ED SR1 AUSTRALIAN SUSTAINABILITY REPORTNG STANDARDS

UNISUPER SUBMISSION TO THE AUSTRALIAN ACCOUNTING STANDARDS BOARD (AASB) 1 MARCH 2024

UniSuper welcomes the opportunity to provide feedback to the Australian Accounting Standards Board (AASB) consultation on the Australian Sustainability Reporting Standards (ASRS) – Disclosure of Climate-related Financial Information (referred to as 'Draft ASRS Standards').

UniSuper has a long history of integrating environmental, social and governance considerations (ESG) across our investments and manages over 70% of the funds in-house. We have published our own climate related reporting aligned to the Task Force on Climate-related Financial Disclosures (TCFD) since 2018. Accordingly, we believe we can provide significant insight into how climate reporting should apply to asset owners.

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 superannuation fund, we have a fiduciary duty to act in the best financial interests of our members. We believe there are material considerations that mandatory climate reporting requirements should consider in our capacity as an asset owner.

UniSuper's climate reporting is member focused and industry leading.

UniSuper's TCFD aligned *'Climate risk and our investments'* report, now in its 6th edition, outlines how we will play our part in achieving the goals of the Paris Agreement and provide for greater retirement outcomes for our members. The report sets out: (i) our governance structure (ii) investment activities (iii) how we use our position as an owner to engage with the corporate sector (iv) how we collaborate with like-minded investors and advocate for policies and mechanisms necessary to affect a just and orderly transition.

Over the years, we have continuously refined our reporting based on feedback, prioritising elements that prove beneficial to informed decision-making for our members. This includes providing investment product specific disclosure because superfund members do not directly invest in the fund itself, but rather in the investment products it offers. We are the only superfund that provides this type of reporting.

We encourage AASB to review our Climate report for what we see as best practice and what is practically achievable for superfund reporting in Australia and aimed at providing members useful information.

Application of Draft ASRS Standard to superannuation entities

UniSuper supports mandatory climate reporting in the Australia market, including for financial institutions. However, we have concerns about the intended application of the Draft ASRS Standards to registrable superannuation entities (RSE) i.e. asset owners.

We draw AASB's attention to the following issues. Addressing them will enable RSEs to meet climate-related financial disclosure requirements that are appropriate and will lead to a tangible benefit to the users of superfund reporting.

1. **The Draft ASRS Standards are not appropriate for superannuation fund reporting and may lead to disclosure without a clear purpose or tangible benefit for members.** The primary source of misalignment, rendering the Draft ASRS Standards unsuitable for its intended purpose for superfunds, is because the baseline for the disclosures – being International Sustainability Standards Board (ISSB) S1 and S2 Standards – were designed for reporting by profit-oriented entities and not for asset owners.

   UniSuper supports the adoption of ISSB Sustainability Standards for the profit-oriented entities it was designed for. We also support the intention to have globally used climate-related industry disclosures and guidance such as the TCFD framework apply to RSE's. The Draft ASRS Standards in the current form will not enable RSE's to report meaningful climate-related information to the users of their General-Purpose Financial Reports (GPFR).

2. **The Draft Standard does not appear to consider the user or purpose of superannuation fund reporting and how materiality applies in this context.** The envisaged users and operational focus of the reporting standard which underpin the objective and content does not include superfund members. Current Draft ASRS Standards are misaligned to the purpose and user of superfund reporting. This misalignment creates a cascading impact on all disclosure requirements outlined in the Draft ASRS Standards.

To illustrate these challenges most of the disclosure requests under ISSB pertain to information within the framework of a profit-oriented owner and operator of specific assets, exposed to a limited number of sectors. These requests predominantly centre around decision-making processes concerning operational assets, business activities, capital expenditure, acquisitions, and divestments as examples. The intended audience for these disclosures is generally the user of financial reporting such as existing and potential investors, creditors, and lenders.

In contrast, superfunds are investors in diversified portfolios representing a significant cross-section of the global economy. The alignment of ISSB disclosures and how they relate to RSE activities is less evident or how it will be useful to the user of superfund reporting which is the superfund member, who invests in the specific investment products offered by the fund, and not directly in the whole of fund.

Need for RSE specific reporting standards and guidance to be developed by AASB

UniSuper recommends AASB develop RSE specific guidance or standalone climate-related financial standards as part of issuing final ASRS standards. This can be achieved by providing transition relief for RSE's in applying ASRS standards and allow voluntary climate reporting by RSE's until specific disclosure requirements and guidance are finalised. The disclosure requirements should focus on RSE's scope 3 financed emissions and align the user definition to AASB 1056 Superannuation entities Paragraph BC12.

RSE specific climate disclosure standards and guidance could by developed by:

1. Engaging with RSE's to develop a RSE specific guidance or a standard to enable meaningful reporting.
2. Aligning the standard to the intended user of RSE reporting. Superfund members do not directly invest in the whole of fund, but rather in the specific investment products offered by the fund.
3. Develop reporting requirements with clear guidance the calculation methodology and disclosure requirements of scope 3 financed emissions.
4. Provide additional guidance on disclosure requirements including outlining which reporting items are voluntary or not required for RSE reporting because they are either immaterial to a superfund member or the fund's investment decision making or where cost and burden are too significant.
5. Amend the objective of reporting requirements so it relates to RSE activities.
6. Add definitions, disclosure requirements and guidance in the ASRS standards considering the above items.

Consultation feedback

Our feedback and recommendations to the consultation are provided with UniSuper being a corporate entity with operational activities, and as fund / asset owner with carbon emissions linked to its investment portfolio. Our feedback is included in Appendix A to C and is categorised into 3 specific topics (below) with AASB questions included in those respective topics.

1) Appendix A: Feedback on the suitability of ASRS Draft Standards for superannuation entity reporting. This section contains responses and feedback on Question 21, and also includes other questions relating to superfund reporting.

