Australian Government
Australian Accounting Standards Board

Staff Paper

Project:	**Auditor remuneration disclosures**	**Meeting:**	AASB August 2026 (M222)
Topic:	**Disclosure of AASB S2-related sustainability assurance fees**	**Agenda Item:**	6.1
		Date:	13 August 2026
Contact(s):	Kim Carney kcarney@aasb.gov.au Angus Thomson athomson@aasb.gov.au Sabine Schuhrer sschuhrer@aasb.gov.au Charis Halliday challiday@aasb.gov.au	**Project Priority:**	Medium
		Decision-Making:	High
		Project Status:	Project update and decide next steps

The objectives of this paper

1. The objectives of this staff paper are to:

   (a) provide the AASB with **background** on current auditor remuneration disclosure requirements;

   (b) outline **findings** from an examination of auditor remuneration disclosures in the annual reports of listed entities that have, at the time of preparing this paper, lodged reports applying AASB S2 *Climate-related Disclosures*;

   (c) **summarise** broader auditor remuneration disclosure matters observed during staff analysis; and

   (d) seek a **decision** from the AASB about whether a standard-setting response is required at this time, and if so the preferred nature of the standard-setting response.

Structure of this paper

2. This staff paper is set out as follows:

   (a) Background of this project (paragraph 3);

   (b) Importance of auditor remuneration disclosures in the Australian context (paragraphs 4–6);

   (c) Introduction of mandatory reporting in accordance with AASB S2 (paragraphs 7–10);

   (d) Relevant external environment considerations - July 2026 Treasury Options paper (paragraphs 11–14);

(e) Existing auditor remuneration disclosure requirements (paragraphs 15–22);

(f) What is the problem we are trying to solve? (paragraphs 23–37);

(g) Is a narrow-scope standard-setting response required? (paragraphs 38–55); and

(h) Staff recommendations (paragraphs 56–60).

Background of this project

3. A summary of the background of this project is set out in the following table:

Date	Key development
May 2011	AASB 1054 *Australian Additional Disclosures* issued. A timeline of the development of the auditor remuneration requirements prior to their incorporation into AASB 1054 is provided in Section 2 of Agenda Paper 6.2.
November 2020	The Parliamentary Joint Committee (PJC) Inquiry into the Regulation of Auditing in Australia identified auditor remuneration disclosures as an area of interest.
February 2021	Following stakeholder feedback and recommendations in AASB Research Report 15 *Review of Auditor Remuneration Disclosure Requirements* (RR15), the AASB added a project on auditor remuneration disclosures to its Work Plan and directed staff to develop an Exposure Draft proposing to amend the disclosure requirements in AASB 1054.
June 2021	The AASB considered recommendations in RR15 alongside other input from ASIC and the Accounting and Professional Ethical Standards Board (APESB). In June 2021 Agenda Paper 9.2 it was noted that "In November 2019, ASIC wrote a letter addressed to the Chair of the AASB … noting enhanced disclosures on the categories of fees paid and payable to auditors may be of further assistance to users of financial reports in understanding the services provided by auditors to the entities that they audit. The categories proposed by ASIC were similar to categories proposed by APESB and recommended in RR15 (the main difference was that RR15 and APESB proposals included a separate category for tax services)." The AASB decided to wait for the government's response to the PJC Inquiry before issuing an Exposure Draft.
June 2022	The New Zealand External Reporting Board (XRB) indicated it intended to harmonise any enhanced disclosure requirements with Australia where possible but subsequently commenced its own project and issued two Exposure Drafts.[1,2]
2023-2024	The XRB completed amendments to Financial Reporting Standard No. 44 *New Zealand Additional Disclosures* (FRS-44), resulting in auditor remuneration disclosure requirements in New Zealand becoming more extensive than the

1 Disclosure of fees paid to audit firms consultation document

2 NZASB Exposure Draft 2022-9 *Disclosure of Fees Paid to Audit Firms (for-profit entities)* and NZASB Exposure Draft 2022-10 *Disclosure of Fees Paid to Audit Firms (public benefit entities)*

Date	Key development
	corresponding Australian requirements in AASB 1054 and AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-profit and Not-for-Profit Tier 2 Entities* for Tier 2 for-profit entities.[3]
July 2024	The government's formal response to the PJC Inquiry acknowledged the recommendations but did not propose further action or provide substantive policy decisions – noting the time that had elapsed since the report was made.[4]
June 2026	Stakeholders again identified auditor remuneration disclosures as a topic potentially warranting consideration in response to the AASB's 2027-2031 Agenda Consultation. In response to some of the feedback received, the AASB decided to commence a short-term, narrow scope project focused on the disclosure of AASB S2-related sustainability assurance fees.[5]

Importance of auditor remuneration disclosures in the Australian context

4. Auditor remuneration disclosures serve an important public interest function by providing transparency about the financial relationship between an entity and its auditor. Such disclosures are intended to assist users in assessing the nature and extent of audit and non-audit services provided by the auditor and whether those services could create actual or perceived threats to auditor independence.

