with a reasonable and implementable taxonomy. It's counterproductive to have a taxonomy and reporting framework that is excessively difficult to achieve for obtaining a label. Efficiency and practicality are essential for the effectiveness of the labelling system.	

Pillar 2: Financial system capabilities

PRIORITY 5: ENHANCING MARKET SUPERVISION AND ENFORCEMENT		
Question	*Feedback*	*Recommendations*
Are Australia’s existing corporations and financial services laws sufficiently flexible to address greenwashing? What are the priorities for addressing greenwashing?	Australia’s existing corporations and financial services laws function effectively. Additional guidance should be provided with respect to greenwashing. While Pillar 1 went some way to address the need for guidance, there is a risk of well-intentioned parties making genuine errors before frameworks, taxonomy and standards are developed. Impacts of greenwashing should be considered in a risk-based approach. It is important to understand that the cost and resources required to monitor and mitigate greenwashing risk is borne by members. Balancing the need to mitigate risk to as low-as-reasonably-practical and members’ best financial interests ensures that super funds are providing a net benefit to members and their retirement outcomes. Asset owners face pressure from a variety of sources. It is important that all market participants are held to the same standards. Further guidance could be helpful in balancing the relevant duties for example balancing the ‘best financial interests’ duty and appropriate approaches to requests for information (for example under section 1017C of the Corporations Act).	Further guidance should be developed for all market participants relating to greenwashing and balancing the relevant duties. Instances of greenwashing should be considered using a risk-based approach. There is a possibility that well-intentioned parties will make genuine errors, despite mitigating risks to as-low-as-reasonably-practicable.
Is there a case for regulating ESG ratings as financial services?	To meet the disclosure expectations of regulators and members, large superannuation funds with diverse asset classes must purchase data from various third-party sources, each with varying levels of rigor and disclosure practices. Purchasing, processing and analysing ESG data has a significant time and cost impost on superannuation funds. Often, different types of sustainability data are not available from one service provider meaning multiple providers are needed to meet increasing sustainability reporting standards. As a result, superannuation funds bear the risk of publishing this data because there is no regulatory oversight or accountability imposed on the data providers. ESG ratings agencies should	Existing regulations should be enhanced to include oversight of ESG data providers, to support superannuation funds in providing reliable information to members. Assurance expectations and greenwashing guidance should account for challenges in availability and

	face some level of oversight or requirement for assurance or transparency, to support superannuation funds on providing reliable information to members. Assurance expectations should consider challenges in availability and reliability of data, and the inherent uncertainty in sustainability related metrics. For example, based on current assurance practices, superannuation funds purchasing data from a third party are required to verify and gain assurance on this purchased data, despite providers not being required to publicly disclose methodologies. Reporting guidelines for third-party data providers should be created as a priority. Duplication of regulation should be avoided, relying on existing systems where possible, for example, requirements of AFS licensees. As per guidance from the International Organisation of Securities Commission, consideration should be given to: • Transparency (e.g., disclosure of methodologies, data and information sources) • Good governance (consistent use of methodology and adequate resources and expertise) • Management of conflicts of interests (where a ratings agency also advises an entity that is being rated) • Robust internal systems and controls.	reliability of data, and the inherent uncertainty in sustainability related metrics

PRIORITY 6: IDENTIFYING AND RESPONDING TO POTENTIAL SYSTEMIC FINANCIAL RISKS

Question	***Feedback***	***Recommendations***
Are there specific areas where the Government or regulators could further contribute to market-wide understanding of systemic sustainability related risks, including climate-related financial risks?	Australian specific climate scenarios and modelling like that prepared by the Australian Industry Energy Transitions Initiative, the Net Zero Australia study and CFRs Climate Vulnerability Assessment for the insurance sector are helpful tools which show practical application of complex climate scenario models to the Australian environment. These are used by financial institutions to test assumptions on macro factors which may impact investment decisions in Australia. The Government should expand the resources of Australian climate scenarios for industry use in scenario analysis. This will be especially important to meet incoming disclosure requirements and	Expand resources available to companies and financial institutions to assess systemic climate related risks across the Australian economy. Resources should be in a format that can be practically used by financial institutions in order to minimise the cost

