

## AGENDA PAPER

**Item Number:** 8  
**Date of Meeting:** 9 December 2024  
**Subject:** Update on Sustainability

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Action required     For discussion     For noting     For information

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### Purpose

To provide the Board with an update on recent International and Australian sustainability-related developments.

### Background

APESB is currently monitoring international and Australian sustainability-related developments to inform its upcoming project on sustainability, which will be based on the outcomes of the International Ethical Standards Board for Accountants' (IESBA's) current project on sustainability.

Key developments in relation to sustainability previously advised to the Board include the following:

- the International Sustainability Standards Board (ISSB) issued two standards in June 2023: IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*. The standards are effective from 1 January 2024, subject to adoption in individual jurisdictions (BM 121 (Aug 23) [Agenda Item 7](#));
- the International Auditing and Assurance Standards Board (IAASB) issued the exposure draft proposed International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements* for public consultation on 2 August 2023 (BM 121 (Aug 23) [Agenda Item 7](#)) with subsequent deliberations held across their 2024 Board meetings held to date (BM 126 (Jun 24) [Agenda Item 4](#)) and (BM 127 (Sep 24) [Agenda Item 5](#));
- the IESBA agreed at their June 2023 Board Meeting to incorporate the profession-agnostic ethics and independence standards for sustainability assurance in a new part 5 of the Code (BM 121 (Aug 23) [Agenda Item 7](#)) with the IESBA issuing two exposure drafts related to sustainability assurance (BM 125 (Mar 24) [Agenda Item 5](#)) and subsequent deliberations (BM 126 (Sep 24) [Agenda Item 5](#));
- the International Public Sector Accounting Standards Board (IPSASB) commenced a project to develop a public sector climate-related disclosure standard (BM 126 (Jun 24) [Agenda Item 4](#));

- the Australian Treasury held a staged consultation process on climate-related financial disclosure in Australia. Updates on the first stage of the consultation were outlined in BM 118 (Feb 23) [Agenda Item 7](#), on the second stage in BM 121 (Aug 23) [Agenda Item 7](#), and the legislation process was outlined in BM 125 (Mar 24) [Agenda Item 4](#), BM 126 (Jun 24) [Agenda Item 4](#) and BM 127 (Sep 24) [Agenda Item 5](#); and
- Australian Accounting Standards Board (AASB) released an exposure draft, [ED SR1](#), which proposes climate-related financial disclosure requirements through three drafts of Australian Sustainability Reporting Standards (BM 124 (Nov 23) [Agenda Item 7](#)) and subsequently decided also to add a non-mandatory ('voluntary') standard that would cover sustainability-related financial disclosures (BM 126 (Jun 24) [Agenda Item 4](#)) and (BM 127 (Sep 24) [Agenda Item 5](#)).

## **International and other Developments**

### ***International Ethics Standards Board for Accountants (IESBA)***

#### *Progress on Sustainability-related ethical standards*

The IESBA have considered the proposed IESSA and other revisions to the Code relating to Sustainability Assurance and Reporting and the proposed Using the Work of an External Expert Standard at its [September](#) and [November 2024](#) Board Meetings.

At its upcoming Board meeting on [2 – 6 December 2024](#), the IESBA will review a revised draft of the proposals with an aim to approve the final standards.

For the sustainability standard, the IESBA will consider the following key revisions from the proposals in the exposure draft (as listed in the IESBA [Agenda Item 2](#) paper):

- Full alignment of definitions with ISSA 5000.
- Align the approach with the extant Code regarding communication of NOCLAR by the sustainability assurance practitioner to the auditor and vice versa.
- Coordinated approach with IAASB on the determination of groups for the purposes of group sustainability assurance engagements, including the determination of group components and value chain components.
- Clarification of the meaning of “performing assurance work at” for the purposes of the International Independence Standards in Part 5.
- Restructuring and simplification of the independence provisions in the ED applicable to assurance work performed at, or with respect to, a value chain entity, merging those provisions into Sections 5405 and 5406 under separate subsections.
- Deletion of Section 5700 of the ED, which required the sustainability assurance team to apply the “knows or has reason to believe” principle when the firm intends to use the work of a sustainability assurance practitioner performed at a value chain entity.
- Clarification of the process for confirmation of another practitioner’s independence in accordance with Part 5.
- New guidance addressing changes in value chain components and changes in component practitioners performing assurance work at a value chain component.

