

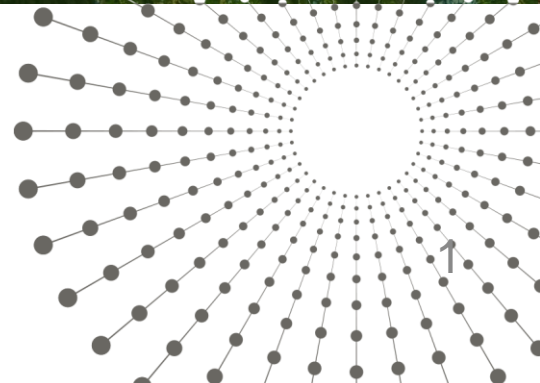
Proposed 2024 Amendments to Climate and Assurance Standards

Consultation document



October 2024

Consultation closes 30 October 2024





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1.

What is this consultation document about?

Significant effort has been applied by climate reporting entities (CREs) and their advisors to ensure the success of the climate-related disclosure (CRD) regime over the last year, and in the preparatory periods leading up to the first year of mandatory reporting. Early evidence is that disclosure can improve business decision making and inform capital allocation.

We also know that more than 80% of New Zealand's exports by value are now going to countries with mandatory climate-related disclosures either in force or proposed. A high-quality CRD regime enables New Zealand exporters to maintain access to these international markets, by making them ready to provide information to supply chains. It also helps to ensure New Zealand entities are not missing critical information requirements demanded by international investors, so that they can remain globally competitive.

However, the External Reporting Board (XRB) has heard from several sources that many CREs are facing challenges with obtaining reliable data, high costs, and how to disclose in the absence of comprehensive guidance on certain topics. There are also concerns about obtaining assurance over scope 3 greenhouse gas (GHG) emission disclosures because of difficulties in obtaining sufficient reliable data from up and downstream entities.

We have also heard other concerns relating to issues such as director liability settings and the supply of assurance practitioners, which cannot be resolved by the XRB.

All new reporting topics come with learning curves; however, it is clear that the complexity of climate change has made this particular curve especially steep. The XRB Board was aware that it would take time for reporting to evolve and mature.

Consequently, the Board:

- designed the disclosure requirements to be less prescriptive and more flexible in general to meet entities where they were at in terms of their reporting journey¹
- included several adoption provisions within the suite of Aotearoa New Zealand Climate Standards (NZ CS) that were issued in December 2022. Those adoption provisions provided CREs with the option of delaying certain disclosures by one, two or three accounting periods.

However, it has become increasingly clear that additional relief is needed, and the XRB wants to respond quickly and appropriately to the challenges that reporting entities have in applying NZ CS. This consultation document proposes some immediate relief while the CRD regime evolves and matures. These proposed changes do not replace, but are in addition to, any changes that might occur as a result of our post-implementation review of the CRD framework, scheduled to begin in 2025 (see section 8).

¹ For example, for certain requirements entities can state why they may be unable to disclose quantitative information. NZ CS also do not require the disclosure of items such as a climate resilience assessment or specific disclosures relating to targets, financed emissions and the measurement and disclosure of scope 3 GHG emissions (such as is required by the IFRS S2 standard, see Appendix 1 and <https://www.xrb.govt.nz/dmsdocument/5006/>).



2.

Summary of proposals

We propose providing relief by amending:

- NZ CS 2 *Adoption of Aotearoa New Zealand Climate Standards*
- NZ SAE 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures*

The proposed amendments to NZ CS 2 would do two things.

First, they would extend by one accounting period:

- Adoption Provision 4: Scope 3 GHG emissions, along with related extensions to:
 - Adoption Provision 5: Comparative information for scope 3 GHG emissions
 - Adoption Provision 7: Analysis of trends, insofar as it relates to the analysis of scope 3 GHG emissions trends
- Adoption Provision 2: Anticipated financial impacts
- Adoption Provision 3: Transition planning

Second, they would establish a new adoption provision (Adoption Provision 8) for the assurance of scope 3 GHG emissions disclosures for accounting periods ending before 31 December 2025.

