Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Sustainability Reporting Board

MEETING PACK

for

SRB Meeting - 3 Aug 2026 (Public papers)

Monday, 3 August 2026

9:29 am (NZST)

Held at:

Virtual

Virtual

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AGENDA

SRB MEETING - 3 AUG 2026 (PUBLIC PAPERS)

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Name:	Sustainability Reporting Board
Date:	Monday, 3 August 2026
Time:	9:29 am to 3:04 pm (NZST)
Location:	Virtual, Virtual https://teams.microsoft.com/l/meetup-join/19%3ameeting_NTRkNmExOTYtMDI0NS00NzdlLWE1ZTQtZTkzODE3MTk4MWZi%40thread.v2/0?context=%7b%22Tid%22%3a%2253996152-4561-4986-a4e9-e98f4cb07127%22%2c%22Oid%22%3a%220e56d83f-7bf0-4dfe-b7fa-bc5b95e334ff%22%7d
Committee Members:	Becky Lloyd (Committee Chair), Alec Tang, Carolyn Mortland, Jackie Cheyne, Mathew Nelson
Attendees:	Dr Amelia Sharman, Geoff Connor, Judy Ryan, Lisa Kelsey, Wendy Venter, Rikki Owen, Michael van Zijl

1. Opening meeting (non-public)

2. Private agenda item

3. Private agenda item

4. Updates (public)

4.1 Chair update

9:29 am (10 min)

Becky Lloyd

For Noting

4.2 Board members' environmental update, including Australia update

9:39 am (40 min)

Alec Tang, Becky Lloyd, Carolyn Mortland, Jackie Cheyne, Mathew Nelson

For Discussion

Board environmental scan highlighting key matters, current issues and emerging trends relevant for SRB.

4.3 International monitoring

10:19 am (15 min)

Lisa Kelsey

For Noting

Supporting Documents:

4.4 Documents open for comment — 10:34 am (15 min)

Judy Ryan

For Decision

Supporting Documents:

4.4.a	Documents open for comment.docx	15

4.5 MORNING TEA BREAK — 10:49 am (15 min)

5. Climate reporting roadmap (public)

5.1 Decision-making framework — 11:04 am (90 min)

Dr Amelia Sharman, Lisa Kelsey

For Discussion

Supporting Documents:

5.1.a	Memo_Draft decision-making framework.docx	19
5.1.b	Draft decision-making framework.docx	22

5.2 LUNCH BREAK — 12:34 pm (30 min)

6. Private agenda item

6.1 private agenda item — 1:04 pm (30 min)

7. Other items (public)

7.1 GHG emissions update on survey responses — 1:34 pm (35 min)

Judy Ryan

For Noting

7.2 Update on assurance over GHG emissions — 2:09 pm (30 min)

For Information

Misha Pieters, Director Auditing and Assurance, will provide a verbal update on assurance relating to greenhouse gas emissions.

7.3 Biogenic emissions — 2:39 pm (25 min)

Judy Ryan

For Decision

Supporting Documents:

7.3.a	Biogenic emissions.docx	28

8. Private agenda item

9. Close & karakia

9.1 Next meeting

Next meeting: SRB Meeting - 13 Oct 2026 - 13 Oct 2026, 9:00 am

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Memorandum

To:	SRB Members
Meeting date:	Monday 3 August 2026
Subject:	**Update on international and jurisdictional monitoring**
Date:	Thursday 23 July 2026
Prepared by:	Sustainability Team
Through:	Amelia Sharman

☐ **Action Required** ☒ **For Information Purposes Only**

Purpose

1. This paper provides the Board with an update of our international and jurisdictional monitoring from late May to 23 July 2026.

Recommendations

2. The Board is asked to NOTE this update.

Structure

3. This paper is structured as follows:

   Section 1: IFRS Foundation

   Section 2: Update on other International Standard-setters

   Section 3: Update on Jurisdictional Standard-setters

   Section 4: Glossary

Section 1: IFRS Foundation

ISSB

4. The ISSB met on 21-22 July 2026 to discuss nature-related disclosures and phase 2 of the project to enhance the SASB Standards.

Nature-related disclosures

5. The ISSB plans to release a draft IFRS Practice Statement on nature-delated disclosures and an accompanying Basis for Conclusions during the UN Biodiversity Conference (COP 17) in Yerevan, Armenia from 19-30 October 2026. The ISSB has stated that the Practice Statement will complement IFRS S1 and IFRS S2 without changing the requirements in the Standards.
6. The ISSB will consider two staff papers on nature-related disclosures.
7. One paper recommends a 120-day consultation on the exposure draft.

8. The other paper provides an overview of the proposed Practice Statement and discusses its likely effects. It states that the exposure draft will include requirements about what nature-related information to disclose and how to consider aspects specific to nature when applying IFRS S1, IFRS S2 and the practice statement. For example, it will state that an entity shall:

   (a) use nature-related scenario analysis to provide information about the entity's resilience to nature-related risks

   (b) disclose the amount and percentage of assets or business activities that are vulnerable to the nature-related risks it has identified and aligned with the nature-related opportunities it has identified

   (c) consider what level of granularity and type of location-specific information is appropriate to its circumstances to identify a nature-related risk or opportunity and to provide material information about that risk or opportunity.

9. The paper also states that the exposure draft will include proportionality mechanisms that are aligned with proportionality mechanisms in IFRS S2, including requirements for an entity:

   (a) to use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort in calculating the amount and percentage of assets or business activities that are vulnerable to nature-related risks and aligned with nature-related opportunities

   (b) to use an approach that enables the entity to consider the skills, capabilities and resources available to it for the nature-related scenario analysis.

Enhancing the SASB Standards – Phase 2

10. The ISSB considered a staff paper outlining options for Phase 2 of the SASB Standards Enhancement workstream. It recommends that the ISSB agree to comprehensively enhance the six SASB Standards in the Technology & Communications SICS sector. As with the Phase 1 prioritised industries, the enhancements would relate to industry descriptions, disclosure topics, metrics and technical protocols.

11. The staff paper states that investors consistently mention this sector as an area where there is a significant need for improved disclosures. The sector is undergoing rapid structural change and entities in the sector face evolving risks and opportunities, including those arising from changes in technology, dependencies on natural resources such as for semiconductor manufacturing or data centre operations, and social considerations, such as data privacy, the effects of artificial intelligence, and cybersecurity, with significant actual and potential effects on prospects.

12. The staff paper on Phase 2 also indicates that the ISSB might consider the issues that we and other national standard setters have raised about the role of the SASB standards within the ISSB architecture. It states that "any ISSB decisions on future priorities for the SASB Standards, including on any changes to their role, if necessary, could be informed by feedback to the ISSB's next agenda consultation."

13. This statement is a reference to decisions made by the ISSB in July 2025 (subject to the IASB's agreement) and the IASB's subsequent agreement in September 2025 to carry out concurrent agenda consultations in accordance with the following timeline:

   (a) Start the consultation processes in late 2026.
   (b) Issue requests for information on the agendas in 2027.
   (c) Complete the concurrent consultations in 2028.

14. The XRB will have a broad interest in both consultations.

Human capital

15. The ISSB has been researching disclosure about risks and opportunities associated with human capital since 2025. It is planning to decide on the direction of this project at a meeting in the fourth quarter of 2026.

Transition Implementation Group on IFRS S1 ad IFRS S2

16. TIG considered, at its meeting on 23 July 2026, questions about the meaning of 'targets' and 'climate-related targets' which appear several times in IFRS S2 but are not defined. The agenda paper states that the staff think that the climate-related targets required to be disclosed by IFRS S2 are not limited to:

    (a) GHG emissions targets. It is clear from the context in IFRS S2 and the Basis for Conclusions that a GHG emissions target is an example of a climate-related target

    (b) things that are explicitly referred to or labelled as 'targets'

    (c) targets that have been approved by a particular governance or management body of the entity. They also include targets the entity is required to meet by law or regulation.

