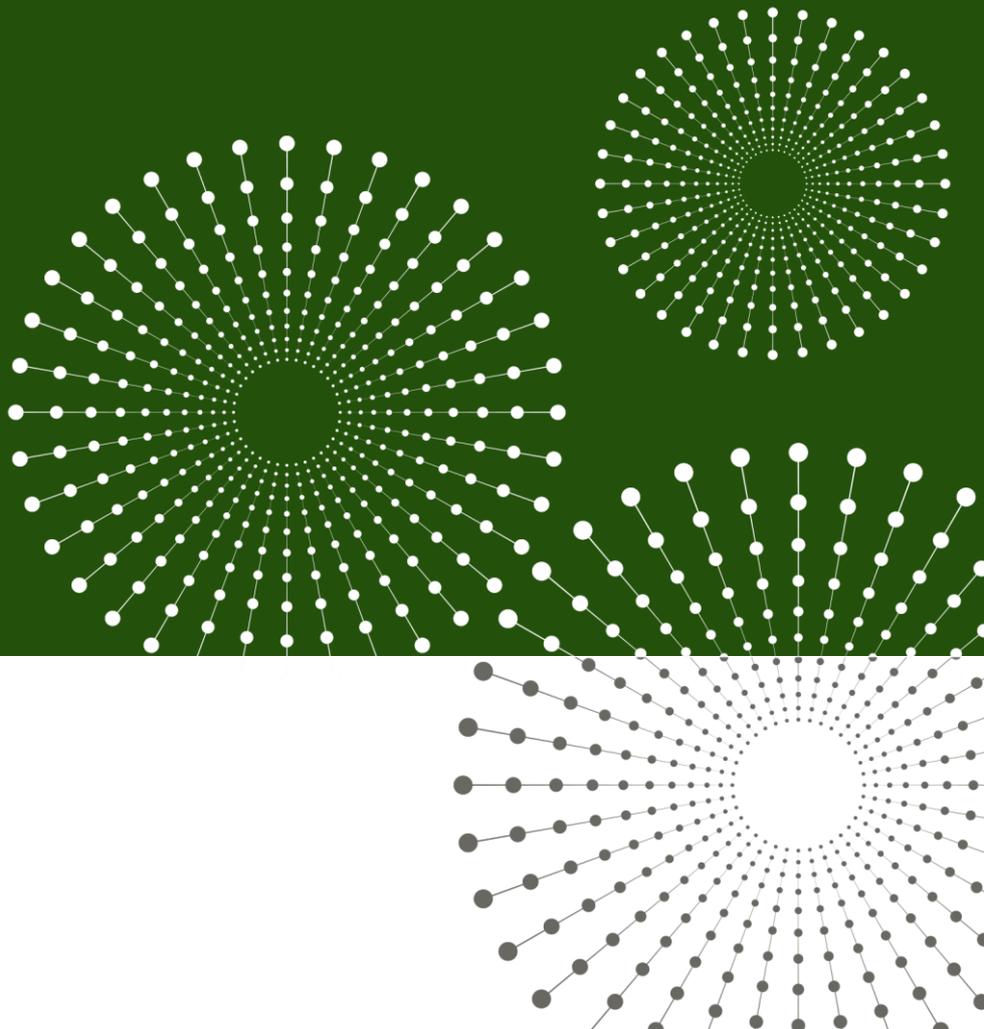


Sustainability assurance engagements and ethical and independence requirements

Basis for Conclusions



March 2026



This document relates to, but does not form part of:

- ISSA (NZ) 5000, *General Requirements for Sustainability Assurance Engagements*
- PES 1, International Code of Ethics for Assurance Practitioners (including International Independence Standards (New Zealand), including Part 5, *International Ethics Standards for Sustainability Assurance (including International Independence Standards)* and sections on *Using the Work of an External Expert*

which were approved by the NZAuASB¹.

This document summarises the major issues raised by respondents during our consultation on international alignment. It also explains how the XRB has addressed these issues.

