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Dr Keith Kendall
Chair
Australian Accounting Standards Board
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Our ref Submission - ITC 48
Contact Paulech, Zuzana (+61 2 9335
7329)

28 January 2022

Dear Dr Kendall

Invitation to Comment (ITC) 48 - Extended External Reporting

We are pleased to have the opportunity to comment on ITC 48 – *Extended External Reporting*.

We strongly support the adoption of the Taskforce on Climate-related Financial Disclosures (TCFD) framework by all entities when disclosing the impacts of climate-related risks and opportunities. This framework is endorsed globally and by all Australian regulators.

We believe the TCFD recommendations should be adopted immediately by entities on a voluntary basis, and urge the AASB and Financial Reporting Council (FRC) to start the due process required to make climate-related reporting mandatory as soon as practicable, with the objective of future alignment to the ISSB equivalent standard. We consider this position would strongly align with investor expectations as well as the regulatory position being adopted by other jurisdictions across the globe. We are of the view that entities adopting the TCFD framework for their climate-related disclosures in the interim will be well-placed when the new ISSB standards are finalised, and entities need to comply with them.

We support the FRC position in developing an Extended External Reporting regime within Australia, and urge the AASB to ensure they are resourced with the relevant skillsets and expertise for its expanded remit. We will expand on this further in our submission on ITC 46 – *AASB Agenda Consultation 2022-2026*, where the subject has greater context.

We have set out our detailed comments on the specific questions in the ITC in the Appendix to this letter.

We would be pleased to discuss our comments with members of the AASB or its staff. If you wish to do so, please contact Julie Locke on (02) 6248 1190, or myself on (02) 9335 7329.



Yours sincerely

A handwritten signature in black ink, appearing to be 'ZP', written in a cursive style.

Zuzana Paulech
Partner

Appendix 1

Question 1 – Adopting a position: 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 strongly agree that the AASB should adopt an immediate position. The demand for consistent, comparable and transparent disclosures of the impacts of climate change by investors and other stakeholders is high. Jurisdictions around the world are adopting positions, and given the current consensus emerging from the announcement of the International Sustainability Standards Board (ISSB) and the prototypes released on the subject, adopting a position now is appropriate.

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

We believe that the position should be applied immediately by entities on a voluntary basis and urge the AASB and FRC to start the due process required to make climate-related reporting mandatory as soon as practicable.

The expectation of mandatory application in the future would align with the growing investor and stakeholder expectations as well as the regulatory position being adopted by other jurisdictions across the globe.

Question 3 – Selecting an appropriate framework: 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?

We agree that the recommendations of the TCFD is the appropriate framework for climate-related disclosures in the interim until the ISSB finalise their standard on the same topic. The TCFD recommendations are uniformly supported, both internationally and locally by regulators, and at this time are considered to represent the source for best practice disclosures with a significant portion of the ASX50 (and smaller portion of ASX200) utilising or referring to aspects to the TCFD framework to guide their climate-related disclosures¹.

It is widely accepted that entities adopting the TCFD framework for climate-related disclosures will be well-placed when the new ISSB standards are finalised, and entities need to comply with them.

¹ See KPMG Report: [ASX200 corporate reporting trends – 2021](#)



With the objective of maximising comparability, the endorsement of the TCFD framework should be undertaken by the AASB with the stated objective of future alignment of climate-related disclosures to the ISSB equivalent standard. Entities should then also be encouraged to adopt the other elements of the ISSB climate-related disclosure standard as it is developed, prior to finalisation.

We note that while the TCFD covers climate-related disclosures, it does not cover all EER disclosure matters. We therefore caution using language that conveys the message that EER equals climate-related financial reporting. We believe that the Integrated Reporting Framework is an appropriate base framework for broader EER on enterprise value creation.