Section 2: Update on other International Standard-setters

IPSASB

17. With reference to phase 2 of the climate-related disclosure project – public policy, the IPSASB confirmed that entities with responsibility for public policies with climate-related outcomes should provide the required disclosures and supported disclosure of both entity-level and broader climate-related financial implications, subject to proportionality mechanisms and transitional relief.

18. However, there appears to be a growing concern that the current drafting is unclear and will result in fragmented reporting by individual entities rather than at a broader reporting level, which is understood to be more useful to readers of this policy-level reporting.

19. The IPSASB considered feedback on its 2025 Work Programme Consultation and agreed to undertake a future project on general sustainability-related disclosures when resources become available. Staff also confirmed that the proposed research on the architecture of existing literature would not be a staff project, but one undertaken by former IPSASB Chairs.

IAASB

20. On 25 June 2026, the International Auditing and Assurance Standards Board published FAQs on the application of materiality in sustainability assurance engagements. The FAQs support the implementation of the International Standard on Sustainability Assurance *General Requirements for Sustainability Assurance Engagements* (ISSA 5000).

21. The FAQs explain how reporting entities and assurance practitioners apply materiality, including:

    (a) understanding the information needs of intended users of sustainability information

    (b) addressing qualitative and quantitative disclosures

    (c) addressing double materiality considerations, when required, and

    (d) considering how materiality is applied throughout the engagement to support decision-useful sustainability reporting.

ISO and GHG Protocol

22. ISO 14060 *Net zero aligned organizations* has moved to the Draft International Standard (DIS) stage, with voting and public consultation commencing in June 2026. This draft standard aims to convert the existing ISO Net Zero Guidelines into a standard.

23. ISO 32212 *Sustainable finance — Net zero transition planning for financial institutions* was published in June 2026. It "specifies requirements and recommendations for strategic transition planning by financial institutions, designed to protect and enhance value by supporting institutions' response and contribution to a global net zero and climate-resilient economy."

24. On 30 June 2026 the GHG Protocol released guidance supporting implementation of its new Land Sector and Removals (LSR) Standard. It is designed to provide "companies practical detail on how to account for and report GHG emissions and CO_2 removals from agricultural land use and emerging CO_2 removal technologies."

25. The GHG Protocol Corporate Standard revision is continuing through multiple technical working group meetings (see also the Documents open for comment memo).

PCAF

26. No updates for the period.

GRI's GSSB

27. The 1 June meeting saw the approval of the final drafts for topic standards GRI 106: Significant changes for workers and GRI 107: Working parents and caregivers, both with effectives dates yet to be determined. GRI 402: Labor/management relations was withdrawn.

28. At the 16 July meeting the GSSB was asked to approve GRI 104: Employment and GRI 105: Renumeration and working time, including the basis for conclusions for both. The GSSB was also asked to approve a project proposal to develop compact (reduced) sector standards. Compact sector standards are considered "a stepping stone towards sustainability reporting for less mature reporting organisations … paving the way for more comprehensive reporting with a GRI Sector Standard in future."

CDP

29. CDP has been split into two following a private equity firm acquiring the majority stake. CDP is the commercial entity providing environmental data and disclosure services while the CDP Foundation is the charitable arms aimed at driving science-led environmental disclosures.

Capitals Coalition

30. The Impact Value Standards Board (IVSB), established by the Capitals Coalition in early 2026 to develop an Impact Accounting Methodology for value creation, is now consulting on an Exposure Draft for Waste Topic Methodology. The draft proposes a standardised, monetized approach to measuring waste impacts including consequences for human well-being.

31. The Capitals Coalition shared a LinkedIn post and newsletter update that links readers to the XRB website and specifically our document that shows the relationship between He Tauira and the Integrated Decision-making Framework.

ITPN

32. The ITPN third quarterly meeting for 2026 was held on 22 July 2026. The meeting's key topics were:

    (a) Reflections from London Climate Action Week: For example, an ITPN roundtable was held on the use of transition data from corporate transition plans in policy making and regulation (e.g. capital allocation, dependencies, emissions and risk data)

    (b) The creation of an 'enabling environment' for transition planning via alignment actions: Encouraging alignment of company actions with national and international climate goals e.g. publishing jurisdiction-specific sector transition plans and taxonomies

(c) Presentation from SBTi on version 2.0 of the Corporate Net-Zero Standard: The intent of the revision was to improve the standard's structure and clarity, but also to provide new instruments to enable a comprehensive framework for corporate climate action. The standard requires the development and maintenance of a transition plan, focusing on actions and timelines required to deliver the company's validated targets

(d) Presentation from EFRAG: Focusing on alignment of the ESRS with climate targets (for example, where disclosed climate targets are not aligned with a 1.5°C pathway, this must be stated clearly). A key message was the alignment assessments become more robust when companies disclose against transparent public benchmarks

(e) Presentation from the Securities and Exchange Commission of Thailand about encouraging the development of transition planning in Thailand via the use of the ASEAN Transition Finance Guidance V.2 in conjunction with IFRS S2 requirements.

(f) A group discussion, where a frequent comment was the need for jurisdiction-specifics (e.g. dependencies) needing to be adequately recognised and addressed in transition planning.

33. The ITPN also recently published a report entitled *Enhancing Long-Term Value and Resilience: A study of how global investors are using transition plans* (here). The research finds that "institutional investors are increasingly using corporate transition plans to assess companies' long-term value and business resilience". It also found that "[i]nvestors were most interested in disclosures on governance, implementation strategy, key assumptions and dependencies, financial metrics, GHG targets and metrics, and engagement with government, public sector, and civil society".

TISFD

34. Consultation on the first draft version of TISFD's framework was due to close on 31 July. A working group on metrics and targets has begun work on version 0.2 which is due to be published in November 2026.

Section 3: Update on Jurisdictions

The External Reporting Australia legislation

35. The Treasury Laws Amendment (Financial Systems Reform) Bill 2026 was passed by both Houses on 30 June 2026. The Royal assent was granted on 6 July.

36. The Act incorporates amendments moved by the Australian Greens during the Second Reading. Those amendments added ineligibility rules for membership of External Reporting Australia's Governing Council and the three standard-setting boards – see the snips below.

37. Amendment (1) applies to the members of the Governing Council. Amendment (11) applies the Amendment (1) ineligibility rules to members of the three standard setting boards. These rules do not apply to the New Zealand members of the Governing Council and the three standard setting boards.

(1) Schedule 1, item 3, page 3 (after line 24), after the definition of ***Council member***, insert:

External Reporting Australia eligible representative means an individual who is not any of the following:

(a) a partner in a partnership that is a prescribed auditing firm;

(b) a director, secretary or senior manager of a company that is a prescribed auditing firm;

(c) a former partner in a partnership that is currently a prescribed auditing firm, if the individual is receiving regular and ongoing benefits, or has within the last 6 months received a material benefit, from the partnership;

(d) a former director, secretary or senior manager of a company that is currently a prescribed auditing firm, if either of the following apply:

(i) the individual is receiving regular and ongoing benefits, or has within the last 6 months received a material benefit, from the company;

(ii) the individual holds shares in the company.

Note: The term ***prescribed auditing firm*** is defined by reference to the number of registered company auditors in a partnership or company. For the purposes of the definition ***External Reporting Australia eligible representative***, it is irrelevant whether or not the individual is a registered company auditor.

(11) Schedule 1, item 13, page 29 (line 21), after “the person”, insert “is either an External Reporting Australia eligible representative or a New Zealand board representative, and”.

