

External Reporting Board
Level 6
154 Featherston Street
Wellington 6011

30 September 2026

Submitted via email: sustainability@xrb.govt.nz

EY Submission to the XRB on Draft Climate Reporting Roadmap

Dear Sir / Madam,

Ernst & Young (EY) welcomes the opportunity to respond to the External Reporting Board's (XRB) consultation on the Draft Climate Reporting Roadmap.

EY firmly supports the International Sustainability Standards Board (ISSB) Standards as the global baseline for sustainability-related financial disclosures. Globally consistent, comparable and reliable disclosures are important to investor confidence and efficient capital markets. Accordingly, we support the proposal in the draft climate reporting roadmap for the XRB to adopt IFRS S2 *Climate-related Disclosures* rather than to make amendments to the Aotearoa New Zealand Climate Standards (NZ CS) so that the climate statements of climate reporting entities are more internationally comparable. Adopting IFRS S2 will also substantially harmonise climate-related financial disclosure reporting requirements with Australia, which will allow capital providers across the trans-Tasman market to access comparable climate-related financial information.

Our specific comments are included in the attachment to this letter. Should you wish to discuss our comments further, please contact me at pip.best@nz.ey.com or on 027 263 9045.

Yours faithfully,



Pip Best | Partner, Climate Change and Sustainability Services

Question 1 – Do you support the strategic direction for climate reporting set out in the draft climate reporting roadmap?

EY supports the strategic direction for climate reporting set out in the XRB's draft climate reporting roadmap. In particular, we support adoption of a new NZ IFRS S2 Standard that is based on IFRS S2 *Climate-related Disclosures* and the elements of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* that are necessary for an entity to prepare a complete set of climate-related financial disclosures. Any departures from IFRS S1 and IFRS S2 in the new NZ IFRS S2 Standard should be limited to requirements under New Zealand legislation or to achieve alignment with the corresponding climate-related financial disclosure requirements that apply in Australia (i.e., AASB S2 *Climate-related Disclosures*). The objective should be to enable New Zealand entities to have the ability to simultaneously comply with New Zealand requirements and the climate-first requirements in ISSB Standards or the Australian AASB S2 *Climate-related Disclosures* through a single report. This would reduce duplication, support global passporting and improve comparability of reporting by New Zealand climate reporting entities with other entities in the Australian and global capital markets.

The requirements of IFRS S2 and AASB S2 are closely aligned, but not the same. The main differences between AASB S2 and IFRS S2 are that AASB S2 does not require the disclosure of industry-based metrics or require a reporting entity to consider the industry-based disclosure topics listed in the ISSB's *Industry-based Guidance on Implementing IFRS S2*. Therefore, in adopting IFRS S2 in New Zealand, the XRB will need to consider whether to prioritise the requirements of IFRS S2 or AASB S2. Our views are outlined further in our response to Question 5 below.

Question 2 – Do you have any further information relevant to the benefits and costs of the draft roadmap?

The consultation document identifies the benefits of adopting an NZ IFRS S2 Standard as including:

- improving comparability across global capital markets;
- facilitating reporting for multinational groups;
- reducing duplication of reporting requirements;
- improving access to internationally recognised implementation resources and expertise
- supporting investor understanding through use of a globally recognised baseline.

These benefits are similar to the benefits already realised by reporting entities from the adoption of International Financial Reporting Standards in New Zealand. Furthermore, given many New Zealand entities are already reporting within groups applying AASB S2 or other IFRS S2-aligned frameworks, maintaining a separate New Zealand-specific reporting framework may increasingly create unnecessary complexity and cost.

The consultation document also identified that upfront transition costs may be incurred by climate reporting entities when they first adopt NZ IFRS S2 and that there may also be increased ongoing costs for some entities given IFRS S2 has more detailed disclosure requirements than NZ CS. These costs should be considered in the context of the significant alignment between IFRS S2 and NZ CS (as outlined by the XRB in the *Aotearoa New Zealand Climate Standards and IFRS Sustainability Disclosure Standards Comparison Document*, October 2023), the proportionality mechanisms and transition reliefs available in IFRS S2, as well as the long lead time proposed in the draft roadmap until a climate reporting entity would be required to apply NZ IFRS S2. Overall, we consider that the benefits significantly outweigh any costs.

