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1. Primary users have been identified as existing and potential investors, lenders and insurance underwriters. Do you think that all of these users should be included in the primary user category?

We would strongly recommend identifying a wider group of stakeholders as primary users, as there are many other groups who would take an interest in the reported information, due to the impacts.

According to GRI 1: Foundation 2021, Stakeholders and other information users can use the GRI Standards to understand what organizations are expected to report about. Stakeholders are individuals or groups that have interests that are affected or could be affected by an organization's activities. Common categories of stakeholders for organizations are business partners, civil society organizations, consumers, customers, employees and other workers, governments, local communities, non-governmental organizations, shareholders and other investors, suppliers, trade unions, and vulnerable groups. In the GRI Standards, an interest (or 'stake') is something of value to an individual or group, which can be affected by the activities of an organization. Stakeholders can have more than one interest. Not all interests are of equal importance, and they do not all need to be treated equally.

Stakeholders may not always have a direct relationship with the organization. For example, the workers in the organization's supply chain can also be its stakeholders, or there can be individuals or groups living at a distance from the organization's operations who can be affected or potentially affected by these operations. They may not be aware that they are stakeholders of that particular organization, especially if they have not yet been affected by its activities. The organization should identify the interests of these and other stakeholders who are unable to articulate their views (e.g., future generations).

2. Do you think the proposed Governance section of NZ CS 1 meets primary user needs?

GRI welcomes the decision to include the TCFD's four thematic areas in its disclosure regime. Providing information on Governance Disclosures gives insight into the organization's profile and scale and help in providing a context for understanding an organization's impacts. Understanding an organization's context is a crucial factor in identifying and assessing the significance of its impacts.

Furthermore, aligning with themes already proposed by the TCFD will prevent further fragmentation than would have maybe happened if a different set of themes was identified.

We would however recommend going further however than the recommendations of the TCFD and aligning with the Disclosures 2-9 through to 2-21 from GRI 2: General Disclosures 2021, which concern Governance, and provide a more comprehensive overview than the information to be disclosed in the New Zealand climate proposal.

Governance disclosures provide insight into structure, composition, rules and renumeration, providing context for information users to understand impacts. This information is crucial in understanding how companies are managing impacts, how this management is integrated in the strategy and operations, and how well-equipped governance bodies are to oversee management of impacts. Having access to comprehensive information on this facilitates well informed decision making for stakeholders.

Our efforts are focused on ensuring that the reporting process for companies is straightforward, while encouraging effective and comprehensive sustainability disclosure (inclusive of ESG - environmental, social and governance), which is needed to enable responsible business practices and contribute towards a more sustainable world.

A 2019 study, Driving Alignment in Climate-related Reporting, conducted by the Corporate Reporting Dialogue (CRD) concluded that the GRI standards are very well aligned with the TCFD recommendations, alongside other Standards and frameworks. The CRD platform was launched in 2014 to promote greater coherence, consistency and comparability between frameworks, standards and related requirements. The participants in the CRD were: CDP, CDSB, Financial Accounting Standards Board *(observer),* GRI, International Accounting Standards Board, IIRC, International Organization for Standardization, and SASB.

We believe that companies are best positioned to produce quality and comparable reporting when there is clear guidance for them on which existing frameworks and standards can be used to complement each other.

In light of the above, our recommendation is to either extend the required governance disclosures to align with those in GRI 2, or to include specific guidance for companies, that includes references to existing reporting Standards and reporting frameworks (such as GRI), to ensure consistency, complementarity, and comparability. This would not only improve the comparability and quality of information available for primary users, but would also improve clarity for reporting organizations.

3. Do you think the proposed Risk Management section of NZ CS 1 meets user needs?

GRI commends inclusion of the 'value chain' in the elements that are part of the risk management assessment, as this offers a far wider scope than that of identifying and assessing climate-related risks solely in the supply chain. This is also in line with the most recent recommendations of the TCFD in their document *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures,* published in October 2021.

The GRI Standards also place a similar emphasis on due diligence processes and the value chain. Organizations are asked to report not only on impacts they cause directly, but also those they contribute to, or are linked to via business relationships, such as with suppliers or customers.

Extending a materiality assessment to include the value chain helps an organization to understand where its biggest impacts occur, regardless of whether those impacts are within its direct control. The expectation is that organizations have a responsibility not only for impacts they cause directly, but also for impacts they contribute to or that are directly linked to them through their business relationships – for example, with suppliers or customers. These concepts are covered in the UN 'Guiding Principles on Business and Human Rights' and the OECD Guidelines for Multinational Enterprises.

