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24 November 2025

Mr. Doug Niven
Chair, Auditing and Assurance Standards Board
PO Box 204
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By email: enquiries@auasb.gov.au

Dear Doug

Exposure Draft – Proposed Australian Standard on Sustainability Assurance ASSA 2025-10 (Amendments to ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*)

As one of the largest professional accounting bodies in the world, CPA Australia represents the diverse interests of more than 173,000 members working in over 100 countries and regions around the world.

CPA Australia has closely monitored the development of this Exposure Draft (ED) and actively engaged with our stakeholders throughout its progression. We have sought their views to ensure our response reflects both professional perspectives and the broader public interest. On balance, we are supportive of the proposed amendments to ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* (ASSA 5010). This submission is made on behalf of our members and in recognition of the importance of high-quality sustainability reporting for stakeholders and the community.

We provide some further overall comments below and detailed responses to the questions set out in the ED in the **Attachment** to this letter.

Directors' declaration

We support the inclusion of the directors' declaration in assurance for Years 2 and 3 to promote consistency, investor confidence, and governance accountability. However, we acknowledge challenges in evidencing "reasonable steps" and strongly recommend AUASB develop practical guidance for auditors to ensure consistent and proportionate application during the transitional phase.

Voluntary reporting

We support the proposed amendments on voluntary reporting in principle, provided the Treasury Laws Amendment (Strengthening Financial Systems and Other Measures) Bill 2025 is enacted before 31 December 2025. However, we strongly recommend deferring incorporation of voluntary reporting provisions into ASSA 5010 until legislative certainty is achieved.

If you have any queries about this submission, contact Tiffany Tan, Audit and Assurance Policy Lead at tiffany.tan@cpaaustralia.com.au.

Yours sincerely,

Elinor Kasapidis
Chief of Policy, Standards & External Affairs

Attachment

Directors' declaration

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

Yes, on balance, we agree that the directors' declaration should be subject to assurance for Years 2 and 3, but not subject to assurance for Year 1, given only partial reporting at Year 1.

Argument for support:

The Corporations Act requires the directors' declaration to form part of the sustainability report (s296A) and it is explicitly subject to assurance under s301A. Clarifying that assurance of the directors' declaration is required for Years 2 and 3 and only at a limited assurance level, ensures consistency with the phasing and the Act's intent to avoids ambiguity about whether directors' declaration is considered part of the report subject to limited assurance.

Furthermore, sections 1707C and 1707D introduce a modified liability regime for the transition period. This protects directors and auditors from certain civil actions for statements in sustainability reports and auditor's reports (including forward-looking statements, scenario analysis, and Scope 3 emissions). If the directors' declaration were excluded from assurance in Years 2 and 3, this could create legal uncertainty and may potentially expose auditors to risk under the limited immunity provisions, as the assurance over the "full" sustainability report would not be met.

Alternate views:

We have also heard and considered the alternate views that believe directors' declaration should not be subjected to assurance for Years 2 and 3. One of the biggest concerns is the lack of a clear definition for 'reasonable steps' creates uncertainty. (Refer to our response to Question 2 for further discussion.) Additionally, stakeholders also raised concerns that assuring the directors' declaration during the transition period may add limited assurance value while increasing complexity and cost. Additional procedures could extend beyond the scope of disclosures without delivering substantive benefits. Others contend that the Act envisages progressive assurance requirements. Deferring assurance of the directors' declaration until Year 4 would align with this phased approach and avoid premature expansion of scope.

Minor drafting issues:

We also note minor drafting issue on the ED. For example:

- Page 5 of the ED proposed replacing the last line in the table with:

Directors' declaration on sustainability report	None	Limited from 1/1/28	Limited from 1/1/28	Reasonable	Reasonable	Reasonable

- However, the last line in the table on page 13 of the ED does not have a date.

Replace the diagram in the Appendix with the following:

Years commencing	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Group 1	**1/1/25 to 30/6/26**	**1/7/26 to 30/6/27**	**1/7/27 to 30/6/28**	**1/7/28 to 30/6/29**	**1/7/29 to 30/6/30**	**1/7/30 to 30/6/31**
Group 2	**1/7/26 to 30/6/27**	**1/7/27 to 30/6/28**	**1/7/28 to 30/6/29**	**1/7/29 to 30/6/30**	**1/7/30 to 30/6/31**	**1/7/31 to 30/6/32**
Group 3	**1/7/27 to 30/6/28**	**1/7/28 to 30/6/29**	**1/7/29 to 30/6/30**	**1/7/30 to 30/6/31**	**1/7/31 to 30/6/32**	**1/7/32 to 30/6/33**
Governance	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Risks and opportunities (AASB S2 subparas 9(a), 10(a) and 10(b))	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Strategy – Risks and opportunities	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate resilience assessments / Scenario analysis	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Transition plans	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Risk management	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Scope 1 and 2 emissions	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Scope 3 emissions	N/A	Limited	Limited	Reasonable	Reasonable	Reasonable
Other climate-related metrics and targets	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Directors' declaration on sustainability report	None	Limited	Limited	Reasonable	Reasonable	Reasonable

- New note 6 below the table on page 13 of the ED was missing. As per the ED, note 6 states *that 'Assurance is only required to cover the directors' declaration on the sustainability report from years commencing 1/1/28.'* As per the replacement table above, it would appear that the correct commencing date should be 1/7/26?

