



*Te Kāwai Ārahi Pūrongo Mōwaho*  
**EXTERNAL REPORTING BOARD**

# Climate-related disclosures

## An update

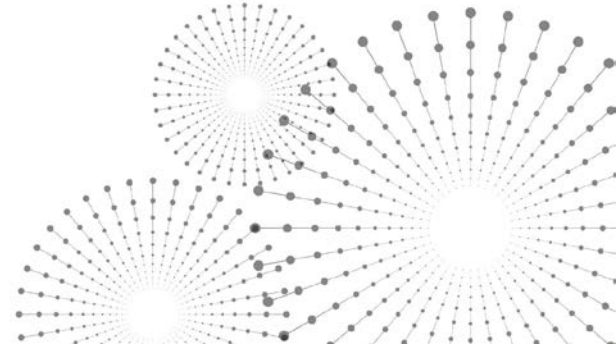
April Mackenzie  
3 July 2021



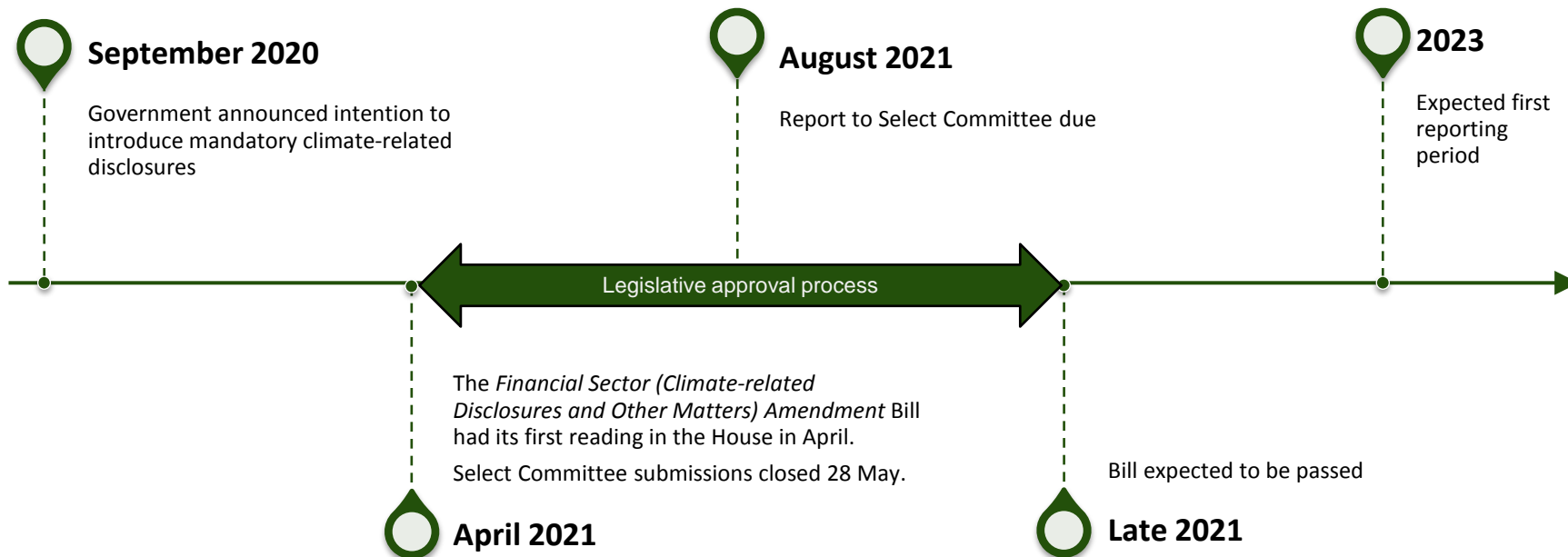
# Our Vision



New Zealand prospers through effective decision making informed by high-quality, credible, integrated reporting.