38. We understand that the new structure will start operating on 1 December 2026.

ASIC

39. On 16 July 2026, ASIC published its updated statement of intent in response to the Government’s Statement of Expectations. The SOI states that ASIC will:

(a) take a pragmatic and proportionate approach to the supervision and enforcement of climate-related financial disclosure requirements, while continuing to take action to deter greenwashing

(b) provide clear and actionable guidance materials to reduce compliance costs for those captured by mandatory climate-related financial disclosure obligations and those in related value chains.

The European Union – ESRS and the voluntary standards

40. The European Commission adopted two Delegated Acts on 3 July 2026:

(a) The revised European Sustainability Reporting Standards (ESRS) for companies required to report under the revised CSRD.

(b) Voluntary reporting standards for businesses with no more than 1,000 employees that are not otherwise required to report under the CSRD.

41. The Delegated Acts will enter into force if neither the European Council nor the European Parliament objects within two months (extendable on request by a further two months). They may approve or reject a Delegated Act but they cannot amend it.

42. The revised ESRS will apply for financial years starting on or after 1 January 2027, with early adoption permitted for financial years commencing in the 2026 calendar year. Non-ESRS companies will be able to decline value chain requests from ESRS reporters for sustainability information that goes beyond the disclosures set out in the voluntary standards.

43. The voluntary standards are based on the voluntary sustainability reporting standard for non-listed SMEs (the VSME) that was adopted by the EC on 30 July 2025. They will become available for use once the objection period expires.

The European Union and EFRAG – ESRS for Third Country Undertakings

44. The EU's Accounting Directive will require third country companies not listed on EU regulated markets to publish sustainability reports for financial years commencing on or after 1 January 2028 if they:

    (a) generate annual revenue of more than €450m in the EU, or

    (b) have subsidiaries or branches within the EU with annual revenue of more than €200m.

45. Third country companies will not report under ESRS or the voluntary standards. They will instead report under a separate standard, to be called ESRS for Third-Country Undertakings (ESRS-TC) (not ESRS for Non-EU Groups (N-ESRS) as previously proposed).

46. EFRAG issued an Unapproved Exposure Draft on 18 June 2026. It follows the ESRS 12-standard structure comprising a General Requirement standard, a General Disclosures standard and 10 topic-specific standards. The actual Exposure Draft, which was approved by the EFRAG SRB on 1 July, was due to be published on 23 July 2026 for a 100-day consultation.

47. The draft ESRS-TC is underpinned by impact materiality, not double materiality. It focuses solely on the actual or potential impacts a company has on the environment and society. For example, the objective of ESRS-TC E1 *Climate Change* in the unapproved ED is:

    > *to enable an understanding of the undertaking's past, current and future mitigation efforts to ensure that its strategy and business model are compatible with the transition to a sustainable economy and with limiting global warming to 1.5^{O}C in line with the Paris Agreement…*

48. EFRAG states that it is aiming to avoid double reporting for businesses required to use the ISSB's standards in other jurisdictions. The unapproved ED proposes allowing entities to cross-refer to information they publish in a sustainability report prepared under national law of a third country.

49. The unapproved ED permits two reporting options:

    (a) A consistent approach, whereby the impacts of the whole non-EU group would be reported

    (b) A mixed approach where:

        i. for climate, the global impacts would be reported

        ii. for other topics, reporting would be limited to the impacts connected with the sale of goods and services in the EU.

50. EFRAG expects to submit its technical advice to the European Commission on ESRS-TC by 1 January 2027. The Commission is aiming to adopt it by mid-2027.

United Kingdom

Investment schemes

51. From 5 June to 13 July 2026, the Financial Conduct Authority consulted on a proposal to replace rules requiring detailed product-level reports based on TCFD with simpler, more targeted information for retail investors. The FCA is proposing eliminating product-level reporting. They found that while the current rules have improved firms' awareness of climate risks, product-level reports are often seen as too complex by investors and are not widely used.

52. The FCA sought views from asset managers, asset owners, trade bodies, and consumer groups to make sure the proposed rule change works in practice. The FCA is aiming to finalise and implement the change in the Northern Hemisphere autumn.

Sustainability reporting standards

53. US SRS S1 and UK SRS S2, which are based on IFRS S1 and IFRS S2, were published on 25 February 2026 and are currently available for voluntary use.

54. The FCA is considering whether to introduce requirements for the largest listed companies to report against US SRS S1 and UK SRS S2. The consultation closed on 20 March 2026. The FCA is reviewing the feedback and is aiming to publish a policy statement in the Northern Hemisphere autumn, with the rules coming into force for accounting periods beginning on or after 1 January 2027.

55. Large private companies fall under a separate Department for Business and Trade workstream, the Modernising Corporate Reporting programme. DBT has stated that it will consult later in 2026. The earliest potential date for mandatory reporting is 2028.

United States of America

Federal

56. On 29 May 2026, the Securities and Exchange Commission opened a 60-day public consultation proposing rescinding the climate disclosure rules that had been approved in March 2024. The press release states that the SEC is proposing to rescind the rules in their entirety because they exceed the scope of the agency's statutory authority.

California

Climate-related financial risk reports

57. The Climate-Related Financial Risk Act (SB 261) requires US-based companies doing business in California with annual revenue over US$500 million to publish biennial climate-related financial risk reports. The commencement timing remains uncertain due to ongoing litigation and temporary legal injunctions.

GHG emissions disclosures

58. The Climate Corporate Data Accountability Act (SB 253) requires US-based companies doing business in California with annual revenue over US$1 billion to annually disclose their scope 1, 2 and 3 emissions for the prior fiscal year. SB 253 requires that the initial disclosures in 2026 address scope 1 and 2 emissions. They must include Scope 3 emissions in subsequent years.

59. On 24 June 2026, the California Air Resources Board announced a deferral of the deadline for entities to report scope 1 and 2 GHG emissions disclosures from 10 August to 10 November 2026. The purpose of the deferral was to provide time to consult on limited changes to clarify certain requirements in the Initial Regulation that was approved in February 2026.

Canada

60. Canada's Business Future Pathways announced the development of a national sustainable finance taxonomy and will also develop climate transition planning guidance for companies.

61. The province of Quebec has published the Quebec Sustainable Finance Roadmap, organised around three strategic pillars

- support the resilience and transition of Quebec's economy: through capital allocation
- develop sustainable finance skills and culture: through education and training
- make Quebec an exemplary state in sustainable finance: focused on policy and governance.

Section 4: Glossary

62. The following table outlines the set of undefined abbreviations used in this paper:

Abbreviation	Definition
AASB	Australian Accounting Standards Board
AOSSG	Asian-Oceanian standard-setters group
ASIC	Australian Securities & Investments Commission
CDP	CDP (formally known as Carbon Disclosure Project)
EC	European Commission
ED	Exposure Draft
EFRAG	European Financial Reporting Advisory Group
EFRAG SRB	European Financial Reporting Advisory Group Sustainability Reporting Board
ERA	External Reporting Australia
ESRS	European Sustainability Reporting Standards
GHG	Greenhouse Gas Protocol
GHG ISB	GHG Protocol Independent Standards Board
GRI	Global Reporting Initiative
GRI GSSB	Global Reporting Initiative Global Sustainability Standards Board
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPSASB	International Public Sector Accounting Standards Board
ISO	International Organization for Standardization
ISSB	International Sustainability Standards Board
ISSB TIG	International Sustainability Standards Board Transition Implementation Group on IFRS S1 and IFRS S2
ITPN	The International Transition Plan Network
OECD	Organisation for Economic Co-operation and Development
PCAF	Partnership for Carbon Accounting Financials
TISFD	The Taskforce on Inequality and Social-related Financial Disclosures

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Memorandum

To:	SRB Members
Meeting date:	3 August 2026
Subject:	**Documents open for comment**
Date:	22 July 2026
Prepared by:	Judy Ryan
Through:	Amelia Sharman

☒ **Action Required** ☐ **For Information Purposes Only**

Purpose

1. The purpose of this paper is to:

   (a) INFORM the Board about documents currently open (or forthcoming) for comment

   (b) CONFIRM which documents the Board will comment on and, where relevant, provide feedback on our proposed approach for developing submissions.

