Investor Group on Climate Change

Request for information - international alignment of climate reporting

The Investor Group on Climate Change (IGCC) welcomes the opportunity to provide a response to the XRB's call for information on international alignment of climate-related disclosures. We include our responses to key consultation questions below.

Mandatory climate disclosures remain important to investor allocation decisions and Aotearoa New Zealand's ongoing leadership in this area is critical given the broad adoption of climate reporting requirements in various markets in our region and globally.

The IGCC has long supported international alignment of sustainability reporting standards in both Aotearoa New Zealand and Australia.[1] From an investor perspective, alignment with international standards is a desirable end-goal to ensure consistency and comparability of company disclosures with accepted international best practice.

Building on the existing Aotearoa New Zealand Climate Standards (NZ CS) to incorporate relevant requirements in the more detailed ISSB Standards IFRS S1 and S2 would enable Aotearoa New Zealand to remain in step with international practice while ensuring that requirements are appropriate for local reporting entities and that they retain a focus on the objective of the standards, 'to support the allocation of capital towards activities that are consistent with a transition to a low-emissions, climate-resilient future'.

Aotearoa New Zealand has been a frontrunner on climate reporting, and has the opportunity to leverage this leadership position to promote the country as an attractive destination for increasingly climate-aware global capital.

For any questions, please contact Lisa Caripis: lisa.caripis@igcc.org.au

Kind regards,

Duncan Paterson
Director of Investor Practice

About the Investor Group on Climate Change (IGCC)
The Investor Group on Climate Change is a collaboration of Australian and New Zealand institutional investors focused on the impact of climate change on investments. IGCC represents investors with total funds under management of over $5 trillion in Australia and New Zealand and $40 trillion around the world.

[1] See: IGCC (2021) IGCC submission on Aotearoa New Zealand Climate Standard 1: Government and Risk Management Consultation, IGCC (2022) Climate disclosures - Lessons from Global Trends for Aotearoa New Zealand, IGCC (2023) Exposure Draft ED SR1 Australian Sustainability Reporting Standards.

Question 1: Which standards, overseas jurisdictions, or specific elements of international alignment are most important for you, and why?

IGCC investment manager members are both climate reporting entities (CRE) and users of climate reporting. As users, investors analyse climate disclosures prepared by companies in a range of markets, including Aotearoa New Zealand.

The International Sustainability Standards Board's IFRS S1 and S2 are being adopted or used in over 35 jurisdictions, including Australia, together representing more than 40% of global market capitalisation.[2] To ensure consistency and comparability of company disclosures across markets for investors, the IGCC recommends alignment with IFRS S1 and S2.

The IGCC notes that international alignment would not preclude the XRB from adding, adapting or excluding certain disclosure provisions to ensure the standards are suited to the local context and objectives. Principles of materiality and proportionality should underpin the introduction of new, more detailed requirements from IFRS S2.

In this regard, when it comes to climate reporting by Managed Investment Scheme (MIS) Managers, IGCC acknowledges that IFRS S1 and S2 were designed primarily for issuers of capital whose primary users are investors, and therefore implementation guidance and/or adapted requirements for MIS Managers may be necessary, particularly where the primary users of their reporting are retail investors such as Kiwi Saver members.

The forthcoming XRB consultation on differential reporting will be particularly important in ensuring reporting requirements are fit-for-purpose for MIS Managers, and these considerations would need to apply to the introduction of IFRS S1 and S2 requirements. It may also be instructive to consider implementation guidance on AASB S2 developed for unlisted investment managers and superannuation entities in Australia.

Question 2: Is now the right time for New Zealand to amend or replace NZ CS to achieve closer international alignment with any other standards, and why?

To minimise disruption for CREs, the IGCC cautions against making any significant changes in the immediate term. A 'watch and see' approach would also have the advantage of enabling the XRB to learn from the experience in other markets of setting and applying standards modelled on IFRS S1 and S2.

As the current disclosure standards (NZ CS) share the same TCFD foundational pillars (governance, strategy, risk management, metrics and targets) as the ISSB standards, the IGCC considers that NZ CS in their current form provide a helpful basis that will enable CREs to develop the necessary capabilities and internal processes to prepare for reporting against more detailed, internationally-aligned standards in future.

---

[2] IFRS Foundation, 1 April 2025 https://www.ifrs.org/news-and-events/news/2025/04/ifrs-foundation-publishes-2024-annual-report-financial-statements/

Question 3: If closer international alignment is desirable, what process is most desirable (e.g., greater alignment of NZ CS or revoking NZ CS)?

As the XRB's mapping has demonstrated, the current disclosure standards (NZ CS) share the same TCFD foundations as the ISSB standards, with only a handful of points of divergence. It may be possible to improve alignment of NZ CS through amendments to add or change relevant sections as required. At this stage, it would not seem necessary to decide to revoke NZ CS. Moreover, the possibility of revocation may deter CREs from fully investing in developing the necessary reporting capability and internal processes.

Question 6: Is mutual recognition important to you, and how would it impact your answers?

Mutual recognition is an integral mechanism given the global nature of capital markets and accounting and audit professionals. It would be sensible to adopt mutual recognition of standards based on IFRS S1 and S2 (such as Australia's AASB S2). This would reduce the regulatory burden on international entities with local subsidiaries that have reporting obligations in Aotearoa New Zealand.