



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Sustainability Reporting Board

MEETING PACK

for

SRB Meeting - 13 Oct 2026 (Public papers)

Tuesday, 13 October 2026

12:26 pm (NZDT)

Held at:

XRB Boardroom

Level 6, 154 Featherston Street, Wellington

INDEX

Cover Page

Index

Agenda

Attached Documents:

5.2 a	Documents open for comment.docx.....	6
5.2 b	Draft SRB submission EFRAG ESRS-40a Exposure draft.docx.....	14
6.1 a	Outreach activities.docx.....	18
6.1 b	Verbal feedback from outreach activities.docx.....	22
6.1 c	Decision making framework memo.docx.....	39
6.1 d	Decision making framework.docx.....	40
6.1 e	Application of Decision making framework.docx.....	48
6.1 f	Decision making framework - Marked-up.pdf.....	63
6.1 g	Standard architecture naming convention.docx.....	70
7.1 a	Memo SRB on NZ CS 1 amendments consultation analysis_202610.docx.....	76
7.1 b	Memo SRB approval amending standard and other process documents _202610.docx....	104
7.1 c	01-RS-Act-Assessment_NZ-CS-1-amendments_2026.docx.....	108
7.1 d	Amending-standard_Amendments-to-NZ-CS-1_2026.docx.....	126
7.1 e	02-Certificate-signing-memorandum_NZ-CS-1-amendments_2026.docx.....	136
7.1 f	03-Certificate-of-determination-incl-approval-certificate_NZ-CS-1-amendments_2026.docx....	140
7.1 g	04-Memo-from-technical-board-chair-to-CE_NZ-CS-1-amendments_2026.docx.....	142
7.1 h	05.0-CAS_NZ-CS-1-amendments_2026.docx.....	143
8.1 a	International monitoring.pdf.....	144
8.2 a	Communication register.pdf.....	160

AGENDA

SRB MEETING - 13 OCT 2026 (PUBLIC PAPERS)



Name:	Sustainability Reporting Board
Date:	Tuesday, 13 October 2026
Time:	12:26 pm to 4:57 pm (NZDT)
Location:	XRB Boardroom, Level 6, 154 Featherston Street, Wellington
Committee Members:	Becky Lloyd (Committee Chair), Alec Tang, Carolyn Mortland, Jackie Cheyne, Mathew Nelson, Molly Stern, Wayne Panapa
Attendees:	Dr Amelia Sharman, Geoff Connor, Judy Ryan, Lisa Kelsey, Rikki Owen, Michael van Zijl, Wendy Venter

1. Private agenda item

2. Private agenda item

3. Private agenda item

4. Private agenda item

5. Updates (public)

5.1 Chair and Board members' environmental update, including Australia 12:26 pm (30 min)

Becky Lloyd

For Discussion

Board environmental scan highlighting key matters, current issues and emerging trends relevant for SRB.

5.2 Documents open for comment 12:56 pm (20 min)

Judy Ryan, Michael van Zijl

For Decision

Supporting Documents:

5.2.a	Documents open for comment.docx	6
5.2.b	Draft SRB submission EFRAG ESRS-40a Exposure draft.docx	14

6. Climate reporting roadmap (public)

6.1 Climate reporting roadmap 1:16 pm (120 min)

Dr Amelia Sharman, Lisa Kelsey

For Discussion

Including a verbal update about the written feedback received.

Supporting Documents:

6.1.a	Outreach activities.docx	18
6.1.b	Verbal feedback from outreach activities.docx	22
6.1.c	Decision making framework memo.docx	39
6.1.d	Decision making framework.docx	40
6.1.e	Application of Decision making framework.docx	48
6.1.f	Decision making framework - Marked-up.pdf	63
6.1.g	Standard architecture naming convention.docx	70

6.2 AFTERNOON TEA

3:16 pm (20 min)

7. Amending standard for NZ CS 1 GHG emissions (public)

7.1 Approval

3:36 pm (60 min)

Judy Ryan

For Decision

Supporting Documents:

7.1.a	Memo SRB on NZ CS 1 amendments consultation analysis_202610.docx	76
7.1.b	Memo SRB approval amending standard and other process documents _202610.docx	104
7.1.c	01-RS-Act-Assessment_NZ-CS-1-amendments_2026.docx	108
7.1.d	Amending-standard_Amendments-to-NZ-CS-1_2026.docx	126
7.1.e	02-Certificate-signing-memorandum_NZ-CS-1-amendments_2026.docx	136
7.1.f	03-Certificate-of-determination-incl-approval-certificate_NZ-CS-1-amendments_2026.docx	140
7.1.g	04-Memo-from-technical-board-chair-to-CE_NZ-CS-1-amendments_2026.docx	142
7.1.h	05.0-CAS_NZ-CS-1-amendments_2026.docx	143

8. Noting papers (public)

8.1 International monitoring

4:36 pm (15 min)

Lisa Kelsey

For Noting

Including the GHG Protocol and ISSB Nature-related Disclosures.

Supporting Documents:

8.1.a	International monitoring.pdf	144
-------	------------------------------	-----

8.2 Communication Register

4:51 pm (1 min)

Becky Lloyd

For Noting

Supporting Documents:

8.2.a Communication register.pdf

160

9. Close & karakia

9.1 Close & karakia

4:52 pm (5 min)

9.2 Next meeting

Next meeting: SRB Meeting - 4 Nov 2026 - 4 Nov 2026, 1:00 pm

Memorandum

To: SRB Members

Meeting date: 13 October 2026

Subject: **Documents open for comment**

Date: 2 October 2026

Prepared by: Judy Ryan and Michael van Zijl

Through: Amelia Sharman

☒ **Action Required**

☐ **For Information Purposes Only**

Purpose

1. The purpose of this paper is to:
 - (a) INFORM the Board about documents currently open (or forthcoming) for comment
 - (b) CONFIRM which documents the Board will comment on and, where relevant, provide feedback on our proposed approach for developing submissions.

Recommendations

2. That the Board:
 - (a) AGREES NOT TO COMMENT on the Stewardship Code consultation.
 - (b) APPROVE the draft submission letter on the European Sustainability Reporting Standards for Certain Non-EU Undertakings (ESRS-40a) Exposure Draft, subject to any changes raised by the Board at this meeting being incorporated by staff.

OR

If the Board does not wish to approve the draft submission letter subject to the above condition, AGREE to delegate authority to the Chair to finalise the draft submission letter with staff and approve its submission by 31 October 2026.

 - (c) PROVIDE ANY COMMENTS on the proposed targeted amendments to the IFRS Foundation Constitution consultation.

Domestic

3. The Aotearoa New Zealand Stewardship Code is undertaking a targeted review following four years of operation. The review is intended to clarify and streamline reporting expectations, address areas of ambiguity or duplication, consider whether additional guidance and examples would support implementation, and maintain alignment with leading international stewardship frameworks. It is not intended to introduce new standalone principles, substantially expand reporting requirements or redesign the Code's core principles-based architecture.

4. A [proposed revised Code is now open for public consultation](#), with submissions closing at 5.00pm on 30 October 2026. Given the targeted nature of the review and other priorities currently requiring staff and Board attention, staff do not recommend that the XRB respond to this consultation.

Question for the Board

Q1. Does the Board AGREE NOT TO COMMENT on the Stewardship Code consultation?

International

5. Table 1 identifies relevant documents issued by international standard-setting bodies that are currently open for comment.

Table 1: International documents open for comment

Document	Organisation	International due date	Comments on the Board's response
ESRS-40a Exposure Draft	EFRAG	31 October 2026	At the meeting on 3 August, the Board agreed to comment on this document. The proposal and draft feedback are explained in the section below titled ' <i>European Sustainability Reporting Standards for Certain Non-EU Undertakings (ESRS-40a)</i> '. A draft submission letter is also attached to this memorandum for the SRB's consideration and approval.
Proposed targeted amendments to the IFRS Foundation Constitution	IFRS Foundation	16 November 2026	Staff will work collaboratively across accounting and sustainability to inform a response that will be submitted by the XRB Chief Executive. See section below for further information on the amendments.

6. Table 2 identifies relevant forthcoming documents that will be issued by international standard-setting bodies.

Table 2: Forthcoming international documents open for comment

Document	Organisation	Expected release date	Comments on the Board's response
Nature-related practice statement	ISSB ¹	H2 2026	We expect to respond to this consultation (resource permitting)
Corporate Standard (including scope 1, 2, 3 and market instruments)	GHG Protocol	Q2 2027	We expect to respond to this consultation (resource permitting)

¹ This memo refers to the work of the International Accounting Standards Board (IASB), International Sustainability Standards Board (ISSB), International Public Sector Accounting Standards Board (IPSASB) and uses registered trademarks, for example, IFRS® Sustainability Disclosure Standards, ISSB® papers and IPSASB SRS™.

European Sustainability Reporting Standards for Certain Non-EU Undertakings (ESRS-40a)

7. On 23 July 2026, EFRAG issued the [European Sustainability Reporting Standards for Certain Non-EU Undertakings \(ESRS-40a\)](#) Exposure Draft (**ED**). ESRS-40a was previously referred to as ESRS for Third-Country Undertakings (**ESRS-TC**) and ESRS for Non-EU Groups (**N-ESRS**). The public consultation on the ESRS-40a Exposure Draft closes on 31 October 2026.
8. If adopted, non-EU headquartered undertaking will be required to publish ESRS-40a sustainability reports for financial years commencing on or after 1 January 2028 if they:
 - (a) generate more than €450 million net turnover in the EU during each of the last two consecutive financial years; and
 - (b) either have an EU branch or one or more EU subsidiaries that generated more than €200 million of net turnover in the preceding financial year.
9. Following the consultation closing on 31 October 2026, EFRAG expects to submit its final technical advice to the European Commission in January 2027. The European Commission would then go through its own consultation process before potential full adoption in mid-2027.
10. ESRS-40a reports will be subject to external sustainability assurance requirements.
11. EFRAG has undertaken jurisdictional workshops and a field test to gather practical feedback on the ESRS-40a ED. The field test allowed participating companies to test selected requirements or the full ED, identify implementation challenges and suggest improvements.

A small number of New Zealand entities are expected to be in scope

12. We understand that the following New Zealand entities are likely to be in scope of ESRS-40a: Fonterra, Zespri and Mainfreight. Both Fonterra and Mainfreight are climate reporting entities.

Key design proposals

Impact-only reporting

13. The ESRS-40a ED was developed by starting with the full ESRS standards and uses the same 12-standard structure comprising a *General Requirement* standard, a *General Disclosures* standard and 10 topic-specific standards.
14. However, ESRS-40a applies impact materiality and focuses on disclosure of sustainability impacts only. All requirements in the full ESRS relating to risks, opportunities, resilience and dependencies have been removed or amended. The intended users are investors, lenders and other creditors, as well as business partners, social partners, civil society and non-governmental organisations.

Global reporting remains the starting point but flexibility provided

15. The reporting obligation is triggered by a qualifying EU subsidiary or branch. However, the sustainability information is reported at the level of the ultimate non-EU parent undertaking. As a result, the reporting boundary is generally the non-EU parent group as a whole, including its own operations and upstream and downstream value chain, rather than being limited to the EU subsidiary or branch that brings the group into scope. However, this can be modified by the “Mixed approach” detailed below.

Optional mixed approach

16. For topics other than climate change, an entity may limit reporting to “EU-related impacts” where these can be meaningfully distinguished and the information remains faithfully representative. Climate-related impacts must be reported globally.
17. EU-related impacts include both:
 - (a) impacts associated with products and services sold or provided in the EU market
 - (b) impacts associated with the entity's activities in the EU.
18. In both cases, the reporting boundary extends into the upstream and downstream value chain. Consequently, impacts occurring outside the EU may still fall within the reporting boundary where they are linked to products sold in the EU or to the entity's EU operations. Entities would need to explain the level, methodology and parameters used to apply the approach.
19. The EFRAG Sustainability Reporting Board approved the ED for consultation but expressed reservations about the mixed approach, including concerns about comparability, reduced level playing field between EU and non-EU headquartered entities, understandability, assurance challenges and the ability to reliably distinguish EU-related impacts.

Interoperability and incorporation by reference

20. EFRAG has sought to reduce double reporting for non-EU groups already reporting under jurisdictional requirements based on IFRS S1 and IFRS S2. EFRAG identifies three broad reporting pathways:
 - (a) preparing an ESRS-40a report alongside reporting under IFRS S1 and IFRS S2 or an equivalent jurisdictional framework, using incorporation by reference where permitted
 - (b) preparing a single report that complies with both ESRS-40a and the applicable IFRS-based requirements
 - (c) electing to apply the full ESRS and, where relevant, also meeting the applicable IFRS-based requirements.
21. A combined report would need to distinguish clearly between disclosures that satisfy both frameworks and disclosures that relate only to one framework.
22. The ED permits disclosures to be incorporated by reference where specified conditions are met, including requirements intended to preserve accessibility, understandability and auditability. A contents table would identify the incorporated disclosures, and the source report would also identify the information incorporated into the ESRS-40a report.
23. Incorporation by reference is only permitted for information reported pursuant to applicable laws or regulations and made available before or at the same time as the ESRS-40a sustainability report. Voluntarily prepared sustainability reports cannot be incorporated by reference under the current proposal.

