

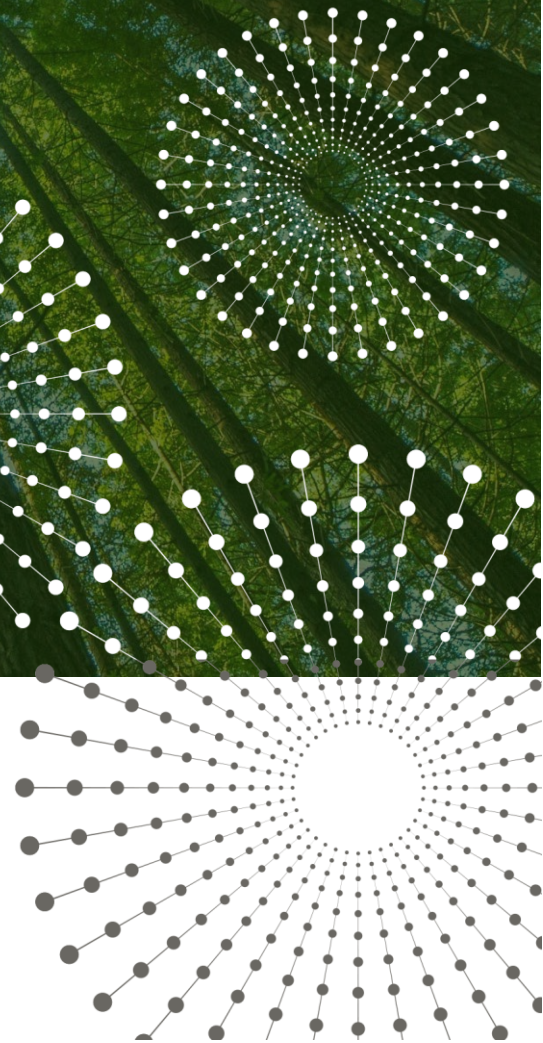
# Request for information

The international alignment of climate reporting

Consultation document

**April 2025**

Consultation closes 13 June 2025



# PART ONE: ABOUT THIS CONSULTATION

## 1. The context for this consultation

The External Reporting Board (**XR**B) is responsible for issuing climate standards under the Financial Reporting Act 2013 (**FR Act**). *Aotearoa New Zealand Climate Standards* (NZ CS) were issued in December 2022.

At the time of issuing NZ CS, we stated that we would commence a post-implementation review (**PIR**) by the end of 2025. The overarching aim of the PIR of NZ CS is to determine whether the standards are meeting the needs of both New Zealand climate reporting entities (**CREs**) and their primary users, to achieve the stated purpose of climate reporting as per [section 19B](#) of the FR Act and the [objective and ultimate aim](#) of NZ CS. The PIR will consider whether the requirements on the most difficult and contentious issues are performing as intended, whether new issues have emerged and whether compliance costs are consistent with expectations.<sup>1</sup> For example, in November 2023 we [noted](#) that an important aspect of the PIR would be to determine “whether there is any need to modify NZ CS to further align with any existing or forthcoming requirements adopted by other relevant jurisdictions”.

We obtained clear feedback from several submitters to our October 2024 consultation paper, [Proposed 2024 Amendments to Climate and Assurance Standards](#) about the need to explore certain issues sooner rather than later. Our original intent was to consult as a package on reduced disclosures, disclosures for different classes of entity, and international alignment.<sup>2</sup> However, we understand that the Government is intending to make some decisions on reporting thresholds before the end of Q2 2025<sup>3</sup> and therefore we consider it prudent to wait for the decisions before requesting information on reduced disclosures and disclosures for different classes of entity.

We are therefore dividing our request for information (**RFI**) into two phases as, regardless of the Government’s decisions, international alignment is still an important question that we consider worth obtaining further information on at this stage. Phase 1a on international alignment will therefore be followed by Phase 1b on reduced disclosures and differential reporting (see section 3 for more detail).

## 2. Purpose

The purpose of this RFI is to request information about the value of international alignment to CREs and primary users, and to understand exactly what type of international alignment is most desirable and why.

