APESB
Accounting Professional & Ethical Standards Board

AGENDA PAPER

Item Number:	4
Date of Meeting:	4 September 2026
Subject:	Sustainability Reporting, Assurance and Ethics Developments

	Action required	X	**For discussion**	X	**For noting**		**For information**

Purpose

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

Key developments

APESB is currently monitoring international and Australian sustainability developments.

This paper sets out key developments since the last update on sustainability-related matters provided to the Board at the June 2026 Board Meeting.

International and Other Developments

International Ethics Standards Board for Accountants (IESBA)

At the IESBA June 2026 Board meeting, the IESBA considered the Project Team's final report and recommendations and agreed not to initiate a standard-setting project to develop independence standards for sustainability assurance engagements (SAEs) outside the scope of the International Independence Standards in the IESSA. It also supported continued monitoring of developments in sustainability assurance practice through existing mechanisms, including the IESSA Implementation Monitoring Advisory Group (IIMAG). See Agenda Paper 8 of this meeting for further details.

International Sustainability Standards Board (ISSB)

ISSB proposes updates to its digital sustainability taxonomy

In July 2026, the ISSB published *IFRS Sustainability Disclosure Taxonomy - Proposed Update 1 Amendments to Greenhouse Gas Emissions Disclosures*, with the comment period closing on 28 September 2026. The proposal considers updates to the IFRS Sustainability Disclosure Taxonomy (ISSB Taxonomy) reflecting *Amendments to Greenhouse Gas Emissions Disclosures*, which made targeted amendments to *IFRS S2 Climate-related Disclosures* in December 2025. The ISSB Taxonomy supports digital financial reporting by enabling companies to tag information prepared in accordance with ISSB Standards. Further details are available in the IFRS Foundation's News.

ISSB finalises decision-making on its nature-related disclosure proposals

In June 2026, ISSB Vice-Chair Sue Lloyd shared insights into the ISSB's nature-related disclosure proposals during her address at the IFRS Foundation Conference in London. She shared some of the key decisions the ISSB made to develop its proposals, including:

- that the Practice Statement be used together with IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*;
- that the Practice Statement will be a tool that companies can choose to use when providing nature-related information to investors, although a jurisdiction could decide to require companies to use it; and
- to draw on the TNFD framework to develop the proposals.

Further details are available in the IFRS Foundation's News.

Emmanuel Faber's speech at the 2026 Frankfurt Sustainability Standards Conference

In May 2026, ISSB Chair Emmanuel Faber delivered a speech at the 2026 Frankfurt Sustainability Standards Conference, focusing on the impact of geopolitical change and fragmentation on ESG and on the ISSB's work on nature. He highlighted that sustainability standards require companies to consider their entire value chains, relationships, dependencies, and impacts on their operations across time horizons, and that these requirements become even more relevant in a fragmenting geopolitical world.

He also noted that a growing number of jurisdictions are adopting ISSB Standards (from around 30 to 44 in a year), with more than 40 jurisdictions currently putting IFRS S1 and IFRS S2 into their jurisdictional legislation.

International Public Sector Accounting Standards Board (IPSASB)

Call for papers related to public sector financial and sustainability reporting

In July 2026, the IPSASB issued a call for papers on public sector financial and sustainability reporting, offering up to six grants of $2000 USD for research on topics relevant to its current and future projects. Topics of interest include:

- Application of Control in the Public Sector
- Asset Recognition and Measurement
- Adoption and Implementation Challenges related to Sustainability Reporting
- Disclosures of Public Policies with Climate-Related Outcomes
- Digital Assets and Cryptocurrencies
- Artificial Intelligence in Accounting and Reporting

Abstracts are due by 14 September 2026, with grant decisions by 30 October 2026 and final papers due 14 May 2027. Further details are available in the IPSASB's News.

IPSASB June 2026 Board meeting – Climate-related disclosures; Public policy outcomes

In June 2026, the IPSASB discussed developing a second IPSASB SRS Standard focused on Public Policies with climate-related outcomes. The Board decided that entities responsible for public policies with climate-related outcomes should provide disclosures required by the upcoming standard, including specific disclosure requirements on financial implications that should extend beyond the entity itself, and proportionality mechanisms should be added for financial implications and GHG emissions disclosure requirements. The Board will continue deliberations and review an updated draft standard at the September meeting. Further details are available in the IPSASB's June 2026 eNews.

International Auditing and Assurance Standards Board (IAASB)

IAASB releases new ISSA 5000 Materiality FAQs to support consistent, effective application in sustainability assurance engagements

In June 2026, the IAASB released new FAQs to support implementation of ISSA 5000, *General Requirements for Sustainability Assurance Engagements*. The FAQs focus on applying materiality in sustainability assurance engagements. They are intended to promote a consistent understanding and effective application of the concept under ISSA 5000 by both reporting entities and assurance practitioners. The FAQs also provide explanations and illustrative examples to support applying materiality under ISSA 5000. Further details are available in the IAASB's News.

