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Sub 8 ED03-2025

3 December 2025

Dear Mr Niven,

**KPMG response: ED 03/25 Proposed Australian Standard on Sustainability Assurance  
ASSA 2025-11 Amendments to ASSA 5000 *General Requirements for Sustainability Assurance  
Engagements***

KPMG Australia (KPMG) welcomes the opportunity to comment on the proposed amendments set out in the Exposure Draft.

KPMG has been actively involved in recent consultation processes on the topic of climate and sustainability disclosures, including the November 2025 submission to the AUASB on proposed amendments to ASSA 5010, December 2024 submission to ASIC on *Consultation Paper 380*, November 2024 submissions to the AUASB on the *Proposed Australian Standard on Sustainability Assurance and Prohibiting Sustainability Assurance Practitioners from using Direct Assistance by Internal Auditors*, May 2024 submission to the AUASB on *Assurance over Climate and Other Sustainability Information*, and 2023 submissions to Treasury on *Climate-related financial disclosure*.

In these responses KPMG has consistently supported the adoption of a globally consistent disclosure of sustainability-related information, accompanied by a robust assurance regime.

In KPMG's most recent submission to the AUASB in relation to amendments to ASSA 5010, we support the approach to assurance of directors' declarations outlined in the Exposure Draft and recommend that guidance be provided for auditors on the 'reasonable steps' criterion. The response also supports allowing a reset of the phasing in requirements for entities that voluntarily report, as the alternative would act as a disincentive to voluntary reporting.

In respect of the proposed amendments to ASSA 5000, KPMG welcomes the inclusion of illustrative reports and has responded to the exposure draft questions at the Appendix.

In summary, KPMG supports combining Corporations Act wording with paragraph 190(c)(vi)(b) of ASSA 5000 in the auditor's opinion to meet legislative requirements and enhance clarity, and considers that Year 1 assurance should use a compliance framework while Year 2 onwards adopts a fair presentation framework aligned with AASB S2. KPMG supports the proposed approach for early reasonable assurance on Scope 1 and 2 emissions, where relevant, however, we would not support generalising this approach to information not required to be assured under the Act per ASSA 5010 and consider such information should be assured separately as voluntary information. In addition, we recommend a number of practical steps in order to better distinguish the auditor's reports on the financial report and sustainability report.

If you would like to discuss this submission further, please don't hesitate to contact us.

Yours sincerely

**Shaun Kendrigan**

National Head of Audit Quality

KPMG Australia

## **Appendix**

- 1 Do you agree that the that the wording of the auditor's conclusion/opinion should combine wording from the Corporations Act and paragraph 190(c)(vi) of ASSA5000 as proposed in the Exposure Draft? Please provide your reasons. (Line 1 in the table in paragraph 18 and paragraphs 5 to 20 above)**

Yes, KPMG considers that combining the Act wording with paragraph 190(c)(vi)(b) of ASSA 5000 meets legislative requirements and clarifies assurance level, materiality, and evidential basis. It also ensures consistency with ASSA 5000 and improves user understanding. Additionally, KPMG supports the AUASB's 'For change' rationale referenced in paragraph 18.

- 2 Do you agree with the proposal that in Year 2 onwards, the review/audit is based on a fair presentation framework rather than a compliance framework? (Line 2 in the table in paragraph 18, paragraphs 5 to 6 and paragraphs 16 to 20 above)**

Yes, KPMG agrees with the proposal that in Year 2 onwards, the review/audit is based on a fair presentation framework. We consider this framework is appropriate and aligned with AASB S2's fair presentation basis.

- 3 Do you agree with the proposal that in Year 1, where only specified disclosures are subject to assurance, the review is based on a compliance framework rather than a fair presentation framework? (Line 3 in the table in paragraph 18)**

KPMG considers that a compliance framework conclusion is appropriate in Year 1, given assurance only covers specified disclosures and should not suggest fair presentation of the full sustainability report.

- 4 Should the conclusion/opinion refer specifically to AASB S2 in addition to referring to compliance with the Act? (Lines 4 and 5 in the table in paragraph 18 and paragraphs 9 to 20 above)**

Yes, KPMG considers that it would be beneficial for the opinion to refer specifically to AASB S2 in addition to referring to compliance with the Act, as it may improve clarity for users.

