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Deloitte submission on the *Request for information on the international alignment of climate reporting 2025*

Thank you for the opportunity to provide comment on the External Reporting Board's *Request for information on the international alignment of climate reporting 2025*.

It is our view that New Zealand should align to the International Sustainability Standards Board's (ISSB) standards IFRS S1 *General requirements for Disclosure of Sustainability-related Financial Information* (as applicable to climate reporting) and IFRS S2 *Climate-related Disclosures*. The ISSB standards have emerged as the global baseline to meet the needs of capital markets, have the support of the Financial Stability Board (FSB) and the International Organisation of Securities Commissions (ISOCO), and are starting to be adopted in other jurisdictions, including Australia. Having one set of standards provides investors with a common language for sustainability reporting, makes comparisons easier between entities, and simplifies reporting across global value chains.

We have included our comments in Appendix 1 in response to the specific questions raised. Please do not hesitate to contact us should you require further clarification on any of the matters discussed.

Yours faithfully



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for Deloitte Limited (as trustee for the Deloitte Trading Trust)

Appendix 1

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?

While Deloitte in New Zealand is not a CRE or primary user of climate statements, its partners and staff provide support for CREs and is an assurance provider.

It is our view that New Zealand should align to the International Sustainability Standards Board's (ISSB) standards IFRS S1 *General requirements for Disclosure of Sustainability-related Financial Information* (as applicable to climate reporting) and IFRS S2 *Climate-related Disclosures*. As discussed further in our response to question 2, the ISSB standards have emerged as the global baseline designed to meet the needs of capital markets. Having one global set of standards provides investors with a common language for sustainability reporting, makes comparisons easier between entities, and simplifies reporting across global value chains, including in our key export markets, in which New Zealand's climate standards - in their current format - may not be recognised.

We acknowledge the work performed by the XRB to compare NZ CS with IFRS S2 (and AASB S2) which indicates that there is "strong degree of alignment" between the standards¹, so transitioning while there is still significant alignment makes sense. Assuming that there will be a timeline for adoption that provides businesses with sufficient time to invest in appropriate systems and controls, making the decision now, rather than delaying a few years, will create greater certainty.

We note that the level of effort and work required to transition is dependent on an entity's specific facts and circumstances. For example, some New Zealand entities may need to apply the ISSB's standards (or jurisdictional equivalent versions) due to international operations. Staying with the status quo would require these entities to apply two (or more) sets of requirements as other jurisdiction requirements come into effect. While moving now to the ISSB's standards would lead to cost and effort to transition, it would reduce annual cost and effort in the longer run.

We also understand that there is increased effort needed by entities that do not currently apply the Greenhouse Gas Protocol for the measurement of GHG emissions, or an alternative standard, such as ISO 140641-1:2018. In our view, alignment with the Greenhouse Gas Protocol, as required by IFRS S2, would enable greater consistency and comparability. The Greenhouse Gas Protocol is preferred over ISO standards (which are not freely accessible), on the grounds of universal access, which supports transparency and widescale adoption.

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?

Significant advances have been made since New Zealand first published NZ CS in December 2022:

- The ISSB issued IFRS S1 and IFRS S2 in June 2023, and is already proposing amendments to respond to application challenges related to greenhouse gas emissions requirements. These standards are now gaining traction across multiple jurisdictions (as noted in section 8.3 of the RFI), emerging as the baseline global standards.
- The FSB welcomed the ISSB standards in June 2023² and subsequently disbanded the TCFD; and IOSCO endorsed the standards in July 2023, concluding that the ISSB Standards were "*appropriate for the purpose of helping globally integrated financial markets accurately assess relevant sustainability risks and opportunities*"³. IOSCO also endorsed International Financial Reporting Standards in 2000 leading to wide adoption of IFRS (and equivalents). The G7 and G20 are also supportive of the standards.