2) Appendix B: Detailed responses to other consultation questions. Provides feedback and responses to all remaining AASB's consultation questions.

3) Appendix C: Analysis of proposed standard for superannuation entity reporting. A summary is provided in this submission. We can also provide separately a detailed analysis of each reporting requirement.

While UniSuper regularly engages with companies to discuss their sustainability disclosures, our response focuses on the impact on UniSuper a preparer under the regime. This submission does not cover UniSuper's feedback as a user of this information.

Please contact Lou Capparelli (Lou.capparelli@unisuper.com.au) or Jodie Barns (Jodie.barns@unisuper.com.au) if you would like further information.

Appendix A - Suitability of ASRS Draft Standards for superannuation entity reporting

PURPOSE OF THE REPORTING, AUDIENCE, LOCATION AND MATERIALITY

A key principle of the Draft ASRS Standards is to provide and facilitate decision useful information to the primary end users. For superannuation entities, the primary end-users of climate-related financial disclosure will be the individual members of registrable superannuation entities (RSE) which will be a key enabler for RSE in applying the Draft ASRS standards.

TOPIC & QUESTION	FEEDBACK	RECOMMENDATIONS
Definition of user and purpose of reporting **Alignment of materiality thresholds to the user and purpose**	An overarching challenge in applying the ASRS Standards by a RSE is that the envisaged primary user's definition in the Standards, who underpin the objective and content of the reporting framework, is fundamentally different from the end user of RSE's GPFR. The draft ASRS Standards at present only refers to users that are 'primary users of general-purpose financial reports (GPFR)'. The user of superannuation fund reporting, is a superfund member. This creates a cascading impact on all disclosure requirements outlined in the Draft ASRS Standards, profoundly affecting a superannuation entity and its capacity to prepare meaningful information on climate-related risk and opportunities. In UniSuper's submissions to Treasury consultations on climate-related reporting and to the Sustainable Finance Strategy we have also highlighted that for RSE's: • The type of reporting and datasets are fundamentally different from what is needed to inform beneficiaries about the superannuation funds' approach to climate-related risk and that which is required to inform policy makers about the nature of the climate-related risks in the financial system.	**Align definition of user to superfund member** It is crucial to explicitly identify the end user of sustainability reporting. The AASB should explicitly state that superfund members are the intended users of RSE sustainability disclosures. This can be achieved by amending the report user definition to include report user definition as stated in AASB 1056 Superannuation entities Paragraph BC12. **Materiality Guidance** Materiality should be defined in the context of RSE user and purpose. This will enable RSEs to assess and prepare disclosure requirements based on their materiality to the user **Develop reporting requirements that reflect the end user** Disclosure requirements should focus on what is relevant for this end user. The Draft disclosure requirements are excessively intricate for the average member's comprehension and will provide limited benefit for investment product decision making. The disclosure framework should strive to simplify the information provided to consumers, as excessive complexity may undermine the effectiveness of disclosed information.

TOPIC & QUESTION	FEEDBACK	RECOMMENDATIONS
	• That it is essential to recognise the distinct audiences and purposes for reporting between asset owners and companies. Much of the GPFR reporting which is valuable for companies may not be relevant for asset owners in an investment decision-making process.	Please refer to topic **Need for RSE specific guidance or standard** on page 7 for our recommendations for reporting requirements. UniSuper recommends AASB review UniSuper's *'Climate risk and our investments'* report for developing RSE specific guidance/ standard. Our reporting demonstrates what is practically achievable for superfund reporting which is aimed at providing members useful information.
Replacing duplicated content with references to the Conceptual Frameworks **Question 2**: Do you agree with the AASB's approach to make references to its Conceptual Framework for Financial Reporting (in respect to for-profit entities) and the Framework for the Preparation and Presentation of Financial Statements (in respect to not-for-profit entities) instead of duplicating definitions and contents of those Frameworks in [draft] ASRS 1 and [draft] ASRS 2?	UniSuper agrees with the approach of cross-referencing the Conceptual Frameworks in the Draft ASRS standards. However, we are concerned that paragraph 1.2 of the Conceptual Framework for Financial Reporting is used to define users of the ASRS Standard. This definition states that users are "existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity". Furthermore, the Draft ASRS 1 paragraph B17 of Appendix B Application Guidance states that users, "have reasonable knowledge of business and economic activities." While this definition may be suitable for issuers of capital, this definition is not appropriate for RSE reporting against the ASRS Standard and creates a cascading problem against other reporting requirements. This is also inconsistent with the Government's Sustainable Finance Strategy which references "retail investors" as being the audience of labelling guidance. An RSE user is the Fund's members who may not be sophisticated or wholesale investors.	Please refer to **definition of user** and **purpose of reporting** on page 4 for our recommendation.
Location of disclosures	**Aus60.1**	**Aus60.1**

TOPIC & QUESTION	FEEDBACK	RECOMMENDATIONS
Question 7: Instead of requiring a detailed index table to be included in GPFR, the AASB added paragraph Aus60.1 to [draft] ASRS 1 to propose requiring an entity to apply judgement in providing information in a manner that enables users to locate its climate-related financial disclosures. Do you agree with that proposed requirement?	UniSuper agrees with the inclusion of Aus60.1 which will allow reporters to apply judgement in providing information in a manner that enables users to locate climate-related disclosures and support the approach that preparers can apply judgement in providing information that allows users of the reporting to find climate-related financial disclosures. Since 2018, UniSuper has produced a comprehensive *'Climate risk and our investments'* report annually in a separate report to our annual report/GPFR. The separation of these reports has been deliberate because the annual report has limited utility to members and is scarcely used compared to our Climate Report which is well recognised. At present we ensure through our annual report that members are made aware our climate disclosures are in a separate report and is accessible via UniSuper website.	UniSuper agrees with the proposal to include Aus60.1 which will allow each entity to determine the most appropriate location for its climate reporting, whilst maintaining emphasis on enabling users to locate it with ease.

