Sub 23 CP-Climate and Sustainability

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Auditing and Assurance Standards Board

By lodgement on the AASB Website

To whom it may concern

Assurance over Climate and Other Sustainability Information

Aware Super welcomes the opportunity to provide feedback in response to the Auditing and Assurance Standards Board (AASB) consultation on the Assurance over Climate and Other Sustainability Information.

Under the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024*, Aware Super, as a Registrable Superannuation Entity (RSE), would be considered a Group 2 reporter.

General comments

Aware Super supports the establishment of a mandatory climate reporting standard and accompanying guidance to enable the assurance on quantitative metrics, and 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. We believe climate change is a significant long-term risk to our investment portfolio, and ultimately to our members' retirement outcomes.

We have a long history of integrating environmental, social and governance (ESG) considerations as part of our investment decision-making. 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 undertaken voluntary 'Task Force on Climate-Related Financial Disclosures aligned' climate reporting to provide information to our members. We have not obtained any form of assurance over our reporting.

As a fiduciary, our primary duty is to act in the best financial interests of our members. Accordingly, we favour an approach that strikes a balance, considering the risks and opportunities without incurring undue costs for members.

Previous submissions

In our submission on the Exposure Draft ED SR1 Australian Sustainability Reporting Standards, in response to Question 32, we recommended the following:

> *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.*

Recommendations

Aware Super makes five recommendations in support of the introduction of assurance requirements:

1. Assurance should be implemented after appropriate reporting standards and guidelines for RSEs are developed, alongside accompanying methodologies for metrics. Until such standards are established, assurance requirements should be restricted to limited assurance for Scope 3 financed emissions.
2. Once the appropriate reporting standards and guidelines for RSEs are developed, assurance requirements should only be required for quantitative climate-related financial metrics.
3. Beyond metrics, assurance requirements should be included only when it can be determined that they would materially add value to the end user. Specifically, any disclosures related to governance and strategy.
4. Voluntary disclosures in annual or other periodic reports, including climate disclosures that are not required by the final AASB reporting framework should not have assurance requirements. Instead, the AASB should encourage voluntary disclosure for these items.
5. The timeline for transitioning from limited to reasonable assurance should reflect the challenges for reporting and obtaining assurance against draft, new, or immature standards and methodologies.

In particular, we emphasise the following two points:

- The proposed coverage and level of assurance for climate disclosures appear disproportionate to the disclosures to be made, and noting the embryonic nature of climate reporting across the industry. The level and coverage of assurance **must be meaningful, value adding and proportionate**.
- It is impractical to require reasonable assurance of metrics, especially qualitative metrics, where standards and frameworks are draft, new, or immature. We therefore recommend **reviewing the timeline for phasing-in reasonable assurance**.

In actioning these recommendations, the AASB can achieve a fair balance between ensuring metrics are reported accurately while not creating undue cost and burden that is greater than the value it provides to the end user. This approach is also consistent with that of the International Accounting Standards Board, which emphasised the importance of creating a reporting framework that is capable of assurance, rather than mandating assurance for a yet-to-be established framework.

Yours sincerely

James Osborn

Chief Financial Officer

About us

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.