



**Shape the future
with confidence**

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Sub 12 ED02-25

The Chair
Auditing and Assurance Standards Board
The Treasury
PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA

24 November 2025

Submitted online via: "Projects-Open for Comment" page of the Auditing and Assurance Standards Board (AUASB) website.

EY Submission on ED 02/25: *Amendments to ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*

Ernst & Young Australia ("EY") welcomes the opportunity to comment on Auditing and Assurance Standards Board's Exposure Draft 02/25: *Amendments to ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*. Our views have been informed by our extensive experience and expertise in auditing and assuring climate and sustainability-related disclosures.

General comments

We support the AUASB's initiative to clarify and strengthen the requirements under ASSA 5010 to address emerging matters with prospective guidance that supports clear and standardised requirements to reporting entities and assurance practitioners. The proposed amendments in ED 02/25 are timely and necessary to support the effective implementation of ASSA 5010.

We believe our recommendations will further enhance the clarity and practicality of the standard for auditors and reporting entities alike.

Key comments from our response

Our recommendations aim to enhance the clarity and practical application of the standard for auditors and reporting entities. We support the inclusion of directors' declarations within the assurance scope for Years 2 and 3, as this aligns with the legislative intent of the Corporations Act 2001 and strengthens user confidence. Noting the judgement-based challenges associated with the 'reasonable steps' criterion during the transition period, we strongly encourage the AUASB to provide additional guidance and illustrative examples to clarify assurance procedures and evidence expectations. Furthermore, we endorse the proposed amendments for assurance phasing on voluntary reports, including the flexibility to reset phasing when entities opt out and later resume reporting, as this fosters consistency and ongoing market participation.

Our responses to the specific questions on which the AUASB is seeking feedback are set out below.

Should you wish to discuss our comments further, please contact me at ryan.fisk@au.ey.com.

Yours sincerely

Ryan Fisk

Partner



Shape the future
with confidence

Feedback on directors' declarations

1. Do you agree that the directors' declaration should be subject to assurance for Years 2 and 3?

EY supports the AUASB's proposal to explicitly include the directors' declaration within the scope of assurance for Years 2 and 3. Our support for this proposal is based on the following considerations:

- **Legislative alignment:** Under s262A of the Corporations Act, the directors' declaration is part of the sustainability report and relied upon by users. Section 301A requires assurance over the declaration and excluding it would create inconsistent scope and user confusion.
- **User expectations and confidence:** Users expect all components of the sustainability report to be subject to assurance, clarifying this point in ASSA 5010 is needed to remove any confusion or diversity in views as to whether a directors' declaration based on 'reasonable steps' forms part of the sustainability report that is subject to assurance.
- **Consistency with financial reporting:** Including the declaration aligns with the treatment of directors' declarations in financial statements and supports coherence across corporate reporting.
- **Appropriate phasing:** Requiring assurance in Years 2 and 3 balances user needs with preparer readiness, recognising the maturity of systems over time. Year 1 exclusion avoids undue burden while entities establish governance and internal processes.

Given the AUASB has the authority to set the assurance pathway, we agree that in providing this clarification the AUASB can set the phasing in of assurance of the directors' declaration to align with the first reporting period in which the assurance practitioner is providing limited assurance over all disclosures in the report.

We highlight there will be scenarios under this proposal for financial years commencing from 1 January 2026 to 31 December 2027, when the directors' declaration will state whether, in the directors' opinion, the entity has taken reasonable steps to ensure that the sustainability report complies with the Act. This would tend to imply a lower level of statement to the disclosures in the sustainability report are in accordance with the Act. We believe that additional guidance is needed to address the practical challenges associated with the 'reasonable steps' criterion, as this represents an attestation about the process rather than compliance with the Corporations Act and AASB S2 Climate-related Disclosures (AASB S2).

Legislative Alignment

Under s262A of the Corporations Act the directors' declaration forms a key component of the annual sustainability report prescribed under the Corporations Act. It is presented alongside climate disclosures and is relied upon by primary users to understand whether directors have taken reasonable steps to ensure compliance with the sustainability reporting requirements. Section 301A of the Corporations Act requires the assurance practitioner to provide assurance over the directors' declaration as part of the sustainability report. The legislation does not provide an exemption for the transitional period where directors are only required to state that "reasonable steps" have been taken. Excluding the directors' declaration from assurance would result in inconsistent scope across different parts of the same report.