RSE SPECIFIC REPORTING STANDARDS OR GUIDANCE TO BE DEVELOPED BY AASB

The ISSB Sustainability disclosure (IFRS S1 and S2) Standards were designed only for profit-oriented entities reporting[1] (i.e reporting entities or companies that receive external capital – debt or equity - to fund their operations) and whose end users are 'primary users of general-purpose financial reports'. The Standard is built around the premise that the reporter is an issuer of capital that will report operational information and meet the information needs of investors.

Through engagement with ISSB, UniSuper understands that these standards were not developed for asset owner reporting. The IFRS S1 notes that the Standards may need to be amended if applied to other types of entities.

[1] Paragraph 9, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

UniSuper supports the Sustainability standards objective which is to facilitate comparable and comprehensive climate disclosure by companies for users. However, there are material challenges to superannuation entities in applying the Draft ASRS Standards which stem from the fact that the Standards were not designed for superfunds reporting to its users, the superfund member.

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<tr><th>TOPIC & QUESTION</th><th>FEEDBACK</th><th>RECOMMENDATIONS</th></tr>
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<td>Need for RSE specific guidance or standard</td>
<td>The Draft ASRS Standards in their current form are not relevant for RSE’s and thereby will not provide meaningful information to the members of the RSE on climate-related risks and opportunities.

A gap analysis of the Draft ASRS standard shows that most of the disclosure requirements would require one or multiple of the following amendments for RSE application:
Define the ‘users’ of superfund reporting as superfund members.
Develop a reporting standard and/or provide asset owner specific guidance that aligns to the member as the intended user of superfund reporting. This information is being sought for disclosure prioritising what is useful to our primary user.
a provision for asset owners that makes it clear what the purpose of disclosure requirements are for asset owners.
a change to the objective of the reporting requirement so that is it specific to asset owners.
a change to definitions and disclosure requirements so they can be applied for superfund reporting and thereby provide meaningful information to the users.
In New Zealand the Ministry for Environment implemented TCFD as the recommended framework for mandatory reporting, after feedback from thorough consultation. Other jurisdictions like Singapore, Switzerland, the United Kingdom and the European Union have implemented mandatory TCFD reporting. Our</td>
<td>A different, but aligned, set of reporting Standard or guidance needs to be developed by AASB to enable meaningful climate reporting by RSE’s. This could be achieved through the development of a separate standard or through adding disclosure requirements specific to RSE’s and by providing additional guidance on the application of the requirements that will enable comparable climate reporting by RSE’s.

The disclosure requirements for RSE’s should:
Consider using the TCFD framework for asset owner reporting as a baseline for developing guidance, with amendments that make these disclosures user friendly to our primary end user.
Be designed with a primary focus on the end user, who is a member of an RSE. Reporting requirements should be crafted to facilitate comprehension and utility for the average consumer and should prioritise information that aids a member in making informed product decisions, striving to minimise complexity in disclosed information.
Be designed so that the disclosure requirements are relevant to reporting on investment portfolios.
Acknowledge that numerous disclosure requirements in the proposed ASRS Standard, while may be valuable for sophisticated or wholesale investors, often prove excessively intricate for the average member's comprehension.
Recognise that certain ASRS Standards disclosure requirements, while pertinent for a company managing operational assets, does not add value to superfund reporting or for a member making investment product decisions.</td>
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	understanding is that no other jurisdictions globally have implemented mandatory ISSB reporting for asset owners.	RSE specific climate reporting can be achieved by: 1. Engaging with RSE's to develop a RSE specific guidance or a standard to enable meaningful reporting. 2. Aligning the standard to the intended user of RSE reporting. Superfund members do not directly invest in the whole of fund, but rather in the specific investment products offered by the fund. 3. Develop reporting requirements with clear guidance the calculation methodology and disclosure requirements of scope 3 financed emissions. 4. Provide additional guidance on disclosure requirements including outlining which reporting items are voluntary or not required for RSE reporting because they are either immaterial to a superfund member or the fund's investment decision making or where cost and burden are too significant. 5. Amend the objective of reporting requirements so it relates to RSE activities. 6. Add definitions, disclosure requirements and guidance in the ASRS standards considering the above items.
Operational focus of reporting	The operational focus of the reporting standard is not appropriate for RSE reporting on the climate-related risks and opportunities relating to its investments. Most of the disclosure requirements and terminology in the Draft ASRS Standard reflect a focus on the operations of issuers of capital, and therefore it is unclear how an RSE can apply these disclosure requirements. These terms have flow on implications for the understanding of concepts such as 'material information' (e.g. ASRS 1 paragraph17)	To enable meaningful reporting, UniSuper recommends AASB to develop RSE specific guidance or separate climate-relating financial standards with specific focus on RSE's scope 3 financed emissions.

