

**Note:** The AUASB did not approve the changes to the AUASB's [Illustrative Corporations Act Sustainability Reports](#) recommended in the Out of Session Board paper that follows. The matter may be further considered by the AUASB after the end of the 31 December 2025 reporting season.



# AUASB Paper

Title:	Illustrative Corporations Act sustainability assurance reports - independence	Date:	24 January 2026 (out of session)
Office of the AUASB:	Doug Niven	Item:	1.0

## Objective of this paper

1. This paper seeks the approval of AUASB members to amend a paragraph on independence and ethics in all four of the AUASB's [Illustrative Corporations Act Sustainability Reports](#) (Illustrative Reports).

## Out of session paper and vote

2. This paper is being presented to the Board out of session to enable the Illustrative Reports to be amended on a timely basis for 31 December 2025 year ends.
3. This paper is not required by s236E(2) of the *Australian Securities and Investments Commission Act 2001* to be discussed in public session because it does not concern the content of our standards or international standards. While the standards are referred to in this paper, the Board is being asked to consider amendments to non-authoritative guidance materials.

## Question for AUASB Members

No.	Question
1	Do AUASB members approve the amendments to the four Illustrative Reports as outlined in paragraph 10 of this paper? Please provide responses by return email by <u>cob on Friday, 30 January 2026</u> .

## Background information

4. On 21 January 2026, the following Illustrative Reports were published on the AUASB website:
  - (a) Illustration 1: Year 1 – Review report of specified sustainability disclosures prepared in accordance with the *Corporations Act 2001* (compliance framework).
  - (b) Illustration 2: Year 1 – Audit and review report on specified sustainability disclosures prepared in accordance with the *Corporations Act 2001* (compliance framework).
  - (c) Illustration 3: Years 2 and 3 – Review report on a sustainability report prepared in accordance with the *Corporations Act 2001* (fair presentation framework).
  - (d) Illustration 4: Year 4 – Audit report on a sustainability report prepared in accordance with the *Corporations Act 2001* (fair presentation framework).
5. The ‘Basis for Conclusion/Opinion’ in all four of the Illustrative Reports contains the following paragraph on independence and ethics (Ethics Paragraph):

### Current paragraph

‘We are independent of the Company in accordance with the applicable ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (November 2018 incorporating all amendments to *[insert ‘June 2024’ or ‘July 2025’; as applicable]*) (the Code), together with the ethical requirements in the Act, that are relevant to our review of the specified Sustainability Disclosures and public interest entities in Australia<sup>1</sup>. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code.’

<sup>1</sup> Omit reference to public interest entities if not applicable.

## The issue

6. The Ethics Paragraph is consistent with the illustrative reports issued by the IAASB (see [ISSA 5000](#) for both listed and unlisted entities and the [IAASB Supplementary Illustrative Sustainability Assurance Reports](#) for both PIEs and non-PIEs). However, there are two areas in which the paragraph might not be fully consistent with ASSA 5000.190(d) (and ISSA 5000.190(d)):
- (a) *Compliance with the Act*

The Ethics Paragraph requires the auditor to state whether they have complied with the ethical requirements in the Act. There is no requirement in ASSA 5000 (or ISSA 5000) for the auditor's report to state compliance with ethical requirements in law or regulation. Compliance is covered by the Auditor's Independence Declaration under s307C of the *Corporations Act 2001* which is on a different basis (i.e. there are no contraventions to the best of the lead auditor's knowledge and belief); and
  - (b) *Requirements for PIEs vs all entities*

The compliance statements in the Ethics Paragraph:

    - (i) Do not contain the words of the statement required for all entities under ASSA 5000.190(d)(iv) (i.e. *that the auditor complies with the independence and other ethical requirements of the Code*); and
    - (ii) Do not provide a separate additional statement for public interest entities (PIEs) under ASSA 5000.190(d)(v). This is triggered by the most recent version of APES 110 containing Part 5 ([Revised APES 110](#)) (see APES 110.R5400.25) (i.e. *that the auditor is independent of the entity in accordance with the independence requirements of applicable to sustainability assurance engagements of those entities*). A separate statement in the Illustrative Reports could be removed where:
      - a. The entity is a non-PIE; or
      - b. The additional statement is not yet required for PIEs because Revised APES 110 is only effective from years commencing 1 January 2026 unless adopted early. In the meantime, Part 4B of APES 110 applies to sustainability assurance engagements and it does not contain a provision similar to APES 110.R5400.25.
7. The relevant provisions of ASSA 5000 and Revised APES 110 appear in the Appendix to this paper.

## Analysis

### *Requirements for PIEs*

8. The matter in paragraph 6(b) above was identified by a large audit firm. However, it is arguable that:
- (a) While the AUASB and IAASB wording is not precisely the same as ASSA 5000.190(d)(iv) and (v), it is substantively consistent; and
  - (b) While referring to the PIE provisions is not required until the Revised APES 110 is applied, doing so is not inappropriate. Part 4B contains PIE provisions:
    - (i) The requirement for an evaluation of a non-assurance service to take into account whether the entity is a PIE (see APES.110.8 A2); and
    - (ii) Heightened expectations for PIEs (APES 110.950.12 A1 and A2).

