

Proposed 2025 Amendments to Climate and Assurance Standards

Survey response 2

Company Name

AFT Pharmaceuticals

Should AP 4, AP 5, AP 7 and AP 8, which relate to the disclosure and assurance of scope 3 GHG emissions, be extended?

Yes - By four or more years

Please give a reason for your answer

We strongly advocate for an extension of at least four years for the mandatory disclosure and assurance of Scope 3 GHG emissions. A two-year extension is insufficient to address the fundamental challenges that currently exist. **Extreme Complexity and Data Unavailability:** For a company like AFT, with a complex global supply chain, calculating Scope 3 emissions is an exceptionally difficult and resource-intensive task. These emissions occur in the value chain, often from suppliers who may not have the capability to provide accurate or auditable emissions data. Forcing disclosure now would lead to reliance on industry averages and estimations, which are of limited value and could be misleading. **Significant and Disproportionate Cost:** The investment required to track and report Scope 3 emissions is substantial. These costs divert capital and management focus away from our core business activities, research, development, and commercialisation of health products and from tangible decarbonisation efforts. **Lack of Mature and Standardised Methodologies:** The methodologies for calculating and assuring Scope 3 emissions are still evolving globally. Rushing into mandatory reporting in New Zealand ahead of a settled international consensus risks creating a costly compliance exercise based on standards that may quickly become outdated. A four-year extension would allow for global best practices to emerge. **Assurance Market Immaturity:** The market for assuring Scope 3 GHG emissions data is nascent. There is a shortage of experienced practitioners and established, cost-effective assurance methodologies. A premature mandate would likely result in high costs and inconsistent quality, undermining investor confidence. A four-year extension is a pragmatic and necessary step to allow time for data availability to improve, for methodologies to mature, and for our company to build the required capabilities in a cost-effective manner.

Should AP 2, which relates to anticipated financial impacts, be extended?

Yes - By four or more years

Please give a reason for your answer

We strongly support an extension of at least four years for the mandatory disclosure of anticipated financial impacts (AFIs). The current proposal for a two-year extension is inadequate given the profound uncertainty and methodological challenges involved. **High Degree of Uncertainty and Speculation:** Translating climate scenarios into quantifiable financial impacts is an emerging and highly speculative field. It involves significant assumptions over long time horizons. The resulting outputs have a wide margin of error and are more akin to academic modelling than reliable financial forecasting. Mandating the disclosure of such speculative figures risks misleading investors. **Lack of Standardised and Robust Methodologies:** There is no single, agreed-upon methodology for calculating AFIs. Different models can produce vastly different results, making any disclosed figures difficult to compare. Forcing disclosure before methodologies are standardised would create a landscape of inconsistent and unreliable information. **Scarcity of Required Expertise:** The skillset required to model

AFIs is a specialised combination of climate science, econometrics, and financial analysis that is not widely available. Building this capability is both difficult and expensive. A four-year period would allow time for this professional capacity to be developed in New Zealand. Evolving International Practice: Major international standard-setters are still debating the requirements for quantitative financial impact disclosures. It would be imprudent for New Zealand to mandate a specific approach before a clear international consensus has formed. A longer extension would allow for alignment with credible global standards once established. A four-year extension is a sensible measure that allows time for the development of robust methodologies and the professional expertise necessary to produce information that is genuinely useful.

Any other comments

AFT Pharmaceuticals reiterates its support for a climate reporting regime that is both effective and efficient. The goal should be to provide investors with meaningful and reliable information, not to create a compliance burden that outweighs the benefits. We urge the XRB to adopt a pragmatic approach that recognises the practical realities faced by businesses. The challenges associated with both Scope 3 emissions and Anticipated Financial Impacts are fundamental issues related to data, methodology, and capability that require time to overcome. A four-year extension for both sets of requirements would represent a prudent and balanced approach. It would allow New Zealand's climate reporting framework to benefit from international developments and give reporting entities the necessary time to build the robust systems needed to meet these complex new standards. This approach will best serve the long-term credibility of New Zealand's climate-related disclosure regime.