Proposed 2025 Amendments to Climate and Assurance Standards

Survey response 78

Company Name

PwC New Zealand

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

No

Please give a reason for your answer

The disclosure and assurance framework for GHG emissions reporting is compromised by the reduced disclosure and assurance requirements for Scope 3 emissions. This raises questions about the value that such reporting provides to investors and other stakeholders. Specifically, we highlight the below considerations: * Preparers and users need complete information to make informed decisions: For many New Zealand climate reporting entities (CREs), Scope 3 makes up most of their emissions (sometimes >90% of total emissions, as per the GHG Protocol) (1). Requiring Scope 3 reporting drives preparers to better understand value chain emissions and improves their own decision-making. Equally, this enables them to provide more decision-useful information to users. Incomplete emissions disclosures leave investors and stakeholders without a full picture of value chain related risks and opportunities. * Scope 3 disclosure is already achieved in practice: Many New Zealand entities, including CREs, already report Scope 3. This is supported by the XRB's GHG Assurance Snapshot (September 2025) (2) which shows that of 163 climate statements lodged by 31 July 2025 (for reporting periods ending on or after 31 December 2024), 49 reported Scope 3 emissions, 21 reported Scope 3 in full and 28 reported some Scope 3. The XRB consultation document notes concerns from CREs regarding data availability and quality for financed emissions. Guidance from the XRB, including how to deal with limitations on information from third parties and lack of available methods, has helped remove barriers to Scope 3 reporting, especially for insured and financed emissions. A PwC analysis of 250 corporate CSRD sustainability statements (3) shows that, among the financial services companies analysed, ~74% disclosed Scope 3 from investments (typically financed emissions), and obtained limited assurance, demonstrating that disclosure and limited assurance are being delivered even in areas perceived as more challenging. * Scope 3 assurance can be obtained and qualifications are few: Many CREs obtain assurance over Scope 3 emissions. The XRB's GHG Assurance Snapshot (September 2025) (2) shows that, of 79 CREs with GHG disclosures assured, 30 had Scope 3 within the assurance scope, 17 had full Scope 3 assured and a further 13 had all reported emissions assured where partial Scope 3 was disclosed. All 79 assurance conclusions were unmodified/unqualified. Internationally, PwC's internal CSRD First Reporters Dashboard (4) (>600 reports including Scope 3) shows only 1.3% received a qualified assurance conclusion on the sustainability statement. In our experience, these challenges relate to the inability for third parties to be transparent with assurance providers on how they derive estimates. This affects a limited number of Scope 3 emissions sources and is often related to a subset of assets under management with weaker data quality scores for which emissions must be estimated. The issue does not affect the vast majority of financed emissions that are in corporate bonds or listed equities where emissions can be derived from publicly available sources. Market concerns about widespread qualifications appear overstated. * Status quo can cause confusion for users: Where Scope 3 is reported alongside assured Scopes 1 and 2 but is not assured, a mix of assured and unassured information can create uncertainty for primary users about what is assured. In our experience, first-year assurance often surfaces

