

11 April 2024

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600
Submitted via email: economics.sen@aph.gov.au

Dear Sir/Madam,

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

About ACSI

Established in 2001, ACSI exists to provide a strong voice on financially material environmental, social and governance (ESG) issues. Our members are Australian and international asset owners and institutional investors with over AU\$1.9 trillion in funds under management.

Through research, engagement, advocacy and voting recommendations, ACSI supports members in managing ESG investment risk and exercising active ownership to strengthen investment outcomes. Active ownership, including the management of climate related risk, allows institutional investors to enhance the long-term value of retirement savings entrusted to them to manage.

Summary of ACSI's position

ACSI welcomes the introduction of Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 [Provision] ('the Bill'). Our comments only relate to the section of the Bill concerning climate-related financial disclosure. Climate-change risks are financial in nature and deeply embedded across the economy. Mandating the disclosure of this information will assist investors' investment analysis, risk assessment, stewardship activities and due diligence processes. This Bill represents an important step forward for Australian climate policy as an integral part of the economy-wide policy response to support decarbonisation and Australia's 2050 net zero target. We encourage coordination across the various policies to set an ambitious policy structure that supports Australia in meeting the goals of the Paris Agreement.

We note that the introduction of climate-related financial disclosures has been subject to three rounds of consultation, as well as a round of consultation on the AASB climate reporting standard, over the last year. The result is a Bill with broad support across the market due to its careful balancing of the needs of reporters and users of these disclosures. ACSI strongly encourages the Parliament to pass this Bill.

Phased introduction

ACSI welcomes the Bill's phase-in approach for coverage. This approach targets the largest companies and heaviest emitters, which are also key engagement targets for investors seeking enhanced climate disclosures. While ACSI research indicates that listed companies were well placed for mandatory reporting, with 70% of the ASX200 having making climate-related disclosures¹, we recognise that less mature market participants may require more time to scale up their reporting capabilities.

¹ ACSI, [Promises, Pathways & Performance. Climate Change Disclosure in the ASX200](#), August 2023.

Asset owner threshold test

ACSI strongly supports the inclusion of an assets under management (AUM) test to support consistent and effective application of the reporting requirements to registrable superannuation entities (RSEs). We welcome the clarification of the application of the assets under management (AUM) test to registrable superannuation entities (RSEs), retail Corporate Collective Investment Vehicles (CCIVs), and registered schemes. The inclusion of the AUM test aligns with the UK approach to mandatory TCFD reporting, where the threshold for reporting obligations for occupational pension schemes is based on AUM and represents a clear and consistent way to capture RSEs under the reporting obligations.

Modified liability approach

The modified liability approach set out in the Bill strikes an appropriate balance for reporters and users of reporting. ACSI remains of the view that liability risks for reporters disclosing forward-looking statements are best addressed through appropriate disclosure of assumptions and qualifications. Nonetheless, ACSI does not oppose the temporary liability arrangements contained in the Bill, which reflect that reporting capabilities will scale up over time. While ACSI considers that liability issues should be avoided via clear disclosures, we recognise that the proposed time-bound liability provisions strike the appropriate balance between reporter and investor concerns in the context of new reporting obligations.

Delayed start date

We support the delayed start date to 'on or after 1 January 2025'. The six month delay will allow additional time to develop detailed reporting standards, implement the relevant legislative and regulatory provisions. This approach should aim to support better quality disclosures.

2028 review of legislation

ACSI supports the inclusion of a requirement to review the legislation and its outcomes as soon as practicable after 1 July 2028. We recommend that the timetable for scaling up audit requirements post 2030 be considered as part of this review. While we support audit, this will allow for a timely consideration on whether auditors' increasing capability and capacity aligns with the expected scaling up of audit requirements and the AUASB sustainability auditing standard (expected in late 2024).

I trust our comments are of assistance. Please contact me or Kate Griffiths (kgriffiths@acsi.org.au) should you require further information.



Louise Davidson AM
Chief Executive Officer
Australian Council of Superannuation Investors