

A Research Proposal on
“The Impact of Extended External Reporting on Greenwashing Mitigation and Audit
Quality: A Study of New Zealand’s Corporate Practices”.

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Abstract

This research proposal explores the relationship between EER and its contribution to avoiding greenwashing and improving audit quality in New Zealand. The aim of this study is to see how the improvement of EER practices can help to diminish greenwashing risks and point some audits challenges to corroborate non-financial disclosures. I will use a mixed methods approach involving the consistency of corporate reports content analysis and surveys to auditors. The possible outcomes from the study are expected to be: more clarity regarding how enhanced EER affects corporate transparency and auditors... The findings will help regulators, auditors, corporate leaders would be able to align reporting standards up to international best practice.

Introduction

Extended External Reporting (EER) has become an important means of making corporate communications more transparent than the usual financial disclosures. In New Zealand, the External Reporting Board (XRB) has been a great engine to advance the adoption of EER to fulfill international standards. Now, improvements have been made, but the companies may still engage in greenwashing; presenting misleading sustainability claims to boost the company's green image without taking any action. At the same time, auditors are becoming more and more difficult to justify nonfinancial disclosures, questioning audit quality overall. This study investigates what information greenwashing reports provide that may inform stakeholder decisions and adopts the EER as the lens through which to consider the relationship between advancements in EER and greenwashing mitigation and audit quality.

Problem Statement

Even though New Zealand has been progressive on the EER issues, the risk of greenwashing still exists, and it may cost the benefits of these initiatives if stakeholders lose trust in corporate responsibility. In addition, the audit process for nonfinancial disclosure is not standardized, which does not make it possible for the reliability of the sustainability claims to consent. This proposal fills the gap in the understanding of the impact of improved EER practices on greenwashing mitigation and audit quality and demands robust assurance mechanisms in the moving landscape of corporate reporting.

Research Objectives

Main Objective:

- To assess the impact of EER improvements on greenwashing mitigation and audit quality in New Zealand's corporate practices.

Specific Objectives:

- To evaluate the extent of improvements in EER practices among New Zealand companies over recent years.
- To identify and analyze key audit challenges in verifying EER disclosures related to greenwashing.
- To determine the relationship between enhanced EER and reduced greenwashing risk.

- To provide actionable recommendations for strengthening audit controls and reporting standards.

Research Questions and Hypotheses

Research Questions:

1. To what extent has Extended External Reporting (EER) in New Zealand improved, and what bearing does this have on the mitigation of greenwashing risks?
2. How are the key audit quality challenges in the verification of EER disclosures related to the detection of greenwashing?

Hypotheses:

- H1: Improvements in EER practices are associated with a significant reduction in greenwashing activities among New Zealand companies.
- H2: Audit quality challenges, such as the absence of standardized assurance practices, significantly hinder the effective detection of greenwashing in EER disclosures.

Literature Review

Existing literature suggests that decent EER is indispensable to striking a balance to enhance corporate transparency (Eccles & Krzus, 2018) and to cope with greenwashing risk (Cho et al., 2015). Nevertheless, the reliability of EER is undermined if audit processes are not standardized and rigorous (Simnett & Huggins, 2015). In studies in similar contexts, it has been put on the importance of an integrated reporting framework and the need to enhance audit controls in order to make assurances on the accuracy of non-financial disclosures. Admittedly initiatives by the XRB and ReportingNZ have moved EER forward in New Zealand but there is very little empirical work to show how these EER improvements can also lead to improvement in audit quality and greenwashing mitigation (External Reporting Board, 2022). A gap in this proposal is to integrate findings from global studies with localized data.

Methodology

Research Design: Quantitative and qualitative mixture methods.

Population and Sample: The data set includes samples of large New Zealand companies (Firms) listed on the NZX (at least 10-15 companies in a random basis), along with the sustainability assurance audit firms (Audit Firms) associated with them.

Data Collection Methods:

Quantitative:

- Measuring the increases in EER disclosure through content analysis of annual and sustainability reports 2018–2024.
- Auditor and reporting manager's surveys about their experiences including numerical data that would be related to this study with EER and what the difficulties are while greenwashing is detected.

Qualitative:

- Gathering in depth insights about the challenges of the audit through semi structured interviews with industry experts, auditors and practitioners of corporate reporting.

Data Analysis Techniques:

- Statistical Analysis of EER improvements in terms of regression and trend analysis to see the relationship between EER improvements and greenwashing indicators.
- Analyze the interview data based on thematic analysis in order to identify recurrent themes regarding the issues and/or perceptions on audit quality.

Tools/Instruments:

- SPSS for quantitative data analysis and NVivo for qualitative data coding and analysis.

Ethical Considerations: All survey and interview participants will give informed consent and confidentiality of participants will be maintained. The appropriate university committee will be secured with ethical approval.

Significance of the Study

The performance of EER improvements in reducing greenwashing and improving the quality of audits in New Zealand will be highly studied. Findings will allow the XRB, auditors and corporate management to point to weaknesses in existing reporting and assurance practice and, as a result, improve regulatory frameworks and higher standards of corporate transparency. Further, the research will also contribute to the academic literature by articulating how EER practices are connected with real life challenges of sustainability assurance.

Scope and Limitations

Scope

It considers the large, publicly listed companies in New Zealand and the audit processes in which their EER disclosures are made between the years 2018 and 2024.

Limitations

The available and consistency of publicly reported data may limit the study, as with self reported data with potentially biased answers and the scope of qualitative interviews.

Conclusion

The comprehensive study proposed in this proposal will examine how improvement in Extended External Reporting impacts greenwashing mitigation and audit quality in New Zealand. The study will offer evidence based, robust, quantitative and qualitative offers of suggestions for both reporting practices and audit assurance by combining quantitative content analysis with qualitative understandings of industry professionals. These findings are believed to provide some ammunition for the ongoing efforts of regulatory bodies and corporate sector to encourage more transparency and accountability in sustainability reporting.

References

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