

# ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED

## MINUTES OF 3<sup>rd</sup> MEETING OF THE SUSTAINABILITY TASKFORCE

17 February 2025, 11.00 am – 12.57 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, Ms Ann Chang, Ms Disna Dharmasekara and Ms Nikole Gyles.

The Chairman welcomed Ms Nikole Gyles as an observer for the meeting. Ms Gyles is an Independent Consultant who has been assisting APESB in reviewing the impact of relevant Australian legislation on the proposed APESB's Sustainability-related standards.

### 2. Review of Minutes from Prior Meeting

The Taskforce reviewed the minutes from its meeting on 23 January 2025 and approved them without amendment.

### 3. Taskforce Issues Register

The Taskforce noted the Issues Register. The Taskforce members discussed the following matters:

- **Term 'Sustainability Assurance Practitioner' (Issue 1c).** The Taskforce considered the use of the term 'Sustainability Assurance Practitioner' in Part 5 and whether this should be retained or changed to 'Member.' The Taskforce noted the Technical Staff's comments in the Issues Register.

A Taskforce Member raised concerns about who would enforce the provisions for sustainability assurance practitioners who were not Members of a professional accounting body. The Taskforce discussed the legislative requirements in place for providing assurance on mandatory climate disclosures and noted this may be more of a concern when applying the use of external experts provisions.

The Taskforce considered whether to include commentary at the beginning of Section 5000 clarifying that 'Sustainability Assurance Practitioner' should be read as 'Member' in this Section. However, the Taskforce noted that this would limit the scope of the proposed Part 5 and no longer align with the approach taken in ASSA 5000, so it decided not to include additional commentary.

Taskforce members supported the drafting approach, which retained the term 'Sustainability Assurance Practitioner' in Part 5 in the proposed Australian Ethics Standards for Sustainability Assurance (AESSA).

- **Determination of PIEs (Issue 2a).** Taskforce members agreed to retain the IESBA's approach whereby an entity would be deemed a Public Interest Entity (PIE) if it was determined as such under Part 4A. An entity should not be regarded as a PIE solely based on sustainability information, unless specified by local regulations.

- **Effective date for Australia (Issue 5a).** Taskforce members noted the proposed AESSA's effective date as 1 January 2026, with the proposed Sections 5405 and 5406 applicable to value chain components being effective from 1 January 2027. The Taskforce also noted that the provisions can be adopted early.

The Taskforce discussed the IESBA's effective dates, which allowed an additional 18 months before the value chain components provisions become effective. It was noted that the 12 months proposed in the AESSA are to align with the operative dates of the AUASB's ASSA 5000 and ASSA 5010, with Group 1 entities required to start reporting Scope 3 emissions from 1 July 2026. The Taskforce noted the imperative for APESB to release the standard promptly to ensure alignment with the auditing standards.

The Taskforce was of the view that the rationale for the proposed effective date of 1 January 2026 should be clearly outlined in the Sustainability ED's explanatory memorandum, especially to assist stakeholders in understanding its interoperability with the ASSA 5000 (which is effective from 1 January 2025).

- **Transitional provisions (Issue 5b).** Taskforce members discussed the proposed transitional provisions in the AESSA, including the provision that would allow firms to continue providing non-assurance services (NAS) engagements that would be prohibited under Section 5600 of Part 5, but only for one reporting period. This means that firms will have to disengage from those NAS engagements after 31 December 2025.

The Taskforce discussed the need to communicate the application of this provision. The Chairman advised that the IESBA is working on guidance materials and that APESB could consider local guidance, if still required, once the AESSA is issued.

The Taskforce also discussed the proposed transitional relief relating to value chain entities, including practical challenges that may arise when other jurisdictions have not yet mandated the requirements in the IESSA. There was a concern that disclosure of instances where the value chain independence was not able to be obtained may cast a negative perception about the independence of the sustainability assurance practitioner. APESB Technical Staff will review the proposed transitional provisions to consider how to address this concern.

The clarity around the effective dates was discussed, and the Taskforce considered whether a diagram clarifying these dates should be included in the explanatory memorandum of the Sustainability ED. APESB Technical Staff will consider including a similar diagram as guidance on this matter.

- **Use of an External Expert (Issue 9b).** Taskforce members considered whether to include references to the independence requirements in the *Corporations Act 2001* in the new sections for using the work of an external expert. The Taskforce agreed that these references should not be included in the External Experts ED.

#### **4. Overview of Groups and Value Chains for Sustainability Assurance Engagements within the Scope of Part 5**

The Chairman provided a high-level overview of the IESSA revisions on Group Engagements and Value Chain for sustainability assurance engagements within the scope of Part 5. The presentation covered the determination of PIEs, performing assurance work at a component, independence considerations for group firms, component firms and group sustainability assurance team members, using the assurance work of another practitioner, the effective date of provisions applying to value chain components, and providing NAS to sustainability assurance clients.

The Chairman noted that the independence standards for group sustainability assurance engagements have adopted a consistent approach with the extant Code's provisions applicable to group audit engagements for financial statements. The Chairman also referred to Appendices 2 and 3 of the IESBA's Basis for Conclusions, which include diagrams outlining the independence considerations of firms participating in group sustainability assurance engagements and value chain components.

