

16 December 2022

Corporations Branch
Market Conduct Division
Treasury
Langton Cres
Parkes ACT 2600

Dear Sir / Madam,

Invitation to Comment Exposure Draft: Treasury Laws Amendment (Measures for Consultation) Bill 2022: Sustainability Standards.

Deloitte Touche Tohmatsu ('Deloitte') is pleased to respond to Treasury's *Invitation to Comment - Treasury Laws Amendment (Measures for Consultation) Bill 2022: Sustainability Standards* (hereinafter – 'the Amendments').

Deloitte welcomes the creation of an International Sustainability Standards Board (ISSB) by the International Financial Reporting Standards (IFRS) Trustees, and its proposals for the creation of global standards for sustainability reporting. The issuance of IFRS Sustainability Disclosure Standards by the ISSB will be integral to driving the system change necessary to create a global baseline of sustainability information that addresses the needs of global capital markets. To be effective, the standards need to be accepted as the global baseline and therefore brought into use by jurisdictions around the world. Deloitte welcomes the potential adoption of such standards into the Australian jurisdiction subject to appropriate due process.

We commend Treasury for recognising the urgency of addressing climate change and other sustainability issues and taking steps via the proposed Amendments to allow:

- The Australian Accounting Standards Board (AASB) to make sustainability standards for Australia by potentially adopting the proposed ISSB standards
- The Auditing and Assurance Standards Board (AUASB) to make auditing and assurance standards for sustainability purposes, and
- The Financial Reporting Council (FRC) to provide oversight of the process of developing sustainability standards in addition to accounting and auditing standards.

Deloitte welcomes the Amendments to the Australian Securities and Investment Commission (ASIC) Act 2001 (hereinafter 'the ASIC Act') in addressing the need for the Australian financial reporting system to be extended to include the development and assurance of sustainability standards and climate-related financial disclosures. We also welcome the expansion of the qualification requirements of the AASB and AUASB to take into account the expertise relevant to sustainability standards.



We believe that the changes proposed by Treasury to the ASIC Act would have a positive impact on the Australian financial reporting system and capital markets.

We would also like to highlight suggestions for additional amendments in the Appendix that we consider important to bring to your attention, while further work on the Amendments to the ASIC Act is undertaken.

We look forward to engaging in further consultation to support the adoption of sustainability standards into the Australian financial reporting system.

Should you wish to discuss our responses in this letter, please reach out to me at jogorton@deloitte.com.au or email sjansz@deloitte.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read "J. Gorton".

Joanne Gorton

Managing Partner, Audit & Assurance

Deloitte Touche Tohmatsu

A handwritten signature in black ink, appearing to read "S. Jansz".

Steve Jansz

Managing Partner, Risk Advisory

Deloitte Touche Tohmatsu

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organisation”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our global network of member firms and related entities in more than 150 countries and territories (collectively, the “Deloitte organisation”) serves four out of five Fortune Global 500® companies. Learn how Deloitte’s approximately 312,000 people make an impact that matters at www.deloitte.com.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

The Australian partnership of Deloitte Touche Tohmatsu is a member of Deloitte Asia Pacific Limited and the Deloitte organisation. As one of Australia’s leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, risk advisory, and financial advisory services through approximately 8000 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit our web site at <https://www2.deloitte.com/au/en.html>.

Appendix

We believe it is important that the below clarifications are considered to ensure the disclosures related to sustainability-related financial reporting are clear and concise.

We also recommend clarifying in the guidance or explanatory materials to the Amendments that the term ‘financial report’ and/or ‘financial information’ also include sustainability-related financial information /disclosures in the context of the ASIC Act.

