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External Reporting Board
Level 6/154 Featherston St
Wellington 6011

sustainability@xrb.govt.nz

Private Bag 115033
Shortland Street
Auckland 1140
New Zealand

Phone: +64 9 303 0700
www.deloitte.co.nz

Dear Board Members,

Deloitte submission on the *Draft Climate Reporting Roadmap consultation*

Thank you for the opportunity to comment on the External Reporting Board's (XRB) *Draft Climate Reporting Roadmap*.

We support the XRB's proposed strategic direction and welcome the development of a roadmap to provide greater certainty regarding the future direction of climate reporting in New Zealand. A clearly articulated roadmap supports effective planning by preparers, investors, assurance providers and other stakeholders.

In responding to the questions set out in the consultation document, we have identified the following overarching themes:

1. International alignment should remain the primary objective

We support adoption of IFRS S1 *General requirements for Disclosure of Sustainability-related Financial Information* (as applicable to climate reporting) and IFRS S2 *Climate-related Disclosures* for climate reporting in New Zealand.

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 Organization of Securities Commissions (IOSCO), and are increasingly 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.

Departures from these standards should therefore be limited and only introduced where a compelling rationale exists, considering the costs and benefits for all relevant stakeholders.

2. Trans-Tasman harmonisation should be pursued without unnecessarily compromising flexibility or broader international alignment

We support efforts to improve alignment New Zealand and Australian reporting requirements and recognise the significance of the Australian market for many Climate Reporting Entities (CREs). However, where trade-offs arise between Australian-specific modifications and broader international alignment, careful consideration should be given to whether the benefits of harmonisation outweigh the costs of reduced comparability, flexibility and global alignment.

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3. Full IFRS Sustainability Disclosure Standards should continue to be considered

While NZ *IFRS* S2 is the immediate priority, we note that IFRS S1 and IFRS S2 were designed as a connected framework and should ultimately be considered together. Adoption of NZ IFRS S2, together with the incorporation of relevant aspects of IFRS S1, represents a practical interim step. However, a voluntary NZ IFRS S1 would provide a recognised New Zealand framework for entities choosing to report material information about sustainability-related financial risks and opportunities, consistent with the global baseline of consistent and comparability sustainability information based on the IFRS Sustainability Disclosure Standards. We therefore encourage the XRB to identify voluntary adoption of NZ IFRS S1 as a longer-term objective of the roadmap.

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



Victoria Turner
Partner



Rikki Stancich
Partner

for Deloitte Limited

Appended: Appendix 1

Appendix 1

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

We support the overall strategic direction proposed in the roadmap and agree with the three foundational principles identified by the XRB. In our view, international alignment should be the primary objective, with trans-Tasman harmonisation and changes for local relevance only where practicable and necessary.

We support adoption of IFRS S1 (as applicable to climate reporting) and IFRS S2 for climate reporting in New Zealand as it will enhance international comparability with a common language for sustainability reporting, facilitate cross-border investment and simplify reporting across global value chains. We agree that local relevance remains important; however, departures from IFRS S2 should be limited and only introduced where compelling reasons exist, having regard to the perspectives of all relevant stakeholders. Such modifications should be subject to appropriate consultation and supported by a basis for conclusions.

We encourage the XRB to consider whether a voluntary NZ IFRS S1 framework should form part of the longer-term roadmap for sustainability reporting in New Zealand. We recognise that issuing a voluntary NZ IFRS S1 may not be an immediate priority, and as such we believe that adoption of NZ IFRS S2 together with the incorporation of relevant aspects of IFRS S1 represents a practical interim approach. However, IFRS S1 and IFRS S2 were developed as a connected framework, and we believe it is important to maintain alignment with the broader IFRS sustainability disclosure ecosystem.

International sustainability reporting requirements continue to evolve beyond climate-related disclosures and a voluntary NZ IFRS S1 can provide a recognised framework for entities that choose to report broader sustainability-related financial information as market expectations evolve. The ISSB's work to develop a draft practice statement relating to nature-related financial disclosures further demonstrates the continuing evolution of sustainability reporting and reinforces the importance of considering how a voluntary NZ IFRS S1 may fit within the longer-term New Zealand framework. We therefore encourage the XRB to identify voluntary adoption of NZ IFRS S1 as a longer-term objective of the roadmap.

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

We broadly agree with the benefits and costs identified in the consultation document. We support the view that international alignment is likely to reduce long-term costs via reduction in duplicative reporting, facilitating greater use of global reporting systems, and leveraging expertise developed for global markets.