5. Concerns regarding the adequacy of auditor remuneration disclosures have historically focused on whether the level of disaggregation provided is sufficient to enable users to assess potential threats to independence and the extent of services provided by audit firms. However, more recently, following the introduction of mandatory climate-related reporting, concerns have been raised regarding diversity in how AASB S2-related sustainability assurance fees are disclosed in the context of auditor remuneration disclosures.

6. Recent publications by ASIC link auditor independence, audit quality and the setting of audit fees, noting that directors and audit committees should consider auditor independence on an ongoing basis and ensure audit fees are not set at a level that could compromise audit quality. ASIC's recent review of auditor compliance with independence and conflict of interest obligations also reinforces the continuing regulatory focus on independence in mind and appearance, including threats arising from non-audit services.[6,7]

Introduction of mandatory reporting in accordance with AASB S2

7. The introduction of mandatory climate-related financial disclosures and associated assurance requirements under the Corporations Act could be regarded as triggering a need for a review of auditor remuneration disclosures. As investors and other users increasingly rely on assured sustainability information, transparency regarding AASB S2-related sustainability assurance

3 The *AASB For-Profit Entity Standard-Setting Framework* seeks to minimise differences between Australian and New Zealand Accounting Standards for for-profit entities.

4 Government Response – Parliament of Australia

5 AASB Action Alert No. 248, for meeting held on 18-19 June 2026

6 Audit quality – The role of directors and audit committees | ASIC

7 Report REP 817 Building trust: Auditor compliance with independence and conflict of interest obligations

fees could assist users in evaluating potential threats to independence and strengthen confidence in the credibility of AASB S2-related sustainability disclosures.

8. AASB S2 is mandatory for certain entities for annual reporting periods beginning on or after 1 January 2025, with reporting phasing in for subsequent groups for annual reporting periods beginning on or after 1 July 2026 and 1 July 2027. An entity that is required to prepare a sustainability report under the Corporations Act must have the sustainability report reviewed (limited assurance) or audited (reasonable assurance) in accordance with the Corporations Act, and obtain an auditor's report on the sustainability report.[8] For financial years commencing before 1 July 2030, the sustainability report will be required to be reviewed or audited to the extent required by the Auditing and Assurance Standards Board (AUASB).[9] From 1 July 2030, the sustainability report will be required to be audited.[10]

9. The Budget 2026-27 Whole-of-Government Regulatory Reform Agenda notes that the Government is progressing reforms that will reduce regulatory burden in the financial sector, including improving the efficiency of climate related financial disclosures. The Government will consult on reforms to reduce burden while maintaining core sustainability reporting requirements, including adjusting assurance settings to ensure they are proportionate and practical.[11]

10. Staff consider the existing phased approach to the reporting and the associated assurance requirements, as well as the potential for changes to the assurance settings, is important context when considering any associated fee disclosure requirements.

Relevant external environment considerations - July 2026 Treasury Options paper

11. In July 2026, the Treasury issued the Regulation of accounting, auditing and consulting firms in Australia *Options paper*. The Options paper was open for submissions until 12 August 2026.

12. The Options paper seeks stakeholder feedback on reforms to strengthen accountability, independence and trust in Australia's accounting, auditing and consulting sectors, with a particular focus on audit quality.

13. The Options paper notes recent concerns about audit firm accountability, conflicts of interest in large multidisciplinary firms, audit firm governance and culture, audit surveillance and enforcement and market concentration. It notes a range of possible areas for reform:

    (a) greater firm-level accountability;

    (b) stronger management of conflicts of interest;

    (c) improved governance of large multidisciplinary firms;

    (d) enhanced ASIC oversight and enforcement powers;

    (e) stronger sanctions for misconduct; and

---

8 See s301A, s1707E and s1707F of the Corporations Act

9 See s1707E(1)–(2) of the Corporations Act

10 See s1707E(1)–(2) of the Corporations Act

11 Budget 2026–27 Fact Sheet

(f) reduced barriers to entry and more mid-tier firm participation.

14. Although the reforms discussed in the Options paper are not directed specifically at AASB S2-related sustainability assurance fee disclosures, some proposals could have implications for corporate reporting and disclosure requirements more broadly, including matters relevant to auditor transparency and accountability. Staff consider the Options paper is another indication of the continuing policy focus on audit quality, auditor independence and transparency. Accordingly, the outcomes of the consultation process, and any resulting reforms, could affect the broader reporting environment and could inform future consideration of auditor remuneration disclosures and related reporting requirements.