EU legislative concepts

24. ESRS-40a continues to use concepts and terminology derived from EU laws and regulations, including for some classifications, environmental metrics and definitions.
25. EFRAG considered allowing non-EU groups to substitute international or jurisdictional concepts but concluded that consistency and maintaining a level playing field should take precedence. The ED instead requires transparency about how EU-derived concepts have been applied outside the EU, including significant assumptions and limitations.

Key consultation topics

26. EFRAG are not proposing to reopen consultation of the wording of the impact-related disclosures in the full ESRS (i.e. those included in ESRS-40a). Instead, they are seeking feedback across four key topics:
- (a) Drafting approach: Deletions and additions compared with ESRS. Do you agree on how the removal of risks, opportunities, resilience and dependencies has been processed by EFRAG in the ED?
 - (b) References to EU legislation: How would the reporting companies approach the use of concepts and terms based on EU law and regulation, when part of their operations are outside the scope of them?
 - (c) Option to limit the reporting to EU-related impacts only, instead of reporting on global impacts (mixed approach): Is the proposed global/EU-related reporting approach workable and does it result in relevant information?
 - (d) Interoperability: How can ESRS-40a work seamlessly with jurisdictional reporting standards based on IFRS Sustainability Disclosure Standards?

Engagement with and feedback from New Zealand stakeholders

27. In response to a direct request from EFRAG for support in engaging affected companies to gather feedback we have:
- (a) advertised educational webinars and the [field test](#) to potentially affected entities
 - (b) coordinated and observed an online workshop with New Zealand entities on Tuesday 22 September
 - (c) participated in a 1:1 discussion with EFRAG.
28. At the time of writing, we received preliminary comments from one New Zealand stakeholder on the ESRS-40a proposals. They highlighted the following observations:
- (a) The stakeholder welcomed the streamlined focus on sustainability impacts and was comfortable with the removal of requirements relating to risks, opportunities, resilience and dependencies in the context of an overseas reporting framework.
 - (b) While the use of concepts and terminology derived from EU legislation may present practical challenges for non-EU entities, this was viewed as a reasonable feature of an EU reporting framework.
 - (c) The stakeholder did not expect the proposed mixed approach to be particularly relevant to their circumstances but saw value in retaining it as an option for other entities.
 - (d) The stakeholder emphasised the importance of interoperability, noting that many entities are likely to be subject to reporting requirements in multiple jurisdictions. Greater alignment with IFRS Sustainability Disclosure Standards was strongly supported, with recognition of equivalent jurisdictional frameworks viewed as a potentially valuable way to reduce duplication, preparation costs and reporting complexity while maintaining decision-useful information for users.

Draft submission letter

29. At the meeting on 3 August, the SRB agreed to provide a targeted comment letter in response to the public consultation given the potential relevance of the proposal for New Zealand entities with EU operations and the opportunity to contribute to the development of the framework.
30. Staff have considered the ED, EFRAG's consultation questions and feedback received from the one New Zealand stakeholder when developing the draft submission letter.

31. A copy of the draft submission letter is attached to this memorandum.
32. We have shared the draft submission letter with New Zealand entities potentially within the scope of ESRS-40a and invited their feedback. We will update the Board verbally at the meeting on any feedback received.
33. In summary the draft submission letter:
 - (a) supports EFRAG's approach to removing disclosures relating to risks, opportunities, resilience and dependencies
 - (b) notes that the mixed approach could reduce compliance costs for some non-EU groups, but that its usefulness and uptake will depend on whether undertakings can meaningfully and reliably distinguish EU-related impacts, apply appropriate allocation methodologies, and obtain sufficient assurance evidence
 - (c) considers that retaining the mixed approach, together with the proposed safeguards and transparency requirements, may be feasible, subject to further feedback from affected undertakings and assurance providers on its practicality, likely uptake and potential cost savings
 - (d) supports EFRAG's efforts to facilitate interoperability, particularly the proposed incorporation-by-reference provisions, while noting the practical challenges arising from differences between reporting frameworks, including materiality perspectives and intended users
 - (e) encourages EFRAG to further enhance interoperability by:
 - i. permitting incorporation by reference from reports prepared voluntarily in accordance with other sustainability reporting standards or frameworks
 - ii. working with the ISSB to develop ESRS-40a-specific interoperability guidance, supported by illustrative examples, including guidance on preparing combined reports, reusing or supplementing IFRS S1 and IFRS S2-aligned disclosures, and leveraging or updating financial materiality assessments for impact materiality purposes
 - iii. working with GRI to develop ESRS-40a-specific interoperability guidance that helps undertakings leverage existing impact reporting
 - (f) notes that non-EU undertakings may face greater challenges applying EU-derived legislative concepts and that, if stakeholder feedback identifies material implementation challenges or unnecessary compliance costs, EFRAG could consider permitting the use of relevant international references or applicable jurisdictional concepts.

Question for the Board

Q2. Does the Board **APPROVE** the draft submission letter on the European Sustainability Reporting Standards for Certain Non-EU Undertakings (ESRS-40a) Exposure Draft, subject to any changes raised by the Board at this meeting being incorporated by staff?

OR

If the Board does not wish to approve the draft submission letter subject to the above condition, does the Board **AGREE** to delegate authority to the Chair to finalise the draft submission letter with staff and approve its submission by 31 October 2026?

Proposed targeted amendments to the IFRS Foundation Constitution

34. The Trustees of the IFRS Foundation published the [Exposure Draft Proposed Targeted Amendments to the IFRS Foundation Constitution](#) to operationalise their 2025 decision to gradually reduce the size of the International Accounting Standards Board (**IASB**) and the International Sustainability Standards Board (**ISSB**). The core proposal is to reduce board membership from 14 members to a range of 8–12 members, with both boards expected to have around 10 members from 2028. The Trustees consider that smaller boards can continue to operate effectively provided governance arrangements are adjusted accordingly.
35. Key amendments include:
 - (a) reducing the size of the IASB and ISSB and revising geographical allocation requirements while maintaining representation from Asia-Oceania, Europe, the Americas and Africa
 - (b) retaining existing qualification requirements and the ability to appoint some part-time members
 - (c) revising voting thresholds so smaller boards can continue to approve Standards and EDs efficiently while maintaining legitimacy
 - (d) increasing flexibility over board member terms and appointments
 - (e) removing transitional ISSB provisions that were only relevant during the ISSB's establishment phase
 - (f) making several governance and drafting updates to align the Constitution with current practice and the Due Process Handbook.

Relevance for New Zealand

36. The proposed amendments would not directly affect New Zealand financial reporting requirements, but they will influence how the ISSB operates, make decisions and engage with stakeholders in the future. If, as proposed in the draft climate reporting roadmap, we adopt IFRS Sustainability Standards, New Zealand has an interest in ensuring that the proposed governance arrangements support effective and globally representative standard setting.
37. Under the proposal, Asia-Oceania representation would fall from four IASB members and three ISSB members to two members on each board. The Trustees explicitly note that stakeholder and jurisdictional input will increasingly come through advisory forums, consultative bodies, outreach and liaison with national standard setters rather than via board membership alone.
38. For XRB, this reinforces the importance of maintaining strong engagement with:
 - (a) the ISSB and IASB technical staff
 - (b) the ISSB's Sustainability Standards Advisory Forum and other consultative groups
 - (c) the ISSB's jurisdictional and implementation networks
 - (d) Australian and Asia-Pacific standard-setting relationships.
39. Staff will be working collaboratively across accounting and sustainability to inform a response that will be submitted by the XRB Chief Executive. We welcome any comments from SRB members on matters which they consider may be relevant to the XRB's submission.

Question for the Board

Q3. Does the Board have ANY COMMENTS on the proposed targeted amendments to the IFRS Foundation Constitution consultation?

XX October 2026

European Financial Reporting Advisory Group (EFRAG)
 35 Square de Meeûs
 1000 Brussels
 Belgium

Dear EFRAG

Submission on Exposure Draft ESRS for Certain Non-EU Undertakings in Accordance with Article 40a of the Accounting Directive

The New Zealand Sustainability Reporting Board, a technical board of the External Reporting Board (**XRB**), welcomes the opportunity to comment on the *ESRS for Certain Non-EU Undertakings in Accordance with Article 40a of the Accounting Directive (ESRS-40a)* Exposure Draft.

We also thank EFRAG for engaging with stakeholders outside the European Union (**EU**), including through the September 2026 workshop with New Zealand stakeholders.

We have structured our submission as follows:

1. New Zealand context

To assist EFRAG in interpreting our comments, this section outlines the New Zealand sustainability reporting environment and the extent to which New Zealand entities may be affected by ESRS-40a.

2. General views on proposals

This section presents our observations and recommendations on the four key consultation topics EFRAG is seeking feedback on.

1. New Zealand context

New Zealand's mandatory sustainability reporting regime is currently limited to climate-related disclosures. Entities that meet the definition of a "climate reporting entity"¹ are required to prepare climate statements in accordance with climate standards issued by the XRB.

The current standards, the *Aotearoa New Zealand Climate Standards (NZ CS)*, were developed with reference to the recommendations of the *Task Force on Climate-related Financial Disclosures*. There is a strong degree of alignment between NZ CS and *IFRS Sustainability Disclosure Standard S2 Climate-related Disclosures (IFRS S2)* and the relevant climate-related requirements of *IFRS Sustainability Disclosure Standard S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1)*.

The XRB is currently considering proposals to adopt IFRS S2 and the climate-related requirements of IFRS S1. However, regardless of the outcome of that process, New Zealand's mandatory reporting requirements remain focused on climate-related disclosures, apply a financial materiality

¹ "Climate reporting entity" is defined in section 461O of the Financial Markets Conduct Act 2013.

lens, and are intended to support the information needs of primary users of general-purpose financial reports.

We understand that only a limited number of New Zealand-headquartered groups are expected to fall within the scope of ESRS-40a. These include entities that are already subject to New Zealand's mandatory climate-related disclosure requirements, as well as entities that voluntarily prepare sustainability-related disclosures.

2. General views on proposals

We set out our general views on four key consultation topics below. These views are largely informed by XRB staff analysis of the ESRS-40a Exposure Draft, as well as limited direct feedback received from New Zealand stakeholders.

Drafting approach

We support removing disclosures that relate specifically to sustainability-related risks, opportunities, resilience and dependencies. We consider that this should reduce unnecessary duplication for entities that report under IFRS Sustainability Disclosure Standards or equivalent jurisdictional standards. Accordingly, we agree with how EFRAG has processed the removal of risks, opportunities, resilience and dependencies in the Exposure Draft and did not identify any specific areas where the drafting needed to be amended.

Mixed approach

We expect that the mixed approach could reduce compliance costs for some non-EU groups. However, its usefulness and uptake will be strongly contingent on whether an undertaking can meaningfully and reliably distinguish EU-related impacts across its operations and value chain. We understand that this may be difficult for globally integrated businesses whose products, services, supply chains and impacts are not managed along geographic lines. Separately identifying EU-related impacts, selecting appropriate allocation methodologies and obtaining sufficient assurance evidence may limit the cost savings achieved in practice, and lead to a lower uptake of the mixed approach in favour of ESRS-40a reporting on a global basis for all topics.

Applying different geographic reporting boundaries to different sustainability topics may also make reports more difficult for users to understand and compare. We nevertheless agree that fair presentation could be achieved under the mixed approach, provided undertakings clearly explain the reporting boundaries applied, the methodologies used, and any resulting limitations as required by the current proposals.

Based on our limited investigation of this specific topic, we consider that retaining the mixed approach together with the proposed safeguards and transparency requirements may be feasible. However, any retention be subject to feedback from undertakings within scope regarding feasibility. We support further engagement with affected undertakings and assurance providers to give EFRAG a better understanding of the option's likely uptake, implementation challenges and potential cost savings.

Interoperability

Interoperability is particularly important because many non-EU groups subject to ESRS-40a may also prepare sustainability-related financial disclosures in their home jurisdictions under requirements based on IFRS S1 and IFRS S2.

However, achieving interoperability between similar, but not identical, reporting frameworks will inevitably be challenging. We are aware that even relatively small differences in disclosure requirements, terminology, materiality perspectives and intended users can create complexity for undertakings seeking to comply with multiple frameworks simultaneously.

Interoperability may be particularly challenging given IFRS S1 / IFRS S2 and ESRS-40a are based on different materiality perspectives and intended users. Undertakings may face uncertainty about whether disclosures and materiality assessments prepared for the purposes of complying with IFRS S1 / S2 can be reused for ESRS-40a purposes, or whether additional work may be needed to identify material matters from an impact perspective.

Notwithstanding these challenges, we are supportive of the flexibility EFRAG has provided in ESRS-40a to facilitate interoperability. In particular, we support the incorporation-by-reference provisions and recognise their potential to reduce unnecessary duplication for undertakings already preparing sustainability disclosures under requirements based on the IFRS S1 / S2.

We suggest further improvements: permitting incorporation by reference in additional circumstances and providing interoperability guidance.

