

This analysis was performed in January -February 2025 to consider whether Australian-specific amendments need to be incorporated into the Australian proposed amending standard (AESSA) which adopts the IESBA’s *International Ethics Standards for Sustainability Assurance (including International Independence Standards) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting* (the IESSA).

Australian matter	Assessment of potential amendments required	APESB Staff Comments
<p>Australian specific matters addressed in AASB S2 <i>Climate-related Disclosures</i></p> <p>AASB S2 (09/24)</p>	<p>AASB S2 is substantially aligned to the requirements of IFRS S2 with limited Australian-specific amendments. AASB S2 also incorporates relevant aspects of IFRS S1 required to operationalise the Standard within Australia.</p> <p>No Australian-specific matters arising from AASB S2 requiring amendments to the IESSA were identified.</p>	<p>Noted</p>
<p>Australian specific matters addressed in AASB S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> (voluntary)</p>	<p>AASB S1 is substantially aligned with the requirements of IFRS S1 with some limited, Australian-specific amendments relating to transition reliefs, amendments required to operationalise the voluntary nature of the Standard within Australia and NFP modifications.</p> <p>No Australian-specific matters were identified arising from AASB S1 requiring amendments to the IESSA.</p>	<p>Noted</p>
<p>APRA Prudential Standards & Guidance Notes</p>	<p>The extant Code includes several references to APRA Prudential Standard CPS 510 Governance applicable independence requirements for audits of APRA-regulated entities. These references are in Part 4A of the extant Code, which is cross-referenced in Part 5 of the IESSA. Accordingly, no additional references are required in the IESSA, as no specific references are made in the updates.</p> <p>The independence requirements for PIEs outlined in 400.23 are not included within Part 5.</p> <p>In addition, the APRA Standards and Guidance Notes were reviewed to assess whether any additional information has been released to address sustainability reporting, and no further relevant information was found.</p>	<p>Technical Staff agree that there is no need to replicate the extant AUST paras on PIEs (AUST R400.23.1 and AUST R400.24) in Part 5. However, it would be prudent to include a footnote to the proposed paragraph 5400.13 to note the relevant paragraphs on PIEs that would apply (e.g., R400.22 to AUST R400.24). This footnote has been included in the draft ED.</p> <p>APRA released the prudential practice guide CPG 229 Climate Change Financial Risks in November 2021, which provides guidance on how APRA regulated entities could consider management and governance relating to these specific risks. However, the guide notes that the information is to assist the entities in complying with the requirements of other standards, such as CPS 510.</p>

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		<p>APESB Technical Staff will engage with APRA to determine whether they will issue further standards or guidance on sustainability-related matters relevant to the proposed AESSA.</p>
<p><i>Corporations Act 2001</i></p>	<p>Reviewed the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024 as passed by Parliament. 24042b01.pdf;fileType=application/pdf.</p> <p>Potential Australian-specific issue:</p> <p>The definition of an auditor’s report is amended by the legislation to also incorporate the auditor’s report on an annual sustainability report (see below):</p> <p>79 Section 9 (at the end of the definition of <i>auditor’s report</i>) Add: ; or (c) an auditor’s report on an annual sustainability report required by section 301A.</p> <p>This potentially creates a disconnect between Part 5, which refers to sustainability assurance report and the definition in the Corporations Act. May require a footnote to include the CA definition.</p> <p>In addition, the definition of audit report is in relation to financial statement audit engagements, so there may be merit in including a footnote or note in Part 4A that the meaning of audit report is limited to financial statements rather than the broader CA definition.</p> <p>Protected statements Potentially consider aligning the effective date of the Scope 3/value chain requirements to the end of the period for protected statements in Australia (Scope 3- Statements made in reports prepared for financial years commencing</p>	<p>Audit report</p> <p>Technical Staff note the following:</p> <ul style="list-style-type: none"> - Audit report is not a defined term in the Code. The Glossary includes an explanation that in Part 4A, the term audit report equally applies to review report. - The content and format of audit reports are established in the auditing and assurance standards. - The extant Code does not include a reference to the Corporations Act’s definition of audit report. - The recently approved ASSA 5000 includes draft assurance reports for sustainability assurance engagements. - There will be separate assurance reports issued over the financial report and the sustainability information. - If a footnote is necessary, it should refer to the AUASB requirements. - Technical Staff are of the view that a footnote to the Corps Act definition is not required in Part 4A or Part 5. - Technical Staff note that a footnote could be added to paragraph 5100.4d, which notes that the Corporations Act establishes requirements relating to the disclosure of sustainability information required to be prepared by the Act. <p>Protected statements Technical Staff note the suggestion, but as scope 3 reporting commences for Group 1 entities from 1 July 2026, we believe that a date of 1 January 2027, with early adoption permitted, is more appropriate.</p>

