

10 June 2025

External Reporting Board
Te Kāwai Ārahi Pūrongo Mōwaho
Level 6/154 Featherston Street
WELLINGTON 6011

Via email: sustainability@xrb.govt.nz

SUBMISSION ON REQUEST FOR INFORMATION ON THE INTERNATIONAL ALIGNMENT OF CLIMATE REPORTING 2025

The Institute of Directors (IoD) appreciates the opportunity to comment on the External Reporting Board's (XRB) request for information on the international alignment of climate reporting 2025 to assess the costs and benefits of potential changes to the Aotearoa New Zealand Climate Standards (NZ CS).

The IoD is proud to be the host of [Chapter Zero New Zealand](#), the national chapter of the Climate Governance Initiative. The mission of Chapter Zero NZ is to “mobilise, connect, educate and equip directors and boards to make climate-smart governance decisions, thereby creating long term value for both shareholders and stakeholders”.

We fully support the Government's objectives to address climate change and the implementation of mandatory climate-related disclosures. Transparent reporting on the risks and opportunities that climate change poses to an organisation's operations, strategy, and financial performance is a vital step toward a sustainable future. These requirements enable investors, lenders, regulators, and other stakeholders to make informed decisions. They also support the transition to a low-emissions economy and help businesses build resilience in the face of climate-related risks and impacts.

Many of our members are directors of climate reporting entities (CREs) that are directly affected by the climate-related disclosure (CRD) regime. Meeting the Standards has been a challenging process for many CREs, even those that had previously been voluntary reporters. With Australia commencing reporting, potential alignment with Australia and international standards is a timely conversation.

Below are responses to your questions as provided for in your consultation document 30 April 2025.

About the Institute of Directors

The Institute of Directors (IoD) is New Zealand's pre-eminent organisation for directors and is at the heart of the governance community. We have over 10,500 members connected through our regional branch network and national headquarters. We believe in the power of governance to create a strong, fair and sustainable future for New Zealand.

Our role is to drive excellence and high standards in governance. We support and equip our members who lead a range of organisations from listed companies to large private organisations, state and public sector entities, small and medium enterprises, not-for-profit organisations and charities.

Our Chartered Membership pathway aims to raise the bar for director professionalism in New Zealand, including through continuing professional development to support good governance.

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?

Due to its wide international adoption and the need to consider access to global markets, alignment with IFRS International Sustainability Standards Board (ISSB) sustainability disclosure standards are regarded as providing international comparability and clarity. Alignment with IFRS S2 could improve investor confidence, simplify multinational compliance, facilitate cost efficiency and enable smoother capital market access.

Nonetheless, due to close economic and regulatory ties trans-Tasman alignment with the Australian Accounting Standards Board (AASB S2) climate-related disclosures is crucially important, particularly for entities now required to prepare two separate sets of climate-related disclosures on an annual basis. For dual reporters there is both a duplicative element but also acknowledgement that the materiality thresholds and greenhouse gas emissions calculations are set at different levels for Australia and New Zealand reporting requirements.

Additionally, the European Sustainability Reporting Standards (ESRS) and EU's Corporate Sustainability Reporting Directive (CSRD) and, to a lesser extent California's Climate-Related Financial Risk Act (CRFRA) and Climate Corporate Data Accountability Act (CCDAA) are also relevant.

That said, given the wide array of evolving international standards, New Zealand's focus should not necessarily be on aligning with any single jurisdiction or framework – which may itself shift over time – but rather on clearly defining its overarching objective for climate reporting and then charting a path that best supports achieving that goal.

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?

There is no strong appetite for a wholesale replacement of NZ CS. Instead, there is support for incremental and targeted amendments to ensure the framework remains current, reduces unnecessary duplication, supports investor confidence, and maintains New Zealand's credibility in global markets.

A high priority is ensuring alignment with Australia, particularly for dual-listed or trans-Tasman entities. Without mutual recognition or reciprocal exemptions, these entities may face the burden of complying with two climate reporting regimes for the same underlying activities. This creates unnecessary duplication, cost, and complexity potentially discouraging listings on New Zealand exchanges or encouraging de-listings in favour of jurisdictions with simpler compliance. While immediate alignment may be premature given the newness of Australia's regime and the likelihood of initial refinements, signalling a clear intent to coordinate in future would help reduce regulatory friction, support investor clarity, and protect the competitiveness of New Zealand's capital markets.

