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Department of the Treasury
Financial Reporting Council

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Consultation on draft External Reporting Australia (Standard-setting Boards) Instrument 2026

The Australian Industry Greenhouse Network (AIGN) welcomes the opportunity to comment on proposed arrangements for the standard-setting boards to be established under the new body, External Reporting Australia (ERA).

About AIGN

AIGN is a network of industry associations and businesses representing a broad cross-section of the Australian economy, including major energy producers, energy users, manufacturers, resources companies and exporters. AIGN provides a forum for discussion on key climate change issues, international developments, and the role industry can play in the transition to net zero emissions by 2050.

Many AIGN members are subject to an extensive suite of Commonwealth and state-based climate, emissions, environmental and corporate reporting requirements, including Australia's mandatory climate-related financial disclosure framework. In line with these obligations, they have been closely engaged in the development and implementation of Australian sustainability reporting standards.

The proposed instrument establishes separate boards responsible for accounting standards, auditing and assurance standards, and sustainability standards. While AIGN is commenting specifically due to our members' interest in sustainability standards (including alignment with commensurate international standards and related domestic reporting frameworks), our feedback on governance arrangements could be applied to all standard-setting boards.

Balancing representation on standard-setting boards

Effective standard-setting requires significant technical expertise, a key source of which will necessarily be people with policy and technical expertise, employed in relevant fields, including in industry, with professional corporate experience in audit, assurance and advisory services.

AIGN supports that expertise being represented on ERA's standard-setting boards. Technical knowledge or professional specialisation should not, in itself, be regarded as a conflict of interest. Indeed, people with detailed experience in applying, interpreting and assuring particular standards can provide valuable insight into their operation.

At the same time, the governance framework should recognise that technical expertise can coexist with commercial or professional interests associated with the standards being developed. AIGN association members observe a similar dynamic when developing and representing policy positions with their own members, who are often commercial competitors.

Assurance providers operate commercially and charge reporting entities for the work required to provide assurance over disclosures. As a structural matter, greater complexity in reporting or assurance requirements can increase the amount of professional work required (and therefore the cost) to comply with these standards.

This is, effectively, a necessary potential conflict. To address it, standard-setting boards should include meaningful representation from entities required to implement and comply with the relevant standards.

In the case of reporting entities subject to Australian sustainability standards, they can provide on-the-ground expertise on establishing reporting systems and controls, collecting and verifying sustainability information, applying materiality judgements, integrating climate and financial information, obtaining external assurance and managing the cost and administrative implications of new requirements. This would complement input from assurance providers and end users to balance the reporting framework.

AIGN notes the explanatory statement appropriately provides that board members are expected to exercise their own views, experience and judgement and act in the public interest. This does not negate the value of having different kinds of practical experience around the table, so that both the assurance of standards and associated compliance impacts can be appropriately considered.

Board appointments should therefore seek a deliberate balance between those who develop, interpret or assure standards and those who must implement and report against them.

Addressing structural conflicts

AIGN notes the proposed arrangements requiring members to disclose material interests. The explanatory statement notes that section 231H of the Public Governance, Performance and Accountability Act requires relevant disclosures to be made to other board members, tabled at the next board meeting and recorded in the minutes, while section 2-6 of the instrument requires a copy to also be provided to the Governing Council.



These are appropriate safeguards, but they primarily address identifiable interests in particular matters. They do not address structural interests arising from a member's professional or commercial activities.

The explanatory statement notes that it is 'inherently very unlikely' that a board member would have a conflict of interest in a decision to issue a standard with broad application across the economy (p 5). This observation is made in the context of the voting arrangements for issuing standards and appears to contemplate conflicts arising from particular interests in individual decisions. AIGN's concern relates to broader professional and commercial interests associated with the complexity and assurance of standards, which can exist without necessarily giving rise to a material personal interest requiring a member to withdraw. This is why case-by-case disclosure and recusal arrangements should be complemented by balanced board composition.

Public register of board members' interests

The draft instrument requires boards to retain minutes, meeting papers and attendance records and generally make those records publicly available in a timely manner, although materials relating to closed meetings need not be published. The explanatory statement describes these provisions as supporting transparency around the standard-setting process.

AIGN recommends complementing these provisions by establishing a public register of interests for members of each ERA standard-setting board.

The register should identify relevant standing professional, commercial and organisational interests and be updated when material interests change. This would provide stakeholders with a clear and accessible picture of interests relevant to the development or amendment of standards.

A public register would also distinguish between the existence of an interest and the separate question of how that interest should be managed in relation to a particular matter. This would strengthen confidence in ERA's governance while recognising that the presence of an interest does not necessarily imply inappropriate conduct or require exclusion from the standard-setting process.

Consultation to complement board expertise

The proposed instrument appropriately requires the boards to undertake genuine and effective consultation, consider regulatory impacts, analyse impacts on affected entities and undertake cost-benefit analyses when developing standards.

AIGN supports these requirements. However, consultation with reporting entities should complement, rather than substitute, practical implementation expertise on the boards themselves. Direct experience from reporting entities will assist the boards in developing standards that can be applied and assured consistently and efficiently.



Conclusion

Thank you for the opportunity to provide input into the establishment of ERA's standard-setting boards.

AIGN supports governance arrangements for ERA's standard-setting boards that ensure balanced board composition, including meaningful representation from entities required to implement and comply with relevant standards. Professional expertise should be available to the boards while associated commercial and professional interests are transparently identified and appropriately managed. Practical implementation experience should inform standard-setting, alongside appropriate audit, assurance, investor and other technical expertise.

AIGN would welcome further engagement with Treasury and the FRC as board governance and appointment arrangements are finalised and implemented.

Kind regards,

Catherine Ellis | Chief Executive