Furthermore, we support the requirement that there be an assessment of the short, medium, and long term horizons, all of which should be taken into account, and the landscape of financial and nonfinancial issues is constantly evolving. Furthermore, there are challenges in predicting certain unexpected risks and impacts, such as extreme rainfall or wildfires. In addition, impact can also be influenced by whether a risk is reversible or irreversible, and the very nature of these issues can evolve over time.

4. The XRB has primarily drawn from the TCFD's definitions for its defined terms. Do you agree that we should align closely with the TCFD's definitions?

GRI strongly supports mandatory disclosure requirements for reporting information on Climate-related Disclosures. In many countries, early voluntary efforts by companies to report on their sustainability performance have been followed by introducing regulatory mandated disclosure requirements. We believe that the TCFD and Paris Accord provide guidance as to what should be disclosed. A 2019 study conducted by the Corporate Reporting Dialogue, which explored alignment between the TCFD recommendations and various frameworks concluded that the GRI standards are very well aligned with the TCFD recommendations. Overall, 80% of the TCFD's 50 illustrative metrics are fully or reasonably covered by CDP, GRI and SASB indicators. In development of the EU Corporate Sustainability Reporting Directive (CSRD) which is currently being developed, the EU is also working to incorporate the recommendations of the TFCD.

Furthermore, just recently the UK government has confirmed that large UK-registered companies must disclosure climate-related financial data from April 2022, which is in line with the TCFD recommendations. Ensuring alignment in disclosure requirements will enable consistent and comparable reporting, positioning companies in New Zealand to respond to current and emerging potential regulatory requirements such as European developments and the enterprise value reporting plans by the IFRS Foundation.

GRI strongly supports global applicability of ESG reporting requirements, and for the various frameworks and Standards to be used in a complimentary manner. A globalized and complimentary system will unlock the value of the information by easing comparability and analysis while minimizing reporting burden. Given the broad adoption of the GRI Standards by issuers, policy makers and regulators worldwide, such global system should build on the GRI Standards.

5. The XRB is particularly interested in feedback on the following defined terms as they are currently proposed: 'climate-related risk', 'climate-related opportunities', 'climate-related issues', 'physical risk', and 'transition risk'.

We believe that reference should be made beyond just 'climate-related risks' and should also be extended to 'climate-related opportunities', to be in line with the recommendations of the TFCD.

The impacts of sustainability risks, often referred to as 'non-financial risks' can be challenging to quantify and measure. Potentially significant risks cannot easily be differentiated between those that do and those that don't affect enterprise value and estimating financial consequences of sustainability impacts is challenging and can lead to undesirable changes in behavior. Sometimes there is a need to report on topics not yet requested by stakeholders for risk and impact management purposes. Mandating an extremely specific and narrow set of disclosures may further the difficulties of reporting on newly emerging risks, potentially impacting the usefulness of these disclosures.

Furthermore, there is no identifiable point at which an issue facing the world suddenly transforms from a "systemic" risk to society or the environment to a financially material risk to the individual entity.

6. Do you have any other views on the defined terms as they are currently proposed?

GRI believes that it is important for companies to report their impacts based on the concept of double materiality. Providing investors and other stakeholders, with clear and comparable information about its impacts on the world, as well as on how those impacts can influence a company's financial health/performance and long-term enterprise value creation.

We would propose extending disclosure requirements beyond those currently proposed to also include 'impact'. According to [GRI 3: Material Topics 2021](), the organization identifies its actual and potential impacts on the economy, environment, and people, including impacts on their human rights, across the organization's activities and business relationships.

Actual impacts are those that have already occurred, and potential impacts are those that could occur but have not yet occurred. These impacts include negative and positive impacts, short-term and long-term impacts, intended and unintended impacts, and reversible and irreversible impacts. To identify its impacts, the organization can use information from diverse sources.

The combination of the severity and the likelihood of a negative impact can be referred to as 'risk'. The assessment of the significance of the impacts can be included within broader enterprise risk management systems, provided that these systems assess the impacts the organization has on the economy, the environment, and people, in addition to assessing risks for the organization itself.

We have concerns with this approach being focused solely on risk, and we caution of the unintended outcome this might have on the scope of information that will be disclosed.

