



Australian Government

Auditing and Assurance Standards Board

Auditors and Greenwashing

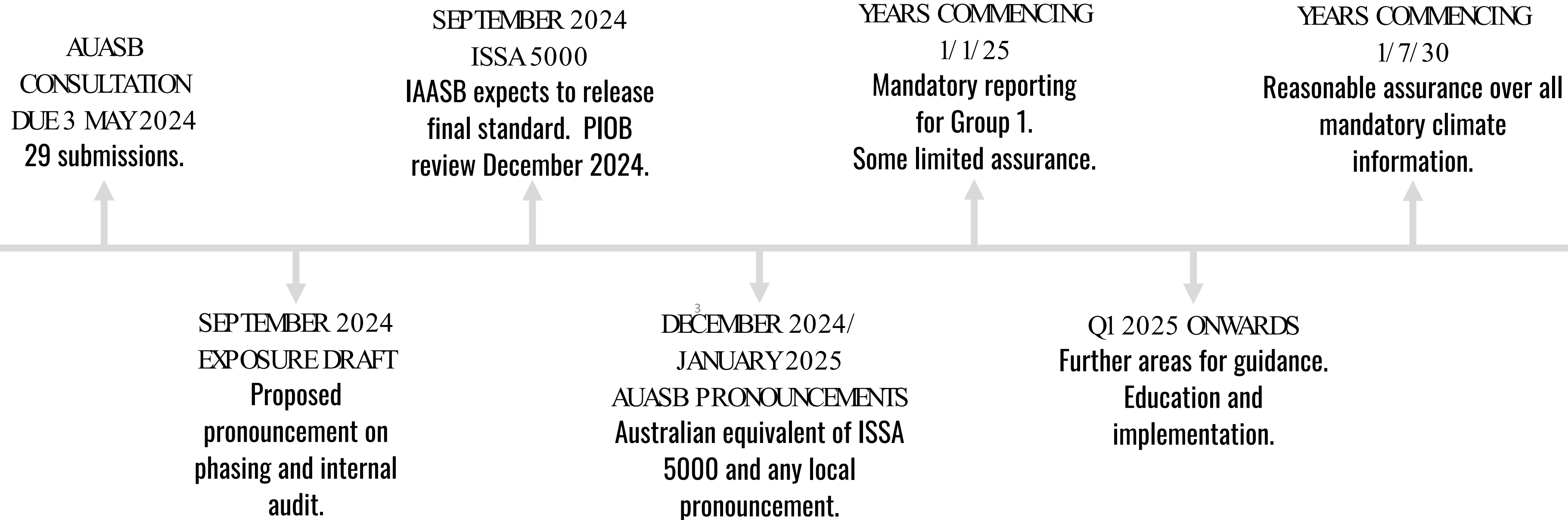
September 2024

Doug Niven, Chair

WHAT COULD CHANGE?

Legislation (passed today)	Reporting standards
Proposed ISSA 5000	Assurance guidance from others

SUSTAINABILITY ASSURANCE TIMELINE



POSSIBLE ASSURANCE PHASING

Reporting Year ->	1st*	2nd	3rd	4th	5th	6th**
Governance	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Strategy – Risks and Opportunities	Limited	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	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
Scope 3 Emissions	N/A	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate-related Metrics and Targets	None	Limited	Limited	Reasonable	Reasonable	Reasonable

* Group 1 – Years commencing 1 January 2025. Group 2 – Years commencing 1 July 2026. Group 3 – Years commencing 1 July 2027.

** Group 3 is to be subject to reasonable assurance across all disclosures by years commencing 1 July 2030.

Note: The phasing for assurance on Statements that there are no material climate-related risks and opportunities would be the same as for ‘Strategy – Risks and Opportunities’.



ISSA 5000

ISSA 5000 General Requirements for Sustainability Assurance Engagements
(proposed):

- IAASB due to issue September 2024
- Support to adopt in Australia for mandatory and voluntary assurance
- Features:
 - Reporting framework & practitioner neutral
 - Limited and reasonable assurance
- Re-expose in Australia?

ISSA 5000

79. The practitioner shall determine whether ... (b) The engagement as a whole will be useful and not misleading to intended users; and (c) The scope of the assurance engagement is appropriate, including when the scope of the assurance engagement excludes part of the sustainability information to be reported.

Appropriateness of the scope of the assurance engagement ...

The entity may not have a reasonable basis for all of the disclosures in the sustainability information, such as when the entity's processes to prepare some or all of the sustainability information are at an early stage of development. ...

In determining whether the sustainability information within the scope of the engagement is appropriate, the practitioner may consider: (a) Whether the sustainability information within the scope of the assurance engagement is likely to meet the information needs of intended users; and (b) How the sustainability information will be presented and whether intended users may misinterpret what has, and has not, been subject to the assurance engagement. ...

If the information is not used for the entity's own decision-making, that may raise a question as to why the information is being reported, and whether there may be bias in selecting only sustainability information that are easily subject to an assurance engagement or that present the entity in a positive way.

LOCAL GUIDANCE

- Strong support for supplementing ISSA 5000
- Possible matters included greenwashing & greenhushing

GREENWASHING

- . Sustainability report
- . Financial statements – provisions, goodwill, etc
- . Financial auditor covers mandatory climate:
 - . Can be different partners
 - . Voluntary sustainability – can be other assurance provider
 - . Communications and consistency

GREENWASHING

Corporations Act 2001

- s1308, etc – Misleading and deceptive
- s311 – Suspected Contraventions to ASIC (APESB – NOCLAR)
- ASIC Report 791 – focuses, etc
- Liability relief – only ASIC can take action:
 - 3 years – no phasing
 - Available to auditors
 - Annual report only

GREENWASHING

- . Reasonable basis
- . Plan vs management intention
- . Disclose assumptions and uncertainties
- . Reporting boundaries
- . Materiality
 - GPFRs as a whole vs sustainability information?
 - Multiple frameworks

GREENWASHING

- . Assurance levels
 - . Reasonable assurance, Limited assurance
 - . Other information
- . No 'KAMs' – EOMs possible
- . Expectation gap?