



SUBMISSION: NZ XRB REQUEST FOR INFORMATION ON CLIMATE REPORTING 2025

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To: **The External Reporting Board (XRB)**

Email: sustainability@xrb.govt.nz

We appreciate the leadership efforts of the New Zealand External Reporting Board (XRB) in shaping the challenging climate-related disclosure landscape for New Zealand. Thank you for the opportunity to make this submission in relation to your Request for Information on Climate Reporting, 2025.

Our submission is from the point of view of a stakeholder. We are a professional services firm providing governance, risk and compliance advice in relation to climate-related risks and opportunities. We use Climate Statements to systematically analyse disclosure facts and evidence, contextualise these facts with other information, conduct independent research to support decision making. We are committed to open standards, institutional supports that build cooperative capacity towards resource-efficient disclosures of climate-related risks and opportunities. In this sense, we believe that this ultimately necessitates a coherent approach to broader 'ESG' disclosures that support ecosystem integrity and improved Living Standards.

Our professional practice, established 2001, has provided advice to financial and non-financial boards of significant entities, lead New Zealand government agencies and business mentoring to business in the community. Our approach and experience inform our submission.

Below, we provide our responses to your questions. Please do not hesitate to contact us for clarifications.

**1. Which standards, overseas jurisdictions or other specific elements of international alignment are the most important for you (as a CRE or a primary user of climate statements), and why?**

In our view, the European Union jurisdiction for climate-related disclosures is the *most important* for international alignment. The Corporate Sustainability Reporting Directive (CSRD) along with the European Sustainability Reporting Standards (ESRS).

Their approach to disclosures is more coherent and it provides a common 'yardstick' to evaluate disclosures. The disclosure information as per EU Taxonomy regulation provides usable and standardised evidence that is decision-useful.

Whilst we suggest a resource-sensitive approach which considers the burden of disclosures in our region - we would like to see XRB encourage CREs to adopt this approach even if on a voluntary basis to begin with.

## **2. Is now the right time for New Zealand to amend or replace NZ CS to achieve closer international alignment with any other standards, and why?**

We would strongly advise against the wholesale replacement of the NZ CS. It is a thoughtful, well considered set of standards. NZ CREs have committed substantial resources to comply with it.

The most important amendment to the NZ CS should be in the direction of Double Materiality principle. Double Materiality matters to the overall credibility and integrity of Climate-Related Disclosures. even if first impressions suggest that it increases the cost of compliance.

The Double Materiality Principle requires that disclosures disclose *material* effects to the ecological ecosystems, and society and not just to their entities. The key point is that of materiality. Those entities that do not, in fact, impose significant costs to ecosystems and society, should in principle, not experience additional compliance cost. For those CREs who do, it only makes rational sense that they incur costs of disclosure that is somewhat proportionate to costs incurred on Nature and society.

The EU CSRD provide a practical reference point of implementation of such a regime. Indeed, we suggest that NZ XRB arrive at the appropriate design and balance optimised for our jurisdiction.

## **3. If closer international alignment is desirable, what process to achieve this degree of alignment is most desirable (e.g., greater alignment of NZ CS or revoking NZ CS)? Why?**

We strongly advise against revoking the NZ CS.

The degree of alignment with the EU CSRS can be achieved through smart design choices, enhancing the NZ CS. For example, it already encourages adoption of the FST TCFD and principles of IFRS Foundation standards.

For example, NZ XRB should encourage the voluntary adoption of enabling frameworks and standards - importantly the EU Taxonomy in disclosures. It should seriously consider the adoption of a reporting structure for Climate Statements similar to the XBRL Document Architecture.

Enabling frameworks such as these offer reduced costs on users and have the potential of encouraging more streamlined disclosure workflows for CREs' in-house teams. For example, such guidance will enable CRE's in-house teams to have more certainty, providing a firm basis for multi-year disclosure strategies

**4. What information can you provide that this closer international alignment would better achieve the stated purpose of climate reporting as per section 19B of the Financial Reporting Act 2013?**

In our understanding, the intent of the Section 19B of the Financial Report Act 2013 is to enable NZ entities to embed climate reporting into the routine way in which the business operates - to make this "business as usual". To do so in a way that genuinely rewards the reporting entities through improved investor confidence.

The closer alignment with EU CSRD/ESRS will provide several benefits to support this intent.

EU is an important trading block for New Zealand.

The EU has strategically prioritised the Living Standards of its people whilst also utilising market-led mechanisms. Having a level of comparability with EU entities will open new opportunities for investment and trade.

*Ultimately, alignment with EU CSRD will provide CREs a platform to structure climate disclosures as value-generating functions.* The expected benefits are improved access to capital, stakeholder trust, and regulatory efficiency: and these can outweigh transitional compliance costs. It may better shape committee decisions that are optimised for proportionality - for capability that serve the long-run interests of investors, regulators, civil society and indeed the integrity of ecosystem services. For example, adopting the Double Materiality Principle will influence reporting entities to build reporting functions that ultimately provide high integrity disclosures and offer competitive advantage.

**Questions 5 and 6 are omitted.**

**7. Do you have any other comments?**

We appreciate XRB's leadership efforts and suggest that XRB develop strategies to encourage CREs to adopt the Double Materiality Principle in future Climate Statements.

We also appreciate XRBs pragmatic approach which considers the needs of users and disclosures. The increasing inherent level of climate related risks, the rapidly increase of market-led opportunities domestically and internationally suggests that alignment with international standards is an imperative.

Sincerely,

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Principal/Director  
Essence Networks Limited.