There is no identifiable point at which an issue facing the world suddenly transforms from a "systemic" risk to society or the environment to a financially material risk to the individual entity. Companies should disclose their impacts on people, economy and the environment. If not already financially material at the time of reporting, these impacts are important to society and in many cases represent leading indicators of financially material issues over time.

Even within one industry, registrants may not be involved in exactly the same scope of economic activities or local context. This is why disclosure should be principle-based and determined by the reporter, who is best positioned to assess what information is meaningful to stakeholders. The impacts of an organization's activities and business relationships on the economy, environment, and people can have negative and positive consequences for the organization itself. These consequences can be operational or reputational, and therefore in many cases financial.

For example, an organization's high use of non-renewable energy contributes to climate change and could, at the same time, result in increased operating costs for the organization due to legislation that seeks to shift energy use toward renewable sources. Even if not financially material at the time of reporting, most, if not all, of the impacts of an organization's activities and business relationships on the economy, environment, and people will eventually become financially material issues.

The impacts are therefore also important for those interested in the financial performance and long-term success of the organization. Understanding these impacts is a necessary first step in determining related financially material issues for the organization.

7. The XRB is currently of the view that adoption provisions for some of the specific disclosures in NZ CS 1 will be required. However, the XRB does not believe it is necessary to provide any adoption provisions for entities in relation to the Governance and Risk Management disclosures. Do you agree with this view? Why or why not?

8. The XRB currently intends NZ CS 1 to be concise and sector neutral, with sector specific requirements to be contained in guidance. Do you agree with this approach?

Sustainability reporting enables an organization to publicly disclose its most significant impacts and how it manages these impacts. However, reporting by individual organizations has been inconsistent in addressing a sector's key challenges and impacts. Possible reasons for this include for example, lack of clarity on a sector's most significant impacts and inconsistent application of the principles for defining report content in the existing GRI 1: Foundation 2021.

While prescribing a mandatory core set of disclosures can have the potential to improve comparability, this must be balanced by careful consideration of the relevance of what a company discloses. Rather than a 'tick-box' exercise, companies must identify relevant disclosures through a robust multistakeholder materiality assessment. By applying a single core set of ESG metrics that is universally applicable to all organizations regardless of their size, location or sector, they might lose the nuances that inform the reporting process and subsequent business decisions. It furthermore can camouflage the most significant impacts, positive or negative, to sustainable development.

At present, there is no comprehensive globally applicable framework based on an inclusive consensus on which sustainability impacts are material for specific types of companies, industries, or contexts. Practice shows that companies operating in the same industry identify largely overlapping sustainability issues for their reports, but not exactly the same issues are seen as material, particularly when they are operating within different contexts.

The GSSB initiated the GRI Sector Program in 2019 to identify topics and disclosures that are specific to certain sectors. The Sector Standards will identify and describe one or more sectors' most significant impacts from a sustainable development perspective, and will describe the sustainability context for a sector. They are intended to focus sustainability reporting on the impacts that matter most, as well as reflect stakeholder expectations for a sector's sustainability reporting.

GRI has defined 4 sector clusters of priority, based on both footprint and impact:

- Oil and gas- Launched on 5 October 2021
- Mining – Recruitment of the Mining Working Group is underway, public comment period expected in Q4 2022
- Coal- Public consultation closed on 30 July 2021, expected release in Q1 2022
- Agriculture, Aquaculture and Fishing – Expected release in Q1 202The Sector Standards will clarify the reporting that is expected of organizations in a given sector and assist them in identifying material topics and what to report for each material topic.

Therefore, we very much welcome the inclusion of sector specific requirements to be contained within the guidance.

9. Do you have any other comments?

In view of the above comments, we commend you on the initiatives set up in the proposals and invite you to continue the work as envisaged through the proposals in the NZ Climate Standard Consultation paper, to enhance the quality and quantity of ESG reporting.

We recommend extending the disclosure requirements beyond risk, issue and opportunity to also refer to 'impact', and to implement the notion of double materiality, and treat sustainability and financial reporting with equal rigour, considering they are interconnected. Companies should first assess their environmental/climate risks and impacts, and only then should they assess the financial risks and impacts.

We look forward to hearing how this initiative progresses. Needless to say, that GRI remains available to provide any input or expertise you may need regarding the next iteration of this initiative, and we hope to continue our conversations with you on the broader field of sustainability reporting. We look forward to further discussing our feedback, and the ideas proposed through the online Consultation.