

9 February 2024

Ms Alex Heath
First Assistant Secretary
Climate & Energy Division
The Treasury

Via email: climatereportingconsultation@treasury.gov.au

Dear Ms Heath

Climate-related financial disclosure: exposure draft legislation

COBA welcomes the opportunity to comment on Treasury's climate-related financial disclosure exposure draft legislation.

COBA represents Australia's customer owned banks (mutual banks, credit unions and building societies). Collectively, our sector has over \$170 billion in assets, around 10 per cent of the household deposit market and around five million customers. Customer owned banking institutions account for around two-thirds of the total number of domestic Authorised Deposit-taking Institutions (ADIs).

Key points

A 1 January 2025 commencement date for Group 1 entities will improve climate disclosure quality for many Group 1 entities¹ (including the largest customer owned banks). A key policy intent of the new regime is to improve climate disclosure quality.

We support a clear and early policy decision on any date change to ensure that customer owned banks can manage these projects to derive these quality benefits and avoid rushing to publish lower quality disclosures for a 1 July 2024 start.

A clear signal is important as our members expect to rely upon external consultants to prepare for both the underlying and disclosure requirements.

Supporting higher quality climate disclosures

Implementing Group 1 disclosures from 1 January 2025 provides more time for these entities, including the largest customer owned banks, to properly plan, allocate appropriate internal resources and to engage external consultants. We expect this to increase disclosure quality.

Half of our members will be in the mandatory disclosure regime by 2027-28 with the largest customer owned banks being Group 1 entities under the proposed thresholds.

¹ That is, those with a 1 July to 30 June financial year.

Treasury's Policy Statement outlines the following:

The Government welcomes stakeholder feedback on whether amending legislation to require a 1 Jan 2025 commencement date for Group 1 entities would improve the quality of reporting during the transition year.²

Higher quality disclosure is a key part of policy intent of this regime with:

- Treasury's December 2022 and June 2023 consultation papers outlining a principle to "deliver clear improvements in the quantity, quality, and comparability of disclosures".³
- The Explanatory Memorandum stating that: "The policy intention is to improve the quality and comparability of disclosures of material climate-related financial risks and opportunities within the financial reporting framework."⁴

Rushed lower quality disclosures are counter to the regime's intent and may also impact its future success.

Larger Group 1 entities (i.e. larger ASX 200 listed entities) benefit from having both the resources and capacity to implement these requirements at shorter notice. For smaller Group 1 entities, like our largest members, there are significant resourcing impacts to meeting disclosure obligations. Despite this, our members are currently working towards the 1 July 2024 date. But these disclosures are likely to be at a higher cost for a lower quality disclosure due to the short timeframes and likely economy-wide rush for compliance. Providing more time will deliver significant benefits to these smaller entities, including:

- More time to develop internal capacity and capabilities (e.g., engage external consultants, secure additional budget and/or internal staff, and reprioritise work streams).
- Providing more time to engage consultants due to the likely high demand especially if a rushed implementation for 1 July 2024 is required.
- Many larger entities have already voluntarily published climate-related financial disclosures, this has been not as widespread in the customer owned banking sector, so providing more time will give these smaller Group 1 entities more time to build internal capability.

Providing more time will allow customer-owned banks to deliver higher quality mandatory disclosures. Even if the later start date is provided, entities will still be able to voluntarily disclose their climate information if they so choose. Those entities that choose to do so will likely put them 'ahead of the market' in this area so this creates incentives to disclose if entities believe they are able to do so.

To provide certainty, the Government needs to decide on and publicly communicate the commencement date decision as soon as possible given that it is now less than five months to the start of the regime with the Bill yet to be passed. Certainty on the commencement date will allow our Group 1 members to effectively manage resources to meet either the 1 July 2024 or 1 July 2025 date. This is important given our members may rely on external consultants to implement these changes.

² *Mandatory climate-related financial disclosures: Policy position statement*, 2, <https://treasury.gov.au/sites/default/files/2024-01/c2024-466491-policy-state.pdf>.

³ *Climate-related financial disclosure: Consultation paper* (December 2022), 6, https://treasury.gov.au/sites/default/files/2022-12/c2022-314397_0.pdf.

⁴ Treasury Laws Amendment Bill 2024: Climate-related Financial Disclosure, Exposure Draft Explanatory Materials at [1.25], <https://treasury.gov.au/sites/default/files/2024-01/c2024-466491-exposure-draft-em.pdf>.

Materiality threshold for Group 3 entities

COBA supports the proposed Group 3 materiality test for climate disclosures. This reflects the reality that these smaller entities may not face material risks or opportunities that will need to be disclosed.

If you wish to discuss any aspect of this submission, please contact Neha Chopra (nchopra@coba.asn.au)

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Michael Lawrence', is positioned above the printed name.

MICHAEL LAWRENCE
Chief Executive Officer