We suggest that additional consideration is given to the benefits associated with enhanced disclosure. Several items described as implementation costs for preparers, such as the preparation of climate resilience assessments and current and anticipated financial effects disclosures, are ultimately intended to improve the quality and decision-usefulness of information available to investors, lenders and other users; thus, representing a potential benefit for preparers through improved access to capital and broader participation in international markets.

We also consider that regulatory certainty itself is an important benefit of the roadmap. A clearly articulated future state enables all stakeholders to make informed investment decisions regarding systems, governance arrangements, data collection processes, and capability and capacity building.

Q3. From a primary user perspective: (a) Would adopting IFRS S2 improve the climate information you rely on for your decision making? (b) Which disclosures matter most to you?

We are not responding from the perspective of a primary user, however, we assume that the concepts within IFRS S1 on fair presentation and materiality would be included in NZ IFRS S2 such that preparers would be directed to include information relevant to primary users.

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

We are not responding from the perspective of a CRE, however, we do not generally support the removal or modification of requirements of IFRS S2 or incorporated climate-relevant portions of IFRS S1. Consistent with our comment in response to Q7, we believe that departures should only occur where a compelling and evidence-based reason exists and the benefits outweigh the costs of reduced alignment.

Where requirements are amended or removed, consideration should be given to perspectives and impacts on preparers, users and wider stakeholders. This should include the impact on entities reporting into multiple jurisdictions and on the comparability of disclosures for global investors and capital providers.

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

Our preference would be to adopt the industry-based disclosures, however Option 2 *Provide flexibility about industry-based metrics* represents an appropriate interim approach, as it best balances international alignment and practical implementation considerations. We encourage the XRB to continue monitoring the ISSB's projects in relation to industry metrics and to reassess this approach, as part of the climate roadmap, once the projects are complete.

During this period, the XRB and New Zealand stakeholders would have the opportunity to contribute New Zealand perspectives to the continuing development and internationalisation of the ISSB's industry-based materials, helping to address existing due process concerns.

We acknowledge that Australia has removed the industry-based disclosure requirements from AASB S2. However, we support retaining the requirement to disclose industry-based metrics while providing flexibility regarding the guidance used to identify them.

Option 2 would also be broadly consistent with the existing NZ CS approach and may support a more efficient transition to NZ IFRS S2.

We do not support Option 1 *Full deletion* because removing the requirement entirely would represent a greater departure from IFRS S2, may result in the loss of useful and comparable industry-based information, and would reduce broader international alignment with the IFRS Sustainability Disclosure Standards. As noted in the consultation document, Australia's removal of the industry-based disclosure requirements has contributed to Australia being described as partially incorporating the ISSB Standards.

We also do not support Options 3 *Wholly optional* and 4 *Status quo* as they would provide less support for convergence with the IFRS Sustainability Disclosure Standards.

In considering all options, immediate implementation costs should be weighed against the potential longer-term costs of international misalignment, including reduced comparability and a reduced ability to respond efficiently as international standards and market practices evolve.

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

We do not support specifying a minimum number of scenarios or prescribed temperature outcomes within NZ IFRS S2. IFRS S2 incorporates a principles-based approach under which an entity must use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with its circumstances, while transparently disclosing its considerations and context for the scenarios selected. We consider that this provides sufficient flexibility for entities to determine an approach that is appropriate, while providing valuable context for users to assess the quality of the analysis performed.

We recognise the XRB's previous rationale for requiring a minimum number of scenarios and specified temperature outcomes in NZ CS. We consider that these requirements were a thoughtful response to the challenges associated with early climate reporting and were intended to promote greater consistency and comparability between entities, provide additional support to preparers in determining an appropriate approach to scenario analysis, reflect consultation feedback and consider New Zealand's policy context.

We continue to view these as worthwhile objectives that could be achieved through implementation guidance rather than additional mandatory requirements within NZ IFRS S2. In particular, prescribing temperature pathways within the standard itself risks embedding assumptions that may not remain appropriate over time. Climate science, transition pathways, regulatory settings and market expectations continue to evolve, and guidance can be updated more readily than a reporting standard.

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

We generally do not support introducing New Zealand-specific disclosure requirements beyond those necessary to accommodate legislative and regulatory requirements.