Below is the table with suggestions we consider important to bring to your attention while further work on the Amendments to the ASIC is undertaken.

| Reference | Current amendment | Proposed amendment | Comments |
|--|--|--|--|
| Part 12—The Australian financial reporting system 224 Main objects of this Part | The main objects of this Part are: (a) to facilitate the development of accounting standards, and sustainability standards, that require the provision of financial information that: | The main objects of this Part are: (a) to facilitate the development of accounting standards, and sustainability standards, that require the provision of financial information and sustainability-related financial information that: | The clarification will allow setting up boundaries for the information expected to be disclosed in sustainability standards in the context of the ASIC. |
| Part 12—The Australian financial reporting system 227 AASB’s functions and powers | Functions (1) The functions of the AASB are: (a) to develop conceptual frameworks, not having the force of standards, for the purpose of evaluating: (i) proposed accounting standards and international accounting standards; and (ii) proposed sustainability standards and international sustainability standards; and (b) to make accounting standards under section 334 of the Corporations Act for the purposes of the corporations legislation (other than the excluded provisions); and | Functions (1) The functions of the AASB are: (a) to develop conceptual frameworks, not having the force of standards, for the purpose of evaluating: (i) proposed accounting standards and international accounting standards; and (ii) proposed sustainability standards and international sustainability standards; and (b) to make accounting standards under section 334 of the Corporations Act for the purposes of the corporations legislation (other than the excluded provisions); and | Stating “formulate sustainability standards” as a separate function of AASB shall acknowledge its importance and response to an expressed demand from Australian businesses, investors, users and preparers of financial information. Also removing the AASB’s power to set accounting standards for other purposes reduces the AASB’s powers to respond to potential changes in the future. |

| Reference | Current amendment | Proposed amendment | Comments |
|---|--|--|--|
| | <p>(c) to formulate accounting standards for other purposes; and</p> <p>(ca) to formulate sustainability standards; and</p> <p>(d) to participate in and contribute to the development of each of the following for world-wide use:</p> <p>(i) a single set of accounting standards;</p> <p>(ii) a single set of sustainability standards; and</p> <p>(e) to advance and promote the main objects of this Part.</p> | <p>(c) to formulate accounting standards for other purposes; and</p> <p>(d) to formulate sustainability standards; and</p> <p>(e) to participate in and contribute to the development of each of the following for world-wide use:</p> <p>(i) a single set of accounting standards;</p> <p>(ii) a single set of sustainability standards; and</p> <p>(f) to advance and promote the main objects of this Part.</p> | |
| <p>Part 12—The Australian financial reporting system</p> <p>227B AUASB’s functions and powers</p> | <p>(1) The functions of the AUASB are:</p> <p>(a) to make auditing standards under section 336 of the Corporations Act for the purposes of the corporations legislation; and</p> <p>(b) to formulate auditing and assurance standards for sustainability purposes; and</p> <p>to formulate auditing and assurance standards for other purposes; and</p> <p>(c) to formulate guidance on auditing and assurance matters; and</p> <p>(d) to participate in and contribute to the development of a single set of auditing standards for world wide use; and</p> <p>(e) to advance and promote the main objects of this Part.</p> | <p>(1) The functions of the AUASB are:</p> <p>(a) to make auditing standards under section 336 of the Corporations Act for the purposes of the corporations legislation; and</p> <p>(b) to formulate auditing and assurance standards for sustainability purposes; and</p> <p>(c) to formulate auditing and assurance standards for other purposes; and</p> <p>(d) to formulate guidance on auditing and assurance matters; and</p> <p>(e) to participate in and contribute to the development of a single set of auditing standards for world wide use; and</p> <p>(f) to advance and promote the main objects of this Part.</p> | <p>Reducing functions and powers of the AUASB may not allow it to respond to potential changes in audit and assurance methodology, standards and purposes.</p> |
| <p>Part 12—The Australian financial reporting system</p> <p>230 Comparative amounts</p> | <p>The accounting standards for the preparation of financial reports for a period may require the inclusion in those reports of comparative amounts for earlier periods.</p> | <p>The accounting and / or sustainability standards for the preparation of financial reports for a period may require the inclusion in those reports of comparative amounts for earlier periods.</p> | <p>Sustainability-related financial disclosure may also require such information.</p> |