



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Climate and Assurance consultation: Outcomes

Webinar
29 November 2024

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This webinar



1. What was proposed
2. Feedback received
3. Summary of what was decided
4. For each decision: What we heard and how it contributed to the decision, and some mythbusting
5. Q&A

1. What was proposed

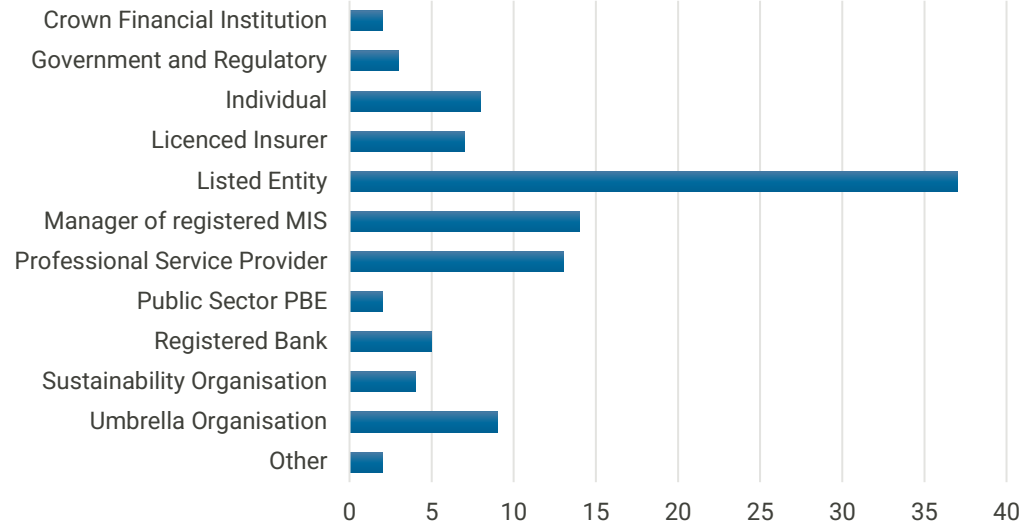
- Proposal 1: Extending the existing adoption provision for scope 3 GHG emissions disclosure by one more year
- Proposal 2: A new adoption provision that delays mandatory scope 3 GHG assurance (so that mandatory assurance would apply in relation to accounting periods ending on or after 31 December 2025)
- Proposal 3: Extending the existing adoption provision for anticipated financial impact disclosures by one more year
- Proposal 4: Extending the existing adoption provision for transition planning disclosures by one more year

2. Feedback received

106 written submissions received:

- 51 submission letters
- 51 response to online survey
- 4 email/website form

Responses by type



2. Feedback received

- 55 attendees at six drop-in sessions (~45 voted in polls during the sessions)
- 8 targeted workshops/meetings:
 - XRAP
 - the Climate and ESG committee of the Financial Services Council
 - the Institute of Directors
 - Data providers
 - Assurance practitioners

3. Summary of what was decided



- Proposal 1: A one-year extension to the adoption provision for scope 3 GHG emissions disclosures (i.e., as proposed)
- Proposal 2: A new one-year adoption provision relating to the assurance of scope 3 GHG emissions (i.e., as proposed)
- Proposal 3: A one-year extension to the adoption provision for anticipated financial impacts disclosures (i.e., as proposed)
- Proposal 4: No extension to the existing adoption provision for transition planning disclosures (i.e., retain the status quo)

Proposal 1: Delaying mandatory scope 3 GHG emissions disclosure



What we heard: Overview

The complexity of the reporting means a lot of pressure on teams that are not resourced for this. Having one more year would significantly help in getting ready

We intend to report for the second year, but I am sure a number of companies will appreciate the additional time.... However- the additional year should not delay work to get the systems in place.

We are already reporting and getting assurance we are happy with current timeline

We see value for investors and interested parties in scope 3 disclosures

We agree to this proposed extension as a minimum and note that our preference would be to extend this to three accounting periods to allow sufficient time to put in place appropriate systems and controls to disclose accurately from year 3

Most important metric to assess the location of transition risk within value chain

Although the proposals will not impact our ongoing CRD development timeline, or planned disclosures, we welcome the proposed longer lead time of one year for validating our methodology in advance of required assurance

Entities will delay doing the work and will be in same place in a year's time

One year delay will not solve data collection challenges as these will persist for a long time

In early years scope 3 likely to contain high-level estimation – just start reporting

Key issues the XRB Board considered



1. An extension would allow for more accurate, reliable, and quality data to be available
2. A delay will enable time for CREs to put in place effective controls, processes and systems to collect and report on their scope 3 GHG emissions
3. MIS Manager specifically expressed concerns with assessing reliable data, noting that a large portion of scope 3 GHG emissions are estimated by third party data providers
 - More time is needed for the level of company-reported emissions data to mature so that MIS managers can draw from more accurate and reliable data sources

Proposal 1: Decision

Decision: Proceed with the proposal (a one-year extension to the adoption provision for scope 3 GHG emissions disclosures)

- The XRB Board noted that the data issues and collection challenges identified by stakeholders will not all be resolved in a year and may continue for some time into the future
- By nature, scope 3 GHG emissions contain high levels of estimation and uncertainty and that NZ CS acknowledges and allows for this
- More time will allow entities to get ready and for the XRB to provide further implementation support

Proposal 2: Delay scope 3 GHG emissions assurance



What we heard: Overview



To delay assurance now would only slow progress

We want assurance delay to be permanent

A three-year delay is necessary to provide adequate time

Our board will not report disclosure without assurance – it is not in our risk appetite

We hope so. At the very least, it will allow us to put in place additional systems to provide data which we can test and also allows time for us to engage with and possibly educate our suppliers and stakeholders in this space.

