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**Exposure Draft 1/25 Proposed Standard: Sustainability Assurance (including Independence Standards) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting**

CPA Australia is Australia's leading professional accounting body and one of the largest in the world. We represent the diverse interests of more than 175,000 members working in over 100 jurisdictions and regions around the world. CPA Australia has over 30,000 members in public practice in Australia, serving our communities as trusted advisers who provide business advisory, tax, financial planning, reporting, auditing/assurance and insolvency-related services. Our members primarily support the small and medium sized market, and their structures and regulatory requirements are generally similar to those of the larger firms.

We acknowledge and support the Accounting Professional & Ethical Standards Board's (APESB) proactive efforts to ensure the professional and ethical standards relating to sustainability reporting and assurance issued by the APESB align with international developments in sustainability reporting and assurance and the ethical and professional standards thereof.

We further acknowledge the challenge presented by the imminent effective dates of the two Australian Sustainability Reporting Standards 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). The commencement of mandatory sustainability reporting requirements effective for annual reporting periods beginning on or after 1 January 2025 has led to the Auditing and Assurance Standards Board's (AUASB) issuance of the Standards on Sustainability Assurance (ASSA 5000) in Australia with the same imminent effective dates.

We appreciate the APESB has chosen not to recommend a retrospective effective date for the new standard (proposed Part 5) and other revisions to the APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (APES 110) set out in Exposure Draft 1/25 Proposed Standard: Sustainability Assurance (including Independence Standards) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting (the Exposure Draft).

CPA Australia recognises the proposed Part 5 is consistent with the International Ethics Standards for Sustainability Assurance (IESSA) issued by the IESBA (Part 5 of the IESBA Code) with minimal changes for jurisdictional differences. Given Australia's approach to

limiting the individuals conducting a sustainability assurance engagement to Registered Company Auditors (RCA) from the same firm as the RCA who performs the financial assurance engagement, additional jurisdiction-specific changes may be necessary, taking into account matters that become apparent following the effective date as a result of but not limited to the relatively small pool of audit professionals in Australia. We recommend APESB undertake substantial post-implementation engagement with users and be open to additional jurisdiction-specific amendments.

Australia's 'early-mover' approach is commendable but presents additional challenges both due to the complexity and breadth of sustainability assurance engagements, and the relative novelty of the subject matter for some practitioners. CPA Australia urges APESB to proactively and prospectively engage with users of the proposed Part 5 in the development of guidance and support, including Frequently Asked Questions, well ahead of the 1 January 2026 effective date, rather than wait for IESBA's development of non-authoritative guidance given the later commencement date of the IESBA Code.

CPA Australia supports the proposed Part 5 and other revisions set out in the Exposure Draft but reiterates some of the concerns it has previously expressed to the International Ethics Standards Board for Accountants (IESBA) and the AUASB with some aspects of the proposed ethical standards contained in Part 5, including that:

- the independence, long association rules are unclear regarding activities undertaken prior to the effective date of proposed Part 5. For example, assurance team members undertaking voluntary reporting work.
- the inclusion of certain non-assurance services in proposed section 5600, which have not previously been prohibited non-assurance services and have been provided prior to the effective date of proposed Part 5 by the sustainability assurance practitioner may no longer be provided by the sustainability assurance practitioner. This may result in and consequent disruption to clients and exacerbate a lack of availability of appropriate practitioners for a client.
- some terms used in ASSA 5000 do not align with Part 5 (sustainability information is one example). CPA Australia recommends alignment of defined terms across the standards set by the AUASB and APESB where possible.
- the proposed effective date (other than those relating to the sections concerning the value chain component) does not allow for adequate time and opportunity for practitioners required to apply the new provisions, to become acquainted with their obligations. This could result in delays in overall reporting, qualified audit conclusion and unintended breaches.
- the proposed effective date relating to the value chain component precedes the effective date of the relevant sections in the IESBA Code, meaning Australian practitioners may not be able to avail themselves of guidance derived from pre-implementation work done by IESBA. CPA Australia does not support the proposed effective date for the proposed provisions in Sections 5405 and 5406 applicable when assurance work is performed at a value chain component. We recommend the provisions be effective for sustainability assurance engagements on sustainability information for periods beginning on or after 1 July 2028 consistent with the effective date of the International Ethics Standards for Sustainability Assurance (IESSA) issued by the IESBA ("Part 5 of the IESBA Code").