Incorporation by reference from voluntary reporting

We encourage EFRAG to consider permitting incorporation by reference from reports prepared voluntarily in accordance with other sustainability reporting standards or frameworks (i.e. IFRS S1 / IFRS S2 or jurisdictional equivalents). Mandatory adoption of sustainability reporting regimes remains nascent globally, and the scope of entities subject to domestic mandatory reporting regimes may not align with ESRS-40a criteria. Some undertakings within the scope of ESRS-40a may therefore prepare sustainability disclosures voluntarily.

We have not identified concerns with permitting incorporation by reference from voluntarily prepared reports. We understand information incorporated by reference forms part of the ESRS-40a report and is therefore subject to the same assurance, publication and enforcement requirements as information presented directly within it.

Practical implementation guidance

We encourage EFRAG to work with the International Sustainability Standards Board to develop ESRS-40a-specific interoperability guidance. This could be built on the [existing interoperability guidance](#) for the full ESRS and IFRS S1 and IFRS S2.

Given the expectation that many non-EU undertakings will report under both frameworks, practical guidance, potentially incorporating illustrative examples, would help reduce unnecessary duplication and support more consistent application. We suggest any guidance should explain:

- when IFRS S1 / IFRS S2 aligned disclosures could be reused without modification, and when they may need to be supplemented or reframed to meet ESRS-40a requirements
- how undertakings could prepare single combined reports that satisfy both frameworks while achieving fair presentation
- how undertakings should navigate the different materiality perspectives underpinning the frameworks, including the extent to which:
 - materiality assessments performed for IFRS S1 / S2 may be leveraged for ESRS-40a purposes and when additional assessment procedures may be required to identify material matters from an impact perspective
 - information prepared using a financial materiality lens for primary users of general-purpose financial reports may need to be supplemented to meet ESRS-40a's impact materiality requirements and broader stakeholder audience.

GRI interoperability

EFRAG could also work with the Global Reporting Initiative (**GRI**) to develop ESRS-40a-specific interoperability guidance, building on the existing [GRI-ESRS Interoperability Index](#). Given the

widespread use of GRI for impact reporting, such guidance could help preparers leverage existing information, reduce duplication and support efficient implementation.

References to EU legislation

We are not in a position to determine whether the references to EU laws and regulations incorporated into ESRS-40a would create significant implementation challenges or additional compliance costs for non-EU undertakings. Stakeholder feedback from affected undertakings, assurance providers and users would provide valuable evidence on the practical implications of applying EU-derived concepts outside the EU.

We note EFRAG's view that EU headquartered undertakings are required to apply EU-derived concepts across their global operations when preparing reports in accordance with the full ESRS, and that the same approach should apply to non-EU undertakings within the scope of ESRS-40a. However, in our view, non-EU headquartered undertakings may be less familiar with those concepts and may therefore face higher implementation challenges than EU headquartered undertakings.

If stakeholder feedback indicates that applying EU-derived concepts would create material implementation challenges or unnecessary compliance costs, EFRAG could consider permitting non-EU undertakings to apply terms and concepts drawn from relevant international references or, where no such references exist, from applicable jurisdictional laws and regulations covering the same matters. This could improve the global applicability of ESRS-40a while continuing to support the reporting of comparable and decision-useful information.

If EFRAG retains the current proposed approach, we:

- support the requirements to disclose the use of approximations, including related assumptions, limitations and preparation methods, so users can understand how EU-derived concepts have been applied outside their legal context
- encourage EFRAG to identify relevant international references and illustrative jurisdictional examples that support consistent, cost-effective application of EU-derived concepts outside the EU.

Concluding remarks

Overall, we support the direction of the Exposure Draft and consider that it appropriately balances the impact-focused reporting objective established by the Accounting Directive with practical implementation considerations for non-EU undertakings.

We appreciate the opportunity to comment and look forward to any continued engagement.

Yours sincerely,

Becky Lloyd

Chair, Sustainability Reporting Board, External Reporting Board

Memorandum

To: SRB members

Meeting date: 13 October 2026

Subject: **Draft climate reporting roadmap: Summary of outreach activities**

Date: 2 October 2026

Prepared by: Rikki Owen and Lisa Kelsey

Through: Amelia Sharman

☐ **Action Required**

☒ **For Information Purposes Only**

Purpose

1. To provide the Board with an overview of our outreach activities in relation to the draft climate reporting roadmap (**draft roadmap**) consultation that ended on 30 September 2026.

Recommendations

2. We recommend that the Board NOTE the outreach activities undertaken by the Sustainability Reporting team to support the XRB's due process, particularly consultation and analysis of stakeholder feedback.

Background

3. On 30 June 2026 the XRB launched a [consultation](#) on a draft roadmap, setting out a proposed strategic direction for climate reporting in New Zealand. The consultation closed on 30 September 2026. During the consultation period we undertook a range of outreach activities to create awareness of the consultation, encourage detailed submissions and gather feedback from a range of stakeholders.
4. Following the XRB's [general due process](#), stakeholder feedback has been analysed and is presented in a separate paper to this Board pack.

Overview of outreach activities

5. Our engagement strategy focussed on sharing information with the public by way of online webinars early in the consultation followed by feedback forums, both in person and online.
6. Detailed information about each outreach activity, including participation levels and stakeholder profiles, is provided in the Appendix. Across all outreach activities, we estimate that 183 individuals representing 141 entities participated in discussions on the draft roadmap.

Public information sessions

7. Information sessions were held early in the consultation period to raise awareness of the draft roadmap and share information with our stakeholders.

8. Chartered Accountants Australia New Zealand (CA ANZ) invited us to speak to interested members at their Wellington office on 1 July, the first day of the consultation. We then hosted two online Zoom webinars where attendees could engage via the chat function. Registration was required and recordings were made available online. The information sessions were advertised via a Climate Alert, the consultation page on the XRB website and on the XRB LinkedIn page.

Feedback forums

9. The objective of the feedback forums was to encourage two-way conversations about the draft roadmap, understand which topics stakeholders were most interested in or unclear about, and hear their early responses to our consultation questions.
10. We contacted several professional bodies and umbrella organisations whose members are directly involved with or have an interest in climate reporting. Where there was demand, online feedback forums were organised with the relevant bodies. The various umbrella groups and professional bodies listed in the Appendix to this memo enabled these outreach activities to take place, and we acknowledge them for their support.
11. As expected, the earlier feedback forums garnered less discussion and provided an opportunity for many to hear what others had to say. As the consultation progressed and stakeholders became more aware of the implications, discussions became more detailed and stakeholders were more open to providing their viewpoint on certain topics. For some stakeholders, the feedback forums also provided an opportunity to hear and consider the perspectives of others, helping them to refine their own views on the matters raised in the consultation.

Government and ISSB engagements

12. Outside of the outreach activities described above, we also engaged with the Ministry of Business, Innovation and Employment (MBIE), the Financial Markets Authority (FMA), the Ministry for Cities, Environment, Regions and Transport (MCERT) and the Reserve Bank of New Zealand (RBNZ) as needed to support effective communication and coordination.
13. We have also kept staff at the International Sustainability Standards Board (ISSB) informed of the consultation. This included sharing an earlier draft of the climate reporting roadmap with ISSB staff for comment before the consultation was launched.

Analysis of feedback

14. Transcripts and verbal feedback (where possible) have been collated into a spreadsheet for analysis. We analysed feedback received through the outreach activities separately from written submissions, recognising that views expressed during the forums were often exploratory and formed part of an interactive discussion. In some cases, stakeholders were still developing their views on the issues raised in the consultation and may refine those views over time.
15. Feedback and our analysis are included in a separate paper (as part of this agenda item 6.1).

Appendix: Outreach activity statistics

Table 1. Outreach activities

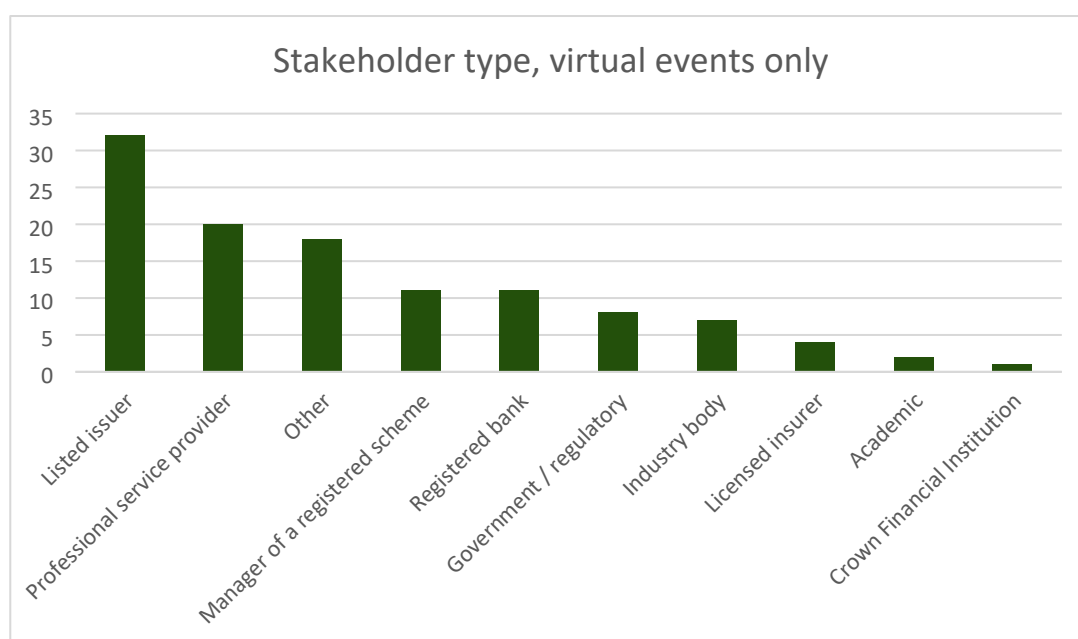
- Table 1 provides information about each outreach activity, including the number of individuals participating in each event and the number of entities represented. Individuals who registered for or attended multiple events, and the entities they represented, are included in each relevant row but counted only once in the 'Unique participants across virtual events' row. Accordingly, the figures in that row are not the sum of the of the figures reported for individual events.
- Individuals were required to register for online events, allowing us to extract registrant and attendee data from Zoom or Teams. Participation figures for in-person sessions are estimates.

Date	Event/audience	Individuals registered	Individuals attended	Entities represented
Virtual events:				
7 July	Information session #1 – open to the public	61	46	38
22 July	Information session #2 – open to the public	72	41	31
30 July	Feedback forum – NZX	45	27	22
11 August	Feedback forum – open to the public	10	3	2
12 August	Feedback forum – NZ Banking Association	29	23	10
18 August	Feedback forum – Responsible Investment Association Australasia	11	10	9
24 August	Feedback forum – CPA Australia	6	1	1
31 August	Feedback forum – Sustainable Business Council	51	38	30
2 September	Feedback forum – Insurance Council of NZ	6	5	5
10 September	Feedback forum – Assurance practitioners	19	19	10
<i>Totals for virtual events</i>		310	213	158
<i>Adjustment for those who attended multiple virtual events</i>		(59)	(30)	(44)
Unique participants across virtual events		251	183	114
In-person events:				
1 July	Information session – CA ANZ	21	21	21
7 September	Feedback forum – Climate Change & Business Conference (CCBC)	54	54	54
9 September	Feedback forum – CA ANZ	6	6	5
Totals for in-person events		81	81	80
Do not have data to make adjustment for those who attended multiple events		-	-	-
Estimated unique participants across in-person events		81	81	80

Date	Event/audience	Individuals registered	Individuals attended	Entities represented
Estimated unique participants across all events		332	264	194
Notes: Climate Change & Business Conference breakout session (7 September): Fifty-four individuals participated in an interactive survey by scanning a QR code during the session. The total number of individuals in attendance is estimated to have been higher.				

Chart 1. Entity type and profile

3. The chart below shows the number of stakeholders who attended virtual events, by stakeholder type. Our dataset further categorises entities as CREs, non-CRE preparers, users or neither preparers or users of climate reports.



Memorandum

To: SRB members

Meeting date: 13 October 2026

Subject: **Draft climate reporting roadmap: Verbal feedback from outreach activities**

Date: 2 October 2026

Prepared by: Rikki Owen and Lisa Kelsey

Through: Amelia Sharman

☒ **Action Required**

☐ **For Information Purposes Only**

Purpose

1. To provide a summary of the main themes emerging from verbal feedback received through outreach activities undertaken during consultation on the draft climate reporting roadmap (**draft roadmap**).

Recommendations

2. We recommend that the Board:
 - (a) DISCUSS the emerging themes identified in verbal feedback received through outreach activities
 - (b) PROVIDE FEEDBACK on any areas where further analysis would assist the Board's future decision of the draft roadmap.