Question 5 – What are your views on the Australian harmonisation options for industry-based disclosures?

By issuing an NZ IFRS S2 standard, any new requirements will be substantially harmonized with AASB S2. Our view is that AASB S2 should be regarded as the baseline and consideration should be given as to whether NZ IFRS S2 should include either or both of the requirements to disclose industry-based metrics and to refer to and consider the applicability of the IFRS S2 Industry-based Guidance.

On balance, we support disclosure of relevant industry-based metrics in NZ IFRS S2. This is on the basis that this is an existing disclosure in NZ CS and it is also a requirement of IFRS S2. We also consider that, over time, many users of sustainability reports prepared in accordance with AASB S2 will demand those reporting entities to disclose industry-based metrics.

However, we do not support NZ IFRS S2 requiring entities to refer to and consider the Industry-based Guidance at this stage. This reflects the current approach in AASB S2. We note the due process considerations raised by the AASB and also by the XRB in this consultation document. We recommend that the AASB (soon to be External Reporting Australia) and the XRB should work together, in a future standard setting project, to assess the suitability of applying the Industry-based Guidance in Australia and New Zealand taking into account factors such as international alignment, comparability and implementation practicality.

Question 6 – With regard to Australian harmonisation, what are your views on how we should approach scenario analysis?

In our view, NZ IFRS S2 should not prescribe a minimum number of scenarios or mandatory temperature outcomes beyond the requirements in IFRS S2.

Experience under NZ CS has given climate reporting entities a strong foundation in identifying climate-related risks and opportunities and assessing resilience. Entities should be able to build on and, where appropriate, incorporate that work when applying NZ IFRS S2, especially to meet the disclosure objective on climate resilience.

In our view, New Zealand implementation experience could be reflected in non-authoritative guidance, limited to matters that are genuinely New Zealand-specific. Guidance should not create additional expected disclosures or impede ISSB compliance. Accordingly, we recommend:

- no mandatory minimum number of scenarios or prescribed temperature pathways;
- reliance on IFRS S2 proportionality mechanisms; and
- continuation of New Zealand implementation experience through non-authoritative guidance rather than mandatory requirements (similar to the guidance and implementation support that the AASB has been providing in relation to AASB S2).

Question 7 – Are any changes or additions needed to NZ IFRS S2 to fit with New Zealand's reporting practice and market context?

Businesses that undertake activities outlined in Schedule 3 of the Climate Change Response Act 2002 (CCRA) are mandatory participants of the ETS. Businesses can opt into the NZ ETS if their business activities are captured under Schedule 4 (e.g. forestry removals) of the CCRA. Businesses that opt in or are required to measure emissions sources under the CCRA should use the default or unique emissions factors, as set out in the associated NZ ETS regulations for those activities, when measuring these emissions sources for NZ IFRS S2 purposes. This would harmonise emissions reporting between the NZ ETS and NZ IFRS S2 and avoid issues associated with reporting different emissions numbers for different purposes.

Beyond this matter, we have not identified a need for substantive New Zealand-specific reporting requirements.

Changes should be limited to New Zealand legislative and regulatory matters, including reporting-entity and assurance provisions (which would ideally be mandated outside of the reporting standard). Requirements unique to NZ CS, such as a prescribed number of scenarios, prescribed temperature outcomes and mandatory GHG intensity metrics where not used by management, should not be carried into NZ IFRS S2.

All local modifications should be assessed against their effect on an entity's ability to state compliance with the ISSB Standards. Changes to the global baseline should be made only where required by legislation or supported by compelling evidence and a clear public-interest rationale.

EY strongly supports continued engagement with the Australian Accounting Standards Board (ERA from 1 December 2026 onwards) to maximise trans-Tasman interoperability and minimise unnecessary divergence.



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Question 8 – Do you support the proposed implementation timeline?

Broadly yes, EY supports the transition with early adoption available as soon as practicable.

A faster transition timeline could reduce the period in which entities may need to maintain separate approaches, support earlier regulatory consistency and allow greater use of international systems, guidance and expertise. An earlier mandatory adoption date, such as 2030, could still provide existing reporters with several reporting cycles to prepare and so we think there is benefit in considering a faster mandatory adoption timeline.

The XRB should provide a clear transition date and monitor international and Australian developments, while avoiding an extended period of uncertainty.

Question 9 – Do you have any other comments?

No