

## Response to Invitation to Comment

### ITC 46 AASB Agenda Consultation 2022–2026

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#### General comment

Extended External Reporting (EER) is an important issue nationally and internationally. The multiple competing EER reporting frameworks is causing confusion for corporations, existing or potential investors in corporations, regulators, and consumers.

The recognition of the need for EER Standards, and pathway to set those standards, and a de facto interim EER Standard via the [Recommendations of the Task Force on Climate-related Financial Disclosures](#) (TCFD) provides a degree of certainty for the accounting profession and should increase the amount of trust of those using EER for decision making.

The demand for EER Standards is immediate and the accounting profession, the bodies setting accounting and enforcing standards, the institutions (e.g., universities) providing accounting education, are playing catch-up. Without EER Standards the accounting profession risks continuing confusion, a proliferation of multiple reporting frameworks, an inability to compare the performance of different enterprises and risks loss of confidence in the profession.

The international standardisation of the [System of Environmental-Economic Accounting](#) (SEEA) via a United Nations process provides an example of how EER-like Standards can be developed and adopted, first as interim standards (or “experimental” in the SEEA terminology). A key part of this process was the involvement of non-accounting professions.

#### Answer to questions

Q1. 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?

The AASB should adopt an immediate position on EER Standards as outlined in Appendix A of the document provided for comment. The caveats are appropriate, and the text provides an indication of the current situation with regard to the number of existing frameworks and the development of EER Standards.

Q2. Assuming that an immediate position is adopted as contemplated by the proposal, should the position be applied on a voluntary or mandatory basis?

Application of the EER Standard should be voluntary. However, there should be a compulsory disclosure statement. Those choosing not to voluntarily adopt the TCFD recommendations must disclose this and may provide reasons for non-adoption (e.g., use of another EER framework). This is a clear signal that mandatory EER Standards will eventually be set.

Q3. 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 provide an appropriate framework for this position?

The use of TCFD is appropriate as an interim EER Standard. However, climate change is not the only environmental-related financial risk and the development of full and mandatory EER Standards must consider these risks in the final EER Standards. Developing standards for the reporting of environmental and social impacts of corporations is a related task and could proceed in unison.

The development of final EER Standards will require the involvement non-accounting professionals in the identification of all environmental risks and the way should be understood, measured and reported, as is implied in “Key areas of Future Work” (p.32 TCFD). It is noted that the Members of the Task Force of TCFD (pp. 44-45) did not include climate change experts, although they were consulted (p. 46). Including climate change experts, and environmental and sustainability experts more generally, should be a part of the development of EER Standards. The decision not to establish a separate body for developing sustainability reporting standards as stated in the [Draft] Position Statement on Extended External Reporting Framework (Appendix B of the consultation document) should be reconsidered, especially in light of the establishment of the [International Sustainability Standards Board](#) by the IFRS.