

NEW ZEALAND STANDARD ON ASSURANCE ENGAGEMENTS 1

ASSURANCE ENGAGEMENTS OVER GREENHOUSE GAS EMISSIONS DISCLOSURES

Legal status of Standard

This Standard was issued on 3 August 2023 by the New Zealand Auditing and Assurance Standards Board of the External Reporting Board (XRB) pursuant to section 12(b) of the Financial Reporting Act 2013.

This Standard is secondary legislation for the purposes of the Legislation Act 2019. An assurance practitioner, that is required to apply this Standard, is required to apply the Standard in accordance with the application date which is set out in paragraph 2 of this Standard.

In finalising this Standard, the New Zealand Auditing and Assurance Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This Standard has been issued to be applied by an assurance practitioner when conducting an assurance engagement for the parts of the climate statements relating to greenhouse gas emissions required by the Financial Markets Conduct Act 2013 to be the subject of an assurance engagement.

This compilation was prepared in November 2025 and incorporates amendments up to and including November 2025.

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History of Amendments

Table of pronouncements – New Zealand Standard on Assurance Engagements 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures*

This table lists the pronouncements establishing and amending NZ SAE 1

Pronouncements	Date approved	Effective Date
New Zealand Standard on Assurance Engagements 1 Assurance Engagements over Greenhouse Gas Emissions Disclosures	August 2023	27 October 2024
Amendments to Assurance Engagements over Greenhouse Gas Emissions Disclosures 2024	November 2024	Mandatory date of 1 January 2024
Amendment to Assurance Engagements over Greenhouse Gas Emissions Disclosures 2025	November 2025	Mandatory date of 1 January 2025

Table of Amended Paragraphs in NZ SAE 1		
Paragraph affected	How affected	By...[date]
Paragraph 7A	Added	Amendments to Assurance Engagements over Greenhouse Gas Emissions Disclosures 2024
Paragraph 7B	Added	Amendments to Assurance Engagements over Greenhouse Gas Emissions Disclosures 2024
Paragraph 7A	Amended	Amendment to Assurance Engagements over Greenhouse Gas Emissions Disclosures 2025

Commencement, Application and Cessation

When standard takes effect (section 27 Financial Reporting Act 2013)

1. This standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019¹.

Accounting period in relation to which standard commences to apply (section 28 Financial Reporting Act 2013)

2. The accounting periods in relation to which this standard commences to apply are:
 - (a) for an early adopter, those accounting periods following, and including, the early adoption accounting period.
 - (b) for any other assurance practitioner, those accounting periods that commenced before, but ends on or after 27 October 2024 or accounting periods that commence on or after 27 October 2024.

3. In paragraph 2:

early adopter means an assurance practitioner that applies this standard for an early adoption accounting period.

early adoption accounting period means the accounting period of the climate reporting entity:

- (a) that begins before 27 October 2024 but has not ended or does not end before this standard takes effect (and to avoid doubt, that period may have begun before this standard takes effect); and
- (b) for which the early adopter:
 - (i) first applies this standard in an assurance engagement; and
 - (ii) discloses in the assurance report for that accounting period that this standard has been applied for that period.

Accounting period in relation to which standard ceases to apply (section 28 Financial Reporting Act 2013)

4. This standard shall be revoked if the assurance required by the Financial Markets Conduct Act 2013 is amended, or if new international standards issued in this area are determined by the XRB to be relevant for New Zealand. (Ref: Para. A1–A2)

Non-Assurance Services Transitional Provision

5. If the following circumstances apply before this standard takes effect:
 - (a) The assurance organisation or the assurance practitioner has been engaged to provide non-assurance services that relate to the GHG information of the assurance client, and
 - (b) Work on the non-assurance services has already commenced, and
 - (c) The non-assurance services are provided for reporting periods prior to, or ending on, 31 December 2023,

¹ The standard was published on 3 August 2023.

then those services can continue to be provided in accordance with the original engagement terms for those non-assurance services until completed. However, before accepting an assurance engagement, the assurance organisation and the assurance practitioner shall follow the requirements of paragraph 6. This transitional provision relates to the evaluation of independence in accordance with paragraphs 18 and 19.

6. Before the transitional provision in paragraph 5 is utilised, the assurance organisation and the assurance practitioner shall:
 - (a) Apply professional judgement to assess independence threats arising from the non-assurance services provided in the past and apply safeguards to eliminate or reduce identified threats to an acceptable level;
 - (b) Prepare documentation in accordance with paragraph 16;
 - (c) Discuss these threats, and responsive actions, with those charged with governance of the assurance client; and
 - (d) Disclose the services with the assurance client in the assurance report in accordance with paragraph 57.

If the assurance organisation and the assurance practitioner cannot take actions to eliminate or reduce the identified threats to an acceptable level, then they shall not accept the assurance engagement.

Scope

7. This standard deals with the assurance practitioner's responsibilities when conducting an assurance engagement for the disclosures within the climate statements relating to GHG emissions required by the Financial Markets Conduct Act 2013 (the Act) to be the subject of an assurance engagement.
- 7A. In accordance with paragraph 24 of NZ CS 2², a Climate Reporting Entity may use adoption provision 8 so that scope 3 GHG emissions disclosures are excluded from the scope of the assurance engagement in relation to accounting periods ending before 31 December 2027. This means that the assurance of scope 3 GHG emissions disclosures will apply in relation to accounting periods ending on or after 31 December 2027.
- 7B. For the avoidance of doubt, if adoption provision 8 of NZ CS 2 is used, the scope 1 and scope 2 GHG emissions disclosures shall be the subject of an assurance engagement (see paragraphs 25, 26(a)(i) and (ii), 26(b) and 26(c) of NZ CS 1³) in accordance with NZ SAE 1.
8. This standard does not set requirements, or provide guidance, for assurance engagements over the whole, or other parts, of the climate statements. (Ref: Para. A3)