Background

3. The Sustainability Reporting team undertook a range of outreach activities during consultation on the draft roadmap. A summary of those activities is provided in a separate paper (as part of this agenda item 6.1).
4. Verbal feedback received through those outreach activities has been analysed separately from written submissions. Views expressed during forums were often exploratory and formed part of an interactive discussion. In some cases, stakeholders indicated that their views were still developing and may be refined through written submissions.
5. This memo presents the main themes emerging from verbal feedback received through outreach activities only and is intended to support an early discussion with the Board before full analysis of written submissions is completed. The appendix provides detailed analysis of the verbal feedback by consultation question.
6. Feedback was received from a broad range of stakeholder groups, including climate reporting entities (**CREs**), users, professional service providers, industry bodies, government agencies and other interested parties. The main themes identified in this memo reflect views expressed across multiple outreach activities and stakeholder groups.

This feedback should be interpreted carefully

7. Feedback summarised in this memo was obtained through outreach activities conducted under the [Chatham House Rule](#) and may not represent the final or official position of the participants or the entities they represent. References to support for, or opposition to, particular proposals reflect only the views of those who commented on that matter. Participation levels and the extent of feedback varied across consultation questions. Accordingly, the observations in this memo should be viewed as preliminary indications of stakeholder views and considered alongside the full analysis of written submissions.

Main themes emerging from verbal feedback received through outreach activities

Feedback supports the strategic direction set out in the draft roadmap

8. Feedback received through the outreach activities indicates support for the strategic direction proposed in the draft roadmap. Stakeholders recognised the benefits of greater international alignment, including improved comparability, reduced reporting complexity and access to international expertise and capital.
9. Feedback nevertheless highlighted the need to balance international alignment, harmonisation with Australia and local relevance. A small number of stakeholders indicated that alignment with IFRS S2 should remain the primary objective where Australian requirements diverge from the international baseline, while others emphasised the importance of retaining flexibility to address New Zealand-specific circumstances. Stakeholders also sought clarity on how future divergence from international and Australian requirements would be assessed and consulted on.

Feedback suggests that the timeline to 2033 is too long

10. Feedback strongly suggests that the extended timeline to 2033 is too long and that CREs would be capable of transitioning to a new standard in a shorter timeframe. Stakeholders identified the cost of maintaining two standards for users, standard setters, regulators and professional service providers, and less comparable reporting in the market.

Feedback highlights the importance of certainty and support during the transition

11. Stakeholders repeatedly emphasised the importance of certainty during the transition to a new climate reporting standard. Feedback focused on the need for clarity about potential future changes, how divergence from international and Australian requirements would be managed, and the support and guidance that would be available to reporting entities. Participants also highlighted the importance of stable requirements to enable effective planning and implementation.

Feedback confirms the main benefits and costs identified in the consultation document

12. Feedback confirmed the main benefits and costs already identified in the consultation document, including that the benefits of adopting IFRS S2 outweigh the costs. Participants also identified two transition-period costs not previously considered: additional effort for primary users comparing information prepared under two standards, and compliance activities for regulators and assurance providers associated with maintaining two standards during the transition period.
13. Participants also identified a related benefit not explicitly discussed in the consultation document: alignment with IFRS S2 could increase the mobility of climate reporting expertise across businesses, assurance providers and consultants. One participant argued that the benefits flow unevenly to reporting entities depending on their reporting obligations across multiple jurisdictions.

Feedback supports industry-based metrics but not a single preferred approach

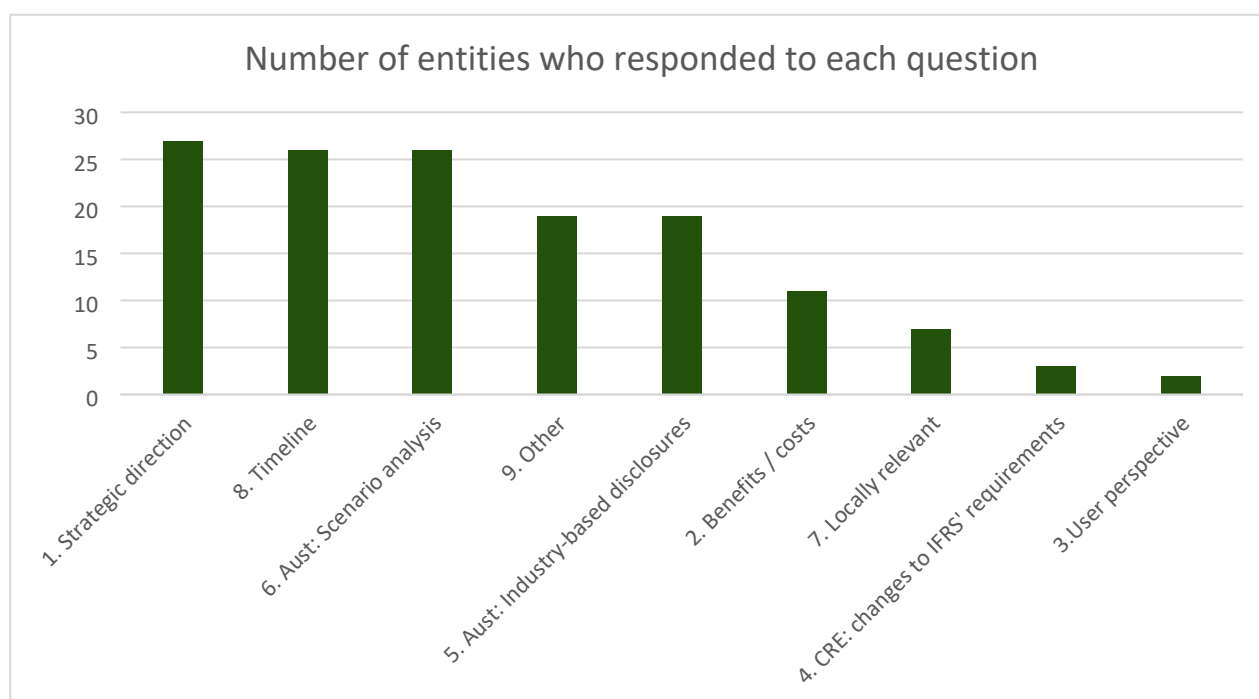
14. Feedback indicated that stakeholders generally view industry-based metrics as important for comparability and decision-making. However, views differed on the preferred approach, reflecting a desire to balance the benefits of comparable disclosures with flexibility, international alignment and harmonisation with Australia.

Feedback supports scenario analysis but not a single preferred approach

15. There was broad support for requiring more than one scenario. However, there were mixed views on the number of scenarios required and the specific temperature outcomes.

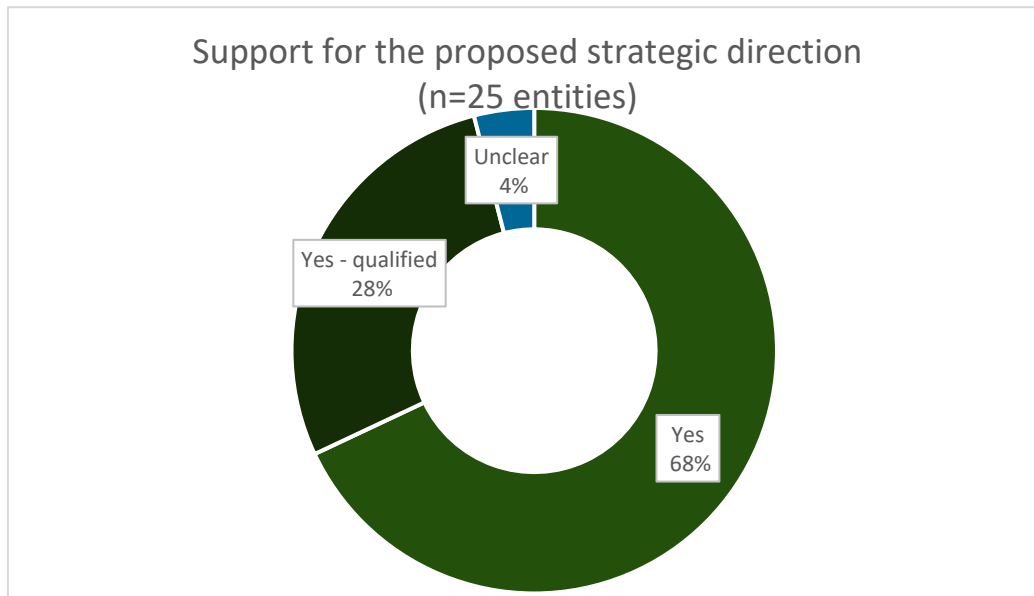
Appendix: Analysis of outreach feedback by consultation question

1. This appendix provides an analysis of the verbal feedback received by consultation question. Participation levels and the volume of feedback varied across questions. Consequently, some questions are supported by more extensive feedback than others.
2. We have separated feedback received from virtual events and in-person events due to the availability of data. We may describe the type of entity but none of the analysis is attributed to a specific individual or entity, in-line with the expectations we set out during the outreach activities.
 - Virtual events: Most feedback is from a known stakeholder. In these instances, we have provided quantitative analysis when helpful. Where the feedback is from an unknown stakeholder we provide qualitative analysis only, so not to risk double counting.
 - In-person events: Most feedback has not been recorded against a specific individual or entity. Therefore, as above we have provided only qualitative analysis in this memo.
3. The following chart shows the number of known entities that responded to each question. It shows that stakeholders were most engaged with the broader roadmap questions about strategic direction and the proposed timeline, followed by scenario analysis and industry-based disclosures.



Question 1 - Do you support the strategic direction for climate reporting set out in the draft climate reporting roadmap?

Virtual events



1. For question 1 we received feedback from 25 entities.
2. 17 entities support the strategic direction without qualification
 - one CRE with an Australian parent suggested that investors would prefer comparable reporting for entities within a group structure
 - this was supported by another CRE who also mentioned the benefits of being a 'fast follower' such as learning from a global body of knowledge and avoiding disproportionate costs of being 'first movers'
 - the remainder did not provide reasons for support.
3. 7 entities support the direction with qualifications
 - 2 CREs discussed IFRS alignment as being more important than Australian harmonisation
 - 1 CRE stated local relevance was important to them
 - 1 CRE suggested caution around the detail of practical implementation
 - The remaining 2 entities (non-CREs) mentioned alignment with Australia as important.
4. One anonymous commentator suggested that the ultimate goal is certainty and that IFRS alignment provides this.

In-person events

5. One respondent expressed their concern that the potential result could be 'sort of' harmonisation. Where standards differ across jurisdictions in which an entity reports, the reporting entity will still incur additional costs to meet multiple reporting requirements.

Question 2 - Do you have any further information you consider relevant to our consideration of the benefits and costs of the draft roadmap?

Virtual events

6. 9 entities and one individual provided views on question 2.
7. Most of the feedback received reinforced the benefits and costs already identified in the consultation document, in particular the link between international alignment and access to overseas capital, expertise and services, and the transition costs associated with moving to NZ IFRS S2. A smaller number of participants raised points that were not addressed in our current analysis, as set out below.
8. Participants identified two costs not currently addressed in our benefit-cost analysis, both arising from the application of NZ CS and NZ IFRS S2 during the transition period. Four participants noted that primary users may face additional effort comparing or aggregating climate-related information prepared under two different standards during the transition period. One participant also noted that regulators, assurance providers and other market participants may need to maintain guidance, monitoring and compliance activities for two standards during the transition period, potentially increasing implementation costs.
9. One participant also identified a related benefit not explicitly discussed in the consultation document: adoption of IFRS S2 could increase the mobility of talent across businesses, assurance providers and consultants, in addition to improving access to international training and leading practice.

In-person events

10. At the CCBC in-person event, participants completed a survey that asked whether the draft roadmap accurately reflected the benefits and costs of the proposed direction ("Have we got the cost/benefit information right?"). Of the 52 respondents, 44 (85%) agreed and 8 (15%) disagreed.
11. Of the eight respondents who disagreed, two said more data or evidence was needed; one said the costs associated with regulators, standard setters, auditors and maintaining a two-standard regime were missing; one believed transition costs would be higher than anticipated; one highlighted the significant cost of meeting international standards; one sought clarity on the relationship with existing standards; one said reporting and audit requirements divert resources from emissions reduction; and one provided no explanation.

Question 3 – Primary user perspective on adoption and important disclosures

From a primary user perspective:

- (a) Would adopting IFRS S2 improve the climate information you rely on for your decision making?
- (b) Which disclosures matter most to you?

Virtual events

- 12. 2 entities provided feedback from a user perspective.
- 13. While not specifically commenting on individual IFRS S2 disclosure requirements, two participants identified the following matters as important from a user perspective:
 - (a) emissions data, including consistent disclosure of Scope 3 emissions and financed emissions to support comparability, investment analysis, and assessments of entities' transition progress
 - (b) transition plans, including information about the credibility of transition strategies
 - (c) scenario analysis
 - (d) information that supports an assessment of an entity's resilience to climate-related risks and opportunities, and
 - (e) forward-looking information that helps users assess how entities are positioned against credible transition pathways.

In-person events

- 14. No feedback received

Question 4 – CRE perspective on possible changes to IFRS S2

From a CRE perspective, should any of the IFRS S2 requirements (or incorporated climate-relevant portions of IFRS S1) be removed or changed?

