

Submission

to the

External Reporting Board

on the

Request For Information on the international alignment of climate reporting

13 June 2025



About NZBA

1. The New Zealand Banking Association – Te Rangapū Pēke (**NZBA**) is the voice of the banking industry. We work with our member banks on non-competitive issues to tell the industry's story and develop and promote policy outcomes that deliver for New Zealanders.

2. The following sixteen registered banks in New Zealand are members of NZBA and support this submission:
 - ANZ Bank New Zealand Limited
 - ASB Bank Limited
 - Bank of China (NZ) Limited
 - Bank of New Zealand
 - China Construction Bank (New Zealand) Limited
 - Citibank N.A.
 - The Co-operative Bank Limited
 - Heartland Bank Limited
 - The Hongkong and Shanghai Banking Corporation Limited
 - Industrial and Commercial Bank of China (New Zealand) Limited
 - KB Kookmin Bank Auckland Branch
 - Kiwibank Limited
 - Rabobank New Zealand Limited
 - SBS Bank
 - TSB Bank Limited
 - Westpac New Zealand Limited

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3. If you would like to discuss any aspect of this submission, please contact:

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Overview

4. NZBA welcomes the opportunity to provide feedback to the External Reporting Board (**XRB**) on the Request for Information relating to the international alignment of climate reporting (**RFI**). NZBA commends the work that has gone into developing this consultation process.
5. **In brief summary:**
 - 5.1. **Most members support an overall move towards international alignment. While some members would support an immediate move to align with IFRS S2 or AASB S2, most see value in a ‘wait and see’ approach as domestic and international reporting matures.**
 - 5.2. **All of our members which have operations offshore or offshore parent companies support mutual recognition whether or not international alignment is pursued, with mutual recognition between Australia and New Zealand a key priority for members with Australian parent companies.**
 - 5.3. **Members bring the perspective of their own reporting obligations, but also that of primary users of climate statements themselves.**

Response to RFI Questions

Question 1: Which standards, overseas jurisdictions or other specific elements of international alignment are most important for you (as CRE or a primary user of climate statements), and why?

6. **A range of international standards are important to NZBA members, depending on where a member’s parent company is located, the region(s) in which they operate, and their investor base. IFRS S2 and AASB S2 are the key international standards of relevance to NZBA members.**
7. NZBA members broadly support the alignment of the New Zealand Climate Standards (**NZ CS**) with equivalent international standards, although over different time scales. As primary users of climate statements themselves (in respect of their customers), they appreciate that the comparability of New Zealand climate statements with other similar jurisdictions is an important part of maintaining relevance in capital markets and attracting international investors.
8. Over the medium-long term, our members expect that international investors will typically be looking to make investment decisions across Australasia or a broader Asia/Pacific region, with reporting expectations to be broadly aligned with the International Sustainability Standards Board’s (**ISSB’s**) IFRS S2 standard. The IFRS Foundation highlights that over 20 jurisdictions have already begun integrating ISSB standards into their legal or regulatory frameworks, encompassing nearly 55% of



global GDP and over 40% of global market capitalisation – noting that each jurisdiction that has or is proposing to implement this standard is likely to introduce a degree of variation. In addition, the ISSB will conduct post-implementation reviews and updates of climate standards to incorporate emerging trends and best practices, hence aligning the NZ CS with IFRS would ensure that the NZ CS remain world-class.

9. However, NZBA members differ as to which regimes are of most relevance for their own primary users in the short-medium term. Alignment with IFRS S2 would support the needs of those banks with international or regional headquarters. Alignment with the Australian climate disclosure standard (AASB S2) would support the Australian owned banks and New Zealand owned banks in Australia, which are seeking to align across group-wide reporting requirements from FY26 and beyond. Alignment with the UK and the EU may also have benefits for those members with European investors (for example, the UK has recently announced it will begin consultation on UK Sustainability Reporting Standards, which will align with the IFRS S1 and S2). On the other hand, locally owned banks have invested significantly in uplifting capability to be able to disclose under the NZ CS, and express some concern that amending the NZ CS now could introduce an unnecessary burden, particularly for those banks with earlier balance dates in FY26.

Question 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?

