

March~~April~~ 2024

# Consultation Paper

## Assurance over Climate and Other Sustainability Information

Issued by the **Office of the Auditing and Assurance Standards Board**

Comments are requested to the AUASB by 3 May 2024

Revised 4 April 2024 following the announcement on 27 March 2024 of a revised proposed first year for mandatory climate reporting by Group 1 entities.



**Australian Government**

**Auditing and Assurance Standards Board**



## How to Comment on this AUASB Consultation Paper

The AUASB is seeking comment by 3 May 2024.

Submissions should be sent to the Office of the AUASB either electronically as a PDF document (and, if possible, a Word document - for internal use only), as an email or via post to the contact details below. Submissions from all types of stakeholders are welcomed and may be provided via the following methods:

E-mail: enquiries@auasb.gov.au  
Phone: (03) 8080 7400  
Mail: PO Box 204, Collins St West, VIC 8007

All submissions on possible, proposed or existing auditing and assurance requirements, or on the standard-setting process, will be placed on the public record unless the Chair of the AUASB agrees to submissions being treated as confidential. The latter will occur only if the public interest warrants such treatment.

## Obtaining a Copy of this Consultation Paper

This Consultation Paper is available on the Auditing and Assurance Standards Board (AUASB) website: [www.auasb.gov.au](http://www.auasb.gov.au), or via the contact details above.

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### *Important Note and Disclaimer*

This Consultation Paper is issued by the AUASB to gather views from stakeholders regarding the development of assurance pronouncements for climate and other sustainability disclosures.

This Consultation Paper seeks feedback that will assist the AUASB in developing proposals for new pronouncements but the document itself does not establish or extend the requirements under existing AUASB Standards and is not intended to be a substitute for compliance with the relevant AUASB Standards with which auditors and assurance practitioners are required to comply when conducting an audit or other assurance engagement. No responsibility is taken for the results of actions or omissions to act on the basis of any information contained in this document or for any errors or omissions in it.



## Table of Contents

<b>Introduction</b> .....	4
<b>The Objective of this Consultation Paper</b> .....	5
<b>Request for Comments</b> .....	5
<b>Part I – Demand for Assurance and Ability to Meet that Demand</b> .....	7
<b>Part II – Adoption of ISSA 5000 <i>General Requirements for Sustainability Assurance Engagements</i></b> .....	11
<b>Part III – Possible Local Pronouncement</b> .....	13
<b>Next Steps</b> .....	19
<b>ATTACHMENT 1 – Possible Assurance Phasing</b> .....	20
<b>ATTACHMENT 2 – Possible Matters for Local Pronouncement</b> .....	23



## CONSULTATION PAPER

### *Assurance over Climate and Other Sustainability Information*

#### Introduction

1. On 12 January 2024 the Australian Government released its [Policy Position Statement](#) for the introduction of requirements for the reporting and assurance over climate-related financial information in the annual reports of certain Australian entities that prepare and lodge financial reports under Chapter 2M of the *Corporations Act 2001* (Corporations Act).
2. The Government policy includes phased implementation of reporting and assurance on climate-related information for three groups of entities that prepare and lodge annual reports under Chapter 2M. Group 1 will be the first group subject to mandatory reporting, followed by Group 2 and then Group 3. Whether entities are in Group 1, 2 or 3 is based on size criteria or any National Greenhouse and Energy Reporting obligations.
3. The Treasury released draft legislation to give effect to the Government's policy for comment by 9 February 2024. ~~This draft legislation contained~~ [Legislation was introduced into Parliament on 27 March 2024 \(see Treasury Laws Amendment \(Financial Market Infrastructure and Other Measures\) Bill 2024\)](#). [This legislation contains](#) proposed amendments to the Corporations Act and the *Australian Securities and Investment Commission Act 2001* (ASIC Act). The amendments would require climate reporting in a sustainability report accompanying the financial report in accordance with sustainability standards made by the Australian Accounting Standards Board (AASB). The amendments would also require assurance by the auditor of the financial report on the information in sustainability reports in accordance with auditing standards made by the Auditing and Assurance Standards Board (AUASB).
4. Proposed AASB standards were on exposure for comment until 1 March 2024 (see AASB Exposure Draft [ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information](#)).
5. The Government's Policy Position Statement indicates that entities will be required to obtain an assurance report from their financial auditors who will use technical climate and sustainability experts where required. Who provides assurance is a matter of Government Policy and we are not seeking feedback on this aspect through this Consultation Paper.
6. The Policy Position Statement indicates that the AUASB:
  - a) will develop assurance standards in line with the IAASB's final standard;
  - b) may provide standards or guidance under the local sustainability reporting framework; and
  - c) will set out a pathway for phasing in assurance requirements over time that will be given effect through an auditing standard having the force of law under the Corporations Act.



**Consultation Paper**  
**Assurance over Climate and Other Sustainability Information**

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7. Entities may choose to make climate disclosures and/or obtain assurance for earlier financial years than would be required by legislation, AASB standards and AUASB standards. Entities may also choose to voluntarily disclose additional climate or other sustainability information.
8. This Consultation Paper has been prepared based on the Government's Policy Position Statement and proposed legislation. The AUASB will take into account any changes to the proposed legislation in developing any assurance pronouncements.

## **The Objective of this Consultation Paper**

9. The objective of this Consultation Paper is to seek high-level information feedback from auditors, experts, directors, preparers and users on the following:
  - a) To assist us in developing a proposed phasing model for consultation in an exposure draft:
    - i. The likely demand from users and directors for assurance over climate-related financial information in annual reports of entities in each of Groups 1, 2 and 3;
    - ii. The likely maturity of entity systems, process and information sources, including availability of any necessary assurance over information from value chains; and
    - iii. The likely ability of auditors and their experts to meet that demand.
  - b) Subject to seeing the final standard, a proposal to adopt the standard on assurance over sustainability information being developed by the International Auditing and Assurance Standards Board (ISSA 5000 *General Requirements for Sustainability Assurance Engagements* (ISSA 5000)). The standard would be reporting framework and assurance practitioner neutral. It is proposed to apply the standard in Australia for both mandatory and voluntary assurance over climate-related information required under standards being developed by the AASB and the voluntary reporting of other climate and sustainability information.
  - c) The possible development of an Australian assurance pronouncement to supplement ISSA 5000 on matters specific to the Australian reporting framework.