Definitions

9. For the purposes of this standard, the following terms have the meaning attributed below:

² NZ CS 2 *Adoption of Aotearoa New Zealand Climate Standards*

³ NZ CS 1 *Climate-related Disclosures*

- (a) Assurance client: A climate reporting entity as defined in the Act.
- (b) Assurance organisation: An organisation performing a GHG assurance engagement. An assurance organisation can be a sole assurance practitioner, partnership, company or other entity of assurance practitioners, or public sector equivalent.
- (c) Assurance practitioner: An individual involved in performing the assurance engagement. (Ref: Para. A4)
- (d) Assurance team: The engagement leader, assurance practitioners, and those who recommend the compensation, or provide direct supervisory, management or other oversight, of the engagement leader and assurance practitioners, in connection with the performance of the assurance engagement.
- (e) Emphasis of Matter: A section in the assurance report that refers to disclosures in the GHG disclosures, that in the assurance practitioner's judgement, are fundamental to users' understanding of the information.
- (f) Engagement leader: The assurance practitioner who takes overall responsibility for the assurance engagement, including the assurance report.
- (g) Fraud: An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.
- (h) GHG disclosures: The disclosure of a climate reporting entity's GHG emissions as required by Aotearoa New Zealand Climate Standards (NZ CSs) which are subject to mandatory assurance.
- (i) Key Matters: A section in the assurance report that relates to matters which, in the engagement leader's professional judgement, were of most significance in the assurance engagement in the current period, are relevant to user's understanding of the assurance engagement and enhance the communicative value of the assurance report.
- (j) Other information: Information (other than the GHG disclosures and the assurance report thereon) which is included in a document containing the GHG disclosures and the assurance report thereon.
- (k) Other Matter: A section in the assurance report that refers to matters not disclosed in the GHG disclosures, relevant to users' understanding of the assurance practitioner's responsibilities or the assurance report.
- (l) System of Quality Management: A system to support the assurance organisation and demonstrate that:
 - (i) The assurance organisation and assurance practitioners fulfil their responsibilities and conduct the assurance engagement in accordance with applicable standards and legal and regulatory requirements; and
 - (ii) Assurance reports issued are appropriate in the circumstances.

Objectives

10. The objectives of the assurance practitioner are:
 - (a) To obtain assurance about whether the GHG disclosures are free from material misstatement;
 - (b) To report their findings in the assurance report; and
 - (c) To communicate as otherwise required by this NZ SAE.

Requirements

Applicable Assurance Standards

11. When conducting the assurance engagement required by the Financial Markets Conduct Act 2013, the assurance practitioner:
 - (a) Shall comply with either ISO 14064-3: 2019 *Greenhouse gases — Part 3: Specification with guidance for the verification and validation of greenhouse gas statements*⁴ or ISAE (NZ) 3410 *Assurance Engagements on Greenhouse Gas Statements*.
 - (b) Is not required to, but may, comply with PES 1⁵, and shall comply with the fundamental principles and independence requirements set out in paragraphs 13 to 23 of this standard.
 - (c) Is not required to, but may, comply with PES 3⁶, and shall comply with the quality management requirements set out in paragraphs 62 to 72 of this standard.
 - (d) Is not required to, but may, comply with PES 4⁷, and shall comply with the quality reviewer requirements set out in paragraph 73 to 78 of this standard.
12. The assurance organisation and the assurance practitioner shall comply with relevant accreditation or professional body requirements, including applicable ethical and quality management requirements, that apply to them. (Ref: Para. A5)

Ethical Requirements

Fundamental Principles

13. The assurance organisation and the assurance practitioner shall comply with each of the following fundamental principles, and in applying the fundamental principles, assurance practitioners shall be guided not merely by the words, but also by the spirit of the fundamental principles:
 - (a) Independence – to be free from conditions or relationships which would compromise, or would appear to compromise, integrity or objectivity (independence of mind and independence in appearance). (Ref: Para. A6)

⁴ ISO 14064-3: 2019 is available for purchase from the Standards NZ website: <https://www.standards.govt.nz/shop/iso-14064-32019/>. We understand this ISO is subject to revision five years after being issued.

⁵ Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards (New Zealand))*

⁶ Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

⁷ Professional and Ethical Standard 4 *Engagement Quality Reviews*

- (b) Integrity – to be straight forward and honest; complying with the spirit as well as the letter of applicable principles.
- (c) Objectivity – to be impartial, to be free from bias, conflict of interest or influence from others.
- (d) Professional Competence and Due Care – to:
 - (i) Attain and maintain knowledge and skills necessary to perform the GHG assurance engagement; and
 - (ii) Act diligently and in accordance with applicable standards, laws and regulations.
- (e) Confidentiality – to respect the confidentiality of information acquired as a result of undertaking the assurance engagement.
- (f) Professional Behaviour – to:
 - (i) Comply with relevant laws and regulations;
 - (ii) Behave in a manner consistent with the responsibility to act in the public interest; and
 - (iii) Avoid any conduct that the assurance practitioner knows, or should know, might discredit the assurance profession. (Ref: Para. A7–A8)
- 14. The assurance organisation and the assurance practitioner shall identify, evaluate and address threats to compliance with the fundamental principles. (Ref: Para. A9)
- 15. All threats to the fundamental principles shall be eliminated or reduced to an acceptable level. Where the assurance practitioner cannot reduce threats to an acceptable level, they shall withdraw from the assurance engagement. (Ref: Para. A10–A13)

Documentation

- 16. The assurance organisation and the assurance practitioner shall document conclusions regarding compliance with each of the fundamental principles including:
 - (a) The substance of any relevant discussions that support those conclusions;
 - (b) The nature of the threat and the safeguards applied; and
 - (c) When a threat required significant analysis and the assurance practitioner concluded that the threat was already at an acceptable level, the nature of the threat and the rationale for the conclusion.