- 5 Should the audit opinion refer to disclosure provisions under the Act where there are no current requirements (e.g. any Ministerial legislative instrument)? (Line 5 in the table in paragraph 18, paragraphs 5 to 6 and paragraphs 13 to 20 above)**

KPMG does not support referring to requirements that do not currently exist. If the AUASB wishes to include a provision to allow for Ministerial legislative instruments, we suggest inserting the words: "and any Ministerial legislative instrument" in square brackets if and when such requirements are introduced.

- 6 Do you consider that in Year 4 onwards, the opinion should omit the words from 'including' onward in s309A(1) of the Act? (Paragraph 19 above)**

KPMG considers that the word "including" should be retained in order to maintain consistency with s309A(1) of the Corporations Act.

- 7 Do you agree that the auditor's report should use the same terminology as the Act rather than the terminology used in ASSA 5000 (for example, 'review' instead of 'limited assurance engagement')? (Paragraphs 21 and 22 above)**

We recognise the importance of using the terminology specified in the Act within the report. However, as these engagements are performed in accordance with ASSA 5000 - which is consistent with international sustainability assurance standards - the report should also communicate key ASSA 5000 concepts, such as limited assurance procedures and materiality. To address this, we suggest clarifying in the Basis for Conclusion/Opinion section that a review equates to a limited assurance engagement and an audit corresponds to a reasonable assurance engagement. This approach ensures compliance with the Act while also preserving consistency with ASSA 5000.

**8 Do you support the inclusion of the example inherent limitation paragraph in the Illustrative Reports? Do you agree with the example provided? Please provide your reasons. (Paragraphs 23 to 26 above and the proposed illustrative reports below)**

KPMG supports the inclusion of the example inherent limitation paragraph in the Illustrative Reports, and considers that the example provided is helpful. We recommend that the AUASB emphasise that these examples must be tailored to the entity to avoid overly generic language.

**9 Do you agree with the approach taken to auditor reporting in the narrow circumstance where an auditor gives early reasonable assurance on Scope 1 and 2 emissions in Year 1 (i.e. treatment as an opinion under the Act)? Do you believe that this situation will arise more than rarely in practice? Do you consider that a similar approach could be applied to information reported under the Act for which no assurance is required in Year 1 but the auditor gives assurance? (Paragraphs 27 to 29 above)**

Yes, we support the proposed approach and use of an illustrative example for this specific example. We agree that the approach may not apply in other circumstances that might appear analogous. KPMG considers that this situation may occur, particularly for entities with established emissions sustainability reporting processes and prior reasonable assurance. However, we would not support generalising this approach to information not required to be assured under the Act per ASSA 5010 and consider such information should be assured separately as voluntary information.

**10 Should the AUASB consider how to better distinguish the auditor's reports on the financial report and sustainability report. If so, how? (Paragraphs 30 to 33 above)**

Yes. We consider that practical steps include: using distinct, prominent headings that specify the subject matter and encouraging placement adjacent to the relevant content in combined annual reports.

**11 Should the illustrative Corporations Act assurance reports be issued in an appendix to ASSA 5000 or in a separate document? (Paragraphs 34 to 35 above)**

KPMG recommends issuing the illustrative reports as a separate document, as this would allow for more timely updates during the initial implementation phase. The AUASB could consider incorporating them into an appendix to ASSA 5000 once practice has stabilised. In addition, KPMG supports releasing the templates promptly and prioritising Year 1 materials to address immediate needs.

**12 Are there other matters not addressed by this exposure draft that should be considered by the AUASB for the proposed illustrative reports?**

A) *Independence paragraphs* - The independence paragraph within the illustrative drafts currently offers two dated APES 110 references, which may cause confusion. We recommend a general reference to APES 110, with the applicable version determined by the relevant commencement date, as outlined within APES 110 itself. If a dated citation is necessary, an initial example for December 2025 year-ends could reference the correct version, with subsequent guidance updated as new versions take effect.

B) *Illustrative Drafts wording queries* - There are edits which we believe warrant being made in the Illustrative Drafts.

- Illustrative 1 The Auditor's Responsibilities section states "Our objectives are to plan and perform the review to obtain limited assurance about whether the Sustainability Climate Information, defined in the Review Conclusion...". The 'Sustainability Climate Information' is not defined in the Review Conclusion section of the report and should be replaced with 'Sustainability Disclosures'.

- Illustrative 2 The heading of this report is 'INDEPENDENT AUDITOR'S REPORT ON SPECIFIED SUSTAINABILITY DISCLOSURES OF ABC COMPANY LIMITED'S'. We believe the "S" at the end of this sentence should be removed

The line 'We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion'. Given this is a limited and reasonable assurance report, we believe this read 'conclusion and opinion'.