### *Compliance with the Act*

9. The matter in paragraph 6(a) above was identified by the Office of the AUASB. Possible considerations may be:
- (a) The statement is consistent with the IAASB Illustrative Reports;
  - (b) While ASSA 5000 does not require an auditor to comment on compliance with the independence requirements of the Act, an auditor is not prevented from doing so;
  - (c) The IAASB may have intended that ISSA 5000.190(d)(iv) require a statement on compliance with independence requirements in law and regulation. The term 'relevant ethical requirements' otherwise used throughout ISSA 5000 includes requirements in law and regulation (see definition in ISSA 5000.18). However, it seems more likely that the statement that appears in the IAASB's illustrative reports was not intended. In particular,

ISSA 5000.190(d)(iv) is consistent with ISAE 3000.69(j) upon which it was based. ISAE 3000 does not require such a statement; and

- (d) While we have sought clarification from IAASB staff as to the intention, it seems inappropriate for the Illustrative Reports to include a statement that is not required by ASSA 5000, particularly when that statement goes beyond the requirements in the Act for the Auditor's Independence Declaration.

## Recommendation

10. On balance, it is recommended that the Ethics Paragraphs in the four Illustrative Reports be replaced with the following paragraphs (marked-up and clean) to address all of the matters identified in paragraph 6 above:

### Replacement paragraph (marked-up against current paragraph)

~~'We comply with the independence and other of the Company in accordance with the applicable ethical requirements of APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional & Ethical Standards Board Limited (November 2018 incorporating all amendments to *insert* June 2024<sup>1</sup> or July 2025<sup>2</sup>, as applicable<sup>3</sup>) (the Code)<sup>2</sup> relating to sustainability assurance engagements, together with the ethical requirements in the Act, that are relevant to our review of the specified Sustainability Disclosures and public interest entities in Australia<sup>1</sup>. We applied the independence requirements of the Code specific to public interest entities and we were independent of the Company in accordance with those requirements<sup>3</sup> have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code.'~~

<sup>1</sup>—Omit reference to public interest entities if not applicable

<sup>1</sup> Use 'July 2025' instead of 'June 2024' from years commencing 1 January 2026 or where the version of APES 110 containing Part 5 was adopted early.

<sup>2</sup> Omit '(the Code)' if the Company is not a public interest entity or where the June 2024 version of the Code is applied.

<sup>3</sup> Omit this sentence if the Company is not a public interest entity or where the June 2024 version of the Code is applied.

### Replacement paragraph (clean)

'We comply with the independence and other ethical requirements of APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional & Ethical Standards Board Limited (November 2018 incorporating all amendments to June 2024<sup>1</sup>) (the Code)<sup>2</sup> related to sustainability assurance engagements. We applied the independence requirements of the Code specific to public interest entities and we were independent of the Company in accordance with those requirements<sup>3</sup>.'

<sup>1</sup> Use 'July 2025' instead of 'June 2024' from years commencing 1 January 2026 or where the version of APES 110 containing Part 5 was adopted early.

<sup>2</sup> Omit '(the Code)' if the Company is not a public interest entity or where the June 2024 version of the Code is applied.

<sup>3</sup> Omit this sentence if the Company is not a public interest entity or where the June 2024 version of the Code is applied.

11. Given the possibility of early limited or reasonable assurance over all disclosures is permitted by ASSA 5010, the Ethics Paragraphs in all four of the Illustrative Reports would contain the same replacement paragraph.
12. The word 'Revised' will be added to the issue date on the first page of the Illustrative Reports. A statement will also be added that the Ethics Paragraphs in all four of the Illustrative Reports has been replaced to ensure consistency with ASSA 5000.190(d)(iv) and (v).

## Illustrations in ASSA 5000

13. It is not proposed to amend the illustrative reports in the appendix to ASSA 5000 at this time:
- (a) To maintain consistency with ISSA 5000;
  - (b) To allow time for the matters to be discussed with IAASB staff given that they mostly relate to ISSA 5000; and
  - (c) Because amendments may require exposure and could not be made on a timely basis for 31 December 2025 year ends.

## Next steps

14. If the Board approves the replacement Ethics Paragraph, the amended Illustrative Reports will be communicated through a News Item and the AUASB's mailing list.

## APPENDIX - RELEVANT PROVISIONS OF ASSA 5000 AND REVISED APES 110

1. The relevant provisions of ASSA 5000.190(d)(iv) and (v) are as follows:
  - '190. The assurance report shall include at a minimum the following basic elements: ...
    - (d) The basis for conclusion directly following the Conclusion section, with the heading "Basis for Opinion" for a reasonable assurance report, "Basis for Conclusion" for a limited assurance report, or appropriate heading(s) for an assurance report for a combined reasonable and limited assurance engagement that: ...
      - (iv) States that the practitioner complies with the independence and other ethical requirements of:
        - a. The Code related to sustainability assurance engagements; ...
      - (v) If the relevant ethical requirements require the practitioner to publicly disclose when the practitioner applied independence requirements specific to sustainability assurance engagements of certain entities, the statement in accordance with part (iv) above shall indicate that the practitioner is independent of the entity in accordance with the independence requirements applicable to the sustainability assurance engagements of those entities; ...'
  - [ASSA 5000.190(d)(iv)b. concerns compliance with alternative ethical requirements to those in APES 110 under the 'at least as demanding test'. No such alternative ethical requirements have been approved for use in Australia at this time.]
2. The relevant provision of Revised APES 110 is:

**'R5400.25 Subject to paragraph R5400.26, when a Firm has applied the Independence requirements for Public Interest Entities as described in paragraph 5400.13 in performing a Sustainability Assurance Engagement, the Firm shall publicly disclose that fact in a manner deemed appropriate, taking into account the timing and accessibility of the information to stakeholders.'**