

14/07/2022

By email: [standard@asb.gov.au](mailto:standard@asb.gov.au)

Australian Accounting Standards Board

**Re: Request for Comment on proposed ISSB IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures.**

AustralianSuper welcomes the opportunity to provide feedback on the ISSB Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures.

AustralianSuper is Australia's largest superannuation fund and is run only to benefit members. Over 2.7 million Australians are members of AustralianSuper with over \$261bn in member assets under management. We are the custodians of the retirement savings of more than 10% of Australia's workforce. Our purpose is to ensure members achieve their best financial position in retirement and in doing so, we always act in members' best financial interests. The Fund actively stewards its capital and uses its influence to create long-term value and has a long-standing position of embedding ESG considerations into its investment decision making to meet this aim.

Climate change is one of the most significant issues facing investors today. Climate-related risks will impact economies, asset classes and industries, as well as societies and the physical environment. AustralianSuper has a responsibility to manage the risks and opportunities arising from climate change and climate change has been identified as a material consideration for the portfolio by the Fund's Board.

The Fund has committed to managing its investment portfolio to net zero carbon emissions by 2050. The commitment was made in members' best financial interests given the risk climate change presents to the Fund's long-term investment performance.

Our net zero commitment builds on the actions we are taking to manage the transition and physical risks in the portfolio and our desire to produce outcomes that create and/or enhance companies' financial value. These actions are conducted across four pillars of investment, stewardship, measurement and reporting, and advocacy.

**1. General**

AustralianSuper welcomes the publication of *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information* and *IFRS S2 Climate-related Disclosures*. A global approach to the development of sustainability disclosure standards and the implementation of the standards in Australia will support decision making relating to ESG risks and opportunities.

Our feedback is focused on the support of adoption in Australia as well as implementation comments. We also recommend further consultation relating to this adoption.

We support the approach that entities will be required to disclose information that is material and gives insight into an entity's sustainability-related risks and opportunities that affect enterprise value. We note that the requirements to consider these impacts over the medium and long term are critical in particular to value creation.

## **2. Australian adoption**

As an active, long-term investor, AustralianSuper applies a comprehensive approach to managing ESG and climate risks and opportunities in our portfolio. We believe the implementation of the standards in Australia will support our investment decision-making and stewardship activities.

The implementation of the ISSB standards in Australia will ensure alignment with global best practice by providing investors and users of sustainability disclosures with comparable and consistent information. As investors in domestic and global markets a consistent global set of standards is encouraged and welcomed.

We expect the proposals in Exposure Drafts of IFRS S1 and IFRS S2 will result in useful information for primary users of general-purpose financial reports.

## **3. Support for developing a separate suite of standards**

We support the current proposed AASB “approach 2” of a separate suite of standards addressing sustainability related reporting.

## **4. Implementation: Transition period (phase in approach)**

We consider that whilst some entities are reasonably mature and prepared for the introduction of these new disclosure standards, some entities will require time to scale up their expertise and capacity. We consider a staged/phased in approach to implementation could be appropriate and would be preferable to amending the international standards for the Australian market. This could allow entities time to scale up capabilities. We recommend consideration be given to a phased in approach such as initial adoption by ASX 200 entities for IFRS S1 and high emitting companies for IFRS S2.

We support a phased in approach where disclosures rely on underlying entity reporting such as relating to Scope 3 emissions Category 15: Investments. Data gap allowances for this category of emissions disclosures should also be considered, factoring in transparency as to what the gaps are, reasons for them and improvements anticipated in future reporting periods.

## **5. Timeliness of reporting**

We agree in principle that sustainability-related financial disclosures should be provided at the same time as the financial statements to which they relate.

Additional allowances for disclosure timeframes should be considered where aggregation of underlying investments is required such as Scope 3 emissions Category 15: Investments.

## **6. Auditing and Assurance**

There is a critical role for independent external assurance to provide credibility to sustainability information.

Given the proposed climate change disclosures include requirements for disclosures of a forward-looking nature, we would welcome consultation and discussions regarding their implementation, including the expectations and ability of entities to make these disclosures in the current Australian legal environment, and development of the related scope of assurance.

We support collaboration between standard setters and such entities as APRA, ASIC, AUASB and ASX and relevant international entities to ensure alignment with regards to implementation.

## **7. Reporting alignment**

As proposed in paragraph 37 of IFRS S1, we support aligning the reporting entity for which sustainability-related information is provided with the reporting entity preparing related financial statements. It would be helpful if the final standards explicitly acknowledged that this alignment includes to application of the exception to consolidation applicable to investment entities contained in AASB 10 Consolidated Financial Statements.

## **8. Industry-based disclosure requirements**

We support industry-based disclosure requirements. With regards to IFRS S2 Appendix B Industry-based disclosure requirements, we encourage engagement with industry and further consultation to expand the industries to ensure fit for purpose definitions and complete coverage.

We note that the 'Financials' industry groups in Appendix B include Asset Management but not Asset Owners such as pension and superannuation funds. Due to the unique nature of pension and superannuation funds with respect to climate-related risks and opportunities, it is important that industry specific disclosure requirements are developed for asset owners. We would welcome involvement in this process.

We also note that private asset sectors are not currently captured in the industry groups. We would support separate consultation to ensure consistency and applicability.

We would also welcome further consultation and engagement relating to the Finance industry disclosure requirements utilising the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry.

## **9. Disclosure – Taskforce on Climate-related Financial Disclosures (TCFD) alignment**

We support the alignment of ISSB standards with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations, which would allow for building upon current voluntary disclosures and provide for standardised disclosures as a basis for comparative assessment.

## **10. Additional feedback**

We would be pleased to provide additional information or to discuss our feedback in further detail. We also welcome further consultation on the Australian implementation of the exposure drafts and the ISSB project plan. If that would be of assistance, please contact Andrew Gray, Director, ESG & Stewardship (AGray@australiansuper.com). Yours Sincerely,



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**Matthew Harrington**  
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