Independence Requirements

Conditions and Relationships

- 17. The assurance organisation and the assurance team shall remain free from conditions and relationships that a reasonable and informed third party would be likely to conclude compromised their independence. (Ref: Para. A14)

Self-review Threat Prohibition

- 18. The assurance organisation and the assurance team shall not:
 - (a) Prepare the GHG information and then assure the GHG disclosures;

- (b) Assure their own work; or
- (c) Provide any other non-assurance services to the assurance client that might possibly create a self-review threat in relation to the GHG disclosures on which the assurance practitioner will express an assurance conclusion. (Ref: Para. A15–A18)

Prohibition on Assuming Management Responsibilities

- 19. The assurance organisation and the assurance team shall not assume a management responsibility for the assurance client. (Ref: Para. A19–A20)

Financial Interest Prohibition

- 20. A direct financial interest or a material indirect financial interest in the assurance client shall not be held by:
 - (a) The assurance organisation;
 - (b) A member of the assurance team; or
 - (c) An immediate family member of the assurance team. (Ref: Para. A21–A25)
- 21. A direct financial interest or a material indirect financial interest in an entity that has a controlling interest in the assurance client, which is material to that entity, shall not be held by:
 - (a) The assurance organisation;
 - (b) A member of the assurance team; or
 - (c) An immediate family member of the assurance team. (Ref: Para. A21–A25)

Addressing Familiarity Threat due to Long Association

- 22. The assurance organisation and the assurance team shall identify, evaluate and respond to any threats that arise due to the assurance practitioner's long association with the assurance client.

Independence Period

- 23. Independence shall be maintained during both:
 - (a) The engagement period; and
 - (b) The reporting period covered by the GHG disclosures.

Competence

- 24. The engagement leader shall have sufficient competence in assurance skills and techniques and sufficient competence in the measurement and reporting of GHG emissions to accept responsibility for the assurance conclusion. (Ref: Para. A26–A32)
- 25. The engagement leader shall be satisfied that assurance practitioners who are to perform the assurance engagement over GHG disclosures collectively have the appropriate competence and capabilities, including in the measurement and reporting of GHG emissions and in assurance, to perform the GHG assurance engagement. (Ref: Para. A26–A32)

Use of the Work of Others

26. If the assurance practitioner intends to use the work of other individuals or organisations who have expertise in matters related to GHG emissions, the assurance practitioner shall:
 - (a) Evaluate whether that individual or organisation has the necessary competence, capabilities and objectivity for the assurance practitioner's purposes;
 - (b) When evaluating objectivity, enquire with the individual or organisation regarding interests and relationships that may create a threat to that individual or organisation's objectivity; (Ref: Para. A33)
 - (c) Obtain a sufficient understanding of the field of expertise of the individual or organisation to determine the nature, scope and objectives of that individual or organisation for the assurance practitioner's purposes;
 - (d) Agree with the individual or organisation the nature, scope and objectives of their work; and
 - (e) Evaluate the adequacy of the work performed by the individual or organisation for the assurance practitioner's purposes. (Ref. Para. A34–A35)
27. If the assurance practitioner intends to use the work of another assurance practitioner, who is not subject to their assurance organisation's system of quality control, the assurance practitioner shall follow the requirements of paragraph 26, where relevant, and shall perform the following additional steps:
 - (a) Determine that the other assurance practitioner is independent of the assurance client and GHG disclosures;
 - (b) Evaluate whether the other assurance practitioner's system of quality management related to that assurance work is suitable for their purposes; and
 - (c) Communicate with that practitioner about the findings from their work.

Management bias

28. The assurance practitioner shall consider, and respond to, the risk of management bias in relation to the GHG disclosures when developing a plan of assurance procedures to be performed during the assurance engagement. This shall be documented and updated throughout the engagement if new information comes to light. (Ref: Para. A36–A37)

Fraud

29. The assurance practitioner shall maintain professional scepticism throughout the engagement and identify how and where the GHG disclosures may be susceptible to material misstatement due to fraud. (Ref: Para. A38)
30. The assurance practitioner shall determine appropriate responses to address any identified risks of material misstatement due to fraud within the GHG disclosures, to allow for an appropriate assurance report to be issued. (Ref: Para A39)
31. The assurance practitioner shall make enquiries of management, those charged with governance, and others within the assurance client as appropriate, to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the GHG disclosures. Where responses to the enquiries are inconsistent, the assurance practitioner shall investigate the inconsistencies.

32. The assurance practitioner shall respond appropriately to actual, suspected or alleged fraud affecting the GHG disclosures identified during the assurance engagement.

Non-compliance with Laws and Regulations

33. The assurance practitioner might encounter or be made aware of non-compliance or suspected non-compliance with laws and regulations by the assurance client during the assurance engagement. If such matters are identified, the assurance practitioner shall: (Ref: Para A40)
 - (a) Gain an understanding of the matter and discuss this with the assurance client;
 - (b) Depending on the nature and significance of the matter, perform additional assurance procedures to evaluate the impact on the GHG disclosures; and
 - (c) Consider the need to report this matter to other internal and external parties, in line with relevant laws and regulations.

Comparative Information

34. The assurance practitioner shall evaluate whether all comparative information presented in the GHG disclosures agrees with the disclosures presented in the prior periods or, when appropriate, has been restated, and that the restatement has been disclosed. (Ref: Para. A41– 43)
35. If the assurance practitioner becomes aware, based on evidence obtained in the current year, that there may be a material misstatement in the comparative information, the assurance practitioner shall:
 - (a) Discuss the matter with the assurance client and perform procedures appropriate in the circumstances; and
 - (b) If the comparative information contains a material misstatement, and the comparative information has not been restated, consider the impact on the assurance report. (Ref: Para. A43)
36. The assurance practitioner shall include an Other Matter paragraph in the assurance report identifying which comparative information has not been subject to assurance.
37. If the comparative information was assured by a predecessor assurance practitioner, from another assurance organisation, the assurance practitioner shall state in an Other Matter paragraph in the assurance report:
 - (a) That the GHG disclosures of the prior period were assured by the predecessor assurance practitioner from another assurance organisation;
 - (b) The type of conclusion expressed by the predecessor assurance practitioner and, if this was modified, the reasons therefore; and
 - (c) The date of that report.

