

## AGENDA PAPER

**Item Number:** 8  
**Date of Meeting:** 6 March 2025  
**Subject:** Proposed revisions to APES 110 for Sustainability Assurance and Reporting

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**Action Required**     **For Discussion**     **For Noting**     **For Information**

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### Purpose

To seek the Board's approval, subject to the Board's feedback and review comments, to issue the Exposure Draft *Proposed Australian Ethics Standards for Sustainability Assurance (including Independence Standards) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting* (the 'ED').

### Background

#### Development of the International Sustainability-related Ethical Standards

The International Ethics Standards Board for Accountants (the IESBA) approved a [project](#) on Sustainability in December 2022. The project plan notes that with the accelerated growth of the disclosure of sustainability information, there has been a growing demand for assurance of that information, particularly from investors and regulators. Standard setters and regulators are developing new regulations relating to these disclosures and the assurance thereon.

The IESBA project aimed to develop professional-agnostic ethics and independence standards for all assurance practitioners in sustainability assurance engagements and to address sustainability reporting-related revisions to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the International Code). The IESBA and the International Auditing and Assurance Standards Board (IAASB), noting the interdependence of the provisions for assurance and ethics (including independence), agreed to work together to develop cohesive requirements for sustainability assurance engagements.

At this time, the IESBA also commenced work on a project addressing the use of external experts. This project was considered to be an integral component of the broader IESBA project on sustainability-related ethical standards. The developments relating to the IESBA Final Pronouncement *Using the Work of an External Expert* is considered at Agenda Item 9 of this Board Meeting.

In late March and early April 2023, the IESBA held four global roundtables in Paris, Sydney, Singapore and New York to obtain stakeholder input and inform the development of new ethics and independence standards for the Sustainability and Experts projects. The Sydney roundtable on 30 March was hosted by APESB and held at CA ANZ's offices (as noted in [Agenda item 8](#) of BM 119 (May 2023)).

In January 2024, the IESBA released an [exposure draft](#) on *Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting*. The comment period closed on 10 May 2024.

In APESB's [submission](#) to the IESBA exposure draft, APESB supported the IESBA's project to make additions and proposed revisions to the International Code relating to sustainability assurance and reporting, including the IESBA's approach to develop profession-agnostic standards to support professionals from non-accounting backgrounds when engaged in sustainability assurance engagements. APESB's recommendations to the IESBA included developing additional guidance across the new Part 5 to assist sustainability practitioners in the practical application of the proposed IEISSA and further clarifying the independence considerations relevant to Value Chain Entities.

In January 2025, the IESBA issued the final pronouncement [International Ethics Standards for Sustainability Assurance \(including International Independence Standards\) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting](#) (the IEISSA). The pronouncement will be effective from 15 December 2026, except for the provisions applicable to value chain components, which will be effective from 1 July 2028. There is a transitional provision for sustainability assurance engagements that involve assurance performed at a value chain entity for periods beginning prior to 1 July 2028. Early adoption is permitted and encouraged.

To support the final IEISSA pronouncement, the IESBA has also issued a [Basis for Conclusions](#), a [Factsheet](#) and a [Technical Overview](#).

### The Australian Sustainability Reporting Regulatory Environment

During 2024 and early 2025, the Australian reporting and assurance requirements relating to sustainability reporting were established in laws, regulations and standards.

In September 2024, amendments were made to Chapter 2M of the *Corporations Act 2001* as part of the [Treasury Laws Amendment \(Financial Market Infrastructure and Other Measures\) Act 2024](#) (the Act).

The Act establishes mandatory climate-related reporting requirements for Australian entities, which require large entities that prepare and lodge financial reports under Chapter 2M to prepare a sustainability report and lodge the report with the Australian Securities and Investments Commission (ASIC). The sustainability report is lodged with the entity's financial report and directors' report as part of the annual reports.

The sustainability report must be prepared in accordance with the Australian Accounting Standards Board's (AASB's) sustainability standards.<sup>1</sup> An entity's sustainability report for a

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<sup>1</sup> Refer to s336A(1) of the *Corporations Act 2001*.

financial year consists of the climate statements for the year, any notes to the climate statements, and the directors' declaration about the statements and notes.<sup>2</sup>

The mandatory climate-related reporting requirements will be phased in over three years based on the size of the reporting entity, beginning with the largest entities, asset owners and NGER reporters<sup>3</sup> as set out below:

- Group 1 entities – the first financial year commencing on or after 1 January 2025;
- Group 2 entities – the first financial year commencing on or after 1 July 2026; and
- Group 3 entities – the first financial year commencing on or after 1 July 2027.

