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Friday 17th February 2023

Dear Sir / Madam,

RE: Treasury Climate-related financial disclosure consultation paper

This document sets out MUFG Bank, Ltd.'s (MUFG) response to the Australian Treasury's Climate-related Financial Disclosure Consultation Paper published on the 12th December 2022.

In Australia, we are registered as a foreign Authorised Deposit-taking institution (ADI) regulated by the Australian Prudential Regulation Authority (APRA), and hold an Australian Financial Services License (AFSL) regulated by the Australian Securities and Investment Commission (ASIC). MUFG recognises climate change as a critical issue for the global environment and believes that climate change issues must be addressed to achieve a sustainable society and support the continued operation of each group company and our clients. MUFG promotes the transition to a decarbonised society through actions associated with both our own operations and through the products and services we provide to clients via the following initiatives:

- Promote efforts to reduce greenhouse gas emissions through our support for businesses involved in solar and wind power and other forms of renewable energy and by providing funding for companies that pay due attention to environmental risks.
- Consideration of the potential complete change impacts associated with the products and services provided by each group company and responding in an appropriate manner based on through consideration of such impacts.
- Research into the potential future impacts of climate change on our business to support management of climate change risk.

Since MUFG first announced its Carbon Neutrality Declaration in 2021, MUFG has implemented group-wide environmental measures globally, aiming to achieve net zero GHG emissions from the financed portfolio by 2050 and net zero GHG emissions from our own operations by 2030. We also publish an annual Task Force on Climate-related Financial Disclosures (TCFD) Report which publicly addresses the climate change-related initiatives MUFG have implemented on global level.

As a leading global company, MUFG engages with international initiatives that meet pressing issues head-on. The Net-Zero Banking Alliance (NZBA) is one such initiative that MUFG is a part of where we are directly involved in developing an international framework for transition financing. Within Oceania, we are members of the Australian Banking Association and the New Zealand Bankers' Association. Both Associations have been closely involved in contributing to the development of APRA's Prudential Practice Guide CPG 229 Climate Change Financial Risks and the New Zealand External Reporting Board's (XRB) Climate Disclosure Standards, respectively.

Given the rapid development of climate-related disclosure frameworks being introduced globally and the public expectation for entities to disclose their climate-relate financial risks, we are supportive of the introduction a climate-related financial risks disclosure regime in Australia.

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We note that the consultation questions posed in the Consultation Paper are wide-ranging, however we have confined our response to key questions which are most relevant to the scope of our operations in Australia.

2.1 What considerations should apply to determining the cohorts covered in subsequent phases of mandatory disclosure, and the timing of future phases?

Given MUFG is a global financial services group, we recognise that addressing climate change is one of the most important management issues. Mandatory climate and other ESG-related disclosure frameworks are being introduced and adopted in countries across the globe, therefore it is expected that Australia introduces its own climate-related disclosure regime. In regards to the timing for when the disclosures should be applicable to various entities, MUFG is supportive of a phased approach. The initial phase should include large, listed entities and our major Australian ADIs, with foreign ADIs being subject to reporting obligations in a second or subsequent phase. We hope it is taken into consideration that the time, resources and cost for foreign ADIs with a smaller branch presence in Australia to produce climate-related disclosures at the local level is greater than for large, listed entities and large, local ADIs.

As mentioned on Page 1, MUFG have begun publishing an annual global TCFD Report. In addition to the TCFD Report, MUFG also publishes an annual Progress Report, which provides updates to stakeholders on our efforts to achieve our net-zero targets as set out in our 2021 Carbon Neutrality Declaration. These reports are produced by our Head Office's Sustainability Department, therefore the climate-related data within these reports are concentrated on a global scale rather than by each country. In our experience with preparing the New Zealand mandatory climate-related disclosures that will be submitted in 2024, we are required to produce these disclosures as if MUFG was formed and locally incorporated in New Zealand. Assuming Australia implements a similar requirement, preparing disclosures utilising local climate-related data for foreign ADIs is not readily available. MUFG's Australian operations will take greater time, resources and costs to develop standards and processes that meet the New Zealand disclosure requirements compared to large, local ADIs.

4.2 Are the climate disclosure standards being issued by the ISSB the most appropriate for entities in Australia, or should alternative standards be considered?