## **Request for Comments**

10. The purpose of this Consultation Paper is to gather high-level information and feedback from a range of interested parties to assist the AUASB in developing a possible exposure draft of an assurance pronouncement. This Consultation Paper is open for comment for a 6-week period. It is intended that any exposure draft will be released in July or August 2024 for a longer consultation period with the objective of issuing an assurance pronouncement by the end of 2024.
11. The AUASB is interested in views or suggestions from a broad range of stakeholders including audit and assurance practitioners, preparers and users of climate-related financial disclosures (e.g. investors) and other sustainability information, regulators and academics.



**Consultation Paper**  
**Assurance over Climate and Other Sustainability Information**

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12. Please provide responses to the questions contained in this Consultation Paper and include the rationale for the responses provided where appropriate. It is not necessary to respond to all questions.
  
13. Comments are requested by 3 May 2024. Respondents are asked to submit their comments electronically through our website ([www.auasb.gov.au/projects/open-for-comment/](http://www.auasb.gov.au/projects/open-for-comment/)). Please submit comments in both PDF and Word formats.



## Part I – Demand for Assurance and Ability to Meet that Demand

### Background

14. The AUASB is seeking information to assist in developing a proposed model for the phasing of mandatory assurance over mandatory climate information in annual reports. The proposed model will be subject to further consultation in an exposure draft.
15. Respondents to Treasury’s [first](#) and [second](#) Consultation Papers on climate-related financial disclosures provided feedback that assurance is important and necessary to enhance the credibility of such information. Directors and users expressed a desire for reasonable assurance as soon as possible.<sup>1</sup> Directors, users and others recognised that assurance requirements should be phased in over time to allow capability and capacity uplift by auditors and their experts, and for preparers to develop and implement appropriate systems and controls.
16. In order to understand the likely future demand for assurance and expected ability of auditors and their experts to meet that demand, the AUASB has undertaken the following preliminary work:
  - a) Obtained information informally from larger auditing firms on the likely future demand for assurance for Group 1 and Group 2 entities and the expected ability to meet that demand;
  - b) Obtained data from a number of external sources on the population of entities in Groups 1, 2 and 3;
  - c) Reviewed submissions to Treasury’s First and Second Consultation Papers; and
  - d) Sought to understand academic research on the current level of assurance over climate-related financial disclosures in Australia (see [AUASB Research Report 10](#)).
17. Feedback on this Consultation Paper, feedback from upcoming AUASB roundtables, and further analysis of data will further inform the AUASB on the likely future demand for assurance and the expected ability of auditors and their experts to meet that demand.

### Levels of Assurance

18. Reasonable assurance provides a higher degree of confidence that information disclosed is not materially misstated than limited assurance.
19. With reasonable assurance, the auditor expresses an opinion as to whether information disclosed complies with the reporting requirements. With limited assurance, the auditor reports on whether anything has come to their attention that causes them to believe the information disclosed does not comply with the reporting requirements. The procedures performed by the auditor for limited assurance may be narrower in scope than the procedures performed for reasonable assurance.

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<sup>1</sup> See, for example, submissions by [The Australian Institute of Company Directors](#) and [The Investor Group on Climate Change](#).



**Consultation Paper**  
**Assurance over Climate and Other Sustainability Information**

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20. Irrespective of whether limited and reasonable assurance is required, where a material misstatement is identified and remains uncorrected, the auditor modifies their report accordingly. Matters such as significant limitations on scope would also need to be reported.
21. The work performed by the auditor increases if inherent risks are identified, systems and processes are not sufficiently reliable, internal controls cannot be relied upon, or issues are identified and the auditor needs to review corrected information. The work effort in these circumstances for limited assurance could be similar to that for reasonable assurance.

**Possible Assurance Phasing Model**

22. We recognise that it can be difficult for auditors, preparers, users and others to provide feedback on the demand and supply questions without reference to a possible phasing model. For example, auditors may be better placed to indicate whether or not they could resource assurance under a possible model and identify any pressure points.
23. A possible assurance phasing model for Group 1, 2 and 3 entities is presented in Attachment 1 to this Consultation Paper. This possible phasing model is presented solely to facilitate feedback on the likely demand for assurance, the preparedness of audited entities, and the ability of auditors and their experts to meet the likely demand. The model is not a proposal by the AUASB. The information provided on demand and ability to meet the demand will assist the AUASB in developing a proposal for consultation through an exposure draft of an auditing standard to be issued in July or August 2024.
24. The final phasing model will be given legal effect through an auditing standard having the force of law under the Corporations Act. Entities may choose to obtain assurance at a higher level, on additional information and for earlier years than is specified in that final model.
25. The possible assurance phasing model is a means of collecting information and any model proposed by the AUASB in a later exposure draft may differ. The following considerations may assist in understanding how the possible model has been constructed and facilitate feedback on demand and supply considerations:
  - a) The Government's Policy Proposal Statement specifies that assurance starts with limited assurance on disclosures of Scope 1 and 2 emissions from financial years commencing 1 ~~July 2024~~ January 2025 for Group 1 entities. Reasonable assurance will be required over all mandatory climate disclosures made by an entity from financial years commencing 1 July 2030.
  - b) Scope 1 and 2 emission intensity determination pursuant to section 17 of the Safeguard Mechanism Rule are already subject to reasonable assurance under the National Greenhouse and Energy Reporting Scheme, albeit using different criteria for determining group entities covered.
  - c) It may be practical to move to reasonable assurance earlier for disclosures that are matters of fact and based on historical information than for disclosures that may involve forward looking information or assumptions.