Recommendations

2. That the Board:

   (a) AGREES NOT TO RESPOND to the:

      i. MCERT consultation on Voluntary Nature and Carbon Markets: Domestic Scheme Endorsement Criteria

      ii. ISO consultation on ISO Net Zero (ISO 14060)

   (b) AGREES TO COMMENT on the ESRS for Third-Party Undertakings (ESRS-TC).

Domestic

3. The Ministry for Cities, Environment, Regions and Transport (MCERT) has begun work on building an endorsement process for domestic schemes and methodologies fit for New Zealand's context relating to voluntary nature and carbon markets. The XRB has provided expert input into this process directly to MCERT, drawing on our existing knowledge relating to the suitability of the criteria for assurance practitioners to assess schemes. We do not consider that a formal XRB response to this consultation is warranted outside of this direct engagement. However, staff are staying aware of how these markets may evolve and whether there is any potential impact in terms of climate reporting requirements.

International

4. Table 1 identifies relevant documents issued by international standard-setting bodies that are currently open for comment.

Table 1: International documents open for comment

Document	Organisation	International due date	Comments on the Board's response
ISO Net Zero (ISO 14060)	ISO	21 August 2026	We recommend that the SRB does not respond to this consultation due other priorities. See 'ISO Net Zero (ISO 14060)' section below for further information.
ESRS for Third-Party Undertakings (ESRS-TC)	EFRAG	23 October 2026	We recommend that the SRB responds to this consultation. See 'ESRS for Third-Party Undertakings (ESRS-TC)' section below for further information.

5. Table 2 identifies relevant forthcoming documents that will shortly be issued by international standard-setting bodies.

Table 2: Forthcoming international documents open for comment

Document	Organisation	Expected release date	Comments on the Board's response
Corporate Standard	GHG Protocol	Q2 2026	We expect to respond to these consultations (resourcing permitting)
Scope 3 Standard	GHG Protocol	Q3 2026	
Scope 2 Standard (phase 2)	GHG Protocol	Q2 2026	
Nature-related practice statement	ISSB[1]	H2 2026	

ISO Net Zero (ISO 14060)

6. The ISO Net Zero standard is currently at the Draft International Standard (DIS) stage and open for public consultation. This stage represents the primary opportunity for external stakeholders to review and comment on a near-final draft that reflects international consensus among experts. The consultation is open until 21 August, during which stakeholders submit comments via their national standards body (Standards New Zealand which functions as a business unit within MBIE). These comments are consolidated into a national position (in New Zealand's case this is done by Dr Ann Smith) and inform each country's vote and the finalisation of the standard. The public consultation process is intended to identify gaps, inconsistencies, and unintended consequences, while strengthening usability, alignment with market needs, and overall credibility of the final standard.

7. ISO 14060 is being developed to convert existing ISO Net Zero Guidelines into a verifiable international standard that establishes a consistent, globally recognised framework for organisational net zero. The proposed standard specifies principles, requirements, and guidance for organisations to develop net zero pathways, set targets, implement transition plans, and demonstrate progress in alignment with the Paris Agreement. It is intended to support credible, validated, and verifiable claims of progress, while emphasising deep emissions reductions, near-term action, and a just and equitable transition. The standard is

[1] This memo refers to the work of the International Accounting Standards Board (IASB), International Sustainability Standards Board (ISSB), International Public Sector Accounting Standards Board (IPSASB) and uses registered trademarks, for example, IFRS® Sustainability Disclosure Standards, ISSB® papers and IPSASB SRS™.

applicable to a wide range of organisations and is designed to align with existing greenhouse gas accounting frameworks such as ISO 14064-1 and the GHG Protocol.

8. Key technical elements of the proposed standard include detailed requirements for greenhouse gas quantification, target-setting across all scopes (including Scope 3), and the development of transition plans supported by interim milestones. The standard introduces the concept of “organisational net zero” distinct from “global net zero”, requires organisations to identify and reduce emissions to a residual level, and mandates the use of removals to counterbalance any remaining emissions. It also establishes strict conditions on the use of carbon credits, which cannot be used to meet emissions reduction targets but may support broader global mitigation efforts. A staged claims framework is proposed, enabling organisations to demonstrate progress through defined milestones (e.g. aspiration, transition planning, progress, and achievement), each subject to validation and verification.

9. The standard also includes provisions to support interoperability with other frameworks and promote consistency across the sustainability reporting landscape. It explicitly recognises the importance of alignment with existing standards and initiatives, including the ISO–GHG Protocol partnership, and seeks to minimise duplication by enabling organisations to leverage existing systems and processes. Given the breadth and technical complexity of the proposed requirements, and the significant overlap with ongoing international standard-setting initiatives, staff recommend that the Board does not submit a response to this consultation, in order to prioritise higher-impact engagements and existing work programme commitments.

10. Given the standard’s broad scope, advanced stage of development, and strong alignment with existing frameworks such as the GHG Protocol and ISO 14064-1, staff consider that a submission from the SRB is unlikely to have a meaningful influence on the final outcome. In addition, the proposal does not raise issues that are uniquely material to New Zealand’s mandatory reporting framework or to the SRB’s current work programme. On balance, and taking into account competing priorities and resource constraints, not responding would enable the SRB to focus its efforts on consultations where it can have greater impact and where the implications for New Zealand stakeholders are more direct.

ESRS for Third-Country Undertakings (ESRS-TC)

11. EFRAG has resumed its work on the sustainability reporting standard development for third-country undertakings, known as the **ESRS-TC**, as per the Corporate Sustainability Reporting Directive (**CSRD**). The dedicated standard will need to be applied by non-EU groups with significant EU activities as defined in the scope of Article 40a of the Accounting Directive.

12. Under the current (2026) Article 40a framework, a non-EU group is potentially in scope if it generates more than €450 million of net turnover in the EU for each of the previous two years and has either:

    (a) an EU subsidiary with more than €200 million turnover, or

    (b) an EU branch with more than €200 million turnover.

13. The first reporting would generally be for FY2028, published in 2029.

14. EFRAG expects to launch a public consultation on the draft ESRS-TC Group Sustainability Reporting Standard in late July 2026. The consultation will run for 100 days and will provide stakeholders with the opportunity to contribute to shaping the framework for sustainability reporting by non-EU groups active in the EU market.

A small number of New Zealand entities are expected to be in scope

15. We understand that the following New Zealand entities are likely to be in scope of the ESRS-TC:

(a) Fonterra

(b) Zespri

(c) Mainfreight.

16. Both Fonterra and Mainfreight are climate reporting entities (**CREs**).

17. The revised €450 million EU turnover threshold is significantly higher than the original €150 million threshold and is expected to reduce the number of non-EU groups in scope by around 88%. Most New Zealand-listed entities are therefore unlikely to be captured unless they have a very substantial European business.

18. A more important consideration for many New Zealand groups is whether they own large EU subsidiaries. Even if the New Zealand parent is not required to produce an Article 40a non-EU report, individual EU subsidiaries may still have their own reporting obligations under the CSRD if they meet the EU size thresholds.

The XRB has agreed to facilitate outreach in New Zealand

19. In response to a direct request from EFRAG for support in engaging affected companies to gather feedback we have agreed to:

    (a) advertise educational webinars and the field test to potentially affected entities (completed)

    (b) participate in a jurisdiction-specific discussion on the ESRS-TC in September (XRB and EFRAG)

    (c) coordinate and observe an online workshop with potential entities in September (possibly in conjunction with Australia).

