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) KPMG 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? 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 that exclusion of measurement and reporting should be permitted where there is no established and widely accepted methodology for measurement of an emission source. Where an established and widely accepted methodology exists for measurement, such as those developed by the Partnership for Carbon Accounting Financials (PCAF), reporting entities should be required to measure and disclose emissions, unless they can demonstrate that such emissions are not material to their overall inventory in accordance with the principles of the New Zealand Climate Standards. Emissions from financial activities often represent a significant source of climate-related risk and are being relied upon by users of climate statements to understand an entity's exposure to transition risk. Where robust methodologies are available, the absence of disclosure may reduce transparency and comparability across entities and sectors. Accordingly, exemptions from disclosure should be limited to circumstances where a reporting entity can appropriately demonstrate that the emissions are immaterial or where the outcome will not necessarily be comparable to amounts reported by other entities for a similar type of emissions.
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'? No
12. If not, what should be added or removed, and why? [see Exposure draft – Appendix B, paragraphs B6 and B9] The New Zealand Climate Standards should clearly define financed emissions for the purposes of climate reporting in New Zealand. Derivatives, cash and term deposits, and assets held for sale are all financial assets held by climate reporting entities and could, on a strict interpretation, be considered investment-related financed emissions. However, internationally recognised methodologies, such as the PCAF Standards, permit the exclusion of certain asset

classes where there are no established methodologies. We consider it appropriate for reporting entities to exclude such exposures where those exclusions are consistent with recognised international standards and the reporting entity provides transparent disclosures in accordance with the New Zealand Climate Standards, including the basis for any exclusions applied. The categories referenced in the proposal, including insurance emissions and facilitated emissions, are all forms of emissions associated with the provision of financial services and therefore represent financed emissions in substance. The standards should expressly clarify this position to promote consistency in interpretation and application across reporting entities. A clear definition would reduce the risk of divergence in reporting practices, improve comparability between entities, and provide greater certainty for preparers, assurance practitioners, regulators and users of climate disclosures. Without a clear definition, there is a risk that entities will adopt different approaches to identifying and reporting financed emissions, reducing the usefulness and decision-relevance of climate statements.

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]

    Yes

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)?

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]

    Partially

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

    We support the majority of the proposed amendments; however, we do not support proposed amendment B4. Removing accountability for the completeness of disclosures risks undermining one of the key objectives of climate reporting, namely the provision of transparent, reliable and comparable information to users. Completeness is a fundamental attribute of high-quality climate disclosures and is necessary to enable investors and other stakeholders to make informed economic and investment decisions. Reducing the emphasis on completeness may create greater variability in reporting practices, diminish comparability between entities and industries, and potentially reduce confidence in climate statements. While we acknowledge the objective of reducing reporting burden, this should not come at the expense of providing users with sufficiently complete information to understand an entity's climate-related risks, opportunities and performance. We suggest deleting B4 or amending to state an entity must include disclosure of any immaterial emission source(s) it is excluding from the scope 1, 2, and 3 greenhouse gas metrics as required by 22(a).

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? Partially
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. We generally agree with the XRB's assessment of the expected benefits and costs associated with the proposal. However, we consider that the analysis may understate the costs imposed on users of climate statements. While the proposal may reduce compliance costs for preparers, it may also result in less comprehensive information being available to investors, lenders, regulators and other stakeholders. Where disclosures are reduced or omitted, users may be required to undertake additional analysis to obtain information necessary to understand a reporting entity's climate-related risks and performance, or to compare entities within and across industries. As a result, some reporting burden may effectively be transferred from preparers to users. This reduction in transparency may diminish the ability of users to make informed economic and investment decisions and should be given greater consideration in the assessment of costs and benefits.
23.	Do you have any other feedback on the ED proposals?