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Submitted online

Positioning Australia's financial reporting system for the future – draft legislation

The Australian Financial Markets Association (AFMA) is responding to the exposure draft Treasury Laws Amendment Bill 2025: Financial Reporting System Reform. AFMA is the peak industry body for Australia's financial markets industry. AFMA represents more than 130 industry participants from Australian and international banks, leading brokers, securities companies, government treasury corporations to asset managers, energy firms, carbon market participants, and industry service providers. AFMA's comments are limited to any impacts we see as they relate to sustainability reporting as the majority of AFMA members are sustainability reporting entities.

As Treasury is aware, the Act that established the sustainability reporting regime gave the Minister powers to allow expansion of mandatory disclosure requirements into other/ broader environmental sustainability-related matters via legislative instrument. Therefore, industry's only opportunity to engage on any such future proposals of expansion into other nascent and highly challenging areas is through the body that will be tasked with creation of any such standards.

As AFMA expressed in its previous submission to this proposal and remains the case in the exposure draft, it does not sufficiently outline how issuing standards, transparency and engagement with industry would work. We are concerned that important due process, procedural and consultation requirements are left to legislative instrument, referred to as a determination in the Explanatory Memorandum. Should the Government not choose to outline these requirements in the primary legislation, the subordinated legislation should be consulted on with industry to ensure engagement settings are appropriate. A requirement to consult on standards however should explicitly be required in the primary legislation.

Furthermore, as Treasury may be aware, the International Sustainability Standards Board is currently in the process of amending elements of the standards to which Australia's standards are closely aligned. With first sustainability reports due early next year for some entities, clear engagement processes with industry on Australia's adoption of amendments, is important.

Similarly, with the Minister able to give directions on the role of international standards, we caution that adoption of and alignment to international standards is essential to the function of Australia's financial markets. We recommend that consultation with industry ahead of any legislative instrument being made, be explicitly required in the draft Bill.

AFMA would welcome the opportunity to discuss this submission further and would be pleased to provide further information or clarity as required. Please contact Monica Young via myoung@afma.com.au or 02 9776 7917.

Yours sincerely,

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