



11 April 2024

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Via Email: economics.sen@aph.gov.au

Dear Committee Secretary

Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024
Schedule 4 – Sustainability Reporting

The Australian Financial Markets Association (AFMA) is pleased to respond to the Senate Standing Committees on Economics' (the Committee) inquiry into *the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024* (the Bill).

AFMA is the leading financial markets industry association promoting efficiency, integrity and professionalism in Australia's financial markets, including the capital, credit, derivatives, foreign exchange, energy and other specialist markets, including environmental products, carbon and sustainability related and linked products. Our membership base is comprised of over 125 of Australia's leading financial market participants, from Australian and international banks, leading brokers, securities companies and state government treasury corporations to asset managers, energy companies and industry service providers. Many AFMA members are facilitators in the issuance of sustainability products.

Substituted Compliance for Local Subsidiaries

AFMA appreciates that several technical points that we made to Treasury on the Exposure Draft have been incorporated into the Bill introduced into Parliament. There is, however, one important issue that still needs to be addressed regarding how Australian law should allow for substituted compliance by corporate groups at a global level to reduce costs and simplify cross-border comparability.

AFMA has been consistent in its view that to reduce the considerable compliance burden and utilise group level disclosure, which yields better insights for global institutions with diversified businesses across

jurisdictions, a non-listed Australian company should be exempted from preparation of an Australian-specific sustainability report where:

- its immediate, intermediate, or ultimate parent (local or foreign) is preparing climate or sustainability reports in accordance with a globally acceptable climate reporting framework such as US SEC rules (when issued), Global IFRS standards, GRI and TCFD; and
- its business activities are included in that parent’s report, which is available for public use.

Given that the Australian reporting requirements are based on Global IFRS Standards and the close alignment of US and other reporting, there should be no practical detriment or diminution of information as a result of allowing substituted compliance and it is entirely consistent with the policy objectives of the Bill in this area.

In this regard, AFMA notes that there are no reporting obligations for foreign entities that operate in Australia through a branch as opposed to a separate locally-incorporated subsidiary. Given that foreign entities that conduct business in Australia via a branch will prepare the sustainability report in the head office jurisdiction, substituted compliance would align the reporting requirements for subsidiaries and branches.

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AFMA would be pleased to provide further information or clarity as required. Please contact Monica Young at [REDACTED] or [REDACTED].

Yours sincerely

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David Love
General Counsel