

AGENDA PAPER

Item Number: 6
Date of Meeting: 6 March 2025
Subject: Update on Sustainability

Action required For discussion For noting For information

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 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: IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, which 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 International Standard on Sustainability Assurance (ISSA) 5000 General Requirements for Sustainability Assurance Engagements in November 2024. In jurisdictions that adopt it, it will become effective on 15 December 2026 (BM 128 (Dec 24) [Agenda Item 8](#)).
- The International Ethics Standards Board for Accountants (IESBA) approved two Sustainability-related standards: *International Ethics Standards for Sustainability Assurance (IESSA)* and *related revisions to the International Code of Ethics for Professional Accountants (including International Independence Standards)*; and *Revisions to the Code on the Using the Work of an External Expert* at their December 2024 Board Meeting. The standards will be effective from 15 December 2026, except for provisions applicable to value chain components, which will be effective from 1 July 2028; refer to updates in this Board meeting (BM 130 (Mar 25) Agenda Items 8 & 9).
- The Australian Accounting Standards Board (AASB) issued AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and AASB S2 *Climate-related Disclosures* in September 2024, and will be effective from 1 January 2025 (BM 128 (Dec 24) [Agenda Item 8](#));

- 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 Australia's new mandatory climate-related financial reporting regime. 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; and
- 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](#)) and issued its first Sustainability Reporting Standard Exposure Draft (SRS ED 1) Climate-related Disclosures on 31 October 2024. The comment period is open until 28 February 2025 (BM 128 (Dec 24) [Agenda Item 8](#)).

Key developments

International Ethics Standards Board for Accountants (IESBA)

IESBA issues Sustainability Standards

On 5 December 2024, the IESBA announced the approval of two standards relating to Sustainability at its December 2024 meeting:

- *International Ethics Standards for Sustainability Assurance (IESSA) and related revisions to the International Code of Ethics for Professional Accountants (including International Independence Standards)* and
- *Revisions to the Code on the Using the Work of an External Expert.*

Further information can be found in the IESBA's [Media Release](#) and Agenda Item 8 of this Board meeting.

On 16 January 2025, the PIOB certified the IESBA's Sustainability standards: The PIOB considers that the standards have been developed in a manner consistent with agreed due process and are responsive to the public interest. Further information is available in the PIOB's [Media Release](#).

The IESBA received statements supporting the approval and release of their sustainability standards, which were included in media releases from the [IAASB](#), the [PIOB](#) and the [IOSCO](#).

On 27 January 2025, the IAASB and IESBA launched an integrated effort to support the effective implementation of their [landmark standards aimed at advancing trust and transparency in sustainability reporting and assurance](#). ISSA 5000 and IEISSA will be effective from December 15, 2026, with early adoption permitted and encouraged. The IAASB and IESBA will provide ongoing support, including webinars, implementation guidance, and feedback channels. Further information is available in the IAASB's [Media Release](#).

Auditing and Assurance Standards Board (AUASB)

Climate and Sustainability Assurance Requirements Approved

On 28 January 2025, the AUASB approved ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000), which aligns with ISSA 5000. The AUASB also approved the ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* (ASSA 5010).

ASSA 5000 applies to sustainability assurance engagements for reporting periods beginning on or after 1 January 2025 and as at a specific date on or after 1 January 2025.

For mandatory climate reporting under the *Corporations Act 2001*, ASSA 5000 is subject to the phasing in of limited and reasonable assurance under ASSA 5010, which identifies the AASB 2 *Climate-related Disclosures* in sustainability reports that must be audited and/or reviewed for financial years commencing between 1 January 2025 and 30 June 2030. ASSA 5010 is aligned with the requirements of the *Corporations Act 2001* for reasonable assurance of all climate disclosures, including Scope 3 emissions, from years commencing on or after 1 July 2030.

In relation to Scope 3 emissions, there is no assurance requirement in the first year of assurance (Year 1), with limited assurance starting in the entity's second year of assurance (Year 2), as listed below for the groups:

- Group 1 entities – financial years beginning on or after 1 July 2026;
- Group 2 entities – financial years beginning on or after 1 July 2027; and
- Group 3 entities – financial years beginning on or after 1 July 2028.

