



Level 38, International Towers Three
300 Barangaroo Avenue
Sydney NSW 2000

P O Box H67 Australia Square
Sydney NSW 1213
Australia

ABN: 51 194 660 183
Telephone: +61 2 9335 7621
Facsimile: +61 2 9335 7001
DX: 1056 Sydney
www.kpmg.com.au

16 December 2022

Attention: Climate Disclosure Unit - Market Conduct Division

Empowering the AASB to deliver sustainability standards

Thank you for the opportunity to provide a response in relation to Treasury's exposure draft legislation consultation on *Empowering the AASB to deliver sustainability standards*.

As a leading professional services firm, KPMG Australia (KPMG) is committed to meeting the requirements of all our stakeholders – not only the organisations we audit and advise, but also employees, governments, regulators and the wider community. We strive to contribute to the debate that is shaping the Australian economy and welcome the opportunity to provide a submission in response to Treasury's exposure draft legislation consultation on *Empowering the AASB to deliver sustainability standards*.

As noted in our response to AASB ED 321¹, KPMG strongly supports the adoption of globally consistent disclosure of sustainability-related financial information. We believe that globally consistent sustainability disclosure standards are an imperative. Alignment of Australian sustainability standards with those relating to disclosure issued by the International Sustainability Standards Board (ISSB) and those relating to assurance issued by the International Auditing and Assurance Standards Board (IAASB), in a timely manner and with due process will strengthen the ability of Australian entities to participate on the international stage.

To this end, KPMG supports the amendment to the *Australian Securities and Investment Commission Act 2001* (ASIC Act) to allow for:

- the Australian Accounting Standards Board (AASB) to develop and formulate sustainability standards;

¹ Request for Comment on ISSB [Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and [Draft] IFRS S2 Climate-related Disclosures (ED 321) at link here: [KPMG Submission to AASB on ED 321 \(14 July 2022\) \(assets.kpmg\)](#)

- the Australian Auditing and Assurance Standards Board (AUASB) to develop and maintain relevant assurance standards for sustainability purposes; and
- the Financial Reporting Council (FRC) to provide strategic oversight and governance functions in relation to the AASB and AUASB sustainability functions.

There is growing investor and stakeholder demand for consistent and comparable disclosures of sustainability-related financial information globally, as well as having this information assured. Empowering the AASB, AUASB and FRC through the ASIC Act is a critical first step in developing strong institutional frameworks that will assist in the eventual transition to mandatory climate-related financial disclosures.

Given the speed of development and global demand for connected sustainability-related financial information, and developments in other major jurisdictions (United States of America and European Union), we support leveraging the existing bodies' experience to facilitate the development of sustainability disclosure and assurance standards in the first instance. This will allow longer-term governance arrangements for sustainability-related financial reporting and assurance to be developed and implemented.

Given the pace of change expected, we urge the Federal Government to act in a timely manner to allow capabilities to build, and the appropriate resources and expertise to be given to considering the suite of sustainability disclosure standards, which we expect will be developed internationally at a similar pace to that of the past 12-months. To this point, we believe that a sister board, replicating the international structure of the International Financial Reporting Standards Foundation (which has the International Accounting Standards Board to consider financial reporting accounting standards, and the ISSB to consider sustainability disclosure standards) would be desirable and an appropriate structure for Australia in the longer term.

We have set out our detailed technical comments on the Exposure Draft Legislation at Appendix A.

Please do not hesitate to contact us should you have any additional questions or would like to discuss the contents of this letter further.

Yours sincerely

Eileen Hoggett
National Managing Partner
Audit, Assurance & Risk Consulting
KPMG Australia

Julia Bilyanska
Partner
ESG Services
KPMG Australia

Appendix A

ED Paragraph	ASIC Act Reference	Amendment	Comment
1	Subsection 5(1)	<p>international sustainability standards means sustainability standards made by:</p> <p>(a) the International Sustainability Standards Board;</p> <p>or</p> <p>(b) another body specified by the regulations.</p> <p>These standards may relate to climate.</p>	<p>The definition, as currently drafted, only identifies international sustainability standards as those made by the International Sustainability Standards Board. As this definition is also proposed to be used in sections 237(2)(c) (an AUASB related paragraph), it may be appropriate to also consider the sustainability assurance standards proposed by the IAASB. Whilst the definition may be expanded to include the IAASB standards through regulation, it would be more efficient to consider them from the beginning.</p>
3, 5, 8, 32	Subparagraph 224(b)(iii) Subsection 225(1) Paragraph 237(2)(c)	Multiple sections	<p>With the increased importance of <i>other assurance</i> alongside an audit of the financial report, it may be appropriate for references to “auditing standards” to be updated to “auditing and assurance standards”. Currently, there are inconsistent uses of auditing standards and auditing and assurance standards within Part 12 of the ASIC Act. See for example s224(aa) which uses auditing and assurance standards and s224(b)(iii) which uses only auditing standards. Whilst a number of the other assurance standards may fall within the definition of “sustainability standards” having a broader definition would assist with future proofing this Part of the ASIC Act and recognises the role that “other assurance” has in facilitating the Australian economy.</p>

			This may also require updating the definition of <i>international auditing standards</i> to be <i>international auditing and assurance standards</i> in s5.
20	Paragraph 227B(1)(b)	Repeal the paragraph, substitute: (b) to formulate auditing and assurance standards for sustainability purposes; and	<p>The AUASB currently relies on s227B(1)(b) to issue auditing and assurance standards for purposes other than the <i>Corporations Act 2001</i>. See the Authority Statement within AUASB Standards not issued for Corporations Act purposes (e.g. ASAE 3000)</p> <p>By amending this section to only allow the AUASB to issue auditing and assurance standards for sustainability purposes, the ability for the AUASB to issue standards such as ASAE 3500 <i>Performance Audits</i> (an auditor-general specific standard) or ASRS 4400 <i>Agreed-Upon Procedures</i> is removed as these standards may not fall under the “Sustainability Purposes” umbrella.</p> <p>Other standards impacted include:</p> <ul style="list-style-type: none"> • ASA 805 and ASA 810. • ASRE 2400 and ASRE 2405. • The ASAE suite of standards. • The ASRS suite of standards.