In September 2024, the AASB issued two Australian Sustainability Reporting Standards (ASRS):

- [AASB S1](#) *General Requirements for Disclosure of Sustainability-related Financial Information* (AASB S1) (voluntary standard); and
- [AASB S2](#) *Climate-related Disclosures* (AASB S2) (mandatory standard).

AASB S1 and AASB S2 are effective for annual reporting periods beginning on or after 1 January 2025.

The Act also mandates that the sustainability report be subject to assurance requirements in accordance with the Australian Auditing and Assurance Standards Board's (AUASB's) standards.<sup>4</sup> The assurance of the sustainability report is to be performed by the auditor (e.g., audit company or audit firm) of the entity's financial statements.

In January 2025, the AUASB approved two Australian Standards on Sustainability Assurance:

- ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000), which aligns with the IAASB's [ISSA 5000](#); and
- ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* (ASSA 5010).

ASSA 5000 is subject to the phasing in of limited and reasonable assurance under ASSA 5010.<sup>5</sup>

ASSA 5010 identifies the AASB S2 disclosures in sustainability reports that must be assured 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.

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<sup>2</sup> Refer to s296A(1) of the *Corporations Act 2001*.

<sup>3</sup> NGER reporters subject to the *National Greenhouse and Energy Reporting Act 2007* (NGER Act), who are registered corporations and prepare and lodge financial reports under Chapter 2M of the *Corporations Act 2001*.

<sup>4</sup> The AUASB is responsible for phasing in assurance requirements for sustainability reports prepared under the *Corporations Act 2001* for financial years commencing on or before 30 June 2030, specifying whether the sustainability report must be audited and/or reviewed. Sustainability reports for financial years commencing on or after 1 July 2030 must be audited.

<sup>5</sup> Refer to the [Appendix in ASSA 5010](#) for a diagrammatic representation of the assurance phasing applicable from 1 January 2025 based on the Group classification and the category type of the disclosures.

In relation to Scope 3 emissions, there is no assurance requirement in the first year of assurance (Year 1), with limited assurance commencing in the entity's second year of assurance (Year 2).<sup>6</sup>

## **Development of the Australian Sustainability-related ethical standards**

To provide the ethical standards component for the Australian mandatory climate-related reporting and assurance requirements, and to maintain alignment with the IESBA's International Code, APESB Technical Staff propose that the Board issue an Exposure Draft *Proposed Australian Ethics Standards for Sustainability Assurance (including Independence Standards) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting* (the ED). The proposed ED is presented in mark up from the extant APES 110 at Agenda Item 8 (a).

The ED proposes new ethics standards for Australian Sustainability Assurance Practitioners, set out in the proposed Part 5 (or the proposed AESSA) and amendments across the other parts of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110 or the Code) relating to Sustainability Reporting and Assurance.

### Overview of Part 5 of the Code

Part 5 of the Code has been developed on the premise that certain sustainability assurance engagements should be supported by the same high standards and ethical behaviour and independence requirements that apply to audits of financial statements. This position recognises the public interest considerations in sustainability information that is prepared in accordance with a general purpose framework and required to be provided in accordance with laws and regulations or the information is publicly disclosed to support decision making by investors or other users.

The Ethics Standards in Part 5 are, therefore, equivalent to the audit requirements in Parts 1 to 4A of the Code. The new Part 5 has also been developed in a profession-agnostic and framework-neutral manner, allowing the standard to be applied consistently by sustainability assurance practitioners (SAPs) of any profession and to support any reporting or assurance framework.

### Scope

Part 5 covers all sustainability assurance engagements provided by SAPs and any other services that they provide to the same sustainability assurance client. It does not cover other services and activities that SAPs provide to its other clients that do not require sustainability assurance engagements.

The Independence requirements apply to sustainability assurance engagements that have the same public interest as audits of financial statements. Therefore, these proposed revisions apply to all public interest entities classified as such in extant Part 4A (refer to extant paragraphs R400.22 to AUST R400.24).

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<sup>6</sup> For Group 1 entities – financial years beginning on or after 1 July 2026; for Group 2 entities – financial years beginning on or after 1 July 2027; and for Group 3 entities – financial years beginning on or after 1 July 2028.

