PRI RESPONSE

NEW ZEALAND EXTERNAL REPORTING BOARD PROPOSED 2025 AMENDMENTS TO CLIMATE AND ASSURANCE STANDARDS

September 2025

To inform this paper, PRI signatories based in New Zealand have been consulted.

While the policy recommendations herein have been developed to be globally applicable, the PRI recognises that the way in which policy reforms are implemented may vary by jurisdiction and according to local circumstances. Similarly, the PRI recognises that there may be circumstances where there are merits to allowing market-led initiatives to precede regulatory requirements.

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ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. We welcome the opportunity to respond to the New Zealand External Reporting Board (XRB) consultation on amendments to its climate and assurance standards.

ABOUT THIS CONSULTATION

Under the XRB's Aotearoa New Zealand Climate Standards – which are aligned with IFRS S2 Climate-related Disclosures – and NZ SAE 1 Assurance Engagements over Greenhouse Gas Emissions Disclosures, in-scope companies are required to disclose their Scope 3 greenhouse gas (GHG) emissions, and the anticipated financial effects of their climate-related risks and opportunities. These standards are relatively well-aligned with IFRS S2.

Companies are currently exempt from these requirements in their first and second reporting periods, and exempt from the requirement to obtain assurance of Scope 3 GHG emissions for accounting periods ending before 31 December 2025.

The XRB is seeking views on its proposal to extend the above exemptions by two further reporting periods to accommodate the needs of preparers and assurance practitioners. The Board intends to communicate its decision on any corresponding amendments in October.

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RESPONSE

1. Should AP 4, AP 5, AP 7 and AP 8, which relate to the disclosure and assurance of scope 3 GHG emissions, be extended? Please give reasons for your answer.

( ) No
(X) Yes, by one year
( ) Yes, by two years (the XRB's proposal)
( ) Yes, by three years
( ) Yes, by four or more years

We do not support the XRB's proposal to further delay Scope 3 emissions disclosure and assurance requirements by two years, but a one-year delay would provide needed implementation support to improve the quality of disclosures for investors.

A two-year delay would extend New Zealand's existing phase-in of this reporting and assurance beyond most of the nearly 40 jurisdictions that have adopted (or are currently adopting) the ISSB standards, despite investor demand for full and timely adoption of the standards. Further, Scope 3 emissions are important to investors because they are the most impactful kind of emissions for some industries. The XRB's proposal would lead to a large share of actual emissions not being reported by some companies for another two years – compromising investors' access to relevant information they need but often lack from investees – and where they are reported but unassured, investors may lack confidence in the quality of this data.

However, we understand that Scope 3 emissions can be difficult to report, that methodologies (e.g. related to facilitated emissions) are evolving, and that there may be difficulties in providing assurance in the near term. Therefore, providing companies another year to build capacity would lead to improvements in this reporting for investors.

This will be facilitated as the availability and quality of Scope 3 disclosures continue to increase, as the ISSB standards are adopted, and by a growing set of relevant guidance within the IFRS Sustainability Knowledge Hub. Leveraging existing practice and guidance can allow preparers to provide investors with the information they need to account for climate-related risks and address climate goals sooner – and build capacity to improve such disclosures in future reporting periods.

2. Should AP 2, which relates to anticipated financial impacts, be extended? Please give reasons for your answer.

(X) No
( ) Yes, by one year
( ) Yes, by two years (the XRB's proposal)
( ) Yes, by three years
( ) Yes, by four or more years

We do not support further delays to requirements to disclose anticipated financial effects of climate-related risks and opportunities. Like the proposal on Scope 3 emissions, this would extend phase-in of this reporting beyond the vast majority of jurisdictions that have adopted (or are currently adopting) ISSB standards – again despite investor demand for full and timely adoption.

All investors, regardless of investment strategy, need disclosures on financial effects to understand the existing and future financial implications of exposure to sustainability-related risks and opportunities. This information is needed to clearly illustrate the connections between sustainability risks and opportunities and specific financial statement line items – with additional information needed to provide additional context and explain methodological choices. As for Scope 3, the XRB's proposal risks compromising investors' access to relevant information they need but often lack from investees.

We recognise that calculating anticipated financial effects may present implementation challenges for preparers. However, as for Scope 3 emissions, the availability and quality of such disclosures will continue to increase as the ISSB standards are adopted, and there is a growing set of guidance (including from the ISSB) on how to report this information. Leveraging existing practice and guidance can allow preparers to provide investors with this information sooner – and build capacity to improve such disclosures in future reporting periods.

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of XRB further to promote the application of a sustainability disclosure in line with the global baseline in New Zealand.

Please send any questions or comments to policy@unpri.org.

More information on www.unpri.org