

Response to XRB consultation on draft climate reporting roadmap



28 September 2026

Q1. Do you support the strategic direction for climate reporting set out in the draft climate reporting roadmap?

Fonterra is supportive of the general strategic direction for climate reporting, i.e. aligning the Aotearoa New Zealand Climate Standards (NZ CS) to IFRS S2 and relevant parts of IFRS S1. However, we believe that New Zealand should seek to maximise international compatibility, not just harmonisation with Australia. NZ IFRS S2 should therefore align as closely as practicable with IFRS S2, with any departures limited to circumstances where they are clearly justified by the New Zealand context.

Our view is that:

- IFRS is emerging as the global standard for climate reporting, so aligning the New Zealand regime to IFRS supports international alignment and reduces the risk that multi-national organisations like Fonterra need to prepare multiple climate reports to multiple standards and/or subsidiary-level climate reporting for our offshore subsidiaries.
- International alignment should also improve the comparability and usability of New Zealand climate disclosures for international readers, including Fonterra's global customers, and reduces the risk that New Zealand's climate reporting is not seen as comparable with other jurisdictions' standards.
- A defined future state provides more certainty than ongoing piecemeal amendments to NZ CS.
- Alignment should also provide New Zealand reporting entities with access to a broader range of international guidance, training materials, implementation experience, data, and systems.

Q2. Do you have any further information you consider relevant to our consideration of the benefits and costs of the draft roadmap?

Fonterra agrees with the benefits of adopting the draft roadmap laid out in Section 4.1 of the consultation document. "Avoiding the need to prepare duplicative or customised disclosures" is the key benefit to a global exporter like Fonterra. Our view is that pure alignment to IFRS S2 (rather than to Australian amendments to IFRS S2) will maximise this benefit, particularly for CREs like Fonterra who are not required to report in Australia but may be required to report in other jurisdictions. Fonterra expects to be required to report in compliance with the European Sustainability Reporting Standards from FY29. Alignment with IFRS S2 in its original form could be expected to maximise interoperability between the New Zealand regime and ESRS.

We also see requiring GHG emissions to be measured in accordance with the GHG Protocol as a benefit, as this should improve the comparability of climate statements within New Zealand and with overseas peers.

We also agree with the XRB's assessment that the cost of preparing an IFRS S2 compliant report will be similar or marginally higher than preparing a report in compliance with the current NZ CS, with some one-off costs associated with transitioning to the new standards. We do not anticipate the transition will be overly problematic for Fonterra, noting that we are already reporting GHG emissions in accordance with the GHG Protocol and that both IFRS and the current NZ CS are TCFD-aligned.

Q3. No response, noting that Fonterra is a CRE and not a primary user.

Q4. From a CRE perspective, should any of the IFRS S2 requirements (or incorporated climate-relevant portions of IFRS S1) be removed or changed?

Fonterra recommends adopting IFRS S2 (and climate-relevant portions of IFRS S1) in its original form, with only limited departures that are clearly justified by the New Zealand context. Where an IFRS S2 requirement is not considered appropriate as a mandatory requirement in New Zealand, we suggest that the XRB consider retaining it as a voluntary disclosure rather than removing it altogether. This would maintain visibility of the full IFRS S2 position and allow CREs to provide the additional disclosure where closer international alignment is beneficial.

One element of IFRS S2 that could be made voluntary under NZ IFRS S2 is the requirement for entities to update their climate resilience assessments annually. Many climate-related risks will not become material until 2040 or beyond, and at that time horizon it is unlikely that entities would see meaningful changes in their risk assessment or resilience year on year. A less frequent assessment would likely fulfil much the same purpose while reducing the effort required from entities.

Noting the challenges with the availability and accessibility of granular physical climate risk data in New Zealand, we would also support New Zealand relaxing IFRS' requirement that large, high-risk entities take a quantitative approach to scenario analysis. This might be achieved by making IFRS' mandatory application guidance a suggestion only.

