

# Staff guidance

## Excluding GHG emissions sources

Considerations for preparers



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## 1. Purpose of this guidance

This guidance is part of a series developed by External Reporting Board (XRB) staff to support greenhouse gas (**GHG**) emissions disclosures in accordance with Aotearoa New Zealand Climate Standards (**NZ CS**) and related assurance requirements.<sup>1</sup> It explains key GHG emissions accounting concepts and aims to clarify areas where interpretation may vary as practice evolves.

This document is to help preparers consider factors that may be relevant when making judgements around excluding GHG emissions sources.

### 1.1 Background to requirement in NZ CS to disclose exclusions of GHG emissions sources

When NZ CS were developed, some GHG emission sources could not be measured, and new methods were continuing to emerge. For example, the Partnership for Carbon Accounting Financials (**PCAF**)<sup>2</sup> insurance-associated emissions standard was issued in November 2022, and the facilitated emissions standard followed in December 2023.

NZ CS include a requirement to disclose GHG sources that are excluded, along with the justification for the exclusion. This allows flexibility in response to continuing evolutions in measurement approaches and standards, provided exclusions are transparently justified.

## 2. NZ CS requirements

### 2.1 NZ CS disclosure requirements

NZ CS require an entity to:

- apply materiality judgements<sup>3</sup>
- disclose scope 1, 2 and 3 GHG emissions<sup>4</sup>
- disclose a summary of any specific exclusions of sources, including facilities, operations or assets with a justification for their exclusion<sup>5</sup>
- fairly present disclosures.<sup>6</sup>

The Financial Markets Conduct Act (**FMCA**) requires an entity to obtain assurance over GHG emissions disclosures. NZ CS clarify the scope of the assurance engagement.<sup>7</sup>

### 2.2 Materiality judgements are pervasive

The need for judgements about materiality is pervasive in the preparation and presentation of all disclosure requirements in NZ CS.

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions primary users make on the basis of an entity’s climate-related disclosures.”<sup>8</sup>

If an entity determines that a GHG emissions source is material based on its own specific facts and circumstances, it must disclose information about it (i.e. the GHG emissions or the justification for the exclusion).

<sup>1</sup> NZ SAE 1 [Assurance Engagements over Greenhouse Gas Emissions Disclosures](#)

<sup>2</sup> [Partnership for Carbon Accounting Financials](#)

<sup>3</sup> NZ CS 3 General Requirements for Climate-related Disclosures, [paragraphs 27-39](#)

<sup>4</sup> NZ CS 1 Climate-related Disclosures, [paragraph 22\(a\)](#)

<sup>5</sup> NZ CS 1 Climate-related Disclosures, [paragraph 24\(d\)](#)

<sup>6</sup> NZ CS 3 General Requirements for Climate-related Disclosures, [paragraphs 6-9](#)

<sup>7</sup> NZ CS 1 Climate-related Disclosures, [paragraphs 25-26](#)

<sup>8</sup> NZ CS 3 General Requirements for Climate-related Disclosures, [paragraph 28](#)



However, if the entity determines the emission source is not material, it is not required to disclose the exclusion nor a justification for the exclusion of the immaterial source.<sup>9</sup> It is important to keep proper records of these judgements, see section 4. *Keep proper records*.

## 2.3 Excluding GHG emissions sources under NZ CS is permitted

Disclosures under NZ CS only have to comply with NZ CS disclosure requirements regardless of the disclosure requirements contained in any measurement standard the entity uses.

This means that exclusions under NZ CS are permitted regardless of what is required by the chosen measurement standard (noting that many standards, for example GHG Protocol,<sup>10</sup> ISO,<sup>11</sup> and PCAF require disclosure of immaterial exclusions).

## 2.4 Disclosure of exclusions supports completeness

The presentation principle of completeness<sup>12</sup> supports fair presentation by ensuring that all relevant information is disclosed. This includes the explicit disclosure of exclusions, which helps clarify the boundaries of what is not included in scope 1, 2 and 3 GHG emissions disclosures.