It is critical that the standards being issued are developed in accordance with international standards. As a foreign ADI, MUFG sees the importance of aligning Australian disclosure standards to international standards to develop capacity and reduce inefficiencies. MUFG declared its support of the recommendations formulated by the TCFD and therefore recommends Australian standards align with the TCFD recommendations. As a global financial services group, it is important that we align and remain consistent with our climate-related objectives and initiatives set by Head Office, which have been developed and are reflective of the TCFD recommendations. Additionally, the New Zealand Climate Disclosure Standards created by the XRB and APRA's CPG 229 are also aligned with the recommendations of the TCFD. Although the ISSB standards are consistent with the four recommendations and eleven recommended disclosures published by the TCFD, there are still some differences that would result in additional disclosures having to be prepared. Therefore, to remain consistent in the disclosures being made by Head Office and in New Zealand, and the guidance issued by APRA, we encourage Australia's disclosure framework to be based on the TCFD recommendations.

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5. **What are the key considerations that should inform the design of a new regulatory framework, in particular when setting overarching climate disclosure obligations (strategy, governance, risk management and targets)?**

MUFG is pleased that Treasury has reached out to industry, as it is vital that the design of disclosure is shaped by inputs from the industries who will be affected by the proposed measures.

From our experience with the New Zealand Bankers' Association and the development of the XRB's climate disclosure standards, ample time should be provided to allow for sufficient consultations to be conducted. The development of the XRB's climate disclosure standards was significant, with many iterations of the standards undergoing consultation to allow for entities to provide their input. Additionally, depending on whether the ISSB standards are adopted, or if alternative standards are chosen, there will be a difference in the disclosures being required. Therefore, it should be taken into consideration to allow entities sufficient time to review and be involved in the development of Australia's climate-related disclosure obligations and design of the regulatory framework.

Commitment to climate-related disclosure should follow a genuine commitment to meeting relevant targets, including through emissions minimisation and offsetting, disclosure and continuous review and improvement of these goals. The goals should be harmonised not only with societal expectations, but with objectives that are workable and balance ongoing business goals with growing new environmentally-positive opportunities. It is the task of Treasury and the Australian Government to guide and inform public opinion in this regard.

Nonetheless, MUFG accepts that businesses must take responsibility for providing climate-related disclosure that reflects targets and positive outcomes in plain, accessible language without onerous disclosure requirements, including excessive or unrealistic data points.

Governance requirements around climate-related disclosure could, in the case of foreign ADIs, take into account the group approach to such disclosure and greening targets. This would also apply to strategy for an entity with international operations, and climate-related disclosures in other jurisdictions.

From a risk management perspective, we are supportive of a more localised disclosure and analysis. It is recognised that businesses in Australia have multiple inputs to their business operations, and for ADIs, lending considerations. Given that many Australian business operations and opportunities may be carbon-intensive, a deeper local risk consideration should be part of any climate-related disclosure to demonstrate a genuine commitment to meeting targets.

6. **Where should new climate reporting requirements be situated in relation to other periodic reporting requirements? For instance, should they continue to be included in an operating and financial review, or in an alternative separate report included as part of the annual report**

MUFG is in support of the entity being provided the option of choosing where the climate reporting requirements be situated. Within the XRB's General Requirements for Climate-related Disclosures document (NZ CS 3), they allow for climate reporting entities to situate their disclosures in a standalone document or within another document, so long as it is clearly identifiable. Therefore, depending on the size and scale of the entity, the option to present the climate-related disclosures in a standalone document or within another document (e.g. annual report, sustainability or integrated report) should be made available.

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12. **Should particular disclosure requirements and/or assurance of those requirements commence in different phases, and why?**

    The XRB's disclosure standards have included an Adoption of New Zealand Climate Standards document (NZ CS 2). This document recognises that it may take time to develop the capability to produce high-quality climate-related disclosures and that some disclosure requirements, by their nature, may require an exemption. MUFG is in support that Australia should introduce a similar exemption, allowing entities to use an adoption provision for certain disclosure requirements. Given the varying size and scale of entities that will most likely be captured, it is important to implement adoption provisions to provide maximum flexibility for reporting and encourage high quality disclosures.

Please let us know if you have any questions in regards to our response.

Kind Regards,

[redacted]
Managing Director
Chief Compliance Officer & Head of Regulatory Relations (Oceania)
MUFG Bank
[redacted]
A member of MUFG, a global financial group