

# Sustainability Ethics and Independence Standards

ASIC Presentation

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# Agenda

- APESB's role and mandate
- IESBA Code
- Sustainability Ethics and Independence Standards
- Use of External Experts
- Q & A

# APESB's role and mandate



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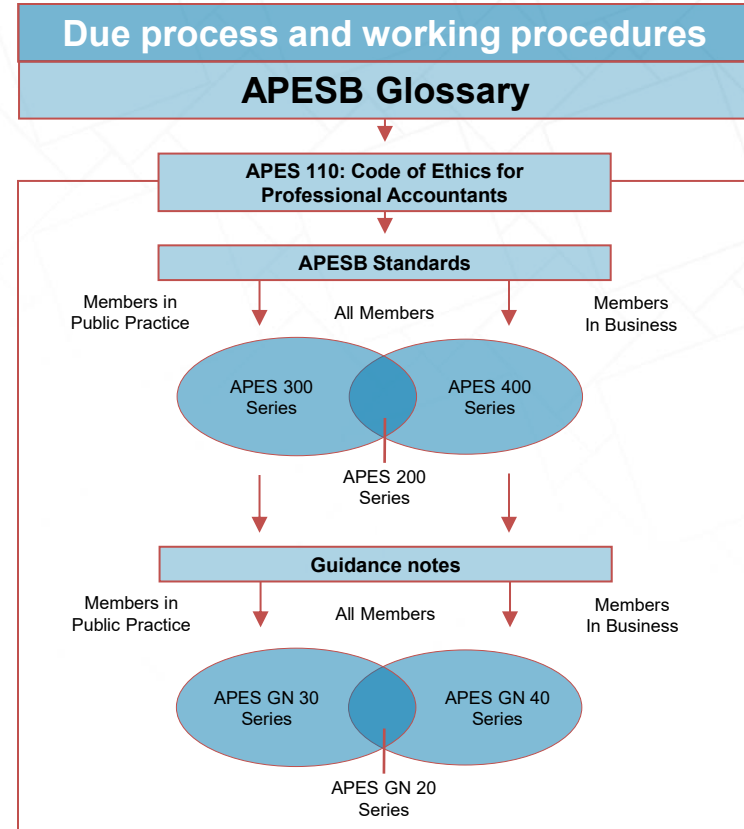
- Established in 2006 as an independent standard setter to develop professional & ethical pronouncements for the three professional accounting bodies
- Previously professional and ethical pronouncements developed by the professional accounting bodies
- Members' compliance and discipline overseen by professional bodies
- APESB's structure is globally unique
- A comprehensive suite of accounting professional pronouncements developed during the first decade of operations

# APESB's role and mandate

- Influence international standards setting process:
  - IESBA's National Standards Setters group
  - Representation on the IESBA and IFAC Committees
- To date APESB has released 21 pronouncements consisting of 15 Standards and 6 Guidance Notes
- The critical role ethics plays in maintaining the public trust, reputation and good standing of the profession

# Structure of APESB pronouncements

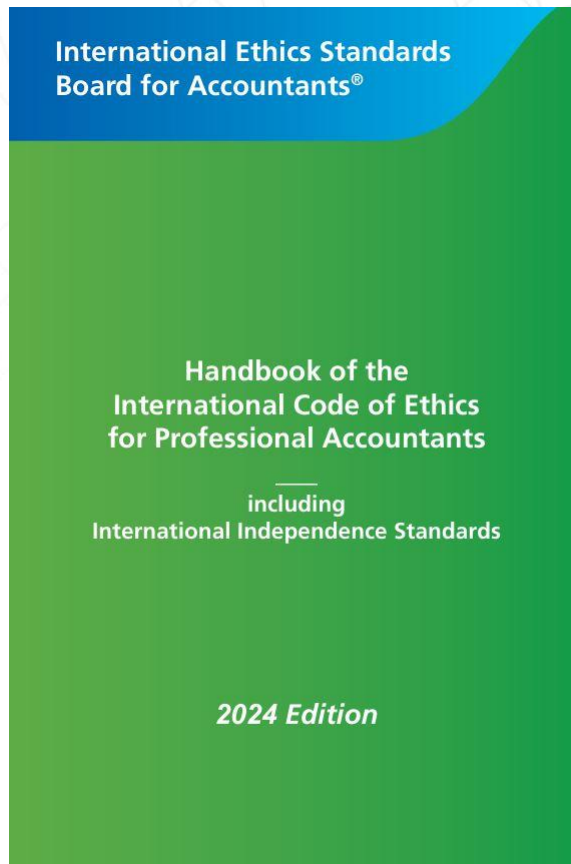
- **Conceptual Framework**
  - Principles based
  - Mandatory for professional accountants
- **Standard**
  - Introduces principles
  - Mandatory requirements in black letter
  - Guidance and/or explanation in grey letter
- **Guidance notes**
  - Do not introduce new principles
  - Guidance on a specific matter on which the Principles are already stated in a Standard
  - Guidance is only in grey letter