We encourage the APESB:

- work closely with AUASB in the future to ensure alignment of terminology and effective dates for ease of application of complimentary standards
- provide substantial guidance and support which is urgently required given the imminent effective date. Particularly those already involved in preliminary work.

If you have any queries please contact Belinda Zohrab-McConnell, Regulation and Standards Lead, at [belinda.zohrab-mcconnell@cpaaustralia.com.au](mailto:belinda.zohrab-mcconnell@cpaaustralia.com.au).

Yours sincerely



Elinor Kasapidis  
Chief of Policy, Standards and External Affairs

## ATTACHMENT

### Effective dates

CPA Australia supports the proposed effective date of 1 January 2026 for all proposed provisions other than the provisions proposed in Sections 5405 and 5406 applicable to assurance work performed at value chain components. However, we recommend removing the “as at a specific date on or after 1 January 2026” part of the operative date because it is not consistent with the approach taken in Chapter 2M of the Corporations Act 2001 regarding mandatory sustainability reporting. Rather, we recommend the language used in the effective dates provision should align with the language used in the AUASB’s ED 01/25 *Proposed amendments to ASSA 5000 General Requirements for Sustainability Assurance Engagements and ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

CPA Australia recommends the proposed provisions in Sections 5405 and 5406 applicable when assurance work is performed at a value chain component be effective for sustainability assurance engagements on sustainability information for periods beginning on or after 1 July 2028, consistent with the effective date of the International Ethics Standards for Sustainability Assurance (IESSA) issued by the IESBA (“Part 5 of the IESBA Code”). The proposed provisions applicable where assurance work is performed at a value chain component is both novel and complex and is not universally adopted internationally. Application to value chain component outside Australia will be complex and without adequate preparation, may result in substantial delays, resulting in audit qualifications and unintended breaches of the Code. Australian assurance providers would benefit from a more settled international approach and guidance and support materials being developed by IESBA providing Australian practitioners the same opportunity to transition effectively.

We note the effective dates of ASSA 5000 and those proposed for Part 5 are not aligned. If the effective dates of ASSA 5000 and Part 5 of APES 110 cannot be aligned, we recommend that the AUASB and APESB work together to jointly communicate expectations and implementation guidance to assurance practitioners on the independence requirements during the unaligned period.

### Long association and assurance practitioner rotation

CPA Australia appreciates that the long association independence provisions set out in proposed Part 5 are consistent with the long association independence requirements of Part 4A. We agree that 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. However, the provisions are silent regarding activities such as voluntary audits of climate statements undertaken by such practitioners prior to the proposed effective date of 1 January 2026. For firms who have provided such activities, are the reporting cycles during which such activities were undertaken contribute to the ‘time-on’ period.

For example, where assurance team members have provided non-assurance services to a non-PIE, such as voluntary sustainability reporting and or assurance services prior to 1

January 2026 considered in determining the cumulative time-on period across the combination of sustainability assurance engagement and the financial statement audit engagement.

CPA Australia recommends develop guidance material to address such matters.

## **Non-Assurance Services**

Proposed Section 5600 is based on Section 600 of APES 110, with which our members are familiar. However, the proposed tailored Non-Assurance Services (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 raises concerns regarding firms who have provided such services prior to the proposed effective date.

Together, proposed subsections 5400.20 and 5601.2A1 prohibit a member from providing specified management responsibilities such as the determination of sustainability reporting policies. At present a member providing financial assurance services pursuant to Part 4A of APES 110 is not prohibited from providing services listed at subsection 5201.A1. However, will the provision of such services in the past affect the ability to perform the sustainability assurance engagement and accordingly the financial engagement in the future? The same question applies to subsection 5603 – Valuations and Advisory Services on Forward-Looking Information.

CPA Australia acknowledges the transitional provisions provide for a one-reporting cycle grace period where a sustainability assurance engagement has already commenced, which will be otherwise prohibited under Section 5600 and its subsections prior to 1 January 2026, the Firm or Network Firm may continue such engagements in accordance with the original engagement terms. Given the gradual effective dates for the ASSA 5000, this is likely to impact group 1 entities only. Is that the intention, or will Group 2 and 3 entities have a similar one-reporting cycle grace period?

CPA Australia recommends develop guidance material to address such matters.