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External Reporting Board
154 Featherston St
Wellington, New Zealand

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Submitted via email: sustainability@xrb.govt.nz

EY Submission on Alignment with international standards: Sustainability Assurance, Ethics and Independence, and Using the Work of an External Expert

Dear Sir / Madam,

Ernst & Young New Zealand (EYNZ) welcomes the opportunity to respond to the External Reporting Board (XRB)'s consultation paper "Alignment with international standards. Sustainability Assurance, Ethics and Independence, and Using the Work of an External Expert".

EYNZ is broadly supportive of the XRB's proposals in the consultation paper to adopt International Standard on Sustainability Assurance (New Zealand) 5000, *General Requirements for Sustainability Assurance Engagements* (ISSA (NZ) 5000) and International Ethics Standards for Sustainability Assurance (including International Independence Standards) (New Zealand) (IESSA (NZ)), with relevant New Zealand amendments, to be applicable for periods beginning on or after 15 December 2026.

EY globally is intending to incorporate into its methodology, independence and ethics policies the international versions of ISSA (NZ) 5000 and IESSA (NZ) in accordance with the effective dates of these standards. If these standards are adopted, for entities assured in New Zealand, EYNZ intends to adopt our international methodology with New Zealand specific amendments incorporated, as appropriate.

We also support the XRB's proposal to adopt the Revisions to the Code Addressing Using the Work of an External Expert, without any New Zealand specific changes to recommend.

However, we make the following observations regarding the XRB's proposals:

1. We believe that adoption of ISSA (NZ) 5000 should lead to the removal of NZ SAE 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures* (and the option of use of ISAE (NZ) 3410 *Assurance Engagements on Greenhouse Gas Statements* (ISAE (NZ) 3410) and ISO 14064:3-2019 *Greenhouse gases — Part 3: Specification with guidance for the verification and validation of greenhouse gas statement* (ISO 14064:3-2019) for mandatory assurance) because:

    a. As stated in your consultation document, ISSA 5000 has been designed to be framework neutral and practitioner neutral, so it can be used by a broad range of assurance practitioners, not just those from (for example) a financial background. The standard provides clear requirements and application material to support all practitioners. This negates the previous rationale for developing a New Zealand specific standard, NZ SAE 1, as an assurance option which does not exclude certain assurance providers from the market. The XRB's recent GHG assurance snapshot (September 2025) suggests there is minimal effort in aligning to one standard as the vast majority are transitioning to ISAE (NZ) 3410 and Professional Ethics Standard 1 (PES 1).

    b. For the clarity of Climate Statements users regarding the extent of assurance work performed, consistent assurance standards are necessary. In the absence of clear

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alignment between the requirements of the ISAE (NZ) 3410 and ISO, in practice we see significant variations between the assurance procedures performed under ISAE (NZ) 3410 and ISO 14064:3-2019, as well as the presentation of the assurance statements. Adding another assurance standard option in addition to the already approved standards is likely to increase the existing inconsistency in assurance procedures and reporting. We consider ISSA (NZ) 5000 to require a greater level of assurance procedures when compared to ISAE (NZ) 3410. This reinforces the need to remove NZ SAE 1, ISAE (NZ) 3410 and ISO when ISSA (NZ) 5000 is available to all practitioners, rather than allow for any of these standards to be used. The proposed position will create a two-tiered market in terms of the level of assurance provided as well as confusion as to expectations and understanding on what assurance has been performed.

c. If ISSA (NZ) 5000 is added as an option to NZ SAE 1, in our view NZ SAE 1 will require amendments to incorporate more of the detailed requirements of ISSA (NZ) 5000 and the IESSA. Without amendment, there is potentially a significant disparity between engagements performed under ISSA (NZ) 5000, ISO and ISAE (NZ) 3410. We also believe that there will be significant differences between the ethical and independence requirements for an engagement performed under ISSA (NZ) 5000 and those performed under the other assurance options in NZ SAE 1. For example, at present there is very limited prescription in NZ SAE 1 regarding rotation. The rotation requirements of the IESSA are prescriptive. To have an assurance provider applying the strict provisions of the IESSA to the rotation on one client where ISSA (NZ) 5000 has been adopted and not on another client where another of the assurance options has been retained is not appropriate and introduces complexity within the assurance providers practice. It is unlikely that the reader will understand the different level of requirements (both in terms of procedures as well as ethics and independence) between the various standards. Any amendment to the ethical and independence requirements of NZ SAE 1 should be made in accordance with the adoption date for ISSB (NZ) 5000 and the IESSA to minimise confusion around transition periods. Misalignment with global timelines creates confusion and additional complexity to manage.

2. We do not agree that it is necessary to retain ISAE (NZ) 3410 as an assurance standard in New Zealand, nor retain NZ SAE 1. In our view, the retention of these standards will introduce confusion and a move to ISSA (NZ) 5000 in its entirety is more desirable to maintain international alignment and expectations on assurance related to sustainability topics.

3. We believe the proposed amendment to the IESSA NZ R5100.0 could be misinterpreted. The current wording could imply that for assurance engagements performed on the mandatory elements of NZ CS, the practitioner only needs to apply the independence requirements of NZ SAE 1. We understand this is not the intention. If the XRB continues with the use of NZ SAE 1 and adopts ISSA (NZ) 5000 (noting that we do not agree with this view – see point 1), we suggest additional wording to this proposed amendment as follows;

   "NZ R5100.0 A sustainability assurance practitioner shall apply the independence requirements in NZ SAE 1 <u>as well as the requirements of this standard</u> when conducting an assurance engagement for the disclosures within the climate statements relating to greenhouse gas emissions required by the Financial Markets Conduct Act 2013 to be the subject of an assurance engagement."

Should you wish to discuss our comments further, please contact Pip Best at Pip.Best@nz.ey.com.

Yours sincerely,

Pip Best
Partner - Climate Change and Sustainability Services