	minimise the cost and resourcing burden on business to prepare their own scenarios. As discussed in response to Priority 7, outputs should be in a format that can be practically used by financial institutions for analysis. At present we provide reporting against resources that aim to provide regulators with information on management of systemic risks through APRA's practice guide CPG229 and SPG530.	and resourcing burden of mandatory reporting sustainability requirements Utilise existing reporting frameworks that exist to address systemic risk understanding such as CPG229 and SPG530.

PRIORITY 7: ADDRESSING DATA AND ANALYTICAL CHALLENGES		
Question	***Feedback***	***Recommendations***
What are the priorities for ensuring that data-related initiatives already underway are tailored to meet the needs of firms and investors?	Priority should be given to implementing appropriate corporate reporting standards to build the base of information that investors and other financial institutions use to make informed decisions and to provide information to members. Sequencing of sustainability disclosures needs to consider the data available. Superannuation funds are reliant on company reported information to prepare sustainability disclosures, so cannot be expected to report on sustainability topics where underlying information is not available. As discussed in response to Priority 5, the inherent challenges in availability, reliability and uncertainty of reported sustainability data should be taken into account in any guidance or reporting frameworks. As a large active investor completing TCFD reporting for 5 years, we regularly engage with corporates to advocate for better data and disclosure reported in a useful format. Assurance standards could be one way to monitor data quality of corporate reporting and call for improvements over time. Superannuation funds have unique challenges in data management when dealing with multi asset options and collecting data for unlisted and PE holdings. As a superannuation fund, we focus on providing decision useful information to members (i.e., retail investors) for superannuation	Prioritise implementation of corporate reporting to build the base of information that investors and other financial institutions use.

	products/options, which makes reporting more complicated. Internationally, most data frameworks have been designed for asset managers who report on single asset class portfolios with an audience of sophisticated institutional investors. We note that the recommendations are scheduled to be published at the end of 2024, six months after the proposed introduction of climate-related financial reporting requirements. If timing is unable to be aligned, there should be clear guidance to support appropriate disclosure while data challenges persist. This should be accompanied by a corresponding regulatory posture.	
What key sustainability data gaps or uncertainties faced by financial institutions in Australia should be prioritised by the CFR?	Certainty in the progress of decarbonisation of electricity and utilities networks will be a driving factor to help investment decision making. Having accurate, reliable and realistic information in this area is crucial for financial institutions to conduct analysis and make informed decisions. There is a need for realistic and credible industry-specific scenario planning. This involves understanding the potential pathways and impacts of sustainability initiatives within specific industries and ensuring that financial institutions can align their strategies with industry-specific goals and challenges. By gaining insights into value chains across Australia, particularly in sectors like iron ore processing, steel production, and cement manufacturing, financial institutions can better target their engagement strategies. Understanding how these value chains interact with the electricity and utilities networks is essential for comprehensive sustainability assessments and effective decision-making. Scope 3 emissions information is useful at an entity level to identify supply chain risks, guide engagement and collaboration on economy wide emissions reduction opportunities. Calculating scope 3 emissions intensity of an investment portfolio is not value additive. As a large, economy wide investor, there are multiple occasions of double counting scope 2 and scope 3 emissions within a portfolio (e.g., an airline's scope 2 emissions are an airport's scope 3). For any research initiated by government, the intended use and audience should be considered to prioritise useful information. Outputs should be in a format that can be practically used by financial institutions for analysis. As a superannuation fund, we are looking for decision-useful information to improve analysis of investment decisions, understand portfolio risk or provide members with information to help them make informed decisions.	Realistic and credible industry specific scenario planning, especially in the electricity and utilities networks, would facilitate investment analysis. If commissioning research or analysis, it's important to consider the intended use, the question being answered, and the audience for the data. For superannuation funds, this means data