The proposed Adoption Provision 8 means that the assurance of the entity's scope 3 GHG emission disclosures would only apply in relation to accounting periods ending on or after 31 December 2025. In other words, this proposal provides a year's relief before mandatory assurance of the scope 3 GHG emissions disclosures.

The proposed amendment to NZ SAE 1 is to ensure consistency with proposed Adoption Provision 8.

2.1 This document

The next section explains how to provide feedback on this consultation.

The proposals are explained in sections 4 to 7.

Section 8 explains other work the XRB is undertaking to support the CRD regime in 2025.

Finally, we are aware that we propose making these changes in the context of a domestic and international landscape that is still rapidly evolving. Appendix 1 explains the New Zealand CRD regime to provide background context. Appendices 2 and 3 highlight key international developments in climate reporting and assurance internationally.



3.

How to provide feedback

This consultation document is designed to be read in conjunction with the following two exposure draft (EDs):

1. *Amendments to Adoption of Aotearoa New Zealand Climate Standards 2024*
2. *Amendments to Assurance Engagements over Greenhouse Gas Emissions Disclosures 2024*

Submissions close on **Wednesday 30 October 2024**. We acknowledge that the consultation period is short. We consider that it meets our due process guidelines, as we are proposing limited amendments and consider that we will be able to take reasonable steps to consult with those who would be substantially affected by the proposals. This timeframe is necessary because any amendments made to our standards would need to be certified and published by December 2024 to apply for financial years commencing on or after 1 January 2024. This proposed timing will provide continuity for CREs and ensure that CREs are treated equally regardless of balance date.²

2.1 Use of information

XRB staff will use the information provided in submissions to inform the advice they provide to the XRB Board. We may contact individual submitters directly if we require clarification of any matters made in a submission.

2.2 Release of information

We intend to upload PDF copies of submissions to our website at www.xrb.govt.nz. We will consider that you have consented to uploading by making a submission, unless you clearly state otherwise. Submissions are subject to request under the Official Information Act 1982.

If your submission contains any information that is confidential or you otherwise wish us not to publish, please state this in a covering letter, provide reasons, and clearly mark the confidential information within the text. You may also provide a separate version excluding the relevant information for publication on our website.

You can make a submission by:

- Filling in the survey or using the comment form [on our website](#)
- Emailing us at climate@xrb.govt.nz. Please include contact details in the email attaching your submission or in a cover letter to your submission
- Joining a stakeholder roundtable. To register, [visit our website](#)

There are five questions in this consultation document. Your submission may answer any or all questions. Please provide a clear rationale for your views and include supporting evidence where possible. Submissions close on **Wednesday 30 October 2024**.

² The XRB is not able to amend standards for accounting periods that have ended. To our knowledge, only one CRE has a balance date on or between 27 October and 30 December and it has a full exemption from climate reporting by virtue of being a foreign listed issuer with a small presence in New Zealand. Therefore, we anticipate that the relief proposed in this consultation document would be available to all CREs.



**PART ONE:
PROPOSALS**



4.

Proposal 1: Delaying mandatory scope 3 GHG emissions disclosure

We are proposing additional relief in relation to scope 3 GHG emission disclosures and assurance (detailed in this section and section 5). Table 1 summarises the impacts of those proposed changes.

No change is proposed for year one of reporting as that has already finished. No change is proposed for scope 1 and 2 GHG emissions disclosures and assurance.

4.1. Proposal 1

We propose increasing the term of the following adoption provisions in NZ CS 2 from one accounting period to two accounting periods:

- [Adoption Provision 4: Scope 3 GHG emissions](#), which relates to the requirement under paragraph [22\(a\)\(iii\) of NZ CS 1](#) to disclose scope 3 GHG emissions

- [Adoption Provision 5: Comparatives for Scope 3 GHG emissions](#), which relates to the requirement under paragraph 40 of NZ CS 3 to disclose comparative information for the immediately preceding two accounting periods
- [Adoption Provision 7: Analysis of Trends](#) (insofar as it relates to scope 3 GHG emissions), which relates to the requirement under paragraph 42 of NZ CS 3 to disclose an analysis of the main trends evident from a comparison of each metric from previous accounting periods to the current accounting period.

