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To Whom It May Concern

Submission on Assurance over Climate and Other Sustainability Information Consultation Paper

The Property Council of Australia (the Property Council) welcomes the opportunity to respond to the Auditing and Assurance Standards Board's (AUASB) consultation paper on Assurance over Climate and Other Sustainability Information (the paper).

The Property Council is the peak body for owners and investors in Australia's \$670 billion property industry. We represent asset owners, fund managers, superannuation trusts, developers, and investors across all four quadrants of property investments: debt, equity, public and private.

Our members include audit and assurance professionals, users and preparers of climate-related financial disclosures within the property industry.

The Property Council welcomes the implementation of assurance for climate-related and other sustainability disclosures. Assurance is a critical mechanism to build transparency and trust and support investor confidence. We welcome its application in helping to support investment decisions and mitigate risk.

Property Council position

During our engagement with government on climate-related disclosures commencing in February 2023, the Property Council has held a consistent position on assurance, that is:

- We have not supported the eventual requirement for all disclosures to have reasonable assurance,
- If implemented, reasonable assurance should only be implemented for financial impacts to financial statements, and
- All other impacts (including governance practices, scenario analyses, transition plans and all greenhouse gas emissions) should be subject to limited assurance in a phased manner.

Our consistent view on non-financial impacts (being governance practices, scenario analyses, transition plans, all GHG emissions and the like) has in part been formed due to the vast difference

in cost and complexity between limited and reasonable assurance, due to the nature of the examination and the depth of investigation required.

It has been our view that the industry’s resources, including the costs borne by preparers of financial statements and the time invested by the assurance industry, is better devoted to the material financial-related disclosures. As canvassed during the AUASB Roundtable this month on 11 April, entities can expect upwards of \$1 million per annum cost to undertake reasonable assurance across all disclosure topic areas.

Possible Assurance Phasing, Group 1, AUASB April 2024

Group	Disclosure topic area	Years commencing 1 January 2025 to 30 June 2025	Years commencing 1 July 2025 to 30 June 2026	Years commencing 1 July 2026 to 30 June 2027	Years commencing 1 July 2027 to 30 June 2028	Years commencing 1 July 2028 to 30 June 2029	Years commencing 1 July 2029 to 30 June 2030	Years commencing 1 July 2030 onwards
1	Governance	None	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
	Strategy (including risks and opportunities)	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Qualitative scenario analysis	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Quantitative scenario analysis	N/A	N/A	N/A	Reasonable	Reasonable	Reasonable	Reasonable
	Climate resilience assessments	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Transition plan and climate-related targets	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Risk management	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Scope 1 and 2 emissions	Limited	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
	Scope 3 emissions	N/A	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Other metrics and targets (excluding appropriateness of metrics)	None	Limited	Limited	Reasonable	Reasonable	Reasonable	Reasonable
	Other metrics and targets (appropriateness of metrics)	None	None	Limited	Reasonable	Reasonable	Reasonable	Reasonable
Industry based metrics	N/A	N/A	N/A	N/A	N/A	N/A	Reasonable	

Notes:
 1. Reporting required from years commencing 1 January 2025 unless otherwise stated in paragraph 25 of the covering paper.
 2. Reporting of Scope 3 emissions is proposed for years commencing 1 January 2026 onwards.

It is clear however from the Government’s Policy Position Statement and the AUASB consultation paper’s Possible Assurance Phasing model (*above*) that government may intend to implement reasonable assurance across all disclosure topic areas.

In response, the Property Council would recommend that assurance for disclosure topics is preceded by at least two full reporting periods of limited assurance before reasonable assurance is mandated.

We appreciate the growing materiality of non-financial topics to stakeholders, including users of financial statements like investors, and acknowledge the feasibility of providing verifiable assurance over these governance and strategic frameworks.

However, due to the scale of the task to industry; to prepare, report and then have assured their climate-related financial disclosures, we request limited assurance on the first two full reporting periods to assist in the transition and allow preparers of statements to smooth out the complexity and cost of implementing these changes.

Scope 3 emissions

Further to the above, the Property Council’s strong view is that until there is an accepted industry practice, disclosures of Scope 3 emissions should be voluntary and not subject to assurance unlike other disclosure topics.

Industry is broadly prepared to report on Scope 1 (direct emissions from owned or controlled sources), and Scope 2 (indirect emissions from electricity, heating and cooling) and, subject to an appropriate number of reporting periods requiring only limited assurance, can transition to reasonable assurance.

However, industry cannot support any assurance, let alone reasonable assurance, for a disclosure where there is yet to be an acceptance of quantification and reporting. There are ongoing critical issues with data availability, including accessing and reporting tenant activities, and methodological issues that are as-yet unresolved. The Property Council is working with industry to address these issues but the timeframe for resolution is currently unknown.

Until such a time as these matters are dealt with, the AUASB should list assurance requirements for Scope 3 emissions as 'None' in its phasing model.

We believe the current model presented in the paper makes an underlying assumption that for Groups 2 and 3, the delay in requiring limited or reasonable assurance relative to Group 1, would allow issues facing a particular disclosure topic to be resolved by the work undertaken by Group 1.

As the first reporting period has been delayed six months to 1 January 2025, we do not believe there will be sufficient learnings to inform reasonable assurance for Scope 1 and 2 emissions for years commencing 1 July 2025. In line with our previous recommendation, entities should have two full reporting periods before reasonable assurance is required.

For Scope 3 emissions in particular, the issues faced by preparers of financial statements concerning complexity of reporting and methodology only become more challenging, particularly from the perspective of generating accurate data. Until such a time as all these matters are addressed, the AUASB should not implement assurance requirements at any forward date.

These matters can be further reviewed at an AUASB successor-led review in 2026 and a Treasury-led review in 2029.

Future reviews of the assurance phasing model

The Property Council supports the future consultations outlined in paragraphs 26-28 of the consultation paper.

It is imperative that the AUASB and its successor undertake a review of assurance phasing in late 2026, before many of the reporting entities will require reasonable assurance of their disclosures.

Supported by a 2029 Treasury-led review of broader climate disclosure requirements, these reviews must closely investigate, but not limited to, the maturity of entity systems, processes and information sources, in particular as they relate to Scope 3 emissions.

Adoption of ISSA 5000 and a Possible Local Pronouncement

The Property Council supports, subject to seeing the final standard, that ISSA 5000 is adopted in Australia, and that a local pronouncement to issue Australian-specific standards or guidance is strongly considered.

As a matter of principle, the Property Council supports the adoption of international standards to ensure Australia is broadly aligned with our international partners. This supports good governance and enhances credibility, improves quality and consistency of assurance, and builds the confidence of the market.

Further tailoring the standards to Australian legislative and regulatory framework will encourage deeper stakeholder engagement from regulators, preparers and users of financial statements, ensuring the successful implementation of the standard.

If the AUASB or its successor is interested in consulting a broad range of property industry reporting entities, included listed and unlisted companies, on the impacts on their business and internal governance practices of the assurance phasing model and standards implemented by the government, the Property Council would welcome facilitating that discussion.

The Property Council would welcome the opportunity to discuss this submission in more detail. Please reach out to Dan Rubenach, Policy Manager at drubenach@propertycouncil.com.au to arrange a meeting.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Antony Knep', with a small flourish at the end.

Antony Knep
Executive Director - Capital Markets
Property Council of Australia