Exposure Draft ED SR1 Australian Sustainability Reporting Standards

Aware Super Submission

1 March 2024

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Executive Summary

Aware Super welcomes the opportunity to provide feedback on *Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information* (**Draft ASRS Standards**) which proposes sustainability standards to support climate-related financial disclosure requirements.

Aware Super is highly supportive of improving the quality of climate-related financial disclosures to support the management of the risks to the financial systems due to climate change. As an investor, Aware Super has a long history of integrating environmental, social and governance (ESG) considerations as part of its investment decision making. We believe climate change is a significant long-term risk to our investment portfolio, and ultimately our members' retirement outcomes. Our current climate strategy has five pillars: (1) decarbonisation; (2) portfolio transition and resilience; (3) investing in climate solutions; (4) company engagement and; (5) advocacy.

Over the last three years, Aware Super has been undertaking voluntary 'Task Force on Climate-Related Financial Disclosures (TCFD) aligned' climate reporting in order to provide information to our members. We encourage the AASB to review our Climate Report to better understand how Aware Super has approached voluntary reporting to date: Responsible Investment Report 2023 (aware.com.au) [Page 22].

As a fiduciary, our primary duty is to act in the best financial interests of our members. Accordingly, we favour an approach which strikes a balance, considering the risks and opportunities without incurring undue costs for members. We therefore have concerns as to whether the Draft ASRS Standards are fit-for-purpose in respect to registrable superannuation entities (RSEs) (i.e. asset owners) given the issues outlined below. We suggest the AASB considers how the standards interact with existing regulations (such as CPG 220 Climate Change Financial Risks) as well as the following:

1. **Applicability to superannuation fund members.** We note that the baseline for the disclosures – the International Sustainability Standards Board (ISSB) S1 and S2 Standards – were designed for reporting by companies that issue debt and equity, rather than being applicable for asset owners. Consequently, the Draft ASRS Standards are of limited applicability to RSEs.

   Whilst we support the adoption of ISSB Sustainability Standards, as well as the intention to have globally aligned climate-related financial disclosures and guidance (such as the TCFD framework) apply to RSEs, the Draft ASRS Standards- in their current form- will not enable RSEs to report meaningful or beneficial climate-related information to the primary 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 end users and operational focus that underpin the objective and content of the reporting standards does not include superannuation fund members. It is Aware Super's view that the Draft ASRS Standards appear misaligned to the purpose and primary user of RSE reporting and this misalignment creates a cascading impact on the applicability of the disclosure requirements.

In summary, while Aware Super supports the intent of the Draft ASRS Standards and agrees with the AASB's general approach, we have some concerns in relation to the application of the standards to superannuation entities, for example how we would calculate and report our scope 3 financed emissions. Given the distinct structure of superannuation entities and primary user purpose, we believe specific standards or further guidance are justified.

Please find our more detailed responses to some of the specific matters for consideration outlined in Draft ASRS Standards set out in Appendix 1 below. Included upfront in the Appendix is feedback on the suitability of the ASRS Draft Standards for superannuation entity reporting (Question 21), followed by responses to the remaining consultation questions.

Please note that our responses focus on the impact to Aware Super as a preparer of climate-related financial disclosures under the proposed regime. We have not provided feedback from the perspective of being a primary user of disclosure information. To this end, we support the submissions made on behalf of our key advocacy partners, the Australian Council of Superannuation Investors, the Investor Group on Climate Change, the Australian Sustainable Finance Institute, and the Association of Superannuation Funds of Australia in this regard.

Please contact Liza McDonald, Head of Responsible Investments (email: liza.mcdonald@aware.com.au) and/or James Osborn, Deputy Chief Financial Officer (email: james.osborn@aware.com.au) if you require further information.

Recommendations

Summary of recommendations

Aware Super recommends the AASB develop RSE specific disclosure requirements or standalone climate-related financial reporting standards as part of issuing the final ASRS standards and provide transitional relief to RSEs in relation to the initial adoption guidelines until this can be completed. These guidelines should focus on RSEs' 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 superannuation funds to develop a specific climate reporting framework and guidance.
2. Aligning the standard to the intended user(s) of RSE reporting – fund members/beneficiaries so that they can understand how the Trustee is managing the risks of climate change in the portfolio.
3. Develop reporting requirements with clear guidance on 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 superannuation fund member or the fund's investment decision making or where cost and burden are too significant.
5. Amend the objective of reporting requirements so that it is also specific to asset owners.
6. Add definitions, disclosure requirements and guidance in the ASRS standards considering the above items.