Existing auditor remuneration disclosure requirements

What is currently required by AASB 1054

15. The location and wording of the auditor remuneration disclosure requirements have changed over time. However, the substance of the current requirements in AASB 1054 remains largely unchanged from the original requirements in Schedule 5 of the *Corporations Regulations 1990*. A brief history of the disclosure requirements is set out in Section 1 of Agenda Paper 6.2.

16. AASB 1054 includes the following:

Audit Fees

10 An entity shall disclose fees to each auditor or reviewer, including any network firm, separately for:

(a) the audit or review of the financial statements; and

(b) all other services performed during the reporting period.

11 For paragraph 10(b) above, an entity shall describe the nature of other services.

17. The rationale for the disclosure requirement in paragraph 10(b) of AASB 1054 was to provide transparency regarding the nature and extent of services provided by each auditor or reviewer, including information relevant to assessing auditor independence.

18. Staff note that AASB 1060 also includes equivalent auditor remuneration disclosure requirements. Therefore, any AASB decisions regarding the disclosure requirements in AASB 1054 could also require consideration of consequential amendments to AASB 1060.

Interactions with other regulatory, reporting and guidance requirements

19. Auditor remuneration disclosures are influenced by a range of reporting, regulatory and professional requirements. While AASB 1054 establishes the primary financial statement disclosure requirements, related requirements also arise under the *Corporations Act 2001 (Cth)* and APES 110 *Code of Ethics for Professional Accountants*. The table below highlights how these related requirements intersect in addressing transparency and the disclosure of fees for audit, assurance and non-assurance services.

Topic	AASB 1054	Corps Act[Note 1]	APES 110[Note 2]
Who makes the disclosure	The entity (AASB 1057 *Application of Australian Accounting Standards* para 18A)	Directors (see s300)(11B))	Auditor / Reviewer / Assurance provider (Firm) (see R410.31 and R5410.31)
Applicable circumstances	Entities reporting in accordance with Australian Accounting Standards (AASB 1057 para 18A)	Annual director's report for listed companies (see s300)(11B))	Only required by the Firm in the absence of disclosure by the entity for financial statement audit/review or sustainability assurance clients that are PIEs (see R410.31 and R5410.31)
Categorisation of fees	Audit or review of the financial statements and all other services (see para 10)	Non-audit services fees (see s300)(11B))	Fees paid or payable for the financial statement audit/review or sustainability assurance engagement, other fees and significant fee dependency disclosures (see R410.31 and R5410.31)[12]
Disclosure of nature of other services	Required (Para 11)	Not required	The Firm might also disclose other information relating to fees that will enhance the users' understanding of the fees paid or payable and the Firm's Independence, such as the examples described in paragraph 410.30 A1. (see R410.31 A1 and R5410.31 A1)
Separate disclosure of AASB S2-related sustainability audit/review fees	Not required	Not required	Required in the absence of disclosure by the entity (see R5410.30-R5410.31)

Notes:

Note 1 See Section 3 of Agenda Paper 6.2 for an extract of the Corporations Act requirements.

Note 2 APES 110 requires independence for all audit and review engagements, sustainability assurance engagements and other assurance engagements. APES 110 includes additional fee-related transparency and disclosure requirements for Firms on Public Interest Entity (PIE) engagements when the client does not disclose information about

12 The APESB proposed to include five key categories for audit services and fees in APES 110 in 2022 based on the PJC Inquiry recommendation and the AASB Research Report 15. As noted in the Basis for Conclusions for the Fees Amending Standard, the APESB deferred including the five identified categories to allow the AASB to finalise its project.

audit/review fees or sustainability assurance engagement fees. The requirements with respect to sustainability assurance engagements are effective for periods beginning on or after 1 January 2026, or as at a specific date on or after 1 January 2026. See Section 4 of Agenda Paper 6.2 for an extract of the APES 110 requirements.

20. While AASB 1054, the Corporations Act and APES 110 serve different purposes and operate in different ways, they interact in practice because information about fees paid to auditors and assurance providers could be relevant to both external reporting disclosures and independence-related considerations. The disclosures provided under one framework could complement, overlap with or inform considerations arising under the other, as illustrated in the table above. Accordingly, when considering potential changes to auditor remuneration disclosures, it is important to consider not only the requirements of AASB 1054 and the Corporations Act, but also their interaction with the broader independence framework established through APES 110.

21. In addition, sustainability-related assurance fee disclosures exist within a broader regulatory environment that includes financial reporting, sustainability reporting and sector-specific assurance requirements. These requirements could influence the types of services provided by audit and assurance firms and the extent to which a single firm performs multiple engagements for an entity.

22. Taken together, these interactions suggest that AASB S2-related sustainability assurance fee disclosures should be considered within the broader context of auditor remuneration disclosures and auditor independence requirements.