The table outlining the phasing in of limited and reasonable over the information required by AASB 2 for each of the 3 groups of entities can be found on the [AUASB's website](#).

The AUASB decided that the definition of 'relevant ethical requirements' in ASSA 5000 will temporarily refer to Parts 1 to 3 of APES 110 and Part 5 of the IESBA's final pronouncement for sustainability assurance (IESSA). This definition will be revised when the APESB updates APES 110 later this year to include the new sustainability-related requirements. Further details are available in the AUASB's Board Meeting [Highlights](#).

ASSA 5000 will prohibit the use of direct assistance by internal auditors in sustainability assurance engagements, consistent with the existing prohibition for audits of financial reports in Australia.

AUASB standard ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* will continue to apply until reporting periods commencing 15 December 2026 for separate emissions reporting where required under Australia's *National Greenhouse and Energy Reporting Act 2007*.

Further information can be found in the AUASB's [News](#).

International and Other Developments

International Organisation of Securities Commissions (IOSCO)

IOSCO launches Network to support the adoption or other use of ISSB Standards

On 18 December 2024, the IOSCO launched a Network to support the adoption of IFRS Sustainability Disclosure Standards (ISSB Standards), with the support of the International Sustainability Standards Board (ISSB). The Network will start with 32 IOSCO members of its Growth and Emerging Markets Committee across 31 jurisdictions. This Network will help the Committee members build local capacity and facilitate information for adoption. Further details on this Network can be found in the IOSCO's [Media Release](#).

International Auditing and Assurance Standards Board (IAASB)

Sustainability Reporting: Building Trust and Credibility

On 7 February 2025, the IAASB shared an [article](#) from the Institute of Chartered Accountants in England and Wales (ICAEW). In the article, IAASB Chair Mr Tom Seidenstein highlighted the potential for an internationally agreed baseline for the sustainability reporting ecosystem, stressing that enforcement and collaboration are key to its success.

Mr Seidenstein noted the current standard-setting system for accounting and auditing is a good basis for setting sustainability standards, as also reflected in the ICAEW report [Shaping sustainability standard setting](#). Further information is available in the IAASB's [Media Release](#).

IAASB contributes to a new book on Business and Sustainable Development

On 5 February 2025, the IAASB contributed to a new book, [For the World's Profit: How Business Can Support Sustainable Development](#). IAASB Chair Tom Seidenstein and Former Board Member Warren Maroun co-authored a chapter on the rollout of ISSA 5000 and the evolving assurance ecosystem. This volume explores key debates shaping the future of business and sustainability, including value creation, risk management, and corporate accountability. The IAASB's contribution highlights the importance of high-quality assurance for sustainability reporting and the global adoption of ISSA 5000. Further information is available in the IAASB's [Media Release](#).

Global guidance released for ESG Auditors to avoid Greenwashing

On 27 January 2025, the IAASB shared [Bloomberg's article](#) about a program launched by the IAASB and IESBA on Monday. This initiative helps companies ensure consistent auditing of environmental, social and governance disclosures and avoid corporate greenwashing. Further information on this news can be found in the IAASB's [Media Release](#).

Auditors get tougher guidelines on judging firms' environmental claims

On 27 January 2025, the IAASB shared [Reuters's article](#) noting new guidance for international auditors on assessing firms' environmental, social and governance (ESG) claims to increase rigour and consistency. IESBA Chair Gabriela Figueiredo Dias emphasised the importance of these guidelines and rules for auditors to ensure trust in the presented information and prevent "greenwashing." The biggest auditors are expected to adopt the guidance. Further information on this news can be found in the IAASB's [Media Release](#).

International Sustainability Standards Board (ISSB)

IASB and ISSB Joint Board Meeting on Climate-related and Other Uncertainties in Financial Statements

On 10 February 2025, the IASB announced a joint Board session with the ISSB to be held on 19 February 2025. The meeting will address stakeholder feedback on the IASB's [Exposure Draft Climate-related and Other Uncertainties in the Financial Statements](#), to determine the project's direction and help both Boards consider the implications of the feedback on their connectivity-related activities. Further information is available in IFRS Foundation's [News](#).

