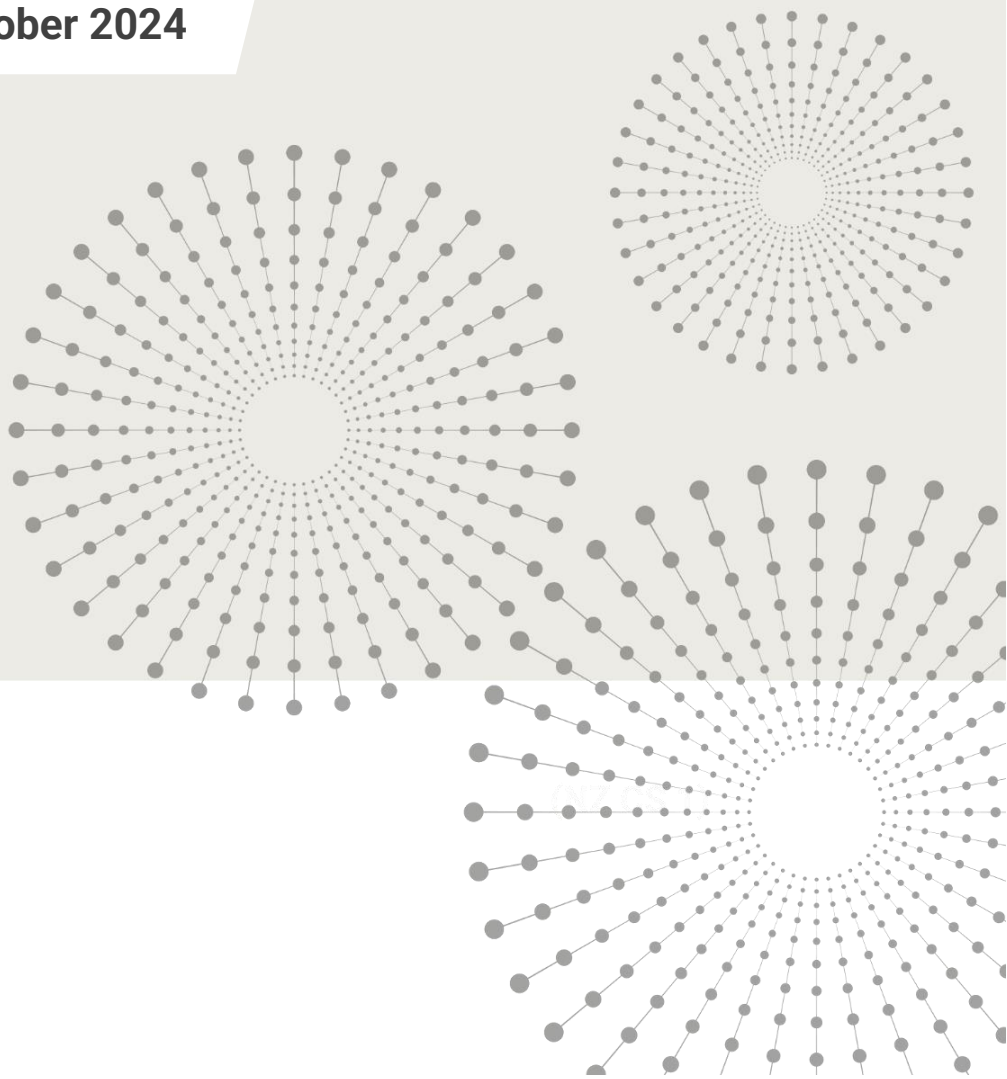


Proposed 2024 Amendments to Climate and Assurance Standards

Exposure Drafts

Submissions close 30 October 2024

October 2024





XRB EXPOSURE DRAFT

Amendments to Adoption of Aotearoa New Zealand Climate Standards 2024

Issued [date]

This [draft]¹ amending Standard has been issued to amend adoption provisions in NZ CS 2 *Adoption of Aotearoa New Zealand Climate Standards*.

In finalising this amending Standard, the External Reporting Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

Legal status of amending Standard

This amending Standard was issued on [date] by the External Reporting Board pursuant to section 12(aa) of the Financial Reporting Act 2013.

This amending Standard is secondary legislation for the purposes of the Legislation Act 2019.

This amending Standard, pursuant to section 27(1) of the Financial Reporting Act 2013, takes effect on the 28th day after the date of its publication. The amending Standard was published under the Legislation Act 2019 on [date] and takes effect on [date].

Commencement and application

This amending Standard, pursuant to section 28(2) of the Financial Reporting Act 2013, has a mandatory date of 1 January 2024, meaning it must be applied by reporting entities for accounting periods that begin on or after this date.

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¹ References to 'this amending Standard' or 'the amending Standard' throughout this Exposure Draft should be read as referring to 'this [draft] amending Standard' or 'the [draft] amending Standard'.