**Consultation Paper**  
**Assurance over Climate and Other Sustainability Information**

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- d) The disclosure of mandated industry-based metrics is not required until years commencing 1 July 2030 (see the Government’s Policy Position Statement).
- e) Governance could be subject to reasonable assurance earlier because governance is important to climate-related matters that are the subject of disclosure. The work effort between limited and reasonable assurance might not be significantly different.
- f) The phasing of assurance over disclosures of strategy, risk assessment, transition metrics, targets, quantitative scenario analysis and transition plans could be consistent as these matters are interrelated. Scope 3 emissions and strategy can be important inputs into matters such as scenario analysis and transition plans. Scope 3 emissions would be required to be disclosed from the second year of mandatory reporting for an entity (see the Government’s Policy Position Statement).
- g) While quantitative scenario analysis is not required to be disclosed until years commencing 1 July 2027 (see the Government’s Policy Position Statement), entities may develop this analysis earlier and the disclosures could be subject to reasonable assurance from the first year of mandatory reporting.
- h) Year 1 assurance requirements for Group 2 entities should commence with the same settings as year 2 for Group 1 entities. This is because entities and auditors would have an additional two years to prepare.
- i) Group 3 entities could have similar phasing to Group 2 entities but commencing one year later.

*Monitoring and Review*

- 26. The Government’s Policy Proposal Paper says that a Treasury led review of the climate disclosure requirements will take place in 2028/9.
- 27. The AUASB will monitor implementation experience on an ongoing basis.
- 28. The merger of the Financial Reporting Council, AASB and AUASB is proposed to take effect on 1 July 2026.<sup>2</sup> The AUASB suggests that its successor conduct a review in late 2026 of the assurance phasing. Such a review would be after two years of reporting and assurance for Group 1 entities with June financial year ends. Such a review might indicate whether refinements to the assurance phasing are necessary.

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<sup>2</sup> See [Streamlining financial reporting architecture](#).



**Consultation Paper**  
**Assurance over Climate and Other Sustainability Information**

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**Questions**

1. Consideration should be given to the relative importance of each type of disclosure and the cost of assurance over that information. In that context, do you believe that limited assurance or reasonable assurance should be required earlier or later for any disclosures in the possible assurance phasing model in Attachment 1? Please provide reasons.
2. We are seeking information on the expected ability of audit firms to resource assurance engagements using partners and staff with appropriate competence, skills expertise, as well as their own internal or external experts. If you are an auditor, do you consider the possible assurance phasing in Attachment 1 could be adequately resourced by your audit firm for entities whose financial reports are audited by your firm? If not, please identify any pressure points in the model and reasons.
3. Do you consider that the systems and processes of entities in Groups 1, 2 and 3 will be developed, implemented and sufficiently reliable to facilitate the assurance processes as outlined in the possible assurance phasing model in Attachment 1?



## Part II – Adoption of ISSA 5000 *General Requirements for Sustainability Assurance Engagements*

### Background

29. The IAASB expects to finalise a standard on assurance over sustainability information (ISSA 5000 *General Requirements for Sustainability Assurance Engagements*) in September 2024. The standard would be neutral as to the reporting framework for sustainability information. ISSA 5000 would also be neutral as to whether the auditor of the financial report or another practitioner provides assurance over the sustainability information accompanying a financial report.
30. The AUASB seeks feedback on its proposal to adopt the final ISSA 5000 in full for mandatory and voluntary assurance, subject to seeing the final standard.
31. It is proposed that the Australian equivalent of ISSA 5000 would apply to assurance over:
- a) For climate disclosures under the final AASB reporting framework:
    - i. Assurance mandated by the final phasing model developed by the AUASB;
    - ii. Any earlier voluntary assurance or adoption of reasonable assurance than mandated by AUASB’s assurance phasing model; and
  - b) Voluntary assurance over any other sustainability information in annual or other reports, including climate disclosures that are not required by the final AASB reporting framework.
32. It is proposed that the assurance phasing would appear in a local pronouncement that would supplement the Australian equivalent of ISSA 5000. That local pronouncement may cover other assurance matters under the Australian reporting framework (see Part III below).
33. ISSA 5000 applies to information reported on any sustainability topic and prepared under any sustainability reporting framework. It can also be used by both financial auditors and other assurance practitioners.
34. The Government’s Policy Position Statement says the financial auditor will audit the climate-related financial disclosures in sustainability reports for the purposes of the Corporations Act. It will be important to emphasise the importance of the competency of the audit engagement partner and the need for the auditor to use their own experts (internal or external).
35. Guidance in a local pronouncement could identify parts of ISSA 5000 that may not be relevant to assurance over information under the mandatory climate disclosure reporting in Australia. Identifying any such matters would not result in any amendments to, or departure from, ISSA 5000. Examples might include:
- a) The Government’s Policy Position Statement says that the financial auditor will give the required assurance over mandatory climate information under the Corporations Act.



**Consultation Paper**  
**Assurance over Climate and Other Sustainability Information**

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Financial auditors would already comply with ASQM 1 and the Code of Ethics.<sup>3</sup> Hence, how to apply the test in the requirement in the proposed ISSA 5000 to comply with standards “at least as demanding as” ASQM 1 and the Code of Ethics would not be relevant for engagements under the Corporations Act, if the proposed amendments to the Act are made;

- b) The guidance in ISSA 5000 on assurance under the GRI/European models and double materiality when assurance is only given on information disclosed under the AASB’s mandatory reporting framework; and
- c) Pre-acceptance procedures would not be relevant for public sector entities that are required to be audited by an Auditor-General.<sup>4</sup>

**Questions**

- 4. Do you agree that, subject to seeing the final standard, ISSA 5000 should apply to assurance over:
  - a) For climate disclosures under the Australian reporting framework;
    - i. Assurance mandated by the final phasing model developed by the AUASB; and
    - ii. Any earlier voluntary assurance or adoption of reasonable assurance than mandated by the AUASB’s assurance phasing; and
  - b) Voluntary assurance over any other sustainability information in annual or other periodic reports, including climate disclosures that are not required by the final AASB reporting framework.
- 5. Should any parts of ISSA 5000 that may not be relevant to assurance of disclosures under the mandatory climate reporting framework in Australia be identified in guidance in a local pronouncement?
- 6. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed equivalent of ISSA 5000?
- 7. Are there principles and practices considered appropriate in maintaining or improving assurance quality in Australia that may, or do, prevent or impede the application of the proposed equivalent of ISSA 5000, or may conflict with the proposed standard?

