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The Treasury
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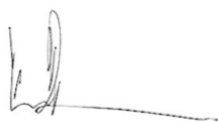
Dear Chair and consultation team,

Subject: External Reporting Australia (Standard-setting Boards) Instrument 2026 — exposure draft

The Business Council for Sustainable Development Australia (BCSDA) welcomes the opportunity to comment on the draft instrument establishing the standard-setting boards of External Reporting Australia (ERA). We support the reform and the establishment of a dedicated Australian Sustainability Standards Board. We recommend a small number of targeted refinements so the new framework delivers not only institutional consolidation, but clearer, better-connected and internationally credible reporting requirements for businesses and users of their disclosures.

BCSDA is the Australian Global Network Partner of the World Business Council for Sustainable Development (WBCSD). Our perspective spans sustainability, financial-reporting, risk and assurance functions in businesses operating in Australia and internationally. We previously supported the overall direction of the ERA legislative reforms and offered governance and implementation recommendations to the parliamentary inquiry.

Yours sincerely,



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Executive summary

The measure of ERA's success will be whether accounting, sustainability and assurance requirements become more coherent, decision-useful and proportionate in practice. Combining existing institutions creates an opportunity to achieve that outcome; it does not guarantee it. Businesses must still interpret standards, reconcile Australian and international requirements, build reliable data and controls, and provide assurance-ready evidence.

BCSDA recommends five refinements to the proposed standard-setting arrangements:

1. Strengthen meaningful consultation and explanation of material stakeholder feedback within the existing due-process framework (section 2-11).
2. Protect independent technical judgements while improving transparency about international alignment and material Australian departures (section 2-12).
3. Make significant decisions and their reasons easier to understand, building on existing meeting-record and publication requirements (sections 2-9 and 2-10).
4. Clarify the Sustainability Standards Board's international role and establish workable coordination with accounting and assurance standard-setting (section 5-2).
5. Remove ambiguity between the mandatory-standards voting threshold and out-of-session casting-vote arrangements (sections 2-7 and 2-8).

Our central proposition is practical: ERA should preserve each board's technical authority while establishing a disciplined way to identify and resolve cross-board implementation issues. Requirements should be clear enough for preparers, investors, auditors and assurance providers to plan confidently, without adding a new layer of process for its own sake.

1. Consultation should be meaningful and proportionate — section 2-11

BCSDA welcomes the draft instrument's existing requirements for consultation, assessment of likely impacts, publication and review. We do not propose to replicate those obligations. The remaining opportunity is to make their application predictable: consultation should seek relevant evidence from preparers, investors, assurance providers and other affected users at an early enough stage to identify practical implementation issues. Building on the draft's existing publication obligations, BCSDA recommends a proportionate explanation of how material stakeholder evidence influenced the final standard-setting decision.

Consultation should be proportionate to the significance of a proposed standard. Appropriate expedited processes should remain possible where justified and explained. Business input should include relevant downstream effects: data demands from large reporting entities can flow to suppliers, including SMEs that are not directly subject to reporting obligations. The objective is better decisions, not longer consultation.

2. International alignment and technical independence — section 2-12

For businesses operating across jurisdictions, a technically sound Australian standard can still impose avoidable interpretation and assurance work if its relationship to international requirements is unclear. ERA should therefore

ensure that material Australian departures from relevant international standards are accompanied by a concise explanation of the Australian legal or policy reason and the principal implications for preparers and users.

Any such discipline must respect the separation between the Governing Council's strategic oversight and the technical boards' independent standard-setting judgements. The Governing Council should not become a technical appeals body or dictate outcomes. The practical test is whether departures are transparent and justified, not whether Australia adopts international standards without legitimate adaptation.

3. Transparent decisions without excessive administrative burden — sections 2-9 and 2-10

BCSDA supports the draft's meeting-record and publication provisions. For major technical choices, a short explanation of the decision, significant alternatives considered and the treatment of material consultation issues would give preparers and assurance providers greater certainty about how to apply the resulting standards. This should build on material already produced through due process, not require duplicative reporting. Confidential and commercially sensitive material should remain appropriately protected.

4. A coherent reporting system — section 5-2

The dedicated Sustainability Standards Board is an important structural improvement. Its technical role and contribution to international standard-setting should be expressed clearly, alongside the roles of the accounting and auditing and assurance boards. Within their distinct statutory powers, the three boards should be able to identify issues where sustainability disclosures interact with financial assumptions, source-data controls, assurance expectations or overlapping terminology.

BCSDA recommends practical arrangements to give effect to the coordination obligation already established by section 2-12(c), particularly where sustainability, accounting and assurance requirements intersect. Such arrangements could include a modest, documented process for referring and resolving cross-board matters, drawing on affected preparers and users where necessary. ERA leadership can sponsor the coordination process and monitor unresolved issues without directing technical conclusions. The relevant distinction matters: some improvements may fit the instrument's delegated powers; others belong in ERA's work programme, due-process guidance or operational arrangements.

This is a case for testing the benefits of consolidation, not asserting them. Where businesses face repeated data requests, incompatible interpretations or assurance uncertainty, ERA should identify which standard-setting interface is responsible and consider proportionate clarification. No automatic saving should be presumed merely because the boards sit within one institution.

5. Clarify the voting threshold — sections 2-7 and 2-8

Section 2-7(3) provides a two-thirds-of-all-members requirement for certain standards decisions. The interaction with the out-of-session casting-vote rule in section 2-8(3) warrants clarification. BCSDA recommends that the final instrument state expressly whether the casting-vote arrangement affects, or does not affect, the mandatory-standards threshold. This would remove avoidable uncertainty about important decisions without changing the intended policy.

Implementation and assessment

ERA is intended to commence on 1 December 2026. These refinements should support, not impede, an orderly transition.

BCSDA recommends distinguishing tightly drawn changes to the instrument from practical measures for ERA's subsequent operation. An early post-commencement assessment could examine whether material Australian departures are being explained, whether significant cross-board implementation issues are resolved, and whether consultation responses assist clearer and more usable standards.

These are tests of system performance, not proposals for a new regulator or an extensive parallel reporting regime. A concise public account through existing governance reporting would provide useful assurance that the intended benefits of ERA's integrated architecture are emerging.

Conclusion

BCSDA supports the draft instrument and ERA's commencement. The five refinements above would help ensure that integration delivers coherent, internationally intelligible and implementable standards while maintaining technical independence and proportionate due process. We encourage the FRC to address the proposed drafting clarifications now and support ERA in carrying forward the operational improvements after commencement.

References

- Financial Reporting Council, External Reporting Australia (Standard-setting Boards) Instrument 2026 — exposure draft (2026).
- Financial Reporting Council, Exposure Draft Explanatory Statement — External Reporting Australia (Standard-setting Boards) Instrument 2026 (2026).
- Financial Reporting Council, Approach to historical strategic directions issued to the AASB and AUASB (2026).
- Australian Government Treasury, Establishing External Reporting Australia's standard-setting boards — consultation hub: <https://consult.treasury.gov.au/c2026-799001/consultation>.
- BCSDA, Submission 9 to the Senate Economics Legislation Committee inquiry on financial-reporting system reform (2026).