	and in many cases imply the provision of a level of detailed information not available to universal owners	
Cross-industry metric disclosures (paragraphs 29(b)–29(g)) **Question 12:** Do you consider the cross-industry metric disclosures set out in paragraphs 29(b)–29(g) of S2 (and [draft] ASRS 2) would provide useful information to users about an entity's performance in relation to its climate-related risks and opportunities? Please provide reasons to support your view.	The disclosure obligations set out in paragraphs 29(b)–29(g) of IFRS S2 (and [draft] ASRS 2) require information in the context of being the owner and operator of specific assets with exposure to a limited number of sectors. As an aggregator of financed exposure and as a universal owner that holds a broadly diversified portfolio representing a significant cross-section of the global economy, it is unclear how these disclosures relate to an RSE activities or how it is useful to the user. The level of granularity implied in this disclosure request also does not recognise the cost and effort required by superannuation funds as aggregators of investee data over numerous investments. Some examples where paragraphs 29(b)–29(g) requests disclosure where it is unclear what RSE's would provide include requirements relating to the percentage of assets or business activities with particular exposure and capital expenditure. Relevant industry metrics, targets and activities for RSE's are markedly different to that of an investee company which owns and operates assets. Each fund, and investment product, also likely has differing strategies and therefore the metrics and targets used may differ across the industry in reflection of this. At UniSuper, for example, we focus on capturing and presenting data that reflects changes in real world emissions reductions undertaken by our investee companies. We aim to track and monitor this through various stewardship and asset class specific targets. Consequently, we do not focus on financed emissions intensity targets because they do not result in real world emissions reductions.	UniSuper recommends that the cross-industry metrics disclosures are not applied to RSE's. We recommend that AASB amend the ASRS standards or develop superannuation entity specific guidance. This should reframe the disclosure requirements so they reflect how a superannuation entity exposure to climate risks presents and reflects their activities and required information in a manner that is useful to the end user. Relevant industry metrics, and targets and activities must be tailored to reflect that for RSE's these are markedly different from that of an investee company. This should be done through RSE specific guidance that allows for: • Metrics, targets and activities to be provided within the context of the RSE's fund wide, or specific investment products, strategy (noting each superfund and product may have differing objectives). • Recognition of activities undertaken by RSEs and asset owners as investors, such as stewardship activities and provide flexibility for each entity to determine the most appropriate actions based on their strategy. • Consideration of existing regulatory requirements, such as CPS229 Climate Change Financial Risk or Australian Prudential Regulatory Authorities' Superannuation Performance Test, that will impact possible actions. We recommend AASB review UniSuper's *'Climate risk and our investments'* report which show examples of the following: • Our approach and actions (page 9) • Targets (page 10)

		• Our progress (pages 18 – 25) • Stewardship activities examples (pages 26 – 33)
Cross-industry remuneration disclosures **Question 13:** Do you agree with the proposed requirements in [draft] ASRS 2 paragraphs 29(g) and Aus29.1 to disclose the information described in points (a) and (b) in the above box? In your opinion, will this requirement result in information useful to users? Please provide reasons to support your view.	It is not clear how this disclosure is useful to a superannuation fund member in relation to the superfund's investment portfolio. Whilst this metric may be useful to shareholders in an investee company (where it would provide insight into how management teams are incentivised to manage operations and assets), it should be treated distinct from application to superannuation funds because it does not assist with this.	It is not clear how this metric is useful to a superannuation fund's end user. We recommend AASB not apply this requirement for superfund reporting and instead reframe the disclosure requests to focus on disclosures that demonstrate the roles and responsibilities that board and management of RSEs in managing climate related risks and opportunities. An example of this disclosure as our suggestion for AASB's consideration is disclosed on page 8 of our *'Climate risk and our investments'* report.

SCENARIO ANALYSIS

Superfund investment portfolios are dynamic and are regularly assessed and adjusted to reflect external macro factors, including but not limited to, climate scenario analysis. Quantitative, point in time scenario analysis across long horizons provides minimal value to investment decision making, incurs significant costs that are borne by our members and would provide little utility to member understanding of climate issues and opportunity. This view is supported by our global peers. For example, the UK Universities Superannuation Scheme has collaborated with the Real World Climate Scenarios (RWCS) to address concerns that the current approach to scenario analysis is insufficient if aiming to produce qualitative 'decision-useful' scenarios.

Disclosure requirements for scenario analysis should recognise the differences between scenario analysis performed by a company and those performed by investors and asset owners. The Standard at present does not appear to consider the purpose or limited utility that scenario analysis has in the context of a superfund conducting investment decision making or for a members comprehension.

TOPIC & QUESTION	FEEDBACK	RECOMMENDATIONS
Utility of scenario analysis & Climate resilience **Question 10**: Do you agree with the proposal in [draft] ASRS 2 paragraph Aus22.1? Please provide reasons to support your view. **Question 11:** Do you agree with the AASB's view that it should not specify the upper-temperature scenario that an entity must use in its climate-related scenario analysis? Please provide reasons to support your view.	The purpose and utility for end users of scenario analysis is materially different between a superannuation fund (with investments representing the entire economy) and capital issuers (who are the owners and operators of assets with, generally, sector specific operations) that must be considered. AASB should refer to pages 36 – 37 of our *'Climate risk and our investments'* report which outlines how a range of climate scenarios are used to test our assumptions about our investments. **Quantitative, static scenarios have limited benefit to investment decision making** • Portfolios are dynamic and are regularly adjusted to reflect external macro factors. Scenario analysis takes a static view of a portfolio at a point in time which would not reflect actual management. • The timeframes in scenario analysis are therefore misaligned to actual management of portfolios. Scenario analysis over longer term time horizon is increasingly	In its current form the scenario analysis may lead to disclosures without a clear purpose or tangible benefit for members or investment decision making. UniSuper recommends AASB to amend the Draft ASRS standards or develop superannuation entity specific guidance to ensure the disclosures achieves an overall end purpose that is relevant to superfunds and investment decision making and is useful to the end user. For superannuation entities guidance should reflect that quantitative scenario analysis has limited use in investment decision-making, limited use for the average superfund member in understanding its utility and outputs and has a high cost and burden. Suggested disclosure requirements for RSE's: • Focus on decision useful climate scenario analysis to support RSE's efforts to incorporate climate and transition considerations in investment and risk management processes.

