

Senator Lisa Darmanin
Chair
Senate Standing Committees on Economics, Economics Legislation Committee
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

27 March 2026

By online lodgement

Dear Commission Secretary,

RIAA Submission – *Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026*

The Responsible Investment Association Australasia (RIAA) thanks the Parliament of Australia Economics Legislation Committee for the opportunity to comment on the [Treasury Laws Amendment \(Financial Reporting System Reform\) Bill 2026](#) (proposed Bill). RIAA previously engaged with Treasury during the consultation on the draft legislation and supports the intent and architecture of the Bill as introduced to Parliament.

Established in 2000, RIAA is by far Australia’s largest sustainable finance-focused industry group with over 500 members representing over AU\$76 trillion in assets under management globally. Our membership represents 75% of all professionally managed funds in Australia and covers much of the investment process, such as managed funds, superannuation funds, financial advisers, data providers. See below for more information [about RIAA](#).

RIAA urges the Committee to support and progress this legislation without delay. This reform is essential to strengthening Australia’s financial and sustainability reporting framework, improving governance, and maintaining international alignment. Set out [below](#) are general comments in support of the proposed Bill.

The successful implementation of ERA with strong governance will provide Australia with a regulatory structure that can better navigate complex and rapid progress in sustainability standards. This amalgamation is timely: the International Sustainability Standards Board (ISSB) [recently announced](#) that it has commenced a standard-setting process on nature-related risks and opportunities (drawing on the resources created by the Taskforce on Nature-related Financial Disclosures (TNFD), for which RIAA is the Australasian Consultation Group Convenor) and plans to introduce incremental disclosure requirements on nature-related risks and opportunities not already explicitly reflected in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*.

At a time when both industry and global markets are demanding clarity, consistency and high-quality reporting, delaying this reform risks leaving Australia behind.

For more information, please contact me on the details below or Nayanisha Samarakoon, Head of Policy & Advocacy, at nayanisha@responsibleinvestment.org.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Estelle Parker', with a small period at the end.

Estelle Parker
Co-CEO
Responsible Investment Association Australasia
estellep@responsibleinvestment.org
+61 409 235 588

General comments

The current reporting architecture entrenches inefficiency and fails to future-proof

Australia's current reporting architecture is split across multiple bodies. This can create fragmentation, inefficiencies, and duplication. Key challenges of the status quo include:

1. Potentially inefficient use of government and regulated-entity resources

Maintaining separate bodies with overlapping mandates results in duplicated processes and unnecessary administrative burden for the public sector. This is particularly acute in sustainability reporting where, despite the increasing intersection of financial, audit and sustainability considerations, specific technical expertise distinct from traditional financial reporting is crucial.

2. Reduced capacity to respond to rapid global developments

International standard-setting, especially through the International Sustainability Standards Board (ISSB), is advancing quickly. Australia must be able to respond with speed, consistency, and coherence. The current system is not structured to coordinate cross-cutting reforms or integrate sustainability and financial reporting in a timely way.

3. Without a single body, coherence and connection across standards is at risk

Fragmentation leads to inconsistent treatment of sustainability and financial disclosures, undermining comparability for institutional investors and reducing Australia's competitiveness in attracting global capital.

4. Growing burden on entities navigating overlapping processes

Under the status quo, reporting entities face higher compliance costs due to misaligned reporting cycles, duplicative consultations, and inconsistencies in standard-setting approaches.

The proposed Bill balances the needs of sustainability reporting with those of existing financial reporting

Combining the AASB, AUASB and FRC into External Reporting Australia (ERA) under this reform presents a once-in-a-generation opportunity to design an integrated, coherent regulatory framework.

RIAA supports this reform as an amalgamated ERA because it:

- recognises that **sustainability-related risks directly influence financial information**. This may 'be through aspects such as asset impairment, provisions and liabilities related to environmental regulations or legal obligations, or valuation models where fair value measurements require adjusting to reflect the impact of climate-related risks on future cash flows;
- provides **stronger governance oversight** with a single Governance Council acting collectively;
- allows for the Governing Council to **reflect the broad expertise required** to oversee financial and sustainability reporting. This breadth of expertise on the Governance Council is a core governance strength and safeguards against undue influence. A range of experience and perspectives is widely accepted as underpinning of good governance. The Bill explicitly provides for this through section 227A(5) of the proposed Bill:

(5) Before appointing a person as a Council member, the Minister must have regard to the following:

...

(b) the principle that, so far as is practicable, the Governing Council should have an appropriate balance of expertise or experience in fields relevant to External Reporting Australia's functions.

- enables **more consistent development** of sustainability, auditing and financial reporting standards;
- ensures **flexibility** to develop emerging sustainability standards, including those relating to nature, climate and other sustainability-related risks; and
- positions Australia to compete globally and adapt to future international developments and avoid divergence that could impose unnecessary burden on business.

In addition, the proposed Bill requires decisions made by ERA to have regard to the public interest in ensuring appropriate and reliable financial interest information is accessible, drawing out key users of this information. RIAA in particular welcomes the specific reference to investors and creditors, which reflects the key users of these reports:

225A Functions and powers of External Reporting Australia

...

Manner of performing its functions

(5) External Reporting Australia must, so far as is practicable, perform its functions:

...

(d) with regard to the public interest in the accessibility of appropriate and reliable financial and other related information about private sector entities and public sector entities to stakeholders of those entities, particularly investors and creditors. (emphasis added)

Appropriate safeguards in place for Governing Council

RIAA considers that the safeguards in the proposed Bill are proportionate and appropriate. RIAA submits that:

- The Bill already includes **safeguards** relating to governance, managing conflicts of interest, and Ministerial oversight.
- Along with embedding a breadth of expertise in appointing the Governing Council, there is an expectation **the Governance Council acts collectively**. The broad-based skills in accounting, sustainability, auditing, and public interest considerations provide appropriate safeguards against undue influence.
- The Bill recognises that the **relative size and structure** of the Australian market is better reflected by governance safeguards that are structural and procedural, rather than those relating to eligibility and appointment.

RIAA supports the Bill's provisions which require that major powers – such as Ministerial directions or Governance Council determinations – be exercised via disallowable legislative instruments. This provides the necessary transparency, public consultation and Parliamentary oversight.

RIAA anticipates that once established, ERA (through its Governing Council as well as the required standard-setting bodies) will consult on its relevant procedures and guidance.

About RIAA

The Responsible Investment Association Australasia champions responsible investing and a sustainable financial system in Australia and Aotearoa New Zealand. It is dedicated to ensuring capital is aligned with achieving a healthy society, environment and economy.

