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Dear Director

## Climate-related financial disclosure: exposure draft legislation – Vision Super response

### Introduction

Vision Super is a mid-sized superannuation fund, with 85,000 member accounts and around \$13.5 billion in funds under management. Vision Super was founded in 1947, to look after retirement benefits for workers in the local government and authorities sectors in Victoria. We retain a strong and significant connection with our members in our traditional sectors. We have looked after members' retirement savings and pensions for over 75 years, managing the full range of benefit designs from MySuper and choice accumulation products, and closed defined benefit schemes to lifetime and allocated pensions.

Vision Super is very supportive of measures to assist with Australia's transition to net zero emissions and to ensure the community can adapt to the changing climate.

### Purpose of the proposed measures

Vision Super believes the intended public policy outcome of the proposed climate disclosures is unclear. The policy position document states that "The Government is committed to improving the quality of climate-related financial disclosures, providing Australians and investors with greater transparency and more comparable information about an entity's exposure to climate-related financial risks and opportunities and climate-related plans and strategies."

Improving climate disclosures will support regulators to assess and manage systemic risks to the financial system as a result of climate change and efforts taken to mitigate its effects."

However, the previously-released Reform Principles state: "Climate disclosure reforms should assist with: Australia's transition to net zero emissions by 2050; adaptation to a changing climate; and broader efforts and initiatives to promote a sustainable financial system in Australia and internationally."

The policy position statement is clear that the measures are aimed at improving the quality of climate-related disclosures, including increasing their transparency and comparability. We believe that this is the only potential outcome of the measures (and believe it is unlikely to be achieved). But the Reform Principles implied that Treasury's goal is not disclosure but transition to net zero. We agree with this objective as a holistic goal of government climate change policy (albeit with a carbon budget not a deadline).

Reporting is an outcome and does not of itself not drive behaviours or comparability. To maximise comparability, reporting entities need to be using consistent inputs into their disclosures. This would require consistent data sources for the inputs.

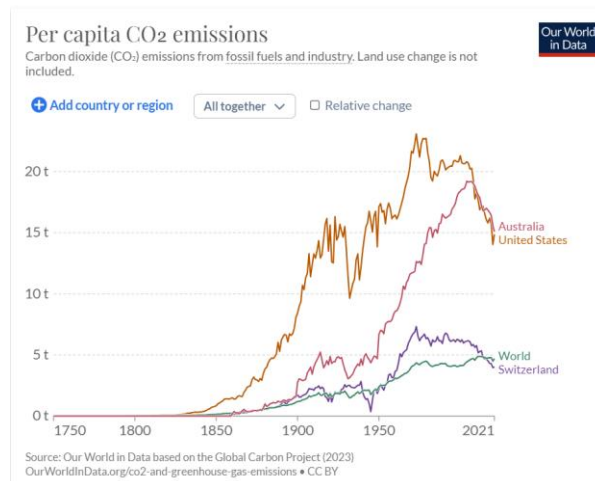
We recommend that the government establish a register of key inputs so that all reporting entities are using the same starting data sets.

Rather than everyone creating their own data sources/going to suppliers individually (which may not be as objective as the Government might like), this will provide a database for the key building blocks (for example power sources, building ratings, etc). This should include a centrally-maintained register of industry-based metrics, established objectively and without undue influence from industry players.

The government should also provide access to this database for businesses to use to help them make key business decisions, which should lead to more climate-positive decisions including an assessment on the likely reporting outcomes of those decisions.

However, no matter how much information is made available, or how accurate it can be made, climate risk cannot be avoided simply by reporting. As outlined in our previous submissions, climate risk cannot be solved with disclosures. Disclosures will not reduce the level of carbon in the atmosphere. Significant additional action is required from government on this issue and centralised data resources are required for businesses to access to enable businesses to make better climate risk decisions.

Despite this “front footedness” on disclosures, Australia is one of the highest per capita emitters globally, even worse than the United States. Disclosure is not the answer to the prime problem we should all be focused on – reducing emissions and transitioning to clean energy in order to maintain a liveable climate and an intact society. The collection of data should be used to provide feedback to refine and improve policy measures. This objective would be achieved in a far more efficient, effective and meaningful manner by each entity being required to report (and via other measures, incentivised to reduce) their own operational and exported carbon emissions without requiring asset owners to report on emissions of other companies in which they invest. From a holistic perspective, if each entity in an economy is reporting on their own emissions and those they export out of the economy, the overall picture will become available without duplicated reporting and the resulting wasted time and effort which will impact productivity and cost reporting entities significantly.



In summary, we are supportive of action on coordinated measures by government with some amendments. As a hot rich medium-sized power, Australia’s best interests is to be a leader on transition. We have more to lose, and more quickly, than most.

### Start date of the proposed climate-related disclosures

While we appreciate that the implementation of the proposed requirements is to be phased in, the proposed start date for this legislation is 1 July 2024. We note with significant concern that the proposed start date is less than five months away and the building blocks required to successfully meet the proposed requirements have not been finalised. This includes:

- The Australian Climate-related disclosures accounting standard is currently in exposure draft format as Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information. The consultation period on this ED closes on Friday

1 March 2024. While the ED was released for consultation in October 2023, we believe that it will still be some time before the ED is finalised and that it is unlikely to be a well-thought-out standard if it is issued before 30 June 2024 given the issues in the ED.

