

22 March 2023
Job No: Submissions

External Reporting Board
assurance@xrb.govt.nz

To whom it concerns

Assurance Engagements over GHG Emissions Disclosures Submission on Exposure Draft, December 2022

We are pleased to provide feedback in response to the exposure draft for Assurance Engagements over GHG Emissions Disclosures, released by the External Reporting Board (XRB) in December 2022.

We strongly support the approach XRB has taken to development of the exposure draft, in particular, XRB's decision to build on existing international standards currently used in New Zealand. We believe this recognises the competencies of assurance practitioners who are currently verifying GHG emissions statements in New Zealand, and provides organisations with greater ability to choose an assurance practitioner with the skills and competencies that suit the nature and technical complexities of their emissions and disclosures.

We have provided specific feedback in relation to particular questions in the consultation document below.

Question 1. Do you have any comments on the design principles or the key decisions?

The design principles and key decisions appear well thought out and reasonable.

We support the pragmatic approach to developing a temporary standard at this stage, which aligns with international standards (ISAE 3410 and ISO 14064-3). This will allow XRB to monitor, and if applicable, to align, with new reporting and assurance standards for sustainability disclosures currently being developed by international organisations (including ISO, IAASB, ISSB and IESBA). It also recognises anticipated changes to the scope of disclosures that will need to be assured in the future, including all climate change disclosures and wider sustainability matters, that may necessitate different requirements for assurance engagements than those in the current exposure draft.

We support the profession-agnostic approach that recognises the two relevant international standards currently used in New Zealand, as a way of promoting trust and confidence in the disclosures made by reporting entities. We have a community of climate change professionals in New Zealand, with strong scientific and technical knowledge, who are already working alongside our Climate Reporting Entities (CREs) and other organisations in New Zealand who are choosing to voluntarily disclose their emissions. These climate change professionals are already recognised as trusted experts and as people with the knowledge and skills to understand the complex science

associated with climate change and how that impacts an organisation. We believe New Zealand will benefit greatly from these experts being involved in assurance of GHG emissions disclosures (where they are not involved in preparing them for the reporting entity). They should be able to complete that assurance using a standard they are already familiar with and have confidence in, such as ISO 14064-3:2019. As GHG emissions disclosures assurance matures, we believe there will be additional benefits in assurance practitioners who use ISO 14064-3 also familiarising themselves with methods used when assuring in accordance with ISAE 3410, to further develop the high quality of their assurance engagements. We believe the same will be true for financial auditors who may currently be familiar and comfortable with ISAE 3410 – gaining an understanding of ISO 14064-3 can only improve the service they provide to reporting entities.

Question 2. Are you aware of any other assurance standards that are currently being used in New Zealand to undertake GHG emissions assurance engagements?

We are not aware of any other assurance standards, commensurate with ISO 14064-3 or ISAE 3410, that are currently being used in New Zealand to undertake GHG emissions assurance engagements.

As the scope of assurance engagements broadens in the future, we encourage XRB to ensure that any future standards consider the technical and scientific understanding required to provide meaningful assurance against those broader climate change and sustainability matters.

Question 3. Do you consider the proposed ethical requirements are appropriate? If you disagree, please explain why.

We strongly support the simple yet robust, principles-based approach to ethics requirements. This ensures a level playing field for all assurance practitioners, regardless of their core profession, without placing an undue burden on how practitioners demonstrate compliance with the ethics requirements. It allows practitioners to continue to work under their professional or accreditation bodies' requirements, where these align with the ethics principles in the exposure draft. It also ensures that reporting entities receive a consistent approach to the assurance engagement regardless of which assurance practitioner they choose to engage.

We agree that independence needs to be a fundamental principle to ensure those relying on the assurance can have a high-level of confidence in it.

Question 4. Do you consider the proposed quality management requirements are appropriate? If you disagree, please explain why.

We strongly support the principles-based approach to quality management. We expect that these principles are already being applied by professional climate change practitioners and assurance practitioners in New Zealand. Again, this principles-based approach will ensure that reporting entities receive a consistent approach to the assurance engagement regardless of which assurance practitioner they choose to engage.

Question 7. Do you support the proposed inclusion of Key Matter, Emphasis of Matter, Inherent Uncertainty and Other Matter paragraphs where appropriate?

We support the proposed inclusion of Key Matter, Emphasis of Matter, Inherent Uncertainty and Other Matter paragraphs, where appropriate, as a way to help those relying on the assurance to understand the disclosures better and to make decisions on how they may respond to them.

Question 11. Do you have any other comments on the proposed standard? If so, please specify.

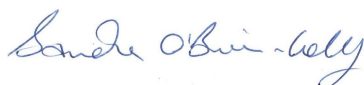
We strongly support XRB's decision to build on existing international standards currently used in New Zealand. This recognises the competencies of assurance practitioners who are currently

verifying GHG emissions statements in New Zealand. It also provides organisations with greater ability to choose an assurance practitioner with the skills and competencies that suit the nature and technical complexities of their emissions and disclosures.

We believe that the profession-agnostic and principles-based approaches to ethics and quality included in the exposure draft will be increasingly important in future versions of XRB's assurance engagement standards, especially when the scope of disclosures requiring assurance increases to include all climate change disclosures and wider sustainability matters. Ensuring future assurance engagement standards recognise and allow for expertise and experience of assurance practitioners who are not financial auditors will be vital to provide competent and credible assurance on those wider matters.

Thank you for the opportunity to comment on the exposure draft.

Yours,



Sandra O'Brien-Kelly
Principal Environmental Scientist

On behalf of Tonkin & Taylor Ltd

22-Mar-23

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