The International Forum of Independent Audit Regulators (IFIAR)

IFIAR issues factsheet on sustainability survey

In June 2026, the IFIAR released a factsheet on its 2025 Sustainability Survey Results. Based on feedback from 47 respondents, the Survey results demonstrate sustained regulatory development since 2023, with mandatory assurance requirements advancing most rapidly. As jurisdictions transition towards mandatory assurance frameworks, regulatory focus is expected to shift towards scaling inspection and supervisory practices. IFIAR will continue to monitor these developments across Member jurisdictions.

International Federation of Accountants (IFAC)

Onset of mandatory sustainability requirements begins to impact global reporting

In June 2026, the IFAC, together with the American Institute of CPAs (AICPA) and the Chartered Institute of Management Accountants (CIMA), released an updated report, *The State of Play: Sustainability Disclosure and Assurance (Six-Year Trends and Analysis, 2019-2024)*, the sixth annual benchmark of sustainability reporting and assurance practices of global companies in G20 jurisdictions.

The report found that the global reporting ecosystem is transitioning from a fragmented landscape toward one that is increasingly structured, standardised and integrated, driven by more of the world's largest companies adopting or planning to use the ISSB Standards and the European Sustainability Reporting Standards (ESRS). However, this transition is not yet complete and may continue to be challenged by shifting geopolitical and regulatory sentiment within some of the world's largest economies. Further details are available in IFAC's News.

Financial Reporting Council (FRC UK)

FRC consults on amendments to ISA (UK) 620 and ISAE (UK) 3000 responding to the IESBA's external experts revisions

In June 2026, the FRC launched a consultation on *Using the Work of an Auditors' Expert*, seeking views on narrow-scope amendments to ISA (UK) 620 and ISAE (UK) 3000. The comment period closed on 10 July 2026.

The proposed amendments include aligning definitions and responsibilities for evaluating an external expert's competence, capabilities and objectivity, and targeted revisions to requirements and application material in ISA 620 and ISAE 3000 that clarify practitioner responsibilities when using an external expert. Further details are available in the FRC's News.

External Reporting Board (XRB)

Draft climate reporting roadmap

In July 2026, the XRB launched a consultation on a draft climate reporting roadmap, setting out a proposed strategic direction for climate reporting in New Zealand. The consultation closes on 30 September 2026.

The draft roadmap proposes:

- issuing a new climate standard: NZ IFRS S2 *Climate-related Disclosures* (NZ IFRS S2)
- that NZ IFRS S2 will be:
    - internationally aligned by adopting IFRS S2 *Climate-related Disclosures* (IFRS S2)
    - harmonised with Australia by considering what approach to take where there are differences between IFRS S2 and the climate reporting obligations in Australia under AASB S2 *Climate-related Disclosures* and the Australian *Corporations Act 2001*
    - locally relevant by considering what modifications, if any, are needed to fit with New Zealand's legislative and regulatory settings, reporting practice and market context
- a long transition, with early adoption from 1 October 2026 and mandatory application from 1 January 2033, while allowing continued application of NZ CS during the transition period.

Further details are available on the XRB's Climate Alert.

Proposed amendments to NZ CS 1 Climate-related Disclosures

In June 2026, the XRB released a consultation on proposed amendments to NZ CS 1 *Climate-related Disclosures*, focusing on greenhouse gas (GHG) emissions. The proposals aim to align requirements internationally for disclosing scope 3 investment-related greenhouse gas (GHG) emissions and include XRB's existing staff guidance on GHG emissions exclusions as authoritative (mandatory) application material within NZ CS 1. The consultation closes on 29 July 2026. Further details are available in the XRB's Climate Alert.

Australian Developments

Australian Accounting Standards Board (AASB)

Educational Material: Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with AASB S2

In July 2026, the AASB released educational material *Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with AASB S2.* This document identifies the disclosure requirements in AASB S2 *Climate-related Disclosures about an entity's climate-related transition. It provides guidance to help entities disclose relevant information about the entity's climate-related* transition.

Disclosure of AASB S2-related sustainability assurance fees

The AASB is discussing disclosure of [sustainability-related assurance fees] at its Board meeting on 27 August. APESB Staff have provided input to the AASB Staff on the APES 110 requirements relating to disclosure of audit/review fees and sustainability assurance engagement fees. The AASB discussion responds to feedback received through the AASB 2027–2031 Agenda Consultation, which identified differences in how assurance fees related to AASB S2 *Climate-related Disclosures* are disclosed.

