

Committee Secretary
Senate Inquiry on Carbon Risk Disclosure
PO Box 6100
Parliament House
Canberra ACT 2600

31 March 2016

Inquiry on carbon risk disclosure

About Australian Ethical

Australian Ethical Investment Limited was established in 1986 to manage the retirement and other savings of Australians in an environmentally and socially responsible way. Today we manage over \$1.4 billion in superannuation and managed funds for over 30,000 Australians.

Our Position

Climate change is the most profoundly challenging issue of our time. Extreme heat waves, declining global food stocks, increasingly intense storms, loss of ecosystems and species, and life-threatening sea level rise and are all known outcomes of doing nothing.

The agreement reached in Paris in December 2015 was a significant step forward to address the issue. However it also underscored the urgency of the task by acknowledging that the current pledges by governments will not achieve a safe climate outcome. In order to avoid dangerous warming a massive amount of capital needs to be deployed from our carbon based economy to a cleaner one in a rapid period of time.

In order to achieve this, business and investment markets need mechanisms to encourage and incentivise the deployment of capital in the right direction and to assist in the identification of the risks of high carbon exposed sectors and the opportunities in low carbon sectors.

To this latter point transparency and disclosure are essential and we recommend the following:

1. Lowering the reporting and public disclosure thresholds for the National Greenhouse and Energy Reporting scheme (NGERs) from 25 kilotonnes to a maximum of 5 kilotonnes as the majority of companies currently fall under the reporting threshold.
2. Requiring companies to report exposure to fossil fuel reserves through NGERs (currently not captured as there is no reporting of scope 3 emissions).
3. Broadening the scope of disclosure to include financed emissions in the investment and superannuation sectors. At the very least exemplary carbon risk disclosure should be implemented for Government funds such as the Future Fund and the Commonwealth Superannuation Corporation to set a precedent for other investors to follow.

Beyond disclosure we also believe that business and investment markets should commit to reduce their emissions to be net zero within an acceptable timeframe supported by the science. We believe that this sort of commitment supported by an effective disclosure regime will provide certainty whilst leading to an orderly transition to a low carbon economy over time.

As an example of such a commitment, Australian Ethical has committed to an emissions reduction target of net zero emissions by 2050 based on the position of the Climate Change Authority.

To this end we also recommend that consideration be given to policy that includes:

1. Requiring companies, superannuation and investment funds to commit to an emissions reduction target supported by the science;
2. Requiring them to annually disclose progress against the target; and
3. Providing clarity to company directors and superannuation trustees that setting such targets to reduce emissions is not, in and of itself, contrary to their fiduciary responsibilities.

Addressing climate change is our collective responsibility. Everyone, the Australian Government, businesses, investors and community groups, need to commit to address the issue.

We look forward to your response to our submission.

Yours sincerely

Phil Vernon
Managing Director