



ASF Market Guideline on ESG Disclosure

May 2022

Background

The Australian Securitisation Forum (ASF) under the Environmental, Social and Governance (“ESG”) Working Group is issuing a Market Guideline to assist the securitisation market adopt practices relating to ESG and ESG disclosure. The objective of the Market Guideline is to provide originators, issuers, investors and other intermediaries a reference point for developing ESG practice in securitisation which enhances transparency and comparability in the Australian market. The Market Guideline has been influenced and informed by international approaches to put the Australian industry in the best position possible to continue to attract investment from domestic and international investors. The Market Guideline is also intended to assist in championing best practice within the Australian industry.

Structure of Market Guidelines

The Market Guidelines are set out in three levels;

- High level principles;
- Issuer level disclosure recommendations;
- Asset level disclosure recommendations.

Longer-term aspirations

In the longer term, the aspiration is for these Market Guidelines to evolve from a reference point for ESG in securitisation to drive a meaningful uplift in reporting and disclosure standards across the market, aligning towards a level of best practice. We encourage full participation across all market issuers in the longer term, which will enhance the overall attractiveness of the Australian market.

High level principles

Extent of approach

The Market Guidelines are intended to cover all components of ESG, that is environmental, social and governance considerations in the securitisation context. The Market Guidelines as they stand reflect that in some respects the “E” and the “G” aspects of the securitisation market in Australia are more advanced than the “S”. We expect to see further development in socially focussed securitisation in the future as this segment of the market expands, and the working group anticipates updating the Market Guideline as this takes place.

Status of Market Guidelines

ESG is a growing focus of all investors in the Australian market and is becoming increasingly important for investors in considering investment decisions. As the name suggests, the intention of the working group is that the ASF provides the Market Guidelines to operate in a non-binding manner with their applicability being at the discretion of market participants. They are not intended to be mandatory in any sense and different market participants may elect the extent to which and timing under which they elect to apply the guidelines to their issuance. Investors and other market participants may have additional or different requirements, which they choose to apply at their own discretion.

Consistency and comparability

The working group considered that a level of consistency and comparability between market participants was desirable where practically achievable, especially in the case of data disclosures. However, it should be noted that the approach taken to ESG by different market participants may create different outcomes in securitisations even within the same asset class. As market participation increases over time, it is hoped that consistency and comparability will too.

Incorporation of existing frameworks

The Market Guidelines are intended to facilitate issuers taking advantage of the work they are already doing under other ESG initiatives. For instance, those issuers who are developing corporate ESG strategies or are disclosing their ESG approaches under ASX or other listing requirements are able to incorporate this work by reference rather than create unnecessary duplication.

Adaptability

In light of the rapidly changing and expanding market focus on ESG both in Australia and overseas, the Market Guidelines and the approach of the ASF is intended to be dynamic and ongoing rather than static. The Market Guidelines will be therefore subject to ongoing review and revisions to accommodate market changes, and will be subject to ongoing scrutiny by ASF members as to the appropriateness of the Market Guidelines from time to time.

Ongoing industry engagement

The intention of the ASF ESG Working Group is that the Market Guideline and other ESG related efforts sponsored by the ASF will be supported by regular industry engagement through information sharing, training and other approaches to allow industry members to draw on the expertise within the industry. The working group would encourage industry members to contribute to further enhance these guidelines over due course.

Incorporation of independent reference sources

To the extent possible, the guidelines have been structured to take into account and to reference independent and credible third party reference sources and technical frameworks when making

claims with respect to ESG outcomes. This is to support other objectives of consistency, transparency and efficiency for all market participants in assessing the approach of issuers to ESG. For instance, issuers are encouraged to clearly disclose assumptions under which any claims of CO₂-e are being made for green asset classes.

Issuer level disclosure framework

The below resource entitled *Issuer disclosure industry guide* sets out a proposed approach with respect to issuer level disclosure on ESG. This is intended to apply to all securitisation issuers. This includes transactions where no specific claims are being made to ESG positive outcomes under the relevant issue. The spreadsheet has been separated into recommendations for disclosure in the information memorandum (or equivalent) for the deal, the investor presentation and an issuer specific ESG disclosure report. It is proposed that these recommendations be considered by issuers for all issuance regardless of whether the issuance is making any claims for positive ESG outcomes from the particular transaction.

Asset level disclosure framework

There will be asset level disclosure frameworks under the Market Guidelines for a number of asset classes. Initially the ESG working group proposes to release frameworks to cover green RMBS transactions, auto ABS transactions and other transactions which include rooftop solar and batteries. Frameworks for these asset classes have been created first as they are relevant for existing and or prospective transactions where positive ESG claims are being made. Other asset classes including in relation to positive social impact securitisations will be added in response to market developments.

Downloadable resources

- [Issuer disclosure industry guide](#)
- [Asset disclosures – Green RMBS industry guide](#)
- [Asset Disclosures – Green Auto ABS Disclosures industry guide](#)
- [Asset Disclosures – Green Solar ABS Disclosures industry guide](#)

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