# New climate disclosure regime



# Why disclose?

Climate reporting will take Aotearoa New Zealand a step closer towards a low carbon future and a cleaner safer planet for future generations. Its also makes good business sense.



## Plan better - spend smarter

- ✓ Enabling companies with **strategic planning** and the ability to evaluate risks and exposures over the short, medium and long term
- ✓ evaluate **climate-related risks** to company operations, suppliers and assets
- ✓ Make better informed **capital allocation** decisions

## Investor/consumer attraction & retention

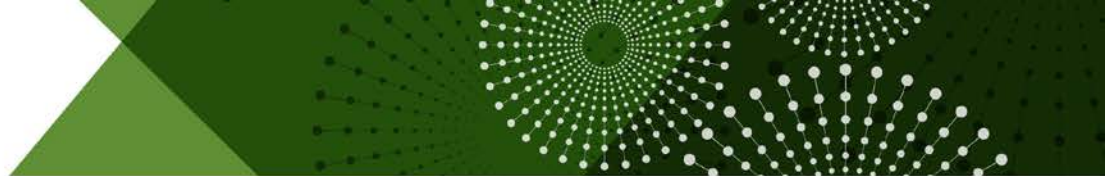
- Increased investor demand for climate risk disclosures
- Companies that dawdle may become less attractive to investors and may struggle to secure capital.
- Mitigate potential reputation issues & maintain social license to operate

# In-scope entities



- All **listed issuers** of quoted equity securities or quoted debt securities
- Large **registered banks, credit unions and building societies** (total assets \$1b+)
- Large **licensed insurers** (total assets \$1b+ or gross premiums \$250m)
- Large managers of registered (investment) schemes (total assets under management \$1b+) – **in respect of the scheme(s)**

# Relevant provisions



<b>Where to report?</b>	In a “climate statement” prepared in accordance with XRB standards – <b>mandate extended</b> Outside of annual report but with cross-reference
<b>Is 3<sup>rd</sup> party assurance mandatory?</b>	Yes – but only over greenhouse gas emissions disclosures and exception (see below) by a CRD assurance practitioner
<b>Is the statement to be published?</b>	Yes – within 4 months and together with the CRD assurance practitioner’s report
<b>Anything else I should know?</b>	CRD assurance practitioner to belong to accredited CRD assurance body
	Exception for entities that determine they are not materially affected by climate change
	When information is excluded because it is deemed IMMATERIAL, explain what kind of information it is and why it is immaterial



# TCFD



New Zealand's standards will be based on the Taskforce on Climate Financial Disclosures (TCFD) Framework

This Framework has 11 key disclosures over 4 pillars:



Oversight of climate-related risks and opportunities



Actual and potential impacts of climate-related risks and opportunities in business, strategy and financial planning, if material



Process used to identify, assess and manage climate-related risks



Used to assess and manage relevant climate-related risks and opportunities, where material



# The mahi



We'll work iteratively and pair the four pillars, releasing draft sections for consultation.