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Part A – Introduction

This amending Standard makes changes to NZ CS 2 *Adoption of Aotearoa New Zealand Climate Standards*. The amendments are to:

- extend the adoption provisions for:
 - scope 3 GHG emissions for an additional year (and related extensions to the adoption provisions relating to comparatives for scope 3 GHG emissions and analysis of trends);
 - anticipated financial impacts for an additional year;
 - transition planning for an additional year; and
- establish an adoption provision in relation to accounting periods ending before 31 December 2025 for the assurance of scope 3 GHG emissions disclosures, thus giving an additional year before the assurance over scope 3 GHG emissions disclosures is required. This means that the assurance of scope 3 GHG emission disclosures will apply in relation to accounting periods ending on or after 31 December 2025.

Part B – Scope

This amending Standard applies to entities that are required by Part 7A of the Financial Markets Conduct Act 2013 to prepare climate statements or group climate statements that comply with the climate-related disclosure framework.

Part C – Amendments to NZ CS 2 *Adoption of Aotearoa New Zealand Climate Standards*

Paragraph 1.1 is added.

Paragraph 8.1 is added.

Paragraphs 7, 8, 12, 15, 16, 17, 18 and 19 are amended. Paragraph 22 is not amended but is provided for context. Paragraphs 19.1 and 22.1 are added.

Section entitled Assurance of GHG emissions disclosures is added.

Paragraphs 24 to 26 are added including their related headings.

New text is underlined and deleted text is struck through.

Objective

1. In recognition that it may take time to develop the capability to produce high-quality climate-related disclosures, and that some disclosure requirements, by their nature, may require an exemption, this Standard provides a limited number of adoption provisions from the disclosure requirements in *Aotearoa New Zealand Climate Standards*.

- 1.1 This Standard also provides an adoption provision relating to the assurance of scope 3 GHG emissions disclosures. This adoption provision recognises the temporary challenges in obtaining sufficient reliable data to support the disclosures subject to an assurance engagement and to enable increased consistency across the assurance market.

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Scope

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7. Adoption provisions ~~1 to 4~~ is only available to an entity when preparing and presenting climate statements or group climate statements for its *first reporting period*.
8. Adoption provisions ~~5~~ 2 to 7 are available to an entity when preparing and presenting climate statements or group climate statements for its first reporting period, *second reporting period*, ~~or third reporting period~~ or *fourth reporting period*.
- 8.1 Adoption provision 8 is available to an entity when preparing and presenting climate statements or group climate statements in relation to accounting periods ending before 31 December 2025.

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Adoption provisions

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Adoption provision 2: Anticipated financial impacts

12. Paragraph 15(b) of NZ CS 1 requires the following disclosure:
- the anticipated financial impacts of climate-related risks and opportunities reasonably expected by the entity.
- This Standard provides an exemption from this disclosure requirement in an entity's first reporting period and second reporting period.

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Adoption provision 3: Transition planning

15. Paragraphs 16(b) and 16(c) of NZ CS 1 require the following disclosure:
- the transition plan aspects of its strategy, including how its business model and strategy might change to address its climate-related risks and opportunities; and
 - the extent to which transition plan aspects of its strategy are aligned with its internal capital deployment and funding decision-making processes.
- This Standard provides an exemption from these disclosure requirements in an entity's first reporting period and second reporting period.
16. If an entity elects to use the adoption provision in paragraph 15, it must provide a description of its progress towards developing the transition plan aspects of its strategy, in its first reporting period and second reporting period.

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Adoption provision 4: Scope 3 GHG emissions

17. Paragraph 22(a)(iii) of NZ CS 1 requires the following disclosure:
- greenhouse gas (GHG) emissions: gross emissions in metric tonnes of carbon dioxide equivalent (CO₂e) classified as scope 3.
- Although disclosure of *scope 3 greenhouse gas (GHG)* emissions is encouraged for all entities on adoption of Aotearoa New Zealand Climate Standards, this Standard provides an exemption from this disclosure requirement in an entity's first reporting period and second reporting period. An entity may choose to apply the adoption provision in this paragraph to all its scope 3 GHG emissions sources, or a selected subset of its scope 3 GHG emissions sources. If an entity discloses a selected subset of its scope 3 GHG emission sources, it must identify which sources it has not disclosed.

Adoption provision 5: Comparatives for Scope 3 GHG emissions

18. Paragraph 40 of NZ CS 3 *General Requirements for Climate-related Disclosures* requires the following disclosure:

For each metric disclosed in the current reporting period an entity must disclose comparative information for the immediately preceding two reporting periods.

If an entity elects to use the adoption provision in paragraph 17, this Standard provides an exemption from providing comparative information for scope 3 GHG emissions in an entity's ~~second~~ third reporting period.

19. If an entity elects to use the adoption provision in paragraph 17, this Standard permits an entity to provide one year of comparative information for scope 3 GHG emissions in an entity's ~~third~~ fourth reporting period.

- 19.1 If an entity elects to use the adoption provision in paragraph 17 only for its first reporting period, this Standard allows an entity to exclude comparative information for scope 3 GHG emissions in its second reporting period and permits an entity to provide one year of comparative information for scope 3 GHG emissions in its third reporting period.

...

Adoption provision 7: Analysis of trends

22. Paragraph 42 of NZ CS 3 requires the following disclosure:

An entity must disclose an analysis of the main trends evident from a comparison of each metric from previous reporting periods to the current reporting period.

