

Senate Economics Legislation Committee

Inquiry into Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 [Provisions]

23 April 2024

Opening Statement by Kristy Graham (ASFI CEO)

Thank you very much for the opportunity to present evidence today.

The Australian Sustainable Finance Institute, or ASFI, is a not-for-profit organisation committed to realigning the financial system to support a sustainable, resilient and inclusive Australia. ASFI's members are large Australian financial institutions – including major banks, superannuation funds, insurers, asset managers, and financial services firms – that collectively hold over AU\$22 trillion in assets under management.

We have been strongly supportive of mandatory climate disclosures in Australia as key pillar of Australia's sustainable finance policy and regulation, that would bring us in line with international standards and practice. Disclosures are a key pillar of sustainable finance architecture, allowing for clear and comparable information that helps financial institutions to better manage climate-related financial risk and allocate capital towards Australia's climate objectives. They also help market participants to make informed decisions, and regulators to combat greenwashing.

High quality, comparable and consistent disclosures, as will be supported by the proposed regime, will help to demonstrate to global capital markets that Australia is taking climate risk seriously and enable us to remain competitive in the global race for capital to support our transition and ultimately our long-term economic prosperity.

ASFI, with IGCC, was one of 15 organisations representing business, finance and investors that released a joint statement yesterday (22 April 2024) supporting passage of this legislation. Together with these other organisations who signed the statement, we see this legislation as essential to incentivise high quality, useful and internationally aligned climate-related disclosures, and to provide certainty to markets on how climate is integrated in business decisions. We urge passage of the legislation without undue delay.

We note that implementation of the reporting obligations set out in the legislation will require uplift in capability and systems of many reporting entities, and so believe the phased approach allows for a balance of requiring the urgency of the reforms, but also the uplift that will be required. While

the proposed 6-month delay for implementation by Group 1 entities to 1 January 2025 is acceptable, we would not support further delay to commencement or reporting requirements for any groups. Broad coverage of the reporting regime is important to ensure the data is available for accurate reporting by aggregators of information, such as financial institutions, and to enable regulators and government to use this information to better understand systemic risk.

We are supportive of mandatory climate disclosures because the information they provide enables business, financial institutions, financial sector regulators and government to better manage the systemic risks of climate change.

We are supportive of the way that this bill implements the international standards set by the International Sustainability Standards Board. Aligning with international standards is critical for Australia. We also support the way the bill establishes the framework for the adoption of broader sustainability reporting standards over time as these are developed through international processes.

We look forward to continuing to work with government, our members and other partners on implementation of this important legislation.