

16 November 2024

Doug Niven
Chair and CEO
Auditing and Assurance Standards Board (AUASB)
PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA

Submitted online via AUASB website.

Dear Mr Niven,

[Proposed Australian Standard on Sustainability Assurance ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001.](#)

About ACSI

Established in 2001, ACSI exists to provide a strong voice on financially material environmental, social and governance (ESG) issues. Our members include Australian and international asset owners and institutional investors with more than \$1.9 trillion in funds under management.

Through our research, engagement, advocacy and voting recommendations, ACSI supports members in exercising active ownership, which enhances the long-term value of the retirement savings entrusted to them to manage. ACSI members can achieve value for their beneficiaries through genuine and permanent improvements to the ESG practices of the companies in which they invest. ACSI's members will be both users and preparers of sustainability reports made under the Corporations Act 2001.

Summary of ACSI's position

ACSI welcomes the release of the Auditing and Assurance Standards Board (AUASB) Exposure Draft ED 02/24 Proposed Australian Standard on Sustainability Assurance ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* ('Exposure Draft').

We strongly support the introduction of mandatory climate-related financial reporting, its proposed timeframe and phased implementation. Climate change represents a material financial risk that is deeply embedded across the economy. Mandating the disclosure of climate-change related information assists investors' investment analysis, risk assessment, stewardship activities and due diligence processes.

The comments in this submission relate to assurance only and aim to support a full and careful consideration of end-state arrangements. ACSI supports the staged introduction of targeted sustainability audit requirements to accompany mandatory climate disclosures. We agree with the AUASB that the phasing of assurance requirements should reflect the "likely maturity of entity systems, processes and information sources...[and the] likely ability of auditors and their experts to

meet that demand.”¹ ACSI considers that it would be beneficial to hold an additional consultation on appropriate end-state requirements in addition to the phasing timeline. This would provide the market with an opportunity to consider market and reporter readiness in the context of both phasing and end-state requirements.

End-state assurance

The definition of end-state assurance in the Exposure Draft is set out in the legislation. However public statements on the policy intent for introducing a mandatory climate reporting framework suggest that a consultation on end-state assurance requirements would be useful. Examples of this commentary include:

- 1) **Open-ended commentary on end-state assurance.** The Explanatory Memorandum for the *Treasury Laws Amendment (Financial Market Infrastructure And Other Measures) Act 2024* states that, “[t]he extent and level of assurance required will be set out in Australian assurance standards for climate disclosures...”²
- 2) **Alignment with international assurance requirements.** The *Treasury Policy position statement on Mandatory climate-related financial disclosures (Policy Statement)* advocates for an “internationally aligned and credible climate disclosure regime.”³ As outlined in ACSI’s [submission](#) to the AUASB’s first consultation on sustainability assurance arrangements, the phasing model and end-state assurance presented in the Exposure Draft does not appear to be aligned to international arrangements where, if they are in place, are generally limited to emissions reporting.⁴

ACSI recommends that market views be sought⁵ on the optimal arrangements for end-state assurance. This would allow careful consideration of market readiness of reporters and auditors, as well as the areas of reporting that are of value to users of reporting.

Phasing model

The Exposure Draft requests comments on whether “the audit and review requirements...are appropriate taking into account: their relative importance of assurance to users of this information, their interconnectivity, the likely cost of assurance and the readiness of Group 1, 2 and 3 entities’ systems and processes.” (p.7). ACSI agrees that it is important to take all three elements into account when designing an assurance regime. However, it is unclear how feedback on the phasing model can be properly considered and incorporated when possibilities for assurance phasing are restricted by the current requirement that end-state assurance is reasonable assurance over the entire sustainability report. It would be beneficial to consider the end-state and the phasing model together to support the design of optimal phasing model and end-state arrangements.

We agree that market maturity and an understanding of what investors and other users of reporting value in terms of assurances are important considerations. In addition, we recommend that the current experience of those having voluntary climate reporting assured be considered.

International experience may also provide useful context. For example, the UK, where mandatory TCFD reporting has been in place since 2022, has begun consultation on the appropriate levels of assurance. They are now seeking market views on the ability to meet demand, the investment

¹ [Exposure Draft](#), p.5.

² [Federal Register of Legislation - Treasury Laws Amendment \(Financial Market Infrastructure and Other Measures\) Act 2024](#)

³ [Mandatory climate-related financial disclosures - Policy position statement](#)

⁴ [FRC publishes emerging findings from sustainability assurance market study](#)

⁵ Consultation may need to involve Commonwealth Treasury.

required within both audit providers and companies. We recommend similar consultation here, that encompasses both end-state requirements as well as appropriate phase-in.⁶

I trust our comments are of assistance. Please contact me or Kate Griffiths, Executive Manager Policy and Research (kgriffiths@acsi.org.au), should you require any further information.

Yours faithfully,



Louise Davidson AM
Chief Executive Officer
Australian Council of Superannuation Investors

⁶ [Assurance of Sustainability Reporting Market Study](#)