



Sub 8 CP-Climate and Sustainability

Assurance over Climate and Other Sustainability Information - Consultation Response

3rd May 2024

Thank you for the opportunity to provide comment and feedback on the Australian Auditing and Assurance Standards Boards (AUASB) proposed approach to developing the audit and assurance standard for Australia's Sustainability Reporting Standard (ASRS).

We welcome AUASB's consultation and are pleased to provide the following comments for your consideration.

As the *Assurance over Climate and Other Sustainability Information* consultation paper has been issued prior to the relevant legislation (Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024) being introduced into Parliament, we note the suggested assurance phasing timetable will need to be updated to reflect the 1 January 2025 commencement date in that legislation.

Telstra has disclosed in line with the recommendations of the Task force on Climate-related Financial Disclosures (TCFD) since 2020. We attain limited assurance of our scope 1, 2 and 3 emissions, and have a robust review process of our climate disclosures utilising both internal and external subject matter experts. This is to say, we feel relatively mature in our approach to climate disclosures and understand the challenges of attaining both limited and reasonable assurance on climate information.

With this in mind, we feel the proposed assurance phasing timetable is more ambitious than expected, as prior policy positioning statements suggested reasonable assurance would not be sought earlier than 2030. Our concern with the suggested staged approach is that it requires a significant uplift in the maturity and robustness of reporting entities' control and data environments, some of which extend to third parties, in a short space of time. Additionally, we have concerns regarding the timely availability of skilled and capable assurance professionals.

For Group 1 entities, we suggest the AUASB considers an approach which reduces the scope of in-year uplift required across the different topic areas and extends the transition period between limited and reasonable assurance requirements. As illustrated in the table below.

Additionally, we suggest separating the assurance requirements of transition plans and climate-related metrics and targets to reflect the qualitative and quantitative nature of each element respectively (qualitative statements being somewhat more challenging to assure).

Disclosure topic area	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6
Governance	None	Limited	Reasonable	Reasonable	Reasonable	Reasonable
Strategy - risks and opportunities	None	None	Limited	Reasonable	Reasonable	Reasonable
Qualitative scenario analysis	None	None	None	Limited	Limited	Reasonable
Quantitative scenario analysis	N/A	N/A	N/A	Limited	Limited	Reasonable
Climate resilience assessments	None	None	None	Limited	Limited	Reasonable
Transition plan	None	None	None	Limited	Limited	Reasonable
Risk management	None	Limited	Reasonable	Reasonable	Reasonable	Reasonable
Scope 1 and 2 emissions	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
Scope 3 emissions	N/A	None	Limited	Limited	Reasonable	Reasonable
Climate-related targets	None	None	Limited	Limited	Reasonable	Reasonable
Other metrics and targets (excluding appropriateness of metrics)	None	None	Limited	Limited	Reasonable	Reasonable
Other metrics and targets (including appropriateness of metrics)	None	None	None	Limited	Reasonable	Reasonable
Industry based metrics	N/A	N/A	N/A	Limited	Limited	Reasonable

Having all disclosure topics undergo limited assurance first will enable entities to work with their providers to fully understand and action any uplift requirements to ensure reasonable assurance can be attained. This uplift is likely to require input from



cross-company stakeholders and could result in the update or re-design of internal systems and processes. Large and complex entities will need time to put any new systems or procedures in place.

It should also be noted that the assurance uplift will only represent part of the challenge for reporting entities. Many will also be trying to address the primary disclosure requirements of ASRS. There needs to be a balance between implementation and assurance to ensure entities have the time and resources to deliver on the legislation's core objective – to enhance the detail and comparability of climate reporting in Australia.

A longer lead-in time for assurance requirements will enable the auditing and assurance sector to expand its capacity and mature climate-related capability. At present there are limited assurance professionals with the necessary deep subject matter expertise to evaluate and assure climate-related disclosures. This limited knowledge capital is likely to result in a bottleneck, impacting both timings and costs.

We note the AUASB flags the need for assurance providers to utilise climate experts. Given this is a subjective term, will the AUASB provide guidance to reporting entities on the skills, knowledge, and experience such a climate expert should hold?

The ASRS S2 requires disclosure of scope 1 and 2 emissions calculated to the methodology noted in the National Greenhouse and Energy Reporting (NGER) Determination. At present an entity is not required to undertake assurance of these calculations, although many choose to submit a voluntary assurance audit. Such assurance audits must be undertaken by a Category 2 auditor as defined by the Clean Energy Regulator. The AUASB's proposed requirement for limited assurance followed by reasonable assurance of scope 1 and 2 emissions is therefore not aligned with legislative instruments already in place. We ask the AUASB to be mindful of such conflicts and the potential for increasing workload, costs, and confusion.

Finally, Telstra supports the AUASB's proposal for local pronouncement related to the items identified in *Attachment 2 – Possible Matters for Local Pronouncement*. This will bring clarity, guidance, and certainty to, particularly Group 1, entities. Of the items noted, we would value local pronouncement on items #2, #9, #13, #14, #16, #19, and #21.

Once again, we appreciate the opportunity to provide input into the design of the proposed auditing and assurance standard and look forward to working with the AUASB on this matter further in future.