

9 February 2024

Director  
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Treasury  
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**By email: [ClimateReportingConsultation@treasury.gov.au](mailto:ClimateReportingConsultation@treasury.gov.au)**

Dear Sirs

***Treasury Laws Amendment Bill 2024: Climate-related financial disclosure  
Exposure Draft Consultation***

First Sentier Investors (FSI) is a global investment management business and the home of investment teams FSSA Investment Managers, Igneo Infrastructure Partners, Realindex Investments, Albacore Capital Group and Stewart Investors with offices in Australia, Japan, Hong Kong, Singapore, Europe, United Kingdom and the United States.

Our vision is to be a provider of world-leading investment expertise and client solutions, led by our responsible investment principles. FSI manages more than AUD\$237 billion in assets under management (as at 31 December 2023) for a number of pooled investment vehicles including registered managed investment schemes, a number of which have responsible entities (RE) that are unrelated to FSI. We also manage assets for a number of registrable superannuation entity licensees.

As both a reporting entity and a consumer of reported climate information, we welcome the opportunity to comment on the Exposure Draft, *Treasury Laws Amendment Bill 2024: Climate-related financial disclosure* released on 12 January 2024, and support the aim of creating a standardised and internationally aligned disclosure framework.

FSI has also been an active participant and contributor to the response submitted by the Investor Group on Climate Change (IGCC) and supports the submission issued by the Financial Services Council (FSC).

Based on our conversations with our peers, a remaining concern for investment managers is the uncertainty around the applicability of the regime at the entity and the fund level, and the mismatch in phasing for funds management and superannuation businesses.

## Reporting entities

Applicability to registered managed investment schemes and registrable superannuation entities

Our main concern relates to the uncertainty with respect to the application of the thresholds to reporting entities, which in our view is not clear in the context of a global investment management business. The exposure draft is still unclear as to what is required at the responsible entity level and the fund level (the registered managed investment schemes). We understand the government's policy intent to apply the standards to these entities because of their significance in Australia's financial system.

The uncertainty relates to the way the thresholds may apply to these entities. As proposed under the exposure draft, a registered managed investment scheme will be captured if its 'consolidated revenue' and 'gross assets' (as determined by Australian Accounting Standards Board (AASB)) meet the relevant reporting thresholds, noting that these entities have no employees.

A potential difficulty may arise due to the fact that unrealised gains on financial instruments are captured in the definition of 'consolidated revenue' under AASB. As a result, a registered managed investment scheme may fluctuate in and out of meeting the reporting threshold year on year. Often, the 'consolidated revenue' is not calculated/ known until the end of year financial statements are prepared and this may result in a hasty, ill-prepared sustainability report.

This uncertainty could be alleviated by amending the exposure draft to ensure that registered managed investment schemes are only captured if their assets under management are AUD\$ 5 billion or more (which may have been the original intent of the legislation). Assets under management are generally calculated more frequently, and that way, all relevant service providers to the scheme would be on notice during the year that the scheme is, or is likely to be, a reporting entity.

It should also be noted that there will be duplication in emissions reporting for investment managers that are captured in their corporate capacity and also where registered managed investment schemes that they manage are also reporting entities.

### Consolidated reporting

FSI's preference for reporting would be to provide individual metrics for registered managed scheme assets at the scheme level, but retain the ability to refer to (or incorporate by reference) a global group statement for other aspects required by the reporting (such as governance, risk management etc) to avoid the compliance burden on individual registered managed investment schemes.

We note, however, the feasibility of this approach may be complicated by differences in reporting periods. For example, the Australian corporate entities of FSI have a 1 January – 31 December reporting period, however registered managed investment schemes operated by FSI (or of which FSI is the investment manager) have 1 July – 30 June reporting periods. It is our understanding that the sustainability and climate reporting will need to align to the financial reporting periods, and so this application might be onerous to apply in practice as data / periods will be different.

## Phasing

We are supportive of a 1 January 2025 commencement for the Group 1 entities as this would allow for extra time for reporting entities to prepare properly. Additional clarity would be welcomed on whether registered managed investment schemes will be captured in phase 2 with commencement on 1 July 2026. This is not clear from the exposure draft.

## Reporting content

### Interaction with climate disclosure standards

#### Scope 1 and Scope 2 emissions

The exposure draft suggests that the estimation methodologies and frameworks used should be consistent with those included in the National Greenhouse and Energy Reporting (Measurement) Determination 2008 where available, or the relevant annual National Greenhouse Accounts Factors publication, where entities are reporting Australian-based emissions. We are supportive of consistent emission factors and methodologies, however, we would like to see acceptance of well-established emission factor database sources such as the International Energy Agency (IEA), UK Department for Energy Security and Net Zero (previously DEFRA and BEIS), and the US Environmental Protection Agency (EPA).

As a global investment manager, we believe it is most appropriate for us to report all Scope 1 and 2 emissions at the global entities reporting level. We suggest additional clarity around the boundaries of emissions reporting for non-Australian based entities as part of the FSI Group, ensuring alignment with global standards and the widely-adopted Greenhouse Gas Protocol (GHG Protocol).

#### Liability regime

It is FSI's view that entities should not be penalised by Scope 3 emissions disclosure due to data availability, data quality, limited data accuracy – challenges that affect all entities.

With regard to “Breaches of ... climate-related forward-looking statements”. We would welcome an example to better understand what this means in practice.

Yours sincerely,