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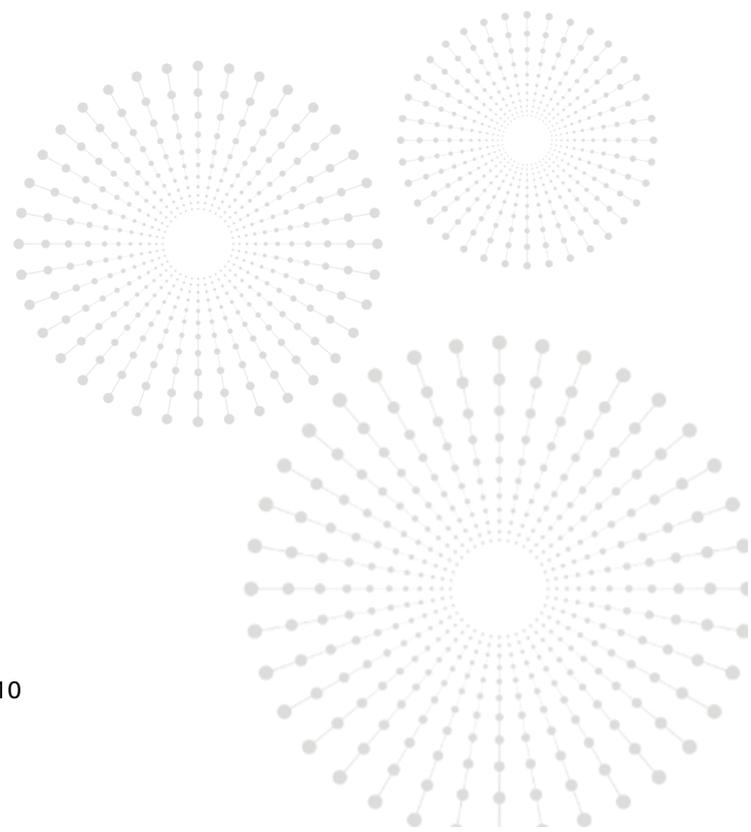
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¹ The NZAuASB is responsible for developing and issuing auditing and assurance standards. The NZAuASB operates under delegated authority from the XRB Board. References to ‘the XRB’ in this document refer to the External Reporting Board as an organisation.



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XRB's Sustainability Assurance Standards

1. This Basis for conclusions (BC) summarises the External Reporting Board's (the XRB's) considerations in finalising the following standards:
 - (a) International Standard on Sustainability Assurance (New Zealand) (ISSA (NZ)) 5000, General Requirements for Sustainability Assurance Engagements
 - (b) Professional and Ethical Standard 1, International Code of Ethics for Assurance Practitioners (including International Independence Standards (New Zealand) including the International Ethics Standards for Sustainability Assurance (including International Independence Standards) (New Zealand) (IESSA (NZ)) together with other revisions to the Code and Revisions Addressing Using the Work of an External Expert.

Why we're issuing new and revoking extant standards

2. In New Zealand, mandatory sustainability assurance is currently only required over the greenhouse gas (GHG) emissions disclosures in the climate statements of climate reporting entities. This is required under the Financial Markets Conduct Act 2013.
3. The XRB issued the temporary standard, NZ SAE 1², applicable to mandatory GHG emissions disclosures in August 2023. We have decided to issue new and revoke extant standards to incorporate developments in international assurance and ethical standards.
4. International standards were issued in response to an increasing demand for assurance in reported sustainability information and for investors and stakeholders to be able to place trust and confidence on such reporting. These international standards are designed to work together as a package. They have been developed to be framework neutral (applicable to a wide range of sustainability reporting under suitable reporting frameworks) as well as practitioner neutral, able to be used by a broad range of assurance practitioners, and not limited to those from a financial background.
5. The International Auditing and Assurance Board (IAASB) issued ISSA 5000³ in November 2024.
6. The International Ethics Standards Board for Accountants (IESBA) issued two standards in January 2025:
 - i. International Ethics Standards for Sustainability Assurance (including Independence Standards) ([IESSA](#)) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting
 - ii. [Revisions to the Code Addressing Using the Work of an External Expert](#) (Expert Revisions). Note these amendments impact all assurance engagements including audits of financial statements.
7. Internationally, ISSA 5000 will replace ISAE 3000⁴ as the global standard applicable to sustainability assurance engagements.
8. In addition, the IAASB will withdraw ISAE 3410⁵. While ISAE 3410 is topic-specific to GHG emissions, ISSA 5000 addresses assurance of all types of sustainability reporting including GHG emissions. Internationally, ISAE 3410 will be withdrawn from the date ISSA 5000 becomes effective. This applies to periods beginning on or after 15 December 2026.