What is the problem we are trying to solve?

23. Feedback received through the AASB 2027–2031 Agenda Consultation identified differences in how AASB S2-related sustainability assurance fees are being disclosed. To better understand current reporting practice and related issues arising from the application of AASB 1054, staff analysed auditor remuneration disclosures in the financial statements of 34 entities that have issued annual reports incorporating mandatory AASB S2 sustainability disclosures.[13]

24. Staff consider the feedback received and research undertaken identify two related issues:

    (a) Diversity in the disclosure of AASB S2-related sustainability assurance fees; and

    (b) Uncertainty regarding the scope of 'each auditor or reviewer' in AASB 1054.

(a) Diversity in disclosure of AASB S2-related sustainability assurance fees

25. Staff's review of the sample financial statements referred to in paragraph 23 identified that:

    (a) 14 of the 34 entities separately disclosed AASB S2-related sustainability assurance fees;

    (b) three of the 34 entities specifically noted that sustainability-related assurance fees were included, but did not separately identify the amount attributable to sustainability-related assurance fees;

13 This included 33 annual reports of entities required to prepare sustainability reports in accordance with AASB S2 for the financial year ended 31 December 2025 and one annual report for an entity for the financial year ended 31 March 2026.

(c) 17 of the 34 entities may have included AASB S2-related sustainability assurance fees within broader auditor remuneration categories without explicitly noting their inclusion or separately identifying the amount attributable to AASB S2-related sustainability assurance services.

26. Staff note that diversity in practice is unsurprising given the principles-based nature of the requirements in AASB 1054 paragraphs 10 and 11.

27. For the 14 entities that separately disclosed AASB S2-related sustainability assurance fees, examples of the descriptions used include:

(a) Sustainability report regulatory assurance services;

(b) Sustainability assurance services;

(c) Regulatory sustainability assurance services;

(d) Review of specified sustainability disclosures prepared in accordance with AASB S2;

(e) Audit or review of sustainability reports;

(f) Assurance over sustainability report;

(g) Review of climate report; and

(h) Other assurance services (with a footnote noting that "other assurance services include regulatory sustainability assurance services …").[14]

28. For the 20 entities that did not separately identify the amount attributable to sustainability-related assurance fees, examples of the descriptions used include:

(a) Other assurance services – audit related;

(b) Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements;

(c) Other Assurance services;

(d) Other regulatory audit and assurance services;

(e) Other statutory assurance services; and

(f) Fees for assurance services that are required by legislation to be provided by the auditor.

Broader diversity in auditor remuneration disclosures

29. To assess whether the diversity observed in AASB S2-related sustainability assurance fee disclosures is unique to those services, staff also reviewed disclosures relating to fees paid to

---

14 A July 2026 market study by Purpose Bureau and Monash Business School, based on analysis of more than 240 Group 1 reporters, similarly observed that only 16 per cent of reporters chose to disclose a sustainability assurance fee distinct from their financial audit and other assurance fees.

auditors for other (non-assurance) services. Staff observed that entities commonly distinguish a range of auditor-provided services in these disclosures, including:

(a) Other consulting services;

(b) Non-audit services/ Other non-audit services;

(c) Other services;

(d) Advisory services;

(e) Tax compliance/consulting/governance/advisory services;

(f) Tax/taxation services;

(g) Tax compliance and advisory services;

(h) Fees in respect of pension scheme audits;

(i) Due diligence and acquisition services;

(j) Other assurance and agreed-upon procedures under other legislation or contractual agreements;

(k) Other assurance services; and

(l) Other non-assurance services.

30. Finally, staff also reviewed the model financial statements and related material published by the six large audit firms (BDO, Deloitte, EY, Grant Thornton, KPMG and PwC) to better understand how auditor remuneration information might be disclosed. Staff observe that the example disclosures are generally consistent and group fees to auditors into the following categories:

(a) Fees to the group auditor for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities;

(b) Fees for assurance services that are required by legislation to be provided by the auditor;

(c) Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm; and

(d) Fees for other services (refer to Section 5 of Agenda Paper 6.2 for relevant extracts).

31. Staff also note that some of the model financial statements now include separate disclosure of sustainability-related assurance fees, with accompanying commentary referring to the APES 110 sustainability assurance requirements discussed in Note 2.

32. While the reviews in paragraphs 25–30 identified diversity in the classification, description and presentation of auditor remuneration disclosures, staff have not undertaken targeted outreach with users. Accordingly, staff do not have sufficient evidence to determine whether

users require greater specificity in the classification, description or presentation of auditor remuneration, including AASB S2-related sustainability assurance fees, and, if so, in what form.

