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Our ref:

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Sustainable Finance Unit
Climate and Energy Division
Treasury
Langton Crescent
Parkes ACT 2600

Dear Sir/Madam

Consultation paper - Sustainable Finance Strategy

Ashurst Australia (**Ashurst**) welcomes the opportunity to contribute to Treasury's consultation on its Sustainable Finance Strategy. Ashurst also welcomes Treasury's engagement with industry on this important issue.

Ashurst is highly supportive of Treasury's aims in this area. Ashurst has long recognised the importance that funding plays in effecting energy transition and meeting sustainability objectives by businesses. Ashurst's current "2027 Strategy" identifies (i) Sustainability and Energy Transition to be a global trend, (ii) Energy, Banks, Infrastructure and Private Capital to be Ashurst's global priority industries and Energy Transition to be a priority growth area.

Key to each of these segments is funding. The opportunities for sustainable financing are therefore enormous, particularly through the use of green loans, sustainability-linked loans, green bonds, sustainability bonds and sustainability-linked bonds (together **Green and Sustainable Finance Products**).

Ashurst's Global Loans practice and Global Markets practice have acted on a wide range of funding transactions where Green and Sustainable Finance Products have been used. We are therefore highly experienced in the use of these products, their alignment with the relevant industry-produced principles (Green Bond Principles, Green Loan Principles, etc) and the importance, particularly for bonds, of a consistent, market-accepted taxonomy that is applied to such product.

However this is a complex area with many intersections with other areas of law and regulation. Given this, creating a regulatory framework on sustainable finance in the Australian context would in our view require a number of consultations and

possible engagement with regulatory and industry bodies in other jurisdictions that have advanced policies and frameworks in place.

Our comments in this letter are therefore very high level in nature. We would welcome though further opportunities to focus in detail on aspects of the strategy as the strategy becomes more distilled following this consultation.

High level thoughts

1. The use of Green and Sustainable Finance Products in the Australian market is now well-established. These products on the whole align with principles produced by the International Capital Markets Association (**ICMA**), the Loan Markets Association (**LMA**) and the Australian Loan Markets Association (**APLMA**). These are well-known and accepted by investors and financial institutions and recognised as a "gold standard" for assessing the authenticity of such products. We would recommend that Treasury incorporates this recognition in its strategy and considers endorsing the use of such principles.
2. The European Union has developed a comprehensive taxonomy for Green and Sustainable Finance Products. We would recommend that any taxonomy produced by the Australian government aligns with the EU taxonomy or is at least able to operate cohesively with it. Local and international investors in Australian Green and Sustainable Finance Products are used to the EU taxonomy and it is internationally accepted.
3. The framework will need to dovetail with ASIC's powers and strategy on combating greenwashing. It is recognised that disclosure and transparency are key to successful green and sustainability bond markets operating with integrity however fears of being accused of greenwashing whether recklessly or inadvertently can be a serious deterrent to using sustainable finance. Clear guidance on disclosure and standards is necessary.
4. Innovations such as the use of carbon accounting and the reporting of carbon content in investment portfolios should be considered as tools for evidencing carbon transition as a result of using sustainable finance.

We see this consultation as a very important opportunity for Australia to set a regulatory framework that is useful and operationally able to work with well-recognised regimes in other jurisdictions.

Following feedback from a number of our bank clients, we would request that Treasury considers setting and publishing timelines for future consultations. There are a wide range of international organisations in Australia, including Ashurst, that can access knowledge from their international counterparts in this field. This

would be valuable to bring to Treasury. Publishing timelines in order to enable this dialogue in a timely fashion would assist with achieving this.

If you have questions in relation to this letter, please contact me on (02) 9258 6460 or at caroline.smart@ashurst.com.

Yours sincerely

Caroline Smart

Partner, Global Markets.