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ED 01/25 Proposed Australian Ethics Standards for Sustainability Assurance (including Independence Standards) and ED 02/25 Proposed Revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) Addressing Using the Work of an External Expert

EY Australia (EY) welcomes the opportunity to respond to the Accounting Professional & Ethical Standards Board (APESB) Exposure Drafts ED 01/25 and ED 02/25.

General comments

Overall, EY is supportive of the APESB's proposed amendments to APES 110 to incorporate the recent revisions made by the International Ethics Standards Board for Accountants (IESBA) to its *Code of Ethics for Professional Accountants (including Independence Standards)*, namely Part 5 and provisions related to using the work of an external expert of the IESBA Code. We also agree with replicating the existing Australia specific modifications in Part 1 to 4A in the new Part 5 of APES 110.

We appreciate that the APESB is following appropriate due process and seeking public feedback on these proposed revisions. We also recognise that the Auditing and Assurance Standards Board (AUASB) is intending to adopt, subject to Board approval, amendments to the ASSA 5000 that are aligned with recommendations we had put forward to the AUASB. In our submission¹ to the AUASB, we conveyed several points that are of relevance to the APESB which we would like to note:

- In our view, there should have been a public consultation on ASSA 5000 directly adopting Part 5 of the IESBA Code ahead of the APESB process. If we had the opportunity to provide feedback at that point, our preference would have been alignment with the IESBA effective date.
- We caution against retrospective application of standards as this could create adverse implications for practitioners, their firms and clients.
- We encourage stronger coordination between the AUASB and APESB on matters related to the IESBA Code, including alignment on operative dates and giving due consideration to practical challenges that firms may encounter in implementing new ethical and independence requirements.

Our specific comments in relation to the two Exposure Drafts ED 01/25 and ED 02/25 that the APESB is seeking feedback on are detailed below.

¹ [EY submission to AUASB ED 01/25](#)

ED 01/25 – Ethics Standards for Sustainability Assurance

We strongly recommend that the operative date for APES 110 Part 5 provisions related to value chain components (Sections 5405 and 5406) is aligned with the IESBA effective date of 1 July 2028, or later if the IESBA effective date is further deferred given the concerns that have been raised globally.

To highlight this, we note that the International Federation of Accountants (IFAC) Chair has noted significant practical difficulties with the value chain considerations² and the Global Accounting Alliance (GAA) has called for the IESBA to revisit the value chain requirements, similar to efforts in the European Union³.

There would also be added challenges and complexities for Australian practitioners and firms to comply with the value chain requirements in advance of implementation guidance being issued by the IESBA.

ED 02/25 – Using the Work of an External Expert

For all other engagements and professional activities not related to sustainability assurance, we recommend that the operative date for external expert provisions is aligned with the IESBA effective date of 15 December 2026. We are not aware of any compelling reason for there to be a different start date.

We broadly agree with the proposed optional transitional relief for sustainability assurance engagements. For simplicity, we believe the first tranche of the relief can be removed provided the AUASB Board approves the amendments to ASSA 5000 as detailed in their latest 14 May 2025 Board Meeting Agenda Paper⁴.

As for the second tranche, our understanding of the proposed transitional relief is as follows:

- For sustainability assurance engagements that are within the scope of paragraph 5400.3b (e.g. assurance engagements required under Chapter 2M of the *Corporations Act 2001*), the practitioner may apply the reduced requirements contained under paragraphs R5390.12 to 5390.13 A2.
- For all other sustainability assurance engagements, the firm may continue to apply the extant provisions of APES 110.

If the above is consistent with the APESB's intended interpretation, we recommend that the sequencing of the two paragraphs are reversed and that clarification wording is added.

Finally, we do not agree with the proposed transitional relief transparency requirement as it diverges from established practices. Previous transitional provisions that have been included in APES 110, for example the December 2022 amendments in relation to non-assurance services, did not require such disclosure.

In our view, if a practitioner is compliant with the transitional provisions permitted under APES 110, then there should not be exceptions disclosure to Those Charged with Governance as it could cause unnecessary confusion and overcomplicate the implementation process of the new Part 5 for all practitioners.

² [Chief Executive Officer of IFAC, Calls For Additional Engagement On IESSA](#)

³ [GAA letter to the Chair of IESBA](#)

⁴ [AUASB Board Paper Pack M160](#)



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Transitional Provisions for Sustainability Assurance Engagements

~~For periods before 1 January 2025~~

~~For External Expert engagements that a Firm or Network Firm has entered into for a Sustainability Assurance Client before 1 January 2025 and for which work has already commenced, the Firm or Network Firm may continue such engagements under the extant provisions of the Code in accordance with the original engagement terms for no more than one reporting cycle.~~

~~For periods between 1 January 2025 and 31 December 2026~~

~~For External Expert engagements that a Firm or Network Firm has entered into for a Sustainability Assurance Client for a period ending on or before 31 December 2026, the Firm or Network Firm may undertake such engagements under the extant provisions of the Code.~~

For Sustainability Assurance Engagements that are within the scope of paragraph 5400.3b of the Code, the Firm's Sustainability Assurance Practitioner may apply paragraphs R5390.12 to 5390.13 A2 for Sustainability Assurance Engagements on Sustainability Information for a period ending on or before 31 December 2026, or as at a specific date on or before 31 December 2026.

For all other External Expert engagements that a Firm or Network Firm has entered into for a Sustainability Assurance Client for a period ending on or before 31 December 2026, the Firm or Network Firm may undertake such engagements under the extant provisions of the Code.

~~Transparency requirement when transitional relief provisions have been utilised~~

~~Where the relief allowed by a transitional provision is used, the Firm or Network Firm shall disclose to Those Charged with Governance of the Sustainability Assurance Client the use of the provision for the relevant External Expert(s).~~

We would be pleased to discuss our comments with the Board and with technical staff. Should you wish to discuss our comments further, please contact me at leigh.walker@au.ey.com or on 03 9288 8454.

Yours sincerely

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