For the Using the Work of an External Expert Standard, the IESBA will consider the following key revisions from the proposals in the exposure draft (as listed in the IESBA [Agenda Item 3](#) paper):

- Full alignment of definitions with ISA 620 *Using the Work of an Expert*.
- New guidance pointing to other professional standards that address the adequacy of an expert's work for the professional accountant's purpose.
- Clarification of the scoping of the provisions.
- For an audit, review or other assurance engagement:
  - As part of agreeing on the terms of engagement with the external expert, a new requirement is for the external expert to communicate any changes in the information provided from the beginning of the audit, review, or other assurance report until the issuance of such report.
  - As part of agreeing on the terms of engagement, an explicit request for the external expert to provide information in writing with respect to specified interests, relationships and circumstances.
  - In Section 390, the introduction of a more proportionate approach to evaluating an external expert's objectivity, distinguishing the relevant provisions between:
    - Audit and Review Engagements for Clients that are Not Public Interest Entities and All Other Assurance Engagements Outside the Scope of Part 5; and
    - Audit and Review Engagements for Clients that are Public Interest Entities
  - Clarification of the period of evaluation in relation to an external expert's objectivity.
- A new requirement for the re-evaluation of the external expert's competence, capabilities and objectivity (CCO) should the professional accountant become aware of any changes in facts and circumstances.
- New guidance to emphasise that the evaluation of an external expert's CCO requires the exercise of professional judgment and use of the reasonable and informed third-party test.
- New guidance to clarify the circumstances that would result in a professional accountant being unable to determine whether the external expert has the necessary CCO.
- New guidance to explain the ethical basis for prohibiting the use of the work of an external expert when the external expert does not have the necessary CCO.
- The requirement under the subheading Using the Work of Multiple Experts should be deleted as the issue addressed is already covered under the provision dealing with Identifying Threats.
- Deletion of the guidance under the sub-heading Inherent Limitations in Evaluating an External Expert's Competence, Capabilities and Objectivity as it seemed to suggest that the work of an external expert can be used even if not CCO.
- Restructuring of the provisions to enhance flow and clarity.

At APESB's December Board meeting, APESB CEO and IESBA Board Member Channa Wijesinghe will provide a verbal update on the sustainability-related outcomes from the December 2024 IESBA meeting.

## ***International Auditing and Assurance Standards Board (IAASB)***

### ***IAASB approved the International Standard on Sustainability Assurance (ISSA 5000)***

On 20 September 2024, the IAASB approved ISSA 5000 *General Requirements for Sustainability Assurance Engagements*. [ISSA 5000 and Proposed Conforming and Consequential Amendments to Other IAASB Standards Arising from ISSA 5000](#) was published on 12 November 2024 after PIOB certification. Key features of ISSA 5000 include:

- **Scope and Flexibility:** The standard applies to all forms of sustainability reporting, allowing for the assurance of non-financial information in alignment with the varying frameworks used globally, including the International Sustainability Standards Board's (ISSB) IFRS S1 and IFRS S2 and the Global Reporting Initiative's standards, and regulatory requirements.
- **Risk-Based Approach:** ISSA 5000 promotes a risk-based approach to assurance, requiring practitioners to assess the risks of material misstatements in sustainability information and tailor their procedures accordingly.
- **Enhanced Professional Scepticism:** The standard emphasises the need for assurance providers to exercise heightened professional scepticism, particularly given the evolving nature of sustainability reporting and the unique challenges of verifying non-financial data.
- **Engagement and Transparency:** ISSA 5000 enhances transparency in assurance engagements, requiring clear reporting of the scope, methodology, and limitations of the assurance work conducted.

ISSA 5000 also requires practitioners to follow a strong ethical framework when undertaking assurance engagements on sustainability information. Relevant ethical requirements comprise the provisions of the IESBA Code related to sustainability assurance engagements, together with national requirements that are more restrictive or professional requirements or requirements in law or regulation that appropriate authority has determined to be at least as demanding as the provisions of the IESBA Code related to sustainability assurance engagements.

IAASB will publish a range of guidance and application materials to support ISSA 5000 in January 2025.