Pages 4 to 5 of *ED Amendments to Adoption of Aotearoa New Zealand Climate Standards 2024* show the specific wording of these proposed changes. Note that if an entity chooses to disclose a subset of its scope 3 GHG emission sources, it must identify which sources it has not disclosed.

Table 1: The impacts of our scope 3 GHG emissions disclosure and assurance proposals

		Proposals
Year 2*	Reporting	A CRE can opt out of disclosure of scope 3 GHG emissions for a second accounting period using revised Adoption Provision 4
	Assurance	If a CRE discloses scope 3 in Year 2 (i.e., they do not use revised Adoption Provision 4), they can opt out of mandatory assurance using new Adoption Provision 8 in Year 2.

* For ease of communication, this table uses the shorthand of 'year two' for the second accounting period.



4.2 Rationale

Paragraph 22(a)(iii) of NZ CS 1 requires CREs to disclose their gross GHG emissions in metric tonnes. However, Adoption Provision 4 in NZ CS 2 states that a CRE may choose to not disclose this information in the first accounting period.

We propose an additional year of relief for scope 3 GHG emissions disclosure because the XRB has heard that many CREs that have not previously reported scope 3 GHG emissions do not have appropriate systems and controls in place to disclose accurately in year 2. Of CREs reporting by 2 September 2024, 66% chose to make use of the existing one-year adoption provision for the disclosure of scope 3 GHG emissions. We have also heard concerns regarding the availability of sufficiently accurate information on scope 3 GHG emissions from external data providers. Note that ‘accurate’ in the context of CRD is explained as one of the information principles in NZ CS 3.

Scope 3 GHG emissions are part of the entity’s upstream or downstream value chain and are therefore outside of the entity’s control. We know that reliable data and evidence for material emissions sources can be difficult to obtain, hence paragraphs 52-54 of NZ CS 3 require a CRE to explain the limitations and uncertainties relating to GHG emissions information.

However, the XRB has heard that providing an additional year’s relief before scope 3 GHG emissions disclosure is mandatory would be valuable for many CREs and their chosen data providers to establish and improve internal systems and processes to enable the disclosure of accurate scope 3 GHG emission disclosures, and to reduce the cost of obtaining this information.

This additional time will also enable CREs to obtain more reliable data on which to base their disclosures. As more jurisdictions mandate the reporting and assurance of scope 3 GHG emissions, we expect that the systems and data, assurance thereof, and the support offered by third party providers to enable a more robust and efficient way to capture and report this information will rapidly advance.

Question 1:

Do you agree with Proposal 1 to extend Adoption Provisions 4, 5 and 7 for scope 3 GHG emissions disclosures from one accounting period to two accounting periods?



5.

Proposal 2: Delaying mandatory scope 3 GHG emissions assurance

5.1 Proposal 2

We propose introducing a new adoption provision whereby a CRE that chooses to not take advantage of the scope 3 GHG emissions disclosure relief under Proposal 1 can choose to delay assurance over that disclosure³ for that additional accounting period. This means that the assurance of the CRE's scope 3 GHG emissions disclosures will apply in relation to accounting periods ending on or after 31 December 2025.

This proposal would be implemented by:

- adding a new Adoption Provision 8 in NZ CS 2 that allows an entity to exclude its scope 3 GHG emissions disclosures from the scope of the assurance engagement (see paragraphs 25, 26(a)(iii), 26(b) and 26(c) of NZ CS 1).
- amending paragraph 7A in NZ SAE 1 to state that a CRE 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 2025.