# IESBA Code



# About the IESBA Code





# About the IESBA Code

International Ethics Standards  
Board for Accountants®

Handbook of the  
International Code of Ethics  
for Professional Accountants

including  
International Independence Standards

2024 Edition

Full adoption  
of the IESBA  
Code by  
APESB in  
Australia



Compiled APES 110 Code of Ethics for  
Professional Accountants (including  
Independence Standards)

Compiled as at January 2025

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# The IESBA Code

## Fundamental Principles

Integrity

Objectivity

Professional Competence &  
Due Care

Confidentiality

Professional Behaviour

## Threats

Self Interest

Self Review

Advocacy

Familiarity

Intimidation

## Conceptual Framework



# Sustainability Ethics and Independence Standards



# Launch of APESB Sustainability Standards in July 2025

- APESB [Sustainability](#) Standards:
  - Revisions to the Extant Code Addressing Sustainability Reporting
  - New Ethics and Independence Standards for Sustainability Assurance (AESSA)
  - Using the Work of an External Expert
- **Close Coordination between AUASB** and other Standard Setters to ensure alignment and interoperability
- Effective from **1 January 2026**, with a later implementation date of 1 July 2028 for provisions applicable to *Value Chain Components*
- **Transitional relief** options available to support implementation
- Australia's mandatory climate-related financial disclosures and sustainability reporting – effective for **Group 1 entities** from **1 January 2025**



## Amending Standard for Sustainability Assurance and Reporting and the use of External Experts

July 2025

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Read the APESB's [Media Release](#) and [Basis for Conclusions](#)

# Sustainability Reporting: Objectives and Key Characteristics

ENHANCED ETHICS PROVISIONS IN THE EXISTANT CODE

## OBJECTIVES OF SUSTAINABILITY REPORTING REVISIONS

Reinforcing the first line  
of defense against  
“greenwashing” and other  
corporate malfeasance

Truthful, high-quality  
corporate sustainability  
disclosures



Builds on pre-existing robust ethical framework



Enhances existing ethics provisions in APES 110 to  
be fit-for-purpose for sustainability reporting



For Professional Accountants



Framework neutral

# Sec. 220 – Preparation and Presentation of Information



## Section 220 provisions cover:

- Avoiding misleading others, undue reliance on individuals, organizations or technology, and inappropriate exercise of professional judgment
- Inappropriate use of discretion
- Inappropriate exercise of professional judgment when using the output of technology
- Addressing information that is or might be misleading

## Examples specific to preparing or presenting sustainability information:

Misleading others through omission, false information, inappropriate metrics, or excessive emphasis on/understating information

Undue weight on information that corroborates achievement of targets and insufficient weight on contradictory information

Placing undue reliance on data from a supplier without considering its source, relevance and sufficiency

Preparing forward-looking information that relies on unrealistic/inconsistent assumptions

Timing sustainability disclosures to achieve a more favorable presentation/outcome

Misrepresenting sustainability information by selecting, omitting or obscuring opportunities, risks or impacts, or selectively using measurement methods

# Sec. 270 - *Pressure to breach the fundamental principles*

PRESSURE MIGHT BE EXPLICIT OR IMPLICIT

## Potential sources of pressure might come from:

- Within the employing organization, for example, from a colleague or superior
- An external individual or organization such as a vendor, customer or lender
- Internal or external targets and expectations



## Examples of pressure that might create threats to compliance with the fundamental principles:

### Conflicts of Interest

### Preparation or presentation of information

Pressure to misrepresent sustainability information

### Expertise or due care

Pressure to prepare sustainability information with insufficient/deficient data

### Financial Interests

Pressure to manipulate non-financial performance indicators

### Inducements

### NOCLAR

Pressure to manipulate sustainability information to avoid fines

# Key Characteristics of AESSA (New Part 5)



Equivalent to Ethics  
and Independence  
Standards for Audit



Profession-Agnostic  
(for All Practitioners)



Standalone (New  
Part 5 of APES 110)



Framework-Neutral



# Which Engagements Does the AESSA Apply to?

## SCOPE OF ETHICS AND INDEPENDENCE STANDARDS: A SCALABLE AND PROPORTIONAL APPROACH



### Ethics (Sections 5100-5390)

Apply to:

- All sustainability assurance engagements (SAEs); and
- Any other professional service provided to the same sustainability assurance client

### Independence Standards (Sections 5400-5600)

Apply only to SAEs:

- On sustainability information reported in accordance with a general purpose framework; and
- Which is:
  - Required by law or regulation; or
  - Publicly disclosed to support decision-making by investors or other users