### Long Association

The Independence requirements establish long association provisions that mirror the requirements applicable to financial statements auditors, including setting specific time-on and cooling-off periods. In applying these provisions, Australian sustainability assurance practitioners need to be aware that performing the sustainability assurance engagement and the financial statement audit engagement are not considered discretely. Practitioners need to consider the time-on period across the combination of these roles. They must also comply with the provisions in the *Corporations Act 2001*, which set more restrictive time-on requirements for auditors of entities that are listed in Australia.

### Group Sustainability Assurance Engagement

The new Part 5 establishes independence standards for group sustainability assurance engagements, which are equivalent to the extant Code's provisions applicable to group audit engagements. The provisions have been developed to be fully interoperable with ASSA 5000.

The proposed Section 5405 sets out independence considerations for when the group sustainability assurance firm expresses an opinion on the group sustainability information.

The applicable sustainability framework might require the sustainability information to be extended to include information from value chain entities. The Ethics Standards only apply to value chain components in certain circumstances based on whether assurance work is performed at the value chain component. Refer to Appendix 3 of the [IESBA's Basis for Conclusions](#) for an overview of the independence considerations applicable to assurance work performed at a value chain component.

### Proposed revisions to APES 110 based on the International Revisions

The proposed key amendments in the Exposure Draft are summarised below:

- The addition of a new Part 5 for Sustainability Assurance, which incorporates ethics and independence standards equivalent to audit engagements in Parts 1 to 4A but addresses sustainability-specific issues, including:
  - new definitions addressing sustainability information and other sustainability-related terms;
  - establishing independence considerations for group firms, component firms and group sustainability assurance team members when performing group sustainability assurance engagements (proposed paragraphs R5405.1 to R5405.37);
  - outlining independence considerations when assurance work is performed at a value chain component (proposed paragraphs R5405.30A to R5405.37);
  - requirements and guidance where the firm intends to use the assurance work of another practitioner (proposed paragraphs 5406.1 to 5406.6 A3);
  - clarification of the process for confirmation of another practitioner's independence in accordance with Part 5 (proposed paragraphs 5406.5 to 5406.5 A1);
  - tailored NAS provisions for sustainability assurance clients in Subsection 5601 *Sustainability Data and Information Services* and Subsection 5603 *Valuation and Advisory Services on Forward-Looking Information*;
  - requiring that entities be treated as Public Interest Entities (PIE) in Part 5 if they are deemed to be a PIE under the provisions in extant Part 4A (proposed paragraphs 5400.13 to 5400.15);

- outlining independence matters when the firm performs both audit and sustainability assurance engagements for the same client, including fees and long association;
- Sustainability Reporting-related revisions to Parts 1 to 3 of the extant Code incorporate sustainability references, guidance and examples, including:
  - Section 220 *Preparation and Presentation of Information* – addresses the collection of information from suppliers within the value chain; the methods, metrics and estimations used in measuring information; and the exercise of professional judgement to assess the impact of business transactions and activities (proposed paragraphs 220.3 A2 to 220.4 A4);
  - Section 240 *Financial Interests* – recognises that financial interests, compensation and incentives that might create a self-interest threat could also be linked to non-financial goals, such as sustainability considerations (proposed paragraphs 240.3 A1 to 240.3 A2);
  - Section 270 *Pressure to Breach the Fundamental Principles* – includes new examples of pressure, such as misrepresenting how programs, projects or products align to or achieve sustainability goals; pressure from superiors to prepare sustainability information with insufficient or deficient data; and manipulating sustainability information to avoid fines for breaches of environmental laws (proposed paragraph 270.3 A2); and
- Consequential and conforming amendments to Parts 1 to 4B of the extant Code.

#### Australian specific revisions to APES 110

In considering the Australian specific amendments to be included in the ED, Technical Staff reviewed Australian environmental factors and their potential impacts on the proposed revisions to the Code. Refer to Agenda Item 8 (b) for details of the review.

In addition, the APESB Sustainability Taskforce was convened to provide insights on sustainability reporting and assurance requirements and to consider the draft proposals, including the proposed Australian-specific matters to be included in the ED. Issues raised during the development of the ED and in the Taskforce Meetings are outlined in the Sustainability Project Issues Register, set out at Agenda Item 8 (c). The register also notes the progress of the matters identified and the issues that require further consideration (as listed in the Matters for Consideration section below).

For the Board's information, the approved minutes from the Taskforce meetings held on 12 December 2024 and 23 January 2025 are set out at Agenda Items 8 (d) and (e), respectively.

