



31 October 2024

Mr Doug Niven
Chair, Australian Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Melbourne Vic 8007

Dear Doug

Proposed ASSA 5010, 'Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001 - Submission by Deakin University Integrated Reporting Centre

Thank you for the opportunity for us as leaders of the Deakin University Integrated Reporting Centre to make a submission on this important consultation. We believe in sustainability reporting assurance given its benefits for preparers, investors and other stakeholders, and thereby its contribution to the public interest.

We are supportive of the proposed ASSA 5010. The attached appendix sets out our responses to the individual questions asked.

The Deakin University Integrated Reporting Centre

The Deakin University Integrated Reporting Centre (DIRC) is an independent thought leadership centre with deep connections into academia, accounting and assurance standard-setting, and the business world. It provides leadership across three pillars of excellence in integrated reporting: engagement and advocacy, education and employability, and research and innovation.

The DIRC also provides the Secretariat for the Australian Business Reporting Leaders Forum (BRLF). The BRLF is a discussion forum. It is the IFRS Foundation's designated Integrated Reporting Community for Australia and is a reporting stakeholder to the Financial Reporting Council (FRC). Accordingly, it has direct international connectivity and a strong local voice. Its mission is to drive better business reporting with a focus on integrated reporting and integrated reporting assurance, and producing support research, thought leadership and education in integrated reporting and integrated reporting assurance.

Leaders within the Centre have significant auditing and broader assurance experience, and in auditing and assurance standard setting.

This consultation is core to the missions of both the DIRC and BRLF given the importance of integrated reporting and integrated reporting assurance to well-functioning capital markets, well-informed stakeholders and the public interest within a better business reporting context. We make this submission on behalf of the DIRC and offer any required assistance to the AUASB.

In its first three years the Centre has been a centre of the Department of Accounting. Recognising the foundation of integrated reporting on integrated thinking, and recognising the fundamental importance of corporate governance to both integrated thinking and integrated reporting, the Centre is transitioning to being a centre of the entire Faculty of Business & Law (FBL), giving it access to the knowledge, skills and experience of the Faculty and the resources and relationships of the entire university. The FBL is comprised of the Deakin Business School (DBS) and Deakin Law School (DLS). The DBS is comprised of departments of accounting, management, finance, information and analytics, economics and marketing. Being part of the FBL, the DLS focuses on business / corporate law and corporate governance.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Michael Bray', with a large, stylized flourish at the end.

Michael Bray
Professor of Practice, Deakin Integrated Reporting Centre

Deakin Submission to AUASB

Following are our responses to the AUASB's questions.

1. *Do you agree that the audit and review requirements for disclosure topics in the proposed AASB S2 are appropriate, taking into account:*
 - a. *Their relative importance of assurance to users of the information;*
 - b. *Their interconnectivity;*
 - c. *The likely cost of assurance; and*
 - d. *The readiness of Group 1, 2 and 3 entities' systems and processes.*

We agree that the audit and review requirements for disclosure topics in the proposed AASB S2 are appropriate, taking into account their relative importance of assurance to users of the information, their interconnectivity, the likely cost of assurance, and the readiness of Group 1, 2 and 3 entities' systems and processes.

It is important to achieve reasonable assurance of all sustainability information as soon as possible given interconnectivity between the various components, and achieving a reasonable phasing approach to 2030 recognising the likely cost of assurance and the need for Group 1, 2 and 3 entities to get their processes and systems ready.

More guidance will be needed as to what constitutes reasonable versus limited assurance. This guidance will be particularly important giving the difficulty of achieving reasonable assurance in relation to Scope 3 disclosures.

We believe that the cost of assurance will be more that outweighed by benefits to Australian capital markets including decision making needs of investors and other stakeholders.

Other credibility enhancing mechanisms such as the credibility enhancing techniques anticipated by Recommendation 4.3 under the ASX Corporate Governance Principles and Recommendations should be considered alongside independent external assurance.

2. *If you are an auditor, do you consider that your firm could adequately resource the audit and review requirements over sustainability information for entities whose financial reports are audited by your firm?*

Not applicable.

The Centre is geared to playing its role in building appropriate resourcing capacity for the audit and review requirements over sustainability information, by way of tertiary and executive education, and research directed to building our education offerings and public policy advocacy.

3. *Do you consider that governance disclosures and disclosures of risks and opportunities should be subject to review in year 1?*

We agree that governance disclosures and disclosures of risks and opportunities should be subject to review in year 1. We believe that reporting on such matters will provide business context for the scope 1 and 2 emissions and climate-related metrics and targets required to be disclosed.

In this regard we refer to our submission of 2 May 2024 to the AUASB on the proposed ASSA 5000 where we stressed the importance to the public interest in having assurance of descriptions of an organisation's business independently assured.

4. *Do you agree that any statements that there are no material risks or opportunities should be subject to the same level of assurance as identified risks and opportunities for any given financial year?*

We agree that any statements that there are no material risks or opportunities should be subject to the same level of assurance as identified risks and opportunities for any given financial year. So-called 'greenwashing' through such statements has been raised as a public interest concern many times. The same level of assurance on such statements as for the emissions, metrics and targets will make an important contribution to allaying such concerns.

Our 2 May 2024 submission to the AUASB is important in this regard. An auditor who must assure the description of an organisation's business will be in a good position to evaluate and obtain evidence about such statements.

More guidance will be needed as to the circumstances in which such a statement can be provided. There needs to be research on this topic. The Centre is well equipped to work with the AUASB in carrying out such research.

5. *Do you agree that assurance phasing requirements for Group 1, 2 and 3 entities should commence with the same settings and progress at the same pace?*

We agree that assurance phasing requirements for Group 1, 2 and 3 entities should commence with the same settings and progress at the same pace for the reasons explained in our answer to Question 1.

6. *Do you agree that entities that enter a Group after the first reporting year for that Group (e.g. due to an increase in their size) should be subject to the same assurance requirements as other entities in the Group for the relevant reporting year (i.e. they would not be subject to the assurance levels for the first reporting year for the group)?*

We agree that entities that enter a Group after the first reporting year for that Group should be subject to the same assurance requirements as other entities in the Group for the relevant reporting

year, again for the reasons explained in our answer to question 1 – broadly that we should get to reasonable assurance of all sustainability information as soon as possible, at least by 2030.

7. *Do you agree with the approach to assurance over comparative information?*

We agree with the approach to assurance over comparative information, again for the reasons explained in our answer to question 1 – broadly that we should get to reasonable assurance of all sustainability information as soon as possible, at least by 2030.

8. *Have applicable laws and regulations been appropriately addressed in the proposed Standard?*

We believe that all applicable laws and regulations been appropriately addressed in the proposed Standard.

9. *What are the costs and benefits of the proposals, whether quantitative or qualitative and whether financial or non-financial? The AUASB is particularly seeking information on the nature and, where possible, estimated amount of any expected incremental costs of the proposals.*

We believe that the benefits outweigh the costs for the reasons outlined in our response to Question 1.

10. *Are there any other significant public interest matters that you wish to raise on the proposals in this exposure draft?*

There no other significant public interest matters that we wish to raise on the proposals in the exposure draft.