10. **Some members would prefer to start aligning the NZ CS with (at least) AASB S2 now. However most members prefer a ‘wait and see’ approach to allow IFRS and AASB standards to bed in before changes are made to the NZ CS.**
11. While members are supportive of international alignment as an overarching objective, many prefer to allow the IFRS and AASB standards to ‘bed in’ before changes are made to the NZ CS. International alignment will require additional investment because both the IFRS and AASB standards are significantly more prescriptive than the NZ CS. This applies equally to members and their customers.
12. In addition, there is value in allowing the NZ CS regime to mature as reporting entities work through their second reporting year, with key adoption provisions still in place. Members are aware of the burden on their customers which are also reporting entities and which have invested significantly in processes to disclose against the NZ CS.
13. International standards are still new, and in some key markets (e.g. China) are still being developed. These standards are also likely to evolve as offshore reporting entities work through the early years of reporting: as noted in the RFI, members are not aware of any fully compliant reporting examples under IFRS or AASB yet. If New Zealand was to align to any particular international standard now, it is likely that we would need to make further changes over the coming years to maintain this alignment.



14. Some members believe now is the right time to begin transitioning to greater international alignment and would prefer a New Zealand equivalent of AASB S2 to be made available for early adoption for reporting periods beginning on or after 1 January 2026. Allowing early adoption from 1 January 2026 would give these members the option to produce an IFRS S2 compliant Climate Statement for the following year (FY2027), benefiting from the experience gained by their parent companies in preparing an AASB S2 compliant report the previous year.
15. However other members consider it is prudent in the longer term to allow additional time to allow existing regimes to bed in (both in NZ and overseas), and for overseas standards to become more settled, before making changes towards international alignment. While significant changes to align New Zealand standards with overseas regimes at a later stage will still result in additional work for CREs during the transition, delaying a few years is likely to both reduce the number of times CREs need to implement changes to standards and enable CREs to benefit from experience in the overseas jurisdictions New Zealand aligns with. This, combined with additional time for New Zealand CREs to develop experience under the existing NZ CS, would significantly reduce the burden of any change. These members note that such a 'wait and see' approach would likely be relatively low risk in having a longer transition, given that the NZ CS are principles-based, broadly aligned with IFRS S2 and therefore largely interoperable with international standards

Question 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?

16. **Most members consider it is most efficient to wait until we know whether the policy intention is to align with IFRS S2, AASB S2, or allow reporting entities more choice. Some members would be comfortable revoking the NZ CS and adopting IFRS S2 (potentially with the amendments to IFRS S2 that have been made in AASB S2).**
17. The appropriate process for alignment will depend on the nature and extent of the changes that are ultimately made. If the ultimate decision is to reframe the requirements in line with AASB S2 or IFRS S2, it would likely be more efficient to repeal and replace the NZ CS.
18. On one hand, some members note the advantages of the NZ CS being principles-based, which allows judgement in disclosure and flexibility to tailor reporting to be most useful to primary users. Targeted amendments to address inconsistencies, taking into account the cost vs benefit of those changes, would allow that essential quality of the NZ CS to remain intact. Other members, however, note that wholesale replacing the NZ CS with AASB S2 or IFRS S2 would be more efficient, and note that based on early experience attempting to reconcile NZ CS 1 and AASB S2 has already created challenges in aligning reporting across a group.



19. If IFRS S2 aligned standards are introduced, a phased-in approach is likely to be most appropriate to allow sufficient time for entities to plan for their climate reporting. This might be introduced through either a partial exemption, or comply or explain, approach.
20. Those members which prefer not to pursue international alignment at this time identify that *if* closer alignment is pursued, then NZ-owned and operated entities without connection to overseas jurisdictions would benefit from explicit variations in the standards to simplify disclosure, to reduce disproportionate complexity and effort.
21. Those members which have experience of the discrepancies between NZ CS and AASB S2 provide two examples which show that even minor discrepancies between NZ CS and AASB S2 will create reporting challenges in aligning group reports:
 - 21.1. The proportionality provisions in AASB S2 may mean that Australian parent companies have the flexibility to incorporate 30 June metrics within 30 September climate statements. This is not the case for the NZ CS.
 - 21.2. AASB S2 mandates that comparatives be restated to reflect changes in estimates related to the previous period (unless impracticable or originally disclosed as forward-looking). Although the NZ CS do not require entities to revise comparatives for re-estimates (the NZ CS require an explanation of the change and its impact on the current reporting period's climate-related disclosures), NZ entities with Australian parents need to align their treatment of restatements with their parent company for consolidation purposes, meaning that they will need to restate figures even when not required under NZ CS.

Question 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.