The AASB Staff recommendation is to monitor developments in this area and, once additional evidence is available, bring the matter to External Reporting Australia (ERA) for further consideration. APESB Staff will provide a verbal update on the outcomes of the AASB Meeting at the APESB meeting.

AASB 1054 *Australian Additional Disclosures* requires audit fees to be separately disclosed in relation to the audit or review of the financial statements. However, AASB S2 has no equivalent requirement for sustainability assurance fees.

Specifically, AASB 1054 (para. 10) requires an entity to disclose fees to each auditor or reviewer, including any network firm, separately for:

(a) the audit or review of the financial statements; and
(b) all other services performed during the reporting period.

For paragraph 10(b) above, an entity shall describe the nature of other services.

The rationale for the disclosure requirement in paragraph 10(b) of AASB 1054 was to provide transparency regarding the nature and extent of services provided by each auditor or reviewer, including information relevant to assessing auditor independence.

APESB staff provided feedback to the AASB staff on the APES 110 requirements relating to audit fees and SAE fees in Part 5 of the Code. APESB Staff highlighted that APES 110 requires disclosure by the Firm in the absence of disclosure by the entity that is a PIE (APES 110 paras. R5410.30-R5410.31).

APESB Staff also highlighted the earlier APESB proposal to include five key categories for audit services and fees in APES 110 in 2022 based on the PJC Inquiry recommendation and the [AASB Research Report 15] *Review of Auditor Remuneration Disclosure Requirements* (February 2021). As noted in the [Basis for Conclusions] for the APES 110 Fees Amending Standard, the APESB deferred including the five identified categories to allow the AASB to finalise its project.

Auditing and Assurance Standards Board (AUASB)

AUASB sustainability assurance sessions

In June 2026, the AUASB invited assurance practitioners to Sustainability Assurance sessions held in Perth and Sydney in July 2026. The sessions form part of an ongoing program around Australia and cover key aspects of ASSA 5000 *General Requirements for Sustainability Assurance Engagements* and how these apply to mandatory sustainability assurance engagements.

Australian Securities & Investments Commission (ASIC)

ASIC issues early observations on sustainability reporting ahead of 30 June 2026

In May 2026, ASIC issued early observations from its review of the first sustainability reports prepared under Chapter 2M of the *Corporations Act 2001*, to assist other reporting entities as they approach the 30 June 2026 reporting season.

The review found that as of 6 May 2026, 259 sustainability reports were lodged for the financial year ending 31 December 2025, comprising 34 from listed entities and 225 from unlisted entities. ASIC has seen an increase in the quantity and quality of climate-related financial information in the market compared to previous voluntary climate-related disclosures, but has also identified opportunities to strengthen the quality of reporting

ASIC will continue its review of 31 December 2025 sustainability reports, and it will publish its final observations in the second half of 2026. Further details are available in ASIC's News.

ASIC sets financial reporting, audit and sustainability focus areas for FY 2026-27

In May 2026, ASIC announced its key focus areas for financial reporting, audit and sustainability reporting activities in FY 2026-27. In relation to sustainability reporting and assurance focus areas, ASIC noted steps it has taken to support entities' compliance with the sustainability reporting framework, including:

- guidance, relief and new educational materials on its sustainability reporting webpage;
- updating its FAQs on the review and audit of sustainability reports to reflect changes in the law and address stakeholder questions; and
- providing sustainability reporting relief to related schemes and recording individual relief decisions in its register of relief decisions.

The Government announced in the Budget that it proposes to commence consultation on reforms to reduce reporting burden while maintaining core sustainability reporting requirements, and ASIC will participate in that consultation process. Ahead of any reforms, ASIC will administer the reporting being submitted by Group 1 entities and engage with large audit firms on assurance methodologies, as appropriate. Further details are available in ASIC's Media Release.

ASIC and AASB launch a sustainability reporting webinar series

In May 2026, ASIC and the AASB launched a free online webinar series on sustainability reporting. The webinars provide introductory and foundational content for smaller and mid-sized companies preparing, or building capacity to prepare, climate-related financial disclosures. The series may also be relevant to current and prospective reporting entities, directors and other stakeholders, including advisers, employees and creditors of reporting entities. Further details are available in ASIC's News.

Chartered Accountants Australia and New Zealand (CA ANZ)

Climate-related disclosures: A series of Information Guides

In June 2026, the CA ANZ, in collaboration with industry experts, developed a series of information guides to assist finance professionals with climate-related disclosures. These guides are designed for Members in Australia, but the core topics apply to organisations in other jurisdictions preparing climate-related disclosures. Further details are available in CA ANZ's media release.

Recommendation

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

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