Governance & Risk Management in **October 2021**

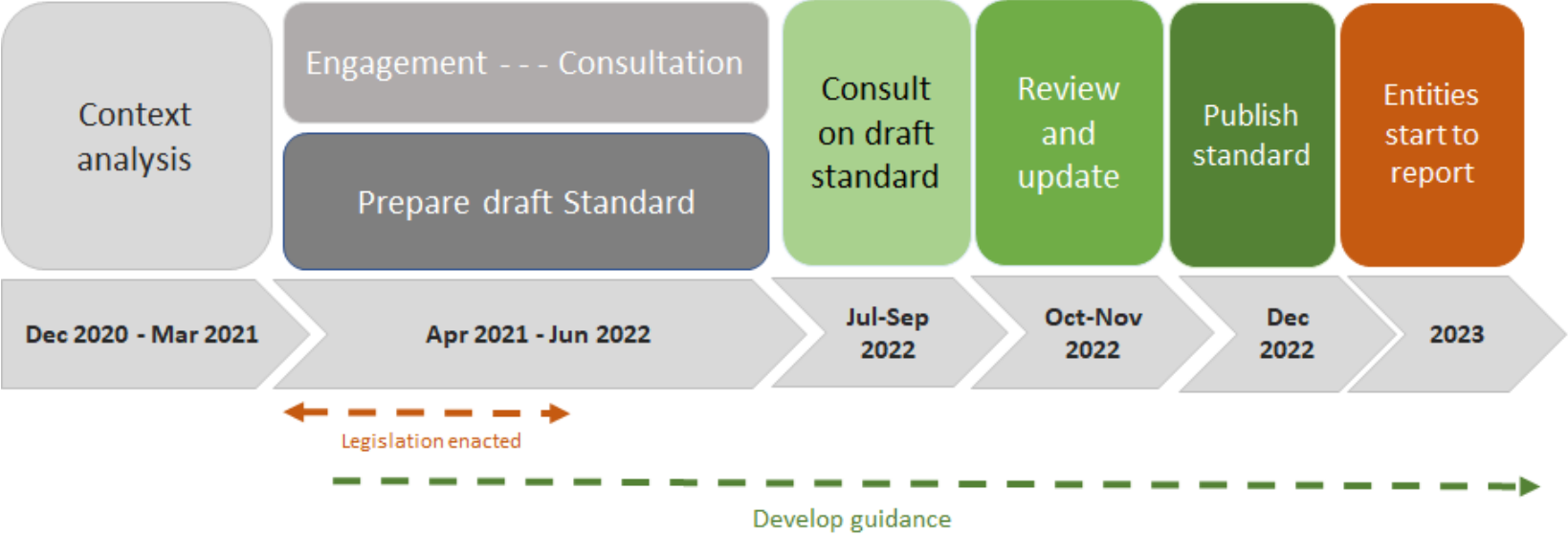
Strategy, Metrics & Targets section **Feb-March 2022**

**Bringing it all together in an 'Exposure Draft' for final consultation in July 2022.**





# Timeline





# Engagement is critical



## Investors

Understand information needs.

## Māori

Support an application of te ao Māori

## Industry

Clarify whether different industries will require different disclosure specifics

## Preparers

Assess data and information challenges

## Assurance providers

Understand potential difficulties that may emerge conducting assurance.



- Focus groups
- Workshops/events
- 1:1 engagement





# Start now



## Explore

There's a wealth of info readily available. Get familiar with the terminology and identify where you might need (expert) help.

## Engage

Form a coalition of the willing (with senior roles) from across your organisation and start a conversation about what implementation might look like.

## Measure

Assess your current footprint and understand what measuring GHG emissions might involve.

# Extended mandate...



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## XRB Position Statement on Extended External Reporting (EER)

8 March 2019

- The External Reporting Board (XRB) strongly supports the reporting of EER information by entities within their annual report to the extent that the information is relevant to the intended users of annual reports.
- The XRB considers that other types of, or more detailed, EER information, which may be demanded by other stakeholders, may be better located outside of the annual report.

But it is not all about  
preparing the report...

Non-Authoritative Guidance  
April 2021

Non-Authoritative Guidance  
on Applying ISAE 3000  
(Revised) to Extended  
External Reporting (EER)  
Assurance Engagements

