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15 November 2024

Sub 17 - ASSA5010

The Chair

Auditing and Assurance Standards Board

PO Box 204, Collins Street West

Melbourne Victoria 8007 AUSTRALIA

Our ref: 15112024 – Comments to ED 02/24 (September 2024)

Dear Chair,

BSI Group ANZ PTY Limited (BSI) is established in Australia as a private company under the ABN 72 078 659 211, since February 2000.

BSI is part of the BSI Group (British Standards Institution) that operates in more than 190 countries have prominent and historical experience in assurance , such as issued more than 2,200 accredited climate change and GHG related independent verification statements over the past 12 months.

BSI appreciates the opportunity of providing inputs to the Exposure Draft ED 02/24 " Proposed Australian Standard on Sustainability Assurance ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*"

The summary of BSI's inputs is:

- To contribute to the queries listed in the Exposure Draft ED 02/24, based on BSI Group ANZ PTY Limited's experience of more than 4,000 clients being audited yearly in Australia against several standards (and other approx. 76,000 clients overseas), and based upon its international Standard Development experience issuing over approx. 60,000 standards with both local and global applicability, including sustainability related ones such the ISO Net Zero Guidelines IWA42, Carbon Neutrality (ISO14068) and many others.
- To increase the assurance integrity by suggesting the adoption and/or adaptation of global assurance / auditing requirement's best practices in climate change and sustainability, such as



EU CSRD's - *EU Corporate Sustainability Reporting Directive (CSRD)*¹, and *California's Climate Corporate Data Accountability Act. 2023-2024 (SB 253)*²

- To suggest AUASB a pathway to increase the Australian auditing capacity and capability to address auditing demand-offer risks, as indicated in ED02/24, by enabling internationally or locally accredited Certification Bodies under *ISO14065:2020 - General principles and requirements for bodies validating and verifying environmental information*³, to deliver auditing against the Australian Sustainability Reporting Standard AASB S2 Climate-related Disclosures (AASB S2).

Hence, we address our feedback on the open consultation of the position by answering the following questions raised in the ED02/24:

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;

BSI Response: Yes

b. Their interconnectivity;

BSI Response: No.

AUASB should take the opportunity of expanding the interconnectivity by adopting other prominent assurance best practices to expand auditing capacity, such as EU Directive's CSRD, enabling ISO14065 accredited certification bodies to also audit reports following AASB S2's requirements.

Ref EU CSRD Article 61:

*"... Considering the key role of statutory auditors when providing assurance of sustainability reporting and ensuring reliable sustainability information, the Commission has announced that it will act to further enhance audit quality and to **create a more open and diversified audit market**, which are the conditions for the successful application of this amending Directive. In addition, it is **desirable to offer undertakings a broader choice of independent assurance services providers for the assurance of sustainably reporting**. Member States should therefore be allowed to **accredit independent assurance services providers** in accordance with Regulation (EC) No 765/2008 of the European Parliament and of the Council (34) **to provide an assurance opinion on sustainability reporting, which should be published together with the management report**.*

c. The likely cost of assurance; and

BSI Response: Yes, however assurance costs can be reduced if promoting more competition by enabling also ISO14065 accredited certification bodies to perform the audits.

d. The readiness of Group 1, 2 and 3 entities' systems and processes.

¹ [Publications Office](#)

² [Bill Text: CA SB253 | 2023-2024 | Regular Session | Introduced | LegiScan](#)

³ [ISO 14065:2020 - General principles and requirements for bodies validating and verifying environmental information](#)



BSI Response: Yes.

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?

BSI Response: Yes. BSI is not a financial reporting auditor and hence not restricted by resource and capability limitation to do audits, as long as our auditors fulfil the necessary competence to deliver the audits against AASB S2.

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

BSI Response: Yes.

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?

BSI Response: Yes. Limited assurance can be sufficient to identify non-conformities with such statements, particularly if as part of the auditing team there would be auditors with working experience on that specific industry being audited.

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?

BSI Response: Yes.

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)?

BSI Response: Yes.

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

BSI Response: Yes.

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

BSI Response: Yes. Any standard shall embed compliance with current regulations at the time of the audits.

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.

BSI Response: It is advisable to add technical qualified competence to the auditing team by adding auditors with working experience in the audited industry to the audit, to significantly reduce data gathering risks that could lead to misstatements, omissions or errors, particularly in the assurance of non-financial reports.

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



BSI Response: CSRD's articles 58-60 concern the capacity of auditing firms, and to address such issues, we recommend AUASB to adopt / adapt such articles to the new Assurance Standard.

BSI Group remains available to share further collaboration with AUASB, by providing insights on accreditation requirements or foster our experience on standards design, development and launch, which along with independent certification, verification / assurance, have been our core businesses BSI Group's inception in 1907.

BSI Group is a shareholder absent organisation, which enables our values to be delivered in alignment with societal needs, having impartiality as the main pillar of our Assurance division.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Luis Filardi Carneiro', is written over a light blue horizontal line.

Luis Filardi Carneiro

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