Other Information

38. The assurance practitioner shall read other information included in the documents containing the GHG disclosures that are subject to the assurance engagement, to identify material inconsistencies, if any, with the GHG disclosures or the assurance report. If the assurance practitioner:

- (a) Identifies a material inconsistency between the other information and the GHG disclosures or the assurance report; or
 - (b) Becomes aware of a material misstatement of fact in the other information that is unrelated to matters appearing in the GHG disclosures or the assurance report;
- the assurance practitioner shall discuss the matter with the assurance client and take further action as appropriate, before issuing the assurance report.

Written Representations

- 39. The assurance practitioner shall obtain written representations from those charged with governance of the assurance client. (Ref: Para A44–A49)
- 40. The assurance practitioner shall evaluate the reasonableness and consistency of the written representations with other assurance evidence, including other oral or written representations received.
- 41. Written representations shall not replace other evidence the assurance practitioner could reasonably expect to be available.
- 42. The date of the written representations shall be as near as practicable to, but not after, the date of the assurance report.

Independent Assurance Report

Identifying Information Subject to Assurance

- 43. The assurance report shall:
 - (a) Clearly identify the information within the climate statement that is subject to the assurance engagement;
 - (b) Clearly identify the information within the climate statement that is excluded from the assurance engagement; and
 - (c) Include a statement that the assurance practitioner has not performed any procedures with respect to the excluded information and, therefore, that no conclusion is expressed on it.
- 44. When the assurance engagement covers the whole climate statements or other disclosures in addition to the GHG disclosures, the assurance report shall separately identify the parts of the climate statements relating to GHG disclosures, as required by the Act. (Ref: Para. A3)

Form and Level of the Conclusion

- 45. The first section of the independent assurance report shall include the assurance practitioner's conclusion unless the applicable standards require otherwise.
- 46. When some GHG disclosures are subject to reasonable assurance and others are subject to limited assurance, the assurance report shall clearly identify the GHG disclosures that are subject to each level of assurance and the related conclusion.
- 47. The level of assurance shall be specified prior to the start of the assurance engagement and conclusions shall be formed in relation to that level of assurance. Unless it is justified, the assurance practitioner shall not change the level of assurance once the

assurance engagement has begun. If a change in the level of assurance is justified, the assurance practitioner shall:

- (a) Document the reasons for the change;
- (b) Not disregard evidence that was obtained prior to the change; and
- (c) Start a new assurance engagement at the different level of assurance.

Key Matters

- 48. If the assurance practitioner identified key matters during the assurance engagement, a Key Matters section shall be included in the assurance report if in the assurance practitioner's professional judgement such reporting will enhance the communicative value of the assurance report. (Ref: Para: A50–A54)
- 49. The Key Matters section shall:
 - (a) Be included under a separate heading “Key Matters”;
 - (b) State that key matters are those matters that in the assurance practitioner's professional judgement, were most significant in undertaking the assurance engagement over GHG disclosures;
 - (c) Include an explanation of why the matter is a key matter; and
 - (d) Outline what the assurance practitioner has done to address the matter.
- 50. The assurance practitioner shall consider whether to include findings for the key matters identified. The description of the findings shall not imply that a separate assurance conclusion on the individual key matter was reached.

Emphasis of Matter

- 51. If the assurance practitioner considers it necessary to draw users' attention to a matter in the GHG disclosures that is not reported as a key matter but that, in the assurance practitioner's judgement, is of such importance that it is fundamental to the users' understanding of the GHG disclosures, the assurance practitioner shall include an Emphasis of Matter section in the assurance report.
- 52. The Emphasis of Matter section shall:
 - (a) Be included under a separate heading “Emphasis of Matter”;
 - (b) Clearly refer to the disclosure being emphasised and where the disclosures can be found. The paragraph shall refer only to information presented in the GHG disclosures; and
 - (c) Indicate that the assurance conclusion is not modified in respect of the matter emphasised.

Other Matter

- 53. If the assurance practitioner considers it necessary to communicate a matter other than those that is included in the GHG disclosures, that is not reported as a key matter but that, in the assurance practitioner's judgement, is relevant to users' understanding of the engagement, the assurance practitioner's responsibilities or the assurance report, the assurance practitioner shall include an Other Matter section in the assurance report. (Ref: Para. A55)

54. The Other Matter section shall:
 - (a) Be included under a separate heading “Other Matter”; and
 - (b) Clearly reflects that the matter is not required to be disclosed in the GHG disclosures.

Inherent Uncertainty in Preparing GHG Disclosures

55. The assurance report shall include a statement that GHG quantification is subject to inherent uncertainty.

Other Communication Responsibilities

Identification of Applicable Standards

56. The assurance report shall identify the standards applied to the assurance engagement and, any professional or accreditation standards that are applied by the assurance organisation and the assurance practitioner.

Existence of Relationships with the Assurance Client or the GHG disclosures

57. The assurance report shall include a statement as to the existence of any relationship (other than undertaking the GHG assurance engagement) which the assurance practitioner or the assurance organisation has with the assurance client or any of its subsidiaries.
58. The assurance report shall state that the assurance organisation is not permitted to be involved in the preparation of the current period’s GHG information as doing so may compromise independence.

Name of Engagement Leader

59. The assurance report shall include the name of the engagement leader, unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat. In these rare circumstances, where the engagement leader intends not to include their name in the assurance report, the engagement leader shall discuss this intention with those charged with governance, and the quality reviewer, to inform the assessment of the likelihood and severity of a significant personal security threat.

Documentation of procedures

60. The assurance practitioner shall prepare documentation that is sufficient to enable an experienced assurance practitioner, having no previous connection to the assurance engagement, to understand:
 - (a) The nature, timing and extent of the procedures performed and applicable legal and regulatory requirements;
 - (b) The results of the procedures performed, and the evidence obtained; and
 - (c) Significant matters arising during the engagement, the conclusions reached thereon, and significant professional judgements made in reaching those conclusions.
61. The assurance documentation shall be prepared on a timely basis and retained in line with the assurance organisation’s quality management policies.

