

APESB Update

CA ANZ Sustainability Conference 2025



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Agenda

- Sustainability Ethics and Independence Standards
- Use of External Experts
- Q & A

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



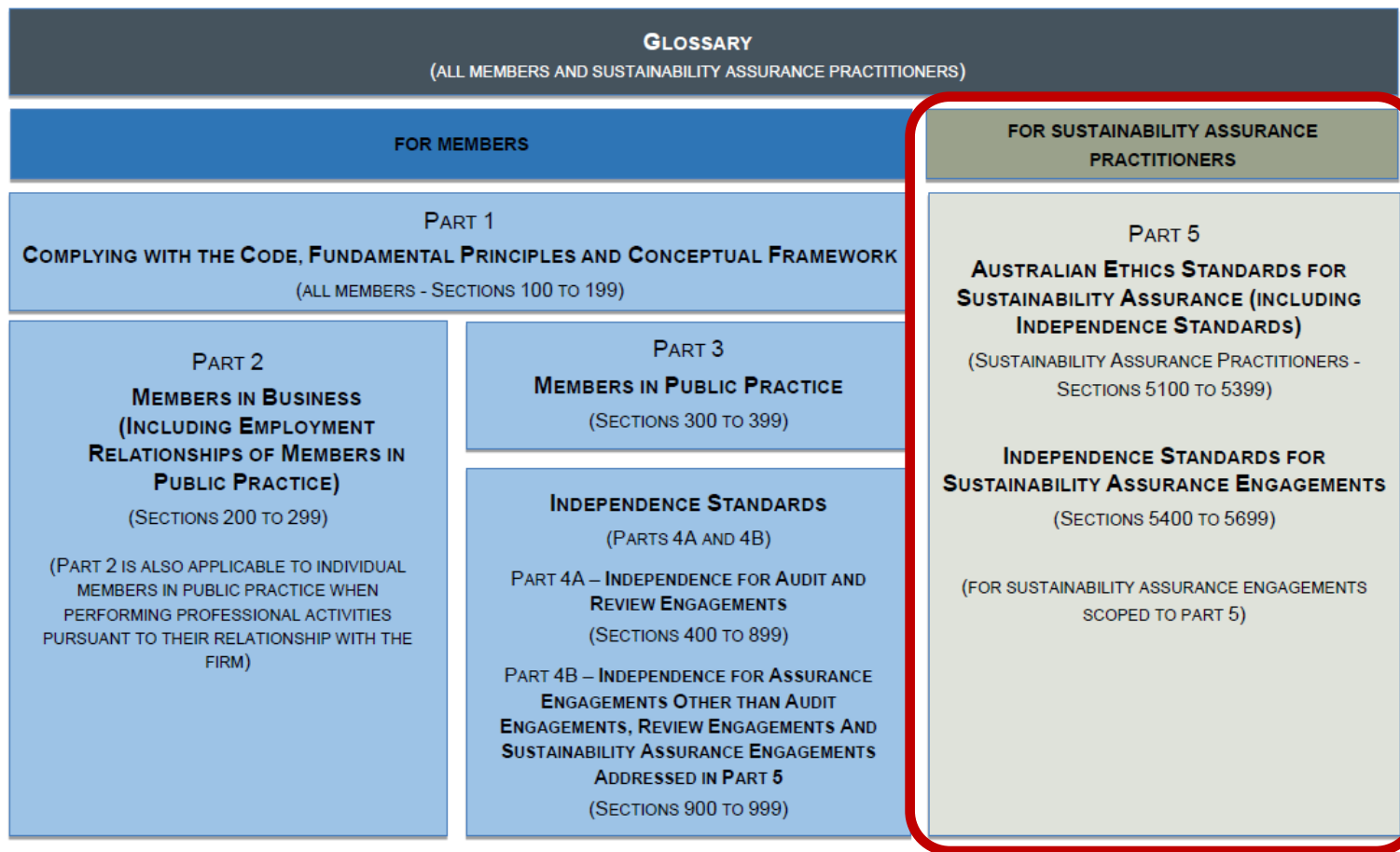
Enhances existing ethics provisions in APES 110 to
be fit-for-purpose for sustainability reporting



For Professional Accountants



Framework neutral



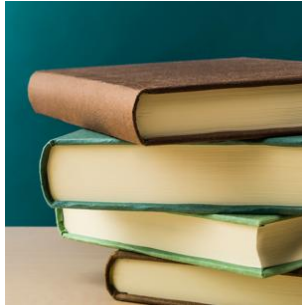
Key Characteristics of AESSA (New Part 5)



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

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

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

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

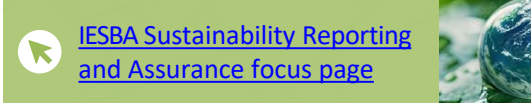
Australian-Specific Amendments to AESSA

- 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; and
 - 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](#))
 - [Additional Implementation Support Materials](#)
 - [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](#)



Further Australian-specific guidance materials will be considered by APESB



Use of External Experts

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

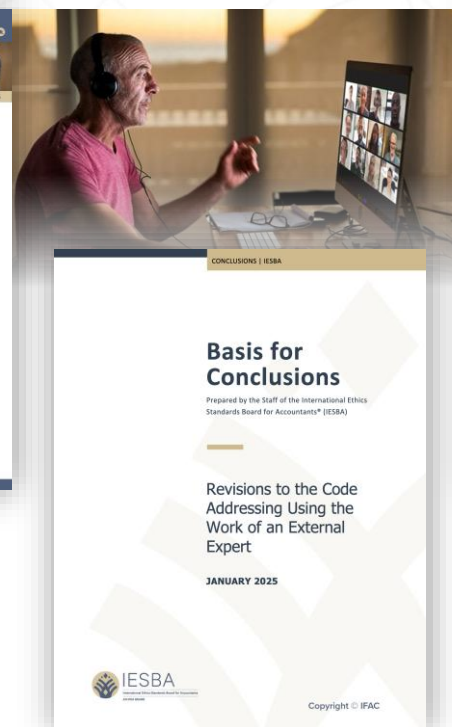
Stakeholder Outreach

Implementation Support Already Available

Resources – IESBA

Additional Information

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



Further Information

For more information visit www.apesb.org.au

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