

Committee Secretary  
Sustainable Finance Unit  
Climate and Energy Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

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## **Sustainable Finance Strategy Consultation Paper**

Professor Tony Ciro, Associate Professor Rebecca Leshinsky, Dr Sugumar Mariappanadar, Dr Victoria Obeng and Dr Alexander Campbell, welcome the opportunity to provide a submission to the Treasury into the sustainable finance strategy consultation paper.

### **Priority 1: Establish a framework for sustainability-related financial disclosures**

***What are the opportunities for Government, regulators and industry to support companies to develop the required skills, resources and capabilities to make climate disclosures under the proposed new obligations?***

Establishing a world-class human capital framework with enterprise resilience in alignment with IFRS – S2 will play an increasingly important role in understanding an entity’s resources and capabilities. The aim here is to develop the required skills and expertise with the entity’s workforce to explore climate-related opportunities and mitigate climate-related risks for the creation of long-term value.<sup>1</sup>

To achieve this objective, we propose in this submission to include clear and concise ***guidelines*** that should be provided by regulatory bodies to encourage disclosure of human capital of the entity’s workforce. The framework for sustainability-related financial disclosure guidelines should include ***objective and verifiable investment allocations to allow for change with the entity’s ESG systems and practices. The guidelines are designed to enhance the required human capital to achieve enterprise resilience, to facilitate climate change-related opportunities and to minimise climate change-related risks.***<sup>2</sup>

The proposed disclosure guidelines framework which is aligned to the IFRS – S2 standards would serve to promote high quality climate disclosures, providing investors with top level and

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<sup>1</sup> T.Ciro, R.Leshinsky and S.Mariappanadar, “Green and ESG Derivatives: Financial Innovation in the Global Fight Against Climate Change” (2024) 39(1) *Journal of international Banking Law and Regulation* 1-16.

<sup>2</sup> T. Ciro, R.Leshinsky and S. Mariappanadar, (n 1 above) p.12.

transparent information, allowing end-users to make informed choices regarding their sustainable financial decisions.

#### **Priority 5: Enhancing market supervision and enforcement.**

***Are Australia's existing corporations and financial services laws sufficiently flexible to address greenwashing? What are the priorities for addressing greenwashing?***

Minimising the risk of greenwashing and false green labelling via a robust regulatory and enforcement framework will be crucial in providing effective market integrity for sustainable finance markets. Evidence from both here in Australia and overseas has demonstrated the corrosive effect that misleading or deceptive conduct with false green and ESG reporting can have on overall market integrity.<sup>3</sup> Developing appropriate ESG criteria along with an effective taxonomy should mitigate the risk of greenwashing claims. Further, providing the corporate and securities regulator, the Australian Securities and Investments Commission (ASIC) with sufficient resources and expertise would provide for even more effective enforcement of disclosure laws.

ASIC has demonstrated a proactive approach when it comes to investigating claims of greenwashing in recent times.<sup>4</sup> The proactive approach adopted by ASIC with green washing claims and the commencement of litigation when appropriate should be encouraged, consistent with one of the major recommendations by the Royal Commission into the Misconduct in the Banking, Superannuation and Financial Services Industry.<sup>5</sup>

To aid further efficiencies within the regulatory framework to achieve its stated aims we propose in this submission that an additional ***'sustainable/green due diligence' checklist*** or ***'sustainable/green code of conduct' be provided by issuers, lenders and market participants to retail and unsophisticated end-users.***<sup>6</sup> The due diligence checklist or code of conduct could include entity relevant warnings and risks associated with climate-related events, including ESG criteria that are intended to be applied to the sustainable financial product, market or financial instrument.

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<sup>3</sup> United Nations, Greenwashing – the deceptive tactics behind environmental claims: [Greenwashing – the deceptive tactics behind environmental claims | United Nations](#)

<sup>4</sup> T. Ciro, R.Leshinsky and S. Mariappanadar, (n 1 above) p.10.

<sup>5</sup> Final Report, Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, Vol 1 (2019) Recommendation 6.2.

<sup>6</sup> The UK has a similar code of conduct that is monitored by the UK's advertising watchdog under the UK Green Claims Code: [Green Claims Code – Check your environmental claims are genuine](#)

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