

21 February 2025

Financial Reporting System Reform Unit
Market Conduct Division
Treasury
Langton Crescent
Parkes ACT 2600

Dear Sir/Madam,

Positioning Australia's financial reporting system for the future

About ACSI

Established in 2001, ACSI exists to provide a strong voice on financially material environmental, social and governance (ESG) issues. Our members include Australian and international asset owners and institutional investors with more than \$1.9 trillion in funds under management.

Through our research, engagement, advocacy and voting recommendations, ACSI supports members in exercising active ownership, which enhances the long-term value of the retirement savings entrusted to them to manage. ACSI members can achieve value for their beneficiaries through genuine and permanent improvements to the ESG practices of the companies in which they invest.

Summary of ACSI's position

ACSI welcomes the release of Treasury's Consultation Paper, [Positioning Australia's financial reporting system for the future](#) ("Consultation Paper"). We support the proposal to combine the Australian Accounting Standards Board (AASB), Auditing and Assurance Standards Board (AUASB) and the Financial Reporting Council (FRC) into one body. We are broadly supportive of the proposals contained in the Consultation Paper and have some additional recommendations to strengthen the design of this combined body. ACSI strongly supports pursuing a mix of skills and experience for the Board of the new entity. Mandating a breadth of skills and experience (including a minimum number of Board members with sustainability knowledge and experience) would support longer-term clarity and prioritisation.

Supporting the right mix of expertise and experience on the Board and committees

As the new entity will combine a range of knowledge areas and function, it is important that there is a broad range of skills and experience represented on both the Board and the technical committees. ACSI supports the intention to appoint a Board with a mix of skills and experience and recommends that this intent be reflected in the legislation. The provisions allowing for director appointment could specify that the Board include directors with accounting, auditing, sustainability and investment expertise, so that the Board as a whole has the appropriate skills and experience. An example of this in practice is the legislation establishing the Takeovers Panel in the *Australian Securities and Commissions Act 2001*, which notes that members of the Takeover Panel must have

knowledge or experience of “business, administration of companies, financial markets, financial products and financial services, law, economics, accounting.”¹

In particular, while it is very important that auditing and accounting expertise is well represented, our view is that there should be a broadening of skills and experience. ACSI encourages the following when considering how the legislation can support the appointment of appropriately skilled and experienced directors to the new entity:

- **Increase the presence of investors.** We note the importance of the investor voice as an important part of the skills mix required, given investors are one of the primary users of reporting.
- **Ensure experience from a range of different sized firms.** Many of the Directors come from the largest accounting firms. In the new Board, there should be a mix of Directors with broad experience.
- **Expand sustainability expertise presence.** At present there appears to be around four Directors across the three entities (the FRC, AASB and AUASB) with sustainability experience. Three of these Directors are from the same firm.² Consideration should be given to whether a broader perspective may be useful.

The Consultation Paper states that, “the requisite qualifications, skills and experience requirements for the Board Chair and members will be appropriately broad and may include knowledge or experience in business, accounting, auditing, law, government, science, sustainability or climate change, corporate governance and/or markets, as well as any other field relevant to additional functions conferred by the Minister in future.”³ Beyond supporting a mix of experience and expertise, board composition should also ensure the presence of specific knowledge areas. For example, given the substantial knowledge base and skill set differences between financial and sustainability reporting, it is important that the Board has at least one director with sustainability expertise. Providing for this in the legislative framework will support a Board that, overall, has the skills and expertise to address the issues.

ACSI notes that it will also be important for the Sustainability Reporting Standards Committee to have a broad range of sustainability experience. Sustainability covers a number of areas of expertise – for example a candidate may have expertise in climate change, but not human rights. As sustainability standards are developed beyond climate related reporting, different areas of sustainability expertise will be required, including considering human rights and nature-based risks and opportunities, amongst others.⁴

Enshrining role of the technical committees in legislation

The Consultation Paper states that the new design will not retain, “express legislative provision delineating the role and powers of the new Board and its standard setting committees.” This allows for flexibility as new developments arise. It also risks undermining the independence of the technical committees as their role and longevity remain undefined. We recommend the following changes to clarify the relationship between the Board and the technical committees:

1. **Outline in legislation the expected powers of the technical committee.** This will support independent decision making based on the expertise present in the committees.
2. **Name the three initial technical committees in the legislation.** We note that the proposed delegation (p.13 of the Consultation Paper) does not specify the committees that will be established. We appreciate this may allow flexibility but also risks uncertainty. We consider a

¹ Section 172, *Australian Securities and Commission Act 2001*.

² ACSI analysis of [AUASB](#), [AASB](#) and [FRC](#) Board Members.

³ Treasury, 2025, [Positioning Australia's financial reporting system for the future \(Consultation Paper\)](#), p. 15.

⁴ ACSI [submission](#) to *Treasury Laws Amendment (Measures for Consultation) Bill 2022: Sustainability Standards*

better approach, in order to provide certainty to the market, would be to specify three committees (sustainability reporting standards, accounting standards, and audit and assurance standards) that will be required on an ongoing basis as a minimum. Further committees could be created if necessary as needs evolve.

Strengthening institutional governance

ACSI supports the provisions proposed to strengthen governance and oversight. Requiring disclosure of conflicts of interest by both Board and committee members is an important part of a strong governance framework. We also encourage consideration of whether such disclosure should be made public.

We support the intention to give consideration to “whether there is potential for conflicts of interest to arise where candidates for membership of the Board or committee have close, contemporaneous ties to the accounting and auditing industry, and how best these could be addressed or managed.”⁵ ACSI supports the recommendation that potential Board and committee members should demonstrate appropriate independence from industry, whether that is in the form of not having financial ties to a firm or having not working in a accounting for audit firm for a specific period of time. We note that up to date experience is important and valuable, and that it should be balanced with strong and transparent process management processes.

I trust our comments are of assistance. Please contact me or Kate Griffiths (kgriffiths@acsi.org.au) should you require further information.

Yours sincerely,



Louise Davidson AM
Chief Executive Officer
Australian Council of Superannuation Investors

⁵ Treasury, 2025, [Positioning Australia's financial reporting system for the future \(Consultation Paper\)](#), p.15