

Basis for Conclusions

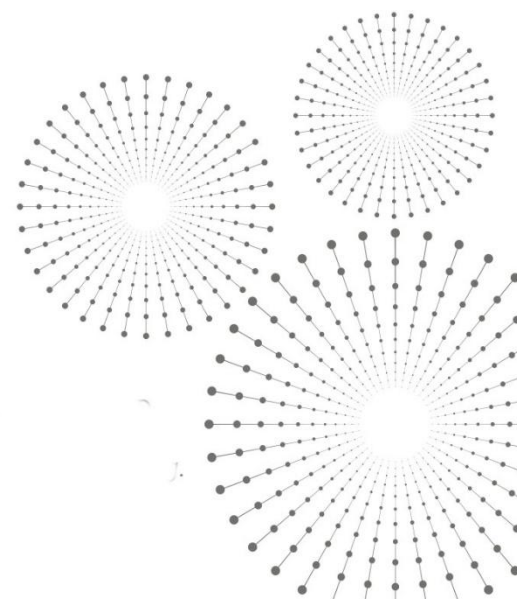
Amendment to Assurance Engagements over Greenhouse Gas Emissions Disclosures 2025

November 2025

This document relates to, but does not form part of, Amendment to Assurance Engagements over Greenhouse Gas Emissions Disclosures 2025, which was approved in November 2025.

It summarises the issues raised by respondents to *Proposed 2025 Amendments to Climate and Assurance Standards* and how the XRB has addressed them.

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Basis for conclusions on Amendment to Assurance Engagements over Greenhouse Gas Emissions Disclosures 2025

This Basis for Conclusions accompanies, but is not part of, *Amendment to Assurance Engagements over Greenhouse Gas Emissions Disclosures 2025*.

How and why we consulted

BC1. The XRB obtained information through three consultation processes:

- (a) In April 2025, the XRB issued *Request for information: The international alignment of climate reporting* (the RFI). As part of the consultation, XRB staff collaborated with key stakeholder organisations to conduct feedback sessions, facilitating stakeholders' input on the RFI. During this consultation XRB staff heard that the disclosure and assurance of scope 3 greenhouse gas emissions was continuing to be a challenge for climate reporting entities (CREs).
- (b) In August 2025, XRB staff conducted targeted follow-up meetings with CREs, assurance practitioners and data providers, to understand these issues in more detail.
- (c) In September 2025, the XRB issued *Proposed 2025 Amendments to Climate and Assurance Standards* (the consultation document).
- (d) The consultation document proposed a two-year extension to adoption provisions in NZ CS 2¹ relating to the disclosure and assurance of scope 3 GHG emissions and to consistently amend NZ SAE 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures*. The decision to extend the adoption provisions for the disclosure and assurance of scope 3 GHG emissions and the impact on NZ SAE 1 are necessarily inter-related. These proposals would be optional and would provide additional time for CREs to address the challenges they faced whilst continuing to progress disclosures, with or without assurance, and engage in assurance readiness assessments during the transition period. The consultation paper also included questions about other options: retain the status quo, a one-year extension and an extension of more than two years.

Targeted follow-up meetings

- BC2. During the targeted follow-up meetings, CREs told XRB staff that disclosing and assuring scope 3 GHG emissions is far more complex, costly and resource intensive than anticipated, reducing comparability and creating significant implementation challenges including data collection and system upgrades. They highlighted major uncertainties around defining boundaries of what needs to be reported and avoiding scope creep, particularly for facilitated emissions in banking, insurance-associated emissions, and applying GHG Protocol categories such as "use of sold products".
- BC3. CREs raised concerns about measurement-related methodological gaps and interpretation issues due to the absence of sector-specific guidance in an evolving international landscape. Data quality and availability remain problematic, and there are concerns about the potential inconsistencies between New Zealand disclosure requirements and international standards add complexity for CREs with overseas (in particular Australian) parents. High compliance costs and diversion of resources away from emissions reduction and adaptation efforts were also key concerns.
- BC4. Some CREs commented that there is a lack of capability or capacity in the assurance market. The assurance practitioners XRB staff spoke to noted that disclosures are becoming easier with experience and that there is no demonstrable need for delay, as many CREs are already disclosing scope 3 GHG emissions under NZ CS 1. All assurance opinions to date have been unmodified, and SOC 2² reports are not essential because alternative evidence can meet the

¹ New Zealand Climate Standard 2, *Adoption of Aotearoa New Zealand Climate Standards*

² A SOC report is an independent auditor's evaluation of a service organisation's internal controls, providing assurance about how data and processes are handled.

assurance requirements. These assurance practitioners confirmed that they have the capability and capacity to meet demand.