(b) Uncertainty regarding the scope of 'each auditor or reviewer' in AASB 1054

33. AASB 1054 requires disclosure of remuneration paid to each auditor or reviewer for the audit or review of financial statements and for all other services. However, it is not clear whether references to 'each auditor or reviewer' are intended to capture any auditor or reviewer engaged by the entity, or only the auditor or reviewer of the financial statements. It is also not clear whether AASB 1054 requires separate disclosure of any fees for each different auditor or reviewer.

34. In analysing the financial statements referred to in paragraph 23, staff noted that in all cases, the financial report and sustainability report were audited or assured by the same firms, and 21 of the 34 entities also used the same lead audit partner for both engagements. Accordingly, staff have not observed the use of different assurance providers for the financial report and sustainability report to be a feature of current practice among Group 1 entities. However, the use of different assurance providers for financial reports and sustainability reports could become more common as additional entities, such as Group 2 entities, begin preparing sustainability reports.[15,16]

35. However, to understand whether this uncertainty regarding how 'each auditor or reviewer' is being applied in practice, staff also analysed the disclosure practices of ten entities in the "Financials" sector to understand whether and how entities separately disclose remuneration for other assurance services, such as assurance engagements relating to reports lodged with the Australian Prudential Regulation Authority (APRA). Staff's review of the sample financial statements indicated differences in how assurance-related fees are described and presented. While some entities referred to APRA-related assurance services in accompanying explanations, none separately disclosed the associated fees. Instead, these fees may be included within broader categories of audit-related, regulatory or other assurance services.

36. Based on staff's review of sample financial statements, including disclosures relating to AASB S2-related sustainability assurance fees and fees for other assurance services, uncertainty about the application of the reference to 'each auditor or reviewer' in practice appears relevant not only to AASB S2-related sustainability assurance engagements, but also to assurance over APRA reporting and other assurance services where an entity has audit or review services performed by more than one auditor or reviewer.

37. Therefore, clarifying the intended application of the term 'each auditor or reviewer' could reduce uncertainty in these scenarios and increase transparency regarding all assurance-related services, and not just AASB S2-related assurance fees.

---

15 Group 2 entities will be required to prepare a mandatory sustainability report under Chapter 2M of the *Corporations Act* for the first time for annual reporting periods commencing on or from 1 July 2026 to 30 June 2027.

16 ASIC issued frequently asked questions (FAQs), including one addressing whether the same auditor needs to be appointed for both the financial reporting audit and the sustainability reporting audit. The FAQ notes that registrable superannuation entities that are reporting entities must have the same auditor for both the sustainability report and the annual financial report. However, if the reporting entity is a company, a registered scheme, or a retail Corporate Collective Investment Vehicle, the auditor of the sustainability report need not be the same as the auditor of the annual financial report.

Is a narrow-scope standard-setting response required?

38. While disclosure of AASB S2-related sustainability assurance fees has attracted particular attention due to the introduction of mandatory climate-related reporting and increasing stakeholder focus on auditor independence, staff are aware that diversity in practice also exists for disclosure of fees associated with other assurance engagements.

39. Staff consider that the existence of diversity in practice does not, in itself, indicate that standard-setting action is necessary.

40. In considering whether a standard-setting response is warranted, it is important to assess the nature, extent and consequences of the observed diversity, including whether the differing disclosure approaches impair users' ability to understand auditor remuneration arrangements or assess fee-related matters relevant to auditor and assurance provider independence.

41. Information about the nature and extent of the diversity is outlined in paragraphs 25 and 28 and as noted in paragraph 32, staff have not undertaken outreach to understand whether current disclosure practices are not providing users with the information they need.

42. Although a more consistent approach to disclosures would improve comparability, staff have not yet identified compelling evidence that broader standard-setting is necessary at this stage. While diversity in practice has been observed, staff have not undertaken outreach with users and therefore do not have sufficient evidence that the current disclosure practices are failing to meet user information needs or are resulting in significant information gaps for users.

43. In response to the Agenda Consultation feedback regarding differences in how AASB S2-related sustainability assurance fees are disclosed, AASB members discussed two possible narrow-scope approaches at the June 2026 AASB meeting. One was to adopt the New Zealand FRS-44 approach and the other was to require separate disclosure of AASB S2-related sustainability assurance fees.

The New Zealand approach

44. The current FRS-44 requirements require an entity to disclose fees incurred in the reporting period for the audit or review of the financial statements and each other type of service provided by the audit or review firm. Specifically, FRS-44 requires disclosure of fees for the audit or review of the financial statements and, separately, fees for other services classified into defined categories. These categories comprise:

    (a) audit or review related services;

    (b) other assurance services and other agreed-upon procedures engagements;

    (c) taxation services; and

    (d) other services.

    An ‘audit or review firm’ is defined in FRS-44 as a sole practitioner, partnership or corporation or other entity undertaking the audit or review of the general purpose financial statements.