Further information on ISSA 5000 can be found on IAASB's [project website](#).

## ***International Organisation of Securities Commissions (IOSCO)***

### ***IOSCO issues Statement of Support for ISSA 5000***

On 12 November 2024, the IOSCO issued a statement of support for ISSA 5000, highlighting how it fulfils key IOSCO recommendations to establish a comprehensive global assurance framework for sustainability-related corporate reporting. The IOSCO believes ISSA 5000 can support high-quality assurance over sustainability-related information and may enhance consistency, comparability and reliability of sustainability-related information provided to the market. Further information can be found in the IOSCO's [Media Release](#).

## *International Conference on Climate and Sustainability-Related Disclosures during Climate Week in New York City*

During Climate Week in New York City, IOSCO, the International Federation of Accountants (IFAC) and the IFRS Foundation co-hosted an international conference on Climate and Sustainability-Related Disclosures on 23 September 2024, which was attended by almost 100 stakeholders involved in global sustainability standard-setting, regulation, and accounting. The focus of discussions at the conference centred around how to advance global adoption and use of the ISSB Standards and build an understanding of sustainability disclosure assurance. The event underscored the importance of global, consistent and interoperable reporting and assurance standards to ensure credible and objective information on sustainability matters. Further information can be found in IOSCO's [Media Release](#).

## ***International Accounting Standards Board (IASB)***

### *World Standard-setters Conference 2024*

On 23-24 September 2024, the IFRS Foundation held its 24<sup>th</sup> World Standard Setters Conference in London. The conference's final plenary session covered the [Connectivity between financial statements and sustainability-related financial disclosures](#) to enable the provision of high-quality financial information to capital markets. The session included examples to illustrate how applying the Standards together results in complementary and connected reported information. Further information on the conference can be found in IFRS Foundation's [News](#).

## ***International Sustainability Standards Board (ISSB)***

### *ISSB published Guide for Sustainability-related risks and opportunities and the disclosure of material information*

On 19 November 2024, the IFRS Foundation published a [new comprehensive guide](#) designed to help companies with the fundamental task of identifying and disclosing material information about sustainability-related risks and opportunities that could reasonably be expected to affect their cash flows, their access to finance or cost of capital over the short, medium or long term. Further information on this report can be found in IFRS Foundation's [News](#).

### *ISSB published a Progress Report on Corporate Climate-related Disclosures*

On 12 November 2024, the IFRS Foundation presented a [Progress Report on Corporate Climate-related Disclosures 2024](#) to the Financial Stability Board, which sets out global progress towards both mandated and voluntary corporate climate-related disclosures. The report also shares insights into how companies are transitioning from disclosures prepared using the TCFD recommendations to disclosures prepared using ISSB Standards. Further information on this report can be found in IFRS Foundation's [News](#).

### *ISSB published Updates to the SASB Standards Taxonomy*

On 28 October 2024, the ISSB issued [2024 Updates to the SASB Standards Taxonomy](#), which included:

- consequential amendments made in connection with the issuance of IFRS S2 *Climate-related Disclosure* in June 2023; and

- amendments made as part of the ISSB's International Applicability of the SASB Standards project in December 2023.

Further information on this publication can be found in the IFRS Foundation's [Completed projects](#).

#### *A further partnership between World Bank Group and IFRS Foundation for the adoption of ISSB Standards in EMDEs*

On 26 September 2024, the World Bank Group and the IFRS Foundation announced their commitment to expand the coverage of their existing partnership to the adoption of sustainability standards in emerging markets and developing economies (EMDEs). Further information on this news can be found in IFRS Foundation's [News](#).

#### *ISSB published Voluntarily applying ISSB Standards*

On 25 September 2024, the IFRS Foundation published [Voluntarily Applying ISSB Standards—A Guide for Preparers](#) (the Guide). The Guide aims to support companies as they start to apply ISSB Standards voluntarily and help them communicate their progress to investors. Further information on the Guide can be found in the IFRS Foundation's [News](#).