The requirement for an assurance engagement on scope 1 and 2 GHG emissions disclosures would be retained. This is because the processes for obtaining data and evidence for scope 1 and 2 GHG emissions are relatively mature and comparatively straightforward to obtain. This would be clarified by the addition of proposed paragraph 25 in NZ CS 2 and proposed paragraph 7B in NZ SAE 1.

If an entity elects not to use Adoption Provision 4 to delay the disclosure of scope 3 GHG emissions it may still use Adoption Provision 8. In such a case, NZ CS 2 requires an entity to clearly identify that its scope 3 GHG emissions disclosures have not been mandatorily assured. This is stated in proposed paragraph 26 of NZ CS 2. Note also that this proposal does not prohibit directors from deciding to obtain assurance or another engagement such as an agreed upon procedure engagement.

Page 5 of ED *Amendments to Adoption of Aotearoa New Zealand Climate Standards 2024* and Page 3 of ED *Amendments to Assurance Engagements over Greenhouse Gas Emissions Disclosures 2024* shows the specific wording of these proposed changes. The XRB notes that these proposals are subject to final legal review.

5.2 Rationale

We have heard from both CREs and assurance practitioners that the assurance of scope 3 GHG emissions disclosures is challenging. While scope 3 GHG emissions information can be obtained directly from suppliers or other parts of an entity's value chain, it can also be provided by a third-party provider. This is common for financed emissions. In such cases, the assurance practitioner may be unable to obtain sufficient reliable information from the third-party provider or unable to get evidence regarding the data and controls in place, or the methodology used to calculate the emissions. In turn, a lack of access may lead to more emphasis of matter or modified assurance conclusions for scope 3 GHG emissions disclosures.

³ We considered limiting the relief to a specific category of scope 3 GHG emissions, such as financed emissions. Given that the emissions disclosure is made on an aggregate basis, we considered that it would be challenging for the CRE and its assurance practitioner to communicate the scope of assurance if we limited the provision exemption to a specific scope 3 category.



The opportunity to rely on either ‘one-to-many’ assurance reports or ‘service organisation controls (SOC) reports’ is not yet common practice for scope 3 GHG emissions disclosures. These reports provide confidence to an entity and its assurance practitioner that service providers’ systems and controls can be relied upon.

If the assurance practitioner cannot gather the evidence they need using alternative assurance techniques, the practitioner may have a scope limitation and be required to qualify or disclaim the assurance report.

Question 2:

Do you agree with Proposal 2 to add a new Adoption Provision 8 that gives relief of one accounting period before scope 3 GHG emissions assurance is mandatory?

5.3 Timing for proposal 2

More and more jurisdictions are moving to require both the reporting of and assurance over scope 3 GHG emissions disclosures.

For example:

- in the European Union, limited assurance over scope 3 GHG emissions disclosures will be required for periods beginning on or after 1 January 2025
- in Australia, the Australian Auditing and Assurance Standards Board has proposed phasing in mandatory assurance over scope 3 GHG emissions disclosures (see Appendix 3)

We anticipate that systems will rapidly improve as more entities around the world, and through supply chains, capture and report scope 3 GHG emissions and have these disclosures assured. External data providers’ information systems are also expected to improve and assurance thereover may become more common. In turn we anticipate increased opportunities for assurance practitioners to leverage ‘one-to-many’ or SOC reports. These developments will facilitate assurance of information from the value chain.

We consider that a one-year delay should enable the systems to mature to address the current challenges of obtaining sufficient reliable data to support the disclosures that are subject to an assurance engagement. We note that the need for emphasis of matter paragraphs or modified assurance conclusions may nonetheless persist for some years. We also consider that a one-year delay would enable increased consistency across the assurance market. We are interested in feedback as to whether this time period is sufficient to enable systems to mature to support the availability of sufficient reliable data. And if not, what evidence is available that a longer time period is required.

