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Australian Accounting Standards Board

Email: standard@aasb.gov.au

Extended External Reporting – ITC 48

The Property Council welcomes the opportunity to provide comments on the draft Position Statements proposed to be adopted by the Australian Accounting Standards Board (AASB) relating to Extended External Reporting (EER).

The Property Council of Australia represents a broad group of members, including owners, managers, and developers of commercial, industrial, residential and tourist accommodation. Many of those members have diversified business operations and provide regular reports to the market. The property sector employs 1.4 million Australians and shapes the future of our communities and cities. Our members invest in, design, build and manage places that matter to Australians: our homes, retirement villages, shopping centres, office buildings, industrial areas, education, research and health precincts, tourism, and hospitality venues and more.

The Australian property sector has a strong track record of identifying the most material environmental, social and governance (ESG) issues that require collective effort to address. They do this by collaborating on industry thought leadership, developing tools and resources that allow the broader industry to measure and report their progress, as well as advocating public policy change through the Property Council. Our industry is therefore well placed to comment on AASB's Draft Position Statements.

AASB and extended external reporting

We believe it is important for the AASB to demonstrate leadership in accounting standards by adopting a position on EER. We understand EER is the term the AASB has adopted to encompass non-financial reporting matters and is deliberately broad in scope. However, we note that the focus of the draft position statement (Appendix A) is largely on sustainability and climate reporting and believe the AASB needs to be clearer on the scope of the position statement.

There are additional reporting metrics that could be included in a broad EER position statement. For example, Modern Slavery impact statements, the Taskforce on Nature-related Financial Disclosures, and diversity targets/quotas (to name a few) are all part of the broad non-financial disclosure companies can provide at present. The draft position statement is silent on extended external reporting frameworks other than the Taskforce on Climate-related Financial Disclosures (TCFD) and IFRS Foundation International Sustainability Standards Board (ISSB). Concepts of ESG are constantly evolving, as are accompanying regulations, both domestic and international. In this context, it would be preferable for the position statements to specify it has a narrow focus and is

commencing with sustainability and climate reporting, rather than seeking to provide direction for all possible EER frameworks.

Climate and sustainability reporting

Many leading Australian property companies will achieve net zero emission before or by 2030, at which point the industry will have well and truly redefined its most material ESG issues and proceeded to benchmark performance in those areas. As international developments continue to gather pace, the Australian market would benefit from AASB guidance on adopting and implementing global baseline climate and sustainability disclosure standards in the Australian context.

As the ISSB is still developing standards, it is important that any AASB position at this stage is voluntary and cognisant of the global context to avoid duplication or inconsistent reporting requirements. For example, the Australian Securities and Investments Commission (ASIC) released a statement in late December 2021 *encouraging* listed companies to use the TCFD recommendations as the primary framework for voluntary climate change-related disclosures. AASB could consider a similar approach in providing a recommendation on climate and sustainability reporting and the TCFD specifically, whilst acknowledging the important work of the ISSB.

A roadmap defining a long-term strategy

In principle, the Property Council of Australia supports the development of a globally consistent framework for sustainability reporting to provide investors and other key stakeholders with relevant and comparable sustainability information to make informed decisions. We would therefore welcome consultation from AASB in determining a firm position once the ISSB has completed its consultation. This would ensure adoption in Australia is context specific, provide useful and important information to stakeholders and reduce potential duplication in reporting or inconsistent requirements for Australian companies.

The Property Council believes open and transparent consultation is important for developing an Australian roadmap regarding climate and sustainability reporting. As international standards will evolve over time, AASB should define a transparent process for the continued review and identification of material issues, with a need to align with other relevant ESG reporting frameworks in the market. We would also welcome a wider consultation on EER more generally, to provide a holistic understanding of existing non-financial reporting standards and regulations, which would assist in reducing duplication in reporting.

Governance structure

We understand that, at this time, the Financial Reporting Council (FRC), the Auditing and Assurance Standards Board (AUASB), and the AASB (the Boards) do not support establishing a new body who would specialise in developing sustainability reporting standards. We believe a key part of defining a long-term strategy would include consultation with stakeholders on the best structure.

The body responsible for providing Australian specific interpretation of the ISSB standards may take the form of a sub-committee under the AASB, or a sister body to AASB – mirroring the relationship between the International Accounting Standards Board (IASB) and ISSB. It is important that stakeholders contribute to a consultation on this matter. We acknowledge the Boards intend to recruit in-house technical expertise; however, consideration needs to be given to establish a specific body responsible for standards related to sustainability reporting. This body could include appropriate ESG specialists, as sustainability reporting differs from financial reporting, and sector specialists (such as real estate).

If you would like to discuss any aspect of this submission further, please contact Adele Lausberg on 0415 225 638 and alausberg@propertycouncil.com.au, or myself on 0400 356 140 and bngo@propertycouncil.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Belinda Ngo', with a stylized, cursive script.

Belinda Ngo
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