The Taskforce members discussed the following matters:

- **Transitional Provision for Value Chain Components.** The Taskforce discussed the proposed transitional provision applicable to value chain components further, including the challenges and practical issues when a group sustainability assurance firm requests independence confirmation from an overseas network firm in a jurisdiction that has not yet mandated the IESSA. The Taskforce Members were of the view that the effective date for the proposed transitional provision in the AESSA should align with the IESBA's effective date of 1 July 2028. This matter will be considered further by APESB Technical Staff, with any identified amendments to the transitional provisions to be circulated to the Taskforce for their review.
- **Determination of Components.** A Taskforce member questioned the approach to determine whether a component is within the reporting entity's control for a group sustainability assurance engagement. In particular, the entity has control over the emissions of another entity but does not own or have financial control over the entity.

The Chairman referred to paragraph 89 of IESBA's Basis for Conclusions, noting that the IESBA and the IAASB determined to link the definitions for group component and value chain component by reference to the reporting entity's group financial statements, recognising that the determinations of operational control could result in inconsistency. As the definitions are aligned, a group subsidiary for financial statements will be treated as a group subsidiary for sustainability assurance.

- **Using the assurance work of another practitioner in the same firm:** A Taskforce member requested clarity regarding the independence considerations when using the work performed for a Value Chain Entity by another partner in the same firm. APESB Technical Staff will record this matter on the issues register (as issue 4d) and will conduct research to clarify the independence requirements in this situation.

## 5. Using the Work of an External Expert

The Taskforce considered the draft ED on Using the Work of an External Expert. It was noted that the draft ED did not include many Australian-specific changes and paragraphs, primarily focusing on modifications for Australian spelling and terms.

The Chairman provided information on the background of the IESBA's Use of Experts project, noting that regulatory stakeholders had previously raised concerns about the use of external experts during the Engagement Team and Group Audit (ET-GA) project. This concern has been addressed in conjunction with the sustainability ethics standards project, as the IESBA anticipated an increasing use of external experts by accountants when performing sustainability assurance engagements.

The Taskforce discussed the need for transitional relief for the Use of Experts Provisions. The Chairman advised that this concern had also been raised with the Technical Staff. APESB Technical Staff will consider the concerns raised and will liaise with the AUASB to determine an appropriate transitional provision to be included in the exposure draft. Technical Staff are to circulate any identified amendments to the Taskforce for their review.

## 6. Sustainability Assurance and Reporting

The Taskforce considered the draft ED on Sustainability Assurance and Reporting. The Chairman noted that the draft ED aligns with the IESSA, with no substantial changes. The additional Australian-specific footnote references and paragraphs are intended to mirror the requirements in the equivalent extant Code's paragraphs.

The following matters were raised by the Taskforce, noting that the issues should be raised with the AUASB:

- Clarity is needed as to why an entity deemed immaterial for financial reporting would be considered immaterial for the sustainability assurance engagement, even if that entity is the biggest emitter in the group. A Sustainability Taskforce Member agreed to discuss this matter further with the AUASB Chair.
- The challenge for Group 1 entities needing to switch providers to meet the 31 December 2025 deadline, in instances where one firm is solely the sustainability assurance provider, while another firm is the

financial statement auditor. Technical Staff will raise this matter with regulators as part of the consultation flagged at Issue 7a on the Issues Register.

- Clarity around independence requirements for NAS engagements for the reporting period ending 31 December 2024 that have been entered into with Group 1 entities prior to 28 January 2025 (i.e. the issue date of ASSA 5000). Technical Staff will discuss this matter with the AUASB and provide an update to the Taskforce in due course.

Taskforce members also raised the following suggestions in drafting the ED:

- The inclusion of guidance, such as a flowchart, diagram or decision tree, to help users navigate through the different types of engagements, the time frame of adoption, and the relevant sections that they should comply with when performing certain assurance engagements, whether it is Part 4B or Part 5. Potentially, this visual presentation could be adapted from the diagram on page 4 of the IESBA Technical Overview document on the IESSA. Technical Staff will include this matter as Issue 8b on the Issues Register.
- Clarity around responsibilities under legislation for climate versus other sustainability information, including independence and ethics requirements. Taskforce members noted that a possible Australian FAQ may be developed for those voluntarily applying Part 5, as noted in the Issues register (Issue 1b).

APESB Technical Staff will consider these matters, as appropriate, in preparing the draft ED for the Board's consideration.

## **7. Any Other Matters and Way Forward**

The Chairman noted that the matters discussed at this Taskforce meeting will be raised with the AUASB Chair, Mr Doug Niven, in due course, and an update on the outcome will be provided to the Taskforce.

Taskforce Members are welcome to send any further comments and editorial amendments on the draft EDs to APESB Technical Staff by 21 February 2025. The draft board papers, including the revised proposed transitional provisions, will be circulated to the Taskforce for their consideration in due course. Any concerns raised by the Taskforce will be presented to the Board at their March 2025 Board Meeting.

Subsequent to the Board meeting, Technical Staff will email the Taskforce an update on the outcomes of the Board's consideration and approval of the EDs.

The Chairman advised that the IESBA is currently holding global webinars on the sustainability and experts standards. The Chairman encouraged the Taskforce Members to attend the IESBA's global webinars if possible.

The timing of the next Taskforce meeting will be determined after the outcomes of the March 2025 APESB Board meeting are known.

## **8. Close of Meeting**

The Chairman thanked the Taskforce Members for their attendance.

The meeting was closed at 12.57 pm.