

16 December 2022

Corporations Branch
Market Conduct Division
Treasury
Langton Crescent
Parkes ACT 2600

Via email: climatereportingconsultation@treasury.gov.au

To Whom It May Concern:

Empowering the AASB to deliver sustainability standards

Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia welcome the opportunity to provide feedback on Treasury's consultation seeking to empower the Australian Accounting Standards Board (AASB) to deliver sustainability standards.

Endorsement of the proposed changes to the Australian Securities and Investments Commission Act 2001

CA ANZ and CPA Australia welcome the proposed changes (by *the Treasury Laws Amendment (measures for consultation) Bill 2022: sustainability standards* (the Bill)) to the Australian Securities and Investments Commission Act 2001 (the ASIC Act).

We believe that the changes proposed in the Bill will provide clarity around the importance of sustainability standards and, moreover, will position such standards to be of equivalent standing as accounting and auditing standards.

We also note that the groundwork proposed by the Bill would presumably lead to subsequent changes in the Corporations Act, notably Part 2(M.5) – Accounting and Auditing Standards.

However, there is one matter about which we believe a critical amendment is required.

Recommended critical amendment

We have a concern that the current drafting would inadvertently restrict the work of the Australian Auditing and Assurance Standards Board (AUASB).

Currently under s 227B(10(b) of the ASIC Act, the AUASB functions include:

(b) to formulate auditing and assurance standards for other purposes;

The proposed amendment restricts these powers to solely sustainability purposes. As far as we are aware, there is no intention to restrict the current activities of the AUASB. Therefore, we recommend that the wording of the ASIC Act be revised to read:

(b) to formulate auditing and assurance standards for sustainability and other purposes;

Structural medium to longer-term considerations for the AASB

The Bill seeks to clarify the role of the AASB to deliver sustainability standards. In relation to this aim, we refer Treasury to our previous submission to the AASB's Invitation to Comment 48 on Extended External Reporting.

In [our joint submission](#) to the AASB we indicated that, as a first step, the AASB would be best placed to act in a caretaker capacity for considering an appropriate local structure and dedicated interpretation of the envisaged international sustainability standards for the Australian landscape.

However, in the medium to longer-term we recommend that the Financial Reporting Council (FRC) considers mirroring the international structure adopted by the IFRS Foundation and establish a separate Australian Sustainability Standards Board.

With this position in mind, we make the observation that the changes to the ASIC Act, as contemplated in the Bill, do not indicate any future intention to review the structure of the AASB. Although empowering the AASB to formulate sustainability standards, the proposed wording will lock in a structure that may require a future change to the ASIC Act to reflect and adequately resource a standalone Australian Sustainability Standards Board.

If you have any questions about our submission, please contact Karen McWilliams (CA ANZ) at karen.mcwilliams@charteredaccountantsanz.com or Patrick Viljoen (CPA Australia) at patrick.viljoen@cpaaustralia.com.au.

Sincerely,

Simon Grant FCA
Group Executive
Advocacy and International
Chartered Accountants Australia and New Zealand

Dr Gary Pflugrath FCPA
Executive General Manager
Policy and Advocacy
CPA Australia