User expectations and market confidence

Users of sustainability reports reasonably expect that all components of the sustainability report, including directors' declarations, are subject to the same level of assurance as the remaining parts of the report when the report is reviewed or audited. Excluding the directors' declaration could create confusion about the scope and boundaries of the assurance practitioner's work and may reduce market confidence in the overall assurance process.

Consistency with financial reporting

Requiring assurance over the directors' declarations reflects the same treatment of the directors' declarations in the financial statements, which are also subject to audit under the Corporations Act. The proposal to include the directors' declarations in the scope of assurance supports coherence across the broader corporate reporting ecosystems and avoids unintended divergence between financial and



**Shape the future
with confidence**

sustainability assurance expectations. In both cases, the declaration serves the same-high level purpose of communicating the directors' responsibility for the quality and completeness of information presented within the report.

Appropriate phasing

The phased assurance model established in ASSA 5010 appropriately reflects the maturity of reporting systems and processes over time. Requiring assurance in Years 2 and 3 strikes an appropriate balance between user needs and preparer readiness. In Year 1, entities may still be establishing governance frameworks, internal process and documentation to support the "reasonable steps" assertion. Excluding the directors' declarations from assurance in the first year avoids imposing undue burden on entities that are still maturing their reporting capabilities and assists assurance practitioners by avoiding challenges in opining on the directors' declaration where review procedures are limited to specific AASB S2 disclosure requirements. Including the directors' declaration in Years 2 and 3 represents an appropriate progression in line with the assurance phasing, balancing user needs with preparer readiness and recognising the maturity of systems over time.

Implementation considerations:

While we support the principle of including the directors' declaration within the assurance scope, we believe that certain practical implementation matters require further clarification to ensure consistent and effective application in practice.

Guidance on the assurance requirements where an entity accelerates the assurance phasing:

Further clarification is needed on the assurance requirements for the directors' declaration when an entity elects to extend the scope of assurance beyond the mandatory pathway. For example, if an entity chooses to extend the scope of limited assurance to include all disclosures in Year 1, would the entity retain discretion to exclude the directors' declaration from the scope of assurance? This appears inconsistent with the proposed approach of excluding the declaration from assurance in Year 1.

We recommend that the AUASB address this point to ensure clarity and consistency in application.

Guidance on 'reasonable steps':

The AUASB should provide additional guidance on the nature and extent of procedures expected when assurance practitioners provide limited assurance over a directors' declaration that references "reasonable steps." The concept of "reasonable steps" introduces a degree of subjectivity that differs from the more objective assessment of compliance with specified disclosure criteria.

We note that assurance over reasonable steps is inherently different to assurance over a direct statement that disclosures are in accordance with the Corporations Act and AASB S2. 'Reasonable steps' implies:

- an attestation about process undertaken rather than an attestation about actual compliance
- significant subjectivity in both evaluation of the criterion and evidence requirements
- a lower threshold of responsibility compared to a declaration of compliance, which may influence the nature of assurance procedures performed

Further guidance is needed regarding the nature and extent of assurance procedures expected when assurance practitioners provide limited assurance over a directors' declaration referencing "reasonable steps", as this introduces a degree of subjectivity distinct from the more objective assessment of compliance with specified criteria. If the proposed timeline is retained, we recommend that practical guidance be developed around auditor requirements for limited assurance on "reasonable steps".

Supplementary guidance or illustrative examples

Accordingly, we recommend that the AUASB develop supplementary guidance or illustrative procedures demonstrating how assurance practitioners can efficiently integrate procedures on "reasonable steps" with



**Shape the future
with confidence**

their broader review procedures. Further details on supplementary guidance can be found in our response to Question 3.

Addressing these matters will further enhance the clarity and practicality of the standard, supporting both auditors and reporting entities in meeting the evolving expectations of users and regulators.

2. Would there be any significant challenges for auditors in obtaining sufficient appropriate evidence that the entity has taken 'reasonable steps' to ensure that the sustainability report complies with the Act for periods commencing 1 July 2026 to 31 December 2027?

While we do not anticipate significant impediments to auditors obtaining sufficient appropriate evidence that an entity has taken "reasonable steps", we recognise that there are notable challenges that warrant careful consideration and further guidance.

Judgement-based nature of the criterion

Auditors should generally be able to obtain sufficient appropriate evidence that an entity has taken "reasonable steps" to ensure the sustainability report complies with the Corporations Act. However, as the term "reasonable steps" is undefined within the Corporations Act and hence inherently subjective, interpretations may vary, meaning the amount and nature of evidence required could differ across engagements.

