AGENDA PAPER

Item Number:	6
Date of Meeting:	4 December 2025
Subject:	Project Update on Conformity with Sustainability Reporting Standards

☐	**Action required**	x	**For discussion**	☐	**For noting**	☐	**For information**

Purpose

To update the Board on the project for Conformity with Sustainability Reporting Standards.

Background

At the September 2025 Board meeting, the Board approved the project proposal to develop a new professional and ethical standard addressing conformity with Sustainability Reporting Standards (Agenda item 11).

APES 205 *Conformity with Accounting Standards*, which specifies the professional obligations of all Members to comply with Accounting Standards when they prepare, present, audit, review or compile financial statements, does not address sustainability information, including information required by Australian Sustainability Reporting Standards.

Therefore, the purpose of this project is to develop a new professional and ethical standard to address members' professional obligations for reporting sustainability information, including information required under the new suite of Sustainability Reporting Standards[1] issued by the Australian Accounting Standards Board (AASB), which impacts Members engaged in sustainability reporting in Australia.

Matters for Consideration

Following the September 2025 Board meeting, staff have developed a draft Standard APES 206 *Conformity with Sustainability Reporting Standards* **(Agenda Paper 6(a))** to address conformity with sustainability reporting standards. The draft Standard incorporates initial input from Sustainability Taskforce Members at the November 2025 meeting **(Agenda Paper 6(b)).**

[1] The current ASRS comprise AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information (voluntary)* and AASB S2 *Climate-related Disclosures* (mandatory), both effective from 1 January 2025.

The following matters are highlighted for the Board's consideration at this meeting:

- Scope of the draft Standard;
- Proposed requirements of the draft Standard; and
- Other matters for consideration.

Scope of the draft Standard

Existing APES 205 *Conformity with Australian Accounting Standards* specifies the professional obligations of all Members to comply with Accounting Standards when they prepare, present, audit, review or compile financial statements, which are either general purpose financial statements or special purpose financial statements. APES 205 also requires Members to take reasonable steps to ensure that reporting entities prepare general purpose financial statements.

The amendments to the Code arising from the AESSA broadly relate to the reporting and assurance of sustainability information. Sustainability information is defined in the Code as information about sustainability matters. Sustainability matters are environmental, social, governance, or other sustainability-related matters as defined or described in law or regulation, or in relevant sustainability reporting frameworks, or as determined by the entity for purposes of preparing or presenting Sustainability Information (APES 110, Glossary).

Accordingly, the scope of draft APES 206 *Conformity with Sustainability Reporting Standards* is proposed to cover:

(a) The preparation, presentation or compilation of Sustainability Information; and
(b) Performing a Sustainability Assurance Engagement.

Accordingly, the scope of the draft Standard is outlined in paragraph 1.1 as follows:

> **A Member shall comply with Part 1 *Complying with the Code, Fundamental Principles and Conceptual Framework* and Part 5 *Australian Ethics Standards for Sustainability Assurance (Including Independence Standards)* of the Code, as applicable, and with relevant laws and regulations when they prepare, present or compile Sustainability Information or perform a Sustainability Assurance Engagement.**

Question 1 to Board members

Do Board members have any questions or comments in relation to the scope of draft APES 206?

Requirements of the draft Standard

The fundamental responsibilities of Members are covered in Section 3 of the draft Standard. The requirements of the draft Standard for specific types of sustainability information are outlined in sections 4–6 of the draft Standard as follows:

- Section 4 addresses Sustainability Information that purports to comply with Australian Sustainability Reporting Standards
- Section 5 addresses circumstances where Sustainability Information is required to comply with a General Purpose Framework
- Section 6 addresses all other circumstances where the Sustainability Information is provided for external purposes.

These requirements align to the definition of sustainability information, which is defined in the Code as “Information about sustainability matters” where Sustainability matters are defined as “environmental, social, governance or other sustainability-related matters as defined or described in law or regulation or relevant sustainability reporting frameworks, or as determined by the entity for purposes of preparing or presenting Sustainability Information” (APES 110, Glossary).