We are especially interested in why you hold your views, focusing particularly on supporting information and evidence, such as references to independent research, facts and figures, and relevant examples.

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<sup>1</sup> See the joint FMA-XRB [Climate-related Disclosures Regime: What you need to know](#) guide

<sup>2</sup> See our December 2024 note on [Differential climate-related reporting](#). Differential reporting is an umbrella term for standards that differentiate by elements such as entity characteristics or size.

<sup>3</sup> See #18 of the [Coalition Government’s Q2 Action Plan for New Zealand](#)

Information about investments and costs is most useful when it includes information on current and expected future investments and costs, as well as investments already made, or costs already incurred.

### 3. Phased consultation process

This RFI is the first phase of a planned three-phase consultation process.

**Phase 1:** In Phase 1 we are requesting information and evidence from as many CREs and primary users as possible so that we can obtain a thorough understanding of the issues. This current consultation on international alignment is Phase 1a. We plan to consult on differential reporting for different sizes and classes of entity (Phase 1b) after the government has announced its decisions on reporting thresholds.

**Phase 2:** If there is clear support for change, with good information provided, the XRB will publish a consultation document outlining potential change options in Q4 2025. We will seek views and supporting reasons about whether the status quo should be retained or whether changes should be made.

**Phase 3:** The XRB will use the information obtained in Phases 1 and 2 to decide whether to make any changes to NZ CS and, if so, what those changes will be. If the XRB concludes that changes are needed, we will publish one or more exposure draft climate standards (and the associated bases for conclusions). The XRB would subsequently issue any new or amended climate standards as necessary. Should any standard setting be required, and depending on the nature of any changes, we envisage issuing relevant standard(s) by June 2026.

### 4. Decision-making principles

During the phased consultation process, we intend to focus on the following when making decisions about any amendments to climate standards:

- Ensuring climate reporting in New Zealand is both internationally aligned and locally relevant
- A clear understanding of the:
  - future investment requirements and ongoing costs for CREs and primary users
  - usefulness (short and long-term) of the information to primary users and CREs (as per the purpose of climate reporting in [section 19B](#) of the FR Act)
  - appropriate level of standard setting complexity for the climate reporting regime.

### 5. How to respond to this RFI

You can respond to this RFI by providing oral feedback or making a written submission.

#### 5.1 Oral feedback

You will be able to provide feedback in response to this RFI at online and in-person feedback sessions. Information about dates and times can be found at <https://www.xrb.govt.nz/events/>

## 5.2 Written submissions

Please provide written submissions by Friday 13 June 2025. Your submission may respond to any or all issues raised. Where possible, please include evidence in support of your views.

When providing written feedback, you may either use the online submission template [on our website](#) or send your views (either directly in an email or via a comment letter) to [sustainability@xrb.govt.nz](mailto:sustainability@xrb.govt.nz). You can send any questions about the submission process to the same email address.

We will publish submissions on the XRB website, subject to any commercial confidentiality and privacy limitations. Please state if you wish to withhold the release of any information in your submission for commercial confidentiality reasons.

## PART TWO: INTERNATIONAL ALIGNMENT

### 6. What is ‘international alignment’ in climate reporting?

To our knowledge, all jurisdictions that have introduced standards-based mandatory climate-related disclosures, or are in the process of doing so, have based their standards on the recommended disclosures in the [Final Report](#) published by the Task Force on Climate-related Financial Disclosures (TCFD).<sup>4</sup> This means that, by and large, all climate reporting standards have some degree of international alignment. However, there are differences in implementation from jurisdiction to jurisdiction (see section 8). The advantages and disadvantages of closer international alignment can therefore vary significantly depending on who we align with and what is meant by alignment.

### 7. Why international alignment is important

International alignment of reporting standards is an important consideration for the XRB. It ensures we keep pace with international practice, enables access to international capital and reduces unnecessary regulatory burden for entities operating in multiple jurisdictions. International alignment is also an important consideration for differential reporting because any amendments to NZ CS that are made without due consideration of international alignment could risk unnecessary further differences between jurisdictional standards.

