



AUSTRALIAN INSTITUTE of
SUPERANNUATION TRUSTEES

4 August 2021

General Manager, Policy Development
Policy and Advice Division
APRA
GPO Box 9836
Sydney, NSW
2001

Email: policydevelopment@apra.gov.au

Dear Sir/Madam,

Re: Consultation – Draft Guidance on Climate Change Financial Risks (CPG 229)

In brief:

AIST supports the draft Guidance on understanding and managing the financial risks of climate change. The Guidance can be improved by broadening the terminology used so that it also relates to investment, defining short and long term and making reference to a 1.5-degree scenario.

Overview of submission

AIST's organisational purpose is to advocate for the financial wellbeing in retirement for all Australians. We do this by advocating for public policy which promotes the best interests of Australian superannuation account holders and by providing professional development for trustee directors, fund staff and other professionals in the sector.

AIST has engaged our membership on the APRA draft Guidance on understanding and managing the financial risks of climate change (CPG 229), and we were pleased to make a submission on the consultation. In general, we believe that the Guidance provides a relevant and flexible framework.

Specific comments

Terminology

The terminology used in the Guidance appears skewed towards banks and insurers and does not reflect common terms used by superannuation funds. The terminology in the Guidance should be broadened to include terms such as asset allocation and investment strategy to reduce ambiguity amongst superannuation funds.

Scenario analysis

Regarding scenarios, a 1.5-degree scenario should be specifically identified given its relevance and the Guidance should highlight the importance of transition risks as well as physical risks. Social impacts associated with a disorderly transition should also be referenced.

Definitions of short and long term

A definition of short and long term should be included, which indicates if it is in alignment with the timeframes for investment objectives in the majority of MySuper and other products.

Next steps

AIST looks forward to reviewing the final draft of CPG 229.

For further information regarding our submission, please contact Holly Lindsay at hlindsay@aist.asn.au.

Yours sincerely,



Chief Executive Officer

The Australian Institute of Superannuation Trustees (“AIST”) is a national not-for-profit organisation whose membership consists of the trustee directors and staff of industry, corporate and public sector superannuation funds.

As the principal advocate and peak representative body for the \$1.5 trillion profit-to-members superannuation sector, AIST plays a key role in policy development and is a leading provider of research.

AIST advocates for financial wellbeing in retirement for all Australians regardless of gender, culture, education, or socio-economic background. Through leadership and excellence, AIST supports profit-to-member funds to achieve member-first outcomes and fairness across the retirement system.