

Regulatory Affairs

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External Reporting Board
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Dear Sir or Madam

Bank of New Zealand's response to the XRB's consultation document: draft climate reporting roadmap**1 Introduction**

- 1.1 E mihi ana a Te Pēke o Aotearoa mō te whai wāhi ki te tuku urupare mō te draft climate reporting roadmap a Te Kāwai Ārahi Pūrongo Mōwaho. E tautoko ana a Te Pēke o Aotearoa i te whakawhanketanga o tētahi anga e whakatairanga ana i ngā whākinga pārongo e pā ana ki te āhuarangi, e mārama ana, e rite tonu ana, e whai tikanga ana hoki i te roanga o tew ā.

- 1.2 Bank of New Zealand (BNZ) appreciates the opportunity to provide feedback on the External Reporting Board's (XRB) draft climate reporting roadmap. BNZ supports the development of a framework that promotes clear, consistent, and meaningful climate-related disclosures over time.

- 1.3 We support the continued development of a climate reporting framework that provides primary users with relevant and useful information. BNZ recognises the value of, where appropriate, aligning New Zealand's climate reporting requirements with international standards including the Australian climate reporting framework.

- 1.4 As a member of an Australian banking group, BNZ sees particular benefit in trans-Tasman alignment. We consider that consistent requirements will support both efficiency and the improvement in comparability between New Zealand and Australian reporting entities.

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

- 2.1 BNZ broadly supports the strategic direction set out in the draft roadmap. We believe adopting a standard based on IFRS S2, appropriately harmonised with Australia, will improve international and trans-Tasman comparability and provide a more enduring framework for climate reporting.

- 2.2 BNZ considers that implementation should remain guided by the core purposes of climate reporting:
- (i) ensure that the effects of climate change are routinely considered in business, investment, lending and insurance underwriting decisions;
 - (ii) help climate reporting entities better demonstrate responsibility and foresight in their consideration of climate issues; and
 - (iii) lead to more efficient allocation of capital, and help smooth the transition to a more sustainable, low-emissions economy.
- 2.3 These objectives provide a useful basis for deciding where close alignment is most valuable and where a locally relevant requirement may continue to provide additional benefit.
- 2.4 BNZ recommends that the material differences between NZ IFRS S2, IFRS S2 and AASB S2 be clearly identified and explained. We also recommend the framework retain sufficient flexibility for reporting entities to communicate the climate-related matters that are most relevant to their activities and primary users.

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

- 3.1 BNZ expects the adoption of IFRS S2 to involve an uplift in the specificity and granularity of climate reporting. This is likely to require changes to systems, data, governance, processes, and capability. We believe these costs should be weighed against the benefits of improved comparability, stronger links between climate reporting and financial decision-making, and the opportunity for entities operating across New Zealand and Australia to leverage group reporting processes.
- 3.2 We submit that for entities within trans-Tasman groups, implementation costs will depend materially on the extent of harmonisation with Australia and the ability to use group-level analysis, data, and controls where these appropriately reflect the New Zealand entity's circumstances. BNZ believes clear transitional guidance and early visibility of any New Zealand specific requirements will be important to support efficient implementation.

4 From a primary user perspective, would adopting IFRS S2 improve the climate information you rely on for your decision-making

- 4.1 BNZ considers that adopting IFRS S2 should improve the consistency, comparability, and financial relevance of climate information available to primary users. In particular, clearer links between climate-related risks and opportunities, strategy, financial position and performance should assist users to understand how climate-related matters may affect an entity's prospects. We note these benefits will depend on disclosures remaining focused on material and relevant information that supports informed decision-making.

5 From a primary user perspective, which disclosures matter most to you?

- 5.1 As a primary user, BNZ submits that disclosures relating to an organisation's GHG emissions and transition plan are particularly useful. GHG emissions information helps BNZ understand an organisation's current emissions profile, while transition plan disclosures will help us understand how the organisation intends to respond to climate-

related risks and opportunities and move towards its stated climate objectives. Considered together, we submit these disclosures provide a useful basis for understanding both an organisation's current position and its planned transition over time.

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

- 6.1 BNZ does not suggest broad removal of the core IFRS S2 requirements. We believe the starting point should be international alignment, with modifications to matters where a locally relevant approach adds value.
- 6.2 In developing NZ IFRS S2, BNZ recommends the XRB assess whether individual requirements are proportionate, provide relevant and useful information to primary users, and can be implemented without unnecessary duplication. We believe that where an Australian group has completed relevant analysis or established reporting processes, the New Zealand framework should permit the local entity to draw on that work where it is appropriate to its circumstances, supplemented by New Zealand specific analysis where necessary.

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

- 7.1 BNZ sees value in industry-based information because it can help reporting entities identify metrics relevant to their activities and enable primary users to compare climate-related performance across entities operating in similar industries. We note that a common industry-based reference point can therefore support the relevance, consistency, and comparability of climate reporting.
- 7.2 BNZ's preference is to retain an approach broadly consistent with Option 2, under which entities consider relevant industry-based metrics while retaining flexibility to determine which metrics are material and appropriate to their circumstances.
- 7.3 However, we recognise the benefits of Australian harmonisation and the concern that mandatory requirements may be overly prescriptive for some entities. If the XRB removes the requirement, BNZ recommends retaining clear, authoritative industry-based guidance as a reference point. We believe the guidance should remain sufficiently accessible and prominent to encourage consideration of relevant industry-based metrics, while allowing entities to focus their disclosures on information that is material and relevant to their circumstances.
- 7.4 We recommend that the XRB monitor whether the voluntary approach continues to support relevant, consistent and comparable reporting. We consider any future proposal to make industry-based metrics mandatory, including in response to developments in Australia, should be subject to further consultation.

