

30 September 2026

External Reporting Board
Level 6
154 Featherston Street
Wellington 6011

By email – sustainability@xrb.govt.nz

Dear Sir/Madam

Auckland Council Submission: XRB consultation on draft climate reporting roadmap

Thank you for the opportunity to provide feedback on the draft climate reporting roadmap.

Auckland Council (the Council) is Australasia's largest local government entity and comprises the council and five substantive council-controlled organisations (CCOs). As a significant owner and steward of long-lived infrastructure assets and a regular issuer of debt securities in domestic and international capital markets, Auckland Council has a strong interest in transparent, high-quality climate-related reporting that supports informed decision-making by investors, stakeholders and the communities we serve.

Overall, we support the XRB's objective of increasing international comparability through closer alignment with IFRS S2. We consider that the long-term benefits of improved consistency, transparency and comparability are likely to outweigh the implementation costs. At the same time, we encourage the XRB to ensure that the evolving reporting framework continues to appropriately reflect matters that are particularly important for infrastructure-intensive public sector entities, including climate resilience, adaptation planning, long-term infrastructure vulnerability, and the associated financial implications.

Our responses to the consultation questions are attached for your consideration. We hope our feedback assists the XRB in developing a roadmap that delivers the benefits of international alignment while remaining practical, proportionate and decision-useful for New Zealand reporting entities.

We appreciate the opportunity to contribute to this important consultation and would be pleased to engage further on any of the matters raised in our submission.

Yours faithfully



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Responses to XRB consultation on draft climate reporting roadmap

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

Auckland Council generally supports the strategic direction outlined in the draft roadmap, including the proposed transition to IFRS S2. As a regular issuer of debt securities in both domestic and international capital markets, we consider that alignment with an internationally recognised reporting standard would improve comparability across jurisdictions, reduce unnecessary complexity and provide access to a broader body of guidance and established practice. It would also improve the usefulness of disclosures for investors and other users.

While Auckland Council supports international alignment, we do not consider harmonisation should come at the expense of disclosures that are particularly relevant in the New Zealand context. For infrastructure-intensive and public-sector organisations, disclosures relating to resilience, adaptation planning and long-term climate vulnerability is critical to understanding the potential impacts information for assessing the long-term implications of climate change for delivery of public services, assets, communities and organisational as well as regional financial sustainability.

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

Auckland Council considers that the costs and benefits of the proposed roadmap may differ for public sector entities compared with commercial organisations due to the nature of their activities, governance arrangements, funding models, and long-term service delivery obligations.

Key benefits include increased alignment with international reporting practices, improved comparability for investors and other stakeholders, and enhanced consistency across jurisdictions. These benefits are particularly relevant for public sector entities, and councils in particular, that access domestic and international debt capital markets and seek to provide transparent information to investors regarding climate-related risks and opportunities.

However, councils may face additional implementation challenges and costs due to:

- the scale and complexity of operations
- ownership of an extensive portfolio of long-lived, geographically dispersed infrastructure assets that are highly exposed to physical climate risks
- planning and investment horizons that can extend for many decades, and in some cases up to 100 years
- the need to consider community outcomes and service delivery impacts, in addition to financial impacts
- responsibility for planning and managing long-term adaptation responses, including flood resilience, coastal erosion and inundation
- dependence on large and complex supply chains, including local suppliers that may have limited capability to measure and report emissions

- obligations to maintain essential public services despite increasingly variable climate conditions
- the need to coordinate climate-related disclosures across group structures and controlled entities
- limited ability to recover implementation costs compared with commercial organisations.

Unlike many commercial organisations, councils are required to assess climate-related risks and opportunities not only at an organisational level, but also in the context of the long-term resilience and sustainability of the communities they serve. In addition, many council assets have useful lives extending several decades, requiring climate-related assumptions to be applied over much longer timeframes than those typically used in the private sector. Councils must also consider the implications of climate change for future land use, infrastructure planning, growth management and community resilience. Collectively, these factors increase the complexity of assessing and disclosing climate-related risks, opportunities and anticipated financial effects.

Given the scale of these asset portfolios and the breadth of climate-related considerations, significant investment will be needed to establish the systems, data, methodologies and controls needed to produce auditable disclosures. Investment will be required to source and validate data, quantify climate-related financial effects, identify relevant metrics, and develop systems, processes and governance arrangements necessary to support enhanced disclosures. Costs will extend beyond reporting itself and include governance oversight, staff capability, data management, model development, external expertise, and the integration of climate-related considerations into asset management, infrastructure planning and long-term financial planning processes.

While information on climate risks, emissions and scenario analysis is generally available, significant challenges remain in quantifying the current and anticipated financial effects of climate-related risks and opportunities. Evolving climate science, uncertainty regarding adaptation responses, and the difficulty of translating physical and transition risks into reliable estimates of future cash flows, asset values, capital expenditure requirements, financing costs, and investment decisions mean that these disclosures can be resource-intensive and subject to a high degree of estimation uncertainty.