IAASB International Auditing  
and Assurance  
Standards Board



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# EER assurance guidance

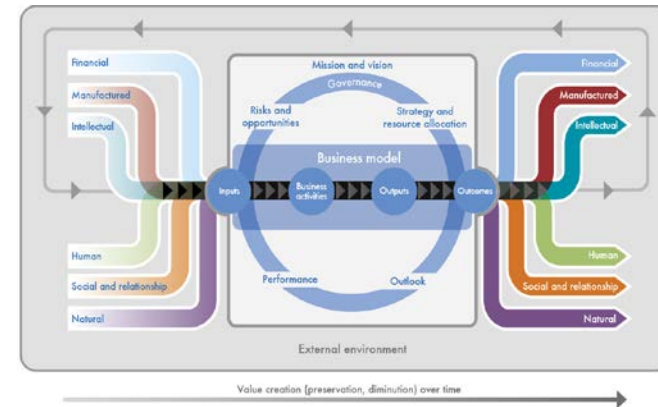
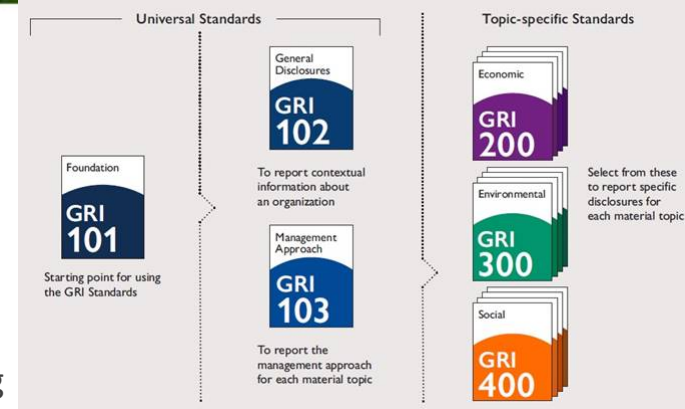
Misha Pieters



# What is EER

EER is non-financial reporting

- Increasingly critical to decision-making by investors/other users
- Climate reporting - TCFD
- Sustainability Reports around for a while, based on the GRI
- Environmental, social, economic impacts – “ESG” or “CSR” reporting
- Integrated Reports came later, based on the <IR> Framework
- Value creation story across the six capitals: Financial, human, intellectual, manufactured, natural and social & relationship capitals
- Sector-specific, e.g. public sector Service Performance Reports
- Country-specific, e.g. Strategic Reports in the UK
- Narrative typically more prominent in EER





## IFAC: The State of Play in Sustainability Assurance

91%

- Of companies in the study report some level of sustainability information

51%

- Of companies that report sustainability information obtain some level of assurance on it

63%

- Of these assurance engagements were conducted by audit or audit-affiliated firms

88%

- Of assurance engagements employing an audit firm use ISAE 3000, while other service providers rely on alternative assurance standards

83%

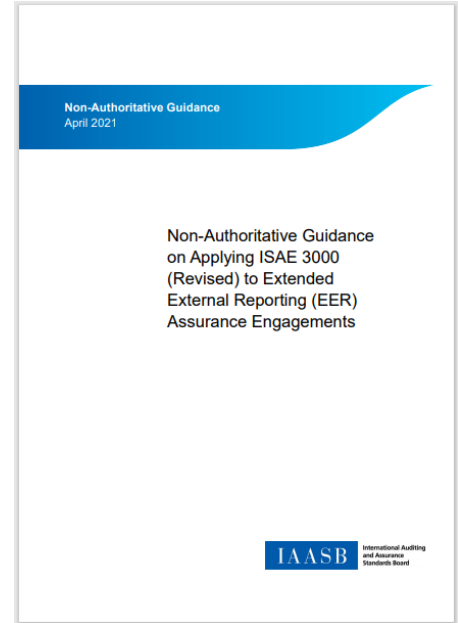
- Of all assurance engagements result in limited assurance reports

There are significant differences across jurisdictions

## Guidance Purpose

- The aim of the IAASB in issuing the Guidance is to promote consistent high-quality application of ISAE 3000 (Revised) in EER assurance engagements to:
  - Strengthen the influence of such engagements on the quality of EER reporting
  - Enhance trust in the resulting assurance reports
  - Increase the credibility of EER reports to that they can be trusted and relied upon by their intended users

[IAASB EER Assurance guidance](#)





