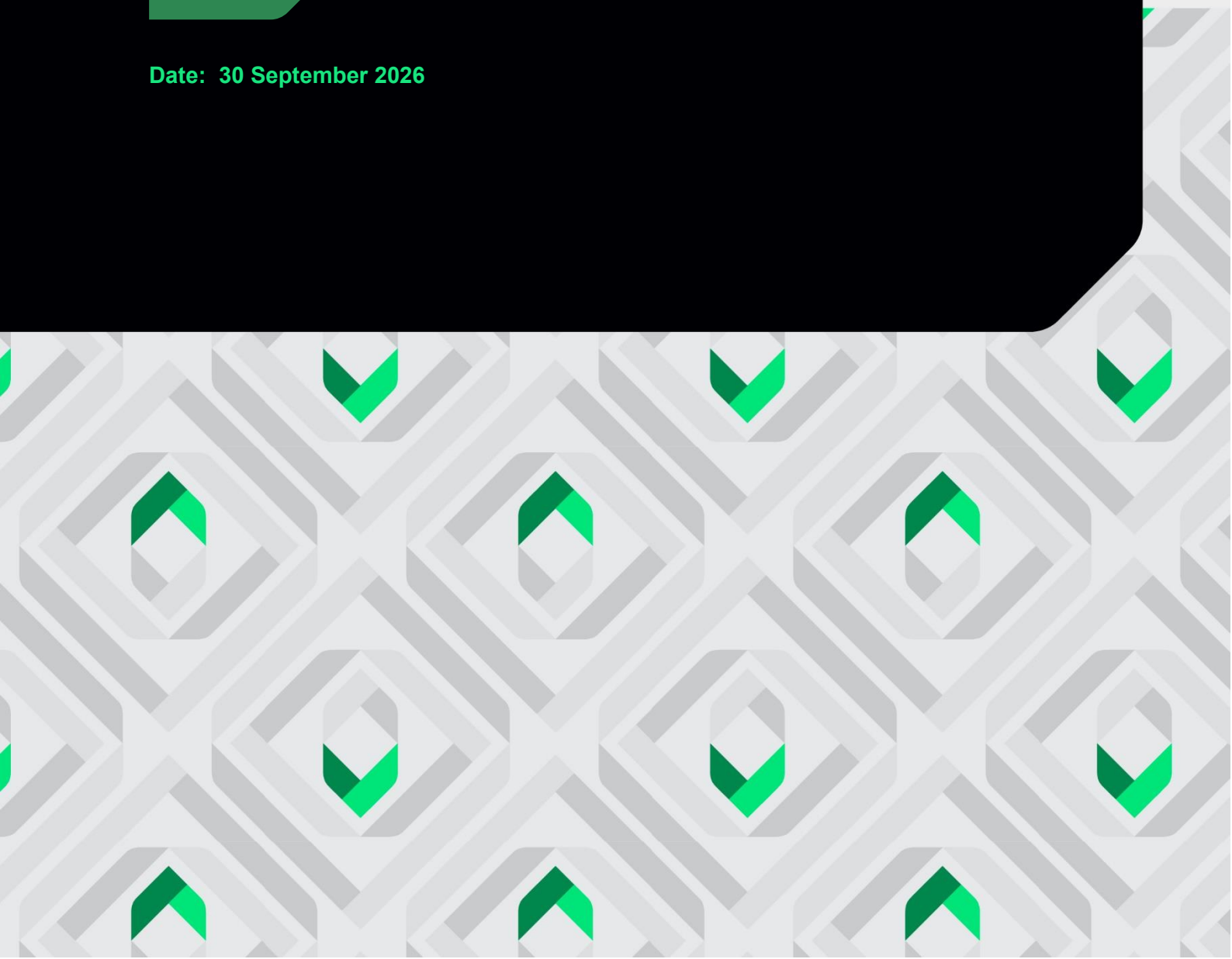




Submission to the External Reporting Board on its consultation on the draft climate reporting roadmap



