

ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD LIMITED

MINUTES OF 4th MEETING OF THE SUSTAINABILITY TASKFORCE

29 May 2025, 2.00 pm – 3.30 pm

Virtual Meeting

1. Present and Apologies

Present

Mr Channa Wijesinghe (Chairman), Mr Matt Honey, Ms Rene Bagley, Ms Liz Giust, Ms Siobhan Hammond, Ms Daen Soukseun, Ms Belinda Zohrab-McConnell, Ms Kristen Wydell and Ms Melanie Scott.

Apologies

Ms Karen McWilliams.

In Attendance

Ms Dianne Azoor Hughes, Ms Jacinta Hanrahan, Ms Ann Chang, Ms Disna Dharmasekara and Ms Nikole Gyles.

The Chairman advised that Ms Karen McWilliams is unable to attend due to other commitments. She has nominated Ms Melanie Scott and Ms Kristen Wydell to attend the Taskforce meeting on her behalf. Ms Scott and Ms Wydell have been involved in CA ANZ submissions on Sustainability and External Experts, respectively.

2. Noting of Minutes from Prior Meeting

The Taskforce reviewed the minutes from its meeting on 17 February 2025 and approved the minutes subject to the following editorial amendments:

- first bullet point of agenda item 3 (page 1) – different font size used in the word ‘mandatory’; and
- first bullet point of agenda item 6 (page 3) – spelling error in the word ‘sustainability’.

3. Taskforce Issues Register

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

- **Term ‘Sustainability Assurance Practitioner’ (Issue 1c).** Taskforce members noted that Technical Staff are proposing to retain the term ‘Sustainability Assurance Practitioner’ in Part 5 based on the views of the Taskforce Members, the Board and the outcome of the exposure draft due process.
- **Consideration of PIE for Australian purposes (Issue 2a).** Taskforce members noted that the matter is now closed, with the Australian standard to adopt the approach determined by the IESBA, whereby an entity is not a PIE solely based on sustainability information, unless specified by local regulations.
- **Value Chain (Issue 4d).** Taskforce members discussed the matter added to the register from a prior Taskforce meeting, relating to the independence requirements where assurance work for a Value Chain Component (VCC) was provided by another partner of the same firm. It was noted that paragraph 5405.2 A3 addresses this situation.

- **Additional guidance (Issue 8b).** Taskforce members noted that Australian-specific guidance materials will be considered after the finalisation of the Sustainability Amending Standard and the release of the IESBA's guidance materials.
- **Use of an External Expert – Joint Venture (Issue 9a).** Technical Staff provided an overview of the IESBA feedback on the question posed about Joint Ventures and External Experts. The IESBA noted that the applicability of independence requirements under Part 5 or the Competency, Capabilities and Objectivity (CCO) provisions of External Experts will depend on the specifics of the arrangement.

A Taskforce member considered a key consideration also include whether the joint venture itself is merely an extension of the existing Network, effectively integrating the entire entity into the Network of the accounting firm, thereby meeting the definition of 'Network Firm'.

The Taskforce also noted that Objectivity may be an issue if the joint venture is providing non-assurance services (NAS) to a sustainability assurance client and also assisting the audit firm with the assurance engagement for that client.

- **Use of an External Expert – reference to *Corporations Act 2001* (Issue 9b).** Taskforce members noted that the footnotes on independence requirements in the *Corporations Act 2001* should not be listed as a reference in the new sections on Use of External Experts.

4. Using the Work of an External Expert

The Taskforce considered the comments received on ED 02/25 relating to Using the Work of an External Expert. Taskforce members raised and discussed the following matters:

- **Transitional Provisions.** Taskforce members considered the revisions to the drafting of the Transitional Provisions noting they are based on the stakeholder feedback received during the ED due process (refer to the draft Specific Comment table, item 12 - EY). The Taskforce noted there was no change to the proposed effective dates in the ED but agreed that the redrafted optional transitional relief provisions provide clarity for sustainability assurance practitioners.
- **Disclosure obligation related to Transitional Provisions.** The Taskforce discussed the issue raised regarding the disclosure requirement for using the optional transitional relief. The Chairman clarified that the disclosure is to be made to Those Charged with Governance and is not a public disclosure as required under the VCC transitional provisions in the Sustainability Standard.

Some Taskforce members questioned the necessity and the benefits of retaining this requirement, noting that this requirement is not included in the international standard. While other Taskforce members supported informing the client of the approach applied, highlighting that such discussion would enhance understanding of the new Experts provisions. Due to the diverging views of the Taskforce, APESB Technical Staff will seek guidance from the Board on the approach to be adopted in the final standard.

- **Safeguards for an External Expert's competence and capability.** The Taskforce considered a scenario in which an external expert may lack certain competencies but could collaborate with another expert to collectively meet the necessary requirements. In addition, a Taskforce member noted the Technical Staff's response provided in the draft Specific Comment table (item 5) does not directly address the concern raised regarding seeking secondary external expert as safeguard. This matter will be considered further by APESB Technical Staff and revised accordingly.
- **Limited availability of External Experts.** Taskforce members expressed concerns about the limited availability of qualified external experts in Australian market, particularly for mid-tier and smaller firms. The high demand and associated costs, especially from larger firms in securing top experts, may restrict access for others, leading to potential reliance on less qualified individuals. Another concern was raised regarding the system of quality management used by experts.
- **Development of guidance materials.** The Taskforce highlighted the need for additional guidance, including practical examples and support materials to assist smaller firms in sourcing and using external experts effectively within the framework of the revised APES 110.