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	<p>between 1 January 2025 and 31 December 2027 and the related audit report)</p> <p>Other matters No other Australian-specific matters were identified arising from the legislation. No amendments were made to the paragraphs currently referenced in the Code (e.g. <i>Corporations Act</i> section 324).</p>	<p>Technical Staff note that no changes have been made to the currently referenced Corporations Act sections.</p>
<p>ASIC Reg Guide 000 Attachment 1 to CP 380: Draft Regulatory Guide RG 000 Sustainability reporting</p>	<p>Reviewed Draft ASIC Regulatory Guide 000 <i>Sustainability Reporting</i>.</p> <p>No additional Australian-specific matters arising from the draft regulatory guide were identified.</p>	<p>Technical Staff note the analysis.</p> <p>As part of the review, it was noted that entities registered under the National Greenhouse and Energy Reporting Act 2007 are included in the list of entities that may be considered reporting entities. This is dependent on their need to prepare financial reports under Part 2M of the Corporations Act and meet the sustainability reporting thresholds under section 292A.</p>
<p>Review all existing Aus footnotes</p>	<p>See mark-ups in the document – included all relevant footnotes and added comments where a footnote may possibly be needed.</p>	<p>Technical staff have reviewed the suggested footnotes and comments and have addressed them in the draft ED.</p>
<p>Other voluntary sustainability reporting assurance engagements (e.g. assurance over GRI reports & AASB S1 reporting)</p>	<p>Members: Apply Part 5 IESSA, including IIS (previously Part 4B)</p> <p>Non-members: apply s 5100-5390</p> <p>For discussion: Should we consider some transition relief in Australia for these sustainability assurance providers?</p>	<p>Technical Staff are of the view that further consideration needs to be given to the assumption that voluntary reporting would fall under Part 5 for all members. Depending on the circumstances, some sustainability assurance engagements will continue to be under Part 4B.</p> <p>There is a need to consider whether these types of engagements satisfy the requirements of paragraph 5400.3 (b):</p> <ul style="list-style-type: none"> • Reporting in accordance with a general-purpose framework; and • Is: <ul style="list-style-type: none"> ○ Required to be provided in accordance with laws or regulations; or ○ Publicly disclosed to support decision-making by investors or other users.

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		<p>Consideration needs to be given as to whether the framework used meets the definition of a general-purpose framework. The AUASB dictionary¹ defines it as ‘A financial reporting framework designed to meet the common financial information needs of a wide range of users. The financial reporting framework may be a fair presentation framework or a compliance framework.’</p> <p>It is likely that both GRI and the AASB S1 reporting would meet the test of being a general reporting framework.</p> <p>It would not satisfy the test that the reporting is required by laws and regulations for voluntary reporting. However, you also need to consider whether the information is publicly disclosed for investors' decision-making. This may vary, making it difficult to state that <u>all</u> voluntary reporting falls into the new Part 5.</p> <p>APESB Technical Staff to consider the development of guidance material such as FAQs based on stakeholder feedback.</p>
<p>NGERS audits</p>	<p>Auditors apply ASAE 3410 Assurance Engagements on Greenhouse Gas Statements. Members would currently apply Part 4B.</p> <p>New requirements would require the application of Part 5 IESSA, including IIS.</p> <p>For discussion: Should we consider some transition relief in Australia for these sustainability assurance providers? For example, in relation to rotation? (although this question is not necessarily Australian-specific as it applies to any Part 4B assurance engagement that is now an IIS Part 5 engagement).</p>	<p>It is not clear if this is an automatic change to Part 5 if they are already using Part 4B.</p> <p>Consideration needs to be given as to whether engagement on the greenhouse gas statements is going to meet the criteria in paragraph 5400.3b to apply the Independence Standards in Part 5. The criteria being:</p> <ul style="list-style-type: none"> - reported in accordance with a general purpose framework; and - required in accordance with laws and regulations or publicly disclosed for decision-making by investors or other users <p>The statements are prepared in accordance with legislation, but the question is whether the requirements would be considered a general purpose framework.</p>

¹ The full definition is available at : <https://standards.auasb.gov.au/node/649>

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		<p>The NGERs report set out specific metrics that are required to meet the information needs of the government. This may not meet the definition of a general purpose framework as it has been developed for one user (i.e. the Government).</p> <p>Further consideration is required, and it will be included on the Project Issues register for the APESB Taskforce to consider.</p> <p>In terms of transitional relief for long association, this again comes back to whether it falls under Part 5 or Part 4B, and also whether the Corporations Act 2001 rotation requirements apply.</p> <p>Variations in rotation may not be possible when the financial statement auditor is also responsible for signing the sustainability assurance report. The rotation requirements would need to meet the Corporations Act requirements and it is not clear if ASIC will grant relief in these circumstances.</p> <p>If the engagements are conducted under Part 4B, and the Corporations Act rotation requirements do not apply, there are not specific time-related restrictions on rotation. Rather, consideration needs to be given to whether it creates threats to the fundamental principles.</p>
Rotation	Part 5 includes additions to the Corporations Act. Some questions are included in comments on potential additional Footnotes for Australian references.	As the financial reporting auditor will be signing off on the sustainability assurance report, rotation is applicable and would need to meet the items set out in Part 4A. This would include the ASQM2 cooling-off period prohibition.
Independence	The Corporations Act s307 has been expanded to also incorporate independence requirements for audits of sustainability reports (307C(1)(ba)). Part 2M.4 Div 3,4 and 5 apply.	Technical Staff have reviewed the wording in the footnotes in the draft ED and made amendments as necessary.

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Early adoption	If AASB S2 is adopted early, there is no requirement to have the information audited. The audit timeline is not amended.	Noted. APESB’s timeline will consider the assurance phasing in with early adoption permitted.
Audit/assurance timeline	<p>The first year of Scope 3 reporting is not assured for 31 December year-ends (31 December 2026).</p> <p>The first year of assurance for Scope 3 will be 30 June 2027 and 31 December 2027. However, note that in relation to Scope 3, audit reports are subject to the limited liability / protected statement provisions of the Corporations Act until 31 December 2027.</p>	The determination of the effective date for this standard has considered these comments.
Effective Date	The adoption timeline is to be determined; however, it may need to be 1 Jan 2026, with early adoption permitted. See note above re: Scope 3 audit/assurance timeline.	<p>APESB Technical Staff agree that 1 January 2026 with early adoption is likely to be the date proposed in the exposure draft based on the mandatory dates established in relevant legislation and the issue of ASSA 5000 and 5010 by the AUASB.</p> <p>The Value chain revisions could have an effective date of 1 January 2027.</p> <p>The potential effective date will be considered further with input from the APESB Sustainability Taskforce and the Board.</p>