		which is useful for investment decisions and provide information to members

PRIORITY 8: ENSURING FIT FOR PURPOSE REGULATORY FRAMEWORKS		
Question	***Feedback***	***Recommendations***
Do you agree that existing regulatory and governance frameworks and practices have adapted well to support better integration of sustainability-related issues in financial decision making? Are there barriers or challenges that require further consideration? This may include: • Corporate governance obligations, including directors' duties • Prudential frameworks and oversight, including in relation to banks and insurers • Regulation of the superannuation system and managed investment schemes	In general, existing regulatory and governance frameworks and practices are well positioned to support integration of sustainability-related issues in financial decision making (for example, integration of climate risk into SPG530). As mentioned in our response to Priority 5, clear guidance should be developed before enforcement of these standards is in effect. We continue to look for opportunities to invest in companies that support decarbonisation while providing attractive returns for our members. When considering benchmarks for the performance test, there are products where relative benchmarking makes little sense, such as products that are deliberately benchmark-unaware like those with ESG-oriented strategies. For products where benchmarking makes little sense, we suggest a "relative to peers" rather than "relative to benchmark" test.	Existing regulatory and governance frameworks operate efficiently. However, further guidance should be developed for all market participants relating to greenwashing and balancing the relevant duties. Regulation should aim to be consistent, targeted, proportionate and effective.
What steps could the Government or regulators take to support effective investor stewardship?	As a superannuation fund we have a duty to act in the best financial interest of our members, therefore, financial and sustainability considerations are relevant in our stewardship program. All engagement and decisions are made with the intention of achieving the best financial outcome for our members. As a general rule, we will engage with companies on key sustainability issues, but it remains management's role to run the business.	Stewardship should be recognised as contributing to the transition and recognised in product labelling. Government and regulators must be cognisant that investors apply different

	We consider ourselves an active and engaged investor, despite some organisations seeking a more activist approach. Importantly, Government and regulators must be cognisant that investors apply different stewardship strategies, for example ‘ethical’, ‘ESG integration’, ‘impact’ etc. are distinctly different and should not be conflated. Engagement, voting and advocacy are the core pillars of our approach to managing climate risks and opportunities. We engage directly with companies and policy makers to encourage more ambitious actions and to ensure the architecture and critical enablers for accelerating a low carbon transition are in place. In general, we support disclosure of engagement areas and progress to members in order to demonstrate our approach to engagement, voting and advocacy. Our approach is dynamic and flexible and recognises that in many cases transformation can’t be achieved in short time frames. As a large, direct investor we use our holdings to encourage change, however, it is important to recognise that it is not always appropriate to disclose the detail of all meetings or directly attribute an outcome to our individual engagement. If a stewardship code is to be implemented, it should be principals based. Disclosure should add value to members and not result in duplication or tick box reporting. Clear government targets and clarity on facilitating a just transition for high emitting industries which contribute to the Australian economy could help align investor stewardship to work towards a common goal.	stewardship strategies depending on their approach to ESG.

Pillar 3: Australian Government leadership and engagement

PRIORITY 9: ISSUING AUSTRALIAN SOVEREIGN GREEN BONDS		
Question	***Feedback***	***Recommendations***
What are the key expectations of the market around issuance of, and reporting against, sovereign green bonds? What lessons can be learned from comparable schemes in other jurisdictions? What other measures can the Government take to support the continued development of green capital markets in Australia?	Clear definition of selection and inclusion criteria for projects in sovereign bond programs is crucial. Use of proceeds need to make it clear how the projects are demonstrating additionality to sustainable and climate outcomes, distinct from regular sovereign bonds or business as usual government operations. In general, we are supportive of Commonwealth Green Bonds to support renewable infrastructure and energy transmission. Bonds used for "transition" will face scrutiny. While we generally support government aid to decarbonise industry for a robust economy, we expect companies to have a clear climate transition strategy, including an action plan and capital allocation strategy. We may be unable to support green bonds for fossil fuel or high-emission companies that haven't demonstrated appropriate climate transition planning or demonstrated a clear contribution to Australia's overall decarbonisation. We suggest annual use of proceeds reporting and bi-annual impact/outcome reporting. Key Performance Indicators (KPIs) for impact/outcome reporting should be simple yet demonstrate progress towards the intended outcomes of the funding.	