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<sup>3</sup> ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagement* and APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

<sup>4</sup> Consistent with similar requirements for audits of financial reports in the public sector, as described in [GS 023 Special Considerations - Public Sector Engagements](#).



## Part III – Possible Local Pronouncement

36. The Government’s Policy Position Statement says that the AUASB may issue Australian specific standards or guidance under the local sustainability reporting framework.
37. Feedback on this Consultation Paper will assist the AUASB in considering whether to develop a local pronouncement and what matters should be covered in such a pronouncement. In particular, feedback is sought on the matters listed in Attachment 2 to this Consultation Paper, including feedback as to any additional matters identified by auditors and others.

### *Feedback on Previous Consultation Paper*

38. In August 2023 the AUASB issued the [Consultation Paper General Requirements for Sustainability Assurance Engagements](#) as a ‘wrap around’ to the IAASB’s exposure draft of the proposed ISSA 5000. Because the proposed ISSA 5000 would be reporting framework neutral, Attachment 1 to that Consultation Paper included the following Australian specific questions:
- “Aus 3 Proposed ISSA 5000 is neutral as to the disclosure framework. Should the AUASB develop guidance on applying the proposed assurance standard in the context of the upcoming Australian Accounting Standards Board climate disclosure framework? Are there any other topics, aspects of topics or elements of an assurance engagement that stakeholders would like the AUASB to issue guidance on? If yes, please provide specific details.
- Aus 4 While Appendix 2 of Proposed ISSA 5000 provides illustrations of assurance reports on sustainability information, should an Australian specific assurance opinion be developed?
- Aus 5 Do stakeholders foresee any implementation issues regarding Proposed ISSA 5000 in the context of the proposed assurance requirements as being discussed through the recent Treasury Consultation Paper?”
39. All respondents to question Aus 3 were of the view that the AUASB should develop local material. Some of the suggested topics included:
- a) Applying ISSA 5000 in the context of the AASB climate reporting framework;
  - b) Illustrative examples of Australian specific assurance reports, including modifications; and
  - c) Further guidance on specific elements of ISSA 5000 - for example, materiality, fraud, non-fraud greenwashing, limited assurance versus reasonable assurance, the use of experts, groups and consolidated information, and estimates and forward-looking information.
40. This was consistent with feedback received at three roundtables held in October 2023.



**Consultation Paper**  
**Assurance over Climate and Other Sustainability Information**

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*Considerations*

41. The audit of financial reports is well-established, there is a significant body of auditing standards, firms may have methodologies, education and training is readily available, and many individual practitioners have substantial practical experience. In contrast, assurance over sustainability information is a relatively new area.
42. The final ISSA 5000 will provide a global baseline standard. It will be both practitioner and reporting framework neutral.
43. The AUASB is consulting further on whether to develop a local pronouncement that would build on ISSA 5000 to assist auditors in the relatively new area of assurance over climate and sustainability information under the Australian reporting framework. In particular, the AUASB is interested in whether circumstances have changed since feedback supporting the development of a local pronouncement was received in the second half of 2023.
44. A preliminary list of assurance matters identified under the Australian reporting framework that might be covered in a possible local pronouncement appears in Attachment 2 to this paper. The AUASB is also seeking feedback on whether the matters listed should be considered when developing any exposure draft for a local pronouncement and whether there are any other matters that should be considered.
45. Reasons to develop a local pronouncement may include:
  - a) Promoting audit quality and supporting confidence of investors and others seeking reliable climate information;
  - b) Creating certainty for practitioners in the approach to matters arising under the Australian reporting framework; and
  - c) Promoting a consistent approach to matters arising across audit firms, as well as supporting a consistent understanding between auditors, experts, preparers, users, regulators and others.
46. Any local pronouncement would be subject to a cost/benefit analysis, which may include preparing a Regulatory Impact Statement in accordance with the Office of Impact Analysis requirements.
47. A local pronouncement may deal with matters that might arise under some foreign reporting frameworks. We would endeavour to promote consistency for any common matters that may be addressed in any future foreign pronouncements on assurance over sustainability information.
48. While reporting and assurance is being introduced in Australia ahead of many other jurisdictions using similar reporting frameworks, we will liaise with the IAASB and other National Sustainability Assurance Standard Setters (where they exist) as appropriate. A local pronouncement may inform the subsequent development of pronouncements in other jurisdictions. Ultimately, the AUASB may review any local pronouncement in view of any later developments internationally and in other jurisdictions.



**Consultation Paper**  
**Assurance over Climate and Other Sustainability Information**

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49. Throughout the development of any possible local pronouncement, the AUASB would monitor developments in the following areas and identify any possible impact on the content of the pronouncement (e.g. matters that no longer need to be covered, new matters arising and matters where the approach should be changed):
- a) Legislation to implement the mandatory climate reporting and assurance framework for certain entities reporting under the Corporations Act;
  - b) The proposed AASB reporting standards;
  - c) Relevant guidance from the International Sustainability Standards Board; and
  - d) The proposed ISSA 5000 and any additional IAASB guidance.
50. The main areas in which the IAASB is considering changes to the proposed ISSA 5000 or additional guidance materials are:
- a) The practitioner’s work effort on the entity’s “materiality process” and identified disclosures in the pre-acceptance phase;
  - b) Clarity and guidance on practitioner materiality;
  - c) The approach to evaluating standards “at least as demanding as” ASQM 1 and the Code of Ethics;
  - d) The approach for group engagements;
  - e) The scope and applicability of ISSA 5000 and whether ISAE 3410 should be sunsetted or be placed under ISSA 5000;
  - f) Evidence for estimates, forward looking information and information from value chains;
  - g) Differentiation of work effort between limited assurance and reasonable assurance engagements; and
  - h) Communications with the auditor of the financial report.
51. A pronouncement can contain standards, guidance or both. It is too early for the AUASB to determine whether the matters that may be covered in a local pronouncement would be covered by standards, guidance or both. When developing any exposure draft for further public consultation, the AUASB would assess to what extent material in a local pronouncement might need to be standards and what would be better included as application material or guidance.<sup>5</sup>

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<sup>5</sup> See also paragraphs 24 to 34 of the [AUASB Due Process Framework](#).



