30 October 2024

External Reporting Board
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Proposed 2024 Amendments to Climate and Assurance Standards

In this submission IAG responds to the External Reporting Board (**XRB**) on the consultation “Proposed 2024 Amendments to Climate and Assurance Standards”, which was released on 8 October 2024.

We support the XRB undertaking this consultation and proposing adjustments to the climate and assurance standards to address challenges that have been identified with the timing of some aspects of these requirements. The proposed changes are generally appropriate in their own right and help to reduce the differences between the rollout of climate reporting in New Zealand, Australia and internationally.

As one of the many Climate Reporting Entities **(CREs)** with a parent company in Australia we recognise the importance of further alignment between the New Zealand Climate and Assurance Standards and equivalent Australian (AASB) and international (IFRS) standards, specifically IFRS S2 Climate-related Disclosures. It is important that this alignment encompasses both timing, as progressed through this consultation, and alignment on the substance of the requirements. Increased alignment supports consistency and comparability of disclosures, with benefits for stakeholders, including investors, policymakers and regulators. It also reduces the regulatory burden by allowing companies operating in both countries to streamline their reporting processes, reducing the complexity, cost and operational processes involved in complying with two sets of similar but different disclosure requirements.

To that end, in addition to supporting the proposals in this consultation, we would request that the XRB gives consideration to additional changes to improve alignment of timing and substance of requirements between New Zealand and international standards, specifically IFRS S2 Climate-related Disclosures. In particular, extending the Adoption Provision for current financial impacts would better align with Australian timing and allow current and anticipated impact methodologies to be developed in parallel. Similar rationale applies to our view that an additional year – beyond what is proposed already – for Scope 3 GHG reporting, would be beneficial. Furthermore, the international standards allow for some flexibility in disclosure of anticipated financial impacts where measurement uncertainty is high or there are challenges around commercial sensitivity. We would request a similar approach be added into the New Zealand standards. Finally, a consistent approach between XRB requirements and IFRS S2 to the requirements around, definition of and content of transition plans would be helpful. Overall, the closer we can move to full alignment with international standards the better the outcomes will be for New Zealand CREs and investors.

Question 1: Do you agree with Proposal 1 to extend Adoption Provisions 4, 5 and 7 for scope 3 GHG emissions disclosures from one accounting period to two accounting periods?

We support extending adoption provisions 4, 5 and 7 for scope 3 GHG emissions disclosures given the complexity of calculating some sources of Scope 3 emissions and the challenges of sourcing reliable data and evidence from suppliers and customers. In addition, we welcome this given the relative immaturity, and limited scope, of PCAF guidance around financed emissions (investments and insurance-associated emissions).

While the proposed one-year extension (i.e. to FY26) would be an improvement over the status quo, we consider a two-year extension (to FY27) would be more appropriate. There is no clear evidence at this point that a one-year extension will be sufficient for addressing the underlying challenges associated with reporting on Scope 3 emissions identified in the consultation document. A two-year extension would therefore provide more flexibility and reduces the risk of needing to make a further extension should one year prove insufficient. Furthermore, the proposed one-year extension would not resolve the alignment issue with Australia as entities there (including our parent company) have until FY27 to report on Scope 3 emissions, should they choose to take up the Adoption Provision.

Question 2: Do you agree with Proposal 2 to add a new Adoption Provision 8 that gives relief of one accounting period before scope 3 GHG emissions assurance is mandatory?

Question 3: Do you agree that a one-year delay for scope 3 GHG emissions assurance is sufficient to enable systems to mature to support the availability of sufficient reliable data and to enable increased consistency across the assurance market?

We support adding an Adoption Provision around the assurance of Scope 3 GHG emissions given the challenges identified on page 8 of the consultation document.

However, we consider that an additional year beyond Proposal 1, when Scope 3 reporting is required, would be appropriate, noting we have proposed a two-year extension for that in response to Question 1. This would create timing alignment for new and complex sources of emissions, and to better align with Australia, where limited assurance of Scope 3 is not required until FY27.

Question 4: Do you agree with Proposal 3 to extend Adoption Provision 2 for anticipated financial impacts from one accounting period to two accounting periods?

We are supportive of this change, noting also that it will align with the Australian requirements.

However, we would further request that the same extension apply to Adoption Provision 1 for current financial impacts. Not only would this ensure timing alignment between New Zealand and Australian requirements, but it also makes sense to develop methodologies around current and anticipated financial impacts in parallel, rather than prioritising current over anticipated – as this new arrangement would encourage.

Question 5: Do you agree with Proposal 4 to extend Adoption Provision 3 for transition planning from one accounting period to two accounting periods?

We are supportive of this change, especially as it aligns with Australian timing. However, as discussed above, we would recommend changes to better align transition planning under the New Zealand regime with transition planning and climate resilience assessments under IFRS S2.

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