With regard to Section 7.4 of the XRB's consultation document, we recommend that the XRB retain a watching brief on whether any variations made in New Zealand impact CREs' ability to submit New Zealand climate statements in satisfaction of other jurisdictions' reporting requirements. In principle, a very closely aligned NZ IFRS S2 should not prevent recognition (though CREs may need to provide additional disclosures to meet the second country's pure IFRS or other requirements). However, if recognition issues do emerge, we would support reviewing the New Zealand standards with a view to aligning exactly to IFRS to maximise international recognition, even if that required some additional effort from CREs. To assist users to understand compliance of NZ IFRS S2 to IFRS S2, we strongly support the XRB working with the ISSB to develop a jurisdictional profile for New Zealand.

Q5. What are your views on the Australian harmonisation options for industry-based disclosures?

We are not required to submit climate reporting in Australia and our preference is that the new New Zealand regime is drawn directly from IFRS S2 to maximise *international* harmonisation, not just trans-Tasman harmonisation. Consistent with our response to Q4, our preference is for the new New Zealand regime to align as closely as practicable with IFRS S2, subject only to limited departures that are clearly justified by the New Zealand context.

We do not see industry-based metrics as a critical disclosure in New Zealand, though we appreciate that they can support increased comparability between reports. As such, our preference is Option 3 (wholly optional). This option leaves the door open for CREs to report industry-based metrics if they are material to their primary users and/or if they are required to report them to satisfy obligations in other jurisdictions, but does not set New Zealand's mandatory disclosure bar higher than Australia's.

Q6. With regard to Australian harmonisation, what are your views on how we should approach scenario analysis?

We see benefit in considering more than one climate scenario, noting that the progression of climate change is highly uncertain and the risks and opportunities to an entity may differ significantly between scenarios. However, we appreciate that continuing to require CREs to analyse three scenarios would mean New Zealand's requirements would be more onerous than Australia's. We see harmonisation with Australia (i.e. requiring at least two scenarios) as a practical middle ground on this topic.

With regard to specifying temperature outcomes, while we have no issue with the temperature outcomes specified in the current NZ CS, we would support a relaxation of this requirement to allow CREs flexibility to choose scenarios that are maximally challenging and distinctive for their business and/or that meet their international reporting obligations.

Q7. Are any changes or additions needed to NZ IFRS S2 to fit with New Zealand's reporting practice and market context?

We are comfortable with the technical amendments described in Section 7.1 of the XRB's consultation document.

While we recognise that the current NZ Climate Standards impose some additional requirements on CREs, we do not see these as critical to retain (with the exception of a requirement to consider more than one climate scenario, as described in Q6).

Q8. Do you support the proposed implementation timeline?

Fonterra is appreciative of the XRB's efforts to provide clarity and a manageable transition period for CREs. However, the international climate reporting landscape is evolving rapidly and has not yet settled into a steady state. We expect that there may well be further changes to IFRS between now and 2033, and are concerned that the very long transition period will reduce comparability between CREs' reports in the interim (potentially compromising the intended purpose of the reporting regime) while not mitigating the risk of frequent tweaks to standards. We would support a shorter transition period (e.g., requiring reporting in compliance with the new standards from FY29) to streamline the transition process.

Q9. Do you have any other comments?

Regarding Section 5.6 of the consultation document, we believe that the XRB would continue to have an important role in preparing guidance for CREs even if the New Zealand regime is drawn primarily from IFRS. International materials will provide a useful foundation, but New Zealand guidance would assist CREs in applying the requirements consistently where local data, infrastructure, regulation or market practice is relevant. For example, a New Zealand perspective on sources and approaches to quantifying anticipated financial impacts would be very helpful to CREs, noting that many New Zealand CREs will be considering how to quantify their exposure to similar physical risks (e.g., disruption to the state highway and rail network in New Zealand).

Any questions relating to this response should be directed to Ella Tunnicliffe-Glass, GM Sustainability Reporting & Governance (ella.tunnicliffe-glass@fonterra.com).