

Sustainability Assurance

Consultation Document

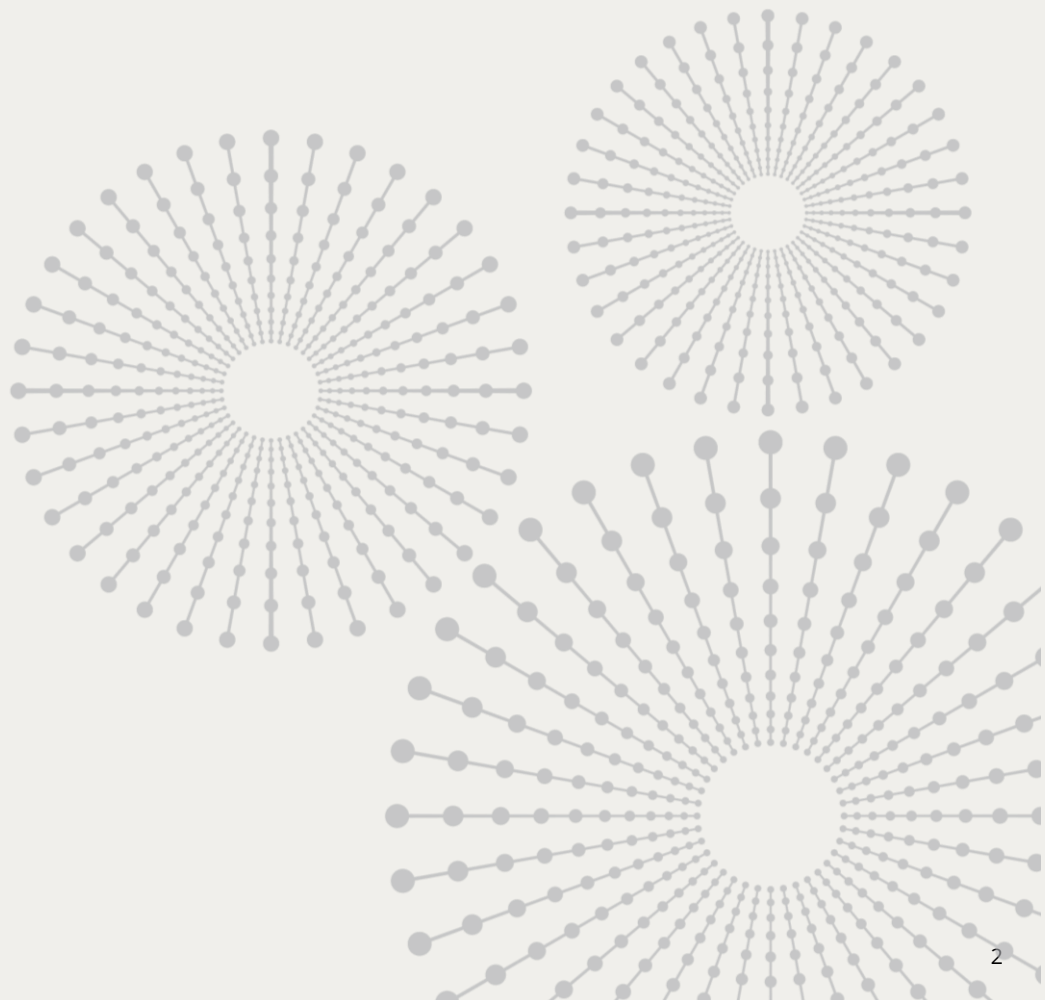
September 2023

Consultation closes 20 November 2023



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1.

What are we consulting on?

External, independent assurance plays a key role to enhance trust and confidence in reported sustainability information. Currently, assurance over sustainability reporting is not mandatory. However, many entities may seek assurance to enhance confidence.

New Zealand is leading the way on climate reporting, going ahead of others. As the drivers for reporting on a broader non-financial matters increase, it raises questions about what assurance over which sustainability reporting is needed.

During our recent project to develop NZ SAE ¹, the temporary standard to apply for the assurance of greenhouse gas (GHG) emissions disclosures included in climate statements, we followed a holistic and inclusive approach. This was to ensure that a range of assurance practitioners can perform assurance engagements over the GHG emissions in New Zealand.