To support a cost-effective transition, we encourage the XRB to provide practical implementation guidance and sector-specific examples, particularly in relation to anticipated financial effects, measurement uncertainty, scenario analysis, adaptation-related disclosures and industry-based metrics. We also encourage the XRB to work closely with international standard setters and global counterparts to ensure the circumstances of public sector and infrastructure-intensive entities are appropriately considered as reporting requirements continue to evolve. This would help ensure that the benefits of improved climate-related disclosure are achieved without imposing unnecessary compliance costs on reporting entities.

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?

While Auckland Council is not itself a primary user, we have a good understanding of the type of information the users of our climate statement find most valuable. In our view, the adoption of IFRS S2 would improve the usefulness of climate-related disclosures by improving international comparability, consistency and alignment with investor information needs.

As a regular issuer of debt securities in domestic and international capital markets, Auckland Council engages with investors, lenders and credit rating agencies that are increasingly seeking information on the potential financial impacts of climate-related risks and opportunities. IFRS S2's enhanced focus on current and anticipated financial effects, together with stronger connectivity between climate-related and financial information would assist users in understanding how climate-related risks and opportunities may affect an organisation's financial position, financial performance, cash flows, access to finance and long-term resilience.

For infrastructure-intensive organisations such as Auckland Council, climate-related disclosures are particularly important because climate risks have the potential to influence future infrastructure investment requirements, asset management decisions, insurance availability and affordability, funding requirements and service delivery. Information that helps users understand an organisation's exposure and response to these risks supports more informed assessments of financial sustainability and creditworthiness.

The disclosures that are likely to be most relevant to primary users include:

- the current and anticipated financial effects of climate-related risks and opportunities on the organisation's financial position, financial performance and cash flows
- information on the resilience of the organisation's strategy and infrastructure assets and service delivery model under different climate-related scenarios
- information on planned adaptation responses and resilience programmes, including expected infrastructure investment requirements, funding implications and the management of physical climate risks
- Information on how climate-related risks and opportunities are incorporated into governance, risk management, asset management and strategic decision-making processes

For local government organisations, disclosures relating to climate resilience and adaptation are particularly important. While transition-related risks and emissions reduction initiatives remain relevant, primary users are often equally concerned with how councils are preparing for and responding to physical climate risks, and the implications these may have for future infrastructure investment, service delivery, financial sustainability and funding requirements.

These disclosures provide the most value when they are clearly linked to financial outcomes and help users understand how climate-related risks and opportunities may affect the organisation's long-term resilience, funding needs, investment priorities and ability to deliver essential services to communities over time.

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

Auckland Council generally supports the adoption of IFRS S2 without significant modification. Maintaining close alignment with the international standards will support comparability, consistency, and decision-useful disclosures for investors and other stakeholders. We consider that any departures from IFRS S2 should be limited and carefully justified.

Rather than amending the core requirements, we encourage the XRB to focus on practical implementation guidance, materiality considerations and sector-specific examples that support consistent and proportionate application by New Zealand entities, including local government organisations.

Where existing New Zealand guidance or requirements relating to climate resilience, adaptation planning and scenario analysis provide information that is particularly useful in the New Zealand context, the XRB should consider retaining that guidance or otherwise ensure that those matters continue to be appropriately addressed following adoption of IFRS S2.

We also encourage the XRB to ensure that information relating to climate resilience, adaptation planning, long-term infrastructure vulnerability, and scenario analysis continues to receive appropriate prominence. These matters are particularly important for infrastructure-intensive public sector entities and are often central to understanding long-term financial sustainability, service delivery impacts, and organisational resilience. In particular we encourage the XRB to:

- Clarify the application of disclosures relating to major transactions, trade-offs, and management controls and procedures in a local government context.
- Provide additional guidance on assessing and disclosing the current and anticipated financial effects of climate-related risks and opportunities. This would be particularly valuable for local government entities managing long-lived infrastructure assets, where anticipated financial effects are often influenced by future adaptation pathways, infrastructure investment decisions, evolving policy settings, funding availability, and statutory consultation and decision-making processes, resulting in a high degree of uncertainty.
- Clarify how councils should apply requirements relating to investment, asset management and disposal plans, including future plans that remain subject to funding decisions, statutory consultation processes, political decision-making, or governance approval.
- Support a pragmatic and materiality-based approach to industry-based metrics, recognising that councils operate across multiple activities and sectors and that some industry guidance has primarily been developed for commercial entities.
- Provide guidance on balancing transparency with legitimate commercial sensitivity, particularly where disclosure of future investment, adaptation, acquisition, disposal, land acquisition, or property buy-out programmes could prejudice negotiations, procurement activities, market transactions, or future funding decisions.
- Ensure implementation guidance adequately supports disclosure of adaptation planning, resilience measures and related financial impacts. For many local government entities,

adaptation-related risks and opportunities may be as significant as, or more significant than, transition-related risks and opportunities.