- At this stage, the Australian sustainability accounting standards will be limited to climate-related disclosures. However, the international accounting standards are much broader and cover a number of additional topics. While having one accounting standard is better than none, Australian entities will be unable to say that they comply with internal accounting standards until there is a full suite of Australian sustainability accounting standards. This is not an ideal situation and will create a number of issues.
- The global auditing standard on sustainability assurance is still an exposure draft and is not expected to be finalised some time in 2024, with an additional bespoke standard on sustainable assurance being scheduled for 2026.
- Because the global auditing standard on sustainability assurance is still an exposure draft, the Australian sustainability assurance auditing standard has not even reached exposure draft stage. Without the sustainability assurance auditing standard being finalised, preparers of the climate-related statements will not have sufficient guidance on the audit evidence and workpaper requirements of their sustainability auditors.
- We also understand that a number of independence standards (both international and Australian) are yet to be set in relation to sustainability reporting and assurance. Until these standards are set, it will be very difficult for organisations to identify who can assist them with any new reporting requirements without jeopardising the audit independence rules when those rules are finalised.

As there are a number of significant building blocks that have not been finalised, we believe that the start of the proposed reporting regime should be deferred for at least 6 to 12 months.

### **Specific feedback on the exposure draft requirements and its explanatory memorandum**

We believe that there are a number of inconsistencies between the policy statement and the exposure draft and several omissions that need to be addressed. Some high-level comments are set out below.

In addition, there are not enough examples in the explanatory memorandum (EM). More complex and common business arrangements should be considered. The obvious example is a trustee and a trust – should they be reporting on a stand-alone basis, should the trust look through to the trustee? And so on. Another example would be how does the government anticipate that a super fund trustee and super fund should report – should they report on a stand-alone basis where the super fund trustee operates in its own right? It should be noted that the super fund, and not the trustee, is the asset owner.

Worked examples for other ownership structures would also be useful.

The policy statement indicated that the climate-related disclosures will sit within a sustainability report, which will be a fourth report of an organisation's annual financial reporting obligations and will be contained in an entity's annual report. However, this is not clearly articulated in the exposure draft. It should be indicated whether the climate statements are meant to be incorporated in the annual financial statements for the relevant year given the expected duplication of risk management disclosures in the financial statements as required by the accounting standards, or whether it should be incorporated in those statements by reference.

The legislation needs to include as a requirement that the climate statements are 'true and fair' (as per the requirement for the preparation of the financial statements of an organisation).

In the Phasing section of the policy statement, it is indicated that “asset owners” do not need to prepare climate statements until the year starting on/after 1 July 2026 (ie the year ending 30 June 2027). The EM indicates that any entity’s first annual reporting period will be for the period starting on/after 1 July 2026:

- if the entity is an **asset owner** where the value of assets at the end of the financial year (including the entities it controls) is equal to or greater than \$5 billion (or the amount determined under a legislative instrument by the Minister).

However, the exposure draft does not include any references to “asset owners” and prima facie they are required to comply with the standard rules until such time that the Minister issues the relevant legislative instruments. The Government should provide legislative certainty at the outset and incorporate the relevant exemptions in the body of the legislation.

Throughout the exposure draft, there are references to determinations being made regarding the relevant thresholds. This creates uncertainty for the start date for the relevant entities – particularly for those entities with a start date of 1 July 2024. This should be clarified as soon as possible.

Entities will have a significant amount of work to develop their climate statements – and there are no worked examples available for consideration of layout, etc. Normally the worked examples provided by the various accounting firms are used to formulate disclosures for new accounting standards, however none of this is available at the moment and will not be available until the accounting standards are finalised. There is also no indication of what the auditors will be looking for during audits. The government needs to clarify whether there will be a template for the audit report, and if so, what it will contain.

It is not clear what will be required under Scope 3 reporting. The legislation specifies that it will be based on the information that is available at the reporting date “without undue cost or effort”. However, it is unclear what “without undue cost or effort” means and examples of what is considered “undue” are needed.

As noted above, consistent data sources should be used to ensure comparability. To this end, the scenarios used by entities should also be consistent within an industry – ie the market conditions, climate consequences used, etc, should be the same for everyone. Asset owners are not in a position to evaluate whether the scenarios selected are appropriate, and this should be centralised, and industry-specific metrics also established centrally.

At this stage, we do not believe that there is a sufficient pool of technical climate and sustainability experts to assist clients and support the financial auditors. The government will need to establish guidelines to ensure that clients can use the limited pool without jeopardising audit independence requirements.

The government also needs to provide clarity on what will to be covered by the limited assurance reports for the period 2024 to 30 June 2030. All entities should have the same period for the limited assurance arrangements. Apart from compliance with the legislation, there is no reference to “true and fair”, and as written it may be possible for some to comply but not be “true and fair”.



Any questions or clarifications about this submission can be addressed to:

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Yours sincerely

A handwritten signature in black ink that reads "Noelle Kelleher". The signature is fluid and cursive, with the first name "Noelle" and last name "Kelleher" clearly distinguishable.

Noelle Kelleher  
Chief Financial Officer