## Navigation

### Guidance

- 12 chapters
- Behavioural aspects
- Process
- Specific considerations
- Level of assurance

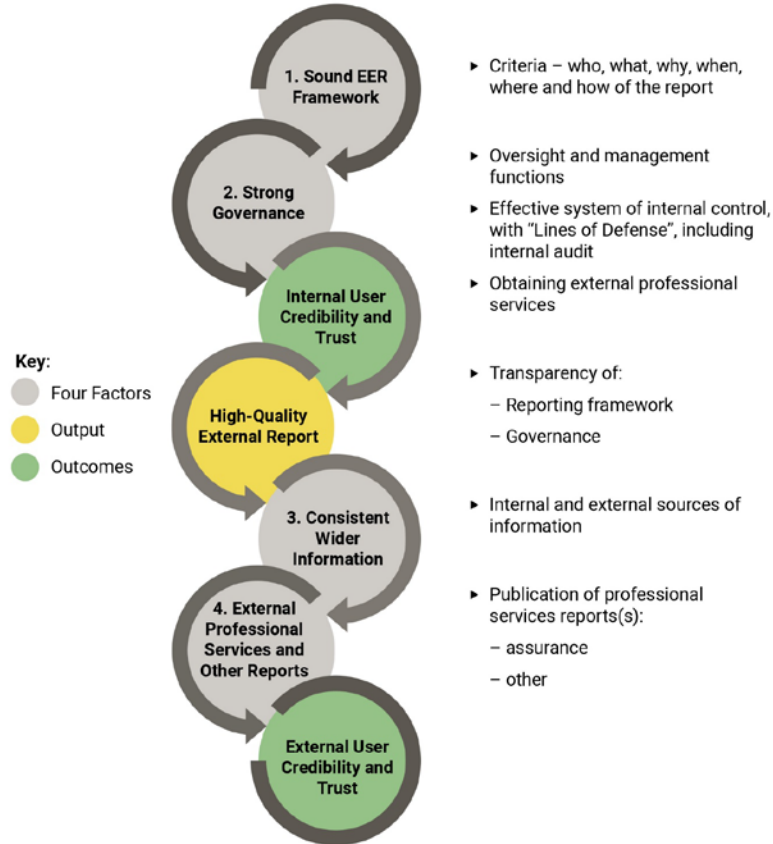
### Credibility model

- Four factors to enhance trust
- Use by practitioners, preparers and users of EER

### Examples

- Detailed case study examples

## EER Credibility and Trust Model



# Navigating the guidance

Behavioural

- **1 Competence and Capability:** Multi-disciplinary teams are key
- **2 Professional Scepticism and Professional Judgement:** EER reporting systems can be immature

Process

- Acceptance
  - **3 Preconditions & Scope:** Assurance readiness exercises are increasingly used
- Planning
  - **4 Process to identify reporting topics:** what “materiality” means in the non-financial sense
  - **5 Criteria:** Sound EER framework i.e., What, when, where and how
  - **6 Internal Control:** A lack of strong or mature internal controls can be a barrier to assurance.
  - Procedures
- **7 Assertions:** Again, this terminology can be unfamiliar for non-financial auditors
  - **8 Evidence:** Types of evidence for EER are varied and are they sufficient?
- Forming a conclusion
  - **9 Materiality**
- Reporting
  - **12 Assurance report**

Specific considerations

- **10 Qualitative information:** Guidance when auditing narrative or “words” not “hard and fast data”
- **11 Future Oriented Information:** How can we audit something that hasn’t happened yet?