This Standard provides an exemption from this disclosure requirement in an entity's first and second reporting period.

- 22.1 If an entity elects to use the adoption provision in paragraph 17 for its first reporting period and second reporting period this Standard allows an entity to exclude an analysis of main trends (see paragraph 22) for scope 3 GHG emissions in an entity's first reporting period, second reporting period and third reporting period.

...

Assurance of GHG emissions disclosures

Adoption provision 8: Scope 3 GHG emissions assurance

24. For accounting periods ending before 31 December 2025, this adoption provision 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). This means that the assurance of the entity's scope 3 GHG emissions disclosures will apply in relation to accounting periods ending on or after 31 December 2025.

25. For the avoidance of doubt, if adoption provision 8 is used, the entity's scope 1 and scope 2 GHG emissions disclosures must be the subject of an assurance engagement (see paragraphs 25, 26(a)(i) and (ii), 26(b) and 26(c) of NZ CS 1).

Use of adoption provision 8

26. If an entity elects not to use adoption provision 4 it may still use adoption provision 8. In such a case, this Standard requires an entity to clearly identify that its scope 3 GHG emissions disclosures have not been mandatorily assured.

A new defined term 'fourth reporting period' is added to Appendix A. New text is underlined.

Appendix A Defined terms

This appendix is an integral part of NZ CS 2 *Adoption of Aotearoa New Zealand Climate Standards* and has the same authority as the other parts of this Standard. Some defined terms are used in at least one other Aotearoa New Zealand Climate Standard, always with the same meaning.

...

Fourth reporting period The reporting period immediately following an entity's third reporting period in which an entity makes an explicit and unreserved statement of compliance with Aotearoa New Zealand Climate Standards.

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The headings in Appendix B are amended. Paragraphs B2 to B5 are added including their related headings. New text is underlined and deleted text is struck through.

Appendix B ~~Application date~~ Commencement and application

This appendix is an integral part of NZ CS 2 *Adoption of Aotearoa New Zealand Climate Standards* and has the same authority as the other parts of this Standard.

~~Application date~~ Commencement and application

...

Amendments to Adoption of Aotearoa New Zealand Climate Standards 2024

~~B2.~~ Amendments to Adoption of Aotearoa New Zealand Climate Standards 2024, published in [month] 2024, amended paragraphs 7, 8, 12, 15, 16, 17, 18 and 19 and added paragraphs 1.1, 8.1, 19.1, 22.1, 24, 25 and 26. An entity must apply those amendments in accordance with the commencement and application date provisions in paragraphs B3 to B5.

When amending Standard takes effect (section 27 Financial Reporting Act 2013)

~~B3.~~ This amending Standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019. The amending Standard was published on [date] and takes effect on [date].

Accounting period in relation to which standards commence to apply (section 28 Financial Reporting Act 2013)

~~B4.~~ The accounting periods in relation to which this amending Standard commences to apply are those accounting periods following, and including, the first accounting period for the entity that begins on or after the **mandatory date**.

~~B5.~~ In paragraph B4:

mandatory date means 1 January 2024.



XRB EXPOSURE DRAFT

Amendments to Assurance Engagements over Greenhouse Gas Emissions Disclosures 2024

Issued [date]

This [draft]¹ amending Standard has been issued to amend NZ SAE 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures*.

In finalising this amending Standard, the External Reporting Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

Legal status of amending Standard

This amending Standard was issued on [date] by the External Reporting Board pursuant to section 12(b) of the Financial Reporting Act 2013.

This amending Standard is secondary legislation for the purposes of the Legislation Act 2019.

This amending Standard, pursuant to section 27(1) of the Financial Reporting Act 2013, takes effect on the 28th day after the date of its publication. The amending Standard was published under the Legislation Act 2019 on [date] and takes effect on [date].

This Standard has been issued to amend NZ SAE 1 to reflect amendments arising due to the introduction of an assurance related adoption provision in NZ CS 2 *Adoption of Aotearoa New Zealand Climate Standards*.

Commencement and application

The accounting periods in relation to which this amending Standard commences to apply are for any assurance practitioner, those accounting periods that commence on or after 1 January 2024.

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Part A – Introduction

This amending Standard makes changes to NZ SAE 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures*. The amendments are to reflect amendments arising due to the introduction of an assurance related adoption provision in NZ CS 2 *Adoption of Aotearoa New Zealand Climate Standards* giving an additional year before scope 3 GHG emissions disclosures assurance is required.

Part B – Commencement and Application

The accounting periods in relation to which this amending Standard commences to apply are for any assurance practitioner, those accounting periods that commence on or after 1 January 2024.

Part C – Amendments to NZ SAE 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures*

Paragraph 7A and 7B is added. New text is underlined. Paragraph 7 and headings of the standard are provided for context.

...

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 2¹, 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 2025. This means that the assurance of scope 3 GHG emission disclosures will apply in relation to accounting periods ending on or after 31 December 2025.
- 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 1²) in accordance with NZ SAE 1.

¹ NZ CS 2 *Adoption of Aotearoa New Zealand Climate Standards*

² NZ CS 1 *Climate-related Disclosures*