method, boundary and data issues. Without assurance, those issues may exist in public disclosures. * Assurance increases quality and provides value: A study by MIT (5) highlights statistical evidence that assurance has a positive impact. The research examined companies that set validated emissions reduction targets. It found that companies that obtained assurance for their reported emissions reduced their absolute carbon footprint year-on-year by 7.5% and their carbon intensity by 3.3% a year, in MIT's assessment these are economically meaningful figures. In our view, postponing Scope 3 reporting and assurance requirements risks deprioritisation, and delaying investment in data systems and methodologies. This widens the reporting capability gap, delays identification of issues in what is reported, and thus impacts the quality of the data entities use to make decisions. This may also further widen the gap between entities who have already made significant efforts to report and obtain assurance, and those which are yet to make progress. * Inconsistent Scope 3 reporting reduces comparability across CREs: The XRB's GHG Assurance Snapshot (September 2025) (2) shows that of 79 entities that reported emissions, 21 reported full Scope 3, 28 reported partial Scope 3, and 30 reported no Scope 3. This uneven reporting reduces comparability across the market and can impact users' ability to make meaningful decisions. * Global alignment on timing and scope underpin market confidence: New Zealand's regime is narrow in both scope and level of assurance relative to the regimes of two of our key trading and investment partners. Under the current proposal, Scope 3 disclosure and limited assurance would not apply until reporting periods ending on or after 31 December 2027 - later than other jurisdictions. The Australian regime (6) requires Group 1 entities to report Scope 3 for periods ending on or after 31 December 2026 and limited assurance commences in Year 2 (periods ending on or after 30 June 2027). Under the EU CSRD (7), 97% of first reporters (periods ending on or after 31 December 2024) have already disclosed and obtained limited assurance for Scope 3 (4). Both regimes also mandate broader reporting and assurance – CSRD requires limited assurance over the full sustainability statement (covering E, S, and G topics) from the first year, while Australia phases to reasonable assurance of the full sustainability report for periods ending on or after 30 June 2029. A delayed timeline in New Zealand, alongside a narrower long-term scope, creates short and long-term challenges including comparability with overseas entities' reporting, interoperability with evolving global regimes, and lower market confidence, which is supported by assurance. 72% of investors agree companies should obtain assurance on all material sustainability information and 73% agree that this should be assured at the same level as the financial statement audit, according to PwC's 2024 Global Investor Survey (8). On this basis continued delay could risk New Zealand falling behind rising international expectations for sustainability disclosures and assurance, undermining comparability and confidence in the New Zealand market. * Deferrals undermine decarbonisation and transparent disclosure of progress: Robust Scope 3 data is essential for setting credible targets and emissions reduction in the value chain. PwC's 2024 Global Investor Survey (8) shows that 64% of investors want companies to increase investment to reduce carbon emissions, and 75% say they would increase their investment in companies taking climate-related actions (with 80% prioritising sustainable supply chains). PwC's Second Annual State of Decarbonization Report (9) finds that only 54% of companies are on track to meet their Scope 3 targets, and companies expect more than one-third of revenue to be linked to the climate transition by 2030, which suggests that timely, value-chain data is needed to guide capital allocation. Deferring Scope 3 reporting may therefore slow value-chain decarbonisation and the investment decisions needed to achieve it. References: (1) GHG Protocol (2022): Scope 3 Frequently Asked Questions (2) XRB (2025): GHG assurance snapshot - September 2025 (3) PwC (2025) In search of sustainable value: The CSRD journey begins (4) PwC internal dashboard analyzing 611 CSRD Wave 1 reports (2025) (5) MIT (2024): On the Importance of Assurance in Carbon Accounting (6) PwC (2024): Sustainability reporting standards and legislation finalised: mandatory sustainability reporting begins (7) DIRECTIVE (EU) 2022/2464, Article 5 (8) PwC (2024): PwC's Global Investor Survey 2024: Cautiously optimistic, investors expect growth (9) PwC (2025): PwC's Second Annual State of Decarbonization Report