IFRS Foundation announces appointments to the IFRS Sustainability Reference Group

On 31 January 2025, the IFRS Foundation announced the appointment of 117 members to the IFRS Sustainability Reference Group (SRG). The SRG, a diverse group of experts in sustainability and general-purpose financial reports, will contribute to the development of IFRS Sustainability Disclosure Standards. Members serve voluntarily and unpaid and are appointed in their individual capacity. Further information is available in IFRS Foundation's [News](#).

New guide to help companies using the Climate-First Transition Relief in ISSB Standards

On 30 January 2025, the IFRS Foundation published a [new guide](#), *Applying IFRS S1 when reporting only climate-related disclosures in accordance with IFRS 2*, to help companies understand the need to report only climate-related information when applying ISSB Standards. Further information can be found in the IFRS Foundation's [News](#).

New Webcast: Proportionality Mechanism in IFRS Sustainability Disclosure Standards

On 23 January 2025, the IFRS Foundation released a new [webcast](#) in which ISSB provided an overview of the proportionality mechanism for supporting the application of IFRS 1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS 2 *Climate-related Disclosures*. The webcast also provided examples of how companies should use the proportionality mechanism to apply specific requirements in ISSB Standards. Further information is available in IFRS Foundation's [News](#).

New Webcast Series – Connectivity between the Financial Statements and Sustainability-Related Financial Disclosures

On 11 December 2024, the IFRS Foundation released a [webcast series](#) in which the ISSB and the International Accounting Standards Board (IASB) discussed, including practical examples, how IFRS Accounting Standards and IFRS Sustainability Disclosure Standards complement each other. Further information can be found in the IFRS Foundation's [News](#).

International Federation of Accountants (IFAC)

New guidance advances high-quality corporate Sustainability Reporting and Assurance Preparedness

On 19 December 2024, the IFAC and We Mean Business Coalition (WMBC), in partnership with the Global Accounting Alliance (GAA), published [Building Trust in Sustainability Reporting and Preparing for Assurance: Governance and Controls for Sustainability Information](#). This guidance offers a roadmap for organising and enhancing governance and control systems. It outlines steps to align sustainability and financial reporting and addresses challenges in sustainability reporting. Further information can be found in the IFAC's [News](#).

IFAC, IFRS Foundation, and IOSCO share insights to advance Climate & Sustainability-related Reporting

On 16 December 2024, the IFAC, the IFRS Foundation, and IOSCO jointly hosted an event in New York, [Accelerating Climate and Sustainability-related Disclosures: A Global Perspective](#). Leaders in global sustainability standard setting, regulation, and accounting attended to advance the global adoption and implementation of ISSB standards and to build an understanding of sustainability assurance in its early days. Further information is available in the IFAC's [News](#).

Financial Reporting Council (FRC UK)

FRC Sets Out Recommendations for the Sustainability Assurance Market

On 5 February 2025, the FRC UK released its [final report](#) from the market study into the assurance of sustainability reporting. The 2024 study highlighted concerns over quality consistency amid growing demand. The FRC's report recommended three key actions to support the market's development: establishing a clear UK policy framework for sustainability assurance; creating a unified regulatory regime that consolidates standard-setting, oversight, enforcement, and market monitoring; and improving the calibre of available information on the quality of sustainability assurance. Further information is available in the FRC UK's [News](#).

FRC reviews Climate-related Financial Disclosures by AIM and Large Private Companies

On 21 January 2025, the FRC UK published a thematic [review](#) of Climate-related Financial Disclosures (CFD) by AIM and large private companies. The review found inconsistent quality among the companies selected. As it is a new requirement and the first review by the FRC, the review aims to highlight key lessons, including examples of good practice, and identify areas to help preparers meet CFD requirements. The FRC recognises that reporting practices will continue to mature, and this review will provide a benchmark upon which organisations can build. Further information is available in the FRC UK's [News](#).

UK Sustainability TAC issues final recommendations

On 18 December 2024, the FRC UK, acting as Secretariat to the UK Sustainability Disclosure Technical Advisory Committee (TAC), published the Committee's [final recommendations](#) to endorse the IFRS Sustainability Disclosure Standards for use in the UK. The TAC also proposed minor amendments to IFRS S1 and IFRS S2, including extending the 'climate first' reporting relief from 1 to 2 years and requesting additional guidance for practical and effective implementation. Further information is available in the FRC UK's [News](#).

