## Response

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| Are you responding on behalf of an organisation, or as an individual?<br><br>Organisation |
| The full name of the organisation you are responding on behalf of (f relevant)<br><br>PwC |
| Will you be a climate-reporting entity after the definition is changed through the Financial Markets Amendment Bill?<br><br>No |
| Which of the following best describes your organisation?<br><br>Professional service provider |
| Responding to this survey as:<br><br>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?<br><br>Yes |
| 10. Why or why not?<br><br>Global alignment not only helps preparers who are reporting in multiple jurisdictions but also allows for closer alignment across users and assurance practitioners too. This; • reduces inconsistencies in preparation when applying sustainability standards; • improves the overall quality of reporting disclosures for users; and • provides practical benefits by avoiding the need to prepare multiple reporting outcomes for one data set. |
| 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'?<br><br>Partially |
| 12. If not, what should be added or removed, and why? [see Exposure draft – Appendix B, paragraphs B6 and B9]<br><br>We agree that the proposed list captures the principal types of investment-related emissions identified by the ISSB as not constituting financed emissions. However, we do not consider that a closed list necessarily ensures the same outcome as IFRS S2 paragraph 29A. IFRS S2 permits an entity to limit its Category 15 emissions to financed emissions and therefore permits the exclusion of financial activities that do not give rise to financed emissions. Proposed paragraph B9 instead identifies specific permitted exclusions. This creates a risk that a current or future type of non-financed financial activity may fall outside the listed activities. In particular, "facilitated emissions attributable to capital market issuance activities" may be interpreted more narrowly than facilitated emissions associated with investment banking activities. We recommend that the XRB clarify whether this includes activities such as syndicated loan facilitation or, alternatively, anchor paragraph B9 to an overarching financed-emissions principle consistent with IFRS S2. It would be helpful if the XRB published application guidance to the |

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| | proposed amendment that captures the intentions of the standard setter. Should other emissions sources suitable for this relief arise, but which were not identified at the time of this amendment, relief could be taken by reporting entities under the existing exclusions requirements in NZ CS and ensuring continued alignment with the international standards. We also recommend that the XRB monitor developments in IFRS S2 and relevant emissions measurement standards and update paragraph B9 promptly if other financial activities are identified that do not constitute financed emissions. |
| 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]<br><br>No |
| 14. | If not, what specific wording changes would improve it?<br><br>From our perspective as an assurance provider, the "may exclude" structure is generally understandable. However, its operability would be improved by clarifying the boundaries of the terms "derivatives" and "capital market issuance activities". We recommend requiring an entity applying paragraph B9(a) to explain what it has treated as a derivative. We also recommend clarifying the types of facilitated activities covered by paragraph B9(c). |
| 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)?<br><br>Partially |
| 16. | If not, what additional disclosure(s) would you consider useful for primary users (and why)?<br><br>We agree that paragraph 24(d) substantially addresses the requirement to identify and justify excluded financial activities and that it is not necessary to duplicate IFRS S2 paragraph 29B(b). However, paragraph 24(d) does not expressly require an entity to explain what it has treated as a derivative, as required by IFRS S2 paragraph 29B(a). We recommend including this limited disclosure because the term "derivative" is not defined and different interpretations could reduce 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]<br><br>Partially |
| 18. | If not, why not, and what would you suggest should be included or deleted?<br><br>Paragraphs B4 and B5 we consider particularly helpful to preparers as they clarify how a Climate Reporting Entity (CRE) applies materiality in the context of the NZ CS regime when determining which emissions sources require disclosure. When the underlying measurement standards contain different or additional requirements, this could help to reduce differences in interpretation that may currently exist. For this reason, we support incorporating the staff guidance into NZ CS 1, subject to the following drafting clarifications: • If the XRB intends consideration of alternative estimates and comparable sources to be mandatory, "should consider" in paragraph B7 should be replaced with "must consider". • Paragraph B3 should clarify that exclusion of a material emissions source is not an unrestricted election and that the justification must provide a reasonable and supportable basis for exclusion. • Paragraph B5 should distinguish between the information required to be disclosed under NZ CS 1 and |

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| | compliance with the measurement standard an entity states that it has used. • Notwithstanding our overall support for the proposal, we recommend further clarification of paragraph B4. The XRB should clarify how paragraph B4 applies where an entity concludes that the information resulting from the disclosure of an entire scope under paragraph 22(a) is not material, including how the qualitative materiality considerations in NZ CS 3 should be applied. One consequence of the proposed inclusions is that the CRE may have a number of sources that are immaterial, or in some instances, multiple sources that are immaterial individually and collectively, potentially extending to an entire scope of emissions. Those emissions may be omitted without justification on the basis that the proposed amendment makes clear that they are not necessary for the fair presentation of the climate statements. In the context of paragraph B4, we suggest you consider further; • the definition of an emissions source (whether it extends to an entire Scope), and • the materiality of emissions and how it is applied in the context of the Climate Statement. It would be helpful to have application guidance or practice guidance providing examples of: • circumstances in which it would be appropriate for no disclosure to be made under paragraph 22(a) where the CRE determines that an entire scope of gross emissions is immaterial in the context of the climate statements as a whole; and • how materiality is applied in such circumstances, as it requires a higher level of qualitative consideration and judgement. Due to the level of judgement involved in such circumstances, it may be of value to consider including disclosure requirements in the proposed amendments to NZ CS 1 when exclusions result in entire Scopes of emissions being omitted from the Climate Statement. |
| 19. | Do you agree with the proposed mandatory date of 1 January 2027, with early adoption permitted?<br>Yes |
| 20. | If not, what date would you suggest and why?<br>No further comment, we agree with the proposal. |
| 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?<br>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.<br>We agree that the amendments will overall; • improve the overall quality of reporting disclosures for users by further clarifying the permissibility of not disclosing immaterial information; and • provide practical benefits by not having to prepare or assure unnecessary information. While not directly addressed, we request that the standard setter set expectations for a CRE that relies on paragraphs B7 or B8 to; • make reasonable efforts to improve its data collection processes, estimation methods where possible, so that it seeks to report in line with the disclosure requirements, and • re-evaluate the applicability of these paragraphs in each reporting period. |
| 23. | Do you have any other feedback on the ED proposals?<br>We have no other feedback. |