

3 May 2024



Auditing and Assurance Standards Board
PO Box 204
Collins St West VIC 8007

Sub 16 CP-Climate and Sustainability

To whom it concerns,

SUBMISSION – ASSURANCE OVER CLIMATE AND OTHER SUSTAINABILITY INFORMATION

The Chamber of Minerals and Energy of Western Australia (CME) is the peak representative body for the resources sector in Western Australia. CME is funded by member companies responsible for 20 per cent of Australia's corporate income tax receipts in 2022-23.¹

In 2022-23, the WA resources sector accounted for 65 per cent of Australia's resources exports,² half of Australia's resources capital expenditure³ and 53 per cent of Australian resources employment.⁴

CME welcomes the opportunity to provide feedback to the Auditing and Assurance Standards Board (AUASB) on the consultation paper on Assurance over Climate and Other Sustainability Information.

While CME supports the introduction of a standardised regime for climate-related financial disclosures (CRFD) to assist investor decision-making, the new legislation and associated assurance requirements will create significant regulatory burden on a large group of organisations in Australia, a significant portion of which are in Western Australia. Additionally, CME members have highlighted that limited availability of auditors and assurers is expected to create a bottleneck in supply, as well as present a significant risk of non-compliance if supply is insufficient. CME believes that AUASB has an opportunity to ease the regulatory burden and assurance supply constraints while maintaining the value of disclosure through the delivery of considered and sensible assurance guidelines.

In preparing this letter, CME has sought feedback from member companies on the consultation material, as well as reiterating recommendations made in submissions to earlier consultations conducted by the Australian Treasury on the Mandatory Climate-Related Financial Disclosures scheme. **Overall, CME's key recommendation is that the assurance phasing model within the proposed assurance standard needs to be carefully designed to give future reporters sufficient time to establish internal systems and develop reporting capabilities required by the new reporting scheme.**

Assurance phasing model should be revised to reflect reporting and assurance challenges of CRFD reports.

CRFD introduced by the Australian Government in 2024 significantly increase the reporting requirements for companies compared to current requirements. As acknowledged in the consultation paper, reporting companies will need time to prepare for reporting by developing capacity in specialised expertise, such as science-based climate scenario analysis and scope 3 emissions assessment. Most companies captured by CRFD reporting criteria do not yet make voluntary reports, meaning that almost all elements of CRFD will require internal capacity development (besides scope 1 and 2 emissions reported under the National Greenhouse and Energy Reporting scheme). Knowledge and expertise required for CRFD is significant; from climate science and scenario analysis to climate resilience, adaptation strategies and emissions calculation and estimation methods.

The substantial increase in disclosable information from CRFD has significant implications on the data collection, management, and assessment requirements for reporters. The systems and applications required to support an adequate audit trail to satisfy reasonable assurance requirements in climate-related data are not trivial and will continually evolve in efficacy and cost. To meet reporting and audit requirements, many

¹ Includes company tax, fringe benefits tax, petroleum resource rent tax and excise duty. Commonwealth of Australia, [Final Budget Outcome 2022-23](#), The Treasury, 22 September 2023, Note 3: Taxation revenue by type, p 39.

² Government of Western Australia, [2022-23 Economic Indicators Resource Data File](#), Department of Energy, Mines, Industry Regulation and Safety (DEMIRS), 9 January 2024. Australian Bureau of Statistics (ABS), [5368 International Trade in Goods](#), Table 32a.

³ Investment refers to capital expenditure as measured by gross fixed capital formation, current prices. ABS, [5220 Australian National Accounts: State Accounts](#), Table 25. ABS, [5206 Australian National Accounts: National Income, Expenditure and Product](#), Table 34.

⁴ ABS, [6291 Labour Force, Australia, Detailed](#), Table 5.

companies must implement new data collection and management systems and train personnel in new systems. As with any major organisational change, CME members anticipate that implementing new data systems will carry significant timeframes and costs. These additional data requirements compound the already challenging task of preparing for CRFD.