**Consultation Paper**  
**Assurance over Climate and Other Sustainability Information**

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52. Where possible standards and guidance (including the matters outlined in Part II above) should be included in the one pronouncement rather than spread across different publications so that the material is easier for practitioners to locate and use.

*Timing Considerations*

53. Auditors may be asked to conduct dry runs of assurance on climate and sustainability disclosures at 30 June 2024 or 30 June 2025 and mandatory reporting and assurance under the Government's Policy Position Statement is due to start from financial years commencing 1 July 2024January 2025 with limited assurance on Scope 1 and 2 emissions for Group 1 entities. Auditors may also be asked to provide limited assurance and reasonable assurance earlier than outlined in the final mandatory assurance phasing model. The AUASB intends to issue an exposure draft of any local pronouncement in July or August 2024 that may assist auditors in planning and performing their work.
54. It will not be possible for the AUASB to issue final pronouncements ahead of the planned release of the final ISSA 5000 by the IAASB in September 2024 and the release of final reporting standards by the AASB. The AUASB must undertake appropriate due process in developing pronouncements.<sup>6</sup> The AUASB is aiming to issue final pronouncements in December 2024.
55. These timeframes are ambitious. The AUASB and international assurance standard setters have not issued pronouncements in such short timeframes in the past. Historically, it has taken standard setters several years to develop and issue new and amended standards even for relatively minor changes to existing pronouncements or recom compilations of existing pronouncements under accelerated timeframes. The AUASB has not previously issued local pronouncements similar to the pronouncement that would address the matters in Attachment 2.
56. However, there may be demand for a local pronouncement and the AUASB may be able to play an important role in assisting with preparedness for mandatory reporting and assurance. The AUASB is part of the reporting ecosystem and local pronouncements can assist with ensuring audit quality, consistency and the confidence of users. The AUASB will work to follow proper due process in the compressed timeframes.
57. Given the short timeframes available to develop pronouncements, it may not be practical to fully address all of the matters identified in Attachment 2 and additional matters that may be identified by auditors and others as a part of this consultation process. The AUASB may need to prioritise the matters to be addressed in a pronouncement by the end of the 2024 calendar year. The remaining matters and further guidance on some matters may need to be addressed in the first half of 2025 or later.

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<sup>6</sup> See [AUASB Due Process Framework](#).





**Consultation Paper**  
**Assurance over Climate and Other Sustainability Information**

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*Feedback Sought*

58. Feedback is sought on the very preliminary indicative prioritisation shown in Attachment 2 for each matter. The high, medium and low priority classification for each matter is based on an initial high-level assessment of factors such as:
- a) The likely benefit to practitioners, users and markets from addressing the matter;
  - b) The complexity of the matter;
  - c) Possible diversity of views on some matters;
  - d) Whether it is possible for the AUASB to fully resolve a matter; and
  - e) The likely time and resources required to develop an approach.
59. Feedback will assist the AUASB when considering whether to develop an exposure draft of a proposed pronouncement for further consultation and, if so, what matters should be covered by standards and/or guidance when developing an exposure draft for further consultation.
60. The preliminary indicative prioritisation of matters should not be taken to indicate whether or not the matter will be addressed in full or part by the end of 2024. The AUASB would endeavour to address all matters or as many matters as possible in that timeframe.

*Project Advisory Groups*

61. One or more AUASB Project Advisory Groups or specialist panels may be created to inform the AUASB's work in this area and assist in developing any exposure draft. There will be further public consultation on any exposure draft in the second half of 2024.



**Consultation Paper**  
**Assurance over Climate and Other Sustainability Information**

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**Questions**

8. Should the AUASB develop and issue a local pronouncement to supplement the final ISSA 5000 dealing with assurance matters under the Australian climate and sustainability reporting framework? Please provide your reasons. Do you agree with the reasons for developing a local pronouncement in paragraph 45?
9. Should the AUASB consider covering the matters identified in Attachment 2 in a possible local pronouncement?
10. Are there any matters identified in Attachment 2 that should not be addressed in a possible local pronouncement? Please provide reasons.
11. Are there any matters that should be addressed in a possible local pronouncement in addition to those identified in Attachment 2?
12. To assist the auditor in considering the adequacy of disclosures, should any local pronouncement include material on applying aspects of the reporting framework in addition to that available in sustainability standards and material from other standard setters or regulators? For example, should the auditor be reminded about their obligations under ASA 720 to consider omissions of material non-climate sustainability risks and opportunities in the Operating and Financial Review? If so, should guidance be provided on reporting frameworks that could be referred to in that regard?
13. Should guidance be provided on materials that might be referred to by the auditor in assessing disclosures (e.g. standards on Financed Emissions, Facilitated Emissions and Insurance-Associated Emissions at [The Global GHG Accounting and Reporting Standard for the Financial Industry](#))?
14. Should any local pronouncement cover considerations about the impact of climate and sustainability risks and opportunities on recognition, measurement and disclosure in the financial report (e.g. impairment of assets, provisions)?



## Part IV – Other Matters

### Questions

15. The Clean Energy Regulator (CER) has assurance requirements for some of the entities that will be covered by the climate reporting requirements under the Corporations Act. These include obtaining external assurance on Scope 1 and 2 emission intensity determination pursuant to section 17 of the Safeguard Mechanism Rule. Are there any aspects of the CER's current reporting and assurance regime that the AUASB should consider when developing pronouncements on assurance over climate-related financial disclosures and other sustainability information?
16. Some entities that will be subject to the mandatory proposed climate reporting requirements have cross-border activities or operations. Are there any international factors that the AUASB should consider when developing its proposed pronouncements relating to assurance over climate-related financial disclosures and other sustainability information?
17. Do you have suggestions on any other matters that the AUASB should consider in relation to assurance over climate-related financial disclosures and sustainability reports?