¹ Aotearoa New Zealand Climate Standards and IFRS Sustainability Disclosure Standards Comparison Document: [Comparison NZ CS to IFRS S1 and S2](#)

² FSB welcomes publication of ISSB Standards: [FSB welcomes publication of ISSB disclosures standards](#)

³ IOSCO endorsement of the ISSB Standards for sustainability-related disclosures: [IOSCOPD741-Endorsement-Decision.pdf](#)

- In May 2024, the ISSB and GRI committed to collaborate on harmonising the two standards⁴.
- The International Auditing and Assurance Standards Board (IAASB) released its International Standard on Sustainability Assurance 5000: *General Requirements for Sustainability Assurance Engagements* in November 2024. This is a profession agnostic standard providing a basis for consistency across assurance providers where mandated.

These are all significant milestones towards global alignment in sustainability reporting and assurance, suggesting that now is the time to consider how, and when, to align to these international standards.

We note that a transitional period will be required. We recommend that the XRB consults with MBIE, if and when the reporting thresholds are updated, to consider whether any additional provisions relating to NZ CS would be beneficial in the interim period, as entities prepare for New Zealand's implementation of IFRS S1 (as applicable to climate reporting) and IFRS S2. Further, and as XRB has already noted, there may be need for scalability of the ISSB Standards such as through a differential reporting regime (which will be consulted on separately).

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?

In our view, New Zealand equivalents to IFRS S1 and IFRS S2 should be adopted, revoking NZ CS. This is the same approach as adopted for financial reporting by for-profit entities and better demonstrates our alignment with international standards. New Zealand amendments (if any) can then be included within the core standards (or as an additional standard or appendix if they are additive) making it easier for users to understand what is different.

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?

While both frameworks (NZ CS and ISSB standards) will enable achievement of the stated purpose in section 19B of the Financial Reporting Act 2013, climate change is a global matter (it knows no borders) and therefore adopting a global approach for identifying and disclosing climate-related risks and opportunities would be consistent with this purpose. ISSB standards also have additional requirements that provide useful information for investors relevant to this purpose, including:

- disclosure of specific information around an entity's annual climate resilience assessment,
- additional disclosures around transition planning, including in relation to mitigation and adaptation efforts and dependencies as well as progress against plans disclosed in prior periods, and
- inclusion of defined industry metrics (among other disclosures).

Further, as noted in our response to question 1, requiring the use of the Greenhouse Gas Protocol to measure emissions will lead to greater consistency and comparability, of benefit to investors.

Should entities be required to adopt multiple frameworks to meet different reporting needs, we also note that duplicative disclosures are costly and complex (adding to the reporting burden), are not useful to users (with the risk of similar but slightly different disclosures on the same climate or sustainability matters leading to confusion), and do not support the objective to provide globally consistent and comparable information to primary users. This could interfere with the purpose stated in 19B(c) to "*enable investors and other stakeholders to assess the merits of how entities are considering those risks and opportunities*".

⁴ GRI and IFRS Foundation collaboration to deliver full interoperability that enables seamless sustainability reporting [IFRS - GRI and IFRS Foundation collaboration to deliver full interoperability that enables seamless sustainability reporting](#)

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?

No comment.

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

Global harmonisation is the preferred approach, where all jurisdictions apply the ISSB standards, or standards that are substantively based on the ISSB standards (with top up disclosures if needed to meet local jurisdictional requirements). This reduces the risk of regulatory fragmentation and confusion in the sustainability standard-setting landscape, reducing cost and complexity for preparers and users.

However, as full harmonisation is unlikely in the short term, mutual recognition arrangements can help ease this burden. Such arrangements should aim to be bilateral, so that if a New Zealand entity is registered in Australia, they would be permitted to register their New Zealand climate statements, and vice versa. Mutual recognition of standards across jurisdictions where local requirements may differ, simplifies requirements for entities that operate across jurisdictions, reducing barriers to trade. Given New Zealand's remote location from key international markets, and reliance on global value chains, mutual recognition should be a priority should we not adopt the ISSB standards, or where other key markets depart from the ISSB Standards.

7. Do you have any other comments?

No further comment.