	recognised as being not useful for business decision making. • The top-down approach to identifying climate-related risks to financial markets means the analysis does not capture the specifics of individual companies or securities. This is where scenario analysis is most useful which is why individual investee companies are encouraged to undertake scenario analysis. • Climate adaptation is not considered sufficiently and there is no allowance made for portfolio changes or other actions that we might take to mitigate our exposure to climate change. • Excessive focus on precise measurement of the impact of climate risks over very long-term horizon. • Scenario analysis is generally unsuitable for application to bottom-up investment decisions given the top-down nature of the scenarios specified, and the reliance on economic output as a summary metric for impact of climate change. This also makes it hard to assess the extent to which 'climate-tilted' equity or bond portfolios might offer protection against climate risks. **Significant costs** • Conducting scenario analysis would have to span and aggregate ten thousand or more holdings. This would require significant consulting costs in addition to ongoing resources to maintain data and systems. • These costs would be borne by members in fees with limited benefit in understanding climate-related financial risks and benefits. **Member understanding** • Member reporting should be focused on providing sufficient information so that members can make reasonably informed	• Explicitly allowing RSE's to utilise a qualitative and narrative based approaches to scenario analysis focused on decision useful timeframes, rather than requiring quantitative scenario analysis. • Require investors to demonstrate and provide insight into how scenarios assist in managing and monitoring climate risks and opportunities. The above recommendation for qualitative disclosure by RSE's a is more beneficial to users and is supported by industry experts involved in the Real-World Climate Scenarios (RWCS). Information on this is available here. In our current disclosures, we include scenario analysis in the manner described above and encourage AASB to review pages 34-46 in UniSuper's *'Climate risk and our investments'* report when developing scenario analysis requirements that can be applied by RSEs.

	decisions about their investment choices, taking into account factors such as carbon intensity and fossil fuel exposure. Scenario analysis and understanding it within the complexity of investments and its limitations would be intricate and difficult to comprehend for the average member, and therefore it could lead to confusion or poor decision making. • Disclosure requirements for scenario analysis should recognise the differences between scenario analysis performed by a company and those performed by investors and asset owners. • The Standard at present does not appear to consider the purpose or limited utility scenario analysis has in the context of a superfund conducting this internal decision making or for a beneficiary's comprehension.	

FINANCED EMISSIONS & METHODOLOGIES

TOPIC & QUESTION	FEEDBACK	RECOMMENDATIONS
GHG emission measurement methodologies **Question 17:** Do you agree with the proposals in [draft] ASRS 2 paragraphs Aus31.1(b) and AusB25.1? Please provide reasons to support your view.	**Aus31.1(b) and AusB25.1 proposals** UniSuper broadly agree with the proposals in Aus31.1(b) and AusB25.1. However we note that there is insufficient guidance on how asset owners would calculate Scope 3 financed emissions and it is critical this is established. Currently there are various ways asset owners can calculate financed emissions. Even when using the same methodology, calculations are not comparable due to various assumptions and limitations (eg. portfolio coverage, data provider, treatment of instruments like cash and futures).	**Aus31.1(b) and AusB25.1 proposals** Currently there are various ways asset owners are reporting financed emissions. Specific guidance for asset owners on the disclosure of financed emissions will be required, including a recognition that any disclosures will be incomplete and use estimates. AASB should consider the intended purpose of these disclosures and recommend a methodology to allow comparability and consistency in reporting across industry. UniSuper recommends the Partnership for Carbon Accounting Financials (PCAF) methodology be used which has become the best practice approach for calculating financed emissions. **Precise language for financial institutions** UniSuper recommends AASB provide clear distinctions between Scope 3 emissions and Scope 3 'financed emissions' in the ASRS standards. Currently they are being used interchangeably or as a catch all which creates confusion particularly for financial institutions where financed emissions are markedly different from other upstream and downstream emissions. We recommend AASB refer to pages 49 – 73 of *'Climate risk and our investments'* report, which outlines UniSuper's methodology for calculating financed emissions including limitations and challenges. This feedback and recommendations should be read in conjunction with our responses to questions 18 and 20 below.

Providing relief relating to Scope 3 GHG emissions **Question 18:** Do you agree with the proposal in paragraph AusB39.1 of [draft] ASRS 2? Please provide reasons to support your view.	**AusB39.1 relief provision** For RSEs, Scope 3 emissions predominantly relates to financed emissions. To calculate financed emissions superfunds are required to aggregate the emissions reported by investee companies which is collated by a third-party data provider. Financed emission reporting for UniSuper covers >2500 individual entities. It is not possible to collect data for each of these entities and therefore we are fully reliant on data from investee companies and third parties to report and collect data accurately. Our understanding of the relief provided is that in relation to UniSuper publishing financed emissions data it would allow for the financed emissions from the FY22 period published in the FY23 GPFR and this disclosure would be deemed acceptable. This is a critical requirement for scope 3 emissions as there are operational and data constraints that make it not feasible to deliver financed emissions FY23 data in the FY23 GPFR. However, we are concerned that AusB39.1 does not recognise that the underlying data used for calculations could be longer dated. For example, asset owners will have investments in overseas locations where carbon reporting is voluntary and as a result, a substantial percentage of financed emissions may not be able to be disclosed or will rely on estimates/actuals beyond the initial reporting periods. All large ESG data suppliers (e.g. MSCI, S&P, Sustainalytics) provide data lagged by 12-18 months as they are reliant on company reporting and their own analysis reviews to input and verify data into databases. For example, data from one of the largest ESG data providers as at Jan 2024 (for MSCI World index), 71% of carbon data available is from 2022 with the remainder from 2021 or earlier. With increasing expectations of assurance and data quality reviews and greenwashing risks, it is important data is verified before being	**AusB39.1 relief provision** UniSuper agrees with the basis for the relief provided for Scope 3 emissions and support this proposal. However, due to the broad nature of Scope 3 emissions category it would be helpful for AusB39.1 to explicitly state that this includes 'financed emissions' and how it relates to "using data for the immediately preceding reporting period". Clear guidance should be developed before the introduction of reporting requirements that explicitly acknowledges that financed emissions reporting will grow over time. Clarify that the requirement for "using data for the immediately preceding reporting period" in AusB39.1 applies to company reported emissions, not financial institutions calculating financed emissions. If it will apply to financed emissions, it should explicitly acknowledge that some underlying data being aggregated may be longer dated than "the immediately preceding reporting period". **Precise language for financial institutions** Given the application to financial institutions, we recommend clear language referring to 'financed emissions' is included in AusB39.1 see our response to Q17. Interchangeable use of financed emissions and Scope 1, 2 & 3 emissions in BC86 must be corrected and clarified. **Use existing best practice methodologies** Ensure that data usage requirements for calculating financed emissions are consistent with leading global standards and best practice (e.g. PCAF). See commentary below under Question 20. **Member focused reporting**