Question 3:

Do you agree that a one-year delay for scope 3 GHG emissions assurance is sufficient to enable systems to mature to support the availability of sufficient reliable data and to enable increased consistency across the assurance market?



6.

Proposal 3: Delaying anticipated financial impact disclosure

6.1 Proposal 3

We propose extending the availability of [Adoption Provision 2: Anticipated financial impacts](#) in NZ CS 2 from one accounting period to two accounting periods. This adoption provision relates to the requirements under paragraphs 15(b)-(d) of NZ CS 1 to disclose anticipated financial impacts. Anticipated financial impacts disclosures are also required by other international CRD regimes.

Page 4 of ED *Amendments to Adoption of Aotearoa New Zealand Climate Standards 2024* shows the specific wording of this proposed change.

6.2 Rationale

International best practice and user expectations on the disclosure of anticipated financial impacts are still evolving. We understand that some preparers expect to provide highly specific estimates (i.e. modelled projections) of short and medium-term anticipated financial impacts, while others use this disclosure as an indicator of the potential magnitude and uncertainties of anticipated financial impacts, for which ranges and estimates are sufficient.

Given the breadth of expectations and how rapidly these expectations are evolving, little suitable guidance is yet available either domestically or internationally.

We have heard that there is significant concern among CREs about disclosing anticipated financial impacts in the absence of suitable comprehensive guidance.

Furthermore, this disclosure involves forward-looking numbers with significant uncertainties attached to them. Many CREs are only just beginning the journey of understanding the range of impacts climate change could have on their financial performance and position. Our analysis of the climate statements lodged by 2 September 2024 shows that 90% of entities made use of the existing adoption provision for anticipated financial impacts.

Given the lack of guidance and the evolving nature of user expectations, we propose providing a one-year extension to this adoption provision. It will also provide CREs with more time to understand their primary users' needs and establish effective internal processes to gather this information. The XRB intends to provide guidance on anticipated financial impacts in 2025 to provide CREs with a better understanding of this disclosure requirement.⁴

Question 4:

Do you agree with Proposal 3 to extend Adoption Provision 2 for anticipated financial impacts from one accounting period to two accounting periods?

⁴ We also considered providing an additional year for [Adoption provision 1: Current financial impacts](#). However, we received feedback that this reporting obligation is achievable by the second accounting period as these impacts are not as uncertain and that understanding the current financial impacts can provide an important pathway for CREs to better understand anticipated financial impacts.



7.

Proposal 4: Delaying transition planning disclosures

7.1 Proposal 4

We propose extending the availability of [Adoption Provision 3: Transition planning](#) in NZ CS 2 from one accounting period to two accounting periods. This adoption provision relates to the requirements under paragraphs 16(b) and (c) of NZ CS 1 to disclose information about:

- the transition plan aspects of a CRE's strategy, including how its business model and strategy might change to address its climate-related risks and opportunities; and
- the extent to which the transition plan aspects of its strategy are aligned with its internal capital deployment and funding decision-making processes.

Transition planning disclosures are also required by other international regimes.

Page 4 of ED *Amendments to Adoption of Aotearoa New Zealand Climate Standards 2024* shows the specific wording of this proposed change. Entities making use of the adoption provision will still need to disclose a description of its progress.

7.2 Rationale

Like the issues discussed in relation to anticipated financial impacts, international best practice and user expectations on transition planning are rapidly evolving. There is also limited guidance on transition planning that meets the needs of CREs (including the need to incorporate climate resilience into their transition planning, rather than just mitigation and achieving specified emissions reductions targets which is how more nascent concepts of transition planning began).

The XRB is supporting the development of transition planning guidance for CREs. We are also actively working to encourage international alignment on best practice transition planning with other jurisdictions, such as Australia and the European Union, and international organisations such as the International Sustainability Standards Board (ISSB) and the World Business Council on Sustainable Development.

However, transition planning requires time to do well. Of CREs reporting by 2 September 2024, 82% chose to make use of the existing adoption provision on transition planning.