45. Staff reviewed auditor remuneration disclosures in the financial statements of 15 entities listed on New Zealand’s Stock Exchange (NZX) as of 9 July 2026 that are required to disclose greenhouse gas (GHG) emissions and obtain assurance over those disclosures in the context of

the FRS-44 disclosure requirements.[17] Staff acknowledge the assistance of XRB staff in identifying relevant entities to consider as part of this review, all of which state that their financial statements were prepared in compliance with NZ GAAP or NZ IFRS.

46. Of those 15 entities:

(a) eleven separately disclosed fees relating to assurance over GHG emissions;

(b) three entities noted that GHG emissions assurance fees were included within an aggregated line item for assurance engagements but did not separately disclose the amount; and

(c) one entity did not indicate the line item in which the GHG emissions assurance fee was included.

47. Similar to the findings in relation to Australian entities, staff's review of a sample of New Zealand disclosures identified diversity in how sustainability-related assurance fees are described and presented. Although the FRS-44 framework provides more detailed categories for services provided by audit and review firms, it does not specifically require separate disclosure of sustainability-related assurance fees.

48. Further, staff understand that under FRS-44, if the sustainability assurance service is provided by a firm other than the financial statement auditor or reviewer, then the fees paid to that sustainability assurance provider would not be required to be disclosed.

49. While the FRS-44 model provides a useful example of broader auditor remuneration disclosure reform, it would represent a more fundamental reconsideration of the Australian auditor remuneration disclosure requirements and would not directly resolve the narrower sustainability-related assurance fee issue the AASB discussed at its June 2026 meeting. Staff consider that it is premature to undertake a broader project on auditor remuneration disclosures at this time, particularly given Treasury's current consultation on the regulation of accounting, auditing and consulting firms in Australia. The outcomes of the consultation process, and any resulting reforms, could affect the broader reporting environment and could inform future consideration of auditor remuneration disclosures and related reporting requirements (see paragraphs 11–14).

Require separate disclosure of AASB S2-related sustainability assurance fees

50. Another approach suggested at the June 2026 AASB meeting was to require separate disclosure of AASB S2-related sustainability assurance fees.

51. Staff note that such an approach would first require the AASB to determine precisely which assurance engagements should be included within the scope of the disclosure requirement. For example, the use of the statutory term 'sustainability report' could create uncertainty as to the intended scope of any disclosure requirement. Although Chapter 2M of the Corporations Act 2001 uses the term 'sustainability report', the current mandatory content relates only to climate-related financial information prepared in accordance with AASB S2. Entities could include other sustainability-related information in the sustainability report,

---

17 New Zealand's climate-reporting framework is established by Part 7A of the *Financial Markets Conduct Act 2013*. Since 1 January 2024, Climate Reporting Entities (CREs) have been required to prepare climate statements and lodge them on a Climate-related Disclosures Register. Assurance is currently required for GHG emissions disclosures, with entities also able to obtain assurance over other aspects of their climate statements.

provided the required climate-related financial information remains clearly identifiable and is not obscured.

52. Accordingly, if the AASB wishes to pursue a specific AASB S2-related sustainability assurance fee disclosure requirement, staff consider that it would first need to clearly identify the scope of the disclosure requirement. For example, should such a requirement capture remuneration relating to assurance over:

    (a) the statutory Chapter 2M sustainability report; or

    (b) both the mandatory climate-related disclosure and any other sustainability-related assurance services provided for other (voluntary) sustainability disclosures.

53. In addition, at this time, due to the early stages of the reporting regime, the AASB would also need to consider the phasing in of limited and reasonable assurance under the AUASB's ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* and the Corporations Act requirements from 1 July 2030, and how this phasing may affect any associated fee disclosure requirements. Further, the AASB would need to consider the potential for adjustments to the assurance settings which is indicated to be the subject of a forthcoming consultation (see paragraph 9) and whether this may impact any associated fee disclosure requirements.

54. The answer to these questions would influence both the scope and operation of any future disclosure requirement. If the AASB decides to proceed with requiring separate disclosure of AASB S2-related sustainability assurance fees, staff have identified a number of possible actions that address different aspects of the issues discussed in this paper.

55. The AASB could also choose to pursue a staged approach, implementing a short-term measure such as Action 2 while concurrently, or subsequently, considering more substantive amendments, such as those described in Actions 3 and 4. Such an approach could enable the AASB to respond to current diversity in practice while retaining flexibility to develop a more comprehensive solution as market practice evolves and the broader regulatory environment becomes clearer.