	used in calculations. PCAF recognises challenges in timely reporting of data and accepts that data from preceding periods is appropriate to be used when calculating financed emissions.	Superfund reporting should be focused on member useful outputs. Asset class reporting does not assist a member making product decisions. Requirements for asset class specific disclosure should be removed and replaced with product (Option level) disclosure. AASB should refer *'Climate risk and our investments'* report which outlines UniSuper's methodology for calculating financed emissions including limitations and challenges. In particular pages 72 – 73 outlines the limitations when calculating climate metrics.
Financed emissions **Question 20:** Do you agree with the AASB's proposal to require an entity to consider the applicability of those disclosures related to its financed emissions, as set out in [draft] ASRS 2 paragraphs AusB59.1, AusB61.1 and AusB63.1, instead of explicitly requiring an entity to disclose that information? Please provide reasons to support your view.	**Financed emissions reporting** We support the approach outlined in paragraph BC86 that will require an entity to measure and disclose financed emissions. However at present the approach outlined creates confusion and the lack of disclosure against a specific methodology is problematic and creates an outcome where comparability is not achieved for the end user. The PCAF methodology, which outlines financed emissions through the disclosure of carbon intensity is the most widely accepted and used framework and would allow for a level of comparability. If comparability between funds is a desired outcome of the AASB Standards, then specifying a methodology for financed emissions calculations is important so that members can compare financed emissions between different funds. AASB must acknowledge that calculating financed emissions is complicated and even PCAF as the most used methodology has gaps and requires interpretation for a fund's specific circumstances. We encourage AASB to review different asset owner reporting to understand the different application of methodologies and the limitations and challenges described in the reporting.	**Industry-based guidance and methodologies** Through engaging with superfunds clear guidance should be developed for superfunds, before the introduction of reporting requirements, including financed emissions methodologies. Reporting standards and industry metrics are the building blocks for achieving clear and comparable disclosure. **Use existing best practice methodologies** UniSuper recommends AASB designate a standard methodology for financed emissions reporting across all reporting entities. AASB should leverage already existing methodologies where possible. At present, global best practice is to use Partnership for Carbon Accounting Financials (PCAF) developed the *Global GHG Accounting and Reporting Standard for the Financial Industry*. This Standard equips financial institutions with harmonised, robust methods to measure and disclose financed emissions. AASB should refer to pages 49 – 73 of the *'Climate risk and our investments'* report which outlines UniSuper's methodology for calculating financed emissions including limitations and challenges

	Scope 3 asset class and disaggregated emissions reporting - Paragraphs AusB59.1, AusB61.1 and AusB63.1 We do not support the inclusion of paragraphs AusB59.1, AusB61.1 and AusB63.1 for superfunds - which requires disaggregation of emissions reporting and asset class specific disclosures - and these should be removed from the Standard. Superfund members do not directly invest in the fund itself or asset classes, but rather in the investment products offered by a fund. This means aggregated financed emissions at a product (Investment Option) level is most useful to a member making an investment decision. Based on the above, the BC86 referring to entities being required to consider the applicability of Paragraphs AusB59.1, AusB61.1 and AusB63.1 which details emissions to be reported for each industry by asset class and in a disaggregated manner should be removed from RSE's reporting requirements. Reporting emissions in either format is not useful for superannuation entity reporting or the end user and would likely add confusion to the average superfund members comprehension of the information being presented to them.	**Scope 3 asset class and disaggregated emissions reporting - Paragraphs AusB59.1, AusB61.1 and AusB63.1** UniSuper recommends AASB remove any requests for entities to report or consider reporting against AusB59.1, AusB61.1 and AusB63.1. Reporting emissions in a disaggregated manner or by asset class does not result in a reporting output that is useful to a superfund member and impact comprehension of information. Instead, we recommend AASB refer to best practice methodologies that exist already such as the PCAF Methodology. Because members invest in products - not the fund or asset class or specific type of emissions – financed emissions reporting requirements for RSE's should be aggregated at an Investment Option level. UniSuper provides aggregated Investment Option level reporting. We recommend AASB to read pages 49 – 73 of UniSuper's *'Climate risk and our investments'* report for suggestion on how RSE's can provide members with useful information on Investment Options.

Appendix B - Detailed responses to other consultation questions.