We are consulting on two matters:

1

The XRB wants to better understand the sustainability assurance market, and explore how best to enhance trust and confidence in sustainability information. We aim to assist in building connections between a wide range of practitioners. Our approach will draw on lessons learned from the project on assurance engagements for greenhouse gas emissions.

Our intent is to examine various sustainability assurance products which exist in New Zealand and the value that they can add to sustainability reporting. We are planning to undertake a range of outreach to seek a broad range of perspectives.

2

Globally, the International Auditing and Assurance Standards Board (IAASB) has developed an exposure draft for sustainability assurance; Exposure Draft Proposed International Standard on Sustainability Assurance (ISSA) 5000 *General Requirements for Sustainability Assurance Engagements* (ED 5000).

In section 4 of this document, we provide information about ED 5000 and where to find more detailed information on the IAASB's website. We seek comments on the IAASB's proposals, to inform our submission to the IAASB. We are seeking to understand whether the proposals in ED 5000 will add value for assurance practitioners and users of sustainability information in New Zealand.

¹ NZ SAE 1 Assurance Engagements over Greenhouse Gas Emissions Disclosures



2.

How can you contribute?

Responding to consultation questions

We are seeking comments on the questions raised in sections 3 and 4 of this consultation document. We welcome all feedback in all forms and will consider all comments received in relation to sustainability assurance.

Please feel free to comment on any or all of the questions.

We appreciate both formal and informal comments, whether supportive or critical, as both supportive and critical comments are essential for us to reach a balanced view.

We are also seeking comments on the questions raised in the IAASB's explanatory memorandum and exposure draft. We welcome all feedback in all forms. Your feedback on ED 5000 will be used to inform the External Reporting Board's submission to the IAASB and our longer-term thinking.

We will put all written submissions on our website unless requested otherwise, and we reserve the right not to publish defamatory submissions.

Providing your Feedback

You can provide your feedback to us via:

- The online "Open for Comment" form on our website
- Asking questions and providing comments at our events
- Emailing us at assurance@xrb.govt.nz

We welcome any comments on all sustainability assurance considerations.

This consultation closes on **Monday 20 November 2023** and our submission to the IAASB on ED 5000 is due on Friday 1 December 2023.



3.

New Zealand specific considerations

Sustainability information is becoming increasingly important for a range of decision making. This information can include environmental, social, economic, or cultural matters, and may cover the sustainability impacts of, or the impacts on, an entity's activities, products, and services. It may also cover information in relation to governance, risks & opportunities, goals & metrics and key performance indicators.

One example of sustainability reporting will be climate statements reported in accordance with Aotearoa New Zealand Climate Standards (NZ CS).

The Ministry of Business, Innovation and Employment and the Ministry for the Environment have consulted on extending mandatory assurance to include climate statements of climate reporting entities in New Zealand.

While there are increasing calls for reporting on a range of sustainability matters, we are not aware of other plans to make broader sustainability assurance mandatory in legislation in New Zealand. However, there is currently a range of sustainability reporting within New Zealand, some of which is already assured, even though such assurance is not required by legislation. This reflects a growing demand for sustainability information that can be trusted by users within New Zealand.

The External Reporting Board understands that a range of activities or services are currently being performed by a range of practitioners to enhance trust and confidence in a broad range of sustainability topics.

We want to engage with all competent and independent sustainability assurance practitioners to obtain a wide range of views, and to explore the value of what is proposed in building trust and confidence in sustainability reporting in New Zealand. Respondents are asked to consider the following questions and respond to the External Reporting Board by **Monday 20 November 2023**.

Consultation questions

- 1 What sustainability assurance engagements do you currently perform?
- 2 What sustainability assurance engagements have you been requested to perform?
- 3 What assurance standards do you currently use to perform each type of sustainability assurance engagement?
- 4 What are the key challenges in assuring sustainability information in accordance with these standards?
- 5 What assurance activities do you think are most suited to sustainability reporting in New Zealand and why?



4.

International developments

There are several international developments around sustainability assurance which may impact on New Zealand. We have summarised these below.

Proposed International Standard on Sustainability Assurance

The International Auditing and Assurance Standards Board (IAASB) has developed a standard for sustainability assurance; Exposure Draft Proposed International Standard on Sustainability Assurance (ISSA) 5000 General Requirements for Sustainability Assurance Engagements) (ED 5000).