### Next Steps

62. The primary purpose of this Consultation Paper is to inform the development of an exposure draft on a possible assurance phasing model and a possible local pronouncement. Such an exposure draft would be subject to further consultation.
63. This Consultation Paper will be open for a 6-week comment period closing on 3 May 2024. The AUASB ~~will~~is also ~~be~~ conducting roundtables, the details of which ~~will be~~are available ~~soon~~ on the AUASB website ([www.auasb.gov.au](http://www.auasb.gov.au)).



Consultation Paper  
Assurance over Climate and Other Sustainability Information

**ATTACHMENT 1 – Possible Assurance Phasing**

Group	Disclosure topic area	Years commencing 1 July 2024 <del>January 2025</del> to 30 June 2025	Years commencing 1 July 2025 to 30 June 2026	Years commencing 1 July 2026 to 30 June 2027	Years commencing 1 July 2027 to 30 June 2028	Years commencing 1 July 2028 to 30 June 2029	Years commencing 1 July 2029 to 30 June 2030	Years commencing 1 July 2030 onwards
1	Governance	None	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
	Strategy (including risks and opportunities)	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Qualitative scenario analysis	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Quantitative scenario analysis	N/A	N/A	N/A	Reasonable	Reasonable	Reasonable	Reasonable
	Climate resilience assessments	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Transition plan and climate-related targets	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Risk management	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Scope 1 and 2 emissions	Limited	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
	Scope 3 emissions	N/A	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Other metrics and targets (excluding appropriateness of metrics)	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Other metrics and targets (appropriateness of metrics)	None	None	Limited	Reasonable	Reasonable	Reasonable	Reasonable
Industry based metrics	N/A	N/A	N/A	N/A	N/A	N/A	Reasonable	

Note:Notes:

1. Reporting required from years commencing 1 July 2024~~January 2025~~ unless otherwise stated in paragraph 25 of the covering paper.
2. Reporting of Scope 3 emissions is proposed for years commencing 1 January 2026 onwards.



**Consultation Paper**  
**Assurance over Climate and Other Sustainability Information**

Group	Disclosure topic area	Years commencing 1 July 2024 January 2025 to 30 June 2025	Years commencing 1 July 2025 to 30 June 2026	Years commencing 1 July 2026 to 30 June 2027	Years commencing 1 July 2027 to 30 June 2028	Years commencing 1 July 2028 to 30 June 2029	Years commencing 1 July 2029 to 30 June 2030	Years commencing 1 July 2030 onwards
2	Governance	N/A	N/A	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
	Strategy (including risks and opportunities)	N/A	N/A	Limited	Limited	Limited	Reasonable	Reasonable
	Qualitative scenario analysis	N/A	N/A	Limited	Limited	Limited	Reasonable	Reasonable
	Quantitative scenario analysis	N/A	N/A	N/A	Limited	Limited	Reasonable	Reasonable
	Climate resilience assessments	N/A	N/A	Limited	Limited	Limited	Reasonable	Reasonable
	Transition plan and climate-related targets	N/A	N/A	Limited	Limited	Limited	Reasonable	Reasonable
	Risk management	N/A	N/A	Limited	Limited	Limited	Reasonable	Reasonable
	Scope 1 and 2 emissions	N/A	N/A	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
	Scope 3 emissions	N/A	N/A	N/A	Limited	Limited	Reasonable	Reasonable
	Other metrics and targets (excluding appropriateness of metrics)	N/A	N/A	Limited	Limited	Limited	Reasonable	Reasonable
	Other metrics and targets (appropriateness of metrics)	N/A	N/A	None	Reasonable	Reasonable	Reasonable	Reasonable
Industry based metrics	N/A	N/A	N/A	N/A	N/A	N/A	Reasonable	

Note: Reporting required from years commencing 1 July 2026 unless otherwise stated in paragraph 25 of the covering paper.



**Consultation Paper**  
**Assurance over Climate and Other Sustainability Information**

Group	Disclosure topic area	Years commencing 1 July 2024 <del>January 2025</del> to 30 June 2025	Years commencing 1 July 2025 to 30 June 2026	Years commencing 1 July 2026 to 30 June 2027	Years commencing 1 July 2027 to 30 June 2028	Years commencing 1 July 2028 to 30 June 2029	Years commencing 1 July 2029 to 30 June 2030	Years commencing 1 July 2030 onwards
3	Governance	N/A	N/A	N/A	Reasonable	Reasonable	Reasonable	Reasonable
	Strategy (including risks and opportunities)	N/A	N/A	N/A	Limited	Limited	Limited	Reasonable
	Qualitative scenario analysis	N/A	N/A	N/A	Limited	Limited	Limited	Reasonable
	Quantitative scenario analysis	N/A	N/A	N/A	Limited	Limited	Limited	Reasonable
	Climate resilience assessments	N/A	N/A	N/A	Limited	Limited	Limited	Reasonable
	Transition plan and climate-related targets	N/A	N/A	N/A	Limited	Limited	Limited	Reasonable
	Risk management	N/A	N/A	N/A	Limited	Limited	Limited	Reasonable
	Scope 1 and 2 emissions	N/A	N/A	N/A	Reasonable	Reasonable	Reasonable	Reasonable
	Scope 3 emissions	N/A	N/A	N/A	N/A	Limited	Limited	Reasonable
	Other metrics and targets (excluding appropriateness of metrics)	N/A	N/A	N/A	None	Limited	Limited	Reasonable
	Other metrics and targets (appropriateness of metrics)	N/A	N/A	N/A	None	Reasonable	Reasonable	Reasonable
Industry based metrics	N/A	N/A	N/A	N/A	N/A	N/A	Reasonable	

Notes:

1. Reporting required from years commencing 1 July 2027 unless otherwise stated in paragraph 25 of the covering paper.
2. ~~Phasing is not available for assurance over~~ Assurance over a statement that climate-related risks and opportunities are not material may be similar to that for ‘Strategy (including risks and opportunities)’ in the table above.