The consultation document

- BC5. The consultation document emphasised that the disclosure and assurance of scope 3 GHG emissions are an integral component of the climate-related disclosure framework. It highlighted the importance of such disclosures, noting that scope 3 GHG emissions often represent significant climate-related risks and opportunities for CREs, support credible transition planning, and were an increasingly common international ask for access to capital. It noted that mandatory reporting enhances transparency to support investor decision making, and assurance enhances trust and confidence in the information, reducing the risk of greenwashing.
- BC6. The consultation document stated that the purpose of the proposed two-year extension would be to provide time for:
- (a) the XRB to produce and support additional guidance material and clarifications, and introduce differential reporting if warranted depending on the Government's decisions about the CRD regime;
 - (b) helpful information to become available from other local and international sources;
 - (c) greater clarity to emerge about inclusions and boundaries for scope 3 GHG emissions, together with specific climate-related disclosure obligations in other jurisdictions;
 - (d) CREs to upskill and improve their systems and processes; and
 - (e) data providers to continue to work towards an industry-wide solution for assurance requests from multiple customers (SOC 2 reports).
- BC7. The consultation document also stated that a two-year extension would better align timing with the scope 3 GHG emissions disclosure and assurance obligations in Australia.

The consultation responses

- BC8. The XRB received 102 submissions, 57 from CREs and 45 from other stakeholders (comprising mostly individuals, professional service providers and industry bodies). 97 submitters, comprising 53 CREs and 44 other stakeholders responded to the question on scope 3 GHG emissions disclosure and assurance. More specifically:
- (a) 73 of the 97 submitters (75%) supported an extension. Of the 73 submitters that supported an extension, 75% agreed with the proposed two years. Views were split amongst the other 25% about whether a shorter (one year) or longer extension (three or more years) should be implemented.
 - (b) 50 of the 53 CREs (94%) supported an extension. Of the 50 CREs that supported an extension, 82% supported the proposed two years. The other 18% supported three or more years.
 - (c) 23 of the 44 other stakeholders (52%) supported an extension. Of the 23 entities that supported an extension, 61% supported the proposed two years. 7 of the 13 professional service providers (including assurance practitioners) (54%) and 9 of 15 individuals (60%) did not support an extension.
- BC9. Almost all CREs supported an extension, with most favouring a two-year extension. CREs cited several key reasons. Data availability and quality remain insufficient across value chains, with heavy reliance on third-party estimates and low supplier coverage, making robust disclosure and assurance challenging. Some CREs emphasised the need to align timing and requirements with Australia's reporting standards to reduce duplication, improve comparability, and address uncertainty—particularly for dual-listed entities and insurers concerned about insurance-associated emissions.
- BC10. CREs' assurance readiness and assurance cost were also noted, due to the complexity and resource requirements of scope 3 GHG emissions disclosure, with some CREs still developing

systems and internal capability. CREs also highlighted unresolved methodological issues (for example, lack of measurement methodologies for derivatives and facilitated emissions) and uncertainties regarding the boundaries for scope 3 GHG emissions inclusion. Some noted the need for time to build internal capability and systems.

- BC11. Nine CREs supported an extension beyond two years, citing four main reasons: high compliance and assurance costs that currently outweigh benefits to users and investors; immature methodologies for calculating and assuring scope 3 GHG emissions, requiring time to refine and align with global best practice; insufficient data availability and quality across value chains, leading to unreliable estimates; and assurance market readiness. Additional points included low investor interest in climate statements and the need to align with Australian implementation timelines to leverage more mature overseas practice.
- BC12. Three CREs did not support an extension. One provided no rationale, while the other two emphasised the importance of scope 3 GHG emissions disclosure, noting that this amount is usually much higher than scope 1 and 2 GHG emissions combined and is critical for complete, decision-useful climate statements.
- BC13. Other stakeholders expressed mixed views about extending adoption provisions, 52% supported extending adoption provisions, citing assurance readiness and cost concerns, particularly for scope 3 GHG emissions where methodologies, data quality, and assurance practices remain immature. Submitters contended that there was limited assurance capacity, a risk of qualified opinions, and disproportionate burdens on smaller entities, emphasising the need for scalable, threshold-sensitive settings. Most stated that time is required to build systems, processes, and capability, and call for alignment with international standards, to ensure comparability and avoid duplication. Stakeholders warned that premature mandatory reporting could undermine investor confidence and market comparability, given current uncertainty and inconsistency in data and methodologies.
- BC14. 48% of other stakeholders did not agree with extending adoption provisions, citing that further delays would undermine achieving the purpose of the climate-related disclosure framework, and reduce momentum and weaken trust in the CRD regime as a whole. They stressed that scope 3 GHG emissions disclosures are critical for decision-useful information, comparability, and effective risk assessment, and note that existing guidance provides sufficient flexibility for meaningful reporting. Many stated that capability improves through practice, with many CREs already disclosing or obtaining limited assurance, and warn that further deferral risks misalignment with international regimes and reduced market confidence. While most rejected blanket extensions, some supported short, time-bound assurance deferrals or targeted relief for specific categories (e.g., financed emissions), alongside practical support measures rather than delay.
- BC15. Assurance practitioners stated that they have capability and capacity to carry out the assurance work. They also stated that assurance brings to the surface method, boundary and data issues early, raising quality and confidence. Hence, deferral of assurance would dilute these benefits.