#### ***International Public Sector Accounting Standards Board (IPSASB)***

##### *Exposure Draft on Climate-related Disclosures Standard the Public Sector*

On 31 October 2024, the IPSASB issued its first [Sustainability Reporting Standard Exposure Draft \(SRS ED 1\) Climate-related Disclosures](#) for the public sector. The SRS ED 1 builds on the ISSB global baseline and proposes disclosure requirements for public sector entities to report on (i) the climate-related risks and opportunities to its operations and (ii) climate-related public policy program and their outcomes that are useful for primary users of general purpose financial reports to support decision-making and accountability.

The SRS ED's comment period is open until 28 February 2025. Further information on the SRS ED can be found in IPSASB's [News](#).

#### ***International Federation of Accountants (IFAC)***

##### *IFAC supported IAASB's Publication of ISSA 5000*

On 20 November 2024, the IFAC issued a support statement to recognise and support IAASB publishing ISSA 5000. As a profession-agnostic standard, ISSA 5000 is available for practitioners outside of the accountancy profession. If non-professional accountants assert the use of ISSA 5000 for assurance, it is absolutely critical for investor and consumer protection that jurisdictional regulators hold such providers to the same regulatory oversight and requirements that apply to professional accountants. Further information can be found in the IFAC's [News](#).

## Publication of G20 Call to Action 2024: Building a Just World and a Sustainable Planet

On 17 October 2024, the IFAC published [G20 Call to Action 2024: Building a Just World & a Sustainable Plant](#) to urge G20 leaders to focus on sustainability, transparency, and governance as the 2030 deadline for the United Nations Development Goals (SDGs) approaches. This publication underscores the essential role high-quality sustainability information, reporting and assurance play in achieving global sustainability targets. IFAC calls for G20 leadership to foster a comprehensive ecosystem of sustainability reporting and assurance that is grounded in international standards and supported by strong corporate governance practices. Further information can be found in IFAC's [News](#).

### **Financial Reporting Council (FRC UK)**

#### FRC UK publishes emerging findings from sustainability assurance market study

On 15 October 2024, the FRC UK published [Emerging Findings from Assurance of Sustainability Reporting Market Study](#). This outlines feedback received from written responses to the [FRC UK's Invitation to Comment](#) on sustainability reporting assurance services of the UK market.

The study found that most UK companies reported having sufficient choice of provider of assurance. Some raised concerns that the market may begin to consolidate around the largest UK audit firms, creating limited choice and competition in the market in the future. Many stakeholders highlighted possible issues around consistency in the quality of sustainability assurance services. The FRC UK, therefore, invites stakeholders to provide further input, responding to the questions set out in the emerging findings. The FRC UK plans to produce a final report with any proposals for action by early 2025. Further information is available in the FRC UK's [News](#).

### **External Reporting Board (XRB)**

#### Consultation on proposed 2024 amendments to Climate and Assurance Standards

On 8 October 2024, the XRB published a consultation document and exposure draft on proposed 2024 amendments to Climate and Assurance Standards to address the challenges from climate reporting entities (CREs) in obtaining reliable data and assurance over scope 3 greenhouse gas emissions disclosures. XRB is proposing providing relief by amending NZ CS 2 *Adoption of Aotearoa New Zealand Climate Standards* and NZ SAE 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures*. The consultation ended on 30 October 2024. Further information is available in the [XRB's Latest News](#).

### **Australian Developments**

#### **Australian Accounting Standards Board (AASB)**

##### Australian Sustainability Reporting Standards approved by AASB

On 20 September 2024, the AASB approved the Australian Sustainability Reporting Standards (ASRS), supporting the implementation of mandatory climate-related financial disclosures in Australia by providing the disclosure standards against which entities can report. The ASRS comprise:

- [AASB S1 General Requirements for Disclosure of Sustainability-related Financial Information](#) - a voluntary standard and incorporates all IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* requirements with minimal modification.
- [AASB S2 Climate-related Disclosures](#) - a mandatory standard and applies to annual reporting periods beginning on or after 1 January 2025.

AASB S1 and AASB S2 are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. Certain entities are required by the *Corporations Act 2001* to apply AASB S2 for annual periods beginning on or after 1 January 2025. Further information on the new ASRS is available in the [AASB Action Alert](#) and the AASB's [News](#).