However, standards must also be locally relevant. The XRB is aware of the need to ensure an appropriate balance for all its standards between international alignment and local relevance.

### 8. Implementation of climate reporting overseas

NZ CS came into force for financial years commencing on or after 1 January 2023. The international context has changed considerably since then. This section explains the landscape of international activity on climate reporting that is currently in place and notes how NZ CS relate. It is however important to recognise that this is a snapshot in time comparison—as NZ CS themselves have evolved in their short history, so too are many of the comparison points changing year by year.

#### 8.1 International Sustainability Standards Board

In June 2023, the International Sustainability Standards Board (**ISSB**) issued two IFRS<sup>®</sup> Sustainability Disclosure Standards: IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*.<sup>5</sup> Entities that only report on climate-related disclosures in accordance with IFRS S2 are required to apply IFRS S1 insofar as it relates to disclosing information about climate-related risks and opportunities. This is because IFRS S1 contains the

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<sup>4</sup> This includes the ISSB’s standards, which are also based on the TCFD’s four pillar structure.

<sup>5</sup> Noting that the XRB made efforts to closer align NZ CS to IFRS S2 based on the exposure draft that was publicly available in 2022. See paragraph [BC12 of NZ CS 1](#).

conceptual foundations, general requirements and specific requirements related to exercising judgement, uncertainties and errors.

We published a [comparison between NZ CS and IFRS S2](#) in October 2023. It shows that there is a strong degree of alignment in the core content of NZ CS 1 and IFRS S2, and in the concepts and general requirements. However, there are many differences in detail which mean that if an entity applies IFRS S2 it will not necessarily comply with NZ CS, and vice versa. Overall, IFRS S1 and S2 tend to be more prescriptive, resulting in more requirements, while NZ CS lean toward flexibility, fewer disclosures and rely more on an entity's judgement.

## 8.2 Australia

In September 2024, the Australian Accounting Standards Board (**AASB**) issued standards based on IFRS S1 (AASB S1 as a voluntary standard) and IFRS S2 (AASB S2 as a mandatory standard). AASB S2 incorporates the elements of AASB S1 that must be applied for climate reporting purposes. We expect the first reporting against AASB S2 to be publicly available in the second quarter of 2026.

There are differences between IFRS S2 and the Australian regime. For example, the Australian primary legislation contains specific requirements on scenario analysis (number of scenarios and temperature outcomes) that are not in IFRS S2. Additionally, AASB S2 does not include the requirement in IFRS S2 to disclose industry-based metrics, and refer to and consider the applicability of the disclosure topics and metrics identified in [Industry-based Guidance](#) that accompanies IFRS S2.

We have published an [interoperability tool](#) explaining the differences and similarities for each requirement from NZ CS to AASB S2 and vice versa. We recommend reading the interoperability overview if you are particularly interested in the Australian requirements.

Should closer alignment with Australian climate standards be desirable, options include either amending NZ CS or adopting IFRS S2, and considering the amendments made in AASB S2 and the requirements in the Australian primary legislation. Note that, as with any option, we would consult on the specifics of any proposed changes. Also note that we would not directly 'adopt' AASB S2 as we do not adopt other jurisdictions' reporting standards.

## 8.3 Other jurisdictions' use of IFRS S2

Several other jurisdictions, including Japan, China, Singapore, the United Kingdom, Canada, Brazil and Nigeria have adopted or are in the process of adopting or aligning to the ISSB standards. However, diverse approaches are being taken; 'adoption' of or 'aligning to' the ISSB standards means different things from jurisdiction to jurisdiction.<sup>6</sup> Also, the date at which mandatory reporting begins is also variable. For example, China intends to introduce ISSB-aligned climate-related disclosures by 2027 but

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<sup>6</sup> See section 3.4 of the IFRS® [jurisdictional guide](#). The IFRS® intends to publish high-level 'jurisdictional profiles', informed by bilateral discussions with jurisdictions.

plans to include other elements such as the 'double materiality' principle which then also aligns it with the European approach (see below). The date of application of some jurisdictions' standards (such as Canada and the UK) is currently unclear. In December 2024, the Chinese Ministry of Finance (**CMOF**) finalised the Basic Standards for Corporate Sustainability Disclosure that can be applied by Chinese Enterprises on a voluntary basis. CMOF has stated that it plans to issue standards (starting with climate) for listed and non-listed companies by 2027, laying the foundation for a national sustainability disclosure system by 2030.

