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) Institute of Directors / Chapter Zero New Zealand
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? Industry body
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? Yes
10. Why or why not? Aligning the treatment of investment-related scope 3 emissions with IFRS S2 and AASB S2 should reduce unnecessary divergence, duplication and cost, particularly for entities with trans-Tasman reporting obligations. The continuing requirement to disclose and justify material exclusions retains important transparency and accountability. However, the fact that these emissions fall outside the ISSB definition of financed emissions does not necessarily mean they are immaterial to an entity's transition risk, strategy or organisational accountability. The permission should therefore operate as a reporting relief, not as an indication that boards no longer need to understand or oversee those emissions where they are relevant.
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'?
12. If not, what should be added or removed, and why? [see Exposure draft – Appendix B, paragraphs B6 and B9]
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]
14. If not, what specific wording changes would improve it?
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)? Yes

16.	If not, what additional disclosure(s) would you consider useful for primary users (and why)? Agree, subject to the existing requirements providing sufficient visibility of the nature and significance of the exclusions. NZ CS 1 already requires material exclusions to be disclosed and justified, alongside the fair-presentation and disaggregation requirements in NZ CS 3. We do not support duplicating the IFRS S2 disclosures where they would add no substantive information. However, users should be able to understand not only that an exclusion has been made, but its nature and potential significance to the entity's reported emissions profile. The XRB should monitor early reporting under the amended requirements and reconsider whether further disclosure is needed if the resulting disclosures do not provide sufficient transparency or comparability.
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? Incorporating the existing guidance into NZ CS 1 should provide a single authoritative source and improve consistency for entities, boards and assurance providers. It appropriately reinforces that a material source must either be reported or transparently identified and justified as an exclusion. We recommend reviewing the use of "should consider" in paragraphs B7 and B8. Because the material will form part of the authoritative standard, it should be clear whether entities are required to consider reasonable alternative estimation methods and comparable sources before excluding emissions, or whether this is intended to be advisory rather than mandatory.
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? The proposed timing is appropriate given the expiry of existing scope 3 adoption relief for most CREs and the clarifying nature of the amendments, which are intended to reduce reporting complexity and cost. Early adoption will allow affected entities to address divergent reporting requirements sooner. Entities will still need sufficient notice to update reporting policies, controls, assurance arrangements and board approval processes. The XRB should issue the final amendments and any accompanying implementation material early enough for these changes to be incorporated into the relevant reporting cycle.
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? Yes
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. The principal benefits are improved international alignment, reduced duplication and greater clarity in applying exclusions. There will be some implementation effort, and optional exclusions may reduce the completeness and comparability of reported emissions information. From a governance perspective, there is also a risk that material emissions associated with

	underwriting, derivatives or capital-markets activity become less visible to boards and primary users, even where they remain relevant to transition risk, strategy or organisational accountability. Different choices about whether to use the permission may also make peer comparison and trend analysis more difficult, particularly where an entity changes which emissions it includes or excludes over time. These risks are partly mitigated by the continuing requirement to identify and justify material exclusions. We therefore support the amendments but consider that exclusions should be transparent enough for users to understand their nature and significance, and that the XRB should monitor whether the relief materially reduces the usefulness or comparability of climate statements.
23.	Do you have any other feedback on the ED proposals? The permission to exclude specified emissions should not narrow the board's oversight of climate-related risks and opportunities. Boards may still need information about excluded emissions where those activities are material to strategy, transition risk or organisational accountability. Where a material source is excluded, boards should be able to understand the basis for the exclusion, the limitations of the available data and any alternative estimation approaches considered. We also recommend that the XRB monitor early reporting under the amendments to assess whether: • exclusions are being explained with sufficient clarity • users can understand the nature and significance of excluded sources • optional treatment is materially reducing comparability • the application material is supporting consistent judgements • developments in the GHG Protocol require the permitted exclusions to be revisited.