

Australian Accounting Standards Board

Via Website: <http://www.aasb.gov.au/current-projects/open-for-comment>

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## Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information

Thank you for the opportunity to provide feedback to the Australian Accounting Standards Board (AASB) on the Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information - ED SR1 ('Exposure Draft').

ART supports the introduction of mandatory climate-related financial reporting in Australia for both listed and unlisted entities. ART already undertakes climate-related reporting, and our [2023 Sustainable Investment Report](#) demonstrates how we seek to strike an appropriate balance between quantitative metrics and qualitative information that provides relevant information for our members, whilst seeking to follow the voluntary guidelines of the Task Force on Climate-Related Financial Disclosures (TCFD).

As a superannuation fund, ART has an interest in the reporting requirements outlined in the Exposure Draft, both from the perspective of being required to report as an entity in its own right and also as an investor (and therefore a user of climate-related financial disclosures from our investee entities).

We support the application of the Exposure Draft to include superannuation entities, but we note that it is based on ISSB standards which were initially designed to support reporting by issuers of capital, such as corporate entities. Consequently, we would appreciate further clarity on how some aspects of the Exposure Draft would apply to superannuation funds who are not issuers of capital. Modifications to the reporting standard and / or sector specific guidance would assist superannuation entities to comply with the requirements of the reporting standard.

The Australian Council of Superannuation Investors (ACSI) has provided a detailed submission on the Exposure Draft and has addressed the questions outlined in it. ART supports the ACSI submission and so rather than provide detailed comments on the questions, we have chosen to highlight what we believe are the most material issues for ART.

The majority of a superannuation fund's material emissions are likely to be Scope 3 in nature (i.e. its "financed" emissions, which are the GHG emissions of its investee entities). From the perspective of having to report in its own right, there are two main issues with applying the Exposure Draft to a superannuation fund:

- The Exposure Draft defines the primary users of general-purpose financial reporting and assumes that these users "have reasonable knowledge of business and economic activity" i.e. they are akin to investors. This definition does not readily apply to superannuation funds' members. For example, AASB 1056 describes the users of superannuation fund financial reporting as "current and potential members and beneficiaries."
  - We suggest that an additional definition of "user" specific to superannuation funds will need to be incorporated in the Exposure Draft. The insertion of a specific definition of

user for superannuation funds will clarify the purpose of the reporting for such entities and will also assist with determining what is material information.

- As noted above, the focus of the reporting standard is on issuers of capital who are generally operating in a segment of the economy. This contrasts with superannuation funds who are global investors and who effectively own a slice of the entire global economy, and whose most material emissions are likely to be its Scope 3 financed emissions. In many areas of the Exposure Draft, it is unclear what information superannuation funds are expected to disclose (e.g. the cross industry metric disclosures, scenario analysis). We suggest:
  - Guidance as to what information is expected from superannuation funds to ensure disclosure is in compliance with the reporting standard.
  - If guidance is unable to sufficiently provide clarity on disclosure requirements, changes may be required to the reporting standard (in line with materiality principles) that recognise that superannuation funds' reporting should focus on their investments rather than their operations.
  - Please refer to ACSI's submission, in particular their response to Question 21 (Superannuation entities) and Appendix B, that contain more detail on the areas where guidance is required.

It would be desirable that any changes to the reporting standard and/or guidance will be provided well before the onset of reporting obligations for superannuation funds.

We also note that there is existing regulation that applies to superannuation fund activities and reporting, which includes:

- The Your Future, Your Super performance test
- APRA guidance, such as CPG 229 Climate Change Financial Risks
- Product Disclosure Statements requirements under legislation and associated guidance such as the ASIC Regulatory Guide *RG 168 Product Disclosure Statements*.

The interaction of the obligations of the climate-related financial reporting envisaged in the Exposure Draft and the existing regulations should be carefully considered, with the aim of ensuring consistency and efficiency, and avoiding duplication.

We trust these views will be beneficial to AASB considerations and would welcome the chance to discuss them further. Chris Ramsay, Senior Manager Policy and Government Relations is the primary ART contact regarding our submission and can be contacted at [Christopher.Ramsay@art.com.au](mailto:Christopher.Ramsay@art.com.au).

Yours sincerely,



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