In the absence of comprehensive guidance, entities may need more time to be able to disclose a compelling transition plan after identifying their climate-related risks and opportunities. Our intent in extending this adoption provision by an additional accounting period is to provide time for CREs to conduct a suitable strategic process to embed the climate-related risks and opportunities they have identified and to achieve high-quality disclosure.

Question 5:

Do you agree with Proposal 4 to extend Adoption Provision 3 for transition planning from one accounting period to two accounting periods?



PART TWO:
SUPPORTING THE
CRD REGIME



8.

What else are we doing to support the CRD regime in 2025?

We intend to undertake several projects in 2025 aimed at improving CRD in New Zealand. We will:

- carry out a post-implementation review (PIR) of NZ CS
- publish guidance for:
 - the assurance of GHG emissions disclosures
 - anticipated financial impacts
 - transition planning

8.1 Post-implementation review of NZ CS

We issued a [position statement](#) on the international alignment of climate reporting in November 2023. The last paragraph of the position statement notes that:

We have committed to beginning a post-implementation review of NZ CS by December 2025. One aspect of that review will be to determine whether there is any need to modify NZ CS to further align with any existing or forthcoming requirements adopted by other relevant jurisdictions.

During 2025, we intend to continue to obtain feedback and insights from the experiences of CREs and primary users with NZ CS. We will also receive the final report into the effectiveness evaluation of the CRD regime which is a critical piece of evidence for the PIR.⁵

However, given the importance of international alignment considerations, a critically important input to the PIR will be actual evidence of reporting published under other mandatory CRD regimes, and for the XRB to understand the implementation challenges caused by particular disclosure requirements or approaches to disclosure. The first mandatory reports in Australia will not be published until the first half of 2026. We have an active dialogue with the Australian Accounting Standards Board (AASB) and intend to continue working closely with our trans-Tasman colleagues on alignment and what may best be suitable for New Zealand CREs.

Given the importance of supply chain connections into Europe, we will also be learning from climate reports prepared in accordance with the European Union standard, *ESRS E1: Climate Change*, and the disclosure requirements coming in other key export markets such as China and the United States of America. See Appendix 2 for more on climate reporting internationally.

⁵ The interim report is available at <https://www.xrb.govt.nz/dmsdocument/5141/>



8.2 Guidance

Assurance-related guidance

Following engagement with assurance practitioners, we have identified two areas of focus for new staff guidance publications in 2025.

We intend to develop guidance for users and preparers about how the assurance report should be read. NZ SAE 1 includes a range of communication tools that assurance practitioners can use to enhance communication to users. This guidance will be aimed at highlighting important aspects to look out for in the assurance report to help readers understand the scope, level and outcome of the assurance engagement.

We also intend to publish guidance for CREs and assurance practitioners on challenges in preparing and assuring GHG emissions disclosures. This guidance will be focused on scope 3 GHG emissions disclosures to address areas that may benefit from further clarity given the flexibility in the preparation principles and the considerations of the mandatory assurance requirements.

Guidance on anticipated financial impacts

We will monitor how international practice and expectations evolve on this topic. We intend to issue guidance in 2025 to meet the needs of New Zealand's CREs.

Guidance on transition planning

We issued a [short guidance document](#) in 2023 to support entities that would like to start their work on transition planning. However, based on our review of climate statements prepared by CREs who opted not to use the related adoption provision, more support is needed.

We are partnering with other organisations to provide targeted guidance on transition planning to a range of audiences:

- The Institute of Directors/Chapter Zero for a guide for directors.
- The Sustainable Business Council for a guide for management, as well as material for practitioners.

As noted above, we are also engaging extensively with potential international partners to contribute to global alignment on this topic.



PART THREE: **APPENDICES**



Appendix 1

Climate reporting in New Zealand

The CRD regime

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 (the CRD Act) requires large banks, insurers, listed issuers and investment scheme managers (collectively known as climate reporting entities or CREs) to report on climate-related risks and opportunities. The CRD Act required the XRB to establish and maintain a climate-related disclosure framework.