² NZ SAE 1, *Assurance Engagements over Greenhouse Gas Emissions Disclosures*

³ [International Standard on Sustainability Assurance](#) (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*

⁴ ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

⁵ ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

Engaging stakeholders through Exposure Drafts and consultation

9. The XRB has a statutory obligation to publicly consult with stakeholders before issuing a standard. In light of these international developments, the XRB consulted with stakeholders on the appropriateness of these standards for the New Zealand market.
10. In July 2025, the XRB issued a consultation paper on international alignment, sustainability assurance, ethics and independence and using the work of an external expert. This consultation invited views on whether the XRB should make the three international standards available for use in New Zealand.
11. During the consultation period, the XRB held three deep dive webinars (one for each Exposure Draft), a virtual panel event to explore international considerations, a targeted workshop with assurance practitioners from various sectors, and several one-to-one meetings.
12. The consultation closed on 10 October 2025. We received 10 formal submissions. We considered all submissions received together with all comments and feedback heard through outreach events in finalising the standards.
13. This BC summarises the key messages we heard in our consultation and explains the rationale for the key decisions made.

Support for international alignment

14. The XRB has a strategic objective to adopt international assurance standards, including ethical and independence standards, to apply in New Zealand unless there are compelling reasons not to. The XRB is committed to ensuring that New Zealand standards remain internationally aligned. At the same time, we ensure they are locally relevant to reflect New Zealand's regulatory environment.
15. On consultation, we heard overwhelming support to make ISSA (NZ) 5000, IESSA (NZ) and Revisions to the Code Addressing Using the Work of an External Expert available for use in New Zealand. All practitioners that we heard from confirmed that they intended to transition to these new standards in line with the international applicable dates. As such, the NZAuASB, agreed that the XRB should adopt IESSA (NZ), Revisions to the Code Addressing using the Work of an External Expert and ISSA (NZ) 5000, applicable for periods beginning on or after 15 December 2026, with early adoption permitted.

Addressing New Zealand-Specific matters

ISSA (NZ) 5000 – Transparency about relationships or interests

16. Respondents supported the inclusion of a New Zealand requirement in ISSA (NZ) 5000 to address the existence of relationships or interests that the assurance practitioner may have with the client. One respondent requested clarification as to what relationships or interests to include when a firm carries out different engagements and has different roles. Examples described included that of auditor, non-assurance services or if a member of the firm has a close familial connection to the client.
17. The requirement is similar to requirements in ISA (NZ) 700⁶ and ISAE (NZ) 3000⁷. The intent is to provide transparency about any relationships or interests in the client. The specific

⁶ Para [NZ 28\(c\)](#) ISA (NZ) 700 (Revised) – Forming an Opinion and Reporting on Financial Statements

⁷ Para [NZ 69.1](#)

relationships or interests, if any, will be circumstance specific and the NZAuASB agreed to include the requirement in the final standard as exposed.

18. A stakeholder also highlighted that we did not include the NZ wording in the illustrative reports in ED ISSA (NZ) 5000 to illustrate this NZ requirement. These examples have been updated in Appendix 3 of ISSA (NZ) 5000 to include appropriate example wording.