Following the review and consultation with the Sustainability Taskforce, Technical Staff noted that the Australian-specific amendments broadly mirror those already in place in the extant APES 110 and align to the Australian-specific provisions of the extant APES 110. Refer to Agenda Item 8 (f) for the summary of the proposed Australian-specific material that has been included in the ED.

The APESB Sustainability Taskforce have reviewed the proposed Australian-specific amendments listed in Agenda Item 8 (f) and were supportive of their inclusion in the ED.

## Matters for Consideration

Technical Staff are seeking the Board Members' feedback and views on the following matters and the related proposals in the ED:

(a) Retaining the term 'Sustainability Assurance Practitioner' (SAP) in Part 5 (Issues Register – Topic 1(c))

The IESBA drafted Part 5 of the IESSA to be professionally agnostic. Part 5 applies to all 'Sustainability Assurance Practitioners' (SAPs), which is a definition unique to Part 5 and not applied to other sections of the Code. This approach provides a distinction between the requirements of a financial statement auditor and a sustainability assurance practitioner.

The IESBA also drafted Part 5 to integrate with the requirements in ISSA 5000 issued by the IAASB and to be interoperable with the Assurance Standard. The two Boards collaborated to ensure that consistent definitions and terminology, including the term 'Sustainability Assurance Practitioner,' were used to provide a consistent and cohesive approach for the application of the assurance and ethical standards to sustainability assurance engagements.

In Australia, the *Corporations Act 2001* requirements mean the financial statement auditor will assure the mandatory sustainability reports. Therefore, the use of different terms in Part 5 may not impact application in relation to mandatory reporting. In addition, the provisions of Part 5 of the Code may also apply to voluntary sustainability engagements, which the financial statement auditor may not necessarily undertake.

Technical Staff propose to retain the term 'Sustainability Assurance Practitioner' in Part 5 of APES 110, rather than change the term to 'Member'. In forming this view, Technical Staff note that using the term 'Sustainability Assurance Practitioner':

- allows for broad application of Part 5, including to professionals who are not members of a professional accounting body, but are typically employed by an accounting firm who complies with APES 110;
- aligns with the terms and requirements in ASSA 5000, meaning the provisions in APES 110 maintain consistency with the applicable auditing standards in Australia and will assist users in understanding the interaction between the two standards, which were designed to be interoperable at the global level and
- aligns to Part 5 of the IESSA.

The Sustainability Taskforce members supported the views of the Technical Staff in retaining the term 'Sustainability Assurance Practitioner' in Part 5.

(b) Proposed Effective Dates (Issues Register – Topic 5(a))

In Australia, changes to the *Corporations Act 2001* in September 2024 established mandatory climate-related reporting and assurance requirements on sustainability information effective from 1 January 2025. The effective date of the legislation matches the effective date of the mandatory Australian Sustainability Reporting Standard (AASB S2), which applies to annual reporting periods beginning on or after 1 January 2025.

To align with the requirements in the *Corporations Act 2001* to have mandatory sustainability information audited from 1 January 2025, the AUASB issued ASSA 5000 on 28 January 2025 and applied a retrospective effective date of 1 January 2025. While this date is approximately two years before the effective date of the international equivalent standard (ISSA 5000), it ensures alignment with the in-force Australian legislation and the related sustainability reporting standard.

As an interim measure, the AUASB determined to establish the 'Relevant ethical requirements' in ASSA 5000 by referring to Parts 1 to 3 of APES 110 and Part 5 of the IESBA's International Code. The AUASB plans to revise this position once APESB completes its due process and releases the new Part 5 of the Code.

Importantly, the application dates in ASSA 5000 refer to 1 January 2025 and prevail over the effective dates in Part 5 of the IESBA Code, which refer to 15 December 2026. Similarly, the application dates in ASSA 5000 that refer to 1 January 2025 would prevail over the effective dates for Part 5 of the revised APES 110.<sup>7</sup>

Therefore, it is imperative for APESB to release the ED, and the resulting Amending Standard, promptly to ensure alignment with the AUASB's ASSA 5000 and ASSA 5010 in a timely manner. This will also remove complexity for the Australian Sustainability Assurance Practitioners who will need to meet the requirements in two Codes (i.e., APES 110 Parts 1-3 and the International Code (Part 5) until the updated APES 110 is issued.

APESB Technical Staff are of the view that with mandatory assurance requirements now in effect, it is not possible to use the international effective date (which is two years away) for the proposed AESSA. In addition, Technical Staff do not support establishing a retrospective date for the effective date of the proposed AESSA. Therefore, the application date of the in force Australian legislative requirements and the ASSAs have been the key considerations in developing the proposed effective date.