SECTION AND QUESTIONS	FEEDBACK	RECOMMENDATIONS
Presenting the core content of IFRS S1 in [draft] ASRS Standards **Questions 1**: In respect of presenting the core content disclosure requirements of IFRS S1, do you prefer from Options 1, 2, 3 or other presentation option	The proposed approach (option 3) will potentially create unintended confusion in the application of ASRS 2 when future sustainability reporting standards are released which could amend ASRS 1.	As the proposed ASRS Standards are based on IFRS sustainability disclosure standards (S1 and S2) we recommend it should be adopted as originally designed and intended by IASB. This would see ASRS 1 retained as a general sustainability standard, like ISSB 1 and, ASRS 2 containing all climate-related disclosure requirements. UniSuper recommends option 2 as it supports the implementation of future sustainability standards without the need of reissuing ASRS S2, achieving international alignment, reduce confusion and enhance readability.
Entities that do not have material climate-related risks and opportunities **Question 3:** Do you agree with the proposed requirements in [draft] ASRS 1 paragraph Aus6.2 and [draft] ASRS 2 paragraph Aus4.2?	The proposed requirement for a reporting entity to disclose facts and explanation when climate risks and opportunities are not material is a sensible addition.	UniSuper supports the proposed disclosure requirement as it will enable reporting entities to perform ongoing assessment and disclose the reasons when the climate-related risks and opportunities are not material. This disclosure requirement will be useful information for superfunds in preparing Scope 3 financed emissions in its climate-related financial disclosures. This also aligns with principles of material disclosure requirements that will drive quality disclosures where there are material climate-related risks and opportunities.
Modifications to the baseline of IFRS S1 for [draft] ASRS 1 **Sources of guidance and references to Sustainability**	We agree with some but not all AASB's views in paragraphs BC39-41.	**SASB** UniSuper recommends that ASRS Standards remain aligned to that proposed under the ISSB Standards. This includes the use of SASB Standards and references to Industry-based Guidance on

SECTION AND QUESTIONS	FEEDBACK	RECOMMENDATIONS
Accounting Standards Board (SASB) Standards **Question 4:** Do you agree with the AASB's views noted in paragraphs BC39–BC41? **Question 5:** Do you agree with the AASB's view that if an entity elects to make industry-based disclosures, the entity should consider the applicability of well-established and understood metrics associated with particular business models, activities or other common features that characterise participation in the same industry, as classified in ANZSIC? **Question 6**: Do you consider that ASRS Standards should expressly permit an entity to also provide voluntary disclosures based on other relevant frameworks or pronouncements (e.g. the SASB Standards)? Entities are able to provide additional disclosures provided that they do not obscure or conflict with required disclosures.	IFRS S1 does not require a reporting entity to apply SASB standards, they are only required to "refer to and consider the applicability of SASB standards." In December 2023, the ISSB published amendments to the SASB Standards to enhance their international applicability. These amendments were intended to help preparers apply the SASB Standards regardless of the jurisdiction in which they operate, or the type of generally accepted accounting principles (GAAP) used without substantially altering the SASB Standards' structure or intent. The SASB Standards facilitate the implementation and application of IFRS S1 for preparers. The updated Standards can be found here. Adopting the IFRS S1 approach this will not require reporters to disclose against SASB standards, rather just consider whether they are applicable.	Implementing IFRS S2 (Industry-based Guidance) that were based on the SASB Standards. Because SASB is being updated to reflect international, rather than US-centric practice, it does not seem necessary to remove this reference, as reporters will not be required to use SASB, only consider them. We support the ability for reporters to provide additional voluntary disclosures based on other reporting frameworks. **GICS** UniSuper recommends that Global Industry Classification Standard (GICS) is adopted rather than ANZSIC given it is the standards used by most listed companies and as a global standard, will support the comparability and comprehensibility of entity disclosures **Voluntary disclosures** UniSuper supports the ability for reporting entities to provide additional voluntary disclosures which may sit outside of the ASRS Standards as it will enable reporting entities to provide meaningful and useful information to the GPFR users to make investment decisions.
Interim reporting	Interim sustainability and climate-related reporting should not be required. This would create overt burden and costs and provide	UniSuper agrees with the proposed removal of interim reporting requirements.

<table>
<tr><th>SECTION AND QUESTIONS</th><th>FEEDBACK</th><th>RECOMMENDATIONS</th></tr>
<tr><td>Question 8: Do you agree with the proposed omission of IFRS S1 paragraphs 69 and B48? Please provide reasons to support your view</td><td>minimal value add to the primary users of general-purpose financial reports.</td><td></td></tr>
<tr><td>General matters for comment

The AASB would also particularly value comments on the following general matters:

Question 30: Has the AASB Sustainability Reporting Standard-Setting Framework (September 2023) been applied appropriately in developing the proposals in this Exposure Draft?

Question 31: Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, including any issues relating to:

(a) not-for-profit entities; and
(b) public sector entities?

Question 32: Do the proposals create any auditing or assurance</td><td>Question 30: AASB Sustainability Reporting Standard-Setting Framework

• Section 4, 6 and 10 – The Exposure Draft ASRS Standards and ISSB are not appropriate for reporting by entities that are not profit orientated, this includes superannuation entities. We encourage AASB to consider the development of a separate standard in which may depart from the base line of the ASRS standard, This is recommended by ISSB under IFRS S1 Paragraph 9.
• Section 8 - There is currently misalignment between the identified user of general-purpose financial report reporting as described in Section 8 of the Standard-Setting Framework and the users of superannuation fund reporting. This significantly impacts the application of the Exposure Draft to Superannuation entities.

Question 31: Because the baseline of the Draft ASRS Standard is based on the ISSB S1 and S2 standards it makes the application to any entities that are not profit orientated inappropriate.

Question 32: Audit and assurance

Treasury's Exposure Draft currently requires mandatory assurance of climate-related financial disclosures.</td><td>Question 30, & 31, 33 & 35

See recommendations relating to purpose of reporting, definition of user and materiality on page 4 and need for a superannuation fund specific climate reporting standard on page 7.

Question 32: Audit and assurance

UniSuper recommends if assurance requirements are retained, they be restricted to limited assurance for quantitative climate-related financial metrics only.

Many organisations currently have additional voluntary disclosures which may sit outside of the reporting Standard prepared under the TCFD framework. These disclosures are beneficial for members to understand climate-related risk and opportunities and can aid investment decision making. Clarification will help on what industry metrics are within scope for assurance and that voluntary disclosures beyond this are not subject to assurance.