Virtual events

15. 2 entities provided feedback on possible changes to IFRS S2.
16. Both entities' comments focused on anticipated financial impacts. One participant supported retaining the IFRS S2 approach, noting that estimating financial impacts before management actions are taken is challenging for entities that have already commenced transition activities. Another entity queried whether the IFRS S2 approach could be adopted without fully transitioning to IFRS S2. This comment suggested support for aligning with the IFRS S2 requirements on anticipated financial impacts.
17. Neither proposed additional modifications to IFRS S2. Instead, both comments indicated support for the IFRS S2 approach to anticipated financial impacts relative to the current NZ CS requirements.

In-person events

18. One respondent to the survey at the CCBC in-person event suggested removing some financial quantification requirements from IFRS S2 because they were overly onerous but did not identify the specific requirements that should be removed.

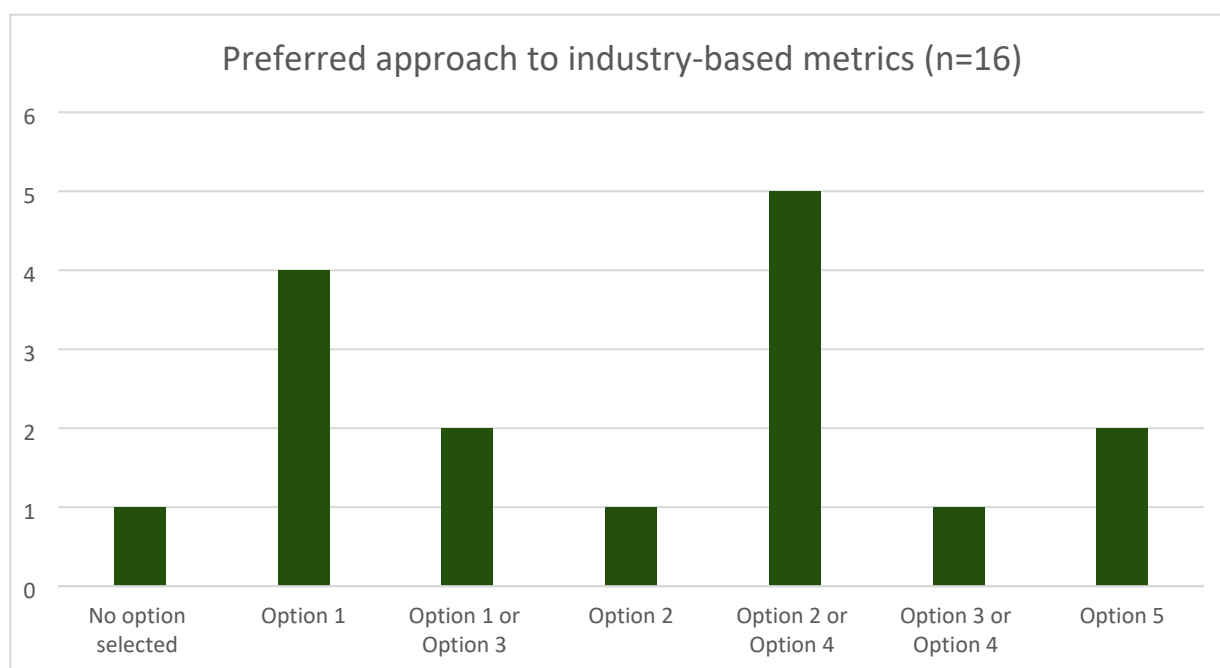
Question 5 - What are your views on the Australian harmonisation options for industry-based disclosures?

Background: these are the options in the consultation document:

- Option 1: Full deletion. Delete the requirement to disclose industry-based metrics and all requirements in IFRS S2 to refer to and consider the industry-based guidance. This would be consistent with Australia's approach.
- Option 2: Provide flexibility about industry-based metrics. Include the IFRS S2 requirement to disclose industry-based metrics but make the industry-based guidance optional by changing "shall refer to and consider" to "may refer to and consider". This would be consistent with the approach taken by jurisdictions such as the United Kingdom and South Korea.
- Option 3: Wholly optional. Make the requirement to disclose any industry-based metrics optional (i.e., "an entity may ...") and make the ISSB's industry-based guidance optional by changing "shall refer to and consider" to "may refer to and consider".
- Option 4: Status quo. Retain the requirement from paragraph 21 of NZ CS 1 to disclose "industry-based metrics relevant to its industry or business model used to measure and manage climate-related risks and opportunities". Delete all references to the ISSB's industry-based guidance (and enable full flexibility as to source material).

Virtual events

19. 16 entities provided feedback on the approach to industry-based metrics.
20. As you can see from the chart below, views varied on the approach to industry-based metrics.



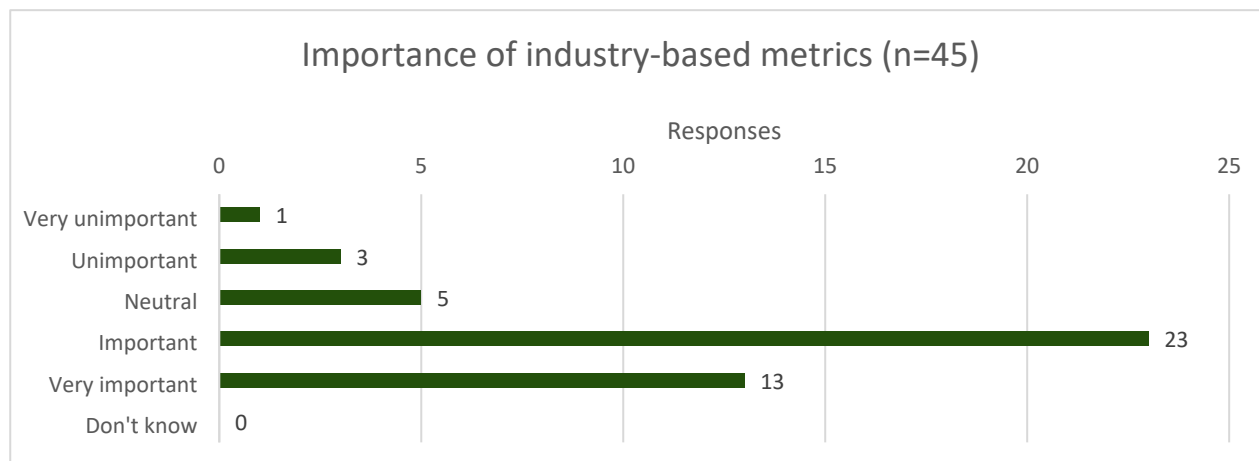
**** Option 5 = full IFRS S2 (i.e. "keep the shall refer to and consider")**

21. Option 1 support centres on Australian alignment, lower burden and allowing practice to mature. Options 2/4 and 5 are supported for investor usefulness, comparable sector information and international alignment. Flexibility during implementation is a recurring theme.
22. Eight of the 16 entities (50%) considered industry-based metrics important for comparability or decision-usefulness. Two entities specifically referred to GHG emissions and GHG intensity metrics.

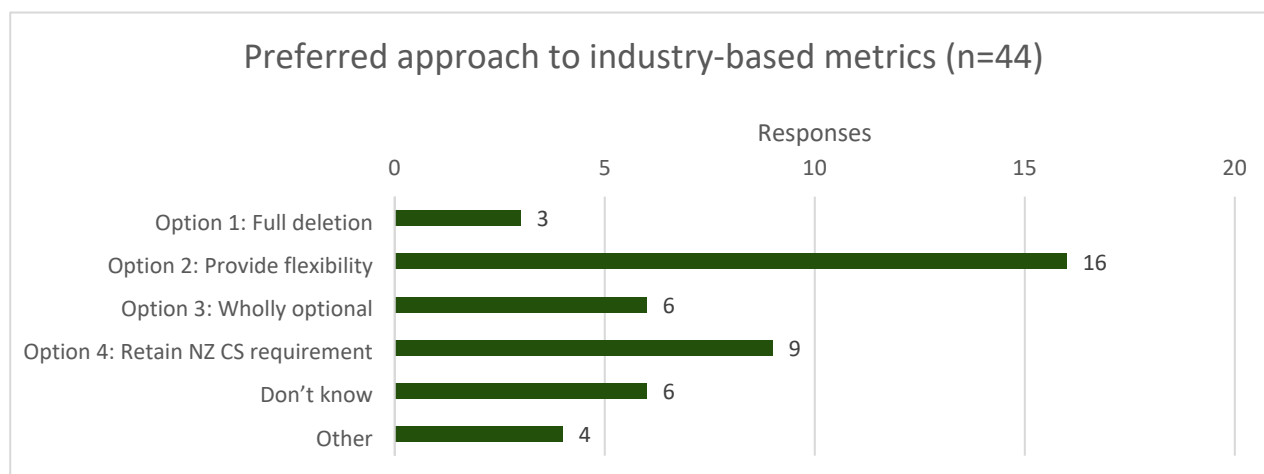
One of those entities suggested retaining the NZ CS requirement to disclose a GHG intensity metric in the new standard.

In-person events

23. At the CCBC in person event, we ran a survey where we asked participants to share their views on the importance of industry-based metrics, the view of the majority was that industry-based metrics are important or very important.



24. We also asked participants their views on the four options. Options 2 and 4 received the most support.



Question 6 - With regard to Australian harmonisation, what are your views on how we should approach scenario analysis?

Background: current approaches to scenario analysis:

Standard	Minimum number of scenarios required	Specific temperature outcomes required (degrees Celsius)
IFRS S2	None specified	None specified
AASB S2	None specified	None specified
Australian Corporations Act 2001	Two scenarios	1.5 °C and well exceeding 2°C
NZ CS1	Three scenarios	1.5°C, 3°C or greater and a third (temperature not specified)

Background: this is what we said in the consultation document:

We will need to consider several issues in determining the approach to be taken to scenario analysis under NZ IFRS S2. We are seeking your feedback on:

- whether NZ IFRS S2 should require a minimum number of scenarios and if so, how many
- if a minimum number of scenarios is specified, whether temperature outcomes should be specified for one or more scenarios and, if so, whether they should be aligned with New Zealand's pledges under the Paris Agreement
- how to avoid unnecessary compliance for CREs:
 - that have climate reporting obligations in Australia or a parent entity with such obligations
 - that have climate reporting obligations in an overseas jurisdiction other than Australia, or a parent entity with such obligations
 - that do not have climate reporting obligations in other jurisdictions."

Virtual events

25. 24 entities provided feedback on scenario analysis. There was broad support for requiring more than one scenario. However, there were mixed views on the number of scenarios required and the specific temperature outcomes with four entities (including one CRE and one user of climate reporting) preferring flexibility in these areas.

Number of scenarios

26. Two stakeholders stressed that a range of scenarios provided for better evaluation of risks faced by the entity. Two non-CRE preparers noted that they analyse four scenarios, supporting the perspective of some others that a minimum requirement doesn't stop an entity creating more scenarios for their own purposes.
27. One the other hand, two CREs questioned whether there was evidence that a three-scenario requirement produced materially more decision-useful information.
28. Two stakeholders (both CREs with Australian parents) suggested that flexibility would allow Australian subsidiaries to align with their parent and avoid unnecessary cost and burden.

Specific temperature outcomes

- 29. Similar to comments above, four respondents preferred flexibility, suggesting that it allows entities to select temperature outcomes relevant to their circumstances. Terms such as 'well exceeding' were suggested. One user of climate reporting added that scenarios should have noticeably different temperature outcomes.
- 30. To support this flexibility, stakeholders suggested that guidance would be a useful means for setting expectations while also allowing entities and sectors to mature and evolve in their reporting.
- 31. Three stakeholders questioned whether a 1.5 degree future was still plausible and how useful this reporting would be.

In-person events

- 32. Most of these discussions focussed on temperature outcomes, specifically whether a 1.5 degree scenario was still plausible. Several participants suggested *2 degrees* or *well below 2 degrees* as alternatives to the 1.5 degree requirement.

Question 7 - Are any changes or additions needed to NZ IFRS S2 to fit with New Zealand's reporting practice and market context?

