

ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED

MINUTES OF 2nd MEETING OF THE SUSTAINABILITY TASKFORCE

23 January 2025, 2.00 pm – 3.30 pm

Virtual Meeting

1. Present and Apologies

Present

Mr Channa Wijesinghe (Chairman), Mr Matt Honey, Ms Rene Bagley, Ms Karen McWilliams, Ms Liz Giust, Ms Siobhan Hammond, Ms Daen Soukseun, and Ms Belinda Zohrab-McConnell.

In Attendance

Ms Dianne Azoor Hughes, Ms Jacinta Hanrahan and Ms Ann Chang.

The Chairman welcomed Ms Dianne Azoor Hughes, APESB Director, to the taskforce. Ms Azoor Hughes will serve as the Board observer for the taskforce and will not be involved in taskforce decisions (to maintain her independence).

2. Review of Minutes from Prior Meeting

The Taskforce reviewed the minutes from its meeting on 12 December 2024 and approved them without amendment.

3. Introduction to Key Aspects of Proposed Standards and Update on International Developments

The Chairman advised that on 17 January 2025, the Public Interest Oversight Board (PIOB) certified the IESBA's Sustainability standards. The International Organization of Securities Commissions (IOSCO) also supported both standards.

The official launch of the IESBA's Sustainability Standards will take place on 27 January 2025, jointly with the International Auditing and Assurance Standards Board's (IAASB) International Standard on Sustainability Assurance 5000 (ISSA 5000).

The Chairman provided an update on the AUASB development of the proposed ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000). The AUASB is hoping to approve the standard at a future Board meeting (on either 28 January 2025 or 19 February 2025). The AUASB is currently working to resolve the following issues:

- Whether to prohibit using the work of internal audit for sustainability assurance engagements in line with the prohibition for audit engagements.
- Whether a temporary reference to the relevant ethical requirements for sustainability assurance engagements to the IESBA's final pronouncements is necessary to cover the gap before APESB can release the updated APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*, which includes the new sustainability-related ethical requirements.

4. Sustainability Reporting

The Chairman provided a high-level overview of the IESBA's Sustainability project (including the sustainability standards infrastructure) and the revisions to the Code for Sustainability Reporting. As the IESBA Code already includes robust provisions for financial reporting, the proposed changes ensure the guidance is fit-for-purpose for sustainability topics such as greenwashing and value chains.

The Chairman noted that the IESBA plans to explore expanding the scope and applicability of the Code to all preparers of sustainability information, recognising that individuals preparing such information must also adhere to the same ethical standards as those preparing financial information.

5. Sustainability Assurance

The Chairman provided an overview of the IESSA revisions, which covered definitions, the scope of the IESSA, the International Independence Standards in the IESSA, the determination of PIEs in Part 5, the provision of NAS to a sustainability assurance client, independence when a firm performs both audit and sustainability assurance engagement for the same client, long association, and the effective date.

The Chairman also noted that the new Part 5 ethical and independence requirements for Sustainability Assurance set the same high bar as Part 4A of the Code. To highlight this point, Part 5 mirrors the referencing and numbering of sections in Part 4A.

Taskforce members raised and discussed the following matters:

- **Monitoring and oversight** of the ethical requirements to ensure compliance with Part 5, especially for non-accountants (such as engineers). It was noted that as financial statement auditors will be performing the sustainability assurance engagement under Australian legislation, the oversight will fall to ASIC to monitor the Registered Company Auditor (RCA).

A Taskforce Member queried whether a statement needs to be made to the market regarding which standard to apply, even when non-accounting professionals are issuing sustainability reports for entities not subject to audit (i.e. not PIE). APESB Technical Staff will include a matter in the Issues Register regarding engagement with regulators on oversight and monitoring and the need for consistent application of standards for sustainability assurance engagements.

- **Potential Cost and Resource pressures.** The pressures and additional costs on the primary assurance provider in a sustainability audit to oversee compliance when using the work of another assurance provider.
- **Long Association.** Taskforce Members noted that clarity on the application of the Long Association provisions, including the 5-year limit rule in *Corporations Act 2001*, to both audit and sustainability assurance engagements for the same client, is required. This means a partner is not able to rotate off a financial report audit engagement in the 4th year and then undertake the sustainability assurance engagements for the same client for an additional 5 years. APESB Technical Staff will consider whether to update the Staff Guidance publication on long association or to provide further guidance relating to this matter.
- **Effective date for Australia.** The standards' effective date needs to be determined. The AUASB's adoption of the dates in ASSA 5000 will be a key consideration in determining these dates.
- **Relevance of Tax Planning Services in Part 5.** A Taskforce Member questioned the inclusion of Section 5380 *Tax Planning Services* in Part 5 and its relevance to sustainability assurance providers. It was noted that IESBA research found that some firms provided both sustainability and tax services to their clients, and therefore the section is relevant for some sustainability assurance practitioners. The proposed Section 5380 mirrors the provisions in Section 380 of the extant Code.
- **Clarity of diagrams in the IESSA exposure draft explanatory memorandum.** A Taskforce member noted that the flowchart diagrams in the IESBA's Sustainability ED were confusing. The Chairman advised that these diagrams are being revised. APESB Technical Staff will circulate the revised diagrams to the Taskforce once the IESBA have finalised them.

The Chairman advised that Group Engagements and Value Chain will be discussed in the next taskforce meeting.

6. Using the Work of an External Expert

The Chairman provided an overview of the IESBA's *Revisions to the Code on the Using the Work of an External Expert*, outlining the new and revised definitions, the evaluation of the external expert's competence, capabilities and objectivity (CCO), the prohibition on using the work of an external expert, objectivity requirements, potential threats, and the effective date.

A taskforce member highlighted the growing trend of joint ventures between accounting firms and sustainability firms to perform sustainability assurance engagements. The taskforce questioned whether partners in such joint ventures would be regarded as internal or external experts. There is a need to clarify and define what constitutes a "joint venture" or whether it falls under the definition of a "network" APESB Technical Staff will raise this query with the IESBA Staff and will advise the Taskforce of the outcome in due course.

7. Any Other Matters and Way Forward

The Chairman advised that an Independent Consultant is assisting APESB in reviewing the impact of relevant Australian legislation on the proposed APESB's Sustainability-related standards. Any significant matters from this review will be raised with the Taskforce at the next Taskforce Meeting.

APESB Technical Staff are currently preparing draft exposure drafts (EDs) for Sustainability and Using the Work of an External Expert. Taskforce Members are to send any comments on the IESBA sustainability standards to APESB Technical Staff by 7 February 2025.

After incorporating the Taskforce Members' comments into the draft EDs, APESB Technical Staff will circulate them to the Taskforce for their consideration. The draft EDs will be discussed at the next taskforce meeting.

It was advised that APESB Technical Staff will circulate the IESBA's Sustainability & Experts Standards presentation slides from this taskforce meeting to all taskforce members.

The next taskforce meeting will be held on Monday, 17 February 2025.

8. Close of Meeting

The Chair thanked the taskforce members for their attendance.

The meeting was closed at 3.30 pm.