22. **Most members agree that pursuing international alignment will ultimately better achieve the stated purpose of climate reporting by enhancing comparability, reducing inefficiencies, and leveraging established expertise.**
23. Most members agree that closer international alignment of New Zealand's climate reporting would better achieve the stated purpose of climate reporting by:
 - 23.1. Enhancing comparability – enabling investors and stakeholders to assess members' climate-related risks and opportunities across jurisdictions using a consistent framework.
 - 23.2. Reducing reporting inefficiencies – members operating across multiple jurisdictions would avoid duplicative reporting efforts, allowing them to focus on meaningful climate risk management.



- 23.3. Leveraging established expertise – the IASB and the ISSB both function under the IFRS Foundation. The IASB has established robust procedures for updating international accounting standards in response to emerging trends and best practices. By adopting similar approaches, the ISSB will ensure that New Zealand’s climate reporting remains globally recognised and aligned with evolving best practice.

Question 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?

24. Not applicable – there are no other significant climate disclosure requirements which members consider are relevant for the XRB to take into account.

Question 6: Is mutual recognition important to you? And, if so, how would it impact any of your above answers?

25. **All of our members which have operations offshore or offshore parent companies support mutual recognition whether or not international alignment is pursued, with mutual recognition between Australia and New Zealand a key priority.**
26. Where CREs are subject to mandatory reporting both in New Zealand and one or more overseas jurisdictions, there is inevitably increased cost and risk of having to prepare either multiple climate reports under different jurisdictions or to prepare one report that complies with all regimes. This is likely to be disproportionate to the marginal benefits compared with creating one report that complies with home jurisdiction requirements and that is able to be used across all jurisdictions.
27. Mutual recognition makes sense at a practical level. For the bulk of primary users, climate statements that comply with the NZ CS will be equally as useful for investment decisions as climate statements that comply with AASB S2 and IFRS S2.
28. Mutual recognition would better enable disclosure of decision-useful information for primary users in line with international standards for which mutual recognition is agreed, enabling those users to understand how a group as a whole is transitioning, adapting and considering climate risks and opportunities, without requiring each subsidiary to produce separate reporting in accordance with different standards, which primary users are then required to reconcile. Subsidiaries would still produce CRD in each jurisdiction, but they would contain the same, rather than different, content, relying on the mutual recognition of the respective jurisdictions’ climate standards.
29. All members with operations offshore or offshore parent companies consider that mutual recognition between NZ CS and AASB S2 should be a priority. As set out in the consultation paper, mutual recognition with AASB S2 could be implemented by



allowing CREs that are caught by both the New Zealand and Australian regimes to prepare one set of reporting that complies with either regime, similarly to the trans-Tasman mutual recognition scheme for offers of financial products (per subpart 6 of Part 9 of the FMC Act and Part 9 of the FMC Regulations). If the FMA was to exempt entities from having to prepare climate statements in accordance with NZ CS on the condition that they prepared climate statements in compliance with AASB S2, it would streamline reporting requirements and reduce duplication.

30. Members are also supportive of mutual recognition of domestic standards which adopt IFRS S2, although recognise that this may be a more nuanced task if IFRS S2 is adopted with amendments in the jurisdictions with which New Zealand would then be agreeing mutual recognition. To resolve this challenge, the XRB could adopt a new, New Zealand equivalent to IFRS S2, which entities could then choose to report in accordance with, as an alternative to the NZ CS.
31. Members note that mutual recognition involving *IFRS S2* would not resolve concerns of those with Australian parent companies relating to the duplication of effort required to produce disclosures that meet both NZ CS and *AASB S2* requirements. However, this concern could potentially also be addressed in the short term by the FMA granting exemptions allowing entities to prepare climate statements in compliance with *AASB S2* instead of NZ CS.
32. Some members propose that foreign branches should be generally exempted from producing standalone disclosures, and should instead be able to rely on their parent company's disclosures, on the basis that the parent company disclosures likely provide the most relevant content for primary users, even where those disclosures have been prepared offshore. This would go beyond mutual recognition, i.e. simply directing users to parent company disclosures.
33. Members underscore that mutual recognition and international alignment can be complementary. Alignment of climate reporting standards with key overseas jurisdictions will make it easier to demonstrate the equivalence of information and therefore that mutual recognition (or one way recognition) is therefore appropriate.
34. If mutual recognition was introduced, those members that are NZ-owned and operated entities would benefit from explicit variations in the standards to simplify disclosure, to reduce disproportionate complexity and effort.