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

No

Please give a reason for your answer

According to the World Economic Forum's Global Risks Report 2025, environmental risks, including extreme weather events, are among the top global macroeconomic threats. The credibility and usefulness of New Zealand's climate-related disclosures will not be enhanced by any further delay to quantifying anticipated financial impacts (AFIs). Deferral risks limiting the decision usefulness for investors, misaligning with how climate matters are already considered in financial statements and slowing capability building across reporting entities. The current framework already provides pragmatic quantification approaches (e.g., ranges, sensitivity analysis, and "explain if unable") and is supported by emerging guidance, enabling proportionate quantification now. On that basis, we recommend retaining the existing timeline rather than a blanket delay and highlight the following considerations: * Standards already allow pragmatic quantification: NZ CS 1 permits the use of ranges and requires a single point estimate only when outcomes are relatively certain. Where quantification is genuinely not possible, paragraph 15(d) provides for qualitative disclosure with an explanation and a plan. * Guidance exists, it's interoperable and proportionate and expanding: Already existing guidance gives entities a sufficient basis to begin, with further guidance in development alongside actuaries. One size will not fit all, quantification should reflect entity-specific circumstances, but this argues for moving forward, not pausing requirements. - The XRB's July 2025 AFI staff paper (9) sets pragmatic expectations (use ranges, explain if unable, focus on exposure and vulnerability), stresses there's no one-size-fits-all method, and cautions against overstating precision. Quantify at the level that makes sense for the organisation's facts and uncertainties. - Internationally, the ISSB's August 2025 educational material (Disclosing information about anticipated financial effects applying ISSB Standards) (10) confirms entities may disclose ranges and, crucially, that sophisticated analysis is not always necessary. Reasonable estimates and existing planning data can suffice. - Australia's AASB S2 (11) embeds the same proportionality (paragraph 11): use reasonable and supportable information available without undue cost or effort and keep disclosures entity specific. - In the EU, EFRAG's ESRS work (ESRS 2 paragraph 23(c)) (12) provides flexibility where effects aren't separately identifiable, measurement uncertainty is too high, or skills/resources are lacking. - Taken together, the guidance supports entity-specific, proportionate quantification now. Specialist actuarial models are often unnecessary for compliant AFI disclosures. * Quantification is feasible and manageable: In our experience, quantification of AFIs has proven feasible, cost effective and manageable when scoped sensibly, the right stakeholders have been engaged, and a robust methodology is applied. Any guidance will only ever be broad and generic. Entities will have to apply the principles of quantification to their own specific climate risks and opportunities. * Investor usefulness now: AFI disclosures help primary users assess how climate risks and opportunities may affect financial position, performance and cash flows, improving transparency and supporting capital allocation decisions. They also help provide an evidence base to support strategic decision making and transition planning. Without disclosure, investors will form their own less precise views. - Large asset owners are already shifting portfolios because climate risk is investment risk: BlackRock's global insurance survey (13) (US$27 trillion) executives expect climate risk to significantly affect portfolio construction over the next two years i.e., capital is being allocated on the basis of climate risk information. - PwC's Global Investor Surveys (14): These surveys indicate that investors want transparent transition plans (including costs and governance) and that quantification clarifies material risks and opportunities (75%), while 44% of those surveyed agreed that to a large or very large extent corporate reporting about a company's sustainability performance (e.g., on environmental and social issues) contains unsupported claims. - Why disclosure matters: TCFD (15) warns that without the right information, investors may incorrectly price or value assets, which effectively cedes the narrative to external estimates and models. Clear AFI disclosure lets management explain assumptions, sensitivities and ranges so investors don't fill

gaps themselves. - Investors say they use sustainability data more and want transparent financial effects: EY's 2024 global survey (16) of 350 investment decision makers reports increased use of ESG information and calls for transparent disclosures to equip investors to integrate climate into strategy and capital allocation. * Starting now improves strategy quality: In our experience, considering AFIs for climate related risks and opportunities enhances strategic and transition planning through improved understanding of impact pathways and drivers, and financial implications on performance, cash flows and position. * Financial statement linkage: CREs already must consider climate-related impacts in their financial statements. AFIs should be part of this assessment and financial statement evidence suite. * Informing New Zealand's climate response: Consistent assessment and reporting of AFIs by New Zealand climate reporting entities will assist in giving government and other national institutions a clearer, economy-wide view of climate risk and cost, improving policy, investment planning, and resilience. References: (1) XRB Staff Guidance: Anticipated Financial Impacts (July 2025) (2) ISSB's August 2025 educational material: Disclosing information about anticipated financial effects applying ISSB Standards (3) Australian Sustainability Reporting Standard (AASB S2) paragraph 11 (4) ESRS 2 (Exposure Draft) General Disclosures, paragraph 23(c); EFRAG Revised ESRS Exposure Drafts: FAQ (5) BlackRock's global insurance survey: Ninety-Five Percent of Global Insurers Believe Climate Risk is Investment Risk (15 November 2021) (6) PwC's Global Investor Survey 2024 (7) TCFD June 2017 Final Report: Recommendations of the Task Force on Climate related Financial Disclosures (8) EY's 2024 global survey: How can investors balance short-term demands with long-term value?

Any other comments

Our responses are reflective of the current state. While we acknowledge and appreciate the challenges identified by preparers, we do not believe that these are prohibitive in addressing reporting and assurance requirements. While continued delay risks hesitation, negative sentiment, and creating the perception that the regime is simply compliance focused, we believe a robust and timely regime supports a maturity journey over time, which in turn supports the overall objectives of the Standards. Ultimately, delaying implementation could risk undermining New Zealand's legislated 2050 GHG target (1), as the Climate-Related Disclosures regime indirectly supports, through reporting transparency, the alignment of capital allocation and corporate strategy with national emissions-reduction targets and climate adaptation goals. References: (1) Ministry for the Environment (2024) - Greenhouse gas emissions targets and reporting