

Matt Raeburn
Wellington, New Zealand

External Reporting Board
via email to: sustainability@xrb.govt.nz

RE: Draft climate reporting roadmap consultation

Tēnā koe.

My name is Matt Raeburn. In my roles at three consulting firms over the past decade, I've supported Kiwi entities with the substantive work underpinning climate-related disclosures.

My experience began with clients' voluntarily disclosures using the TCFD framework. I moved on to supporting climate reporting entities using the Aotearoa New Zealand Climate Standards. For the past two years, I have also been helping Australian entities perform substantive work that informs their reporting using the Australian Sustainability Reporting Standards (ASRS).

Between my first and second consulting roles in New Zealand, I was also a member of the Ministry for the Environment's Sustainable Finance team. While there, I helped to progress and implement the Aotearoa New Zealand Climate Standards (NZ CS).

I am submitting this feedback solely in my personal capacity, not as a representative of an employer or other organisation.

I strongly support the XRB taking the initiative to consider improvements to climate reporting standards in Aotearoa New Zealand. After reviewing the consultation document and roadmap and attending several XRB presentations on the proposed changes, I offer my views. They are backed by my experience as a professional services provider and former MfE policy analyst:

- **The proposed transition period is too long.** Although there are differences between the NZ CS and proposed NZ IFRS S2, the extremely long lead-in time would have unintended consequences.

Given the current Government's proposed (but not yet permanent) legislative changes to the climate disclosures regime in New Zealand, the XRB delaying mandatory application of NZ IFRS S2 to reporting periods beginning in 2033 would only add to the market's uncertainty and perception that New Zealand's climate reporting regime isn't stable.

The lengthy delay would adversely affect climate reporting entities and broader business confidence, outweighing any perceived benefits of a 7-year transition.

Allowing voluntary application of NZ IFRS S2 would create an unnecessary patchwork of climate reporting through at least 2034, when published disclosures would no longer reflect alignment with the NZ CS. Based on my experience, that could add to entities' compliance and assurance costs, particularly for Kiwi entities also reporting using the ASRS or the European Union's ESRS.

A patchwork regime would also undermine banks, insurers, and other New Zealand entities that are attempting to implement transition plans and manage climate-related risks and opportunities across their value chains.

For these reasons, mandatory application of NZ IFRS S2 should begin with the first reporting period starting after 1 January 2028.

- **Climate scenario analysis using three scenarios should be a minimum requirement.** Based on my experience applying the ASRS, using two scenarios for climate scenario analysis isn't enough to adequately inform decision-making. Few ASRS entities are willing to use more than the mandatory two-scenario minimum. Because a 1.5 degree aligned scenario is (correctly) required of all reporting entities, acute and chronic physical risks are effectively assessed in one high warming scenario only.

Incentivising Kiwi climate reporting entities to shift from using three scenarios (under the NZ CS) to a minimum of two (under NZ IFRS S2) would also undo some of the progress made by entities that have been using three scenarios. If anything, I would like to see New Zealand climate reporting entities recognising the benefits of applying four climate scenarios. That benefit is particularly decision-useful when two scenarios can explore different, plausible pathways to similar temperature outcomes.

For that reason, NZ IFRS S2 should retain the NZ CS mandate of using three scenarios. To improve consistency with the ASRS, NZ IFRS S2 should require that scenario analysis include a 1.5 degree aligned climate scenario and a 'well exceeding' 2 degree aligned climate scenario.

- **Retain NZ CS's approach to comparatives as much as possible.** There's benefit to climate reporting entities having two prior reporting periods of comparative information for metrics. I would strongly encourage that NZ IFRS S2 retain that requirement. I don't feel strongly about whether NZ IFRS S2 should retain the NZ CS explanatory approach or require revised comparatives for some changes in estimates.
- **NZ IFRS S2 should retain NZ CS's purpose statement aimed at supporting capital allocation consistent with a transition to a low-emissions, climate-resilient future.** This is how I explain to Australian clients the benefits of using ASRS reporting. It's a message that resonates more than merely referring to an entity's prospects.

Thank you for your continuing work to advance climate reporting in Aotearoa New Zealand – and for consulting on these proposed changes.

Ngā mihi

Matt Raeburn