CME members have raised concerns that the level of reasonable assurance cannot be achieved for some categories of CRFD reports due to technical limitations or emerging assessment practices. For example, it may be impossible to ensure that forward-looking assessments of climate risk and opportunity are complete and accurate. In addition, estimation methodologies for scope 3 emissions assessment are evolving and emerging, and vary significantly from business to business based on materiality.

Taking into consideration the capacity development requirements and data management requirements of reporting entities, along with assurance constraints for some categories of reports, CME recommends that the sample assurance phasing model presented in Attachment 1 of the consultation paper be adjusted to support better disclosures and business needs. CME supports the following approaches to phased introductions of reporting and assurance:

- Ease the level of assurance required from reasonable assurance to limited assurance, especially for categories for which reasonable assurance is not feasible.
- Allow partial reporting in early years to reflect the ongoing development of reporting capacity for companies
- Simplify the assurance phasing model by stating that a minimum level of limited assurance will be required after the first year of reporting, and reasonable assurance will be required for all reporting categories by no later than fourth year of reporting, or the year commencing 1 July 2030, whichever is sooner.
- At a minimum, introduce the same staged phasing for Group 2 and 3 reporters as Group 1 reporters to recognise the reporting burden facing small to medium enterprises (SMEs).

Constrained supply and quality of assurance services should trigger a revision of the standard

CME has heard from members that CRFD and associated assurance requirements will create significant pressure on available audit and assurance services. The first year of reporting (calendar year 2025) alone will create increased demand on assurance services, with the demand increasing significantly as Group 2 and 3 entities are captured, and the level of assurance required by all reporting entities increases over time. Due to an anticipated bottleneck on the supply of assurance services, the mandatory nature of assurance, and a market dominated by major accounting firms, reporting entities face a significant risk of inflated service costs. Further, CME members are concerned that existing audit and assurance providers may not be sufficiently qualified to audit climate specific information. CRFD reports will contain more than financial information, and reliable assurance of such information demands a high level of climate literacy and competency. To produce valuable and accurate disclosures, it is critical that auditors are equipped with the knowledge and expertise to perform assurance to a reasonable level. In addition to CME's recommendations relating to the phasing model of assurance requirements (see below), CME recommends a review of the qualified professionals permitted to conduct assurance on CRFD reports. Broadening the scope of audit to climate, energy, and science professionals will alleviate supply constraints in relation to assurance services, enhance multi-disciplinary collaboration between professionals, and increase the competitiveness of the market (thus moderating costs for reporters). CME also recommends collaboration between AUASB, the Australian Accounting Standards Board (AASB), and relevant audit and assurance training organisations to ensure a workforce with appropriate skills and expertise is available to meet the forecast increased demand.

Finally, CME notes there may be calls from some stakeholders to accelerate assurance timelines to expedite value for investors which may also be reflective of business development objectives. To reiterate, CME supports attracting investment with transparent and valuable disclosures, but argues this must be balanced with the time required for businesses to adapt to new reporting requirements. CME recommends that all feedback and perspectives on this consultation are carefully and critically assessed, recognising that any move to accelerate audit and assurance requirements would increase demand for audit services which are already anticipated to be in short supply.

Conclusion

CME values the opportunity to provide feedback to AUASB on the development of an assurance framework for climate and other sustainability disclosures. CME considers it important to strike a balance between

delivering value for investors and attracting investment to Australian industries, while supporting reporting entities to adjust to new and significant reporting requirements. CME hope that the feedback provided in this supports the delivery of a sensible and effective assurance regime for CRFD reports.

If you would like to discuss the matters raised in this submission, or require any further information, please contact Anita Logiudice on 0448 468 632 or via email at A.logiudice@cmewa.com.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Adrienne LaBombard', written in a cursive style.

Adrienne LaBombard
Director – Policy & Advocacy