

13 June 2025

External Reporting Board

Via email: sustainability@xrb.govt.nz

Submission on request for information on the international alignment of climate reporting 2025

- 1 Thank you for the opportunity to respond to your request for information on the international alignment of climate reporting in 2025.
- 2 Lawyers for Climate Action NZ Inc is an incorporated society that aims to use the law to drive meaningful action on climate change.¹ Our members include Kings' Counsel, barristers, solicitors, legal academics, and students. We have no vested interest other than seeing Aotearoa New Zealand contribute to the goals of the Paris Agreement in light of the science of climate change as expressed by the IPCC. More information about us can be found on our website: <https://www.lawyersforclimateaction.nz/>
- 3 We strongly support the Climate-Related Disclosures Regime (**CRD Regime**). CRD Regimes are a well-recognised and important tool for managing and responding to climate-related financial risks and ensuring access to international markets. We acknowledge the XRB's leadership, which has made Aotearoa New Zealand a global leader in developing a robust and credible regime. This is only increasingly important as emissions and temperatures continue to rise and present new and significant risks.
- 4 We support the XRB closely monitoring international developments. The most natural change to the New Zealand Climate Standards (**NZ CS**) would be to better align them with the International Sustainability Standards Board (**ISSB**) Standards. The NZ CS, after all, were developed based on the recommendations of the Task Force on Climate-related Financial Disclosures, which the ISSB has already incorporated and built upon. The ISSB standards are also becoming increasingly widespread globally.
- 5 In our view, the NZ CS and ISSB standards are broadly compatible, and there is no need for a wholesale replacement of the NZ CS. While there is merit in considering aspects of international standards that could be incorporated into the NZ CS, any changes to the NZ CS should be phased so as to maintain as much support from Climate Reporting Entities (**CREs**) as possible. We also recommend that the XRB make changes with an eye to encouraging CREs to view climate-related disclosures less as a compliance exercise and more as a strategic one.

¹ Many of our members work or act for Climate Reporting Entities (**CREs**). However, Lawyers for Climate Action itself is neither a primary user of climate statements nor a CRE, and this submission may not reflect the views of all of our ~370 members. Rather, this submission reflects our continued desire to ensure that New Zealand's Climate Related Disclosures Regime remains strong and fit for purpose.

Which standards, overseas jurisdictions, or other specific elements of international alignment are most important to you?

6 The starting point has to be the ISSB Standards (IFRS S1 and S2). As you will know, they have been referred to as a “global baseline” of disclosure standards, and many jurisdictions are increasingly aligning their national standards with the ISSB standards. They have gained significant traction: by May 2024, more than 20 jurisdictions, accounting for around 55% of global GDP and more than half of global greenhouse gas emissions, had announced steps to use or align with the ISSB standards. Many jurisdictions, including important trade partners for New Zealand such as the European Union, China, the United Kingdom and Australia, are closely adopting the ISSB Standards.

7 Although New Zealand developed the NZ CS before the ISSB developed IFRS S1 and S2, there is a reasonable degree of commonality between them, particularly regarding underlying principles. Principles and purpose-based alignment will be important to maintain.

Is now the right time for NZ to amend or replace NZ CS to achieve closer international alignment with any other standards, and why? What process is most desirable?

8 We think it is important for New Zealand to maintain the NZ CS instead of replacing them wholesale with something new. The XRB’s approach, which has been to monitor international developments and consider amendments to the NZ CS where appropriate, has worked well, particularly as international developments are fast-moving across numerous jurisdictions.

9 Any changes to the NZ CS should be phased and careful. Additionally, other changes, such as applying differential reporting, broadening the application of the regime to large unlisted and public entities, and staged implementation, could be good ways of ensuring New Zealand does not fall behind and maintains access to global markets and supply chains. The impact of increasing global alignment around ISSB Standards will be most pronounced for larger CREs with greater international exposure - and it makes sense for the XRB to focus on ensuring greater international alignment of the NZ CS and CRD Regime as it applies to those entities *first*.

10 The CRD Regime in New Zealand is still relatively new, and CREs are still adjusting to it. CREs have made significant investments in upskilling staff and paying for external support to comply with the CRD Regime. We would discourage the XRB from making significant changes too soon, particularly if they involved shifting to considerably more prescriptive standards. Any such change runs the risk of overwhelming CREs, undermining progress and momentum, and raising further questions about the costs/benefits of the CRD Regime as a whole.

11 In addition, there are real advantages to New Zealand’s more principles-based and less prescriptive standards. This flexibility means that the NZ CS are less burdensome for smaller CREs with more limited resources, not requiring a quantitative approach to

scenario analysis, for example. It also makes it easier for larger entities to comply with multiple standards.

- 12 Already, Aotearoa New Zealand's CRD Regime is at risk of being viewed by many CREs as an exercise in compliance, rather than strategy. As reflected in the Government's recent consultation on potential changes to the CRD Regime, a growing number of CREs have questioned the value of the regime, citing high compliance costs and limited evidence of cost/benefit. When considering changes to the CRD Regime, we strongly encourage both the XRB and Financial Markets Authority to consider how any changes will help CREs embed climate-related risks and opportunities into decision-making, company strategy, and value creation, and encourage a shift in mindset from compliance to strategy.
- 13 New Zealand is also in the unique position of having been the first country in the world to introduce a CRD Regime, developing NZ CS, tailored for New Zealand considerations. They are an excellent base to work off, and they set New Zealand apart from other jurisdictions that are using the ISSB standards as their starting point as they introduce regimes for the first time.

Are there 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?

- 14 We support the XRB engaging with CREs on what non-regulatory requirements are increasingly being required of them. Many CREs face additional disclosure demands outside of regulatory standards, such as demands from global supply chains, multi-national buyers, or as part of procurement processes.
- 15 Another important development is the rise and importance of entities reporting on biodiversity/nature-related risks under the Task Force on Nature-related Financial Disclosures (**TNFD**). With frameworks like TNFD rapidly gaining traction globally, New Zealand CREs risk falling behind - particularly given our reliance on natural capital in primary industries and tourism.
- 16 Our view is that these additional disclosure requirements are highly relevant, and the XRB should absolutely consider them, to ensure our climate reporting regime is as useful and efficient as possible. They will likely be of particular relevance when considering the introduction of differential reporting requirements.

Mutual Recognition

- 17 Mutual recognition could be a very good way of helping larger CREs avoid unnecessary duplication, while also facilitating greater capital market integration. There is merit in New Zealand signalling early that it intends to achieve mutual recognition with key jurisdictions (such as Australia) - provided those jurisdictions have robust and comparable regimes.

- 18 We note that Singapore's climate standards, for example, include an exemption for large non-listed companies whose parent companies report climate-related disclosures using ISSB-aligned local sustainability disclosure standards or equivalent standards, with some caveats. This kind of model may be a useful example to follow in New Zealand.
- 19 We are happy to engage further with the XRB on any aspects of this consultation.

Nāku noa, nā

Jessica Palairret
Executive Director