About Aware Super

Meet Aware Super - the multi-awarded super fund. We're here to help our members grow their savings, whether retirement is 2 or 20 years away. As one of Australia's largest profit-for-members funds, we always remember whose money it is and whose future we're looking after.

That means being super helpful in ways our 1.1m members want, and sometimes in ways they don't expect. From super returns of 8.40% p.a.[1] over ten years for our High Growth option. To expert super advice and guidance for right now. We're committed to helping our members get more from their super, so they can get more for their future.

[1] Index median of 7.89% p.a. for the same period. Source: SuperRatings Fund Crediting Rate Survey (FCRS) 31 December 2023 (SR50 Growth (77-90) Index (approx. 50 options). Returns are after investment fees and costs, transaction costs, tax on investment income and any implicit admin fees. Past performance is not an indicator of future performance.

Appendix 1 – Consultation responses

TOPIC & QUESTION	FEEDBACK	RECOMMENDATIONS
Superannuation Entities **Question 21**. In your opinion, are there circumstances specific to superannuation entities that would cause challenges for superannuation entities to comply with the proposed requirements in [draft] ASRS 1 and [draft] ASRS 2? *Definition of user and purpose of reporting* *Alignment of materiality thresholds to the user and purpose*	A key principle of the Draft ASRS Standards is to provide useful information to primary users to facilitate decision making. For superannuation entities, the primary users of climate-related financial disclosures will be the individual members of registrable superannuation entities (RSEs), which will be a key enabler for RSEs in applying the Draft ASRS Standards. The Draft ASRS Standards only refer to users that are 'primary users of general-purpose financial reports (GPFR)'. For RSEs, an overarching challenge is that the definition of primary user within the standards is fundamentally different from the primary user of RSEs' GPFR. This creates a cascading impact on all disclosure requirements outlined in the Draft ASRS Standards, profoundly affecting a superannuation entity's capacity to prepare meaningful information on climate-related risk and opportunities.	**Align definition of user to superannuation fund member** As it is crucial to explicitly identify the primary user of sustainability reporting, we recommend that the AASB amend the report user definition to explicitly define current and potential superannuation fund members and beneficiaries as the primary users of RSE disclosures. Additionally, we recommend this definition incorporate AASB 1056 Superannuation Entities, paragraph BC12. **Materiality Guidance** Materiality should be defined in the context of RSE user and purpose. This will enable RSE's to assess and prepare disclosure requirements based on their materiality to the user. **Develop reporting requirements that are fit-for-purpose for use by primary user(s)** 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 users of GPFR of superannuation entities, as excessive complexity may undermine the effectiveness of disclosed information. We would recommend reviewing our current disclosure as an example of how we use qualitative and quantitative measures in our disclosure as it is important to understand how our stewardship activities also relate to our management of climate risks.

<table>
<tr><th>TOPIC & QUESTION</th><th>FEEDBACK</th><th>RECOMMENDATIONS</th></tr>
<tr><td></td><td></td><td>Please refer to existing superannuation fund reporting for examples of how this can be achieved. We have provided a link to ours in the introduction.</td></tr>
<tr><td>Need for RSE specific guidance or standard</td><td>Aware Super 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.

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.

We believe that most of the disclosure requirements would require one or multiple of the following amendments for RSE application:
Define the 'users' of superannuation fund reporting as superannuation fund members.
Develop a reporting standard and/or provide asset owner specific guidance that aligns to the member as the intended user of superannuation fund 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 superannuation fund 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 specific, but aligned, set of reporting Standard 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 – i.e. superannuation fund members. Reporting requirements should be crafted to facilitate comprehension and use 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 the Fund's management of climate related risks (whether at a fund level or an option level for example).
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 superannuation fund reporting or for a member making a decision.</td></tr>
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TOPIC & QUESTION	FEEDBACK	RECOMMENDATIONS
	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 the industry to develop a RSE specific reporting framework. 2) Aligning the standard to the intended user of RSE reporting. 3) Develop reporting requirements that are focused on investments rather than operations. 4) Provide additional guidance on what information is being sought for disclosure by outlining which reporting items are required and those which are removed from required reporting standard because they are not material to a superannuation fund member or the Fund's investment decision making. 5) Amend the objective of reporting requirements so that it is also specific to asset owners. 6) Add definitions and disclosure requirements and additional guidance considering the above items. We would also recommend that the AASB provide transition relief in relation to the initial adoption of the guidelines until this can be completed
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) and in many cases imply the provision of a level of detailed information not available to universal owners.	To enable meaningful reporting, Aware Super recommends AASB to develop RSE specific guidance or separate climate-relating financial standards with specific focus on RSE's Scope 3 financed emissions.