The NZAuASB's decision

- BC16. The NZAuASB decided to proceed with the proposal as stated in the consultation document, noting the SRB's decision to extend the optional adoption provisions relating to reporting and assurance of the scope 3 GHG emissions for an additional two years and to replicate the impact of the extension in NZ SAE 1. The NZAuASB considered the inter-related nature of the need for and the decisions to extend the reporting and assurance adoption provisions.
- BC17. The NZAuASB agreed that a two-year extension:
- (a) acknowledges the real and immediate challenges faced by CREs in an economically challenging and resource constrained environment. Two years should allow CREs the necessary time to put in place further controls, processes and systems to ensure that the quality of information is at a level that promotes trust and confidence and to support the

availability of sufficient, appropriate evidence for an assurance engagement to be performed.

- (b) would provide sufficient time for the XRB to provide further guidance to support adoption and implementation.
- (c) would allow CREs and professional service providers to work together to address many of the current challenges. The provisions are optional, and CREs are encouraged to disclose and obtain assurance over a subset of scope 3 GHG emissions if they elect to use the adoption provisions, and to use this time to transition by 31 December 2027. This should enable boundary and data issues to be addressed in the transition period to increase trust and confidence in the disclosed information.
- (d) aligns with the application date of the new international assurance standard, ISSA 5000³, which includes requirements and application material relevant to the value chain. The application of ISSA 5000 is for periods beginning on or after December 2026, with early adoption encouraged. In response to recent consultation, the NZAuASB has heard strong support to adopt ISSA 5000 which will be considered by the NZAuASB at its December 2025 meeting.
- (e) also aligns more closely with Australian scope 3 GHG emissions assurance requirements for the largest entities within that regime.

BC18. The NZAuASB considers that a two-year extension should be sufficient time such that further extensions are unlikely to be needed. The XRB continues to be committed to issuing guidance to support the implementation of these disclosure and assurance requirements, and will remain responsive to changing circumstances.

BC19. The FMA has indicated that they would issue any necessary exemption notice in 2026 to support the implementation of the adoption provision extensions. It would be modelled on the *Financial Markets Conduct (Climate-related Disclosures—Assurance Engagement) Exemption Notice 2025*.

Government decisions on legislative changes to the climate reporting regime

BC20. On 22 October 2025, the Minister of Commerce and Consumer Affairs announced that the Government had decided to make the following changes to the climate reporting regime as part of the Financial Markets Conduct Amendment Bill (with the legislation expected to be passed in 2026):

- (a) increase the mandatory climate reporting threshold for listed issuers from \$60 million market capitalisation for equity issuers and \$60 million total face value of quoted debt for debt issuers to \$1 billion for both equity and debt issuers;
- (b) remove managed investment schemes; and
- (c) amend director and company liability settings.

BC21. On 28 October 2025, the FMA stated that they would provide interim relief in the form of taking a 'no action' approach to affected entities who are expecting their climate reporting obligations to cease once the legislation is passed. This means that the FMA will not take action in respect of a failure to prepare or lodge climate statements under any other obligation under Part 7A of the Financial Markets Conduct Act 2013.

BC22. The NZAuASB considered the submissions received in light of the Government announcement and noted that it did not change its decisions.

BC23. As part of its decision making, the NZAuASB noted that 100% of entities that responded to the XRB's consultation that are expected to remain in the regime post changes to the legislation

³ ISSA 5000, General Requirements for Sustainability Assurance Engagements

supported extending the adoption provisions for both scope 3 GHG emissions disclosure and assurance. The reasons provided by these entities were focused on the importance of these adoption provision extensions for their own reporting due to the challenges or issues faced.

BC24. For scope 3 GHG emissions disclosure and assurance, the main issues identified by entities expected to remain in the regime were:

- (a) the need for international alignment (including learning from and cost reductions associated with an Australian parent entity);
- (b) data quality and availability issues (and that an extension will enable entities to work towards completeness, so that users can have confidence in reported data); and
- (c) high costs (including being exacerbated by unavailable or unclear guidance or methodologies).