Quality Management Requirements

62. The assurance organisation shall design, implement and operate a system of quality management that is appropriate for the conduct of GHG assurance engagements. This includes both quality management processes at the assurance organisation level, as well as on individual assurance engagements.

Risk Assessment

63. The assurance organisation shall apply a risk-based approach in designing, implementing and operating the system of quality management in an interconnected and coordinated manner such that the assurance organisation proactively manages the quality of GHG assurance engagements they perform.
64. The assurance organisation shall design and implement a risk assessment process, exercising professional judgement, taking into account the nature and circumstances of the assurance organisation and its GHG assurance engagements, to:
 - (a) Establish objectives relating to quality (quality objectives);
 - (b) Identify and assess risks relating to quality (quality risks); and
 - (c) Design and implement responses to address the quality risks (risk responses).
65. When designing and implementing a risk assessment process, the assurance organisation shall consider the following areas:
 - (a) Governance and leadership – including the ultimate responsibility, accountability and operational responsibility for the system of quality management and the internal culture of the assurance organisation around quality;
 - (b) Relevant ethical requirements – including awareness of requirements, and the accumulation and communication of relevant information to and from personnel within the assurance organisation;
 - (c) Acceptance and continuance of client relationships and specific engagements – including competence, capabilities and resources available to complete assurance engagements, and the integrity of the assurance client;
 - (d) Engagement performance – including the responsibility for individual engagement performance, structure, supervision and training of assurance practitioners;
 - (e) Resources – including the availability of human resources, technological resources, intellectual resources and service providers relevant to the performance of assurance engagements; and
 - (f) Information and communication – including information necessary to the system of quality management and the communication of information within the assurance organisation and external parties.

Monitoring and Remediation

66. The assurance organisation shall establish, and document, a monitoring and remediation process to:

- (a) Provide relevant, reliable and timely information about the design, implementation and operation of the system of quality management; and
 - (b) Take appropriate action to respond to identified deficiencies such that deficiencies are remediated on a timely basis.
67. In determining the nature, timing and extent of the monitoring activities, the assurance organisation shall take into account:
- (a) The reasons for the assessments given to the quality risks;
 - (b) The design of the responses;
 - (c) The design of the assurance organisation's risk assessment process and monitoring and remediation process;
 - (d) Changes in the system of quality management, and changes in external and internal issues that are relevant to the system of quality management;
 - (e) The results of previous monitoring activities, whether previous monitoring activities continue to be relevant in evaluating the assurance organisation's system of quality management and whether remedial actions to address previously identified deficiencies were effective; and
 - (f) Other relevant information, including feedback, complaints and allegations about failures to perform work in accordance with professional standards, applicable legal and regulatory requirements or non-compliance with the assurance organisation's policies or procedures established in accordance with this standard and information from service providers.

Documentation of Quality Management

68. The assurance organisation shall prepare and maintain documentation of its system of quality management that is sufficient to:
- (a) Support a consistent understanding of the system of quality management by personnel, including an understanding of the roles and responsibilities with respect to the system of quality management and the performance of GHG assurance engagements; and
 - (b) Support and evidence the design, consistent implementation and operation of the responses.

Engagement Performance

69. The assurance organisation shall establish policies and procedures that include:
- (a) Matters to promote consistency in the quality of engagement performance;
 - (b) Supervision responsibilities; and
 - (c) Review responsibilities on the basis that work of less experienced assurance practitioners is reviewed by more experienced assurance practitioners.

Engagement Leader Responsibilities

70. The engagement leader shall take overall responsibility for:
- (a) Acceptance and continuance of the assurance engagement;

- (b) Direction, supervision and review of assurance practitioners, and quality of the assurance evidence obtained to support the assurance report;
 - (c) Undertaking adequate consultation during the engagement;
 - (d) Satisfactory completion of the quality review, and resolving any differences of opinion; and
 - (e) Adequately addressing any independence or quality management matters arising.
71. The engagement leader shall determine that the following matters are adequately documented:
- (a) Issues identified, relevant discussions with personnel, and conclusions reached with respect to:
 - (i) Fulfilment of relevant ethical and independence requirements; and
 - (ii) The acceptance and continuance of the client relationship and assurance engagement;
 - (b) Sufficient appropriate assurance evidence to be able to draw conclusions; and
 - (c) The nature and scope of, and conclusions resulting from, consultations undertaken during the assurance engagement and how such conclusions were implemented.

Consultation

72. The assurance organisation shall establish policies and procedures to enable appropriate consultations on difficult or contentious matters, that include:
- (a) Sufficient resources are available to enable appropriate consultation to take place;
 - (b) The nature and scope of, and conclusions resulting from, such consultations are documented and are agreed by both the individual seeking consultation and the individual consulted; and
 - (c) Actions arising from consultations are implemented; or the reasons alternative courses of action from consultations were undertaken are documented.

Quality Reviewer

73. A quality reviewer shall be appointed for each assurance engagement.
74. The quality reviewer shall review the quality of the assurance engagement and shall not have any involvement in the performance of the assurance engagement.
75. The quality reviewer shall perform a review to evaluate:
- (a) The appropriateness of the engagement leader and assurance practitioners' competencies to complete the assurance engagement;
 - (b) The basis for the engagement leader's determination that relevant ethical and independent requirements have been met;
 - (c) Whether the assurance engagement has been planned and designed appropriately to achieve the intended level of assurance over the GHG disclosures;

- (d) The reasonableness of the significant judgements made throughout the assurance engagement;
 - (e) Whether sufficient and appropriate evidence was obtained to support the conclusions proposed by the engagement leader; and
 - (f) The appropriateness of the GHG disclosures and assurance report.
76. The quality reviewer shall:
- (a) Be independent from the assurance client and the GHG disclosures, to the same level as the engagement leader;
 - (b) Have sufficient competence and capabilities, in both assurance and the measurement and reporting of GHG emissions, to perform the quality review; and
 - (c) Have appropriate authority to challenge the engagement leader, and sufficient time to perform the quality review.
77. The quality review shall be completed throughout the engagement as appropriate, and the engagement leader shall address concerns raised by the quality reviewer, before the assurance report is issued.
78. The results of the quality review shall be documented on the assurance engagement file.

