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## Consultation Paper: Assurance over Climate and Other Sustainability Information

The Insurance Council of Australia (the Insurance Council) is the representative body of the general insurance industry in Australia and represents approximately 89% of private sector general insurers. As a foundational component of the Australian economy, the general insurance industry employs approximately 60,000 people, generates gross written premiums of \$60.2 billion per annum and on average manage \$159 million in claims every working day.

The Insurance Council of Australia (Insurance Council) thanks the Auditing and Assurance Standards Board (AUASB) for the opportunity to provide a submission in response to the Consultation Paper: Assurance over Climate and Other Sustainability Information (the paper).

We appreciate the collaborative approach the AUASB has taken on the development of climate-related disclosure, engaging with the business community, civil society, government bodies and other interested stakeholders. We recognise that 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 is an important next step towards enabling more consistent climate-related financial disclosures in Australia, improving the comparability of climate-related financial information across reporting entities and better leveraging capital to meet Australia's emissions reduction targets.

ICA's member views on the main themes are summarised below, please refer to the ICA's previous submissions for further detail.<sup>1</sup> Some members may provide their own separate submission:

- **The view of the Insurance Council and its members is that there is a critical role for independent external assurance to lend credibility to climate and sustainability information.** The goal should be for investors and other stakeholders to rely on the assurance performed and the integrity of the information provided, similar to how they rely on audited financial statements. A consistent baseline is needed for there to be trust and confidence in the information provided and to avoid confusion or misunderstanding amongst investors and other stakeholders.
- **However, there are significant challenges associated with assurance of scenario models and Scope 3 emissions, given the quantum of inputs, level of estimation and variability in assumptions.** While there is a critical role for independent external assurance to lend credibility to climate and sustainability information, reasonable assurance across climate-related content isn't practical whilst applicable accounting/reporting best practices aren't yet clearly defined. The Insurance Council and its members recommend that the progression to reasonable assurance

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<sup>1</sup> [Climate-related financial disclosure: exposure draft legislation and explanatory materials \(insurancecouncil.com.au\)](#); [Climate-related financial disclosure 2023 consultation paper; AASB Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-Related Financial Information \(ED SR1 ASRS\) \(insurancecouncil.com.au\)](#); [Climate-related financial disclosure: exposure draft legislation and explanatory materials \(insurancecouncil.com.au\)](#)

aligns with the development of the relevant auditing standards and uplift in auditing capabilities in Australia.

- **As contained in the consultation paper, Attachment 1, Option 1 should consider inter-relationships between the different elements of ISSA 5000.** For example, reasonable assurance on qualitative scenario analysis would be required from FY28, whereas limited assurance would be required on strategy and transition plans from FY26 - however qualitative scenario analysis would be a key input into strategy and transition planning.
- **If the reporting framework requires a 1 January 2025 commencement date for Group 1 entities, a sufficient period is essential between the release of the final standards and legislation and the commencement of reporting and assurance requirements to allow entities to prepare.** For example, a 1 January 2025 commencement date for Group 1 entities should only occur if the final standards and legislation are finalised and released mid-2024. It is not feasible to expect entities to commence reporting and assurance requirements simultaneously with the publication of the standards and legislation.
- **The Insurance Council and its members support the 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)).** Where feasible, the Australian mandatory disclosure standards and legislation should align with global standards to ensure interoperability between Australia and other jurisdictions. Given the substantial size of the Australian market and its relatively high global integration, such consistency is crucial for entities operating across multiple jurisdictions to enable audit efficiency (e.g., group auditors and component auditors being able to place reliance on each other's audit work for their respective jurisdictional needs.)
- **The Insurance Council and its members would welcome the AUASB developing local material on specific elements of ISSA 5000.** This would help ensure a consistent and standardised method for reporting entities to meet their obligations on matters such as materiality, limited assurance versus reasonable assurance, the use of experts, groups and consolidated information, and estimates and forward-looking information. In addition to these elements, local material on 'errors v's changes in assumptions' and 'reasonable steps' that directors need to take with respect to forward looking statements would also support consistency.

We trust that our initial observations are of assistance. If you have any questions or comments in relation to our submission please contact Ange Nichols, Senior Advisor, Climate Change:

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Yours sincerely,



**Andrew Hall**

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