We support the XRB's view that additions, removals and amendments should require a compelling reason and be supported by evidence. Maintaining full alignment with IFRS S2 should remain the default position. Any proposed modification should consider the perspectives of all relevant stakeholders, including preparers, users, assurance practitioners, and regulators. Consideration should also be given to implementation costs and benefits, the impacts of international misalignment, changing market practices, and the ability of entities to assert compliance with the IFRS Sustainability Disclosure Standards.

IFRS S2 is designed as a principles-based framework incorporating proportionality and flexibility mechanisms. In our view, this provides a more durable basis for reporting in an area that continues to evolve rapidly and reduces the need for jurisdiction-specific requirements that may become outdated over time. Where New Zealand-specific considerations arise, guidance and implementation support may be a more appropriate response than amendments to the underlying requirements of IFRS S2, for example with respect to scenario analysis as discussed in our response to Q6.

We support the use of the GHG Protocol as required by IFRS S2. In our view, use of a globally recognised and widely adopted framework supports comparability across jurisdictions and aligns with the approach taken in IFRS Sustainability Disclosure Standards and other major reporting regimes. We do not see a compelling reason for retaining the existing option to apply ISO 14064. Retaining alternative measurement frameworks may reduce comparability between entities and create divergence from international reporting practice. In addition, the GHG Protocol is publicly available and widely used, whereas ISO 14064 is not freely available. We do note, however, that the International Organization for Standardization (ISO) and GHG Protocol have agreed to work together on a unified global standard for Greenhouse Gas Emissions Accounting.¹

Consistent with the need for appropriate consultation on any proposed modifications, we encourage the XRB to ensure that the timing and extent of consultation on an exposure draft are proportionate to the nature and extent of any departures from IFRS S2. Where NZ IFRS S2 substantially adopts IFRS S2 as issued, an accelerated consultation process may be appropriate. However, where significant New Zealand-specific modifications are proposed, stakeholders should be provided with sufficient time to assess the reporting, implementation and assurance implications and provide meaningful feedback.

Q8. Do you support the proposed implementation timeline?

We note that a transitional period is required but consider that a shorter transition period, of two to three years following issuance of NZ IFRS S2, would better balance implementation considerations with the objective of international alignment.

¹ [RELEASE: ISO and GHG Protocol Announce Strategic Partnership to Deliver Unified Global Standards for Greenhouse Gas Emissions Accounting](#)

This reflects the substantial similarities between NZ CS and IFRS S2, the implementation experience already gained by New Zealand reporters, and the implementation support that already exists, including the XRB's comparison document and international implementation resources. A transition period of this length would also be broadly consistent with the implementation periods commonly provided for significant new and amended financial reporting, auditing and assurance standards.

We note that existing transition relief within the New Zealand climate reporting framework will expire during the proposed transition period, including relief relating to Scope 3 emissions and anticipated financial impacts. As entities progress towards these more advanced reporting requirements, there will already be a natural uplift towards the capabilities and disclosures contemplated by NZ IFRS S2. In that context, it is unclear why a transition period substantially longer than two to three years would be required.

As discussed in our responses to Questions 5 and 6, certain implementation decisions can also provide flexibility for entities transitioning from NZ CS. Together with robust transition guidance, implementation support and educational material, we consider there are already mechanisms available to facilitate adoption and reduce the transition burden.

While we agree that allowing appropriate time to transition is important, we are concerned that a lengthy transition period risks reducing comparability, fragmenting the New Zealand market and creating ongoing complexity across the wider reporting ecosystem. This includes requiring preparers, users, advisors, assurance practitioners, regulators and the XRB to maintain knowledge of, and operate across, two reporting frameworks for an extended period, which would delay the benefits associated with improved comparability and alignment. We also note that several jurisdictions have already implemented ISSB-aligned reporting requirements or are progressing toward mandatory implementation with FY2027 or FY2028 timeframes, which could leave New Zealand out of step with international developments.

We acknowledge that some CREs have limited, or no, international reporting obligations or investor demand for IFRS S2-aligned reporting. However, these considerations should be balanced against the wider costs and complexity of maintaining two reporting frameworks and the impacts this may have on comparability and consistency across the New Zealand market.

The proposal that early adopters cannot subsequently revert to NZ CS appears reasonable and supports certainty and consistency once a reporting entity has transitioned.

With respect to issuance of NZ IFRS S2 for early adoption after an accelerated consultation period we refer to our comments in Q7 that the timing and duration of any future exposure draft consultation should reflect the significance of the proposed amendments.

Q9. Do you have any other comments?

No additional comments.