Level of assurance

- **Appendix 3** Limited/Reasonable assurance

# Scope of assurance



- Scope of assurance
  - Whole EER report
  - Specific topics
  - Specific metrics
  - Different level of assurance for different aspects
  - Rationale purpose
- Assurance readiness
- Independence

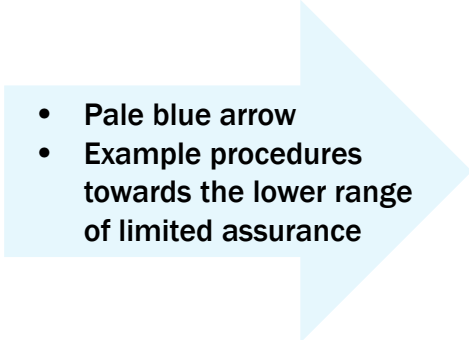


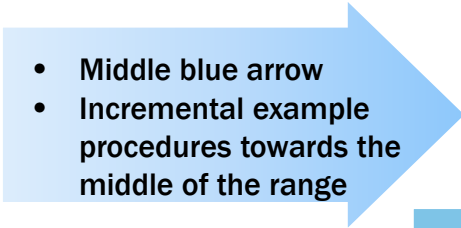
## Communicating Effectively in the Assurance Report

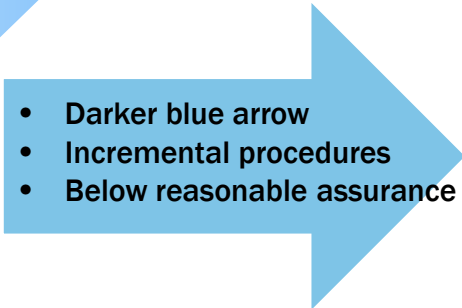
- Recognises importance of contextual information to support assurance over different subject matters to help users better to understand the opinion(s)
- Recognises benefits of long-form reporting to support more meaningful assurance and enhancing user confidence
  - Summary of procedures performed
  - Use of recommendations.



## Appendix 3 Limited/Reasonable assurance

- 
- Pale blue arrow
  - Example procedures towards the lower range of limited assurance

- 
- Middle blue arrow
  - Incremental example procedures towards the middle of the range

- 
- Darker blue arrow
  - Incremental procedures
  - Below reasonable assurance

Reasonable assurance  
example procedures

# Support material

- 1: Competence
- 2: Rational purpose
- 3: 'Rolling program' of assurance and rational purpose
- 4: Suitability of criteria
- 5: Process to identify reporting topics using the GRI
- 6: Assertions re: misstatements in subject matter information
- 7: Obtaining evidence for public sector reporting
- 8: Application of criteria versus 'other information'
- 9: Non-financial and financial subject matter information in Management Commentary

Extended External Reporting Support Material  
April 2021

IAASB

NON-AUTHORITATIVE SUPPORT MATERIAL: ILLUSTRATIVE  
EXAMPLES OF SELECTED ASPECTS OF EXTENDED EXTERNAL  
REPORTING (EER) ASSURANCE ENGAGEMENTS

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Example 2: Illustrating an EER assurance engagement that may not have a rational purpose .....6

Example 3: Illustrating a 'rolling program' of assurance that may have a rational purpose .....8

Example 4: Illustrating practitioner considerations when determining the suitability of criteria .....9

Example 5: Illustrating the entity's process to identify reporting topics to be included in its sustainability report, prepared using GRI Standards as criteria .....11

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Example 9: Illustrating practitioner considerations when the subject matter information comprises both non-financial and financial information included in an entity's Management Commentary, prepared using criteria based on both territory legislation and the GRI Standards .....30

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# Support material

- **10: Using the Integrated Reporting Framework as criteria**
- **11: Public sector performance statement**
- **12: Suitability of criteria for subject matter information on intellectual capital**
- **13: Obtaining evidence for external and multi-site information**
- **14: Lack of application/misapplication of suitable criteria for qualitative information**
- **15: Future-oriented, qualitative and 'other information' using SASB Standards as criteria**
- **16: Task Force on Climate-related Financial Disclosures (TCFD) reporting**
- **17: Evaluating quantitative and qualitative misstatements**

Extended External Reporting Support Material

April 2021

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# Questions?



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