Virtual events

33. 5 entities and 1 individual provided feedback on this question.
34. Feedback did not reveal any consistent calls for changes or additions to fit with New Zealand's reporting practice and market context. Rather, participants raised a range of questions and observations about how the standard should be implemented in the New Zealand context. These included:
 - (a) whether New Zealand should make any local modifications to IFRS S2, with one participant questioning the rationale for departures from the international baseline and another suggesting that a "very compelling" reason should be required for New Zealand to diverge from Australian requirements
 - (b) potential tension between prioritising international alignment and harmonisation with Australia
 - (c) the possible introduction of a simplified or reduced-disclosure standard for smaller, locally focused New Zealand organisations without foreign customers or funders, similar to NZ IFRS RDR or the former NZ differential-reporting framework
 - (d) the need to ensure disclosures reflect New Zealand-specific circumstances, particularly where entities are part of Australian-led groups
 - (e) whether additional evidence should be obtained from users, including Australian users, on the usefulness of particular disclosures, quantified financial effects, transition planning and resilience assessment
 - (f) concerns that climate reports remain overly lengthy.
35. One participant also raised a technical question about whether the AASB S2/IFRS S2 concept of climate-related risks and opportunities that could be "reasonably expected" to affect an entity's prospects extends beyond financially material information and could be interpreted as introducing an element of double materiality.¹

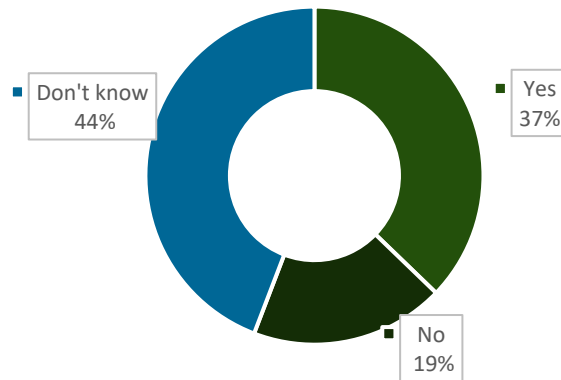
In-person events

36. At the CCBC in-person event we ran a survey where we asked participants to share their views on whether local modifications should be made. For those that answered yes, we asked them to specify including why.
37. Participants who supported local modifications generally considered that New Zealand-specific circumstances may justify departures from an internationally aligned approach. Reasons cited included regional differences in costs, such as electricity and transport costs in the Far North, the relatively limited resources available in New Zealand compared with Australia and the European Union, and the importance of ensuring climate reporting supports New Zealand's transition to a lower-emissions economy while remaining useful to users.
38. Suggested areas for local modification included incentivising uptake of He Tauira alongside revised standards, retaining or introducing economic intensity and GHG intensity metrics, retaining the value

¹ See paragraph 10 in IFRS S2 "An entity shall disclose information that enables users of general purpose financial reports to understand the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects. [...]"

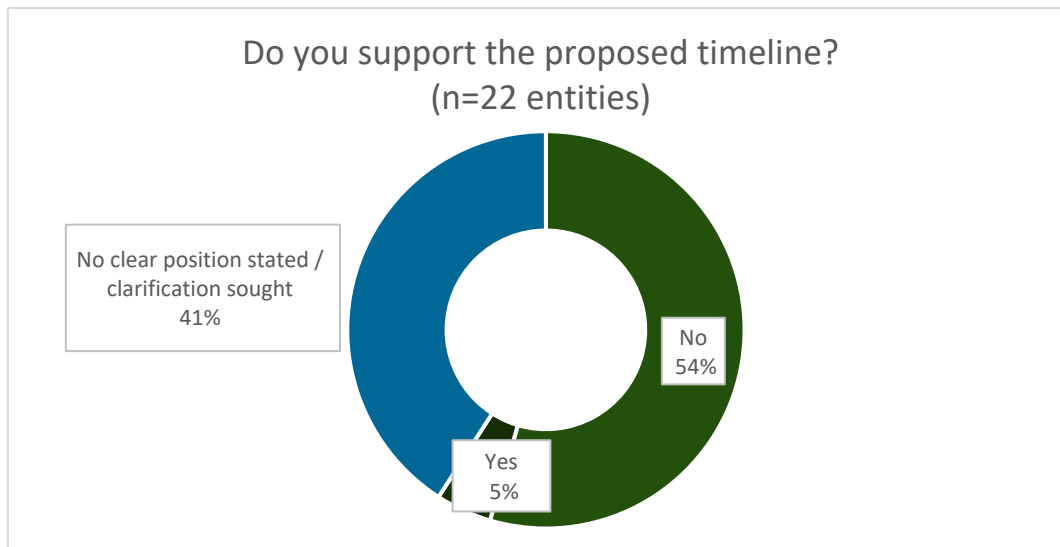
chain exclusions disclosure, and ensuring requirements are appropriate for New Zealand's relatively small market, including sectors where there may be only one major provider.

Should any local modifications be made to fit with New Zealand's reporting practice and market context? (n=43)



Question 8 - Do you support the proposed implementation timeline?

Virtual events



39. 22 entities commented on the proposed timeline, with only one comment supporting the proposed timeline, describing it as sensible. The remaining responses are not supportive (12) or unclear / undecided (9). 15 of the 22 respondents were CREs.
40. 2033 is too far away: 12 of the 22 entities (of whom 6 were CREs) indicated or were explicit in their view that the proposed 2033 mandatory adoption date was too far away, with some commenting on the risks of reduced comparability in reporting and slowing of momentum in climate action.
41. 8 entities (who were all CREs) were unclear / undecided.
42. 2026 is likely too early: none of the CREs we heard from committed to early adopting from the earliest permitted reporting period although the option to do so was welcome. Stakeholders cited the need for more consultation, implementation guidance and learnings from the Australian climate-reporting entities.
43. Support and stability during the transition: during discussions on the proposed implementation timeline, stakeholders raised questions about what might change during the transition period and how entities would be supported in the transition to a new reporting standard.

In-person events

44. The majority view expressed by participants at the in-person events was that the proposed 2033 mandatory date is too late, with some suggesting a transition period between 2028 and 2030. Participants considered that a lengthy transition could reduce comparability for users, as different CREs could report under different standards for an extended period. Some thought a long transition period could slow adoption of the new reporting requirements, as CREs may delay implementation activities until mandatory application is closer. A few participants noted that a lengthy transition period could increase costs and complexity for assurance providers, advisors and regulators by requiring them to maintain guidance, expertise and capability for two standards concurrently.
45. While participants generally valued the option of early adoption, particularly for entities with Australian parents or international operations, a few noted that 2026 may be too soon given current levels of preparedness. Participants emphasised the importance of clear guidance, stable requirements and implementation support during the transition period. A minority supported a longer transition timeframe to allow entities more time to develop systems, controls and capability.

Question 9 - Do you have any other comments?

46. Stakeholders sought certainty regarding the transition from NZ CS, discussing what changes might occur during the transition period and what guidance and support would be provided to reporting entities. There was concern that a new international aligned standard would be issued but that further changes would occur before the mandatory reporting date.
47. Three entities noted that they were in the midst of reporting season and had not yet had sufficient capacity to consider the detailed implications of the draft roadmap.
48. In the context of the Australian regime, stakeholders sought clarification on any potential changes to assurance requirements in New Zealand and how any broader changes to the Australian regime would influence the New Zealand standard.
49. Many stakeholders are concerned with topics outside of the XRB's mandate, such as:
 - (a) Legislation: many stakeholders asked about the status of Financial Markets Conduct Amendment Bill, some asked about the Bill's role in supporting international alignment
 - (b) Regulation: and how it would be carried out during the transition period was of interest
 - (c) Recognition: some stakeholders are still interested in unilateral and mutual recognition

Memorandum

To: SRB Members

Meeting date: 13 October 2026

Subject: **Decision-making framework for NZ SX**

Date: 2 October 2026

Prepared by: Lisa Kelsey

Through: Amelia Sharman

☒ **Action Required**

☐ **For Information Purposes Only**

Purpose

1. This memo seeks the Board's feedback on the *Decision-making framework for NZ SX¹ (the framework)*.
2. The framework is intended to support both staff recommendations and Board decisions on matters relating to international alignment, harmonisation with Australia, and local relevance.

Recommendations

3. We recommend that the Board PROVIDE FEEDBACK on the *Decision-making framework for NZ SX*.

Background

4. At its meeting on 10 June 2026, Board members discussed the need for a decision-making framework if the draft roadmap receives stakeholder support and provided initial views on its development.
5. At its meeting on the 3 August 2026, Board members discussed and provided feedback on a draft decision-making framework.

Marked-up copy showing responses to Board feedback

6. We have provided the Board with a clean and a marked up copy of the framework so the Board can the changes staff have made in response to Board feedback.

Attachments

- Decision-making framework for NZ SX – Marked up copy
- Decision-making framework for NZ SX – Clean copy for approval

¹ "NZ SX" is used as a working title in this framework while the final name of the proposed New Zealand climate standard(s) is being considered.

Decision-making framework for NZ SX¹

Version date: 30 September 2026

Purpose of the framework

1. This decision-making framework (**the framework**) supports both the development and ongoing maintenance of a future New Zealand standard(s) based on IFRS S2 *Climate-related Disclosures* (**IFRS S2**) and the climate-relevant provisions of IFRS S1 *General Requirements for Climate-related Disclosures* (**IFRS S1**) (together referred to in this document as **NZ SX**) and is intended to assist:
 - (a) staff to identify and analyse issues arising in the development and ongoing maintenance of NZ SX, apply the principles and decision-making steps in this framework, and develop recommendations for the Sustainability Reporting Board (**SRB**), and
 - (b) the SRB to make consistent, transparent and evidence-based decisions when considering those recommendations.
2. The framework will also guide staff recommendations and SRB decisions on future amendments to NZ SX, including amendments arising from changes to IFRS S2, AASB S2 *Climate-related Disclosures* (**AASB S2**), the Australian Corporations Act 2001, New Zealand legislative or regulatory settings, or stakeholder feedback.

Application of the framework

3. In applying this framework, staff and the SRB should use the same decision-making steps. References to matters the SRB should consider also guide staff analysis and recommendations.
4. In applying this framework, staff and the SRB should assess costs, benefits and practical implications having regard to the definition of climate reporting entity as proposed in the Financial Markets Conduct Amendment Bill 135-2, consistent with the assumptions underpinning the draft climate reporting roadmap. This includes consideration of the characteristics of those entities and the needs of primary users² of those entities' climate-related disclosures.³

The framework is based on three principles

5. This decision-making framework applies the three principles set out in the [draft] climate reporting roadmap: international alignment, harmonisation with Australia and local relevance. These principles guide the development of NZ SX and future amendments to that standard.
 - (a) **International alignment** — adopting IFRS S2 as the basis for NZ SX
 - (b) **Harmonisation with Australia** — considering what approach to take where there are differences between IFRS S2 and the climate reporting obligations in Australia under AASB S2 and the Australian Corporations Act 2001, and

¹ "NZ SX" is used as a working title in this framework while the final name of the proposed New Zealand climate standard(s) is being considered.

² Primary users are existing and potential investors, lenders and other creditors.

³ The Financial Markets Conduct Amendment Bill was not enacted before the 54th New Zealand Parliament was dissolved. If the proposed changes to the definition of climate reporting entity are not enacted, staff and the SRB will consider the application of this framework.

- (c) **Local relevance** — considering what modifications if any, are needed to fit with New Zealand's legislative and regulatory settings, reporting practice and market context.
- 6. These principles are not applied in isolation. Staff and the SRB will need to consider how they interact in each decision, and whether a proposed approach appropriately balances international alignment, trans-Tasman harmonisation and local relevance.

The starting point is a rebuttable presumption that IFRS S2 requirements will be retained

- 7. The starting point for staff analysis and SRB decision making is a rebuttable presumption that IFRS S2 requirements and climate-relevant provisions of IFRS S1 as identified by the ISSB in its educational material⁴ will be retained in NZ SX (i.e. the requirements are copied word-for-word). This reflects the proposed strategic direction of international alignment through adoption of IFRS S2.⁵
- 8. The presumption is rebutted where locally relevant modifications are needed to fit with New Zealand's legislative and regulatory settings.
- 9. The presumption may be rebutted where:
 - (a) Australia has taken a different approach from IFRS S2, whether through AASB S2 or the Australian Corporations Act 2001, and the SRB considers New Zealand should take the same or a similar approach
 - (b) there is a compelling reason to add, remove or otherwise change an IFRS S2 requirement to reflect New Zealand reporting practice or market context.

The SRB must consider the statutory purpose of climate standards

- 10. In applying this framework, staff and the SRB must consider whether any proposed approach or modification is inconsistent with the purpose of climate standards and climate-related disclosures in [section 19B of the Financial Reporting Act 2013](#).
- 11. Section 19B provides that the purpose of climate standards is to provide for, or promote, climate-related disclosures in order to encourage entities to routinely consider climate-related risks and opportunities, enable entities to show how they are considering those risks and opportunities, and enable investors and other stakeholders to assess the merits of how entities are considering those risks and opportunities.
- 12. This statutory purpose is embedded in each step of the framework. Staff and the SRB must explicitly consider, at each step, whether a proposed approach or modification would be inconsistent with the statutory purpose in section 19B.
- 13. If staff or the SRB conclude that a proposed approach or modification would be inconsistent with the statutory purpose in section 19B, that approach or modification will not be recommended or adopted, and no further analysis of that approach or modification is required.

The framework has eight steps

- 14. The following sections outline the eight steps of the framework.

⁴ [Applying IFRS S1 when reporting only climate-related disclosures in accordance with IFRS S2](#)

⁵ All references to 'adopting IFRS S2' in this document should be read to mean together with adopting the climate-relevant provisions of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*.

Step 1: Identify the issue and the relevant IFRS S2 requirement

15. For each decision, staff should identify:
 - (a) the relevant IFRS S2 requirement, or climate-relevant provision in IFRS S1, being considered
 - (b) whether Australia has taken a different approach
 - (c) the issue or concern that has been identified
 - (d) whether the issue arises from New Zealand legislation, regulation, reporting practice or market context
 - (e) whether the issue involves a possible addition, removal or change to an IFRS S2 or IFRS S1 requirement.
16. This step is intended to ensure that the SRB is clear about the nature of the decision before considering whether any modification to the relevant requirement is justified.

