

Friday 24 March 2023

External Reporting Board  
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**By email:** assurance@xrb.govt.nz

**Assurance over GHG Emissions Disclosures**

This submission on the [External Reporting Board \(XRB\) Assurance Engagements over GHG Emissions Disclosures Consultation Document, December 2022](#) (the Consultation), is from the Financial Services Council of New Zealand Incorporated (FSC).

As the voice of the sector, the FSC is a non-profit member organisation with a vision to grow the financial confidence and wellbeing of New Zealanders. FSC members commit to delivering strong consumer outcomes from a professional and sustainable financial services sector. Our 110 members manage funds of more than \$95bn and pay out claims of \$2.8bn per year (life and health insurance). Members include the major insurers in life, health, disability and income insurance, fund managers, KiwiSaver, and workplace savings schemes (including restricted schemes), professional service providers, and technology providers to the financial services sector.

Our submission has been developed through consultation with FSC members and represents the views of our members and our industry. We acknowledge the time and input of our members in contributing to this submission.

We welcome the opportunity to provide feedback the Consultation and we support an assurance standard to ensure competency and knowledge of auditors, and comparability of climate statements. It will be critical that New Zealand assurance providers have credibility internationally, and the level of work undertaken is consistent with international developments as many Financial Markets Conduct Act, as amended by the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 (the FMC Act as amended) Climate Reporting Entities (CREs) will be making their reports available to an international audience.

We note that we have removed the questions from the Consultation in this submission that our members have no further comment on at this time.

We welcome continued discussions and engagement. I can be contacted on 021 0233 5414, Richard.klipin@fsc.org.nz or Carissa Perano, Head of Regulatory Affairs, at carissa.perano@fsc.org.nz, to discuss any element of our submission.

Yours sincerely

Richard Klipin  
Chief Executive Officer  
Financial Services Council of New Zealand Incorporated

## **Design principles and key decisions**

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

### Trust and confidence

We agree that trust and confidence are fundamental to any standard. However, we query whether this principle is achieved when considering our feedback in response to the importance of ethics and quality as noted below.

### Temporary nature of the standard

As the standard is subject matter specific, it is unclear why the XRB would set a temporary standard. When or if MBIE changes the scope, then another topic specific standard would need to be developed to cover the subject specific matter.

However, other members have noted that a short term standard will enable more flexibility as the international assurance standards become more developed.

### Accountability and clarity

We support these principles.

### Importance of ethics and quality

We support the importance of ethics and quality, however we have concerns that the rationale provided does not support this fundamental design principle. The XRB notes that both the current New Zealand regime and the International Organization for Standardisation (ISO) regime include other standards that deal in more detail with the fundamental principles that support assurance engagements. There should be no difference in these underlying principles regardless of the topic and therefore we have concerns that such fundamental principles are modified to fit a specific topic.

It is also unclear why the XRB would “switch off” standards that were previously considered appropriate for assurance engagements in New Zealand. As noted, these standards are already “applicable standards” pursuant to legislation.

If other international standards are found to be substantially the same as PES 1, 3 and 4 then we consider the more appropriate approach would be to require assurance organisations and practitioners to comply with the suite of standards that make up a robust framework to provide these types of engagements.

### Transparency

We support this principle.

## **Compliance with existing GHG assurance standards (such as ISAE or ISO)**

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

Our members are not aware of any other assurance standards currently being used.

## **Ethical requirements, including independence**

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

As outlined in response to question 1 above, ethical requirements and in particular independence are vital to any assurance engagement. Whilst we support the key requirements included in the proposed standard,

we query the need for the reduction of these significant and complex requirements to a few paragraphs in a topic specific standard. We support requiring any assurance organisation and assurance practitioner to comply with the full suite of standards of either of the international frameworks when providing these assurance engagements.

We also note the importance of the requirement to disclose the standards that have been fully complied with and not merely referenced. This may require greater emphasis in the standard itself.

### **Quality management**

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

In furtherance to our response to question 3, we consider there to be no need to make the standard “stand alone”. Both frameworks include sufficiently robust standards to ensure consistent high quality assurance engagements. Issuing this standard as a “replacement” of existing standards, impacts the integrity of the frameworks already in place. Given the high level nature of this standard, we have concerns whether it has the ability to achieve the stated key objectives to ensure a standard that drives consistent high quality assurance engagements.

### **Assurance Practitioner’s Report**

5. Do you consider the proposed requirements in relation to the assurance practitioner’s report are appropriate? If you disagree, please explain why.

We have no concerns with these proposed requirements.

6. Do you have any concerns regarding the different terminology that may be used to express the assurance conclusion or opinion? If so, do you have any suggestions to address these concerns?

As per the draft assurance standard, CREs can apply either ISAE 3410 or ISO- 14064-3. However, clarity is sought on how CRE’s benchmark assurance outcomes if different assurance standards are applied, noting that the materiality level for assurance may differ. We note this is a temporary assurance standard, therefore we encourage a less prescriptive approach and noting that it is likely one set of standards will become more prevalent over time.

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

Yes, we support these proposed inclusions.

### **Other comments**

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

We support aligning the approach as much as possible with that for financial statements. For example, ethical considerations, independence, and quality management requirements. This should also include aligning the wording, including the criteria for including key matters, inherent uncertainty, and other matter paragraphs.

We also support the equivalence of professional competence requirements to that of financial statement audits and requirements. The reliance on the work of others should be similar to auditing standards, namely ISA 610 (internal audits) and ISA 620 (experts).

We also support the XRB to align as closely as possible to international development in this space. This includes observing the recommendations and advice provided by the International Sustainability Standards Board on sustainability standards and recommendations on assurance and the International Auditing and Assurance Standards Board, which is working on a dedicated auditing standard for environmental, social and governance (ESG) disclosure that will include a definition on full and limited assurance. We also support alignment with the development of the various taxonomies around the world and their assurance standards, for example, those by the European Union requiring limited assurance on ESG reporting by 2024, followed by full assurance at a later date.