### SAEs Outside the Scope of the Independence Standards in AESSA

SAEs not covered by the Independence Standards in Part 5 are subject to the Independence Standards in Part 4B of the APES 110:

- Practitioners who are professional accountants must continue to apply Part 4B
- Practitioners who are not professional accountants are encouraged to comply with Part 4B

# Dealing with Pressure to Behave Unethically

PRESSURE MIGHT BE EXPLICIT OR IMPLICIT

Sustainability assurance practitioners (SAPs) must not allow pressure from others to result in a breach of compliance with the fundamental principles in APES 110, or place pressure on others to breach such principles



**Section 5270** of the AESSA provides a framework for practitioners to deal with some of the unique pressures that can arise in SAEs

The AESSA sets out examples of pressure – including pressure to engage in greenwashing related to the SAE

# Non-Compliance with Laws and Regulations

NOCLAR REGIME FOR SUSTAINABILITY ASSURANCE PRACTITIONERS (AESSA / PART 5 OF APES 110)

What is NOCLAR  
in AESSA?

Which laws &  
regulations are  
covered?

Who is the primary  
party responsible for  
addressing NOCLAR?

What are the  
practitioner's  
responsibilities under  
NOCLAR?

Communication of  
NOCLAR between the  
practitioner and the  
auditor

NOCLAR committed in  
the value chain

# General Approach to Independence Standards in AESSA

Relationships, interests and circumstances that might create threats to independence in context of an audit engagement might also create threats in context of SAE

Equivalent to independence standards applicable to audit engagements (Part 4A), but addressing sustainability-specific issues

Fees

Gifts and Hospitality

Actual and Threatened Litigation

Financial Interests & Loans and Guarantees

Business Relationships

Family and Personal Relationships

Recent Services and Employment with the Client

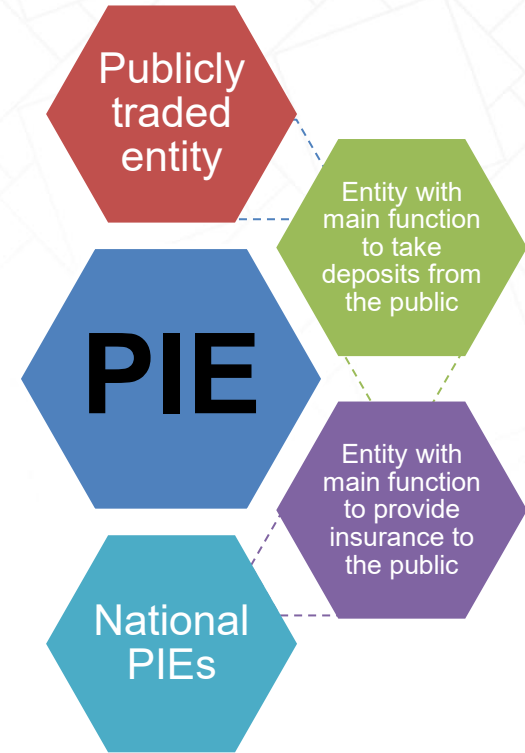
Long Association

Provision of Non-Assurance Services to the Client

# Sustainability Assurance Clients

## DETERMINATION OF PUBLIC INTEREST ENTITIES (PIES)

- Same determination of sustainability assurance client as a PIE as for audit client
  - Also includes certain or all related entities
- Scalable approach for clients that are PIEs
  - No specific determination of PIEs on the basis of sustainability information
- Provisions for PIEs in Part 5 will be applicable if:
  - The entity is a PIE for purposes of the audit of its financial statements; or
  - A jurisdiction determines that the entity is a PIE in the context of the SAE



# Group Sustainability Assurance Engagement

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

- **AESSA and ASSA 5000 have the same approach to groups** and group-related definitions
  - Groups include both group components and value chain components (VCCs)
- 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

# Using the Work of Another Practitioner (AP)

PRACTITIONER IN WHOSE WORK THE SUSTAINABILITY ASSURANCE PRACTITIONER (SAP) CANNOT BE SUFFICIENTLY AND APPROPRIATELY INVOLVED

- ASSA 5000 acknowledges that SAP might intend to use the (assurance or non-assurance) work of AP
- ASSA 5000 sets out conditions SAP needs to meet
  - Relevant ethical requirements (AESSA)
- No direct requirements for AP
  - Ultimate responsibility of SAP to be satisfied about AP's independence

## Using the *Assurance Work* of AP (Section 5406 of Independence Standards)

Requirement for SAP to be satisfied that AP meets the independence requirements in IESSA with respect to the entity/component at which the assurance work is performed

- In the case of assurance work at a VCC, the SAP may rely on statement of independence

## Using the *Non-Assurance Work* of AP (Section 5390 of Ethics Standards)

Requirement for SAP to exercise professional judgment to determine the appropriate steps to fulfill the SAP's responsibility to comply with fundamental principles when using the work of AP