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

- 8.1 BNZ supports harmonisation with Australia where it improves comparability and enables efficient use of trans-Tasman reporting processes. We also believe that the New Zealand framework will benefit from retaining the requirement to consider three climate scenarios. We consider a sufficiently broad range of scenarios supports the purposes of climate reporting and provides practical value beyond compliance by helping entities routinely consider the effects of climate change in business, investment, lending and

insurance underwriting decisions, and demonstrate responsibility and foresight in their consideration of climate-related risks and opportunities.

- 8.2 We note three scenarios encourage entities to explore a broader range of plausible climate futures, identify risks and opportunities, and test the resilience of their strategy and business model. We believe this will provide better information for business, investment and lending decisions, support efficient capital allocation, and help entities prepare for the transition to a more sustainable low-emissions economy.
- 8.3 BNZ recommends an approach where two scenarios can align with those used for Australian reporting, while the third is selected by the reporting entity to reflect its material risks and opportunities, strategy, customers and operating context. This will allow entities within Australian groups to draw on group-level analysis and use the same two core scenarios as their parent where appropriate, while retaining a third scenario that provides additional, locally relevant insight. We believe this will support trans-Tasman efficiency without unnecessarily narrowing the range of climate outcomes considered by New Zealand reporting entities.
- 8.4 We recommend scenarios include appropriately differentiated transition and physical risk outcomes. We believe the lower temperature scenario should reflect international commitments and domestic settings, while the higher temperature scenario should enable meaningful consideration of potential severe physical impacts. The third scenario should remain flexible to enable the entity to select a pathway that assists its decision-making and reflects its particular circumstances. BNZ considers this flexibility is important because New Zealand's domestic transition pathway may differ from the eventual global temperature outcome. We note that an entity may need to consider transition risks arising from measures intended to support a low-emissions economy while also preparing for physical impacts associated with a higher level of global warming.
- 8.5 We believe New Zealand entities within Australian groups should be able to draw on relevant group scenario analysis where it appropriately reflects their circumstances, supplemented by New Zealand specific analysis where necessary. BNZ considers this will support trans-Tasman efficiency while preserving the quality and local relevance of climate reporting.

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

- 9.1 BNZ supports adopting IFRS S2 as the foundation of the New Zealand standard, with appropriate modifications to reflect New Zealand's legislative and regulatory settings, reporting practices, and market context.
- 9.2 We believe any New Zealand specific requirements should have a clear purpose and provide relevant and useful information that supports the objectives of climate reporting. Where such requirements are retained or introduced, they should complement the core IFRS S2 framework, preserve international and Australian comparability where practicable, and avoid unnecessary complexity for reporting entities. BNZ submits this approach will provide the benefits of international alignment while retaining locally relevant requirements where they improve the quality and usefulness of climate reporting in New Zealand.

10 Do you support the proposed implementation timeline?

- 10.1 BNZ supports providing entities with adequate time to prepare for NZ IFRS S2, together with the flexibility to adopt the new standard earlier where appropriate. We consider this will allow reporting entities to assess the requirements, update their systems and processes, and select an adoption date that reflects their circumstances. We note that for entities within Australian groups, early adoption may also support alignment with group reporting timetables and processes.
- 10.2 However, the proposed transition period is lengthy and may result in entities reporting under different frameworks for several years which is likely to reduce comparability within the New Zealand market. We also note there is a risk that IFRS S2 or AASB S2 will evolve during this period, creating uncertainty and potentially requiring further changes to maintain international and Australian alignment.
- 10.3 BNZ therefore recommends that XRB consider whether the proposed transition period appropriately balances implementation readiness with comparability and certainty. If the proposed mandatory date is retained, we recommend XRB establish formal review points to assess adoption, market comparability and international developments, and determine whether the mandatory date remains appropriate.

11 Do you have any other comments?

- 11.1 BNZ encourages XRB to accompany the development of NZ IFRS S2 with clear implementation and transitional guidance, worked examples, and transparent explanations of material differences from IFRS S2 and AASB S2. Wherever practicable, existing international guidance and implementation resources should be used to support consistent application and reduce unnecessary complexity.
- 11.2 As the framework develops, BNZ recommends that the XRB assess whether it is delivering relevant, comparable information that supports informed decision-making, responsible consideration of climate issues and the efficient allocation of capital. We submit that these outcomes should continue to guide decisions on harmonisation, proportionality, and locally relevant requirements.

Should the XRB have any questions in relation to this submission, please contact Paul Hay on the details below:

Yours sincerely



Paul Hay
 Āpiha Matua: Waeture me te Tūtohu (Chief Regulatory and Compliance Officer)
 Bank of New Zealand

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