20. On balance, staff also recommend the SRB provides a targeted comment letter in response to the public consultation given the potential relevance of the proposal for New Zealand entities with EU operations and the opportunity to contribute to the development of the framework. The breadth and depth of the SRB's response will be informed by the level of feedback received through targeted outreach to New Zealand constituents, ensuring that the submission reflects practical insights, material issues, and areas of most significance to affected entities.

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Memorandum

To:	SRB Members
Meeting date:	3 August 2026
Subject:	**Draft decision-making framework for NZ IFRS S2**
Date:	22 July 2026
Prepared by:	Lisa Kelsey
Through:	Amelia Sharman

☒ **Action Required** ☐ **For Information Purposes Only**

Purpose

1. This memo seeks the Board's feedback on the draft decision-making framework for NZ IFRS S2 (**the framework**) including its application to both the development and ongoing maintenance of NZ IFRS S2 *Climate-related Disclosures*.
2. The draft decision-making framework is intended to support both staff recommendations and Board decisions on matters relating to international alignment, harmonisation with Australia, and local relevance.

Recommendations

3. We recommend that the Board PROVIDE FEEDBACK on whether the attached draft decision-making framework provides an appropriate basis for developing staff recommendations and supporting Board decisions on the development and ongoing maintenance of NZ IFRS S2.

Background

4. At its meeting on 10 June 2026, Board members discussed the need for a decision-making framework if the draft roadmap receives stakeholder support and provided initial views on its development.

Why we are bringing this to the Board now

5. We are bringing the attached draft decision-making framework to the Board at its August 2026 meeting because of the proposed timeline for developing NZ IFRS S2. Under the timeline, an exposure draft would be issued in mid-March 2027, with the final standard issued by 31 August 2027. This means work on NZ IFRS S2 needs to begin in parallel with consultation on the draft roadmap.
6. Staff have developed this draft framework to support that work and to promote a consistent and transparent approach to developing recommendations and making decisions on NZ IFRS S2. Seeking the Board's feedback now will help ensure that, if stakeholder feedback supports the strategic direction proposed in the draft roadmap, staff and the Board have an agreed approach for analysing issues and assessing potential Australian harmonisation points and locally relevant modifications as work progresses.

7. Starting this work before the consultation period has closed creates a risk that some work may not be used if stakeholders do not support the draft roadmap and the proposed approach does not proceed. We will manage this risk by monitoring consultation feedback as it is received and identifying any emerging issues that may affect the development of NZ IFRS S2. Where necessary, we will bring significant matters back to the Board so that early decisions can be made about whether, or how, the work should continue.

The draft decision-making framework

8. The draft decision-making framework is intended to support consistent and transparent decision making as we develop and maintain an NZ IFRS S2 based on IFRS S2. It applies the three principles set out in the draft climate reporting roadmap: international alignment, harmonisation with Australia, and local relevance.

Protocol for co-operation between AASB, AUASB, FRC and XRB

9. The Protocol for co-operation between the AASB, AUASB, FRC and XRB was agreed in 2019. It provides context for trans-Tasman co-operation. It reflects the shared objective of reducing unnecessary differences between Australian and New Zealand accounting and auditing and assurance standards, including through co-operation on standard-setting activities, work programmes, information sharing and meetings.

10. It seems likely that the Protocol will need to be replaced once External Reporting Australia has been established. This will provide the opportunity to add climate and sustainability reporting.

AASB Sustainability Reporting Standard-Setting Framework

11. The AASB Sustainability Reporting Standard-Setting Framework treats Australian/New Zealand convergence as a secondary assumption and states that differences between Australian and New Zealand sustainability reporting standards should be minimised, if possible, to reduce costs for entities operating in both countries. The framework also recognises the XRB as a relevant national standard-setter whose pronouncements may be considered when the AASB develops Australian sustainability reporting standards or guidance.

ISSB Jurisdictional Adoption Guide

12. As previously noted as part of the February board pack, the ISSB's Jurisdictional Adoption Guide outlines seven jurisdictional approaches (see paragraphs 154-184 of the guide). We will consider the consequences of how New Zealand's jurisdictional approach may be described when working through the decision-making framework. Paragraphs 142-153 also discuss jurisdictional modifications which will be relevant for any locally relevant considerations.

Next steps

13. We will update the draft decision-making framework based on the Board's feedback and make it available to Board members through BoardPro as a reference document.

14. We will use the updated decision-making framework to develop staff recommendations for the Board as work progresses on the exposure draft of NZ IFRS S2, in parallel with consultation on the draft roadmap. The framework will also support future staff recommendations and SRB decisions on the ongoing maintenance of NZ IFRS S2, including any future amendments arising from changes to IFRS S2, AASB S2, the Australian

Corporations Act 2001, New Zealand legislative or regulatory settings, or stakeholder feedback.

Attachments

- Draft decision-making framework for NZ IFRS S2 – *For the development and ongoing maintenance of NZ IFRS S2*

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

[DRAFT] Decision-making framework for NZ IFRS S2

Purpose of the framework

1. This decision-making framework for NZ IFRS S2 *Climate-related Disclosures* (**the framework**) supports both the development and ongoing maintenance of NZ IFRS S2 *Climate-related Disclosures* (**NZ IFRS S2**) and is intended to assist:

   (a) staff to identify and analyse issues arising in the development and ongoing maintenance of NZ IFRS S2, apply the principles and decision-making steps in this framework, and develop recommendations for the Sustainability Reporting Board (**SRB**), and

   (b) the SRB to make consistent, transparent and evidence-based decisions when considering those recommendations.

2. The framework may also guide staff recommendations and SRB decisions on future amendments to NZ IFRS S2, including amendments arising from changes to IFRS S2 *Climate-related Disclosures* (**IFRS S2**), AASB S2 *Climate-related Disclosures* (**AASB S2**), the Australian Corporations Act 2001, New Zealand legislative or regulatory settings, or stakeholder feedback.

Application of the framework

3. In applying this framework, staff and the SRB should use the same decision-making steps. References to matters the SRB should consider also guide staff analysis and recommendations.

4. In applying this framework, staff and the SRB should assess costs, benefits and practical implications having regard to the entities that are required to apply NZ IFRS S2 and the primary users[1] of those entities' climate-related disclosures.

The framework is based on three principles

5. This decision-making framework applies the three principles set out in the [draft] climate reporting roadmap: international alignment, harmonisation with Australia and local relevance. These principles guide the development of NZ IFRS S2 and future amendments to that standard.

   (a) **International alignment** — adopting IFRS S2 as the basis for NZ IFRS S2 [2]

   (b) **Harmonisation with Australia** — considering what approach to take where there are differences between IFRS S2 and the climate reporting obligations in Australia under AASB S2 and the Australian Corporations Act 2001, and

   (c) **Local relevance** — considering what modifications if any, are needed to fit with New Zealand's legislative and regulatory settings, reporting practice and market context.

6. These principles are not applied in isolation. Staff and the SRB will need to consider how they interact in each decision, and whether a proposed approach appropriately balances international alignment, trans-Tasman harmonisation and local relevance.

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[1] Primary users are existing and potential investors, lenders and other creditors.

[2] All references to 'adopting IFRS S2' in this document should be read to mean together with adopting the climate-relevant portions of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*.

The starting point is a rebuttable presumption that IFRS S2 requirements will be retained

7. The starting point for staff analysis and SRB decision-making is a rebuttable presumption that IFRS S2 requirements and climate-relevant provisions of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (**IFRS S1**) as identified by the ISSB in its educational material[3] will be retained in NZ IFRS S2 (i.e. the requirements are copied word-for-word). This reflects the proposed strategic direction of international alignment through adoption of IFRS S2.

8. The presumption is rebutted where locally relevant modifications are needed to fit with New Zealand's legislative and regulatory settings.