Application Material

Commencement, Application and Cessation

Accounting period in relation to which standard ceases to apply (Ref: Para. 4)

- A1. This standard has been developed to respond to specific legislative requirements in New Zealand.
- A2. International sustainability assurance standards are currently under development. If these developing standards are determined to be relevant for the New Zealand legislative requirements, this standard or some of its requirements may need to be revoked.

Scope (Ref: Para. 8 and Para. 44)

- A3. The Act does not prevent the assurance engagement from covering the whole, or other parts of the climate statements. When the assurance engagement covers the whole, or other parts of the climate statement, in addition to this standard, the assurance practitioner applies other assurance standards appropriate for the assurance engagement circumstances.

Definitions

Assurance Practitioner (Ref: Para. 9(c))

- A4. An Assurance practitioner is the engagement leader or other personnel of the assurance organisation performing the assurance engagement. Where this standard intends a requirement to be fulfilled by the engagement leader, the term engagement leader rather than assurance practitioner is used.

Requirements

Applicable Assurance Standards (Ref: Para. 12)

- A5. This standard establishes the guiding principles applicable to all assurance practitioners. The assurance organisation or the assurance practitioner will apply relevant ethical and quality management standards in accordance with the underlying assurance standard applied or by accreditation requirements. For example, ISAE (NZ) 3410 requires compliance with ISAE (NZ) 3000, which in turn, requires compliance with PES 1 and PES 3 or with other professional requirements or requirements imposed by law or regulation, that are at least as demanding.

Ethical Requirements

Independence (Ref: Para. 13(a))

A6. Independence comprises:

- (a) The state of mind that enables reaching conclusions without being affected by influences that compromise professional judgement (independence of mind); and
- (b) The avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that the assurance practitioner's integrity and objectivity has been compromised (independence in appearance).

Professional behaviour (Ref: Para. 13(f))

- A7. Professional behaviour requires the assurance practitioner to act in the public interest.
- A8. In acting in the public interest, the assurance practitioner considers not only the preferences or requirements of the assurance client or the assurance organisation, but also the interests of other stakeholders when undertaking the assurance engagement.

Threats (Ref: Para. 14)

- A9. Threats to compliance with the fundamental principles fall into one or more of the following categories:
 - (a) Self-interest threat – the threat that a financial or other interest will inappropriately influence the assurance practitioner’s judgement or behaviour;
 - (b) Self-review threat – the threat that the assurance practitioner will not appropriately evaluate the results of a previous judgement made, or an activity performed by the assurance practitioner, or by another individual within the assurance organisation, on which the assurance practitioner will rely when forming a judgement during the GHG assurance engagement;
 - (c) Advocacy threat – the threat that the assurance practitioner will promote the assurance client’s position to the point that the assurance practitioner’s objectivity is compromised;
 - (d) Familiarity threat – the threat that due to a long or close relationship with the assurance client, the assurance practitioner will be too sympathetic to their interests or too accepting of their work; and
 - (e) Intimidation threat – the threat that the assurance practitioner will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the assurance practitioner.

Reducing Threats to an Acceptable Level (Ref: Para. 15)

- A10. An acceptable level is a level when a reasonable and informed third party, having access to all relevant facts, would be likely to conclude that the assurance practitioner has complied with the fundamental principles.

Reasonable and informed third party (Ref: Para. 15)

- A11. A reasonable and informed third party means that the third party would have the knowledge and experience to understand the relevant facts and would be able to evaluate the assurance practitioner’s conclusions in an impartial manner.

Safeguards (Ref: Para. 15)

- A12. The assurance practitioner eliminates or reduces threats to an acceptable level by:
 - (a) Eliminating the circumstances, including interests or relationships, that are creating the threats;
 - (b) Applying safeguards to reduce the threats to an acceptable level; or
 - (c) Declining or ending the GHG assurance engagement.
- A13. Safeguards are actions that effectively reduce threats to compliance with the fundamental principles to an acceptable level. Examples of actions that in certain circumstances might be safeguards to address threats include:

- Assigning additional time to required tasks and rotating qualified personnel on the assurance engagement might address familiarity threats.
- Involving another assurance organisation to perform or re-perform part of the assurance engagement might address self-interest, advocacy, familiarity or intimidation threats.
- Having an appropriate reviewer, who was not involved in the assurance engagement, or panel, review the assurance work and assess the conclusions, might address self-interest threats.

Independence Requirements

Conditions and Relationships (Ref: Para. 17)

A14. Examples of conditions and relationships that may create threats to the fundamental principles include:

- Relative size of assurance fee.
- Accepting or offering gifts or hospitality.
- Close business relationships.
- Family or personal relationships.
- Temporary personnel assignments.
- Employment relationships.
- Recent service with an assurance client.
- Serving as a director/trustee/officer of an assurance client.

Self-review Threat Prohibition (Ref: Para. 18)

A15. Where provision of other services to the assurance client creates a self-review threat, that threat cannot be eliminated, and safeguards are not capable of being applied to reduce that threat to an acceptable level.

A16. A service might possibly create a self-review threat where:

- (a) The results of the service will form part of, or directly or indirectly affect the records, the internal controls over GHG emissions, or the GHG disclosures on which the assurance practitioner will express the assurance conclusion (e.g., measurement methods and estimation tools); and
- (b) In the course of the assurance engagement, the assurance practitioner will evaluate, or rely on, any judgements made, or activities performed, by the assurance organisation when providing the service, including when:
 - (i) The assurance organisation uses technology to provide a service; or
 - (ii) The assurance organisation provides, sells, resells or licenses technology to the assurance client.

