

16 December 2022

Corporations Branch
Market Conduct Division
The Treasury
Langton Cres
Parkes ACT 2600

By email: climatereportingconsultation@treasury.gov.au

Dear Sir/Madam

Treasury Laws Amendment (Measures for Consultation) Bill 2022: sustainability standards – Exposure Draft and Explanatory Material

Thank you for the opportunity to comment on the Exposure Draft and Explanatory Material to the Treasury Laws Amendment Bill 2022 relating to sustainability standards.

The Institute of Public Accountants (IPA) supports the proposed amendments to the *Australian Securities and Investments Commission Act 2001* (ASIC Act) to confirm the responsibilities of the:

- Australian Accounting Standards Board (AASB) to develop sustainability accounting standards
- Australian Auditing and Assurance Standards Board (AUASB) to develop auditing and assurance standards for sustainability and
- Financial Reporting Council (FRC) to have a strategic oversight on the AASB and AUASB’s sustainability standards functions.

IPA notes one of the key items of feedback on sustainability reporting¹ is the demand by Australian constituents for Australian sustainability standards to align with the International Sustainability Standards Board’s (ISSB) standards. This alignment is to ensure that sustainability reporting is consistent, comparable and verifiable across entities and over time within Australia and internationally. However, sustainability reporting is broad and complex in nature. This coupled with the increasing pace of sustainability reporting internationally, including those by the ISSB, pose significant challenges for Australian entities (particularly small-to-medium enterprises (SMEs)) to prepare for and comply with the reporting and assurance requirements. These challenges are compounded by the uncertainties on the following matters of sustainability reporting and assurance requirements:

- The type of entities that should apply the sustainability standards – IPA’s submission to AASB ED 321 expressed our concerns that SMEs will have difficulties implementing the proposed requirements, as this sector does not currently disclose or assure sustainability

¹ AASB ED 321: Request for Comment on ISSB [Draft] IFRS S1 *General Requirements for disclosure of Sustainability-related Financial Information* and [Draft] IFRS S2 *Climate-related Disclosures*

reporting information. To address these concerns, IPA suggested that the application of sustainability standards be phased in for different tiers of entities. IPA recommends:

- initially requiring large for-profit entities to apply the effective date in the standards and permitting other for-profit entities to elect to apply the standards by the same date and
- delay the application date for other for-profit entities, until after the AASB's consideration of developing sustainability reporting for different types of entities within the for-profit sector with the view of simplifying the requirements for SMEs.
- Whether the application of the sustainability standards should be mandatory or voluntary.

Similar to ASIC explicitly stating the roles of the AASB, AUASB and FRC in the proposed amendment to the ASIC Act, we recommend that ASIC expedites its considerations and decisions on the above matters. ASIC's decisions would provide much needed certainty for Australian entities for sustainability reporting.

If you have any queries with respect to our comments or require further information, please contact me at vicki.stylianou@publicaccountants.org.au.

Yours faithfully



Vicki Stylianou
Group Executive, Advocacy & Policy
Institute of Public Accountants

About the IPA

The IPA is one of the three professional accounting bodies in Australia with over 50,000 members and students across 100 countries. Approximately three-quarters of our members either work in or are advisers to the small business and SME sectors.