European Financial Reporting Advisory Group (EFRAG)

Streamlining sustainability reporting: Mapping the voluntary EMAS against the ESRS

On 16 January 2025, EFRAG and the European Commission jointly published [Understanding the synergies between ESRS \(European Sustainability Reporting Standards\) and EMAS \(the EU Eco-Management and Audit Scheme\)](#). It was found that many of the environmental disclosure requirements of the ESRS can be built on data already available within the Eco-Management and Audit Scheme (EMAS) framework. The publication also included a high-level mapping between EMAS and ESRS environment reporting requirements. Further information is available in the EFRAG's [News](#).

EFRAG welcomes new friends of EFRAG – Sustainability Reporting

On 15 January 2025, EFRAG announced that 16 companies have officially become Friends of EFRAG, demonstrating their commitment to sustainability reporting and supporting EFRAG's mission. These entities have recognised the importance of contributing to the development of draft ESRS and supporting EFRAG's activities. Further information is available in the EFRAG's [News](#).

EFRAG releases the Voluntary Sustainability Reporting Standard for non-listed SMEs

On 17 December 2024, EFRAG released the Voluntary Sustainability Reporting Standard for non-listed SMEs (VSME), which is designed for undertakings that are not in the mandatory scope of the Corporate Sustainability Reporting Directive ('CSRD'). EFRAG's work on the VSME is based on the [European Commission's SME Relief Package](#), which refers to this specific standard as a measure to support SMEs in accessing sustainable finance. In 2025, EFRAG will launch various initiatives, including support guides and educational material, outreach, awareness-raising events, and monitoring of emerging tools and platforms. On 17 December 2024, EFRAG also released three educational videos about the VSME on the [EFRAG's website](#). Further information is available in the EFRAG's [News](#).

External Reporting Board (XRB)

XRB publishes Differential Climate-Related Reporting

On 16 December 2024, the XRB released [Differential climate-related reporting](#). The document outlines the XRB's plan to consult on Aotearoa New Zealand Climate Standards (NZ CS) regarding differential climate-related reporting. It provides context to the Ministry of Business, Innovation and Employment (MBIE)'s discussion document [Adjustments to the climate-related disclosures regime](#). Further information can be found on the XRB's [News](#).

Australian Securities and Investments Commission (ASIC)

ASIC and APRA host Superannuation CEO Roundtables to discuss climate risk

On 20 January 2025, ASIC and APRA released a [public note](#) from two joint Superannuation CEO Roundtables held on 25 November 2024 and 5 December 2024. Key issues related to climate risk discussed at the roundtables included:

- There is a need for consistent climate risk disclosure and reporting, with standardised metrics, methods, and scenarios, to ensure comparability across the industry.
- Clear guidance from regulators and the role of industry bodies in supporting trustees.
- Alignment with global standards and international coordination in climate risk reporting.
- ASIC's consultation on climate-related sustainability reporting recognises the transition period and offers a proportionate approach to supervision and enforcement.
- Clear and effective communication with members regarding climate and nature risks.
- Reliance on third-party providers of climate data and the challenges in ensuring consistent reporting standards and data.

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

APESB Presentations and Other Activities

Big 6 Firms Sustainability Meeting

On 19 February 2025, APESB hosted a meeting in Melbourne with the Big Six firms on Sustainability. IESBA Board Member and FRC UK Executive Director of Regulatory Standards, Mr Mark Babington, provided an overview of the Sustainability developments in the UK. AASB Chair Dr Keith Kendall and AUASB Chair Mr Doug Niven discussed the Australian Sustainability Reporting Standards and Australian Sustainability Assurance Standards, respectively.

Both APESB CEO and IESBA Vice Chair, Mr Channa Wijesinghe and Mr Babington presented an update on the IESBA developments and revisions of its global ethics sustainability standards (IESSA). Mr Wijesinghe also provided a high-level overview of the APESB's exposure drafts on the Australian Ethics Standards for Sustainability Assurance (AESSA). The meeting also allowed the firms to discuss adoption and implementation issues for Australian firms.

Recommendation

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

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