A two-year delay given cost and resourcing requirements

We are supportive of the timeframe for mandatory reporting of scope 3 being aligned to the requirement for assurance

More than one year as NZ client demands on key global data providers will not have sufficient weight to drive these providers to standardise and obtain assurance over their data offering

Assurance should be required from the second year an entity reports scope 3

Key issues the XRB Board considered



1. A delay will enable time for CREs to put in place effective controls, processes and systems to collect and report on their scope 3 GHG emissions
2. Mixed views about whether a one-year delay would be long enough to enable systems to mature adequately to support the availability of appropriate sufficient evidence for an assurance engagement
3. Information from third-party data providers that the opportunity for assurance practitioners to rely on service organisation control reports covering the description, design and operating effectiveness of controls will be available within the year
4. That assurance practitioners submitted there is adequate resource in the assurance market to provide the required engagements

Proposal 2: Decision

Decision: Proceed with the proposal (a new one-year adoption provision for the assurance of scope 3 GHG emissions disclosures)

- There will always be inherent uncertainty and a high degree of estimation given the nature of scope 3 GHG emissions disclosure
- For the avoidance of doubt, if the adoption provision is used by the entity, the scope 1 and scope 2 GHG emissions disclosures shall be the subject of an assurance engagement
- The FMA will undertake a targeted consultation on a class exemption to support the certainty of this one-year extension

Proposal 3: Delaying anticipated financial impact disclosures



What we heard: Overview



The extension may not be sufficient.

We agree with this Proposal 3 to delay anticipated financial impact disclosure, for the reasons described

Given the current climate emergency, entities should not be excused from disclosing impacts to shareholders and other stakeholders

I agree, but only if the XRB will provide guidance in 2025 on how to do this and meet the standard.

No. The existing accounting rules already provide flexibility –if an issue can't be quantified, organisations can simply explain why.

Entities will require more than a one-year extension.

Delaying this requirement won't enhance their consideration of climate impacts. On the contrary, organisations need the pressure to invest in solutions...

Additional time will assist to build robustness and confidence in anticipated financial impact disclosures.

The anticipated financial impacts of climate change are among the most important aspects of the CRD regime.

This should not be adopted. The CRD regime has (and will continue to be) an exercise in learning and development... [the] exercise should not be stalled simply because it is "too hard"

Key issues the XRB Board considered



1. Strong support for more time for the underlying analysis, for more robust processes to be established, and data to be gathered
2. Strong support for further guidance from the XRB
3. Learning-by-doing is an important part of the regime
4. While data, tools and methods already exist for entities to draw from, it can be complex analysis

Proposal 3: Decision

Decision: Proceed with the proposal (a one-year extension to the adoption provision for anticipated financial impacts disclosures)

- While lack of guidance is a compelling reason for allowing more time, learning-by-doing is important
- The additional time should be used by entities: If the underlying work is pushed back, when entities come to disclose, they will find they are unprepared, potentially leading to lower quality disclosure
- Guidance is being prioritised by the XRB for release in early 2025

Proposal 4: Delaying transition planning disclosures



What we heard: Overview

We are using disclosures on transition planning as an indicator of maturity, commitment, and to assess capital allocation alignment

Transition plans are going to be a work in progress for the foreseeable future regardless of when they are mandated, so the earlier we can get CREs up the reporting curve (and learning from one another and their own mistakes) the better

While we acknowledge that the proposed extensions will relieve pressure, we would like to emphasise that many of our members are primary users of the information to be disclosed. [...] Transition planning, in particular, is likely to improve business decision-making and capital allocation

this relief should be extended to at least three accounting periods. This is due to the significant challenges faced by smaller CREs in conducting suitable strategic processes in order to achieve high-quality transition planning disclosures

We would benefit from further guidance, including on transition planning which we understand is being developed

the extension will allow for more effective and consistent approaches to transition plan disclosures across the CREs

This would allow reporting entities more time to develop a greater understanding of how transition planning could affect investment strategy and decision making, providing benefit to the primary user

without this key element, stakeholders would be left in the dark for much longer, undermining [...] our understanding of how CREs are –or are not–prepared for it

Key issues the XRB Board considered

1. Most respondents supported the delay
2. But most support based on an understanding that this disclosure requires a fully-fledged, certain and finished 'plan', rather than an understanding that it is an iterative and dynamic process, with the disclosure reflecting this over time
3. Strong demand from primary users for this information: way to critically assess entities' maturity, level of commitment and efforts to avoid capital misallocation
4. Entities that had already started transition planning emphasised learning-by-doing, and that transition planning is a key conversation starter, both internally and with primary users

Proposal 4: Decision

Decision: Retain the status quo

- Key considerations: Strong primary user demand and avoiding broader risks for the financial system if this information was not disclosed
- While more guidance may be needed as entities progress, the guidance readily available is sufficient for most entities to start disclosing useful information to their primary users
- Guidance from the XRB already exists and more is coming very soon

More time than proposed



- Some respondents' requests for more time than proposed were considered closely
- A one-year extension was considered appropriate to most appropriately balance:
 - Information demands from primary users
 - The availability of methods, support and guidance
 - Costs and benefits
- Cited benefits for alignment of timing with other jurisdictions (e.g., Australia) relate more to aligning substantive disclosure requirements rather than timing alone
 - Important questions the XRB plans to consider in 2025

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Pātai?
Questions?

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[Read the amending NZ CS 2 standard here](#)

[Read the amending assurance standard here](#)