In broad alignment with the current APES 205, the requirements for sustainability information are classified as follows:

(a) Information that purports to comply with Australian Sustainability Reporting Standards (Section 4);

(b) Sustainability information that complies with a General Purpose Framework (Section 5); and

(c) Sustainability information prepared for other purposes (Section 6).

The application of the draft Standard's requirements is summarised in Appendix A.

Question 2 to Board members

Do Board members have any questions or comments in relation to the classification of Sustainability information requirements in sections 4–6?

Other matters for consideration

As outlined in the following table, the Technical Staff, in drafting the proposed Standard, have identified several areas for the Board's specific consideration and comment.

Paragraph	Explanation
4.2 Where Members are unable to apply Australian Sustainability Reporting Standards pursuant to paragraph 4.2, they shall take all reasonable steps to ensure that any departure from Australian Sustainability Reporting Standards, the reasons for such departure, and its effects are properly disclosed and explained in the Sustainability Information.	The paragraph refers only to ‘effects’, whereas the equivalent paragraph in APES 205 refers to ‘financial effects’. The intention in removing the reference to ‘financial’ is that sustainability information may be broader than ‘financial effects’.
5.2 Members who are involved in, or are responsible for, the preparation, presentation or compilation of Sustainability Information or performing a Sustainability Assurance Engagement for an entity to prepare Sustainability Information that complies with a General Purpose Framework shall take all reasonable steps to ensure that the Sustainability Information complies with the applicable General Purpose Framework, including any disclosures additional to those required by paragraph 6.2. **FN1** For example, some Australian public sector entities are required to report climate-related financial information applying a reporting framework that is based on Australian Sustainability Reporting Standards; however, the framework may not fully align with the Australian Sustainability Reporting Standards.	Footnote 1 is provided as an example of a General Purpose Framework that does not fully align with Australian Sustainability Reporting Standards.

Paragraph	Explanation
6.2 Members who are involved in, or are responsible for, the preparation, presentation or compilation of Sustainability Information or performing a Sustainability Assurance Engagement for an entity (except where the Sustainability Information will be used solely for internal purposes) shall take all reasonable steps to ensure that the Sustainability Information, and any associated sustainability assurance report, clearly identifies: **(a) the purpose for which the Sustainability Information has been prepared; and** **(b) any significant judgements, assumptions and methodologies adopted in the preparation and presentation of the Sustainability Information.**	Paragraph 6.2(b) refers to the requirement to disclose **any significant judgements, assumptions and methodologies adopted in the preparation and presentation of the Sustainability Information.** The equivalent paragraph in APES 205 refers to disclosure of 'accounting policies'. However, accounting policies do not have an equivalent in sustainability reporting standards.

Question 3 to Board members

Do Board members have any further questions or comments in relation to the matters for consideration?

Other matters raised by the Sustainability Taskforce

At the November 2025 Sustainability Taskforce Meeting, some Taskforce members raised the question of whether any standard addressing Conformity with Sustainability Reporting Standards should be prepared as a separate standard or included as a section within the existing APES 205.

The Board has approved the current project proposal to develop APES 206 as a separate professional standard. We note that the sustainability reporting standards have been issued as a separate series, and, for assurance, a separate assurance series has been created as well. Technical Staff will assess the potential advantages and disadvantages of both approaches and will report back to the taskforce and the Board in Q1 2026.

Some Sustainability Taskforce members questioned whether the assurance requirements should be outlined in a separate paragraph for each section. Technical staff considered this request when redrafting the proposed Standard and simplified the draft by referring to 'Sustainability Assurance' within the paragraphs rather than duplicating paragraphs with similar professional requirements.

Way forward

The proposed way forward for this project is for Technical Staff to:

- Obtain input on the preliminary from the AASB, AUASB and other Stakeholders on the development of a new Standard on Conformity with Sustainability Reporting Standards;
- Address the Board's and Stakeholders' feedback on the preliminary draft; and

- In consultation with the Sustainability Taskforce, develop an Exposure Draft (ED) that addresses matters identified during the project and present a draft ED to the Board for consideration at the March 2026 Board meeting.

Staff Recommendation

The Board:

(a) note the project update on Conformity with Sustainability Reporting Standards; and

(b) provide review comments on the progress to date and the way forward.

