



26 March 2026

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

By email: economics.sen@aph.gov.au

Dear Senator Darmanin

Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026

The Law Council of Australia thanks the Senate Economics Legislation Committee for the opportunity to comment on the *Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026* (the **Bill**).

In February 2025, the Law Council made a submission in response to the Treasury's January 2025 Discussion Paper *Positioning Australia's financial reporting system for the future: Designing a single, flexible standard setting body (2025 submission)*.¹ The present submission should be read in conjunction with our 2025 submission.

The 2025 submission, while noting support for a 'climate first' financial reporting strategy, encouraged Treasury to consider a broader conception of 'sustainability' in designing a new standard-setting oversight body to replace the Financial Reporting Council, the Australian Accounting Standards Board, and the Auditing and Assurance Standards Board.

The *Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026* would create External Reporting Australia (**ERA**), which would be responsible for accounting, assurance and sustainability standards in future.² Among other things, it would establish a standalone, specialist board to develop and maintain standards for sustainability.³ The Assistant Treasurer and Minister for Financial Services, on introducing the Bill, stated:

It will put in place a durable framework that allows us to respond quickly and effectively to changes in reporting standards here and overseas, including setting new standards as the system evolves ...

¹ Law Council of Australia, [Public Consultation—Positioning Australia's financial reporting system for the future](#) (Submission, 26 February 2025).

² Explanatory Memorandum, *Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026*, 5.

³ Commonwealth, *Parliamentary Debates*, House of Representatives, 12 February 2026 (Minister Mulino Second Reading Speech).

The legislation strengthens the existing system by better positioning it to respond to emerging developments both locally and internationally.⁴

The Law Council acknowledges the flexibility in the design of ERA, including in relation to sustainability standard-setting.

In particular, we are encouraged that the Bill provides for additional issues to be taken into account in developing new standards (see e.g. proposed subsections 225A(2) and (3)) and appointing new members to standard-setting boards (e.g. in proposed paragraph 231(4)(i)). We also welcome the reference to monitoring the development of international standards reflected in proposed section 225A.

However, we do not believe that this Bill adequately reflects a contemporary definition of sustainability, as described in our 2025 submission to Treasury. It is vital that the 'social' pillar of Environmental, Social and Governance (**ESG**) reporting not be neglected, and that the use of the term 'sustainability' encompasses, for example, human rights (including workers' rights).⁵ The impact of business operations on human rights is reflected in legislation such as the *Modern Slavery Act 2018* (Cth), but that Act does not cover other human rights impacts, which are often linked to environmental impacts, and are equally important.⁶

As noted in our 2025 submission, expanding financial reporting standards to encompass human rights impacts would involve a significant expansion of the reporting regime, and public consultation and reasonably transition periods would be necessary to achieve it.⁷

Nevertheless, the inclusion of human rights subject matter expertise in the list in proposed subsection 231(4), in addition to general law and sustainability expertise in proposed paragraphs 231(4)(c) and (g), would be a good step towards the goal of an up-to-date conception of sustainability encompassing all three pillars of ESG.

If the Law Council can be of any further assistance, please contact Dr Adam Fletcher, Senior Policy Lawyer at first instance at [REDACTED] or on [REDACTED]

Yours sincerely

[REDACTED]
Tania Wolff
President

⁴ Ibid.

⁵ See e.g. PwC, [ESG reporting and preparation of a Sustainability Report](#) (Web resource that includes social as well as environmental and governance reporting). See also the EU [Corporate Sustainability Reporting Directive](#) (CSRD) (formally the *Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting*).

⁶ See e.g. UN Global Compact, [Climate Change & Human Rights](#) (Web resource).

⁷ Law Council of Australia, [2025 Submission](#), 2.