



07 February 2022

Ms Siobhan Hammond
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Australian Accounting Standards Board
By email: shammond@asb.gov.au

Dear Siobhan

AASB ITC 48 Extended External Reporting

Thank you for the extension to make this submission to the consultation ITC 48 Extended External Reporting which sets forward a draft Position Statement. This submission will respond to the questions asked in the consultation paper.

Question 1: Do you agree with the need for the AASB to adopt an immediate position, or should the AASB continue not to adopt a position until a wider international consensus has been identified?

We support the AASB's view that the standard setting processes of the ISSB may iterate the TCFD framework in its applied form. Such iteration could require reworking of the extended external reports of entities. Therefore, it would be appropriate for the AASB to signal a future position instead of adopting a position which is likely to change within a short period.

If the AASB is to adopt an immediate position, any extended external reporting should continue to be presented on a voluntary basis until wider international consensus has been reached.

Further, the ABA supports the AASB's active participation in the ISSB standard development processes by:

- Giving specific input regard to achieving international consistency to the greatest extent possible to reduce reporting burden on Australian entities.
- Establishing concurrent mechanisms to look at how the international standard might best be implemented in an Australian context as the international consensus becomes clear.

Finally, the AASB could consider narrowing the terminology of ITC 48 to specify climate related extended external reporting. We refer to the ABA submission to the consultation on ITC 46 which suggests the AASB develop a forward agenda for other elements of extended external reporting, particularly biodiversity/natural capital under the Taskforce on Nature-related Financial Disclosures (TNFD).

Question 2: Assuming that an immediate position is adopted as contemplated by the proposal, should the position be applied on a voluntary or mandatory basis?

The ABA is mindful that extended external reporting is a fast-evolving area. There are costs associated with reporting, as well as the lead time to change reporting processes (including changing data sources for the reporting). The ABA supports the position that climate sustainability reporting be voluntary on an *interim basis* and that economy-wide mandatory reporting will be the final position of the ASSB. We also support mandatory reporting as soon as practical once the IFRS standards are finalised and adapted for the Australian context. We support mandatory reporting for all ASX listed and unlisted entities and all forms of legal entities. We support the development of a 'right sizing' approach to reporting for entities where costs of a detailed disclosure may be disproportionately costly for smaller entities. We recommend the AASB develop proxies for reporting climate business metrics rather than invoking broad exemptions for businesses from reporting.



Question 3: Assuming that an immediate position is adopted and regardless of whether the position is adopted on a voluntary or mandatory basis, do you agree that the recommendations of the TCFD is the appropriate framework for this position?

The ABA and its members are supporters of the TCFD's recommendations within their extended external reporting. We consider that the TCFD recommendations provide an appropriate framework for extended external reporting. Further, the Australian Prudential Regulation Authority (APRA) has endorsed the TCFD as the appropriate framework for climate sustainability reporting for entities it regulates in its prudential guidance CPG 229 Climate Change Financial Risks¹.

[Draft Position statement on EER Framework \(Appendix A\)](#)

The ABA recommends that the AASB clarify that the 'end state' target on climate related extended external reporting is for economy-wide mandatory reporting which is 'right-sized'; this will enable businesses to commence consideration of their future obligations.

[Position Statement \(Appendix B\)](#)

We note that the AASB Boards at this time do not support the establishment of a new body that would specialise in developing climate sustainability reporting standards. We also note that the AASB plans to recruit additional in-house technical expertise. Additionally, the final paragraph also implies that the Boards' skills matrix will be updated to ensure adequate senior skill in climate sustainability reporting is represented at Board level. The ABA supports climate expertise to be represented at Board level.

[Other matters](#)

The ABA makes these further comments and recommendations:

Terminology

- That the terminology in the ITC 48 paper which refers to 'sustainability' be amended to qualify it as 'climate sustainability' given the breadth of subject matter under the 'sustainability' heading.
- We refer to the ABA submission to the consultation on ITC 46 for further comment relating to reporting on natural capital/biodiversity.

International consistency

- We note the developments in New Zealand to mandate TCFD reporting and express concern that the NZ XRB standards may not align with the AASB standards.
- The ABA recommends that the AASB leverage its position to advocate for the development of globally consistent standards and reporting obligations, especially for multinational entities with reporting obligations in multiple jurisdictions.

Industry engagement

- The ABA supports regular interaction between AASB and industry as the AASB progresses this work. The ABA is interested to participate in the Project Advisory Panel as a mechanism for providing the banking industry's input into the development of climate sustainability standards.

I would be pleased to discuss any aspect of this submission with you should it assist your considerations.

Kind regards,

Emma Penzo
Policy Director

¹ APRA CPG 229 paragraph 44 ([link](#))