- Guidance with examples of factors to consider

# 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 Data &  
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



# Performing Audit and SAE at the Same Client

INDEPENDENCE CONSIDERATIONS ARISING FROM PROVIDING BOTH ENGAGEMENTS TO THE SAME CLIENT

## Fees from Client

- Same treatment of fees for audit and for SAE
  - **Fees for SAE within the scope of Independence Standards in Part 5** do not create threats to independence
- **Same disclosure requirements** for audit fees and fees for SAE
  - Firm is required to disclose fees for audit of financial statements separately

## Long Association with the Client

- **APES 110 treats audit engagements and SAE within the scope of Independence Standards in Part 5 as equivalent**
  - Firms need to consider both engagements when determining long-association
- Conforming amendments to Independence Standards in Part 4A for audit engagements
- Transitional provision

# Australian-Specific Amendments to AESSA

- The addition of Australian-specific amendments that **broadly mirror** those already in place in the extant APES 110 and **align** with the Australian-specific provisions of the extant APES 110
- The inclusion of **footnotes** to highlight:
  - a SAE must be performed by the entity's auditor, who also audits the entity's financial statements in Australia (as set out in section 301A of the *Corporations Act 2001*)
  - the requirements and independence obligations of the *Corporations Act 2001* for SAPs when performing SAEs in Australia
  - the AUASB's prohibition of internal auditors in SAEs (as set out in ASSA 5000)
- **Other consequential and conforming amendments** to sections 520, 522, 523, 524 and 540 of the extant APES 110 to reflect the revised terms used in the footnotes

# Implementation Support Already Available

## Resources – IESBA

- Comprehensive Global **Adoption and Implementation Plan**, with coordination between the IAASB and IESBA as needed
  - Suite of Q&As coming (2 already released)
  - [Fact sheets](#)
  - [Technical overviews](#)
  - [Global webinars](#)
  - Other Support material | Stakeholder engagement| Capacity building
  - Close collaboration with IOSCO, ISSB, IFAC, NSS, PAOs and other partners
- Active Monitoring & Response Mechanism launched
  - [Digital platform for stakeholders to submit questions via website](#)
  - IESSA Implementation Monitoring Advisory Group established



[IESBA Sustainability Reporting and Assurance focus page](#)



*Further Australian-specific guidance materials will be considered by APESB if necessary*



# Use of External Experts

# Background

Using work of an external expert not new, even though new fields of expertise continually emerging

However, a number of questions raised in recent IESBA projects re expectations of ethics and independence of external experts?

- E.g. Engagement Team–Group Audits | Technology | Tax Planning

Questions also raised by PIOB and stakeholders

IESBA recognition of need to also address circumstances where work of an external expert is used by:

- PAPPs in a non-assurance service (NAS)
- PAIBs
- Non-PAs performing sustainability assurance engagements in accordance with IESSA



# Public Interest Objectives



Provide a consistent, global ethical baseline when PAPPs, SAPs and PAIBs use work of an external expert

Address heightened stakeholder expectations re ethics/independence of external experts used in audit and other assurance engagements

# 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 External Expert

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

## 3. External 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 External Expert’s CCO

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

## 5. Potential Threats When Using the Work of an External 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



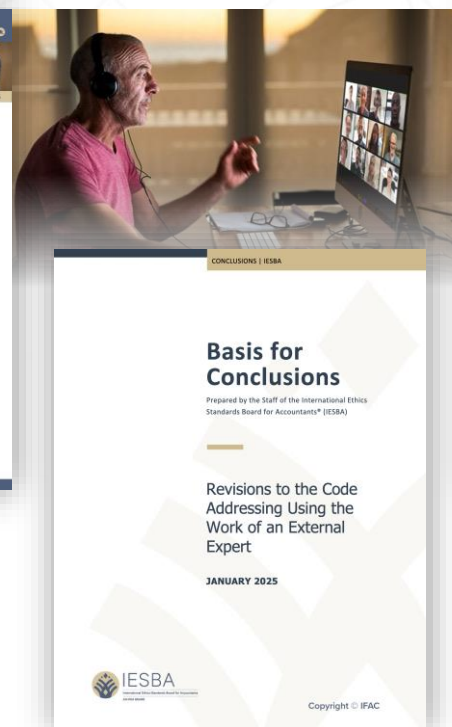
# Implementation Support Already Available

## Resources – IESBA

### Additional Information

- [Final Pronouncement](#)
- [Basis for Conclusions](#)
- [Fact Sheet](#)
- [Technical Overview](#)
- [Global Webinar - Slides and Recording](#)

*Coming Soon:  
Questions and Answers*







# Q & A

## Further Information

For more information visit [www.apesb.org.au](http://www.apesb.org.au)

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

To download APESB's mobile app:



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