UPP UNIVERSITY PENSION PLAN ONTARIO

Sent via electronic form.

February 29, 2024

Australian Accounting Standards Board
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Australia
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Subject: UPP comments on ED SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information*

Dear Dr. Keith Kendall:

University Pension Plan Ontario ("UPP") is a Canadian jointly sponsored defined benefit pension plan created by and for Ontario's university sector with over 39,000 members and A$12 billion (C$11 billion) in pension assets.

UPP commends the Australian Accounting Standards Board for moving quickly to implement sustainability reporting standards for Australia following the publication of the IFRS sustainability standards in 2023 and warmly welcomes the enhanced climate-related disclosure they will enable. However, we are deeply concerned that the standards proposed in ED SR1 will fall short of providing users with sufficient sustainability-related financial information and leave UPP, and other international and domestic investors, without information that is critical for our investment decisions, stewardship capabilities, and ability to establish and achieve our own meaningful climate-related targets.

We provide the below comments on ED SR1 from our perspectives as an international investor and as an organization that hails from a country that shares some financial market and economic similarities with Australia:

Align with the ISSB Standards: ASRS 1 as proposed introduces differences to the ISSB's approach in a number of key respects, which risks undermining the aim of global comparability through consistent implementation of an international baseline, and could increase the burden for entities operating across borders. Our overarching view is that national standards should be aligned with ISSB standards with minimal changes or carve outs.

Do not limit the scope of ASRS 1 to climate change: The scope of ASRS 1 is unnecessarily limited to climate-related risks and opportunities, removing references to other sustainability-related risks and opportunities. IFRS S1 allows transition relief for reporting on other sustainability-related risks and opportunities beyond climate. The IFRS Foundation Adoption Guide Overview anticipated the possibility that jurisdictions may extend transition reliefs to allow reporting on just climate for an initial period before moving on to include other sustainability-related risks and opportunities. **Addressing the climate-first policy goal set by the Treasury would be achieved in a more effective manner through the granting of transition relief to delay mandatory reporting on other sustainability-related matters rather than by limiting the scope of the Standard to climate.** This approach would enable a subsequent expansion to other sustainability topics without the cost and disruption of undertaking comprehensive regulatory consultation. It would also enable issuers to voluntarily adopt the global standard earlier to meet the needs of international investors, knowing that they will also be meeting a standard that will eventually be required of them. Limiting the scope of ASRS S1 and ASRS S2 to climate change, also risks impairing comparability with disclosures made in accordance with other expectations such as the European Sustainability Reporting Standards. These differences could make it challenging for international investors to easily understand Australian disclosures.

Require disclosure of industry-specific information as requested by the primary users of the contemplated disclosure: Unlike IFRS S1 and S2, ASRS S1 and ASRS S2 do not require industry-specific information. This significantly impairs the quality of information provided when compared with the global baseline. Investors have consistently voiced their need to receive comparable sustainability-related information on an industry specific basis. By removing the requirement for industry-specific information, investors are less likely to receive the most decision-useful sustainability information. In addition, unlike IFRS S1, ASRS 1 and ASRS 2 do not require the reference to, and consideration of the disclosure topics included in the SASB Standards, or the use of climate-examples based on the SASB Standards. By referencing the SASB Standards and providing examples based on those standards, the ISSB Standards drive consistency and comparability among entities in the same industry and across jurisdictions.

Require disclosure using the GHG Protocol Corporate Standard: ASRS 2 does not require the use of the GHG Protocol Corporate Standard for the measurement and disclosure of GHG emissions. While IFRS S2 provides for the use of different GHG measurement methodologies in specific circumstances, continuing to only require measurement and disclosure as set out by NGER Scheme legislation limits the international comparability of disclosed emissions data under ASRS 2. This gap could be addressed by requiring a reconciliation to the GHG Protocol. In particular, when disclosing Scope 3 emissions (as required when they are relevant), entities should be required to use the 15 categories defined in the GHG Protocol Value Chain Standard – an internationally accepted standard that enables comparability and interoperability with other jurisdictional requirements that base their measurement and disclosure framework on the GHG Protocol.

Require financed emissions disclosure for entities in the asset management, commercial banking and/or insurance industries: ASRS 2 only requires an entity to consider (as opposed to the requirement in IFRS S2) financed emissions disclosure. This is likely to reduce the usefulness and comparability of disclosures on climate-related transition risks in financial institutions and may be insufficient to address related disclosure requirements for financial institutions such as those proposed by the Basel Committee on Banking Supervision.

If we, and other investors, are not provided with sufficient information by issuers then we are forced to fill in the gaps with estimates that can be incomplete or inaccurate and in some instances, we may choose to avoid some investments where sufficient information is lacking. Disclosure starts with issuers but there are many downstream users of this information including Canadian and global financial market participants and other stakeholders.

We encourage Australian Accounting Standards Board to review and update ASRS 1, ASRS 2, and ASRS 101 in light of the above comments to better meet the needs of international investors and better serve the interests of the Australian economy.

Sincerely,

Brian Minns
Senior Managing Director, Responsible Investing