

ONLINE

Audit Conference

Wednesday 21 May 2025



Ethics and Independence Updates from the Standard Setters

Agenda

- APESB Update
- NZ XRB Update

Sustainability Ethics and Independence Standards



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Building out Ethics as the Third Pillar of the Global Sustainability Standards Infrastructure

Sustainability Reporting and Assurance

Standardized approach for **reporting** information



Reliable, comparable and decision useful information

Reporting Standards

Standardized approach for providing independent **assurance**



Credible and trustworthy information

Assurance Standards

Ethical mindset and behaviors to guide judgments and drive actions



Trustworthy information that is factual and not misleading

IESBA – Ethics and Independence Standards

Australian Ethics & Independence Standards for Sustainability Assurance

Proposed AESSA

Australian Ethics Standards for Sustainability Assurance
(including Independence Standards)

KEY CHARACTERISTICS

PROFESSION-AGNOSTIC

(ALL Sustainability Assurance Practitioners)

FRAMEWORK NEUTRAL

EQUIVALENT

to Standards for Audits

STANDALONE

(New Part 5 of APES 110)

- Serve as **Relevant Ethical Requirements** for users of ASSA 5000
- **Close coordination with AUASB** and other Standard Setters to ensure alignment and interoperability
- Applicable to **all sustainability assurance practitioners** whether professional accountants or not
- **Robust standards** – same level of public interest as audits of financial statements

Proposed AESSA – Scope & Key Elements

Scope of Ethics provisions –
All sustainability assurance
engagement (SAE) and any
other service to the same
client

Scope of Independence
Standards – Sustainability
information reported under a
general-purpose framework,
publicly disclosed, or required
by law

Equivalent to ethics and independence standards applicable to audit engagements (Parts 1 to 4A), but addressing sustainability-specific issues, including:

- Definition of sustainability information and other **sustainability-related terms**
- **NOCLAR** – communication between practitioner and auditor and vice versa
- **Group sustainability assurance engagements** and the **value chain**
- Using the work of **another practitioner**
- Non-assurance services – **Sustainability Data & Forward-Looking Information**

Group Sustainability Assurance Engagement

ASSURANCE ENGAGEMENT ON SUSTAINABILITY INFORMATION THAT INCLUDES SUSTAINABILITY INFORMATION OF MORE THAN ONE ENTITY OR BUSINESS UNITS

- **Proposed AESSA and ASSA 5000 have the same approach to groups** and group-related definitions
 - Groups include both group components and value chain components (VCCs)
- Proposed AESSA addresses independence considerations related to
 - A group sustainability assurance firm
 - Component practitioners (within and outside the network)
 - Members of the group sustainability assurance team
- Independence considerations for **assurance work performed at a component**
 - Different provisions for assurance work at a group component and a VCC

Group Component

A component required to be included in the reporting entity's group financial statements

Value Chain Component

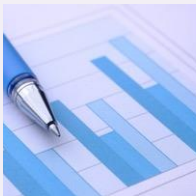
A component within the reporting entity's value chain that is not included in the group financial statements

Performing Assurance Work at a Component

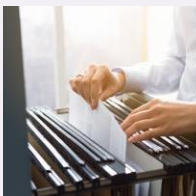
WHAT ACTIVITIES DOES “PERFORMING ASSURANCE WORK AT A COMPONENT” COVER?



No need for physical presence at the component to perform assurance work



A group firm has determined to perform assurance procedures at a component to obtain evidence for purposes of the group SAE



The assurance procedures are performed on the data or information *maintained by* the component

- Guidance regarding the meaning of “performing assurance work at” (para. 5405.2 A3)
 - Determines the applicability of independence provisions
 - Promotes consistent application
- Consistent approach with “audit work performed at a component” for group audit engagements

Providing NAS to Sustainability Assurance Clients

- Same approach regarding provision of NAS to sustainability assurance clients as for audit clients
 - Consideration of impact on *sustainability information on which the firm expresses an opinion*
- Same general provisions
 - Prohibition from assuming management responsibility
 - “Self-review threat” prohibition
 - Requirement for communication with TCWG
- List of prohibited NAS equivalent to those for audit engagements
 - Additional sustainability-specific services, such as services related to sustainability data and forward-looking information
- Transitional provision

Sustainability
Information Services

Administrative Services

Valuations and Advisory
Services on Forward-
Looking Information

Tax Services

Internal Audit Services

Information Technology
System Services

Litigation Support
Services

Legal Services

Recruiting Services

Corporate Finance
Services

Ethical Framework – Reporting and Assurance

1. Definitions Introduced for “Expert” and “Expertise”

- Distinguish the work of experts from the work of other individuals or organizations providing information for general use

2. Evaluating Whether to Use Work of An Expert

- Focused on expert’s competence, capabilities and objectivity (CCO)

3. Experts in Audit or Other Assurance Engagements

- Additional objectivity requirements to evaluate interests and relationships based on independence attributes (financial interests, business relationships, etc)

4. Concluding on an Expert’s CCO

- Work of an expert cannot be used if it does not meet CCO requirements

5. Potential Threats When Using the Work of an Expert

- Provisions to guide identifying, evaluating and addressing potential threats to compliance with the fundamental principles

**Robust and
balanced approach
to address public
interest expectations**

Project Informed By:

Global Roundtables

National Standard Setters

Forum of Firms

Liaison with IAASB

IESBA CAG / SAC

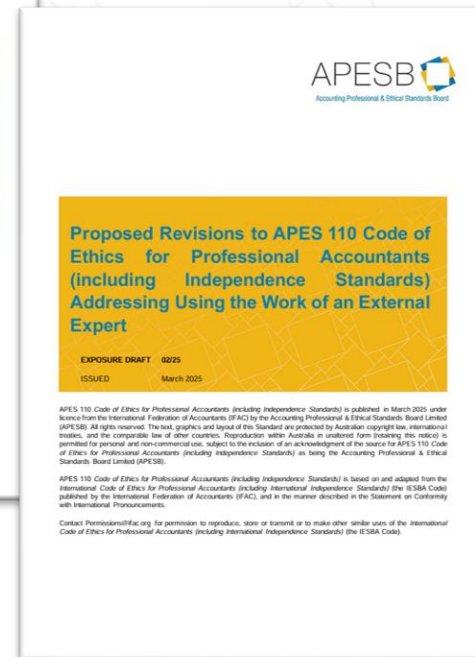
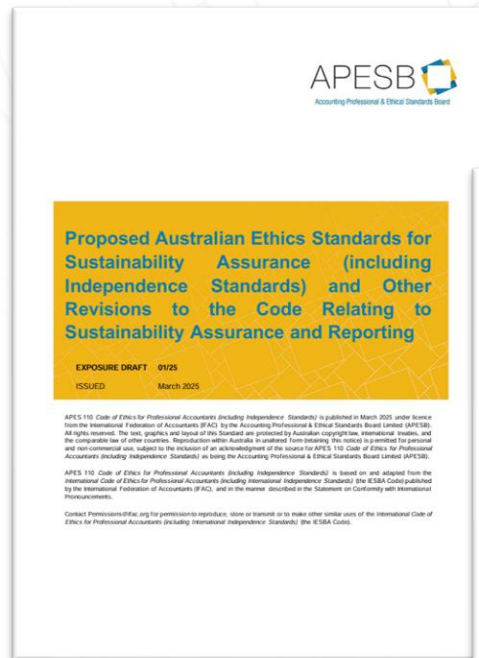
Small-medium Practices

Stakeholder outreach

Proposed Sustainability Ethics and Independence Standards

Key dates for Australian Ethics EDs on Sustainability:

- APESB released two exposure drafts on Sustainability ([ED 01/25](#)) and Use of Expert ([ED 02/25](#)) in March 2025
- Comments were requested by **12 May 2025**
- Feedback on EDs will be considered by APESB at the June 2025 Board meeting
- Sustainability reporting required for **Group 1 Entities** for first annual reporting periods starting on or after **1 January 2025**



Purpose & Disclaimers

This set of PowerPoint slides has been developed by APESB Technical Staff and the IESBA Technical Staff on the Code, applicable standards and relevant proposals.

These slides provide only an *overview* and do not purport to present all the detailed requirements or changes. The slides should be read in conjunction with the Code, applicable standards and relevant proposals. These slides do not form part of the Code, the text of which is authoritative.

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Further Information

For more information visit www.apesb.org.au

Follow the APESB [LinkedIn page](#) for timely updates,

To download APESB's mobile app:





Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Developments in ethics



Misha Pieters

Director – Audit and Assurance



Karen Tipper

Technical Director – Assurance

NZ SAE 1

Assurance Engagements over Greenhouse Gas Emissions Disclosures

Issued in **August 2023**. Applies from **27 October 2024**

Standard

Requirements and
application material for
assurance practitioners

[NZ SAE 1 » XRB](#)



Staff Guidance

Independence
Considerations for GHG
Emissions Assurance
Practitioners

Applying the transitional
provision in NZ SAE 1



Independence and Ethics for Sustainability



IESSA and Use of External Experts – published internationally January 2025



Applicable date: periods beginning on or after 15 December 2026



Proposed XRB consultation mid 2025



The XRB is monitoring uptake and implementation as we consider whether to adopt these standards

Applicable now

Public interest entities (PIEs)



Top-down

Mandatory categories: Publicly traded entities
Deposit-taking institutions
Insurers
Entity required under local law or regs

Bottom-up

NZ specific PIEs
Framework of public interest factors as guide

Additional PIE Considerations

Firms to consider treating other entities as PIEs
Take into account more granular factors
Paired with transparency requirement

Applicable: Periods beginning on or after 15 December 2024

What is a PIE in New Zealand?

Public Interest Entity



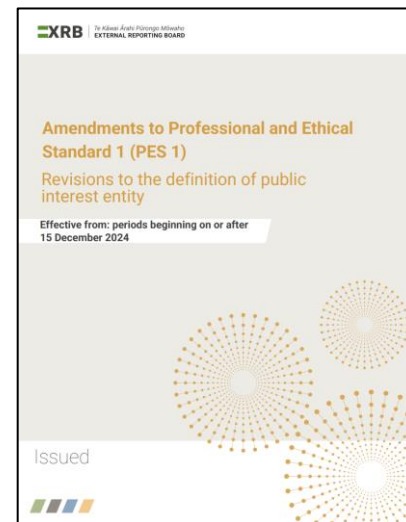
Tier 1 entities

FMC with higher public accountability (including all deposit takers/insurers)

Large public sector

Large charities

- New requirements for audit firm to disclose when the independence requirements for PIEs has been applied.



Consultation open

Collective Investment Vehicles



Project Overview

Does the code of ethics sufficiently address independence considerations for investment schemes?



Related Party and Audit Client

Would relationships with third parties be appropriately assessed for independence



Consultation Paper

Information Gathering
New Zealand considerations



Consultation Closes
To XRB 13 June 2025
To IESBA 30 June 2025

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Questions

A solid orange circle containing the word 'Follow' in white serif font.

Follow

A solid dark grey circle containing the word 'Subscribe' in white serif font.

Subscribe

<https://www.xrb.govt.nz/sign-up/>

A solid light grey circle containing the words 'Contact us' in white serif font.

Contact
us

assurance@xrb.govt.nz