Consultation Paper  
Assurance over Climate and Other Sustainability Information

**ATTACHMENT 2 – Possible Matters for Local Pronouncement**

No.	Topic area	Mandatory AASB climate framework matters	Matters that might be covered in a local pronouncement (subject to final legislation, final AASB standards, final ISSA 5000 and any IAASB guidance)	Possible priority
1	Identification of reporting obligations	Yes	<ul style="list-style-type: none"> <li>The auditor’s assessment of the completeness of disclosures under final AASB framework, as well as existing obligations for the financial report and OFR.</li> </ul>	High
2	Implications of: <ul style="list-style-type: none"> <li>Reporting both mandatory and voluntary climate/ sustainability information; and</li> <li>Mandatory assurance over some information and voluntary assurance over other information.</li> </ul> Reporting may include the financial report, climate statements under AASB standards, Operating and Financial Review (OFR) and voluntary GRI/European reporting.	No	<ul style="list-style-type: none"> <li>How to address different users (e.g. investors vs social users) when assessing materiality under both the proposed AASB framework and a GRI/European framework.</li> <li>Whether materiality is assessed in the context of the financial report and all mandatory and voluntary assured sustainability information.</li> <li>The auditor’s responsibility under ASA 720 in relation to other information, such as disclosure in the OFR and disclosure of material climate risks and opportunities in other documents.</li> <li>The auditor’s responsibilities in relation to financial report measurement and disclosure matters.</li> <li>Implications for the auditor where a non-auditor gives a voluntary assurance report on sustainability information such as nature reporting (e.g. implications for risk assessment, ASA 720 obligations, communication with the non-auditor, understanding the impact of disclosures on assumptions used in the financial report).</li> <li>Whether it is necessary and possible to separate information on an AASB basis and GRI or other basis, having regard also to the requirement not to obscure the mandatory information.</li> <li>If the information is not separated, whether the auditor can give assurance only over mandatory and not voluntary information.</li> <li>If information is separated, referring separately to mandatory and voluntary disclosures and assurance in the auditor’s report.</li> </ul>	High
3	Consistent disclosures and assumptions across documents (audited and unaudited).	No	<ul style="list-style-type: none"> <li>Ensuring consistent disclosures and assumptions across documents (e.g. OFR, financial report and sustainability report).</li> <li>Whether information can be included by cross reference.</li> <li>ASA 720 considerations (e.g. unaudited OFR).</li> </ul>	Low
4	Fair presentation framework	Yes	<ul style="list-style-type: none"> <li>The fair presentation framework in the proposed AASB standards involves different work from a compliance framework. The proposed AASB standards and the underlying fair presentation framework will not alter the wording of the auditor’s opinion and report required by the <i>Corporations Act 2001</i>.</li> </ul>	Low
5	Competency of engagement partner	No	<ul style="list-style-type: none"> <li>Whether to provide guidance on the competency that the engagement partner needs to appropriately identify and engage experts and to challenge experts, etc.</li> <li>The extent to which competency needs to be specific to entity’s circumstances.</li> </ul>	High



Consultation Paper  
Assurance over Climate and Other Sustainability Information

No.	Topic area	Mandatory AASB climate framework matters	Matters that might be covered in a local pronouncement (subject to final legislation, final AASB standards, final ISSA 5000 and any IAASB guidance)	Possible priority
6	Use of auditor’s own experts (internal and external)	No	<ul style="list-style-type: none"> <li>Whether to address the need for greater use of an auditor’s own experts (internal or external).</li> <li>Possible transparency on use (not name) of experts to promote use.</li> <li>How much ‘reliance’ to place on qualifications and competency of experts.</li> <li>Circumstances in which quality management systems and ethical requirements for external experts need to be assessed.</li> </ul>	High
7	Assurance phasing	Yes	<ul style="list-style-type: none"> <li>Application of ASA 720 to mandatory information not subject to assurance during phasing.</li> </ul>	Medium
8	Entity states climate risks and opportunities are not material.	Yes	<ul style="list-style-type: none"> <li>Extent of work.</li> <li><del>There is no</del>The phasing for assurance on the statement. <del>Need may be similar to assess materiality even if that where</del> risks and opportunities <del>would not have been subject to assurance if</del>are disclosed.</li> <li>Example text for the auditor’s report.</li> </ul>	High
9	Materiality and error evaluation	No	<ul style="list-style-type: none"> <li>Whether separate directors’ reports for financial report and climate statements affect materiality assessments or work effort.</li> <li>Further guidance to assist auditors in: <ul style="list-style-type: none"> <li>Assessing materiality of qualitative and quantitative disclosures.</li> <li>Challenges in aggregating and evaluating errors across different disclosures.</li> </ul> </li> </ul>	High
10	Value chains	Yes	<ul style="list-style-type: none"> <li>How to draw on group audit and service organisation auditing standards.</li> <li>Encourage entities to consider data and audit when entering into contracts.</li> <li>Providing and receiving assurance through value chains.</li> <li>Other practitioners providing assurance.</li> <li>Response to lack of reliable information.</li> </ul>	Medium
11	Disclosures on governance processes controls and procedures to monitor, manage and oversee climate-related risks and opportunities.	Yes	<ul style="list-style-type: none"> <li>Not assurance about whether governance is adequate but whether disclosures about existing governance arrangements are factual (documentary evidence, knowledge of business, inquiry).</li> </ul>	Medium
12	Disclosures on an entity’s strategy for managing climate-related risks and opportunities.	Yes	<ul style="list-style-type: none"> <li>Documentary evidence, etc.</li> <li>Effectiveness of strategy relevant to scenario analysis and transition plans.</li> </ul>	Medium
13	Strategy – Risks and opportunities	Yes	<ul style="list-style-type: none"> <li>Considering whether risks and opportunities disclosed are complete and accurate.</li> <li>Extent of work on risks and opportunities throughout value chain</li> <li>For definition of ‘short term’, ‘medium term’ and ‘long term’ and how linked to planning horizons: <ul style="list-style-type: none"> <li>Does auditor need to assess appropriateness of entity’s definitions?</li> <li>Disclosure of definitions used is accurate?</li> </ul> </li> </ul>	High