Action	Description	Problem(s) addressed	Advantages	Disadvantages
Action 1 Status quo	Take a monitoring approach at this time.	None	(a) Allows time to gather additional evidence, including user feedback and market practices to emerge before considering whether action is necessary (b) Avoids imposing costs on stakeholders where the need for change has not been demonstrated (c) Enables consideration of the outcomes of Treasury's current consultation and other regulatory developments	(a) Differences in the disclosure of AASB S2-related sustainability assurance fees and other assurance engagement fees would remain unresolved (b) Diversity could become more significant as AASB S2-related sustainability reporting and assurance practices evolve and more entities are required to report
Action 2 Staff FAQ on disclosure of AASB S2-related sustainability assurance fees	Provide non-authoritative guidance on how AASB S2-related sustainability assurance fees should be disclosed under AASB 1054. This could be in the form of a staff FAQ designed to clarify the application of the existing requirements.	Could reduce uncertainty regarding the application of AASB 1054 to AASB S2-related sustainability assurance fees.	(a) Could be implemented relatively quickly (b) Could promote greater consistency in the disclosure of AASB S2-related sustainability assurance fees	(a) Could provide limited benefits because it addresses only AASB S2-related sustainability assurance fees, so existing diversity in disclosure practices for other assurance engagement fees would continue (b) As non-authoritative guidance, it may not result in consistent practice (c) Could impose costs on those entities applying the FAQ (d) Could be superseded in the near term if more comprehensive requirements are subsequently introduced

Action	Description	Problem(s) addressed	Advantages	Disadvantages
				(e) Could be premature given current Treasury consultation and other regulatory developments
Action 3 Clarify the meaning of 'each auditor or reviewer'	Clarify how the term 'each auditor or reviewer' in paragraph 10 of AASB 1054 should be interpreted. This could include clarifying whether the term refers only to the entity's financial statement auditor or reviewer, or extends to any auditor or reviewer providing assurance services to the entity, including in relation to AASB S2-related sustainability assurance fees. Clarification could be provided through a staff FAQ, formal Interpretation or amendment to AASB 1054. **NOTE**: The advantages and disadvantages listed are based on the assumption that 'each auditor or reviewer' refers to any auditor or reviewer providing assurance services to the entity, rather than only the financial statement auditor or reviewer. This assumption is for the purposes of the analysis only and does **not** reflect a staff view on the interpretation of AASB 1054.	Could reduce uncertainty regarding the scope of the term 'each auditor or reviewer' in AASB 1054 and improve consistency in circumstances where assurance services are provided by firms other than the entity's financial statement auditor or reviewer.	<u>FAQ</u> (a) Could be implemented relatively quickly (b) Could promote greater consistency in the disclosure of AASB S2-related sustainability assurance fees, APRA reporting and fees for other assurance and non-assurance engagements where an entity has multiple auditors or reviewers	<u>FAQ</u> (a) As non-authoritative guidance, it may not result in consistent practice or decreased interpretative uncertainty (b) Could provide limited benefits because it only addresses disclosures where there are multiple auditors or reviewers, so existing diversity in the disclosure of AASB S2-related sustainability assurance fees would continue (c) Could create interpretative tension if the clarification is perceived as extending beyond the intended scope of AASB 1054 (d) In terms of location, could create confusion for entities applying AASB S2, given AASB S2 has been positioned as the primary standalone sustainability reporting Standard

Action	Description	Problem(s) addressed	Advantages	Disadvantages
				(e) Does not address the broader issue of the categorisation or disaggregation of assurance fees (f) Could be premature given current Treasury consultation and other regulatory developments
			<u>Interpretation of or amendment to AASB 1054</u> (a) Provides authoritative clarification which would improve consistency in practice and reduce interpretative uncertainty (b) Would result in greater consistency in the disclosure of AASB S2-related sustainability assurance fees, APRA reporting and fees for other assurance and non-assurance engagements	<u>Interpretation of or amendment to AASB 1054</u> (a) Could provide limited benefits because it addresses only AASB S2-related sustainability assurance fees, so existing diversity in disclosure practices for other assurance engagement fees would continue (b) Could not be implemented as quickly as a staff FAQ (c) In terms of location, could create confusion for entities applying AASB S2, given AASB S2 has been positioned as the primary standalone sustainability reporting Standard (d) Does not address broader issue of the categorisation or

