

Summary of Consultation Feedback

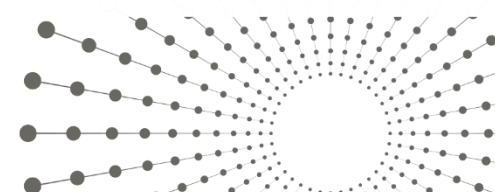
# Assurance Engagements over GHG Emission Disclosures

NZ SAE 1

Exposure Draft



May 2023





## Background

The Financial Markets Conduct Act, as amended by the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 requires assurance over parts of climate statements that relate to greenhouse gas emissions (GHG).

Assurance engagements are required to be undertaken in accordance with the External Reporting Board's (XRB) auditing and assurance standards.

The XRB has proposed a new temporary and narrow-scope standard with an objective to enable all competent and independent assurance practitioners to provide high-quality assurance over GHG disclosures.

## Consultation process

In December 2022 we issued two documents for comment:

- [Exposure Draft](#)- our proposed standard
- [Consultation Document](#)- containing our approach and consultation questions.

The consultation closed on 24 March 2023.



## Feedback received

We received 16 formal submissions. They are published on our [website](#).

Additionally, we collected informal feedback during discussions with stakeholders and interactive feedback forums.

Stakeholders who provided feedback included organisations whose members use climate statements in making investment decisions, assurance practitioners from various backgrounds, academia, regulators, organisations and individuals working or interested in the reporting of greenhouse gas emissions.

## Next steps

We will be considering all the feedback received and intend to issue the final standard by the end of July 2023.



## Main matters for us to consider going forward

### **Approach to allow the application of two different standards (ISO 14064-3<sup>1</sup> or ISAE (NZ) 3410<sup>2</sup>)**

There have been mixed views about the proposal to use either the ISO or ISAE standard. Some assurance practitioners supported the proposed approach as being open to all professionals. Others raised concerns about the general accessibility of various international assurance standards.

Users commented on potential problems with comparability. Almost all stakeholders prefer a single standard in the long term.

### **Sufficiency of quality management and ethics requirements included in our standard**

All our stakeholders recognise the importance of ethics and quality management. Their views on how much should be included in our standard differ. Some strongly recommend that PES 1<sup>3</sup>, PES 3<sup>4</sup> and PES 4<sup>5</sup> should apply. There have also been requests for additional guidance on the application of the principles included in the exposure draft.

### **Competency and capability of those who perform GHG assurance engagements**

There have been requests for more details of the competency and capability requirements for those practitioners who will perform the GHG assurance engagements.

### **Communication tools, including Key Matters, in the assurance report**

We found out that there is wide support from users for inclusion of key matters in the assurance report. However, a few practitioners raised concerns about including key matters in a limited assurance engagement and the expectation gap that this could create, i.e., users of the report may assume more work has been completed than is required by a limited assurance engagement if key matters are included. There have also been requests for more clarity around inherent uncertainty and other matter paragraphs.

### **Differences in wording of assurance conclusion under ISO and ISAE standards**

There are concerns that two differently worded assurance conclusions may cause confusion amongst users of the GHG disclosures. Most of our stakeholders, including users and assurance practitioners prefer that similar wording for an assurance conclusion should be required in the longer term.

### **Use of experts or reliance on other assurance practitioners.**

Some stakeholders have asked for more guidance on the use of external experts and other assurance practitioners.

<sup>1</sup> ISO 14064-3:2019 Greenhouse gases —Part 3: Specification with guidance for the verification and validation of greenhouse gas statements

<sup>2</sup> ISAE (NZ) 3410 Assurance Engagements on Greenhouse Gas Statements

<sup>3</sup> PES 1, International Code of Ethics for Assurance Practitioners (including International Independence Standards (New Zealand))

<sup>4</sup> PES 3, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements

<sup>5</sup> PES 4, Engagement Quality Reviews