### **Auditing and Assurance Standards Board (AUASB)**

#### Exposure Draft on ASSA 5010

On 17 September 2024, the AUASB released an Exposure Draft of a Proposed Australian Standard on Sustainability Assurance [ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001 \(ED 02/24\)](#). The ED outlines a proposed timeline when information in a sustainability report prepared in accordance with Chapter 2M of the *Corporations Act 2001* would be subject to audit and/or review. Public comments were due on 16 November 2024. Further information can be found in the AUASB's [News](#).

#### Consultation on Prohibiting Sustainability Assurance Practitioners from Using Direct Assistance by Internal Auditors

On 17 September 2024, the AUASB published a Consultation Paper—Prohibiting Sustainability Assurance Practitioners from using Direct Assistance by Internal Auditors. This paper discusses a proposed amendment to ISSA 5000 General Requirements for Sustainability Assurance Engagements in Australia that would prohibit direct assistance provided by internal auditors in sustainability assurance engagements. Public comments were due on 1 December 2024. Further information can be found in the AUASB's [News](#).

### **Australian Securities and Investments Commission (ASIC)**

#### ASIC's – Vanguard Greenwashing Case Result

On 25 September 2024, ASIC reported that the Federal Court had ordered Vanguard Investments Australia (Vanguard) to pay a \$12.9 million penalty after Vanguard admitted it made misleading claims about the environment, social and governance (ESG) exclusionary screens that were applied to investments in the Vanguard Ethically Conscious Global Aggregate Bond Index Fund. This is the highest penalty awarded in a greenwashing case to date.

The Federal Court found Vanguard made the following misrepresentations:

- 12 product disclosure statements
- A media release
- Statements published on Vanguard's website

- A Finance News Network interview on YouTube, and
- A presentation at a Finance News Network Fund Manager Event, which was published online.

Further information is available in ASIC's [Media Release](#).

### Launch of ASIC's Sustainability Reporting page

Following the passage of the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024*, ASIC will be responsible for administering the sustainability reporting requirements in the Corporations Act and will monitor entities' compliance with these requirements. On 18 September 2024, ASIC urged large businesses and financial institutions to prepare for mandatory climate reporting requirements proactively. ASIC will consult with stakeholders on issuing new and/or updated regulatory guidance to assist them in complying with their sustainability reporting obligations. ASIC has also developed a dedicated [Sustainability Reporting page](#) that summarises the requirements of sustainability reporting. Further information is available in ASIC's [Media Release](#).

### ASIC's interventions on greenwashing misconduct: 2023-2024

On 23 August 2024, ASIC published [ASIC's interventions on greenwashing misconduct: 2023-2024](#) (the Report), which outlines ASIC's regulatory interventions made between 1 April 2023 and 30 June 2024 regarding concerns about greenwashing claims. The regulatory interventions between 1 April 2023 and 30 June 2024 included obtaining corrective disclosure, issuing infringement notices and civil penalty proceedings.

ASIC's regulatory interventions related to:

- insufficient disclosure on the scope of ESG investment screens and investment methodologies,
- underlying investments that are inconsistent with disclosed ESG investment screens and investment policies, and
- sustainability-related claims made without reasonable grounds or sufficient detail.

The report also summarises the high-level findings, key recommendations, and examples of good practice identified from ASIC's greenwashing surveillance activities during the financial year 2023–2024. Further information is available in ASIC's [Media Release](#).

## **Australian Government - Treasury**

### Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024

The *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024* (the Act) was passed by the Parliament and received Royal Assent on 17 September 2024, establishing the country's new mandatory climate-related financial reporting regime. This legislation, aligned with international accounting standards, requires certain classes of entities to include climate-related financial disclosures in their annual reports (via a new sustainability report). The Act sets out which entities are required to comply with (mandatory) sustainability standards issued by the AASB. It specifies three initial application dates for the various classes of entities: financial years beginning on or after 1 January 2025, 1 July 2026 and 1 July 2027.

The legislation incorporates requirements for scenario analysis disclosures consistent with the global temperature goals set out in the *Climate Change Act 2022*:

- A low warming scenario (1.5°C): where the increase in the global average temperature is limited to 1.5°C above pre-industrial levels.
- A high warming scenario (> or = 2.5°C): where the increase in the global average temperature 'well exceeds' 2°C above pre-industrial levels.

Further information on the Act can be found on the Parliament [website](#).

### **Recommendation**

That the Board note the update on sustainability-related developments.

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