ISSA (NZ) 5000 - Responsibility to communicate to those charged with governance

19. The exposure draft required communication with management about correcting misstatements. In the New Zealand context, a stakeholder raised concerns that ISSA (NZ) 5000 does not require communication with those charged with governance. This respondent considered that it is crucial to communicate such misstatements (other than those that are clearly trivial) to the individuals with oversight and responsibility for the preparation of the sustainability information.
20. We agreed but considered that this is a broader point for New Zealand, in relation to requirements referring to management or those charged with governance. For example, written representations that are required for a mandatory regime. However, ISSA (NZ) 5000 is suitable for all sustainability assurance, whether voluntary or required by legislation. Therefore, we decided to include a broad requirement in paragraph NZ 7.1 of ISSA (NZ) 5000, mirroring the ISAs (NZ), to clarify that management can refer to Those Charged with Governance in New Zealand, where appropriate.

ISSA (NZ) 5000 - Key Matters

21. NZ SAE 1 requires an assurance practitioner to report on key matters when such reporting will enhance the communication value of the assurance report (paragraphs 48 - 50). The reporting of key matters was consistent with our objective to provide more transparent and useful information to users.
22. We have actively monitored the use of key matters (and other communication tools) during 2025. This monitoring has highlighted areas of significance primarily in the assurance of scope 1 and scope 2 GHG emissions.
23. ISSA 5000 does not require the assurance report to include key matters. The IAASB acknowledged the potential public interest benefits of communicating of key matters and noted that ISSA 5000 does not preclude practitioners from including key matters in their assurance reports⁸.
24. We considered that there was not a compelling reason to amend ISSA (NZ) 5000 to include key matters at this time. The NZAuASB noted that key matters can continue to be reported under ISSA (NZ) 5000 and would encourage practitioners to include these when they consider they would be useful to users to explain significant areas of assurance focus, especially when scope 3 GHG emissions disclosures are covered by the assurance engagement.

Replication of New Zealand amendments in PES 1⁹

25. In our consultation, we proposed to replicate amendments that have been made to PES 1 for audits and reviews of financial statements in the IESSA (NZ) as we consider that these amendments are equally relevant to sustainability assurance. All feedback supported these additions.

⁸ IAASB Basis for Conclusions, ISSA 5000 General Requirements for Sustainability Assurance Engagements, paragraphs 123-125

⁹ Professional and Ethical Standard 1, *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand)

PES 1 - Fees

26. The IESSA (NZ) requires sustainability assurance practitioners to disclose assurance fees for public interest entities, if the entity itself has not disclosed them. This requirement in the IESSA (NZ) R5410.31 replicates the requirement in PES 1 [R410.31](#).
27. One respondent expressed that it is not appropriate to require an assurance practitioner to disclose this information, as this disclosure should be made by the entity.
28. In New Zealand, [FRS-44](#)¹⁰ requires an entity to disclose the fees for the audit or review of the entity's financial statements and each other type of service provided by the entity's audit or review firm. This means that fees for a sustainability assurance engagement are disclosed by the entity, if the financial statement audit firm is engaged to perform both assurance engagements. If another assurance practitioner does the sustainability assurance engagements, then these fees are not required to be disclosed. The fees for the mandatory assurance of the GHG disclosures in the climate statements are not required to be disclosed by the Aotearoa Climate Standards.
29. We considered this feedback and do not consider that there is a compelling reason to amend the New Zealand sustainability assurance or ethics and independence standards at this time. Paragraph 5410.31 A3 includes examples of where this information might be disclosed, if not disclosed by the entity, including within the sustainability assurance report, on the firm's website, in the firm's transparency report or through targeted communication to specific stakeholders. If the firm determines to disclose the fee-related information in the sustainability assurance report, it may be appropriate to do so as part of the assurance practitioners' other reporting responsibilities¹¹.

