

9 February 2022

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The Chair
Australian Accounting Standards Board
Level 20, 500 Collins Street
Melbourne VIC 3000

Dear Dr Kendall,

Invitation to Comment 48: Extended External Reporting

Deloitte Touche Tohmatsu is pleased to respond to the Australian Accounting Standards Board's ('AASB') Invitation to Comment 48 *Extended External Reporting* on the proposed issue by the AASB of a Position Statement on Extended External Reporting (EER). The AASB proposes that this Position Statement would include a declaration of support for the voluntary adoption of the recommendations of the Taskforce on Climate Financial Disclosures ('TCFD').

Deloitte commends the AASB for its activity in highlighting the need for the development and adoption of a framework for EER in Australia and for seeking to promote consistency and comparability amongst entities wishing to disclose non-financial information, including environmental, social and governance metrics. We share this objective.

Deloitte supports corporations issuing high-quality, transparent, relevant and comparable sustainability information that is connected to financial reporting. The relevant EER standards should be global and leverage efforts currently underway for consistent reporting. An example of such efforts is the recent formation of the International Sustainability Standards Board (ISSB) by the IFRS Foundation (IFRSF) and the publication by the Technical Readiness Working Group of prototype disclosure requirements on General Presentation and Climate.

We believe that the preparation, reporting and assurance of such non-financial information in accordance with global standards will help direct capital to long-term sustainable business, by showing how corporations are creating long-term value and by providing insights into their business models, the broader risks they face and the impact they have on people, profit and the planet.

We support the following principles and policies for globally consistent, mandatory baseline and connected reporting on environmental, social and governance ('ESG') metrics:

- The development by the ISSB of a set of internationally consistent, high-quality, and reliable baseline standards for disclosure of sustainability related information on enterprise value

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- A connected reporting framework: link ESG factors and financial information for reporting based on enterprise value
- A mandatory approach: a formal independent standard-setting process allows for due process and stakeholders buy-in, and can be accompanied by legislation and/or regulatory enforcement; and
- Credible and well supported ESG information: governance and controls over sustainability information, as well as Independent assurance can enhance the reliability of information that corporations disclose

Deloitte strongly supports the newly established ISSB that sits alongside the International Accounting Standards Board (IASB) under the governance of the IFRSF. Deloitte also welcomes the commitment by the Climate Disclosure Standards Board (CDSB) and the Value Reporting Foundation (VRF), which houses the Integrated Reporting Framework and the Sustainability Accounting Standards Board (SASB) Standards) to merge with the new board.

The announcement of the commitment by CDSB and VRF to merge with the new board sends a clear signal to the market that the ISSB is emerging as the global sustainability standard-setter. This will reduce fragmentation and confusion in the sustainability standard-setting landscape. The intention to use the technical standards and frameworks of the CDSB and the VRF, along with those of the Task Force on Climate-related Financial Disclosures (TCFD) and the World Economic Forum International Business Council stakeholder capitalism metrics, will help ensure the ISSB has a running start.

Prioritising a standard on climate reflects the urgency for consistent and comparable information for capital markets that supports the move to the low-carbon economy. TCFD has made substantial inroads in addressing the information gap and its recommendations have been core to the development of the climate prototype. The prototype is built on the four pillars of TCFD – governance, strategy, risk management, and metrics and targets – and reflects its core recommendations. Many companies are already reporting in line with TCFD recommendations, helping them to develop resources and skills, and gain experience in advance of adopting the new climate standard once issued.

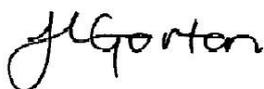
Australian companies are already a strong adopter, on a voluntary basis, of the TCFD recommendations. According to the [TCFD 2021 Status Report](#) Australian companies are already leading supporters of TCFD, ranking number four in the top five countries per Figure A-1 of that report. This is consistent with our experience which is that many Australian companies are actively implementing or taking steps to voluntarily adopt the TCFD recommendations. We also note the recommendations by Australian regulators, including ASIC and APRA, in support of the adoption of TCFD. At this stage, the focus is on listed entities which we believe is appropriate.

Given the timetable that the ISSB is working towards for the issuance of its standards, and the views that have already been expressed by Australian Regulators, in our view a Position Statement is not necessary.

Deloitte remains committed to the goal of global sustainability standards and will continue to support the new ISSB with stakeholders around the world. We encourage the AASB to be an integral part of, and play an instrumental role in, the development of such global sustainability standards.

If you have any questions concerning our comments, please contact me on (02) 9322 3406 or email jogorton@deloitte.com.au.

Yours sincerely



Joanne Gorton
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