A17. A self-review threat might possibly be created when IT services are provided to the assurance client. Providing IT services might possibly create a self-review threat when the IT system forms part of, or affects, the assurance client's records or systems of

internal control over GHG measurement or disclosures. Examples of such IT services include:

- Designing, developing, implementing, operating, maintaining, monitoring or updating IT systems.
- Supporting the assurance client's IT systems, including network and software applications.
- Implementing GHG measurement or reporting software, whether or not this was developed by the assurance organisation.

A18. A self-review threat might possibly be created by services provided at the same time as the assurance engagement is performed or by services provided before the start of the assurance engagement period if they impact the GHG information subject to the assurance engagement.

Prohibition on assuming management responsibilities (Ref: Para. 19)

A19. When the assurance organisation or the assurance practitioner assumes a management responsibility for the assurance client, self-review, self-interest and familiarity threats are created. Assuming a management responsibility might also create an advocacy threat because the assurance organisation or assurance practitioner may become too closely aligned with the views and interests of management.

A20. Examples of management responsibilities include:

- Setting policies and strategic direction.
- Directing and taking responsibility for the actions of employees.
- Deciding which recommendations of the assurance practitioner or third parties to implement.
- Taking responsibility for designing, implementing, monitoring and maintaining internal controls relating to GHG emissions.
- Taking responsibility for the preparation of the GHG disclosures.
- Taking responsibility for the methods and calculations relating to measurement of GHG emissions.

Financial Interest Prohibition (Ref: Para. 20-21)

A21. A financial interest is an interest in an equity or other security, debenture, loan or other debt instrument of an entity, including rights and obligations to acquire such an interest and derivatives directly related to such interest. Financial interests are classified as either a:

- (a) Direct financial interest: A financial interest:
 - (i) Owned directly by an individual or entity; or
 - (ii) Owned through an intermediary over which an individual or entity has control, or the ability to influence investment decisions.
- (b) Indirect financial interest: A financial interest owned through an intermediary over which an individual or entity has no control or ability to influence investment decisions.

A22. Examples of a direct interest are:

- Holding shares in the assurance client.
- Being a trustee of a trust that holds shares in the assurance client.

A23. Examples of an indirect interest are:

- Shares owned through collective investment schemes.
- Shares owned through pension schemes.

A24. When determining whether an indirect financial interest is material to an individual, the combined net worth of the individual and the individual's immediate family members may be considered.

A25. Immediate family members are spouse (or equivalent) and dependents.

Competence (Ref: Para. 24-25)

A26. Skills and competence in assurance are developed through extensive training and practical application of assurance techniques, including performance of assurance engagements in accordance with relevant standards and applicable legal and regulatory requirements.

A27. Skill and competence in assurance necessary to undertake an assurance engagement include:

- Risk assessment methodologies.
- Linking the assessed risk and materiality to the nature, timing and extent of assurance procedures.
- Applying appropriate procedures (including enquires, inspection, recalculation, reperformance, observation, confirmation, analytical procedures and sampling techniques).
- GHG information systems and internal controls (how data is initiated, recorded, collated and reported in GHG disclosures).
- Documentation of procedures performed and evidence obtained.
- Application of professional scepticism and professional judgement.

A28. Skills and competence in GHG emissions are gained through significant experience or training in measuring, analysing, reporting and/or assuring GHG emissions.

A29. Skills and competence in GHG emissions necessary to undertake an assurance engagement include:

- General understanding of climate science, carbon accounting and the generation of carbon emissions.
- GHG quantification methods, including associated scientific and estimation uncertainties relevant to the assurance client's sector.
- GHG reporting principles and methods.
- GHG monitoring techniques and calibration procedures and their consequences for data quality (relevant for the assurance client's sector).

- Understanding of laws and regulations that affect how the assurance client reports its emissions.

A30. Measurement and reporting of GHG emissions is a fast-evolving field. Continuous learning to keep up to date with changes will be important aspect of the assurance practitioner's competencies.

A31. Assurance engagements over GHG emissions disclosures might be complex for entities in some sectors. The assurance organisation and the engagement leader determine that sufficient time is allowed to perform the assurance engagement.

A32. The engagement leader may use the work of another individual or organisation, who has expertise in GHG emissions. However, the engagement leader has sole responsibility for the GHG assurance engagement. That responsibility is not reduced by the work of another individual or organisation. The engagement leader needs to have sufficient understanding of the GHG emissions to be able to:

- (a) When needed, ask appropriate questions of the individual or organisation and evaluate whether the answers make sense in the engagement circumstances;
- (b) Evaluate the individual or organisation's work and, to the extent needed, integrate it with the work of the assurance engagement as a whole; and
- (c) Take responsibility for the conclusions reached.

Use of the Work of Others (Ref: Para. 26-27)

A33. When using the work of others, it is important to determine that objectivity is not compromised. As such, it is important to consider whether others involved in the engagement have any interests or relationships that might create a self-review, self-interest, familiarity, intimidation or advocacy threat. Such considerations would normally include whether the individual or organisation has any relevant:

- Financial interests;
- Business and personal relationships; or
- Provides any other services to the assurance client.

A34. If the assurance practitioner determines that the work performed by the individual or organisation is not adequate for the assurance practitioner's purposes, options available to the assurance practitioner include:

- (a) Agreeing with that individual or organisation on the nature and extent of further work to be performed by that individual or organisation; or
- (b) Performing additional assurance procedures appropriate to the circumstances.

A35. The paragraphs 26 and A33 – A34 have been written in the context of using work of the individual or the organisation engaged by the assurance practitioner. However, the paragraphs 26 and A33 – A34 may also provide helpful guidance with respect to using work of others, for example an individual or organisation engaged by the assurance client.

Management Bias (Ref: Para. 28)

A36. When considering the risk of management bias, the assurance practitioner gains understanding of the management's ability to measure scope 1, 2 and 3 GHG

emissions, and whether management's remuneration is linked to GHG emissions numbers.

