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## Climate-related financial disclosure: exposure draft legislation

Thank you for the opportunity to provide a submission on the climate-related financial disclosure: exposure draft legislation ('draft legislation').

As outlined in previous submissions, ART supports the introduction of mandatory climate-related financial reporting in Australia for both listed and unlisted entities. In the draft legislation, we note and welcome the identification of asset owners as a separate type of reporting entity and also the use of assets under management as the basis for determining eligibility for climate-related financial reporting.

However, there is currently a lack of clarity as to when climate-related financial reporting would commence for asset owners; and specifically around which reporting group they fall into. Large asset owners would be captured under Group 2 (as set out in the Exposure draft – Explanatory memorandum), but it is currently unclear whether those asset owners that also satisfy the criteria for inclusion in Group 1 would fall into that group for reporting purposes (and commence reporting from FY25), or whether they would remain in Group 2 only and commence reporting from FY27.

ART believes that there is merit in all large asset owners, including registrable superannuation entities, being included in Group 2 and excluded from Group 1, for the following reasons:

- The majority of an asset owner's material GHG emissions are likely to be Scope 3 in nature (i.e. its "financed" emissions); which are the GHG emissions of its investee companies.
- We believe that it is preferable if the asset owner's investee companies that are captured by this reporting regime have gone through at least one reporting cycle, before the asset owner commences its reporting. Whilst the draft legislation does allow for the reporting of financed emissions in a particular year to be based on the investee companies' reported emissions from the previous year, this approach is likely to improve the quality and reliability of the asset owner's reported financed emissions.
- The Australian sustainability reporting standards are based on the International Financial Reporting Standards, which were principally designed for issuers of capital. Some of the specific requirements in the draft Australian sustainability reporting standards (as set out in ASRS 1 and ASRS 2) do not easily translate to asset owners, and therefore guidance from the Australian regulators or Treasury on how the specific requirements apply to asset owners would be very welcome. Including large asset owners in Group 2 would provide more time for such guidance to be issued.

We also note that in the absence of clarification on this point, some large asset owners could be classified as falling into Group 1, whilst other large asset owners could fall into Group 2, (and some

entities, such as ART, being captured under both) with the difference entirely determined by how the asset owner entity is structured, which obviates the need for an assets under management test. We believe that this issue can be resolved by clarifying in the draft legislation that asset owners and their associated entities, including registrable superannuation entities are captured only by the assets under management test; and further that they fall into Group 2 (if they meet the requirements of the assets under management test) and are excluded from Group 1.

If the intent is that large asset owners would fall under Group 1, we would appreciate a later commencement date (currently proposed as 1 January 2025) for Group 1 reporting entities that align with the financial year reporting cycle for that entity. This would enable time to appropriately prepare and improve the quality of reporting on this important matter.

We trust these views will be beneficial to Treasury's 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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