#### **8.4 Other jurisdictional standards**

Like New Zealand, some jurisdictions that have introduced or are introducing mandatory sustainability or climate reporting are issuing jurisdiction-specific standards. These include the European Union (**EU**)'s European Sustainability Standards (**ESRS**) and rules being developed by some states of the United States, such as California, New York and Illinois. These standards can have different requirements and definitions. For example, Europe has adopted a 'double materiality' principle which states that an entity should disclose the impact of its activities on people or the environment, as well as the impact of sustainability risks on the entity. NZ CS, IFRS S2 and AASB S2 do not require double materiality. More disclosures can be required under the double materiality principle and so compliance costs could be higher. However, double materiality disclosures can be an effective mechanism to better understand reputational or other risks and opportunities to an entity.

Comparing NZ CS with these standards is difficult because there is uncertainty about the content of developing standards or a rapid evolution in existing standards. For example, the ESRS which were issued in 2023 are to be simplified, but the changes and commencement date are unknown.

#### **8.5 GRI standards**

Many entities in New Zealand and overseas prepare reports in accordance with the GRI standards. GRI reporting covers climate change, as well as other topics. 77% of the world's largest companies report in accordance with the GRI standards.<sup>7</sup> In some jurisdictions, such as Taiwan, Sweden and Brazil, GRI reporting is mandatory, sometimes in conjunction with ISSB reporting.<sup>8</sup> The primary user is a broader range of stakeholders, not just investors and potential investors/lenders, as is the case under NZ CS and IFRS S2.

GRI standards are issued and maintained by the Global Sustainability Standards Board (**GSSB**). There are three categories of GRI standards: Universal Standards, Sector Standards and Topic Standards. The GSSB approved Topic Standard [\*GRI 102: Climate Change and Just Transition\*](#) at its meeting on 19-20 March

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<sup>7</sup> See KPMG's [2024 Survey of Sustainability Reporting](#).

<sup>8</sup> Taiwan requires IFRS S2 and GRI reporting. See Global Reporting Initiative, [Carrots and Sticks: Recognising the role of transparency to accelerate the SDGs](#), 2024.

2025, with an effective date of 1 January 2027. An entity that reports in accordance with GRI 102 will also need to comply with relevant paragraphs in the three GRI Universal Standards.

The GRI and ISSB signed a memorandum of understanding in 2022, and in 2024 [announced](#) an “increased collaboration”, explaining that “GRI and ISSB Standards can be used together to facilitate reporting on an organisation’s impacts, risks and opportunities, including risks that arise from the organisation’s impacts.” This means using the GRI and ISSB standards as a package to cover double materiality (as has been implemented in Taiwan).

## 9. Mutual recognition

Mutual recognition is a process whereby jurisdictions agree that compliance by an entity with a regulatory regime in its home jurisdiction will also meet the host country’s regulatory requirements. For example:

- The trans-Tasman mutual recognition scheme for offering financial products or interests in managed or collective investment schemes allows an issuer to offer specified financial products in both countries using one disclosure document prepared under the fundraising laws in its home country.
- The European Commission (**EC**) can determine that a regulatory or supervisory regime in a non-EU country is equivalent to the EU regime. The EC has recognised New Zealand regulatory regimes in such areas as banking and finance, and the regulation of auditors on a mutual recognition basis.

It is also possible to recognise overseas regulations without requiring mutuality. For example, the [Financial Markets Conduct \(Overseas FMC Reporting Entities\) Exemption Notice 2021](#) exempts entities from having to prepare financial statements in accordance with New Zealand generally accepted accounting practice (**GAAP**) on the condition that they prepare statements in accordance with GAAP that is required or permitted in one of 11 specified overseas jurisdictions.