A37. Examples of indicators of possible management bias include:

- The selection of assumptions, measurement methods or input data that result in GHG emissions numbers favourable to management's key performance indicators, targets or objectives; or
- Favourable changes in the quantification of GHG emissions due to management's subjective assessment that there has been a change in circumstances.

Fraud (Ref: Para. 29-32)

A38. Maintaining professional scepticism requires an ongoing questioning of whether the information and evidence obtained suggests that a material misstatement due to fraud may exist. It includes considering the reliability of the information to be used as assurance evidence and the controls over its preparation and maintenance where relevant. Due to the characteristics of fraud, the assurance practitioner's professional scepticism is particularly important when considering the risks of material misstatement due to fraud. Although the assurance practitioner cannot be expected to disregard past experience of the honesty and integrity of the assurance client's management and those charged with governance, the assurance practitioner's professional scepticism is important because there may have been changes in circumstances.

A39. Fraud may include both the intentional under-reporting of emissions to meet key performance indicators and targets used to measure personal performance or achieve personal targets, and the intentional over-reporting of emissions in order to allow for downward trends in future emissions to be reported when this has not occurred, depending upon the circumstances of the assurance client. Assurance practitioners design and execute appropriately tailored procedures which respond to the specific fraud risks that have been identified.

Non-compliance with Laws and Regulations (Ref: Para. 33)

A40. Non-compliance with laws and regulations comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations. Non-compliance might result in fines, litigation or other consequences for the assurance client, potentially materially affecting its GHG disclosures. Importantly, such non-compliance might have wider public interest implications in terms of potentially substantial harm to investors, creditors, employees or the general public.

Comparative Information (Ref: Para. 34-37)

A41. Comparative information covers GHG disclosures in respect of one or more prior periods in accordance with Aotearoa New Zealand Climate Standards.

A42. When the comparative information has been restated and appropriate disclosures have been made, the assurance practitioner may include an Emphasis of Matter paragraph describing the circumstances and referring to the GHG disclosures in the climate statements.

A43. An example of an impact on the assurance report, when the comparative information contains a material misstatement that is not restated, could be an Other Matter paragraph or a qualified assurance conclusion.

Written Representations (Ref: Para. 39-42)

A44. Written representations reduce the possibility of misunderstandings between the assurance practitioner and those charged with governance. A request for written, rather than oral, representations may prompt those charged with governance to consider such matters more rigorously, thereby enhancing the quality of the representations. If those charged with governance modify or do not provide the requested written representations, it may alert the assurance practitioner to the possibility that a significant issue may exist.

A45. Examples of written representations include:

- Explanation of why particular inputs included in the estimations of GHG emissions are assessed by those charged with governance as being the most appropriate in the circumstances;
- Judgements around reporting boundaries;
- Significant judgements and estimates included in models and methodologies.

A46. Although written representations provide necessary evidence, they do not provide sufficient appropriate evidence on their own. The fact that the assurance practitioner has received reliable written representations does not affect the nature or extent of other evidence that the assurance practitioner obtains.

A47. Written representations are usually obtained from those charged with governance. Those charged with governance generally have responsibility for ensuring the assurance client meets its legal obligations in relation to the preparation of the climate statements. However, the process of preparing the climate statements is usually delegated to management. The assurance practitioner applies professional judgement, using knowledge of the legal requirements and corporate governance practices of New Zealand, as well as the particular GHG assurance engagement circumstances, to determine whether to request written representation from both management and those charged with governance.

A48. In some cases, those charged with governance may decide to make enquiries of others who participate in preparing and presenting GHG disclosures, including individuals who have specialised knowledge relating to the matters about which written representations are requested, for example staff engineers who may have specialised knowledge about measuring GHG emissions.

A49. To reinforce the need for those charged with governance to make informed representations, the assurance practitioner may request that written representations confirm that such enquiries were made. It is not expected that such enquiries would usually require a formal internal process beyond those already established by the assurance client.

Independent Assurance Report

Key Matters (Ref: Para. 48-50)

- A50. The purpose of communicating key matters is to enhance the communicative value of the assurance report. Key matters provide additional information to assist users in understanding those matters that, in the assurance practitioner's professional judgement, were of most significance in the assurance engagement. Communicating key matters may assist users in understanding the areas of significant management judgement in the GHG disclosures, any areas where there was significant estimation or inherent uncertainty involved, data quality issues, issues in obtaining the assurance evidence required or issues in determining the GHG reporting boundary.
- A51. When determining key matters, the assurance practitioner may consider areas that required significant attention during the engagement, for example due to:
- Complexity;
 - Significant management judgement;
 - Nature and severity of difficulties in applying assurance procedures;
 - Consultations on difficult matters;
 - Assessed risk of material misstatement;
 - High degree of estimation or uncertainty.
- A52. The assurance practitioner may provide those charged with governance with a draft of the assurance report with key matters included. Communication with those charged with governance recognises their important role in overseeing the reporting process of the climate statements, including GHG disclosures. It also provides the opportunity for those charged with governance to understand the basis for the assurance practitioner's decisions in relation to key matters and how these matters will be described in the assurance report. It also enables those charged with governance to consider whether new or enhanced disclosures may be useful in light of the fact that these matters will be communicated in the assurance report.
- A53. The assurance practitioner assesses the appropriate timing for the communication about the key matters with those charged with governance. For example, the assurance practitioner may communicate preliminary views about key matters when discussing the planned scope and timing of the assurance engagement. The assurance practitioner may further discuss key matters when communicating about findings.
- A54. A matter that results in a modified conclusion is not communicated as a key matter in the assurance report. A key matter is not used if the assurance practitioner disclaims a conclusion.

Other Matter (Ref: Para. 53-54)

- A55. The engagement leader applies professional judgment to consider whether there are specific matters, useful for the users of the assurance report, for inclusion in Other Matter section of the assurance report. Examples of such matters include:
- Information about materiality considerations so that it is transparent to the users what tolerance for misstatement has been applied in conducting the assurance engagement;

- Details of the qualifications and experience of the engagement leader and others involved with the engagement.