Date: 30 September 2026



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Summary

1. Kiwibank welcomes the opportunity to make a submission to the External Reporting Board (**XRB**) on its consultation on the draft climate reporting roadmap (**Consultation**).
2. We recognise that some climate reporting entities (**CREs**) that are part of a broader international group (**International Group CREs**) have an interest in moving to an IFRS S2-based standard as soon as possible, so that reporting can be better aligned across the international group. However, it is important that the interests of International Group CREs are balanced with the interests of CREs that are owned and operated in New Zealand (**Domestic CREs**) and, more broadly, New Zealand. In particular:
 - (a) New Zealand should not make decisions relating to international alignment until IFRS S2-based standards are more embedded in other jurisdictions. This would enable more informed decision making and, if a decision is made to move to an IFRS S2-based standard, a smoother and more stable transition.
 - (b) International alignment is an important objective, but must be balanced against other important objectives including stability, proportionality and cost. More evidence and analysis is needed to assess key trade-offs.
3. If a decision is made to move to an IFRS S2-based standard, transition arrangements should avoid a “big bang” migration and support CREs to focus on implementing the IFRS S2-based standard, rather than improving reporting under the existing standards.

More evidence is needed before significant design decisions are made

4. It would be premature to decide to adopt an IFRS S2-based standard before there is more evidence from overseas jurisdictions that have adopted, or are moving towards, IFRS-based standards. While we support a final transition date of 2033 if New Zealand does decide to proceed with international alignment, we believe that New Zealand should allow some additional time for international practice to develop before deciding whether to proceed with international alignment.
5. When New Zealand initially implemented the NZ CS, it did so as a world leader. This had significant benefits, driving investment and upskilling across CREs. However, progressing without international precedent also led to substantial costs for the CREs implementing a novel and evolving regime. The Government has since recognised this, making adjustments to the regime to narrow the scope of entities that are CREs and ensure the liability provisions are proportionate.
6. As New Zealand considers the next phase of its climate reporting standards, we should allow time for IFRS S2-based standards to become embedded in Australia and other jurisdictions. This would enable:
 - (a) *More informed decision making*: To enable informed decision making, it would be helpful to see examples of good practice under IFRS S2, understand regulator and primary user feedback on that reporting, and allow time for any implementation issues to emerge and be worked through. This would enable a more informed assessment of the advantages and disadvantages of an IFRS-based regime. We are

particularly interested to see early implementation and development of the Australian regime.

- (b) *A more certain and stable transition*: Initial internal reviews of the limited Australian bank reports and market commentary available show differing approaches to critical and interconnected processes such as climate risk assessment, anticipated financial effects and scenario analysis. If New Zealand makes a decision to move to an IFRS S2-based standard now, these disparities may require CREs to spend disproportionate resources pivoting to address changes in approach as the international regime evolves.

International alignment should be balanced against other objectives

7. International alignment is an important objective, but it should be balanced against other relevant objectives, including stability, proportionality, cost and the quality of reporting. More evidence and analysis is needed before a proper assessment of these trade-offs can be undertaken. Below, we have set out some initial views on the benefits of international alignment and the potential trade-offs with other objectives.

International alignment

8. We agree that international alignment may deliver benefits. In particular, international alignment is likely to streamline reporting for International Group CREs. However, it remains unclear whether international alignment would, in practice, generate greater international consistency and comparability (which could in turn reduce the cost of overseas capital). Very few examples of reports under IFRS S2-based standards are available at this stage. As noted in paragraph 6(b), those that are available demonstrate differing approaches to critical processes, and do not appear more comparable than reports prepared under NZ CS.

Stability and certainty

9. Implementing an IFRS S2-based standard would have short- and long-term impacts on stability and certainty. In the short-term, CREs will be required to consider changes to reporting and to internal processes to adapt to the new reporting standard. Although there are many similarities between IFRS S2 and the NZ CS, we anticipate that:
- (a) assessing the implications of any differences for underlying processes and benchmarking against international reporting will be significant undertakings; and
 - (b) significant changes may be required to reflect differences in market practice under IFRS S2 compared to the NZ CS.
10. In the short and long term, we understand the nature and pace of changes to the New Zealand standard would be linked to international changes, limiting the XRB's ability to provide guidance, stability and certainty for CREs. If the IFRS S2 regime evolves as it is applied internationally, New Zealand CREs may need to adapt to further changes.
11. As noted above, the negative impacts on stability could be partially mitigated by waiting for international regimes to embed and evolve before making decisions about the direction of New Zealand's climate reporting framework.