Given that climate disclosure standards are still evolving globally and domestic reporting practice is still maturing, there are understandably varied views on the appropriate pace and scope of reform. Nonetheless, there is broad recognition that New Zealand cannot afford to fall behind. Maintaining international alignment is critical to ensuring ongoing access to global markets, capital flows, and supply chains that are increasingly influenced by sustainability-related disclosure expectations.

Concerns around the future expansion of scope, for example the inclusion of nature-related disclosures or other emerging environmental domains, can be addressed by applying differential reporting, proportional thresholds, and carefully staged implementation. There is also merit in

broadening the application of the regime to large unlisted entities, ensuring consistency with international frameworks while supporting economy-wide transparency and accountability.

In summary, now is the right time for measured alignment, not through replacement, but through thoughtful, proportional amendments that reflect both global developments and New Zealand's domestic context.

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?*

Feedback from our members who are CREs confirms that the preparation of climate-related disclosures delivers tangible internal benefits, supporting better risk management, strategic planning, and long-term resilience while also providing value to external stakeholders. However, these benefits are not without cost. The preparation of climate statements imposes significant demands on internal resources, often relying on the same teams responsible for implementing climate mitigation and adaptation. Additional external costs including assurance and legal advice also place pressure on entities' budgets and timelines.

Given the substantial investment already made in building systems, processes, and capability aligned with NZ CS, we do not support revoking the current standards. Such a move would risk undermining existing momentum and progress, while introducing further disruption and uncertainty. Instead, we recommend a phased and pragmatic approach to international alignment, modelled on Australia's staged implementation of IFRS S2. This would allow time for capability development, system adjustments, and integration of new requirements without compromising the integrity of existing disclosures.

New Zealand is well-placed to be a fast follower leveraging international developments and emerging best practice, while maintaining pace and relevance through regular review, structured environmental scanning, and a commitment to consistency with key trading partners such as Australia. Maintaining interoperability between regimes will be critical to reducing duplication for trans-Tasman reporters and ensuring climate disclosures remain credible, comparable, and decision useful.

Ultimately, a steady and well-coordinated path to alignment will support more effective climate reporting and long-term regulatory coherence, without eroding the progress already made.

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?*

Closer international alignment, particularly with IFRS S2 and AASB S2 has the potential to better support the purpose of climate reporting as set out in section 19B of the Financial Reporting Act 2013 by improving the clarity, consistency, and comparability of disclosures. From the perspective of CREs, particularly those operating across multiple jurisdictions, alignment with globally recognised frameworks can:

- Enhance internal decision-making and risk management by embedding consistent and structured approaches to identifying and responding to climate-related risks and opportunities – supporting 19B(a).
- Facilitate streamlined, comparable disclosures that reflect how climate risks are considered within governance, strategy, and risk frameworks – addressing 19B(b).

- Enable investors, regulators, and stakeholders to make informed, comparative assessments, especially in capital markets that rely on global standards – fulfilling 19B(c).

In practice, divergence between domestic and international standards creates inefficiencies, including duplicated disclosure obligations, multiple assurance processes, and increased legal and compliance costs. These additional burdens can divert resources away from meaningful climate-related action and engagement, potentially undermining the objectives of the regime.

A carefully phased approach to international alignment would allow entities to build on the investments already made in implementing NZ CS, while reducing duplication and enhancing cross-border comparability. This would maintain the integrity of current disclosures, ease transition pressures, and support a more consistent and impactful climate reporting system aligned with the purpose of section 19B.

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?*

Many entities are increasingly subject to climate-related disclosure obligations that fall outside formal regulatory standards. These include supplier- and customer-driven requirements, expectations from financial institutions, and voluntary frameworks adopted to meet stakeholder and investor demands.

Such disclosures are especially important in global supply chains and procurement relationships, where businesses are often required to provide detailed emissions data (including Scope 3) as part of contractual obligations or supplier onboarding processes. In some cases, the required level of granularity and timeliness exceeds that of current regulatory standards. These expectations are growing rapidly in both frequency and importance, particularly in sectors exposed to international markets, ESG-sensitive investors, and value-chain decarbonisation initiatives.