Step 2: Consider whether a modification is required for New Zealand's legislative and regulatory settings

17. Some modifications may be required to ensure NZ SX operates within New Zealand's legislative and regulatory framework. These may include technical amendments to align the standard with New Zealand legislation, regulatory settings, assurance requirements or other domestic legal requirements.
18. In making an assessment whether a modification is needed to ensure NZ SX operates effectively and consistently within New Zealand's legislative and regulatory framework, the SRB should consider whether the proposed modification:
 - (a) is necessary to fit New Zealand's legislative or regulatory framework
 - (b) is limited to what is needed to address the New Zealand-specific matter.
19. Where possible, a modification made for New Zealand legislative or regulatory reasons should preserve the substance and intent of the relevant requirement. This is not a separate threshold for deciding whether the modification is necessary. Rather, it is a factor to consider when determining how the modification should be drafted.

Step 3: Consider whether Australian harmonisation is relevant

20. Where AASB S2 or the Australian Corporations Act 2001 takes a different approach from IFRS S2, staff should analyse, and the SRB should consider, the appropriate New Zealand response.
21. This does not mean that New Zealand would automatically adopt the Australian approach. Rather, the SRB should consider whether harmonisation with Australia would be appropriate in the circumstances, having regard to the rationale for the Australian approach and the New Zealand context.
22. Where Australia has taken a different approach from IFRS S2, there are three broad options for the SRB to consider:
 - (a) retain the IFRS S2 requirement, on the basis that the presumption in paragraph 7 has not been rebutted
 - (b) adopt the Australian approach, where harmonisation with Australia is appropriate in the circumstances
 - (c) adopt an alternative New Zealand approach, where that approach is justified having regard to the principles in this framework and the New Zealand context.

23. The SRB should adopt the Australian approach only where it is appropriate in the New Zealand context and is not inconsistent with the statutory purpose of climate reporting, the needs of primary users, and the overall coherence of NZ SX.
24. Depending on the issue, relevant questions may include:
 - (a) What is the substance of the Australian approach, and does it add to, remove or change an IFRS S2 requirement?
 - (b) Does the difference arise from AASB S2, the Australian Corporations Act 2001, or both?
 - (c) Why did Australia take that approach?
 - (d) Does the rationale for the Australian approach also apply in New Zealand? If the rationale does not apply in New Zealand, that will generally weigh against adopting the Australian approach, although other relevant factors may still be considered.
 - (e) Would adopting the Australian approach reduce the usefulness of information for primary users?
 - (f) What has stakeholder feedback indicated about the costs, benefits and practical implications of the Australian approach for New Zealand entities, including those that do not have Australian reporting obligations?
 - (g) Is there an alternative New Zealand approach that would provide entities with flexibility while enabling them to comply with NZ SX and, where relevant, IFRS S2 or AASB S2?
 - (h) Would an alternative New Zealand approach create unnecessary complexity for entities operating across both jurisdictions?

Step 4: Consider whether there is a compelling reason for any other locally relevant modification

25. For any proposed modification that is not required for New Zealand legislative or regulatory reasons, staff should identify, and the SRB should consider, whether there is a compelling reason for the modification.
26. Sources of evidence for a compelling reason may include consultation feedback, implementation experience, staff analysis, research, and relevant experience in other jurisdictions. The evidence should be sufficiently clear to justify a departure from the starting presumption that IFRS S2 requirements will be retained. More significant departures from IFRS S2 require stronger supporting rationale and evidence.
27. The SRB should only consider locally relevant modifications where it is appropriate in the New Zealand context and is not inconsistent with the statutory purpose of climate reporting, the needs of primary users, and the overall coherence of NZ SX.
28. Depending on the issue, relevant questions may include:
 - (a) Is there evidence that applying the IFRS S2 requirement in New Zealand would result in undue cost or practical difficulty?
 - (b) Is there evidence that a modification would provide benefits to primary users that outweigh the expected costs for entities?
 - (c) Is there evidence that the proportionality mechanisms in IFRS S2 would address the concern?
 - (d) Is there evidence that other jurisdictions have taken, or are considering, a similar approach to an identified issue? If so, what are the reasons for that approach, and are those reasons relevant in the New Zealand context?

- (e) What would the cumulative impact be of multiple locally relevant modifications (additions, removals or changes)?

Step 5: Consider whether the issue can be addressed outside the standard

- 29. Before recommending or deciding to modify a requirement from IFRS S2, staff and the SRB should consider whether the issue could be more appropriately addressed outside the standard. For example, some matters may be better addressed through domestic versions of ISSB educational material, implementation support, illustrative examples, guidance on locally relevant modifications, or other non-mandatory material.
- 30. This step is intended to avoid unnecessary modifications to IFRS S2 requirements where the issue can be addressed in a way that maintains alignment with IFRS S2 while supporting effective implementation in New Zealand.
- 31. However, this approach has limitations. Non-mandatory material is not legally binding and may add complexity for preparers and users. It may also reduce comparability for primary users if it creates New Zealand-specific material or explanations that differ from IFRS S2.

Step 6: Weigh the evidence and exercise judgement

- 32. Where the earlier steps identify contested information from the feedback process, contradictory or unclear evidence, or a potential conflict between the three principles, staff should weigh that evidence in developing their recommendation, and the SRB should weigh that evidence in reaching its decision.
- 33. In weighing the evidence, staff and the SRB should apply the presumption in paragraph 7 that IFRS S2 requirements will be retained in NZ SX unless that presumption is rebutted.
- 34. The nature, relevance and strength of evidence will vary depending on the issue. The nature of the evidence may relate to costs or benefits, difficulties in obtaining reliable information, the usefulness of information for primary users, and the practical effect of relevant proportionality mechanisms.
- 35. The SRB should give particular weight to evidence that:
 - (a) demonstrates that the issue is important in the New Zealand context
 - (b) is specific, well-supported and clearly relevant to New Zealand's legislative and regulatory settings, reporting practice or market context
 - (c) explains the likely effect of any modification on the usefulness of information for primary users
 - (d) supports a clear rationale for any departure from IFRS S2.
- 36. Evidence will be assessed on the merits and not solely by the number of stakeholders expressing a particular view. No single factor is determinative. The weight given to evidence will depend on the nature of the decision, the significance of any proposed departure from IFRS S2, and the extent to which the evidence supports a clear and reasoned conclusion.
- 37. Where the evidence is contradictory, unclear or incomplete, the SRB may decide to:
 - (a) retain the IFRS S2 requirement
 - (b) seek further feedback
 - (c) monitor implementation before deciding whether a standard-setting response is needed
 - (d) address the matter through guidance or other non-mandatory material
 - (e) change a mandatory requirement to an optional requirement, where the SRB is satisfied that doing so would appropriately address the issue identified, while

preserving the purpose of the requirement and avoiding a loss of useful information for primary users. The SRB may decide that this is an interim approach, to be reconsidered once further evidence is available, including evidence from implementation experience or the operation of relevant proportionality mechanisms.

Step 7: Apply an internal coherence check

38. Before recommending or confirming any decision, staff and the SRB should consider whether the proposed approach is consistent with NZ SX as a whole.
39. Relevant questions include:
 - (a) Is the decision consistent with the architecture and intent of IFRS S2 as incorporated into NZ SX?
 - (b) Does the decision create any inconsistency with other requirements in NZ SX, including other proposed New Zealand modifications?
 - (c) Could the decision have unintended consequences, including undermining another requirement or making it less effective?
 - (d) Would the modification support the coherence of New Zealand climate-related disclosure requirements as a whole?
40. This check is particularly important where a proposed modification may affect related requirements.

Step 8: Document the rationale for the SRB's decision

41. The documentation should record the key matters considered under this framework, including:
 - (a) the IFRS S2 requirement being considered
 - (b) the issue identified
 - (c) the relevant principle or principles
 - (d) whether the proposed approach or modification would be inconsistent with the statutory purpose in section 19B
 - (e) whether the starting presumption to retain IFRS S2 has been rebutted
 - (f) the evidence considered, including its nature, relevance and strength
 - (g) the recommended approach
 - (h) the rationale for the recommendation
 - (i) the outcome of the internal coherence check.
42. This will support consistent SRB decision making and provide a clear basis for explaining the SRB's decisions in the exposure draft and any related consultation material. This will also inform the Basis for Conclusions accompanying NZ SX when it is issued in its final form.

Staff communicate local modifications and support implementation

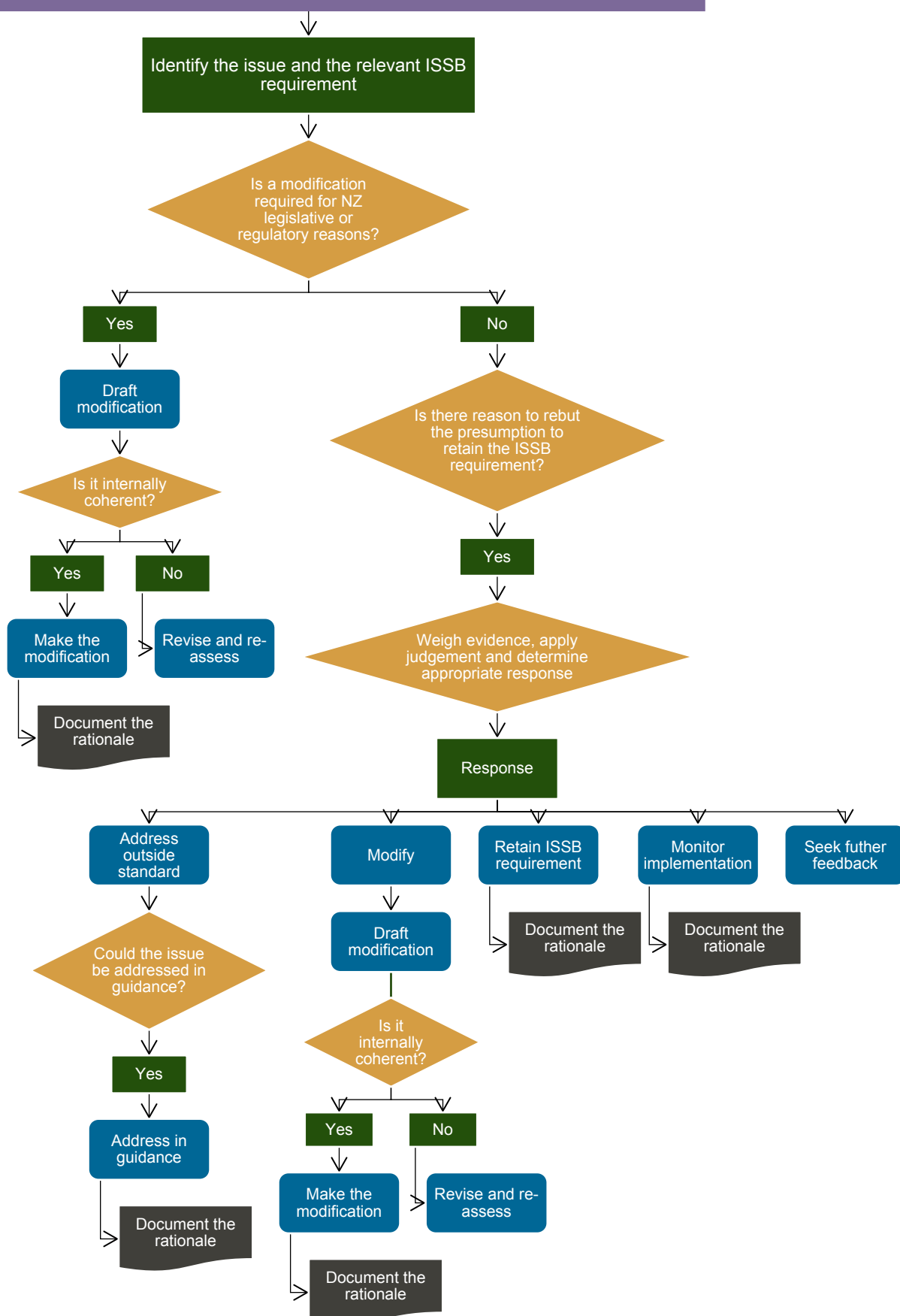
43. After the SRB has made a decision, staff should consider whether any further actions are needed to support implementation, transparency and international engagement.
44. If the SRB decides to make a locally relevant modification to NZ SX, staff should consider whether the matter should be communicated to the ISSB for future consideration. This may be appropriate where the modification reflects a New Zealand-specific implementation issue,

cost-benefit concern, market practice or legislative/regulatory matter that could be relevant to future ISSB standard-setting, maintenance or implementation activities.

45. Staff should also consider whether the matter should be raised with the AASB or through other international engagement channels, particularly where it is relevant to trans-Tasman harmonisation or to New Zealand's ongoing engagement with international standard setters.
46. Where a locally relevant modification changes or removes a requirement in IFRS S2 or the climate-relevant portions of IFRS S1, staff should consider how the modification should be explained publicly, including whether it may need to be reflected in New Zealand's ISSB jurisdictional profile.