9. The presumption may be rebutted where:

    (a) Australia has taken a different approach from IFRS S2, whether through AASB S2 or the Australian Corporations Act 2001, and the SRB considers New Zealand should take the same or a similar approach

    (b) there is a compelling reason to add, remove or otherwise change an IFRS S2 requirement to reflect New Zealand reporting practice or market context.

The SRB must consider the statutory purpose of climate standards

10. In applying this framework, staff and the SRB should consider whether any proposed approach or modification is inconsistent with the purpose of climate standards and climate-related disclosures in section 19B of the Financial Reporting Act 2013.

11. Section 19B provides that the purpose of climate standards is to provide for, or promote, climate-related disclosures in order to encourage entities to routinely consider climate-related risks and opportunities, enable entities to show how they are considering those risks and opportunities, and enable investors and other stakeholders to assess the merits of how entities are considering those risks and opportunities.

12. This statutory purpose is embedded in each step of the framework. Staff and the SRB should explicitly consider, at each step, whether a proposed approach or modification would be inconsistent with the statutory purpose in section 19B.

13. If staff or the SRB conclude that a proposed approach or modification would be inconsistent with the statutory purpose in section 19B, that approach or modification should not be recommended or adopted, and no further analysis of that approach or modification is required.

The framework has eight steps

14. The following sections outline the eight steps of the framework.

Step 1: Identify the issue and the relevant IFRS S2 requirement

15. For each decision, staff should identify:

    (a) the relevant IFRS S2 requirement, or climate-relevant provision in IFRS S1, being considered

    (b) whether Australia has taken a different approach

    (c) the issue or concern that has been identified

    (d) whether the issue arises from New Zealand legislation, regulation, reporting practice or market context

[3] Applying IFRS S1 when reporting only climate-related disclosures in accordance with IFRS S2

(e) whether the issue involves a possible addition, removal or change to an IFRS S2 requirement

(f) whether the issue may be capable of being addressed outside the standard, rather than through a modification to the requirement from IFRS S2.

16. This step is intended to ensure that the SRB is clear about the nature of the decision before considering whether any modification to the relevant requirement is justified.

Step 2: Consider whether a modification is required for New Zealand's legislative and regulatory settings

17. Some modifications may be required to ensure NZ IFRS S2 operates within New Zealand's legislative and regulatory framework. These may include technical amendments to align the standard with New Zealand legislation, regulatory settings, assurance requirements or other domestic legal requirements. This recognises that NZ IFRS S2, as secondary legislation, must operate consistently with applicable primary legislation.

18. In making an assessment whether a modification is needed to ensure NZ IFRS S2 operates effectively and consistently within New Zealand's legislative and regulatory framework, the SRB should consider whether the proposed modification:

(a) is necessary to fit New Zealand's legislative or regulatory framework

(b) is limited to what is needed to address the New Zealand-specific matter.

19. Where possible, a modification made for New Zealand legislative or regulatory reasons should preserve the substance and intent of the relevant requirement. This is not a separate threshold for deciding whether the modification is necessary. Rather, it is a factor to consider when determining how the modification should be drafted.

Step 3: Consider whether Australian harmonisation is relevant

20. Where AASB S2 or the Australian Corporations Act 2001 takes a different approach from IFRS S2, staff should analyse, and the SRB should consider, the appropriate New Zealand response.

21. This does not mean that New Zealand would automatically adopt the Australian approach. Rather, the SRB should consider whether harmonisation with Australia would be appropriate in the circumstances, having regard to the rationale for the Australian approach and the New Zealand context.

22. Where Australia has taken a different approach from IFRS S2, there are three broad options for the SRB to consider:

(a) retain the IFRS S2 requirement, on the basis that the rebuttable presumption in paragraph 7 has not been rebutted

(b) adopt the Australian approach, where harmonisation with Australia is appropriate in the circumstances

(c) adopt an alternative New Zealand approach, where that approach is justified having regard to the principles in this framework and the New Zealand context.

23. The SRB should adopt the Australian approach only where it is appropriate in the New Zealand context and is not inconsistent with the statutory purpose of climate reporting, the needs of primary users, and the overall coherence of NZ IFRS S2.

24. Depending on the issue, relevant questions include:

(a) What is the substance of the Australian approach, and does it add to, remove or change an IFRS S2 requirement?

(b) Does the difference arise from AASB S2, the Australian Corporations Act 2001, or both?

(c) Why did Australia take that approach?

(d) Does the rationale for the Australian approach also apply in New Zealand? If the rationale does not apply in New Zealand, that will generally weigh against adopting the Australian approach, although other relevant factors may still be considered.

(e) Would adopting the Australian approach reduce the usefulness of information for primary users?

(f) What has stakeholder feedback indicated about the costs, benefits and practical implications of the Australian approach for New Zealand entities, including those that do not have Australian reporting obligations?

(g) Is there an alternative New Zealand approach that would provide entities with flexibility while enabling them to comply with NZ IFRS S2 and, where relevant, IFRS S2 or AASB S2?

(h) Would an alternative New Zealand approach create unnecessary complexity for entities operating across both jurisdictions?

Step 4: Consider whether there is a compelling reason for any other locally relevant modification

25. For any proposed modification that is not required for New Zealand legislative or regulatory reasons, staff should identify, and the SRB should consider, whether there is a compelling reason for the modification.

26. A compelling reason may arise from consultation feedback, staff analysis, or both. The evidence should be sufficiently clear to justify a departure from the starting presumption that IFRS S2 requirements will be retained. More significant departures from IFRS S2 require stronger supporting rationale and evidence.

27. The SRB should only consider locally relevant modifications where it is appropriate in the New Zealand context and is not inconsistent with the statutory purpose of climate reporting, the needs of primary users, and the overall coherence of NZ IFRS S2.

28. Depending on the issue, relevant questions include:

(a) Is there evidence that applying the IFRS S2 requirement in New Zealand would result in undue cost or practical difficulty?

(b) Is there evidence that a modification would provide benefits to primary users that outweigh the expected costs for entities?

(c) Is there sufficient evidence that existing proportionality mechanisms may be sufficient to address the concern without modifying the IFRS S2 requirement?

(d) What would the cumulative impact be of multiple locally relevant modifications (additions, departures or removals)?

Step 5: Consider whether the issue can be addressed outside the standard

29. Before recommending or deciding to modify a requirement from IFRS S2, staff and the SRB should consider whether the issue could be more appropriately addressed outside the standard. For example, some matters may be better addressed through domestic versions of

ISSB educational material, implementation support, illustrative examples, guidance on locally relevant modifications, or other non-mandatory material.

30. This step is intended to avoid unnecessary modifications to IFRS S2 requirements where the issue can be addressed in a way that maintains alignment with IFRS S2 while supporting effective implementation in New Zealand.

31. However, this approach has limitations. Non-mandatory material is not legally binding and may add complexity for preparers and users. It may also reduce comparability for primary users if it creates New Zealand-specific material or explanations that differ from IFRS S2.

Step 6: Weigh the evidence and exercise judgement

32. Where the earlier steps identify contested information from the feedback process, contradictory or unclear evidence, or a potential conflict between the three principles, staff should weigh that evidence in developing their recommendation, and the SRB should weigh that evidence in reaching its decision.

33. In weighing the evidence, staff and the SRB should apply the rebuttable presumption in paragraph 7 that IFRS S2 requirements will be retained in NZ IFRS S2 unless that presumption is rebutted.

34. The SRB should give particular weight to evidence that:

(a) demonstrates that the issue is important in the New Zealand context

(b) is specific, well-supported and clearly relevant to New Zealand's legislative and regulatory settings, reporting practice or market context

(c) explains the likely effect of any modification on the usefulness of information for primary users

(d) supports a clear rationale for any departure from IFRS S2.