# 3. Justify exclusions

NZ CS allow exclusions of material GHG emissions sources, but these must be justified and clearly disclosed. Two factors that may influence such decisions are a lack of data and the absence of applicable methods.

An entity must apply its judgement to its own specific facts and circumstances when determining whether to exclude certain material sources of GHG emissions. See also sections 4. *Keep proper records* and 5. *Disclose exclusions and provide supporting information*.

## 3.1 Data is unavailable and no reasonable estimate can be made

In some cases, an entity may be unable to estimate GHG emissions from a particular source due to insufficient data. Before excluding these emissions, the entity should consider whether alternative estimation methods are available. For example, could a spend-based emission factor be used instead? Similarly, if data is unavailable for a specific country or operation, the entity should consider whether a comparable country or operation could provide a reasonable basis for estimation.

## 3.2 There is no applicable method for quantification

There may be situations where there is no applicable method to quantify GHG emissions from a particular source. For example, PCAF allows exclusions for asset classes for which it has not yet developed a measurement standard. An entity could decide to exclude these GHG emissions, or the entity may consider developing its own estimation method, provided it is reasonable, transparent, and well documented.

<sup>9</sup> NZ CS 3 General Requirements for Climate-related disclosures, [paragraph 31](#)

<sup>10</sup> [GHG Protocol](#) Corporate Standard and Scope 3 Value Chain Standard

<sup>11</sup> [ISO 14064-1:2018](#) Greenhouse gases Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals

<sup>12</sup> NZ CS 3 General Requirements for Climate-related Disclosures, [Table 2](#)



## 4. Keep proper records

An entity should keep records of its decisions to ensure its legal obligations have been met.<sup>13</sup> Assurance practitioners or the Financial Markets Authority may request these records as evidence to understand and validate disclosures (or non-disclosure).

### 4.1 Records about materiality judgements

An entity should document its decisions and judgements, including GHG emission sources that are not considered material in the context of NZ CS and are therefore not disclosed. The documentation should clearly explain the rationale for each immaterial exclusion, with reference to the considerations that informed the decision. For example, an entity may maintain a record of GHG emission sources identified during any screening analysis that were assessed as immaterial to primary users and excluded from measurement.

### 4.2 Records that support exclusions and justifications in climate statements

Entities should also document any material GHG emission sources that have been excluded from measurement and disclosure, along with supporting records for the justification for each exclusion. The documentation should include (if relevant):

- efforts to obtain data or develop methods, including any limitations encountered, or any other specific factors considered and how they apply to the entity's own facts and circumstances
- plans for future inclusion, such as improved data availability or methodology development.

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<sup>13</sup> Refer to the Financial Markets Authority's [Guidance for Keeping proper Climate-related Disclosure Records](#).

## 5. Disclose exclusions and provide supporting information

The requirement to disclose exclusions of GHG emissions sources applies to an entity's scope 1, 2 and 3 GHG emissions. This disclosure should include a clear summary of the excluded sources and a justification for each exclusion. The justification should reference the relevant factors considered, for example, lack of data, or absence of applicable methods.

When making the disclosures an entity should consider fair presentation and materiality. If relevant, an entity may wish to provide additional context to support transparent disclosure, such as:

- Efforts to obtain data or develop methods, including any limitations encountered or any other specific factors considered.
- Plans for future inclusion, such as improved data availability or methodology development.

We welcome feedback, email us at [climate@xrb.govt.nz](mailto:climate@xrb.govt.nz).

**EXRB** | Te Kāwai Ārahi Pūrongo Mōwaho  
EXTERNAL REPORTING BOARD

Level 6, 154 Featherston Wellington  
PO Box 11250 Manners St Central  
Wellington 6011 New Zealand

[www.xrb.govt.nz](http://www.xrb.govt.nz)