Action	Description	Problem(s) addressed	Advantages	Disadvantages
				disaggregation of assurance fees (e) Could be premature given current Treasury consultation and other regulatory developments
Action 4 Amend AASB 1054 to require separate disclosure of AASB S2-related sustainability assurance fees	Amend AASB 1054 to require separate disclosure of AASB S2-related sustainability assurance fees. For example, paragraph 10 could be amended to require separate disclosure of fees relating to: (a) the audit or review of the financial statements; ~~and~~ (b) the audit or review of the AASB S2 sustainability report; and (c) all other services performed during the reporting period.	Would improve the consistency, comparability and transparency of AASB S2-related sustainability assurance fee disclosure practices.	(a) Would require separate disclosure of AASB S2-related sustainability assurance fee disclosures which would result in more consistent, comparable and transparent disclosure practices (b) In terms of location, it would be most effective to have all the assurance fee disclosures in one place and stakeholders are used to the Australian-specific requirements being located in AASB 1054.	(a) Could not be implemented as quickly as a staff FAQ (b) Does not address broader issue of the categorisation or disaggregation of assurance fees (c) If Action 4 and Action 5 were implemented together, it could result in duplication where equivalent disclosures are required under both AASB 1054 and AASB S2, however cross-referencing is permitted by AASB S2 which may address this (d) Could be premature given current Treasury consultation and other regulatory developments (e) Would require careful scoping in the context of the assurance phasing in requirements and the distinction between mandatory and voluntary disclosures and assurance

Action	Description	Problem(s) addressed	Advantages	Disadvantages
				(f) In terms of location, could create confusion for entities applying AASB S2, given AASB S2 has been positioned as the primary standalone sustainability reporting Standard
Action 5 Include auditor remuneration disclosure requirements in AASB S2	Amend AASB S2 to include disclosure requirement consistent with AASB 1054, except they would specify "… the audit or review of the AASB S2 sustainability report" (or similar). **Note**: As AASB S2 disclosure requirements can be met by a cross-reference to the required information if it is included elsewhere, the fee disclosures could be included with the AASB S2 information or included in the financial statements (with a cross-reference)	Would improve the consistency, comparability and transparency of AASB S2-related sustainability assurance fee disclosure practices. It would also address circumstances where the AASB S2 sustainability assurance provider differs from the financial statement auditor.	(a) Would require separate disclosure of AASB S2-related sustainability assurance fee disclosures which would result in more consistent, comparable and transparent disclosure practices (b) Would require disclosure of AASB S2-related sustainability assurance fees regardless of whether the sustainability assurance provider is also the financial statement auditor	(a) Could create inconsistency regarding the location of auditor remuneration disclosures by requiring similar information to be disclosed outside the financial statements (b) Refer also to the disadvantages noted for Action 4

Staff recommendations

56. After considering the matters discussed in this paper, staff recommend the AASB pursue Action 1 and take a monitoring approach at this time on the basis that this approach:

    (a) allows time to gather additional evidence, including user feedback and market practices to emerge before considering whether action is necessary;

    (b) avoids imposing costs on stakeholders where the need for immediate change has not been demonstrated; and

    (c) enables consideration of the outcomes of Treasury's current consultation and other regulatory developments.

57. While staff identified diversity in how AASB S2-related sustainability assurance fees are disclosed in practice and the application of the term 'each auditor or reviewer' lacks clarity, staff consider the evidence obtained to date does not justify further action at this stage. Further, staff consider that a narrow-scope response addressing only AASB S2-related sustainability assurance fees would not address other known differences in disclosure practices (e.g. how APRA assurance fees are disclosed and how other non-assurance services fees are being disclosed).

58. Staff also consider that any future consideration of either a targeted AASB S2-related sustainability assurance fee project or broader auditor remuneration disclosure reform would benefit from additional evidence regarding user information needs, and further experience with AASB S2-related sustainability assurance reporting.

59. Staff also note that the external environment would affect both a broader scope project and a narrow scope project, namely:

    (a) the outcomes of Treasury's current consultation on the regulation of accounting, auditing and consulting firms in Australia and any resulting reforms, could affect the broader reporting environment and as such would affect a broader scope project; and

    (b) the outcomes of the consultation on reforms to reduce burden while maintaining core sustainability reporting requirements, including adjusting assurance settings noted in *Budget 2026-27 Whole-of-Government Regulatory Reform Agenda*, could affect a narrow scope project with regard to the scoping and application of any AASB S2-related sustainability assurance fee disclosure requirement.

60. Accordingly, staff recommend continuing to monitor developments in this area and, once additional evidence is available, bring the matter to External Reporting Australia (ERA) for further consideration.

Questions to Board members

Q1 Do Board members have any questions or comments on the analysis and observations set out in this paper?

Q2 Do Board members agree with the staff recommendations in paragraphs 56–60:

    (a) to take monitoring approach at this time (i.e. Action 1);

    (b) that any future consideration of either a targeted AASB S2-related sustainability assurance fee project or broader auditor remuneration disclosure reform would benefit from additional evidence;

    (c) that staff should continue monitoring developments relating to auditor remuneration disclosures and AASB S2-related sustainability assurance fees; and

(d) that the auditor remuneration topic should be reconsidered, once additional evidence becomes available, including following completion of Treasury's current consultation on the regulation of accounting, auditing and consulting firms in Australia and following the completion of the forthcoming consultation on adjusting the assurance settings for sustainability reporting?

If not, what do Board members suggest?