Response

Are you responding on behalf of an organisation, or as an individual? Organisation
The full name of the organisation you are responding on behalf of (f relevant) Ernst and Young
Will you be a climate-reporting entity after the definition is changed through the Financial Markets Amendment Bill? No
Which of the following best describes your organisation? Professional service provider
Responding to this survey as: neither a primary user nor preparer
9. Do you agree with the proposed amendments to NZ CS 1 to permit exclusion of some financial activities? Partially
10. Why or why not? We agree with the proposed amendments as they align with the requirements in IFRS S2 and AASB S2. As such, these proposed amendments represent a step towards achieving greater alignment between the disclosures of NZ Climate reporting entities and entities disclosing in accordance with ISSB Standards or AASB S2.
11. Do you agree that the proposed list of permitted exclusions (derivatives; insurance and reinsurance underwriting activities; capital market issuance activities) appropriately captures investment-related emissions that are not ‘financed emissions’? Partially
12. If not, what should be added or removed, and why? [see Exposure draft – Appendix B, paragraphs B6 and B9] The proposed drafting in the Exposure Draft is different from IFRS S2 Amendments to Greenhouse Gas Emissions Disclosures (released December 2025), which has the potential to cause confusion for any climate reporting entities that are seeking to align their NZ CS disclosures with IFRS S2/AASB S2 disclosures. The amendments to IFRS S2 focus on allowing reporting entities to limit their Scope 3 Category 15 greenhouse gas emissions to only financed emissions, which is defined as “...emissions attributed to loans and investments made by the entity to investees or counterparties. ‘Loans and investments’ include loans, project finance, bonds, equity investments and undrawn loan commitments.“ (para 29A). That is, IFRS S2/AASB S2 defines what is included within Category 15. In contrast, the proposed amendments to NZ CS 1 focus on describing the financial activities that may be excluded from Category 15. The approach adopted by the proposed amendments also places more stress on the definition of items that are intended to be excluded from Category 15, which are not robustly defined in international GHG measurement or reporting standards. For example, ‘insurance-related

emissions' are still an emerging concept, which might be understood differently by different people. Therefore, there is a risk that the application of this exclusion in NZ CS may be subject to diverse interpretations.

13. Is the proposed 'may exclude' drafting clear and operable for your entity given the measurement standard you use (e.g., GHG Protocol Scope 3 Standard, ISO 14064-1, PCAF Standards)? [see Exposure draft – Appendix B, paragraph B9]

    No

14. If not, what specific wording changes would improve it?

    The drafting of 'may exclude' is sufficient insofar as it relates to the measurement and disclosure of GHG emissions. However, the amendments should clarify that the relief does not extend to other requirements in NZ CS related to disclosing information about an entity's exposure to transition risk. As an example, disclosures about transition risk vulnerabilities would still apply to an entity's underwriting activities even though the entity would not be required to disclose Scope 3 emissions relating to those activities. Clarify that the relief does not extend to other requirements related to understanding an entity's exposure to transition risk. The focus remains on providing useful information, which might require broader disclosures about transition risk vulnerabilities, would still apply to commercial banking and insurance-related activities

15. The ISSB added additional disclosures (IFRS S2 paragraphs 29B–29C) when an entity applies the IFRS S2 paragraph 29A relief. Do you agree that we should not add these additional disclosures into NZ CS 1, given NZ CS 1 already requires disclosure of exclusions under paragraph 24(d)?

    Partially

16. If not, what additional disclosure(s) would you consider useful for primary users (and why)?

    Although NZ CS 1 24(d) requires the disclosure of specific exclusions of sources of GHG emissions, we support including the additional disclosures in paragraphs 29B–29C of IFRS S2 and AASB S2 into NZ CS 1. This for two reasons: (a) the additional disclosures require an entity to explain how it has defined derivatives, which we consider would be useful to the users of the climate statements; and (b) the inclusion of these paragraphs represents another step towards achieving greater alignment between NZ CS and ISSB Standards and AASB S2.

17. Do you agree with the proposed inclusion of content from our existing staff guidance *Excluding GHG emissions sources — Considerations for preparers*, as authoritative (mandatory) application material within NZ CS 1? [see Exposure Draft – Appendix B, paragraphs B1 to B8]

    Yes

18. If not, why not, and what would you suggest should be included or deleted?

19. Do you agree with the proposed mandatory date of 1 January 2027, with early adoption permitted?

    Yes

20. If not, what date would you suggest and why?

21. Do you agree with our assessment of the benefits and costs of the proposed amendments to NZ CS 1 including the impacts on primary users and climate reporting entities?

    Don't know

22.	Why or why not? In your response, please include any examples that illustrate the practical effects, such as costs or impacts on the usefulness or comparability of the proposed amendments. N/A
23.	Do you have any other feedback on the ED proposals? N/A