This strikes a fair balance between ensuring metrics are accurate whilst not creating undue cost and burden that is greater than the value add it provides to decision making.</td></tr>
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SECTION AND QUESTIONS	FEEDBACK	RECOMMENDATIONS
challenges and, if so, please explain those challenges? **Question 33:** Would the proposals result overall in climate-related financial information that is useful to users? **Question 35:** Unless already provided in response to specific matters for comment above, what are the costs and benefits of the proposals, whether quantitative (financial or non-financial) or qualitative? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs of the proposals.	Mandatory assurance at this time should not be within scope. ISSB emphasised the importance of creating a reporting framework that is capable of assurance, rather than mandating assurance for a still to be established framework. UniSuper has undertaken voluntary, limited assurance of climate reporting for two years and is one of few super funds to go through this process. Our experience demonstrates that voluntary assurance of select metrics can improve calculation processes, but overarching assurance is costly, time consuming and difficult when agreed criteria is unavailable. **Question 33 & 35:** In its application to superannuation entities the proposals will not result in climate-related financial information to the users of superannuation fund reporting. Because of this, it will create significant cost and burden for superfunds that is not commensurate with the benefit it would bring to superfund reporting.	

Appendix C: Detailed analysis of proposed standard for superannuation entity reporting.

ISSB is not designed or intended for RSE/asset owner reporting and the current Draft ASRS standard, using ISSB as a baseline, has therefore not sufficiently contemplated how this would apply to such entities. In absence of additional RSE specific guidance or a standalone standard to report against, it remains an inappropriate reporting standard that will not produce comprehensive and comparable climate information for the users of RSE disclosure.

DISLCOSURE AREAS	AREAS OF MISALIGNMENT	SUMMARY OF RECOMMENDATIONS
GOVERNANCE • **ASRS1:** 26, 27(a)(iv), 27(a)(v) • **ASRS 2:** 5	• Users of superannuation fund reporting are current and potential members, and the user definition is not aligned to the AASB 1056 Superannuation entities definition. • For several disclosure requirements it is not clear how the disclosure requirements will be useful to a superannuation fund member in relation to the superfund's investment portfolio.	• Definition of user needs to be amended to include superfund users of general-purpose financial reports (GPFR). This can be achieved through aligning the report user definition to AASB 1056 Superannuation entities Paragraph BC12. • Further superfund specific guidance is required to enable meaningful member and investment portfolio specific reporting.
STRATEGY • **ASRS1:** 28 & 29 • **ASRS2:** 8, 9 **Climate related risks and opportunities** • **ASRS 1:** 30 & 31 • **ASRS 2:** 11, **Business model and value chain** • **ASRS 1:** 32, 33 **Strategy and decision making** • **ASRS 2:** 14	• Users of superannuation fund reporting are current and potential members, and the user definition is not aligned to the AASB 1056 Superannuation entities definition. • Disclosure requirements do not differentiate between RSE reporters as universal owners compared to companies with exposure to limited sectors. • Concepts, terminology and disclosure requirements have an operational focus that is not appropriate for RSE reporting relating to investments i.e. scope 3 financed emissions. • Undue cost and effort are materially different for an asset owner versus a corporation who owns and manages assets. • Several disclosure requirements are unclear how they apply to RSE activities. • Disclosure requirements do not recognise the focus for RSE's should be around understanding, managing and ensuring integration with investment strategy. In this	• Definition of user needs to be amended to include superfund users of general-purpose financial reports (GPFR). This can be achieved through aligning the report user definition to AASB 1056 Superannuation entities Paragraph BC12. • RSE specific guidance is required to enable meaningful member and investment portfolio specific reporting. This should reference existing regulatory requirements such as the Performance Test and CPS229. • Definitions and terminology of some disclosure requirements needs to be modified to be applicable to RSEs. • Application of scenario analysis to asset owners requires amendment to reflect that quantitative scenario analysis has limited use is investment decision-making, limited use for the average superfund member in understanding its utility and outputs and has a high cost and burden.

Financial position, financial performance and cash flows • **ASRS 1:** 34 to 40 • **ASRS 2:** 21.1 **Climate resilience** • **ASRS 1:** 41-42 • **ASRS 2:** 22	context, financial position, financial performance, cash flows, financial planning are terms designed for operational companies reporting. • Climate resilience disclosures fails to recognise the differences - in terms of modelling, range of risks, and available actions - between asset owners, as universal owners with investment portfolios compared to a listed entity operating in a unitary sector.	
Risk Management • **ASRS1:** 43 – 44 • **ASRS 2:** 24	• Users of superannuation fund reporting are current and potential members, and the user definition is not aligned to the AASB 1056 Superannuation entities definition.	• Users of superannuation fund reporting are current and potential members, and the user definition should be aligned to the AASB 1056 Superannuation entities definition. • Asset owner specific guidance would be helpful here to show examples of what reporting is being sought after for use from a member and what 'good' reporting looks like.
Metrics and targets • **ASRS1:** 45, 46, 49, 50, 51, 52, 53 • **ASRS 2:** 29, 36	• Users of superannuation fund reporting are current and potential members, and the user definition is not aligned to the AASB 1056 Superannuation entities definition. • Metrics and targets required under the ASRS standards are currently not yet known for asset owners. • The operational focus of the reporting standard is not appropriate for superfund reporting on the climate risks and opportunities on the investments. These terms reflect a focus on the operations of issuers of capital and it is unclear what information an RSE would need to report under these provisions.	• Users of superannuation fund reporting are current and potential members, and the user definition should be aligned to the AASB 1056 Superannuation entities definition. • Asset owner specific guidance would be helpful here to show examples of what reporting is being sought after for use from a member and what 'good' reporting looks like.