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Australia leads the way with new ethics and independence standards for sustainability

The Accounting Professional and Ethical Standards Board (APESB) has today released a landmark Amending Standard to the APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*, setting out new ethical and independence requirements for sustainability reporting and assurance in Australia.

These new standards provide clear and robust ethical principles and guidance for professional accountants engaged in sustainability reporting and assurance in Australia, including in relation to using the work of external experts. They are based on global ethics and independence standards issued by the International Ethics Standards Board for Accountants (IESBA) and support the implementation of Australia's mandatory climate-related financial disclosures and sustainability reporting, which became effective for Group 1 entities from 1 January 2025.

The release of these standards marks a significant step forward in responding to public concerns about greenwashing and the risks to ethical behaviour relating to sustainability disclosures and assurance, the qualitative and forward-looking nature of sustainability information, the complexity of climate-related reporting, and the associated challenges of assuring sustainability information.

Compliance with these ethics and independence standards will contribute to the quality and effectiveness of sustainability reporting and assurance, thereby helping to ensure the credibility, transparency, and trustworthiness of sustainability information relied upon by the public, government, regulators, and investors in Australia.

The standards are fully interoperable with the Australian Sustainability Reporting Standards S1 and S2 issued by the Australian Accounting Standards Board (AASB) and the Australian Standard on Sustainability Assurance (ASSA) 5000 issued by the Australian Auditing and Assurance Standards Board (AUASB) and complete the sustainability standards infrastructure in Australia needed to realise the goals of the climate-related legislation.

A key feature of the standards is the introduction of Part 5 of the Code, which applies the same ethical and independence expectations to sustainability assurance engagements as those that apply to financial statement audits. While the new provisions for sustainability assurance are immediately applicable to members of the three professional accounting bodies in Australia and accounting firms, they are designed to be profession-agnostic, meaning that they can be applied by assurance practitioners regardless of their background. The standards are also framework-neutral, enabling consistent application across a range of reporting and assurance frameworks.

The standards also introduce specific requirements for evaluating the use of the work of external experts, addressing their competence, capabilities, and objectivity – an essential consideration given the increasing reliance on subject matter experts in areas such as greenhouse gas emissions and other emerging sustainability matters.

APESB Chair, Nancy Milne OAM, said the release of the standards represents a major milestone in the evolution of professional ethics for sustainability reporting and assurance.

"We're proud to be the first jurisdiction globally to adopt the IESBA's Ethics and Independence Standards for Sustainability Reporting and Assurance. With climate legislation in Australia mandating sustainability reporting and assurance, robust ethical standards must support this work to build public trust in sustainability information," Ms Milne said.

“These new ethical standards form an important foundation for Australia’s sustainability reporting and assurance framework. APESB has acted promptly to ensure the standards are available in a timely manner, aligned with global best practice promulgated by the IESBA and Australian legislative requirements. They provide clarity on the ethical and independence obligations of assurance practitioners and support the goal of delivering sustainability information that’s trustworthy, credible and useful for decision-making by investors.”

The new requirements will take effect on 1 January 2026, with a later implementation date of 1 July 2028 for provisions related to the value chain components. Firms are encouraged to adopt the standards early, with transitional relief options available to support implementation.

The finalised standards are available on the APESB website www.apesb.org.au

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Media enquiries:

Please contact John Fulcher on 03 9600 0006 / 0412 978 263 or john.fulcher@fenton.com.au

Notes to Editors:

APESB is the national standard-setter responsible for developing the code of ethics and professional standards that members of Australia’s three major professional accounting bodies – CPA Australia, Chartered Accountants Australia and New Zealand, and the Institute of Public Accountants – are required to follow.

Group 1 Entities are (i) those groups that meet two of the three following criteria: Consolidated Revenue of \$ 500 million, Consolidated Gross Assets of \$ 1 billion or 500 or more employees, and (ii) reporters subject to the *National Greenhouse and Energy Reporting Act 2007* (NGER Act), who are registered corporations and prepare and lodge financial reports under Chapter 2M of the *Corporations Act 2001*.