Consultation Paper  
Assurance over Climate and Other Sustainability Information

No.	Topic area	Mandatory AASB climate framework matters	Matters that might be covered in a local pronouncement (subject to final legislation, final AASB standards, final ISSA 5000 and any IAASB guidance)	Possible priority
			<ul style="list-style-type: none"> <li>○ Whether the disclosed links to planning horizons are accurate?</li> </ul>	
14	Strategy – other	Yes	<ul style="list-style-type: none"> <li>● Current and anticipated effects of climate-related risks and opportunities on business model and value chain:               <ul style="list-style-type: none"> <li>○ Does the entity have a business strategy?</li> <li>○ Auditor to understand business model and how it may be impacted.</li> <li>○ Documentary evidence.</li> </ul> </li> <li>● Resilience:               <ul style="list-style-type: none"> <li>○ Ability to adjust to uncertainties from climate-related risk.</li> <li>○ Considering whether quantitative information should be provided.</li> </ul> </li> <li>● Risk management (including processes to identify, prioritise and monitor risks and opportunities, overall risk profile and overall risk management process):               <ul style="list-style-type: none"> <li>○ Documentary evidence.</li> <li>○ How to deal with different business segments.</li> </ul> </li> </ul>	High
15	Metrics and targets – Scope 1 and 2 emissions	Yes	<ul style="list-style-type: none"> <li>● Reminding auditors that NGERs calculation methodology adopted but covers the entity and its controlled entities, not the CER groups.</li> </ul>	Low
16	Metrics and targets – Scope 3 emissions	Yes	<ul style="list-style-type: none"> <li>● Reasonableness of assumptions in estimates.</li> <li>● What are key assumptions to disclose (e.g. assumptions underlying assumptions)?</li> <li>● Considerations for use of information from third party data sources</li> <li>● Information and assurance received and provided through the value chain.</li> <li>● Availability of data and estimates of Scope 3 emissions - when is there significant uncertainty or a limitation on scope?</li> <li>● Possible references in considering reasonableness of entity’s approach for financed emissions (eg PCAF).</li> </ul>	Medium
17	Metrics and targets – Scope 1, 2 and 3 emissions	Yes	<ul style="list-style-type: none"> <li>● Whether auditor should consider adequacy of disclosure about inconsistent measurement bases across borders.</li> </ul>	Low
18	Metrics and targets – Climate-related metrics	Yes	<ul style="list-style-type: none"> <li>● Whether the auditor should challenge the entity’s choice of industry metrics, and relevance of the industry classifications.</li> <li>● For climate-related considerations factoring into executive remuneration and percentage of remuneration for current year:               <ul style="list-style-type: none"> <li>○ Approach to non-disclosure.</li> <li>○ How to address indirect impacts through other criteria.</li> <li>○ How reflected in audited remuneration information in directors’ report.</li> </ul> </li> </ul>	High
19	Scenario analysis	Yes	<ul style="list-style-type: none"> <li>● Appropriateness of scenarios, assumptions and disclosures.</li> <li>● Completeness and accuracy of key assumptions and uncertainties disclosures.</li> <li>● When is there significant uncertainty or a limitation on scope?</li> </ul>	High



**Consultation Paper**  
**Assurance over Climate and Other Sustainability Information**

No.	Topic area	Mandatory AASB climate framework matters	Matters that might be covered in a local pronouncement (subject to final legislation, final AASB standards, final ISSA 5000 and any IAASB guidance)	Possible priority
20	Strategy – Transition plans	Yes	<ul style="list-style-type: none"> <li>• Appropriateness of disclosures and assumptions (e.g. future technology).</li> <li>• Completeness and accuracy of key assumptions and uncertainties disclosures.</li> <li>• When is there significant uncertainty or a limitation on scope?</li> </ul>	High
21	Strategy – Transition plans	Yes	<ul style="list-style-type: none"> <li>• Auditor to challenge assumptions and estimates.</li> <li>• Planned vs management intention.</li> <li>• Assumptions on future new technologies.</li> <li>• Whether to take carbon credits and offsets into account</li> </ul>	Medium
22	Forward looking information	Yes	<ul style="list-style-type: none"> <li>• Assurance over forward-looking information, disclosure of assumptions, uncertainties.</li> <li>• Applying materiality in context of overall GPFR.</li> <li>• Considerations for assessing when uncertainties impact on opinion.</li> <li>• Consider approach to uncertainties early in COVID-19 pandemic.</li> </ul>	High
23	Disclosure exemptions	Yes	<ul style="list-style-type: none"> <li>• Challenging appropriateness of using disclosure exemptions: <ul style="list-style-type: none"> <li>○ Exemption from quantification of financial impact of strategy where current or anticipated effects not separately identifiable or measurement uncertainty so high that information not useful.</li> <li>○ Exemption based on the skills, capabilities and resources available to the entity.</li> <li>○ Proportionality exemption based on ‘shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort’</li> </ul> </li> </ul>	High
24	Comparatives for first year	Yes	<ul style="list-style-type: none"> <li>• The audit report may need to be modified in relation to comparative information if no assurance or a lower level of assurance in prior year.</li> </ul>	Low
25	Auditor’s report(s)	Yes	<ul style="list-style-type: none"> <li>• Subject to final legislation, provide examples for auditor’s opinions and auditor’s reports.</li> <li>• Subject to final standards from the IAASB, consider inconsistent opinions under ASAE 3410 vs ISSA 5000 ED.</li> </ul>	High
26	Public sector	No	<ul style="list-style-type: none"> <li>• Public sector considerations such as: <ul style="list-style-type: none"> <li>○ Social vs investor users.</li> <li>○ Pre-acceptance in ISSA 5000 ED is not applicable where only one body can be the auditor.</li> </ul> </li> </ul>	Low
27	Quality management and ethics standards	No	<ul style="list-style-type: none"> <li>• Meaning of ‘at least as demanding’ under ISA 5000 for voluntary assurance.</li> </ul>	Medium
28	Greenwashing – misleading and deceptive	No	<ul style="list-style-type: none"> <li>• Role of auditor in identifying potentially misleading and deceptive information on auditor’s report and obligations to report suspected contraventions of the <i>Corporations Act 2001</i> to ASIC.</li> </ul>	Medium