The XRB Board established the climate-related disclosure framework in December 2022 when it issued three Aotearoa New Zealand Climate Standards (NZ CS):

- The disclosures in NZ CS 1 *Climate-related Disclosures* relate to governance, strategy, risk management, and metrics and targets.
- NZ CS 2 *Adoption of Aotearoa New Zealand Climate Standards* allows CREs to take advantage of certain disclosure exemptions, mainly in the first reporting period, with some exemptions also available in the second and third reporting periods.
- NZ CS 3 *General Requirements for Climate-related Disclosures* contains principles (for example, relevance and understandability), underlying concepts (for example, materiality) and general reporting requirements (for example, methods and assumptions).

NZ CS are closely based on the recommendations of the Task Force on Climate-related Disclosures (TCFD).

All other international climate reporting standards, both at international and jurisdictional level, have also been based on the TCFD recommendations.

Reporting came into force for financial years commencing on or after 1 January 2023. The CRD Act also requires each CRE to obtain an assurance engagement for GHG emission disclosures within a climate statement for accounting periods that commenced before, but end on or after 27 October 2024, or accounting periods that commence on or after 27 October 2024.

For more information on CRD in New Zealand, see the [What you need to know](#) document about the CRD regime, jointly published in June 2024 by the Financial Markets Authority and the XRB.

Assurance of GHG emissions

The XRB issued NZ SAE 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures* in August 2023. NZ SAE 1 outlines the assurance practitioner's responsibilities when conducting an assurance engagement for the disclosures within climate statements relating to GHG emissions. It permits the use of either of two international assurance standards that are currently in use in New Zealand.

The XRB purposely developed NZ SAE 1 as a temporary assurance standard in response to the rapidly evolving developments in sustainability assurance. A temporary approach allows for the XRB to consider the longer-term approach, as the market and international considerations develop.



Appendix 2

Climate reporting internationally

There have been many international developments in climate and sustainability reporting since NZ CS were issued in December 2022:

- In June 2023, the ISSB issued two standards: one for general sustainability reporting (IFRS S1), the other for climate-related disclosures (IFRS S2).
- Numerous jurisdictions have imposed CRD obligations or are in the process of doing so, including Australia, the European Union, United Kingdom, China, Japan, Singapore, Malaysia, Canada and California. Some have imposed stand-alone CRD obligations, while others have implemented CRD as a broader set of sustainability reporting obligations.

The International Sustainability Standards Board

The ISSB issued IFRS S1 *General Requirements for Disclosure of Sustainability-related financial information* and IFRS S2 *Climate-related Disclosures* in June 2023, six months after the XRB issued NZ CS.

Overall, there is a strong degree of alignment in the core content in NZ CS 1 and IFRS S2 (i.e., the disclosures on governance, strategy, risk management and metrics and targets). There is also significant alignment between the concepts and general requirements in IFRS S1 and NZ CS 3 General Requirements for Climate-related Disclosures. However, there are many differences in detail which mean that if an entity applies IFRS S1/S2 it will not necessarily comply with NZ CS, and vice versa.

XRB staff have prepared a [detailed comparison document](#) between NZ CS and IFRS S1/S2.

Australia

In September 2024, the Australian Parliament imposed mandatory CRD through the *Treasury Laws Amendment (Financial Market Infrastructure and Other Matters) Act 2024* (the Australian Act). It provides for CRD to be implemented in three phases, with phase one applying to the largest companies (both public and private) and entities subject to the National Greenhouse and Energy Reporting Scheme for financial years commencing on or after 1 January 2025 (Group 1 entities). It will start applying to Group 2 and Group 3 entities 1½ and 2½ years later.

The Australian Accounting Standards Board has adopted IFRS S2 for climate reporting, incorporating a small number of Australian-specific paragraphs by issuing AASB S2 on 20 September 2024.