Proportionality

12. International alignment will have significant proportionality impacts. CREs in New Zealand vary in size, and climate reporting obligations already have a disproportionate impact on smaller CREs. Smaller CREs typically need to dedicate to climate reporting a greater proportion of the resources otherwise available for growth, innovation and investment. This can negatively impact the ability of smaller CREs to invest in substantive climate action, and more broadly, can have adverse effects on competition. The competition effects of obligations that disproportionately impact some entities may be particularly pronounced in sectors like banking, where capital is essential for growth and competition.
13. International alignment would result in a more disproportionate regime, making reporting obligations easier for International Group CREs to comply with and harder for Domestic CREs to comply with. International Group CREs are likely to be able to leverage the skills, knowledge and resources of their group through the consultation and implementation phases, and experience significant efficiencies over the longer term. On the other hand, Domestic CREs are likely to face a greater transition burden and are unlikely to experience significant efficiencies over the longer term. The four largest banks in New Zealand are Australian-owned, and will experience significant benefits from international alignment that domestic banks will not.
14. While the IFRS S2 framework includes proportionality provisions, it is not yet clear how these will be applied in practice.
15. Further analysis of the impacts of international alignment on proportionality, and possible mitigants, should be carried out before New Zealand decides whether to adopt IFRS S2-based standards.

Cost

16. Cost should be a central consideration in assessing any move towards international alignment. Adopting an IFRS S2-based standard would likely require CREs to invest in adjusting internal processes, procedures and data collection, legal and technical analysis and external advice and potentially adopting different or additional data and service providers. These costs would arise on top of the investment CREs have already made to comply with NZ CS. The XRB should therefore assess whether the additional costs of international alignment would be justified by clear and tangible benefits for New Zealand and primary users, particularly where those costs may fall more heavily on Domestic CREs and smaller CREs with fewer resources.

Quality of reporting

17. In some respects, the NZ CS may result in higher quality or more locally relevant reporting than an IFRS S2-based standard. The approach under the NZ CS has tended to be broader and more qualitative, with IFRS S2 more clearly and immediately connected to financial reporting. Examples of this are seen in the guidance on anticipated financial impacts and the requirement to disclose mitigated impacts under IFRS S2 (which contrasts with the NZ CS requirement to disclose unmitigated impacts). In addition, IFRS S2 risk management disclosures refer to an assessment of the likelihood of risks as one element, whereas the guidance in New Zealand cautions that standard likelihood-based approaches may not be appropriate for climate risk. The more

holistic approach under NZ CS may suit the New Zealand market better and there are doubts as to whether taking a conventional risk assessment approach to climate risk is suitable and insightful. Climate science, by its nature, does not support likelihood-based assessments.

Transition design will be critical

18. Transition design will be critical if the XRB decides to move towards an IFRS S2-based standard. We would support a long transition period, as proposed in the Consultation. Any transition arrangements should:

- (a) mitigate the impacts of a “big bang” migration by allowing a one-year pause in reporting; and
- (b) support CREs to focus on implementing the new standards, rather than improving reporting under the existing standards, during the transition period.

A pause in reporting would enable a smooth transition

19. We encourage the XRB to consider alternatives to a “big bang” migration, where CREs need to select a single reporting period within the broader transition period to move from one set of standards to another. Preparing to implement an IFRS S2-based standard while continuing to report under the existing standards would be a significant undertaking, particularly for Domestic CREs and smaller CREs.
20. To address this challenge, we suggest that the XRB should work with the Government to explore allowing CREs a one-year pause in climate reporting. This would provide CREs with greater scope to prepare for the new reporting regime, update underlying processes and potentially prepare a trial report under the new standards for internal purposes. This is likely to result in higher quality reporting under the new regime, and would reduce the risk of the transition for CREs.

CREs should be supported to focus on the new standards

21. During any transition period, CREs should be supported to focus on implementing the new standards, rather than continuing to develop reporting under the existing standards. To achieve this:
- (a) the adoption provision relating to anticipated financial impacts should be extended. Based on early Australian reports and market guidance, the approach to this area differs under NZ CS and AASB S2. Additionally, anticipated financial impacts (or, under AASB, effects) is one of the most challenging areas of both regimes. Extending the adoption provision would enable CREs (particularly smaller Domestic CREs) to avoid investing further resources to meet NZ CS-based requirements, only to pivot to an ISSB- or AASB- based approach shortly afterwards.
 - (b) the Financial Markets Authority should adopt a practical approach to supervision of the current reporting regime through the transition period. If New Zealand decides to transition to an IFRS S2-based standard, it would not be efficient for CREs to continue to improve their reporting under the current framework unless those efforts are clearly and directly transferable to the new regime in a way that aligns with international practice. Instead, CREs should be supported to focus their efforts on preparing to report under the IFRS S2-based standard.