Material Presented

Agenda Item 6 (a)	Draft APES 206: *Conformity with Sustainability Reporting Standards*
Agenda Item 6 (b)	Draft Minutes – Sustainability Taskforce Meeting 14 November 2025

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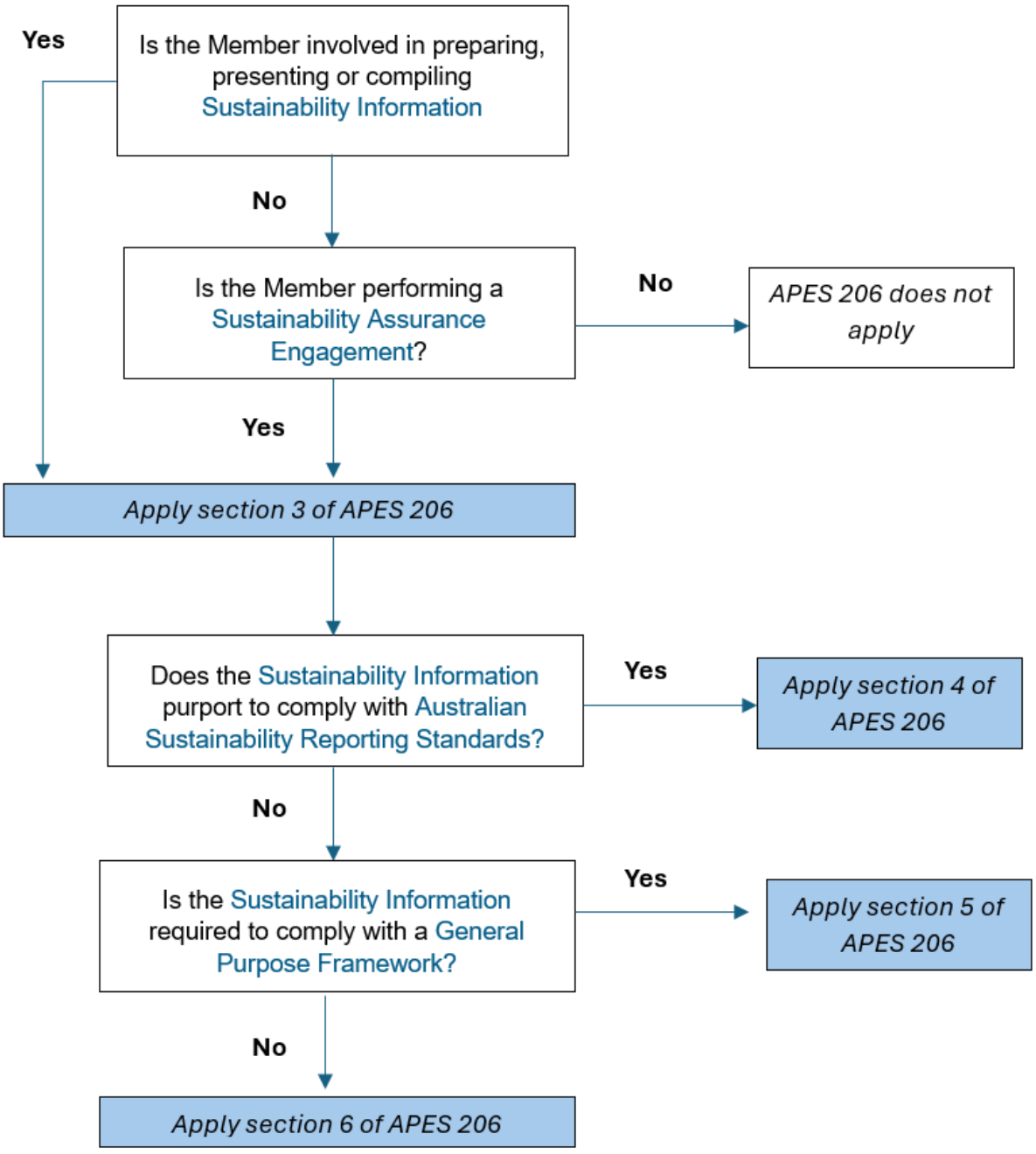
Appendix A – Flowchart of draft APES 206 requirements