For entities operating in or trading with overseas jurisdictions, meeting these disclosure expectations is not optional, it is a condition of doing business. They are critical for maintaining customer relationships, accessing finance, and participating in global supply chains. These expectations are often aligned with recognised frameworks such as the Greenhouse Gas Protocol, the Carbon Disclosure Project (CDP), the Global Reporting Initiative (GRI), and the Taskforce on Nature-related Financial Disclosures (TNFD), as well as voluntary commitments such as Science Based Targets (SBTi) and B Corp certification, which require robust climate-related disclosures and emissions reporting. While not mandated by specific jurisdictions, these frameworks increasingly serve as de facto standards in procurement, investment, and sustainability performance assessment.

Given their material influence, the XRB should take these non-jurisdictional requirements into account as part of its alignment considerations. Doing so would ensure that New Zealand's climate reporting regime reflects the actual disclosure environment faced by reporting entities helping to reduce duplication, support interoperability, and improve the utility and relevance of climate statements. It also reinforces the importance of proportionality and flexibility in future standard-setting, differential reporting considerations, and recognising the broad spectrum of expectations entities are already managing.

6. *Is mutual recognition important to you and, if so, how would it impact any of your above answers?*

Mutual recognition is highly important, particularly for dual-listed or trans-Tasman entities navigating both New Zealand and Australian climate disclosure regimes. In the absence of a formal recognition mechanism, these entities will be required to produce two sets of climate disclosures, tailored to the slightly differing requirements of each jurisdiction.

This results in unnecessary duplication, added assurance and legal costs, and a greater administrative burden. It also complicates communication with stakeholders, who benefit from a single, coherent narrative rather than fragmented or repeated disclosures.

Mutual recognition, allowing compliance in the primary listing jurisdiction to satisfy requirements in the secondary jurisdiction, would significantly reduce this friction. It would simplify reporting, improve efficiency, and ensure greater consistency in the information provided to investors and regulators. The ability to establish formal recognition pathways between New Zealand and Australia will be a vital step in maintaining trust, coherence, and competitiveness in our capital markets.

While the Australian regime is still bedding in, New Zealand should maintain a clear signal of intent to align with it in due course once initial implementation lessons are understood. This would provide clarity to markets, support investor confidence, and protect New Zealand's competitiveness in a regionally integrated financial system.

7. *Do you have any other comments?*

We acknowledge and appreciate the XRB's leadership in establishing New Zealand's climate reporting regime, particularly as the first jurisdiction to embed these standards in a mandatory framework. As the global reporting environment matures, New Zealand now has an opportunity to consolidate this leadership by ensuring the regime remains effective, internationally credible, and practically workable for reporting entities.

To that end, we strongly encourage the XRB to:

- Signal its intent to coordinate more closely with Australia. Alignment of thresholds, timing, and assurance requirements will be critical for reducing duplication, protecting New Zealand's capital market attractiveness, and ensuring consistent information for investors across the Tasman.
- Support mutual recognition mechanisms particularly for dual-listed entities to prevent the inefficiencies of duplicative compliance. A principles-based approach recognising equivalence in reporting outcomes (rather than technical form) would best serve both regulators and preparers.
- Maintain flexibility and proportionality, particularly as new reporting domains emerge (e.g. nature-related disclosures). Differential reporting thresholds and a phased approach to any expansion will be essential to ensure the system remains scalable and inclusive.
- Establish ongoing review and feedback mechanisms, including environmental scanning, international monitoring, and a structured channel for CREs to raise implementation challenges. Alignment should be a continuous, not static, process.

We appreciate the XRB's commitment to engaging with stakeholders on the future of New Zealand's climate-related disclosure regime. As international standards continue to evolve, it is essential that New Zealand maintains a pragmatic and proportionate approach, one that recognises the investment entities

have already made, enables global comparability, and avoids unnecessary duplication. We support a phased pathway to alignment that balances ambition with usability, and we encourage the XRB to continue prioritising interoperability, proportionality, and mutual recognition in its forward work programme.

Thank you for the opportunity to provide input.

Ngā mihi nui

A handwritten signature in black ink, appearing to read 'Judene Edgar', with a stylized, flowing script.

Judene Edgar
Principal Advisor – Governance Leadership
Chapter Zero New Zealand Lead