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To: External Reporting Board (XRB)

Email: sustainability@xrb.govt.nz

Genesis supports the draft climate reporting roadmap

Genesis Energy Limited (**Genesis**) welcomes the opportunity to comment on the External Reporting Board's (XRB) *Draft climate reporting roadmap* consultation document. Genesis, as a Climate Reporting Entity (CRE), supports the draft climate reporting roadmap, including the proposed transition pathway to NZ IFRS S2. Please find below our responses to specific consultation questions.

Yours sincerely,

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XRB Draft Climate Reporting Roadmap – Consultation Questions

Question	Genesis comment
1. Do you support the strategic direction for climate reporting set out in the draft climate reporting roadmap?	Yes. Genesis welcomes the proposed move to an internationally aligned climate reporting standard. While Genesis does not face the same challenges as some entities operating across multiple jurisdictions, we see clear value in aligning New Zealand's climate reporting requirements with international standards. Greater alignment should improve international comparability and support other reporting requirements, such as CDP. We recognise that IFRS S2 is generally more prescriptive than the current principles-based NZ CS framework, which may reduce some flexibility and introduce additional requirements. However, we consider these matters can be worked through as part of implementation and do not detract from our support for the overall strategic direction.
2. Do you have any further information you consider relevant to our consideration of the benefits and costs of the draft roadmap?	We do not have anything further to add at this stage. We consider that the transition timeline proposed in the draft roadmap provides entities with sufficient flexibility to assess the implications of NZ IFRS S2 and transition at a pace that is appropriate to their circumstances.
3. (a) From a primary user perspective, would adopting IFRS S2 improve the climate information you rely on for your decision making? (b) From a primary user perspective, which disclosures matter most to you?	Not applicable – Genesis is not a primary user of climate-related disclosures.
4. From a CRE perspective, should any of the IFRS S2 requirements (or incorporated climate-relevant portions of IFRS S1) be removed or changed?	Genesis supports the proposed move to NZ IFRS S2 and expects to consider early adoption. However, we have not yet completed a sufficiently detailed assessment of IFRS S2 and the climate-relevant requirements of IFRS S1 to identify all requirements that we consider should be removed or changed. We will need to work through the detailed requirements and implementation implications before determining the appropriate timing for Genesis to transition. We note XRB intends to consult on an Exposure Draft of IFRS S2 in Q2 2027. Based on our review to date, there are some areas where we consider the practical implications warrant further consideration. One area that warrants further consideration is the application guidance relating to scenario analysis. The XRB comparison document indicates that the requirements and related considerations may result in a more quantitative

	approach to scenario analysis than is currently required under NZ CS. This could require significant additional resource and cost. Similarly, IFRS S2 requires the climate resilience assessment to be updated annually. Genesis does not currently undertake resilience testing annually, and we consider there may be limited benefit in repeating the assessment where there have been no fundamental changes to the business, its risks or the scenarios used. One area where the IFRS S2 approach may provide a benefit is the quantification of anticipated financial effects. Genesis has not yet finalised its approach to disclosing the anticipated financial impacts of its climate-related risks and opportunities under NZ CS. A particular challenge is that NZ CS requires anticipated financial impacts to be considered before an entity's planned response to climate change. Genesis has already begun transitioning its business model in response to climate-related risks and opportunities, making it difficult to determine the appropriate counterfactual — that is, what Genesis's business model and financial position would look like if those planned responses were excluded. IFRS S1/S2 instead considers anticipated financial effects after taking into account an entity's planned response. This may provide a more practical basis for quantification and alleviate some of the challenges we have encountered in applying the NZ CS requirement. Overall, we need to work through the detailed requirements to assess the benefits of areas such as this against the additional complexity and effort that may arise from the more prescriptive requirements of IFRS S2.
5. What are your views on the Australian harmonisation options for industry-based disclosures?	We would support Option 2 or Option 3. Genesis already considers the industry-based guidance, but we would not support making its application compulsory. We consider that entities should focus on disclosing metrics that are relevant to the material climate-related risks and opportunities identified for their business. For example, a metric such as water withdrawals may be relevant to some industries and jurisdictions but is not currently relevant to the material climate-related risks and opportunities identified by Genesis. Genesis operates in New Zealand, where water stress has not been identified as a material climate-related risk to the business. While such information may still be appropriate for broader ESG or sustainability reporting, we consider that metrics included in the climate statement should link directly to the material climate-related risks and opportunities identified and used to manage them, consistent with the current NZ CS approach.

6. With regard to Australian harmonisation, what are your views on how we should approach scenario analysis?	We see benefits in the more flexible approach to scenario analysis under IFRS S2, which allows an entity to determine the number and nature of scenarios appropriate to its circumstances rather than prescribing a minimum number. This enables entities to focus their effort on scenarios that are relevant, plausible and sufficiently challenging for their business. There is also a trade-off between the number of scenarios analysed and the complexity and effort involved, particularly where scenario analysis is used to support the quantification of anticipated financial impacts. We also question whether specific temperature outcomes should be prescribed over the longer term. As the global transition and physical climate outcomes evolve, requiring fixed temperature outcomes could create tension with the objective of developing scenarios that are both plausible and challenging. For example, over time it may become increasingly difficult to construct a 1.5°C scenario using assumptions that remain plausible, while the plausibility and relevance of a scenario resulting in warming of 3°C or more may also change. We also recognise the value of ensuring scenario analysis considers a sufficiently diverse range of climate outcomes and of maintaining a connection with New Zealand's commitments under the Paris Agreement. An approach that provides entities with flexibility over the number and temperature outcomes of scenarios, while requiring them to explain why the scenarios selected are appropriate for testing the resilience of their business model and strategy, may provide a better balance between decision-useful analysis, comparability and proportionality.
7. Are any changes or additions needed to NZ IFRS S2 to fit with New Zealand's reporting practice and market context?	We support retaining the GHG emissions intensity metric where it is meaningful and relevant to the entity's business. However, its usefulness will vary between entities, and it may not provide meaningful information in all circumstances. Consideration could therefore be given to requiring the metric where an entity has a significant carbon footprint or where the metric is relevant to how the entity manages its climate-related risks and opportunities. Annual resilience testing is another area where we consider there should be greater flexibility. An entity should assess whether its resilience assessment needs to be refreshed, but it should not necessarily be required to undertake a full assessment every year where there have been no significant changes to the organisation, its climate-related risks and opportunities, or the scenarios used. Genesis has established a policy to formalise its approach in this area. We consider it is important that the standard does not prescribe a set of activities that must be undertaken every year regardless of whether

	circumstances have changed, as this could result in a compliance-focused exercise rather than meaningful reassessment of resilience.
8. Do you support the proposed implementation timeline?	Yes. We support the proposed implementation timeline. Providing for early adoption allows entities that see benefits from international alignment to transition sooner, while the extended mandatory implementation date gives other entities sufficient time to understand and prepare for the new requirements. Genesis expects to consider early adoption, although we will first need to complete a detailed assessment of the requirements and implementation implications before determining the appropriate timing.