A permanent approach for assurance of greenhouse gas emissions disclosures

Developing the temporary standard: Our original approach and rationale

30. The XRB established a temporary assurance standard, NZ SAE 1, in August 2023. It was purposefully a temporary standard because:
 - (a) there were ongoing developments in international standards for sustainability assurance, so it was recognised that best practice standards were still evolving
 - (b) there were ongoing discussions about whether the scope of mandatory assurance would expand beyond the GHG emissions and how the assurance regime would be regulated
 - (c) there was a need to keep the regime open to all competent, independent assurance practitioners. This was a new regime and there was concern at availability of necessary expertise
 - (d) at that time, evidence in the voluntary GHG assurance market was that there was around a 50/50 split in use of ISAE (NZ) 3410 and the ISO standard¹² to conduct GHG assurance engagements in New Zealand.
31. Our consultation document noted that the XRB had decided not to withdraw NZ SAE 1 at this stage, while we learnt more about global adoption of the new standards, and how a diverse range of practitioner may adopt these standards.

¹⁰ FRS-44, *New Zealand Additional Disclosures*

¹¹ IESBA, Staff Questions & Answers January 2022, Q27A,

¹² ISO 14064-3:2019 Greenhouse gases - Part 3: Specification with guidance for the verification and validation of greenhouse gas statements.

Incorporating stakeholder feedback on the temporary standard and options

32. Feedback from all practitioners (from accountant and non-accountant firms) involved in the mandatory regime, expressed support to transition to the new international standards. This suggests that the new international standards are profession agnostic and do not create barriers to entry.
33. On consultation, we heard mixed feedback on:
 - (a) the ongoing need for the temporary standard; and
 - (b) if retained, the proposal of adding a third option in NZ SAE 1.
34. Specific to the proposal of adding a third option, many stakeholders, notably from non-practitioners, highlighted concern that this addition could lead to too much flexibility in the market. Submissions commented that the inclusion of the two international standards in NZ SAE 1 already causes inconsistencies in practice. Having too many options could cause confusion amongst users who were placing trust and confidence on the assurance reports.
35. Adding another option would exacerbate concerns. These submitters wanted NZ SAE 1 to be replaced by ISSA (NZ) 5000 and the IESSA (NZ).
36. Most submissions requested clarity on the future direction and the move to a permanent standard in the future.

Responding to changes in the New Zealand context

37. The New Zealand context has changed significantly from when the temporary standard was issued. We have actively monitored the standards used for the assurance of GHG disclosures and have published [snapshots](#) of what we have learnt. We have seen that the majority of assurance reports (close to 90%) refer to ISAE (NZ) 3410 and 85% of assurance reports refer to the use of PES 1.
38. In October 2025 the Government reduced the number of entities required to report and obtain assurance. In November 2025, the XRB extended the adoption provisions for scope 3 GHG emissions reporting by a further two years. This extension allows preparers more time to prepare and enables assurance methods to evolve, to ensure high quality, credible information.

Phasing out the temporary standard NZ SAE 1

39. Responsive to feedback received and changes in the New Zealand context, we have decided to move away from the temporary approach for mandatory greenhouse gas emissions disclosures assurance. ISSA (NZ) 5000, together with the IESSA (NZ), will be the assurance standards to be used for the assurance of the mandatory GHG disclosures for periods beginning on or after 15 December 2026.
40. Early adoption of these standards is permitted. If an assurance practitioner decides to early adopt ISSA (NZ) 5000 they are not required to apply NZ SAE 1 for periods that begin before 15 December 2026.
41. If ISSA (NZ) 5000 is early adopted, the assurance practitioner is not required to (but may) early adopt the IESSA (NZ). Likewise, if IESSA (NZ) is early adopted, the assurance practitioner is not required to early adopt ISSA (NZ) 5000.
42. ISSA (NZ) 5000 requires an assurance practitioner to apply ethical requirements that are at least as demanding as PES 1. If the assurance practitioner chooses to early adopt ISSA (NZ) 5000 but not the IESSA (NZ), they are required to apply the requirements of Part 4B of PES 1 until applicable date of the new PES 1.