TOPIC & QUESTION	FEEDBACK	RECOMMENDATIONS
Presenting the core content of IFRS S1 in [draft] ASRS Standards **Question 1**: In respect of presenting the core content disclosure requirements of IFRS S1, do you prefer Options 1, Option 2, Option 3, or other presentation approach?	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. We consider that the best option, to maximise readability, as well as support the implementation of future standards and international alignment, would be to retain ASRS 1 as a general sustainability standard, like ISSB 1. ASRS 1 can be introduced as a voluntary standard, with ASRS 2 replicating the elements of ASRS 1 that are mandatory, until more sustainability standards are introduced. This would allow for the easier introduction of new sustainability-related standards, would be less confusing for reporters trying to understand their disclosure obligations and would maximise international comparability. If it is not possible to introduce a voluntary general sustainability ASRS 1 standard, Option 2 is the optimal outcome of the three options provided. Option 2, more than Option 1 or 3, would retain a similar structure to ISSB 1 and 2, and support readability and clarity in the application of the standards.
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?	In general, we are comfortable with the references to the Conceptual Framework for Financial Reporting. However, we do not support referencing paragraph 1.2 of the Conceptual Framework for Financial Reporting to define users of superannuation fund reporting. 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	This is discussed more fully in our response to Question 21 above.

TOPIC & QUESTION	FEEDBACK	RECOMMENDATIONS
	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.	
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. Climate-related risks are financially material risks economy-wide. Reporters who do not consider that they are subject to material climate risks should explain why with robust justification.	We support 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 superannuation funds in preparing Scope 3 financed emissions in its climate-related financial disclosures.
Modifications to the baseline of IFRS S1 for [draft] ASRS 1 **Sources of guidance and references to Sustainability Accounting Standards Board (SASB) Standards** **Question 4:** Do you agree with the AASB's views noted in paragraphs BC39–BC41?	We note that 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 will not require reporters to disclose against SASB standards, rather just consider whether they are applicable.	As IFRS provides flexibility to reporters to consider whether SASB standards are applicable to their reporting, we recommend that these references are retained in the Exposure Draft. Retaining this provision will have the added benefit of supporting the international comparability of Australia's adoption of ISSB standards.

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ANZSIC **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?	We do not agree that ANZSIC codes should be used when making industry-based disclosures. The intention is to enable the provision of relevant industry-based metrics, and restricting consideration to ANZSIC codes may have the unintended consequence of limiting the industry-based metrics disclosed.	We recommend that the Global Industry Classification Standard (GICS) is adopted. This standard is used by most investors to identify the industry of listed companies (i.e. the issuers of capital for which the ISSB standards are intended) and, as a global standard, will support the comparability and comprehensibility of entity disclosures.
Other frameworks **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.	We support the ability for reporters to provide additional voluntary disclosures based on other reporting frameworks. Reporters should provide clear and transparent information about the frameworks they are using to disclose additional voluntary information.	
Location of disclosures **Question 7:** Instead of requiring a detailed index table to be included in the general-purpose financial reports, the AASB added paragraph Aus60.1 to [draft] ASRS 1 to propose requiring an entity to apply judgement in providing	We support this approach as it will allow reporters to apply judgement in providing information in a manner that enables users to locate climate-related disclosures.	

TOPIC & QUESTION	FEEDBACK	RECOMMENDATIONS
information in a manner that enables users to locate its climate-related financial disclosures		
Interim reporting **Question 8:** Do you agree with the proposed omission of IFRS S1 paragraphs 69 and B48? Please provide reasons to support your view	Interim sustainability and climate-related reporting should not be required. This would create an over burden and increased costs and provide minimal value add to the primary users of general-purpose financial reports.	We agree with the proposed removal of interim reporting requirements for superannuation entities.
Scope of ASRS 2 **Question 9:** Do you agree with the proposal in [draft] ASRS 2 paragraph Aus3.1 to clarify the scope of the [draft] Standard?	We support the proposal to clarify the scope of the [draft] Standard to climate-related risks and opportunities related to climate change.	It may be more appropriate to locate this clarification in the Explanatory Statement rather than in ASRS 2 itself, to avoid unnecessary changes to the Standard.
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 use 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) and that must be considered. Disclosure requirements for scenario analysis should recognise the differences between scenario analysis performed by a company and those performed by investors and asset owners. At present it does not appear that consideration has been given to the purpose or limited use scenario analysis has in the context of a superannuation fund conducting this internal decision making or for a beneficiary's comprehension.	In its current form the scenario analysis may lead to disclosures without a clear purpose or tangible benefit for members or investment decision making. We recommend AASB to amend the Draft ASRS standards or develop superannuation entity specific guidance to ensure the disclosures achieve an overall end purpose that is relevant to superannuation funds 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 superannuation fund member in understanding the outputs and has a high cost and burden. Suggested disclosure requirements for RSE's:

TOPIC & QUESTION	FEEDBACK	RECOMMENDATIONS
		• Focus on useful climate scenario analysis to support RSE's efforts to incorporate climate and transition considerations in investment and risk management processes. • 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.
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. Paragraphs 29(b)–29(g) request certain disclosure and it is unclear what RSE's would provide for example for the 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 also likely has differing strategies and therefore the metrics and targets used may differ across the industry in reflection of this.	Aware Super 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. Specific guidance could allow for: • Metrics, targets and activities to be provided within the context of the RSE's fund wide, or specific investment products, strategy (noting each superannuation fund 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.

TOPIC & QUESTION	FEEDBACK	RECOMMENDATIONS
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 superannuation fund'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 superannuation fund 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.
Questions 14 – 16	No comment	
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.	We agree at a high level with the proposals. However, 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 (e.g. portfolio coverage, data provider, treatment of instruments like cash and futures).	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. We recommend the Partnership for Carbon Accounting Financials (PCAF) methodology be used which has become the best practice approach for calculating financed emissions. We recommend 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.

TOPIC & QUESTION	FEEDBACK	RECOMMENDATIONS
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.	For RSEs, Scope 3 emissions predominantly relates to financed emissions. To calculate financed emissions superannuation funds are required to aggregate the emissions reported by investee companies which is collated by a third-party data provider. Financed emission reporting for Aware Super covers thousands of 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 Aware Super 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. For example, our data provider for global listed companies in January 2024 updated their systems with company 2022 data with some of this still being proxied and not actual data. With increasing expectations of assurance and data quality reviews and greenwashing risks, it is important data is verified before being 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.	We agree 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. 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). **Member focused reporting** Superannuation fund reporting should be focused on member useful outputs and aligned to the Fund's strategy. Fund level disclosure requirements may be more appropriate.
Financed emissions	We support the approach outlined in paragraph BC86 that will require an entity to measure and disclose financed emissions.	**Use existing best practice methodologies**

TOPIC & QUESTION	FEEDBACK	RECOMMENDATIONS
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.	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 superannuation 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.	We recommend 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.
Questions 22 - 29	No comment	
General matters for comment **Question 30:** Has the AASB Sustainability Reporting Standard-Setting Framework (September 2023) been applied appropriately in developing the proposals in this Exposure Draft?	**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.	Refer to the recommendations under Question 21 above.

TOPIC & QUESTION	FEEDBACK	RECOMMENDATIONS
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 public sector entities?	There is existing regulation over superannuation fund activities and reporting that should be reviewed for consistency. These include: • Superannuation Performance Test, • APRA guidance, such as CPG 229 Climate Change Financial Risks, and • Product Disclosure Statements (PDS), such as the ASIC Regulatory Guide RG 168 Product Disclosure Statements. The interaction of this regulation and existing regulations should be carefully considered with the aim of consistency, efficiency and avoiding duplication. Additionally, 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.	Refer to the recommendations under Question 21 above.
Question 32: Do the proposals create any auditing or assurance challenges and, if so, please explain those challenges?	Treasury's Exposure Draft currently requires mandatory assurance of climate-related financial disclosures. 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. The timetable for the phasing in of auditing and assurance requirements, as well as the sequencing and timing of uplift requirements from limited to reasonable assurance, should be carefully considered, to support the development of auditing/assurance expertise and reporting capability.	We recommend 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.
Question 33: Would the proposals result overall in climate-related	We note that the ISSB standard was not designed for superannuation fund reporting, therefore in its application to superannuation entities the proposals will not result in climate-	Refer to recommendations in Question 21 above.

TOPIC & QUESTION	FEEDBACK	RECOMMENDATIONS
financial information that is useful to users?	related financial information to the users of superannuation fund reporting.	
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	Aware Super considers that the design and implementation of the Exposure Draft will need to be carefully considered in order to support the benefits of the reporting framework. In particular, as noted above, any changes to the Exposure Draft to reflect the Australian context should be additive in order to maximise the ability to compare reporting with other jurisdictions.	Refer to recommendations in Question 21 above.