PRIORITY 10: CATALYSING SUSTAINABLE FINANCE FLOWS AND MARKETS		
Question	***Feedback***	***Recommendations***
What role can the CEFC play to support scaling up of sustainable investment in Australia, as part of a more comprehensive and ambitious sustainable finance agenda? What are the key barriers and opportunities for the CEFC to support financing and market development in areas with significant climate co-benefits, including nature and biodiversity?	From local government up to the federal level, other planning permits and regulations need to be designed to facilitate government targets. Company feedback has identified that planning approval complexity, regulation uncertainty and grid access are the key bottlenecks to making investment decision in Australia. Uncertainty and delays lead to higher risk when assessing investment opportunities. It is critical that all levels of government are aligned to remove barriers for approval to facilitate these investment opportunities. Addressing these concerns will enhance the effectiveness of the CEFC in supporting the scaling up of sustainable investment. Because superannuation is an important market participant, it must be recognised in line with existing regulations and fiduciary duty. Super funds can contribute to the sustainable finance strategy while prioritising the best financial interests of their members, however, not all sustainable opportunities align with mandated financial criteria and risk-return profiles, thereby limiting our capacity to pursue such prospects. Government support often proves pivotal in rendering sustainable investments viable. Additionally, impediments to capital inflows into sustainable options are encountered due to many factors including liquidity constraints, demographic shifts, inappropriate benchmarks and evolving opportunity landscapes that may prioritise other investments over sustainability-focused initiatives. Existing programs, such as NHFIC bonds, provide avenues for contribution. Super funds are actively engaged in sustainable investments in both the listed market and direct assets.	All levels of government should align to unlock key bottlenecks in planning approval complexity, regulation uncertainty and grid access to facilitate sustainable investments. Investment in sustainable opportunities is only viable if it meets UniSuper's fiduciary duty. Government support often proves pivotal in rendering sustainable investments viable.

PRIORITY 11: PROMOTING INTERNATIONAL ALIGNMENT		
Question	***Feedback***	***Recommendations***
What are the key priorities for Australia when considering international alignment in sustainable finance?	Super funds are global investors and assess investment opportunities relative to local and global market opportunities. To make Australia an attractive investment opportunity for sustainable investments, the Australian Government needs to compete with global investment opportunities and regulatory frameworks. For example, the Inflation Reduction Act (IRA) in the USA has made sustainable infrastructure and listed companies operating in the sector attractive opportunities for investment. The IRA, along with proposals to streamline permitting processes for large renewables projects, has already attracted (and diverted) investment. Other countries now find themselves competing with a dominant player for people, equipment and capital.	Superannuation funds are global investors. The Sustainable Finance strategy must position Australia as an attractive investment when compared to global opportunities.

PRIORITY 12: POSITION AUSTRALIA AS A GLOBAL SUSTAINABILITY LEADER		
Question	***Feedback***	***Recommendations***
• What are other key near-term opportunities for Australia to position itself as a global leader in sustainable finance and global climate mitigation and adaptation? • What are some longer-term international sustainability goals for Australia where sustainable finance can play a role? • What are the key market, regulatory and institutional barriers to increasing private sector engagement in blended financing opportunities? How can these barriers be overcome? • What are other means to mobilise private sector finance toward sustainability solutions in the Indo-Pacific region?	See response to Priority 11.	n/a