ED 5000 has been designed to set a consistent standard to apply to the assurance of all sustainability information. It is intended to be framework neutral, meaning it can be used to assure information prepared in accordance with any sustainability reporting framework, standard or other suitable criteria. It is also intended to be profession agnostic, meaning it can be used by all assurance practitioners.

ED 5000 has been developed as a standalone umbrella assurance standard to assure all sustainability information. The IAASB may issue subject matter specific standards to sit under ED 5000 as needed.

The IAASB's project to issue ED 5000 has been undertaken to:

- Respond to the public interest need for a timely standard that supports the consistent performance of quality sustainability assurance engagements.
- Be suitable across all sustainability topics, information disclosed about those topics, and reporting frameworks; and
- To be profession agnostic and able to be implemented by all assurance practitioners.

ED 5000 has been built on the following principles:

- Existing IAASB standards and guidance².
- Assurance can be either limited or reasonable assurance.
- Compliance with relevant ethical requirements that are at least as rigorous as the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code), published by the International Ethics Standards Board for Accountants. The equivalent in New Zealand is PES 1³.
- Compliance and application of a system of quality management at least as rigorous as the IAASB's suite of quality management standards. The equivalent in New Zealand is PES 3⁴.

² ISAE 3000 (Revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, ISAE 3410 *Assurance Engagements on Greenhouse Gas Statements*, relevant International Standards on Auditing, and the non-authoritative guidance on applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting Assurance Engagements

³ PES 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards (New Zealand))*

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



International developments (continued)

IAASB Vice-Chair and Sustainability Task Force Chair *Josephine Jackson* said:

“Receiving the broadest range of views from our stakeholders will improve both the quality of and trust in the final standard. Our unprecedented commitment to outreach will allow us to engage directly with a much wider group of stakeholders to gather the valuable insights we need to finalize a high-quality robust standard.”

More information about the IAASB’s proposals, and outreach, can be found on:

- IAASB’s webpage - [Understanding International Standard on Sustainability Assurance 5000](#).
- IAASB’s Explanatory Memorandum for Proposed ISSA 5000 - [ISSA 5000 Exposure Draft and Explanatory Memorandum](#).
- Upcoming IAASB’s webinar Thursday 7 September 2023 - [Register for the webinar here](#).
- IFAC’s Sustainability Summit–Asia Pacific: An IFAC collaboration with the ASEAN Federation of Accountants, Confederation of Asian and Pacific Accountants, South Asian Federation of Accountants, and Jeju Group:
 - Wednesday 27 September 2023, 4:00–6:00pm New Zealand Time [Register for day one here](#).
 - Thursday 28 September 2023, 6:00–8:30pm New Zealand Time [Register for day two here](#).

Consultation questions

- 6 Do you have any comments on the IAASB’s ED 5000 to inform the External Reporting Board’s submission?
- 7 What standards do you apply for quality management for sustainability assurance engagements?

International developments (continued)

The External Reporting Board seek your feedback on ED 5000 to inform our submission to the IAASB. We are exploring whether the proposals in ED 5000 are suitably profession agnostic, and suitable for sustainability assurance engagements in New Zealand. We welcome all comments in all forms, in response to the IAASB's consultation questions or more generally.

Verification and validation of sustainability information

The International Organization for Standardization (ISO) also has an active project to develop a standard on the verification and validation of sustainability information. We are monitoring these developments.

Ethical and independence requirements

The International Ethics Standards Board for Accountants (IESBA) is currently developing an exposure draft to propose sustainability-related revisions to the Code. These are to address ethical issues arising while providing sustainability-related professional services; and ethics and independence standards for all sustainability practitioners (not only professional accountants) performing sustainability assurance engagements.

These developing proposals will be especially relevant to the application of ED 5000, given that it proposes that the ethical and independence requirements should be at least as demanding as those required by the Code. The IESBA's proposals are expected to be issued for consultation in late December 2023.

In November 2023, we will be hosting the IESBA Task Force Chair, [Mark Babington](#), to explore these developing proposals. We will provide information about Mr Babington's visit when it is available.

Consultation questions

- 8 What standards do you apply for Ethics and Independence when performing sustainability assurance engagements?
- 9 What could be some key pillars for Ethical and Independence standards for sustainability assurance?
- 10 What issues could Ethical and Independence standards for sustainability assurance address?

Contact us

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