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### **Empowering the AASB to Deliver Sustainability Standards**

The Financial Services Council is supportive of the *Treasury Laws Amendment (Measures for Consultation) Bill 2022: Sustainability Standards* which will empower

- the Australian Accounting Standards Board (AASB) to deliver sustainability standards to meet the Government's commitment,
- the Auditing and Assurance Standards Board (AUASB) to make auditing and assurance standards for sustainability purposes, and
- the Financial Reporting Council (FRC) to have oversight of the process of developing sustainability standards in addition to accounting standards and auditing standards.

We are pleased that the Government is moving forward with its election commitment to introduce climate-related sustainability disclosure standards in Australia.

Comparable and consistent disclosure of the financial risks and opportunities that climate change poses to investee companies is vital for the efficient allocation of capital by our funds management members. Investment funds see climate risk as a real material financial risk to their investment portfolios, and therefore the savings of millions of Australians. Having consistent reporting of climate risk across Australian companies is vital in ensuring that investment decisions can be made in the best long term financial interest of Australians.

We are also pleased that the exposure draft makes provision for the AASB to draw on an international sustainability standard, modifying it to the extent necessary to take account of the Australian legal or institutional environment. As the explanatory memorandum recognises, International Sustainability Standards Board's (ISSB) work on *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information* and *IFRS S2 Climate-related Disclosures* will become a global baseline for sustainability reporting. Given the global nature of capital movement, it is vital that Australian standards align with the ISSB's standard and are interoperable with sustainability standards in the jurisdictions of Australia's major trading partners. This will open more opportunities for capital seeking long term sustainable returns and opportunities to flow to Australian companies.

We also welcome that the Bill does not limit the definition of a sustainability standard to climate-related concerns. While it is important that the current focus be on corporate Australia lifting the quality of climate-related disclosures, a company's operational exposure to nature-related risks such as biodiversity loss and human rights risks such as modern slavery also pose long term threats to financial returns. In a country such as Australia for instance, the maintenance of healthy waterways and land is vital for the long-term financial health of agriculture. We note the current development of the Taskforce on Nature-related Financial Disclosures, supported by the UN and governments including Australia. Investors will increasingly expect that sustainability disclosure evolves to recognise wider social and environmental financial risks.

This exposure draft is an important first step. The FSC looks forward to continuing to support the Government's work in delivering on its commitment to introduce a mandatory climate risk reporting regime for corporate Australia.

Consistent sustainability disclosure obligations across corporate Australia will provide investors will confidence that Australian companies are properly considering the risk that climate change poses to their business and operations. Greater investor confidence will mean Australia is better placed to attract climate-risk aware capital, take advantage of the technological and energy transition, and meet its emissions reduction commitments.

If you wish to follow up on this submission or have any questions, please contact **Chaneg Torres, Policy Manager** at [ctorres@fsc.org.au](mailto:ctorres@fsc.org.au).

Sincerely,

**Chaneg Torres**  
Policy Manager  
Investments and Global Markets