There is a strong degree of alignment between NZ CS 1 and AASB S2 because the core content, concepts and general requirements are the same. However, reporting in accordance with one standard will not necessarily meet the requirements of the other. We estimate that AASB S2 imposes approximately 50 more disclosure requirements than NZ CS 1, while NZ CS 1 includes a small number of obligations that are not included in AASB S2.



Appendix 3

Climate-related assurance internationally

There have been many international developments in climate and sustainability assurance since NZ SAE 1 was issued in August 2023:

- The International Auditing and Assurance Standards Board (IAASB) approved ISSA 5000, General Requirements for Sustainability Assurance Engagements on 20 September 2024. The standard is expected to be issued in December 2024 and will be effective for periods beginning on or after 15 December 2026.
- The International Ethics Standards Board for Accountants (IESBA) is on track to approve the International Ethics Standards for Sustainability Assurance (IESSA) in December 2024. The standard is expected to be issued in January 2025 and will also be effective for periods beginning on or after 15 December 2026.
- Jurisdictions have or are proposing to impose mandatory assurance over climate reporting including the European Union (including scope 3 emissions), the US Securities Exchange Commission rule (including scope 3 emissions), California Climate legislation (scope 3 assurance to be determined) and Australia (including scope 3 emissions).
- ISO 14064-3:2019 *Greenhouse gases – Part 3: Specification with guidance for the verification and validation of greenhouse gas statements*. This standard was issued by the International Organization on Standardization.
- ISAE (NZ) 3410 *Assurance Engagements on Greenhouse Gas Statements*. This standard was issued by the New Zealand Auditing and Assurance Standards Board. It is the New Zealand equivalent of a standard issued by the International Auditing and Assurance Standards Board (IAASB).

In September 2024, the IAASB issued ISSA 5000. It is a standalone overarching standard for assurance on sustainability reporting, intended to:

- support the consistent performance of quality sustainability assurance engagements
- be suitable across all sustainability topics, information disclosed about those topics, and reporting frameworks, including but not limited to climate reporting
- implementable by all assurance practitioners (i.e., professional accountants and other professionals performing assurance engagements).

The XRB will continue to monitor assurance developments globally to determine if and when NZ SAE 1, the temporary New Zealand assurance standard should be amended or withdrawn or replaced.

International assurance standards

NZ SAE 1 allows assurance providers to use either one of two GHG emissions disclosure assurance standards that are applied internationally:



Australia

The Australian Act delegates the responsibility for issuing sustainability reporting assurance standards and phasing the assurance requirements to the Australian Auditing and Assurance Standards Board (AUASB).

The AUASB is currently consulting on [ED 02/24](#), which is an Exposure Draft of ASSA 5010, Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001. ED 02/24 proposes the assurance phasing outlined below.

The Australian Act also provides for the phased introduction of limited and reasonable assurance over sustainability reports for each group, culminating in reasonable assurance of all disclosures by all three groups by 2030.

Diagrammatic Representation of Assurance Phasing

Reporting Year ->	1st*	2nd	3rd	4 th	5th	6th**
Governance	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Strategy – Risks and Opportunities ***	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate Resilience Assessments / Scenario Analysis	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Transition Plans	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Risk Management	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Scope 1 and 2 Emissions	Limited	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
Scope 3 Emissions	N/A	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate-related Metrics and Targets	None	Limited	Limited	Reasonable	Reasonable	Reasonable

Asterisked item		Explanation in ED ASSA 5010
*	First year	Group 1 – Years commencing 1 January 2025 Group 2 – Years commencing 1 July 2026 Group 3 – Years commencing 1 July 2027
**	Sixth year	Group 3 entities will be subject to reasonable assurance across all disclosures by years commencing 1 July 2030.
***	Strategy – Risks and Opportunities	A Group 3 entity may, instead of publishing a climate report, publish a Statement that it has no material climate-related risks and opportunities. The Statement must be assured. The phasing for assurance of the Statement is the same as for Strategy – Risks and Opportunities.



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