- Recognise the specific operating context of local government entities, including statutory decision-making processes, public consultation requirements, long-term infrastructure planning horizons, and obligations to maintain essential public services.

We also support a materiality-based approach to implementation. Reporting entities should not be required to provide detailed disclosures where information is not material to primary users or where disclosures are unlikely to influence decision-making. This is particularly important to ensure that reporting remains focused on the climate-related information that is most relevant and useful to investors and other stakeholders.

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

Auckland Council does not currently report industry-based metrics and notes that existing industry guidance has largely been developed for commercial entities rather than diversified public-sector organisations. Local government groups often undertake a broad range of activities spanning infrastructure, transport, water services, stormwater, waste management, property, parks, community facilities and other public services. As a result, requiring local government groups to apply multiple industry frameworks could increase complexity, implementation costs, and compliance burden, while producing fragmented disclosures that may not provide a coherent picture of climate-related risks, opportunities across the organisation.

Consideration should therefore be given to allowing reporting entities flexibility to apply industry-based metrics where they are relevant and material to the entity's climate-related risks, opportunities and activities. A materiality-based approach would help ensure disclosures remain focused on information that is most useful to primary users, rather than encouraging compliance with multiple industry frameworks that may add limited decision-useful information.

Auckland Council supports approaches that make industry-based disclosures non-mandatory. On that basis, we prefer Option 3 (wholly optional) and would also support Option 1 (full deletion consistent with AASB's approach).

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

Auckland Council supports an approach that provides flexibility regarding the specific scenarios used, while retaining a requirement to assess resilience under multiple plausible climate futures.

We consider that the use of at least two scenarios remains important to capture the uncertainty inherent in future climate, transition and physical risk pathways. However, flexibility around the specific temperature pathways and scenario assumptions would be beneficial, particularly given ongoing developments in climate science and the increasing likelihood of a temporary overshoot of the 1.5°C threshold.

Scenario analysis is most valuable when it supports decision-making and helps organisations understand the resilience of their strategies, assets and operations under a range of plausible

future conditions. For local government entities, scenario analysis plays an important role in informing infrastructure planning, asset management, adaptation pathways, service delivery and long-term financial planning.

For Auckland Council, much of the information required for scenario analysis is already available through existing climate risk and resilience assessments. The principal challenges relate to assessing the resilience of long-lived infrastructure assets, integrating climate projections into asset planning and service delivery decisions, and obtaining sufficiently granular vulnerability data. Given the significance of physical climate risks for local government, scenarios that support assessment of future adaptation requirements and infrastructure resilience are particularly important.

We support a pragmatic approach that recognises the significant investment many entities have already made in developing climate scenarios under the current NZ CS framework. Reporting entities should be permitted to continue using existing scenario analysis where it remains fit for purpose and meets the objectives of the standard. Requiring significant redevelopment of established scenario analysis could create unnecessary cost and implementation effort without materially improving decision-useful information.

More broadly, we consider that the focus should be on the quality, relevance and decision-usefulness of scenario analysis, rather than on compliance with prescribed temperature pathways. Entities should be able to apply the scenarios that best reflect their climate-related risks, opportunities and operating context, provided they assess resilience across multiple plausible climate futures.

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

Auckland Council generally supports maintaining close alignment between NZ IFRS S2 and IFRS S2 and does not consider that significant changes or additions are necessary. The benefits of international comparability and consistency are best achieved through adoption of the international standard with minimal modification.

If any New Zealand-specific changes are considered, they should be limited, clearly justified, and focused on ensuring that climate resilience, adaptation planning and long-term infrastructure vulnerability remain appropriately reflected for infrastructure-intensive entities.

Q8: Do you support the proposed implementation timeline?

Auckland Council supports the proposed implementation timeline. The roadmap provides a clear and phased transition pathway to NZ IFRS S2, balancing the benefits of international alignment with the need to provide reporting entities sufficient time to prepare for implementation.

The proposed lead time is particularly important for infrastructure-intensive organisations such as local government entities, given the effort required to assess and quantify climate-related financial effects, develop supporting methodologies, and strengthen data, controls and assurance processes. We also support the option for early adoption, which provides flexibility for entities that

are ready to transition sooner or wish to align with investor expectations and international reporting practices.

Overall, we consider the proposed timeline to be reasonable and proportionate.

Q9: Do you have any other comments?

Auckland Council supports the objective of increasing international comparability and aligning New Zealand requirements more closely with IFRS 2. We consider that the long-term benefits of improved comparability, transparency and consistency outweigh the implementation costs, provided implementation remains proportionate and focused on information that is material and decision-useful to primary users. As the roadmap progresses, we encourage the XRB to ensure that harmonisation does not diminish the prominence of climate resilience, adaptation planning and long-term infrastructure vulnerability, which are often the most significant climate-related considerations for infrastructure-intensive public sector entities.