35. Where the evidence is contradictory, unclear or incomplete, the SRB may decide to:

(a) retain the IFRS S2 requirement

(b) seek further feedback

(c) monitor implementation before deciding whether a standard-setting response is needed

(d) address the matter through guidance or other non-mandatory material

(e) change a mandatory requirement to an optional requirement, where the SRB is satisfied that doing so would appropriately address the issue identified, while preserving the purpose of the requirement and avoiding a loss of useful information for primary users. The SRB may decide that this is an interim approach, to be reconsidered once further evidence is available, including evidence from implementation experience or the operation of relevant proportionality mechanisms.

Step 7: Apply an internal coherence check

36. Before recommending or confirming any decision, staff and the SRB should consider whether the proposed approach is consistent with NZ IFRS S2 as a whole.

37. Relevant questions include:

(a) Is the decision consistent with the architecture and intent of IFRS S2 as incorporated into NZ IFRS S2?

(b) Does the decision create any inconsistency with other requirements in NZ IFRS S2, including other proposed New Zealand modifications?

(c) Could the decision have unintended consequences, including undermining another requirement or making it less effective?

(d) Would the modification support the coherence of New Zealand climate-related disclosure requirements as a whole?

38. This check is particularly important where a proposed modification may affect related requirements.

Step 8: Document the rationale for the SRB's decision

39. The documentation should record the key matters considered under this framework, including:

(a) the IFRS S2 requirement being considered

(b) the issue identified

(c) the relevant principle or principles

(d) whether the proposed approach or modification would be inconsistent with the statutory purpose in section 19B

(e) whether the starting presumption to retain IFRS S2 has been rebutted

(f) the evidence considered, including relevant consultation feedback and staff analysis

(g) the recommended approach

(h) the rationale for the recommendation

(i) the outcome of the internal coherence check.

40. This will support consistent SRB decision making and provide a clear basis for explaining the SRB's decisions in the exposure draft and any related consultation material. This will also inform the Basis for Conclusions accompanying NZ IFRS S2 when it is issued in its final form.

Staff communicate local modifications and support implementation

41. After the SRB has made a decision, staff should consider whether any further actions are needed to support implementation, transparency and international engagement.

42. If the SRB decides to make a locally relevant modification to NZ IFRS S2, staff should consider whether the matter should be communicated to the ISSB for future consideration. This may be appropriate where the modification reflects a New Zealand-specific implementation issue, cost-benefit concern, market practice or legislative/regulatory matter that could be relevant to future ISSB standard-setting, maintenance or implementation activities.

43. Staff should also consider whether the matter should be raised with the AASB or through other international engagement channels, particularly where it is relevant to trans-Tasman harmonisation or to New Zealand's ongoing engagement with international standard setters.

44. Where a locally relevant modification changes or removes a requirement in IFRS S2 or the climate-relevant portions of IFRS S1, staff should consider how the modification should be explained publicly, including whether it may need to be reflected in New Zealand's ISSB jurisdictional profile.

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Memorandum

To:	Sustainability Reporting Board members
Meeting date:	3 August 2026
Subject:	**Biogenic emissions and the implications for mandatory and voluntary reporting**
Date:	22 July 2026
Prepared by:	Judy Ryan
Through:	Amelia Sharman
Copy:	Misha Pieters

☒ **Action Required** ☐ **For Information Purposes Only**

Purpose

1. This paper responds to a request from the Sustainability Reporting Board (**SRB**) to provide more information on biogenic emissions. It explains how they are treated under current greenhouse gas (**GHG**) accounting approaches and analyses the implications for climate reporting entities' (**CREs**) disclosures.

Recommendations

2. It is recommended that the SRB:

   (a) NOTE the differing treatment of biogenic emissions under the GHG Protocol and IFRS S2 and their potential to materially affect emissions profiles, strategy and risk exposure.

   (b) NOTE that for CREs required to report under NZ CS, it is nonetheless clear that even if biogenic carbon dioxide (**CO_2**) is determined to fall outside of GHG scope totals, it does not mean that it is outside climate disclosure. Where biogenic CO_2 emissions are material to an entity's emissions profile, strategy or risk exposure, they form part of the overall information needed by primary users and must be disclosed to meet fair presentation requirements.

   (c) AGREE to monitor developments with the option to create targeted guidance if issues arise locally.

Background

3. At its 10 June 2026 meeting, the SRB requested staff provide additional information on the reporting of biogenic CO_2 emissions, following discussion of a recent implementation question considered by the IFRS Transition Implementation Group (**TIG**).

4. The implementation question arose because IFRS S2 *Climate-related Disclosures* (**IFRS S2**) requires entities to disclose absolute gross GHG emissions classified as scope 1, scope 2 and scope 3 emissions and to measure those emissions using the GHG Protocol Corporate Standard 2004. Under the GHG Protocol (which is the measurement standard required by

IFRS S2)[1], biogenic CO_2 emissions are measured but reported separately from scope 1, scope 2 and scope 3 totals. The submitter questioned whether biogenic CO_2 emissions should therefore be excluded from, or included in, an entity's reported scope emissions under IFRS S2.

5. In March 2026, the TIG considered this issue and agreed with the staff analysis that the GHG emissions disclosure requirements in IFRS S2 apply to biogenic emissions. While the TIG does not make standard-setting decisions, members supported the view that biogenic CO_2 is *within* the scope of IFRS S2's GHG emissions scope 1, scope 2 and scope 3 disclosure requirements and should not be excluded solely because the GHG Protocol requires separate presentation of biogenic CO_2. The discussion highlighted a potential tension between the GHG Protocol's accounting and presentation conventions and IFRS S2's objective of providing decision-useful information about an entity's climate-related risks and opportunities.

6. Given New Zealand's significant exposure to biological and land-based sectors, including agriculture, forestry and bioenergy, the TIG discussion has potential implications for both mandatory and voluntary climate reporting. It also raises broader questions about the scientific basis for distinguishing biogenic and fossil-fuel emissions, the role of biological carbon cycles in climate reporting, and how biogenic emissions should be presented to provide investors and other users with a complete and understandable picture of climate-related risks and opportunities.

Types and sources of biogenic emissions

7. Biogenic emissions are GHG emissions arising from biological sources or biological processes. They include:
   (a) biogenic CO_2 from the combustion or decomposition of biomass such as wood, agricultural residues, paper waste, biodiesel, bioethanol and biogas
   (b) biogenic methane (**CH_4**) and nitrous oxide (**N_2O**) from sources such as landfill, wastewater, livestock, manure management and biomass combustion.

8. Typical sources of biogenic emissions include:
   (a) combustion of wood, wood pellets, forestry residues and other biomass fuels
   (b) combustion of biofuels such as biodiesel and ethanol
   (c) decomposition of food waste, green waste and wastewater biosolids
   (d) landfill gas generation
   (e) livestock digestion (enteric fermentation[2]) and manure management
   (f) forestry and land-use related biological processes.

Accounting treatment under the GHG Protocol

9. Under the GHG Protocol Corporate Standard, biogenic emissions are treated differently depending on the gas:
   (a) biogenic CO_2 is measured and disclosed separately from scope totals
   (b) biogenic CH_4 and N_2O are included in the relevant scope totals because they are GHG emissions regardless of whether their source is biological or fossil.

[1] See paragraph 29(a)(ii) of IFRS S2.
[2] Enteric fermentation is the process by which ruminant animals produce methane through digesting feed (MFE, Measuring Emissions Catalogue 2026)

10. This means, for example, that burning biomass or biofuels may result in separately disclosed biogenic CO_2, while CH_4 and N_2O from that same combustion are included in scope 1 emissions.

11. The principal rationale for this is that biogenic CO_2 is part of a biological cycle in which carbon is first removed from the atmosphere through photosynthesis and subsequently released through combustion or decomposition. The GHG Protocol's separate reporting approach was designed to avoid counting both the uptake and release of the same carbon within the same emissions inventory.