43. In making the decision to phase out our temporary approach, we heard that all practitioners were intending to transition to both ISSA (NZ) 5000 and the IESSA (NZ). In light of this feedback, it is unclear who would continue to use either the ISAE (NZ) 3410 or ISO alternatives required by the temporary standard once ISSA (NZ) 5000 and the IESSA (NZ) are applicable.
44. We heard that our stakeholders sought certainty about our timelines. We determined that a two-year transition period, (with transition required for assurance of accounting periods beginning on or after 15 December 2026) provides certainty, and would allow sufficient time to enable practitioners to transition and implement these new standards. The IESSA (NZ) includes a delayed application date of certain requirements related to the value chain and transitional provisions relating to long association, non-assurance services and reliance on assurance work of another practitioner. We are committed to supporting this transition by running events and issuing guidance to support the adoption and implementation.

Engagement Quality Review

45. NZ SAE 1 includes quality management requirements. NZ SAE 1, paragraph 73 requires a quality review for each assurance engagement over greenhouse gas emissions disclosures required by the Financial Markets Conduct Act 2013.
46. The NZAuASB considered arguments for and against retaining a mandatory requirement for an engagement quality review (EQR) for these mandatory assurance engagements over the Greenhouse Gas (GHG) disclosures.
47. On balance, the NZAuASB agreed that there is no compelling reason to add a mandatory requirement for an EQR when NZ SAE 1 is revoked. PES 3¹³ already requires an EQR when the firm determines it is an appropriate response to one or more quality risks. Considering the importance of quality assurance engagements, the NZAuASB determined that this risk-based approach required by PES 3 is appropriate under the current regime.
48. During this consultation, an overarching message reiterated by stakeholders, is the importance of international (particularly Trans-Tasman) alignment. Neither the IAASB, nor the AUASB, require an EQR for sustainability assurance engagements. The EQR requirement in NZ SAE 1 was included before the international sustainability standard was developed and the context has since changed. Firms have since developed methodologies and experience, and they understand the quality risks that would require an EQR as a response when applying the risk-based approach required by PES 3.

Phasing out ISAE (NZ) 3410 to maintain international alignment

49. In our consultation, we proposed to defer the decision to withdraw ISAE (NZ) 3410. It was noted that ISAE (NZ) 3410 is specific to GHG emissions, which is the scope of the mandatory assurance required for climate statements.
50. The majority of submissions did not support deferring the decision to withdraw ISAE (NZ) 3410 to a later date. These respondents stated that they felt that most practitioners will transition to ISSA (NZ) 5000 and that retaining ISAE (NZ) 3410 may lead to confusion and inconsistency in the marketplace for investors and other users of assurance reports. They recommended that ISSA (NZ) 5000 be used in place of ISAE (NZ) 3410 as this would maintain international alignment.
51. Three submissions agreed that a deferral of the decision to withdraw ISAE (NZ) 3410 was appropriate. They identified that investment had been made by New Zealand firms to align to

¹³ PES 3, *Quality Management for firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, paragraph NZ 34(f)(iii)*

ISAE (NZ) 3410 and firms that do not have global support would benefit from continuing to use ISAE (NZ) 3410 until an ISSA (NZ) 5000 methodology is more broadly developed.

52. Given that ISAE 3410 is withdrawn internationally for periods beginning on or after 15 December 2026, any report issued in accordance with ISAE (NZ) 3410 will not be internationally aligned for engagements after that date.
53. We listened to the feedback received and reconsidered the ongoing need for ISAE (NZ) 3410. We have not identified any legislative need, separate to the climate reporting regime, to retain ISAE (NZ) 3410.
54. After considering the consultation feedback, the XRB has decided to revoke ISAE (NZ) 3410. This standard can no longer be used for periods beginning on or after 15 December 2026.
55. We heard that some of the application material included in ISAE (NZ) 3410 may be useful for the assurance of GHG disclosures and we plan to issue that as staff guidance.