In practice, additional effort may be required for assurance practitioners to identify and assess the actions taken by directors themselves (as distinct from management) and to evaluate the adequacy of those steps. This is particularly relevant in the early years of implementation, when many entities are still developing their sustainability governance structures and may have limited documentation to evidence directors' oversight.

With limited precedents or established expectations, auditors and directors may hold differing views on what constitutes "reasonable steps", increasing the risk of evidence gaps and inconsistent assurance outcomes.

Variability in evidence and documentation

While ASIC Regulatory Guidance (RG280.55) provides some direction on the steps directors should take, there remains a significant degree of judgement in both determining and evaluating the "reasonable steps" criterion, as well as in establishing what constitutes sufficient evidence to support the review conclusion. The effectiveness of assurance procedures will also depend on the extent to which entities maintain appropriate documentation of the steps taken to ensure compliance, a responsibility that primarily rests with preparers, but which could be supported by coordinated guidance from the AUASB and AASB.

Mitigating factors

Despite these challenges, we note that existing procedures under ASSA 5000 and ASSA 5010 (such as understanding internal controls and governance) will support assurance practitioners in forming a conclusion. In practice, assurance practitioners could obtain appropriate evidence through a combination of procedures, including but not limited to inquiries of management and those charged with governance, inspection of board and committee minutes and assessment of the entity's engagement with subject matter experts.

To promote consistency and reduce uncertainty in practice, we strongly support the development of further AUASB guidance. Such guidance would provide clear expectations for both auditors and reporting entities, supporting the effective and consistent implementation of the assurance requirements during the transitional period.



Shape the future
with confidence

3. Should guidance be developed to assist auditors on how to approach the 'reasonable steps' criterion in the directors' declaration for years commencing 1 July 2026 to 31 December 2027, bearing in mind that the meaning of the 'reasonable steps' criterion for entities is not within the remit of the AUASB?

While we acknowledge that defining the criterion for 'reasonable steps' for reporting entities sits outside the AUASB's remit, we believe the AUASB is well placed to provide guidance on how auditors should approach assurance over this aspect of the directors' declaration. EY encourages the AUASB to develop non-authoritative guidance or illustrative examples to assist auditors in evaluating the "reasonable steps" criterion. Such guidance would not only promote consistency in practice and support auditors in forming appropriate conclusions but would also provide directors and reporting entities with a clearer understanding of the audit trail and documentation required to support their declarations.

Recommended areas for guidance

We see value in guidance that clarifies the nature and extent of procedures typically necessary to obtain sufficient and appropriate evidence, without prescribing the specific steps that reporting entities must take. It would be helpful for the guidance to address several key areas:

- The nature of procedures: illustrative examples of procedures that might be performed to evaluate whether directors have taken reasonable steps, such as inquiries of directors and management, review of board and committee materials, assessment of directors' expertise and training in sustainability matters, and evaluation of processes for director review and challenge of sustainability information.
- The evidence expectations: Guidance on the types and extent of evidence that would typically support a limited assurance conclusion over the directors' declaration, including how assurance practitioners might document their evaluation of qualitative governance matters.
- Scaling considerations: Principles for how the nature and extent of procedures might appropriately vary based on entity size, complexity, industry, and stage of sustainability reporting maturity, while maintaining a consistent threshold for what constitutes "reasonable steps."
- Interaction with AASB S2 governance disclosures: Guidance on how assurance over the directors' declaration relates to and can leverage procedures performed over governance disclosures required under AASB S2, avoiding duplication while ensuring comprehensive coverage.
- Common scenarios: Illustrative examples of governance practices that would likely constitute reasonable steps, as well as red flags or deficiencies that would likely indicate directors have not taken reasonable steps. This could include both positive indicators (such as regular board-level review of sustainability reporting, dedicated committee oversight, director training on AASB S2) and negative indicators (such as lack of board involvement, absence of review procedures, or inadequate time allocation for sustainability reporting oversight).

Implementation and co-ordination

We encourage the AUASB to issue this guidance as early as possible, to allow practitioners to incorporate it into their planning and methodology development, and to give directors and entities time to understand expectations and develop appropriate documentation practices.