We recommend the AUASB to clarity the commencement date of this provision and note 6 to be amended accordingly.

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?**

   Yes, members have shared that, it will be challenging for auditors to obtain sufficient appropriate evidence that the entity has taken 'reasonable steps' to ensure that the sustainability report complies with the Act during this period (Year 2 and Year 3).

   This is predominantly due to the term 'reasonable steps' to ensure compliance is not defined in the Act nor in AUASB's literature. There is also lack of existing guidance on 'reasonable steps' except for the high-level reference made in ASIC's RG 280 Sustainability Reporting and the AICD's A Director's Guide to Mandatory Climate Reporting. This creating interpretational uncertainty for auditors when designing procedures. Unlike disclosures that have clear reporting requirements under AASB S2, 'reasonable steps' is a process-based assertion which involve subjective evaluation of planning, oversight, and monitoring activities rather than verifying factual disclosures. Without guidance, both directors and auditors must exercise significant judgment to determine what constitutes 'reasonable steps' and auditor to determine what constitute sufficient evidence to demonstrate directors have taken 'reasonable steps', increasing variability and risk.

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?**

   Yes, guidance should be developed to assist auditors in approaching the 'reasonable steps' criterion.

   While AUASB cannot define what constitutes 'reasonable steps' for entities, it can provide practical examples and procedural considerations for auditors. AUASB guidance could cover topic such as indicators of directors' oversight and monitoring activities, evidence sources (e.g., board papers, governance policies, risk assessments, compliance frameworks and checklists), and how to link existing work on internal controls under ASSA 5000 to the directors' declaration.

   Guidance should also help auditors design efficient procedures and clarify how to tailor procedures for limited assurance engagements in Years 2 and 3, ensuring that work effort remains proportionate to the assurance objective and does not inadvertently resemble a full audit (reasonable assurance).

Voluntary reporting

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.**

   We support the proposed amendments in principle, conditional on the *Treasury Laws Amendment (Strengthening Financial Systems and Other Measures) Bill 2025* (the Bill) being enacted before 31 December 2025.

   Our position is based on the following considerations of key issues and concerns.

   - Uncertainty of Legislative Passage - The Bill is currently before Parliament, and it is unclear whether it will be passed during the December sitting. If the Bill is not enacted by 31 December 2025, the proposed amendments would lack legislative authority, creating uncertainty for entities and assurance practitioners.
   - Application Date Ambiguity - While paragraph 12 of the ED notes that the Bill can apply for years commencing 1 January 2025 if enacted before the end of December 2025, the proposed Bill itself does not clearly state that s1707DA will apply for years commencing 1 January 2025. This ambiguity raises questions about whether entities voluntarily reporting for periods starting 1 January 2025 would fall under the modified liability regime and assurance phasing.

- Impact of Delayed Enactment - If the Bill is passed in early 2026 rather than December 2025, it is unclear whether the proposed phasing outlined in paragraph 14 of the Exposure Draft would remain unchanged or require revision.

While we commend the AUASB for proactively addressing voluntary reporting scenarios as the result of the proposed Bill, we do not support incorporating the proposed phasing for voluntary reporting into the revised ASSA 5010 until the Bill is enacted. Including these provisions prematurely could mislead stakeholders and create compliance risks.

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?**

   We support the proposal to allow a reset of the phasing in of assurance for entities that voluntarily report under the Act and subsequently opt out.

   Resetting the phasing ensures that assurance requirements reflect the entity's actual reporting history and maturity. The reset approach avoids penalising entities for gaps in reporting. Without a reset, entities that recommence reporting could face assurance obligations that assume continuous compliance, which may not be realistic and could discourage voluntary participation.

   We do not support the alternative of disallowing a reset, as it could require auditors to provide assurance over comparative information that may not exist or be reliable due to the 'gap' reporting and assurance period, increasing unnecessary complexity and cost.

   We have no empirical data on the likelihood of entities opting in and out. However, we consider it very unlikely because, voluntary reporting under the Act involves significant investment in systems, processes, and governance. Entities that commit to this level of compliance are unlikely to reverse course unless there are exceptional circumstances. Furthermore, the reputational and stakeholder expectations associated with sustainability reporting create strong incentives for continuity once an entity begins reporting under the Act.