The Taskforce noted that the New Zealand External Reporting Board (XRB) is progressing work on its standard in relation to the use of external experts. XRB has launched their consultation which is open until 10 July 2025.

The Chairman advised that the IESBA is expected to release Technical Staff FAQs by the end of June 2025. This should provide further guidance on application of the Experts provisions.

A Taskforce member shared insights from a national network discussion group, mainly from mid-tier firms, highlighting challenges in interpreting the IESBA Basis for Conclusions and Appendix 3. The Taskforce member is currently developing independence guidance from an Australian perspective and will share it with the Taskforce upon completion.

5. Sustainability Assurance and Reporting

The Taskforce considered the comments received from ED 01/25 on Sustainability Assurance and Reporting.

Taskforce members discussed the following matters:

- **General Effective Date.** The Taskforce is supportive of the general effective date of 1 January 2026. It was noted that now the AUASB has made it clear that ASSA 5000 will be effective for all other sustainability assurance engagements on or after 31 December 2025, except where the period commenced before 1 January 2025, the proposed effective date for the ethical standards is logical.
- **Effective Date and Transitional Provision for VCC.** The ED proposed an effective date of 1 January 2027 for the VCC provisions, with transitional provisions for periods beginning prior to 1 July 2028.

The Taskforce noted that, after considering stakeholder feedback, Technical Staff have proposed to align the effective date for the VCCs with the IESBA's effective date of 1 July 2028. The Chairman advised that, unless under legal requirements set out in ASSA 5000 and ASSA 5010, Group 1 entities would be required to apply the VCC provisions for assurance of Scope 3 emissions for years commencing 1 July 2026.

A Taskforce member questioned the rationale for not applying Part 4B for the VCCs until 1 July 2028, given that Group 1 entities are permitted to apply Part 4B in the first year of their mandatory reporting.

The Chairman advised that the assurance and ethical standards are meant to be interoperable and cannot be used independently. The Taskforce considered an example of the potential parts of APES 110 which would apply to a Group 1 entity with a December year-end. The discussion highlighted the confusion about what provisions apply and when.

The Taskforce emphasised the need for guidance materials on this matter, given the significant confusion surrounding the assurance phasing timelines. Technical Staff will consider developing examples of application dates for December and June year-ends to assist in understanding the phasing timelines subject to market demand.

- **Implementation challenges in applying VCC provisions.** The Taskforce discussed the challenges of obtaining information from the VCCs in other jurisdictions due to its global nature and complexity. Australia, as the first mover, and other jurisdictions may require some time to implement and adopt.

The Chairman noted from Technical Staff's research that some larger companies have already identified their value chains, with some reporting limited assurance over Scope 3 emissions in their sustainability reports.

- **Transparency disclosure requirement for VCC.** Taskforce members raised a concern over the public disclosure requirement to be made when not using the full VCC provisions before the effective date of 1 July 2028. It was noted that this requirement aligns with the global IESSA Standard.

A Taskforce member acknowledged the concern raised about public disclosure but noted that mandatory sustainability reporting and assurance requirements were enacted by the Government, not standard setters. As limited assurance on Scope 3 emissions is required from 1 July 2026, sustainability assurance practitioners will need to navigate this from a practical perspective.

The Taskforce noted no changes are proposed for the Transitional Provisions on VCC in relation to the transparency disclosure requirement of not using VCC provisions prior to 1 July 2028.

- **Long Association.** The Taskforce considered whether the APESB Staff Guidance publication on Long Association should be updated to incorporate some Sustainability-related examples. Technical Staff will consider updating guidance once the Sustainability-related Standards are finalised.
- **Development of guidance materials.** The Taskforce noted the critical need to educate the marketplace on Sustainability ethics-related requirements, in particular, the application of VCC provisions and prohibitions from undertaking NAS engagements that assumed management responsibilities in sustainability reporting.

A Taskforce member questioned whether APESB should proactively develop guidance materials rather than wait for international guidance from the IESBA, especially since Australia's effective date is earlier than the global effective date.

The Chairman outlined the limited resources of the APESB compared to the IESBA. At this stage, the primary focus for APESB is to issue the Sustainability-related Standards in Australia. Since the IESBA guidance materials are expected in June 2025, it is beneficial to wait a month, allowing Technical Staff to identify and address any gaps which require further Australian-specific guidance.

6. Any Other Matters and Way Forward

The Chairman advised that ASIC has invited APESB to present to its team on the Sustainability ethics and independence standards.

Ms Dianne Azoor Hughes, APESB Director, thanked the Taskforce for their contributions and discussions in developing the proposed Sustainability and External Experts Amending Standard. Ms Azoor Hughes acknowledged the importance of the Basis for Conclusions, the FAQs, and the need for further guidance to support adoption and implementation.

APESB Technical Staff are drafting the Basis for Conclusions and it will be circulated to the Taskforce for their consideration. The matters raised by the Taskforce will be presented to the Board at the APESB June 2025 Board meeting.

The next Taskforce meeting will be determined at a later date, with the focus likely to be the development of guidance materials.

7. Close of Meeting

The Chairman thanked the Taskforce Members for their attendance.

The meeting was closed at 3.30 pm.