12. By contrast, there is generally no corresponding biological removal that offsets biogenic CH_4 or N_2O in the same way. CH_4 emitted from livestock, manure, landfill or biomass combustion and N_2O emitted from soils or combustion processes are additional GHGs. They are not simply the re-release of carbon that was previously removed from the atmosphere through photosynthesis. Consequently, the rationale for excluding biogenic CO_2 does not apply to these gases.

13. The GHG Protocol's newer Land Sector and Removals Standard also reflects a growing need to consider land-sector emissions, removals, harvested wood products and carbon-stock changes more explicitly than under the original Corporate Standard.

14. Although the GHG Protocol's Land Sector and Removals Standard is not required to be used under NZ CS, it provides useful context for understanding the limitations of treating biogenic CO_2 solely as a scope 1 reporting issue. This standard reflects increasing recognition that the climate significance of biogenic emissions depends not only on emissions at the point of combustion, but also on associated removals, land-use change, harvested wood products and changes in biological carbon stocks. Accordingly, the standard is likely to be most relevant to voluntary reporters and entities with significant forestry, agricultural or bioenergy activities, but it may also inform how CREs assess and disclose climate-related risks and opportunities associated with land-based sectors.

Why biogenic CO_2 has been treated differently from fossil-fuel CO_2

15. This distinction between biogenic CO_2 and fossil fuel CO_2 is relevant for classification purposes, but not for atmospheric impact. Biogenic CO_2 has the same physical effect in the atmosphere as fossil CO_2 once emitted. Its climate significance depends on the net atmospheric contribution, which in turn is influenced by factors such as whether biomass regrows, whether carbon stocks are maintained, whether land-use change occurs, and over what timeframe removals may offset emissions.

16. This scientific distinction has led to differing views on how biogenic CO_2 should be reported. Some practitioners and scientists argue that separate reporting is useful because it distinguishes fossil and biological carbon flows, while others argue that excluding biogenic CO_2 from scope totals can understate near-term atmospheric impacts and carbon debt.

17. Including biogenic CO_2 in scope totals may reduce the usefulness of emissions information because it obscures the distinction between fossil carbon and biological carbon-cycle flows. Scope totals alone may then provide little insight into whether emissions arise from fossil fuel use or biomass, or whether the associated biological carbon stocks are being maintained, depleted or replenished. Separate disclosure can provide greater transparency about both fossil emissions and an entity's reliance on biomass.

18. It may create volatility unrelated to climate performance. For example, an entity that switches from fossil fuels to biomass could experience:

(a) an increase in reported scope 1 emissions if biogenic CO_2 is included (for example, burning natural gas emits 0.054 tCO_2e/GJ but burning woodchips emits ~0.21 tCO_2e/GJ)[3,4]

(b) little apparent improvement in emissions intensity.

19. This arises because biomass often has a lower energy density, meaning more fuel must be burned to produce the same energy output. As a result, an entity switching from fossil fuels to biomass could report higher scope 1 emissions despite reducing fossil carbon use. This reflects differences in energy density and accounting treatment, rather than a deterioration in climate performance.

20. Investors would therefore need additional information to understand what is actually happening. There is also a risk that this distinction is overlooked when users focus on headline emissions numbers, which may not clearly differentiate between fossil and biogenic sources.

Implications for mandatory reporting in New Zealand

21. For CREs, biogenic emissions are relevant where they are material to the entity's own operations, financed or insured activities, supply-chain exposures, transition plans or scenario assumptions. This is particularly relevant for CREs with material exposure to forestry, agriculture, waste, bioenergy, transport fuels or land-based value chains.

22. Climate statements are intended to inform primary users about the entity's climate-related risks and opportunities. If biogenic emissions are a significant driver of those risks and opportunities, they are relevant to the climate statement regardless of whether the emissions arise directly or through financed, insured or managed activities.

23. The XRB's GHG emissions guidance also makes clear that NZ CS do not mandate a single GHG methodology, but entities must identify the standards and methods used. This places importance on transparent methodology choices.

What is in scope for NZ CS disclosures

24. The following matters are generally in scope for CREs where relevant and material:

(a) Emissions disclosures: scope 1, scope 2 and scope 3 GHG emissions, disclosed using the standards and methods identified by the entity. Biogenic CH_4 and N_2O, because these gases are included in scope totals under both the GHG Protocol and ISO Standards (both commonly used by CREs).

(b) Risk and strategy disclosures: climate-related risks and opportunities associated with biomass, forestry, agriculture, land use and biofuels, including transition risks, supply risks, reputational risks and policy risks.

(c) Impact: current and anticipated impacts, and current and anticipated financial impacts of those risks and opportunities, as required by NZ CS and material to primary users.

(d) Additional information to meet fair presentation requirements:[5] biogenic CO_2 information required to provide a complete and decision-useful picture of emissions, strategy, risk and performance, i.e. fair presentation. The IFRS TIG discussion highlights that biogenic emissions can provide decision-useful information for investors, particularly where they influence an entity's risk exposure, strategy or performance.

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[3] MFE Measuring Emissions Catalogue 2026, Table 3.2
[4] MFE Measuring Emissions Catalogue 2026 Table 3.4 for kgCO2e per kg woodchips, conversion from kg to GJ "1 tonne pile of wood chips has a heating value of around 6.3 GJ" Woody biomass Fuel Drying, Bioenergy Association NZ
[5] NZ CS 3 paragraph 7

25. The critical distinction for SRB purposes is between what is outside scope totals and what is outside climate disclosure altogether. Biogenic CO_2 may be outside scope totals when applying the GHG Protocol, but it is not necessarily outside the broader set of information needed for a decision-useful climate statement. For example, an entity may measure and disclose biogenic CO_2 but exclude it from GHG emissions scope 1, 2 or 3 disclosure totals. It may also describe its significance in narrative disclosures about transition strategy.

26. Because CREs are required to identify the standards and methods they apply, and because assurance over GHG disclosures is mandatory, the treatment of biogenic emissions has practical implications for both preparers and assurance practitioners. Where policies on the recognition, presentation and explanation of biogenic emissions are unclear, this may create assurance challenges and lead to inconsistency in practice, particularly in how entities distinguish between scope totals and broader climate-related disclosures.

Conclusion

27. The key implication for the SRB is that differences between the GHG Protocol and IFRS S2 create potential inconsistency in how biogenic CO_2 is presented. Addressing this requires clarity on how preparers should distinguish between scope totals and broader climate disclosures.

28. For CREs reporting under NZ CS, the key implication is that being outside scope totals does not mean being outside climate disclosure. Where biogenic CO_2 emissions are material to an entity's emissions profile, strategy or risk exposure, they form part of the overall information needed by primary users and must be disclosed to meet fair presentation requirements.

29. The central judgement for preparers is therefore how to present and explain biogenic emissions, removals and related land-sector dependencies. Disclosures should clearly distinguish between fossil and biological emissions while providing a coherent and complete picture of their climate significance.

Recommendation for the Board

Monitor developments and consider targeted guidance if required

30. Staff recommend monitoring developments under IFRS S2 and the GHG Protocol, with a view to issuing targeted guidance if material inconsistencies or assurance challenges emerge in New Zealand practice.

31. If problems and issues arise, staff could then develop targeted guidance for New Zealand preparers and assurance practitioners on:

    (a) the treatment of biogenic CO_2 versus non-CO_2 biogenic gases

    (b) the distinction between scope totals and broader climate-related disclosures

    (c) when separate disclosure or narrative explanation is likely to be necessary

    (d) how removals and land-sector context should be described without creating confusion or inappropriate netting.

Question for the Board

Q1. Does the Board agree with monitoring developments, with the option to create targeted guidance if issues arise locally?