In light of the phasing timeline under ASSA 5010, Technical Staff propose that revisions to the Code will become effective in two stages:

- Stage 1 – Except for the provisions in Sections 5405 and 5406, that deal with assurance work performed at value chain components, all proposed provisions will be effective for sustainability assurance engagements on sustainability information commencing on or after 1 January 2026, or as at a specific date on or after 1 January 2026; and
- Stage 2 – Proposed provisions in Sections 5405 and 5406 applicable to assurance work performed at value chain components will be effective for sustainability assurance engagements on sustainability information on or after 1 January 2027, or as at a specific date on or after 1 January 2027.

The Sustainability Taskforce members supported the proposed effective dates developed by Technical Staff.

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<sup>7</sup> The requirements of Part 5 of the Code only apply when the requirements of ASSA 5000 are applied. That is, Part 5 of the Code does not influence the adoption, or early adoption, of any requirements in ASSA 5000. The application of ASSA 5000 is legislated in accordance with the Act.



(c) Transitional Provision for Value Chain Components (Issues Register – Topic 5(b))

Part 5 of the IESSA includes an 18-month transitional relief period for independence requirements related to value chain entities between the commencement of the general effective date of the IESSA (15 December 2026) and the commencement of the value chain provisions (1 July 2028).

The Transitional relief allows the application of the conceptual framework to address threats to independence relating to value chain components, and the ability to rely on a statement of independence from another practitioner who has performed assurance work for the group assurance engagement. There is also a requirement to disclose the situations where the value chain components provisions in the Code have not been applied.

In light of Technical Staff proposing an earlier effective date than the International effective date to align with in force legislative assurance requirements in Australia, Sustainability Taskforce members raised potential challenges and practical issues that might arise when a group sustainability assurance firm requests independence confirmation from an overseas network firm in a jurisdiction that has not yet mandated the IESSA.

Given these complexities, the Sustainability Taskforce members considered that the transitional relief provisions for the value chain components should align with the proposed international date (1 July 2028) for the relief provisions.

Therefore, Technical Staff propose to retain the international date for the transitional provisions for value chain components to allow relief up until 30 June 2028, as illustrated in the paragraphs below:

The provisions in Sections 5405 and 5406 applicable when assurance work is performed at a value chain component will be effective for sustainability assurance engagements on sustainability information for periods beginning on or after 1 January 2027, or as at a specific date on or after 1 January 2027.

For sustainability assurance engagements on sustainability information for periods beginning, or as at a specific date, prior to 1 July 2028, that involve assurance work performed at a value chain component:

- (a) A group sustainability assurance firm or component practitioner that performs assurance work at a value chain component shall apply the conceptual framework set out in Section 5120 to identify, evaluate and address threats to independence in relation to such assurance work;
- (b) If the group sustainability assurance firm intends to use the assurance work of another practitioner, the group sustainability assurance firm shall be satisfied that the other practitioner is independent, and in that regard may rely on a statement of independence in accordance with Part 4B or other professional requirements relating to independence; and
- (c) The group sustainability assurance firm shall publicly disclose that independence provisions applicable to assurance work performed at value chain components under the AESSA have not been applied, pursuant to a deferred effective date for such provisions as specified in the AESSA.

Early adoption is permitted and encouraged.

Subject to the Board's feedback and views, Technical Staff recommend that the Exposure Draft be released for a 45-day public comment period. Based on this timeframe, the review of the outcome of the Exposure Draft due process will be presented to the Board at the June 2025 Board Meeting.

### **Recommendation**

That the Board approve, subject to the Board's feedback and review comments, the release of the proposed Exposure Draft *Proposed Australian Ethics Standards for Sustainability Assurance (including Independence Standards) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting* for a 45 day public comment period.

### **Materials presented**

Agenda Item 8(a)	Draft ED Revisions to APES 110 for Sustainability Assurance and Reporting (marked-up)
Agenda Item 8(b)	Australian Environmental Factors and Impact on the Proposed AESSA
Agenda Item 8(c)	Sustainability Project Issues Register (February 2025)
Agenda Item 8(d)	Minutes of First Sustainability Taskforce Meeting (December 2024)
Agenda Item 8(e)	Minutes of the Second Sustainability Taskforce Meeting (January 2025)
Agenda Item 8(f)	Proposed Australian-specific amendments in the AESSA ED

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