

Climate-related financial disclosure exposure draft legislation

UNISUPER SUBMISSION TO TREASURY

About UniSuper

UniSuper is one of Australia's largest super funds with more than 620,000 members and close to \$125 billion in funds under management.

Climate risk is an important risk to manage and mitigate. That's why we actively consider and manage ESG risks and opportunities across our investment options. We do this by engaging with the boards and management of our largest Australian investments on their climate commitments and reporting. We also invest in companies that are supporting the transition to net zero carbon emissions and those taking steps to thrive in a low carbon world.

For more information on our climate reporting see [Climate risk and opportunities | UniSuper](#)

About this submission

UniSuper would welcome the opportunity to discuss the submission further and to provide additional information in respect of the comments made in this submission.

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Overview & recommendations

UniSuper welcomes the opportunity to provide feedback on Treasury's Exposure Draft legislation which seeks to amend parts of the Australian Securities and Investment Commission Act 2001 and the Corporations Act 2001 (Cth) to introduce mandatory requirements for large businesses and financial institutions to disclose their climate-related risks and opportunities.

UniSuper has provided feedback on both of Treasury's consultations on mandatory climate reporting and will be providing a submission into AASB's current consultation on sustainability reporting that closes 1 March. Our feedback pertains to UniSuper as a reporter under the regime.

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 fiduciary, our primary duty is 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. In particular, we wish to draw Treasury's attention to three key issues and our recommendations:

1. **Definition of "asset owner" needs to be separate from "large entity" so that an asset owner is not subject to large entity tests, for consistency and clarity.** This ensures that asset owner reporting requirements are the only requirements for investors and superannuation funds. The legislation as currently drafted leaves it open for some funds to be classified also as a large entity and is difficult to apply given superannuation fund structures.
2. **Assurance of climate data should be voluntary** on commencement of reporting and build to limited assurance of quantitative climate-related financial metrics only over time.
3. **Liability framework should include a reasonable reliance defence for asset owners** given their reliance on third party information with no ability to assess the accuracy of this information.

The Policy Statement asks for feedback on whether the commencement of Group 1 reporting obligations should be moved to 'on or after 1 January 2025'. UniSuper supports deferring the commencement date. This will allow more time for all companies and ancillary service providers to build capability and capacity for producing high quality climate data and metrics. This will improve the quality of reporting during the transition year which will be incorporated into asset owner financed emissions reporting.

We set out our rationale for these recommendations below.

Clarification regarding "asset owner" and "large entity" definition

At present asset owners are subject to both "large entity" and "asset owner" categories. We understand the intent of the legislation is to require large companies and significant financial institutions to provide climate reporting. The "asset owner" category has been created to ensure that registrable superannuation entities (RSEs) are included which may not have satisfied the "large entity" test.

The legislation should define asset owners, for example the Principles of Responsible Investment (PRI) defines asset owners as 'organisations that represent the holders of long-term retirement savings, insurance and other assets'.

Exempting asset owners from the "large entity" test eliminates any confusion about how the legislation applies to them and allows for uniform reporting timelines. This provides a clear and consistent way to capture asset owners under the reporting obligations effectively fulfilling the policy's intention to group asset owners cohesively. This approach aligns with the UK approach to mandatory TCFD reporting, where pension fund thresholds for reporting obligations is based on assets under management¹.

¹ [FINAL_TCFD_ROADMAP.pdf \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/674441/FINAL_TCFD_ROADMAP.pdf)

Additionally, the “large entity” test is difficult for asset owners to apply given their accounting and corporate structures are unique and industry specific. If some asset owners are classified as large entities and others only as asset owners, this will see a messy introduction of asset owner reporting, with different reporting requirements and commencement dates applying. Where a superfund is subject to the three-part large entity test, rather than the AUM test, the ‘parent’ superannuation entity would need to produce multiple reports – for various underlying entities that are all Chapter 2M reporters – at potentially different stages during the phase-in period.

Equally for users of these reports (the superfund member), this results in a poor outcome as this will make comparative analysis of superfund sustainability reporting difficult due to lack of uniformity in the entities covered.

Providing a clear definition of “asset owner” distinct from “large entity” will allow the Australian Accounting Standards Board (AASB) to develop asset owner specific reporting requirements, different from the requirements for large entities. A different, but aligned, reporting framework is critical for meaningful asset owner reporting. It is unclear how asset owners can report against the Australian Sustainability Reporting Standards (ASRS Standards) which are not fit-for-purpose for asset owner reporting – where users are superfund members and not users of general-purpose financial reports. This means the Standard will require significant modification or the development of asset owner guidance.

To allow appropriate for this guidance to be developed, superannuation funds will need to be in Group 2 reporting.

Audit and assurance of climate data be voluntary

The Exposure Draft currently requires mandatory assurance of climate-related financial disclosures. Mandatory assurance at this time should not be within scope. The International Sustainability Standards Board (ISSB) emphasises the importance of creating a reporting framework that is capable of assurance, rather than mandating assurance for a still to be established framework.

UniSuper recommends if assurance requirements are retained, they be restricted to limited assurance for quantitative climate-related financial metrics only. Many organisations provide 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 is needed on what industry metrics are within scope for assurance and confirmation 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.

Liability framework – reasonable reliance defence for asset owners

Asset owners are reliant on underlying investee companies and other third-party providers for scope 3 emissions data. Asset owners are not able to assess the accuracy of this information.

Methodologies for climate accounting are still being developed. Greater uncertainty applies to scope 3 emissions data, which is by far the largest exposure for asset owners.

Asset owners face many practical impediments to verifying the accuracy of investee or third-party climate data which is why they require a reasonable reliance defence for misstatements in these circumstances.