We are aware that mutual recognition is of particular interest for several CREs, particularly the largest. In its submission to the Ministry of Business, Innovation and Employment’s discussion document [Adjustments to the climate-related disclosure regime](#), Fonterra stated that:

*“there are diminishing returns in having to prepare and report against multiple TCFD-aligned standards across different jurisdictions that each have the same purpose. Enabling entities to run a single, high-quality process against one reporting standard in their home jurisdiction is likely to deliver significantly better outcomes than having multiple mandatory reporting requirements, each adding additional complexity and requiring resourcing.”*

The Financial Markets Authority is responsible for making agreements with overseas regulators to mutually recognise reporting regimes. However, we consider it relevant to this RFI process.



## 10. Key issues for this RFI

Differences in international settings raise important issues around:

- what 'closer international alignment' in climate reporting by New Zealand should mean. This is relevant given that several different approaches are being taken internationally, and the situation is rapidly evolving (towards implementation of mandatory climate reporting in many jurisdictions as well as proposals to reduce the number and complexity of disclosures in others)
- which standards or overseas jurisdictions are the most important for CREs and their primary users from an international alignment perspective, and why (such as whether it is important to state compliance with a particular standard, or whether the ease of reporting against another standard, despite it containing more requirements, outweighs any additional costs)
- whether now is the right time for New Zealand to amend or replace NZ CS to achieve closer international alignment with any other standards and if it is, which one(s), and to what degree of alignment.

As well as seeking information about CRE and primary user views on a most suitable 'end point', we are also seeking views on the desirability of potential implementation pathways. The pathways range from working to continue to align NZ CS with other jurisdictions' standards (including through updating supporting staff guidance) to revoking NZ CS and going through a full consultation process to adopt another standard or standards. Considerations include:

- if retaining NZ CS, what, how much and when would any further changes to achieve closer international alignment be desirable? For example, we could adopt many of the additional disclosures in IFRS S2 that are not required under NZ CS in its current form, or replace the scenario analysis requirements in NZ CS with requirements that more closely align it with AASB S2. This could be done slowly over time in recognition that requirements elsewhere are also changing or have not yet been implemented in practice, or we could look to make several changes in the near term before CREs' processes and systems are too embedded
- if revoking NZ CS and adopting another standard (such as IFRS S2 or GRI 102 or a combination thereof), a clear understanding of any compliance costs for CREs to both develop a thorough understanding of this new standard in order to respond to the necessary consultation process and, if adopted, change their systems and processes to reflect the new requirements. However, these one-off costs may be deemed worthwhile given an expectation of benefits arising from a particular type of international alignment.

As noted in section 3, if sufficient and clear evidence is provided supporting changes from this RFI process, the XRB will publish a consultation document outlining potential change options in the fourth quarter of 2025. At that point we would include an analysis of advantages and disadvantages/costs and benefits of specified options.

## 11. Questions

Please provide reasons for your views, along with any supporting evidence<sup>9</sup> you may have.

1. Which standards, overseas jurisdictions or other specific elements of international alignment are the most important for you (as a CRE or a primary user of climate statements), and why?
2. Is now the right time for New Zealand to amend or replace NZ CS to achieve closer international alignment with any other standards, and why?
3. If closer international alignment is desirable, what process to achieve this degree of alignment is most desirable (e.g., greater alignment of NZ CS or revoking NZ CS)? Why?
4. What information can you provide that this closer international alignment would better achieve the stated purpose of climate reporting as per section 19B of the Financial Reporting Act 2013?
5. Are there any climate-related disclosure requirements that you comply with that are not standards set by other jurisdictions (for example, via supplier agreements)? How important are those disclosures to you? Should the XRB take those requirements into consideration and how?
6. Is mutual recognition important to you and, if so, how would it impact any of your above answers?
7. Do you have any other comments?

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<sup>9</sup> For example, references to independent research, facts and figures, and relevant examples. Information about investments and costs is most useful when it includes information on current and expected future investments and costs, as well as investments already made, or costs already incurred.