As this guidance is developed and implemented, we recommend that the AUASB and practitioners maintain an open channel for feedback on practical challenges, so that early insights can inform any further support needed. We also encourage the AUASB to align with ASIC in developing this guidance, to ensure alignment between audit expectations and regulatory expectations for directors. Such coordination would help prevent situations where auditors and directors have different interpretations of "reasonable steps" based on different sources of guidance. Joint or complementary guidance from AUASB and ASIC would provide the most coherent and practical framework for all stakeholders.

Feedback on voluntary reporting



**Shape the future
with confidence**

4. Do you agree with the proposed amendments to clarify how the phasing in of assurance applies to entities that choose to comply with the sustainability report requirements under the Act voluntarily, should the Bill be enacted?

Should the Bill be enacted, EY agrees with the proposed amendments to clarify how the phasing of assurance applies to entities that choose to comply with sustainability reporting requirements under the Corporations Act on a voluntary basis. We are in favour of a clear framework to ensure standardised reporting practices and transparent reporting and assurance requirements across the phasing for entities choosing to adopt AASB S2 voluntarily. This will help maintain consistency and comparability across entities, regardless of whether compliance is mandatory or voluntary.

The proposed amendments will remove ambiguity around how voluntary reporters should approach assurance obligations. Without explicit guidance, there is risk that voluntary reporters might interpret the phasing requirements inconsistently, leading to confusion among users about the level of assurance applied and undermining the comparability benefits that standardised sustainability reporting is designed to achieve. Clear rules for voluntary reporters will also support capital market participants in understanding and comparing sustainability information across entities with different reporting obligations.

Providing clarity on assurance phasing for voluntary reporters also serves a broader market development purpose. Many entities may choose to voluntarily adopt AASB S2 to meet stakeholder expectations, prepare for future mandatory requirements, or demonstrate leadership in sustainability reporting. Clear assurance requirements support these entities by providing certainty about their obligations and allowing them to plan appropriately for assurance costs and internal readiness. This clarity may encourage more entities to voluntarily adopt the standards and accelerate market maturity.

The proposed amendments appropriately recognise that voluntary reporters may access the modified liability regime under proposed section 1707DA of the Corporations Act. The clear linkage between voluntary reporting under this framework and the assurance phasing requirements provides certainty for both preparers and assurance practitioners.

As voluntary reporting develops, we recommend that the AUASB and relevant regulators monitor the uptake and implementation of voluntary reporting to identify any unintended consequences or areas requiring further clarification.

5. In particular, do you have any views on adopting the proposal to reset the phasing in of assurance where entities that voluntarily report under the Act subsequently opt out? Do you have any views on the alternative of not allowing a reset of the phasing in? Do you have any information on the likelihood that an entity would opt in and out of voluntary reporting under the Act?

EY supports the proposal to allow for a reset of the phasing of assurance where entities that voluntarily report under the Corporations Act subsequently opt out and later recommence. We consider that permitting a reset provides appropriate flexibility and encourages entities to recommence voluntary reporting. This approach avoids discouraging ongoing participation due to concerns about being locked into a particular assurance phase or facing disproportionate costs upon re-entry.

Considerations regarding the alternative approach of not allowing a reset:

Conversely, the alternative approach where a reset is not allowed may act as a disincentive for entities to resume voluntary reporting after opting out. Under this approach, an entity that voluntarily reported for Year 1 (limited assurance on AASB S2 disclosures), then discontinued for a period, would be required to obtain Year 2 or Year 3 level assurance immediately upon resuming. While we acknowledge that a “no reset” approach may appear administratively simpler and could discourage entities from strategically opting in and out, we consider this risk to be low in practice. It is unlikely that entities would engage in such behaviour, given the investment required to prepare sustainability reports in accordance with the Corporations Act. Moreover, the alternative could inadvertently deter entities from resuming reporting, as they would be subject to higher assurance requirements immediately upon recommencement, regardless of their reporting



**Shape the future
with confidence**

maturity or the gap in reporting. If the alternative approach of not allowing a reset is adopted, further consideration should be given to how this applies to mandatory reporters to ensure consistency and fairness across the reporting framework.

EY supports a consistent approach between voluntary and mandatory reporters regarding the reset provisions. We believe that allowing a reset promotes fairness and continuity, while also reducing complexity and discouraging strategic opt-in/opt-out behaviour. Ensuring that the rules are applied consistently across both voluntary and mandatory reporters will help maintain the integrity and comparability of sustainability reporting under the Corporations Act.