Flowchart: Decision-making framework for NZ SX

Starting point: A rebuttable presumption that ISSB requirements (i.e. the requirements in IFRS S2 and climate-relevant provisions of IFRS S1) will be retained in NZ SX



Note: At each step, consider consistency with the statutory purpose of climate statements (section 19B of the Financial Reporting Act 2013)

Memorandum

To: SRB Members

Meeting date: 13 October 2026

Subject: **Application of the Decision-making framework for NZ SX to the governance and risk management disclosures in IFRS S2**

Date: 2 October 2026

Prepared by: Lisa Kelsey

Through: Amelia Sharman

☒ **Action Required**

☐ **For Information Purposes Only**

Purpose¹

1. To seek the Board's consideration of, and feedback on, our application of the *Decision-making framework for NZ SX* (the framework) to the governance and risk management disclosure requirements in IFRS S2²

Recommendations

2. That the Board:
 - (a) CONSIDER the summary of staff analysis in this memo and the detailed staff analysis in Appendix 1.
 - (b) NOTE the comparisons of the governance and risk management requirements in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* vs AASB S2 *Climate-related Disclosures* in Appendices 2 and 3
 - (c) PROVIDE FEEDBACK on the staff analysis and proposed approach that the presumption in favour of retaining IFRS S2 requirements has not been rebutted in relation to:
 - i. the governance disclosure requirements in paragraphs 5 and 6 of IFRS S2, and
 - ii. the risk management disclosure requirements in paragraphs 24 and 25 of IFRS S2.

and therefore, these requirements should be included without modification in the exposure draft of NZ SX
 - (d) PROVIDE FEEDBACK on the staff analysis and proposed approach that, in preparing the exposure draft of NZ SX, we should:
 - i. remove paragraphs 7 and 26 of IFRS S2

¹ This memo refers to the work of the International Sustainability Standards Board (ISSB) and uses registered trademarks of the IFRS Foundation (for example, IFRS® Sustainability Disclosure Standards, and ISSB® papers).

² "NZ SX" is used as a working title in this framework while the final name of the proposed New Zealand climate standard(s) is being considered.

- ii. not add paragraph B42(b) of IFRS S1 to NZ SX, and
 - iii. not add Australian-specific paragraphs Aus7.1 and Aus26.1 to NZ SX
- (e) NOTE that stakeholder feedback on the draft climate reporting roadmap consultation may provide additional evidence relevant to the application of the framework to the governance and risk management disclosure requirements, and we will bring any matters requiring further Board consideration back to the Board, and
- (f) NOTE the next steps described in this memo.

Application of the framework

3. We applied the framework to all the governance and risk management disclosure requirements in IFRS S2.
4. For the governance disclosure requirements in paragraphs 5 and 6 and the risk management disclosure requirements in paragraphs 24 and 25, we have not identified:
 - (a) a modification required for New Zealand legislative or regulatory reasons;
 - (b) an Australian difference that New Zealand should consider; or
 - (c) a compelling reason for a locally relevant modification to reflect New Zealand reporting practice or market context.
5. Accordingly, we concluded that the presumption in favour of retaining IFRS S2 requirements has not been rebutted for paragraphs 5, 6, 24 and 25. Subject to consideration of stakeholder feedback received on the draft climate reporting roadmap consultation, we propose including those requirements in the exposure draft of NZ SX without modification.
6. By contrast, our analysis identified a basis for rebutting the presumption in relation to paragraphs 7 and 26 of IFRS S2. Accordingly, the remainder of this memo focuses on whether those paragraphs, paragraph B42(b) of IFRS S1 and Australian-specific paragraphs Aus7.1 and Aus26.1 should be included in NZ SX.

Summary of our analysis

Matter	Summary
Issue	Whether the Board should remove IFRS S2 paragraphs 7 and 26 from NZ SX and whether it should add paragraph B42(b) of IFRS S1 and Australian-specific paragraphs Aus7.1 and Aus26.1 to NZ SX
Proposed approach	Remove IFRS S2 paragraphs 7 and 26. Do not add paragraph B42(b) of IFRS S1 to NZ SX. Do not add Australian-specific paragraphs Aus7.1 and Aus26.1.
Key reasons and evidence	IFRS S1 and IFRS S2 are designed to be applied together. IFRS S1 establishes governance and risk management disclosure requirements for sustainability-related risks and opportunities as a whole, and IFRS S2 mirrors those requirements for climate-related risks and opportunities. Paragraphs 7 and 26 support the application of the anti-duplication principle in paragraph B42(b) of IFRS S1 by allowing entities to provide integrated governance and risk management disclosures where sustainability-related risks and opportunities are overseen and managed on an integrated basis. However, this rationale assumes that entities are reporting on both climate-related risks and opportunities and other sustainability-related risks and opportunities within a broader sustainability reporting framework.

New Zealand's climate reporting regime reflects the XRB's statutory mandate to issue climate standards rather than broader sustainability reporting standards. As a result, entities are required to provide disclosures only in relation to climate-related risks and opportunities and are not subject to equivalent disclosure requirements for other sustainability-related risks and opportunities. Because the same governance and risk management requirements are not being applied across multiple sustainability-related topics, the duplication that paragraphs 7 and 26 and paragraph B42(b) are designed to address cannot arise. Accordingly, these requirements are not necessary in a climate-only standard.

For the same reason, the rationale for the Australian additions Aus7.1 and Aus26.1, which were introduced to support the interaction between AASB S2 and Australia's voluntary AASB S1 standard, does not apply in New Zealand.

Next steps

7. We will consider the Board's feedback and bring proposed approaches back to the Board for decision at a future meeting.

Appendix 1: staff analysis applying the decision-making framework

Scope of the analysis

1. We applied the Decision-making framework to all governance and risk management disclosure requirements in IFRS S2.
2. The analysis below focuses on paragraphs 7 and 26 because these are the only governance and risk management requirements for which we identified a basis for rebutting the presumption. It also considers paragraph B42(b) of IFRS S1 and Australian-specific paragraphs Aus7.1 and Aus26.1 because they are directly related to paragraphs 7 and 26.

Key legislative context

3. The XRB prepares and issues climate standards under section 12(aa) of the Financial Reporting Act 2013 (FR Act). Climate reporting entities (CREs) must report in accordance with the XRB's climate standards.
4. The XRB does not have the power to issue binding general sustainability reporting standards or standards on sustainability-specific topics other than climate. However, section 19A of the FR Act states that the XRB may issue non-binding guidance that relates to non-financial reporting on various matters, including social and environmental matters.
5. As a result, New Zealand's mandatory reporting framework is limited to climate-related disclosures rather than broader sustainability-related disclosure.
6. The analysis below should be read in light of this legislative context.

Application of the eight steps

Step 1: Identify the issue and relevant IFRS S2 requirement

Question	Staff analysis
What is the relevant IFRS S2 requirement or climate-relevant provision of IFRS S1?	Paragraphs 7 and 26 of IFRS S2, which require entities to avoid unnecessary duplication in governance and risk management disclosures by applying the principle in paragraph B42(b) of IFRS S1 (see Appendix 2 and Appendix 3 for the content of these paragraphs).
Has Australia taken a different approach from IFRS S2?	See Appendix 2 and 3 for a comparison of the governance and risk management requirements in IFRS S2 vs AASB S2. AASB S2 incorporates IFRS S2 paragraphs 7 and 26 but adds Australian-specific paragraphs Aus7.1 and Aus26.1. These paragraphs clarify that the anti-duplication requirements apply particularly where an entity voluntarily applies AASB S1 in addition to AASB S2.
What issue or concern has been identified?	Whether paragraphs 7 and 26 are necessary in a climate-only reporting framework, given they are intended to avoid duplication between climate-related disclosures and disclosures about other sustainability-related risks and opportunities, and the XRB's mandate is limited to issuing climate standards.
How was the issue identified?	Staff analysis.

Question	Staff analysis
Does the issue arise from NZ legislation, regulation, reporting practice or market context?	Yes. The issue arises from New Zealand's legislative and regulatory settings. Refer to the Key legislative context section above.
Does the issue involve a possible addition, removal or change to an IFRS S2 requirement or climate-relevant provision of IFRS S1?	Potential removal of IFRS S2 paragraphs 7 and 26 and consequential consideration of whether paragraph B42(b) of IFRS S1 should be added to NZ SX.

Step 2: Consider whether a modification is required for New Zealand legislative or regulatory settings

Question	Staff analysis
Is a modification needed to ensure that NZ SX operates effectively and consistently within New Zealand's legislative or regulatory framework?	Yes. New Zealand's legislative framework requires climate-related disclosures rather than broader sustainability-related disclosures. Paragraphs 7 and 26 are intended to avoid duplication where equivalent governance and risk management disclosure requirements apply across multiple sustainability-related topics. Because NZ SX will operate as a climate-only standard, those circumstances do not arise. A modification is therefore needed to ensure the standard operates consistently within New Zealand's legislative framework.
What New Zealand legislative, regulatory, assurance or other legal requirement is relevant?	Refer to the Key legislative context section above. NZ SX is being developed as a climate-only standard under the FR Act.
Is the modification limited to what is needed to address that matter?	Yes. The modification is limited to removing paragraphs 7 and 26, which depend on the existence of a broader sustainability reporting framework. No changes are proposed to the substantive governance and risk management disclosure requirements in paragraphs 6 and 25.
Where possible, how could the modification preserve the substance and intent of the IFRS S2 requirement?	The modification preserves the substance and intent of the governance and risk management disclosure requirements in IFRS S2 because entities would remain subject to all disclosure requirements in paragraphs 6 and 25. The modification removes only the anti-duplication requirements in paragraphs 7 and 26, which assume the application of equivalent disclosure requirements to other sustainability-related risks and opportunities.

Step 3: Consider whether Australian harmonisation is relevant

Question	Staff analysis
Cross-reference the Australian difference identified in Step 1 and describe any additional information relevant to this analysis.	The AASB has added paragraphs Aus7.1 and Aus 26.1 (see Appendix 2 and 3 for the content of these paragraphs).
Does the difference arise from AASB S2, the Australian Corporations Act 2001, or both?	AASB S2.
What is the substance of the Australian approach?	The paragraphs clarify that the anti-duplication requirements in paragraphs 7 and 26 are intended to apply particularly where an entity voluntarily applies AASB S1 in addition to AASB S2 and is therefore reporting on both climate-related and other sustainability-related risks and opportunities.
Does the Australian approach add to, remove or change an IFRS S2 requirement?	Add to.
Why did Australia take that approach?	The AASB included its rationale in its Basis for Conclusions on AASB S2, relevant extracts are provided below: <i>Paragraph BC18 (for context):</i> <i>IFRS S1 sets out the general requirements for a complete set of sustainability-related financial disclosures.</i> <i>IFRS S1 is designed to be applied in conjunction with IFRS S2, which is a topic-based Standard that specifies disclosures relating to climate. As noted in paragraph BC14(a), consistent with the Australian Government's decision to address climate-related financial disclosures first and to consider the development of reporting requirements for other sustainability-related risks and opportunities in Australia over time, the AASB decided to issue AASB S1 as a voluntary Standard so that an entity applying AASB S2 is not required to apply AASB S1 to disclose information on other sustainability-related risks and opportunities.</i> <i>Paragraph BC19:</i> <i>Consequently, the AASB added paragraphs Aus7.1 and Aus26.1 to clarify that the requirements set out in IFRS S2 paragraphs 7 and 26 apply particularly if an entity elects to also apply AASB S1 to disclose information about other sustainability-related risks and opportunities in addition to climate-related risks and opportunities in GPFR. The paragraphs require an entity to avoid unnecessary duplication of disclosures by providing integrated disclosures instead of separate disclosures for each sustainability-related risk and opportunity, if oversight of sustainability-related risks and opportunities is managed on an integrated basis</i> Accordingly, the Australian amendments were introduced to support the interaction between AASB S2 and Australia's voluntary sustainability reporting framework established through AASB S1.

Question	Staff analysis
Does that rationale apply in New Zealand?	No. As explained in the Key legislative context section above, New Zealand is not proposing to issue a mandatory or voluntary sustainability reporting standard based on IFRS S1. The circumstances that Aus7.1 and Aus26.1 were designed to address therefore do not arise in New Zealand.
Would adopting the Australian approach be inconsistent with the statutory purpose of climate standards?	Yes. The Australian paragraphs assume the existence of a broader sustainability reporting framework. As discussed in the Key legislative context section above, that framework does not exist in New Zealand.
Would adopting the Australian approach reduce the usefulness of information for primary users?	No material benefit has been identified. The Australian paragraphs do not create additional climate-related disclosures and would not improve the information provided to primary users in a climate-only reporting framework.
What does stakeholder feedback indicate about the costs, benefits and practical implications of the Australian approach for New Zealand entities, including those without Australian reporting obligations?	We have not identified any stakeholder need for these paragraphs in a climate-only reporting framework.
Is there an alternative New Zealand approach that would provide flexibility while enabling entities to comply with NZ SX and, where relevant, IFRS S2 or AASB S2?	No alternative approach is necessary because the circumstances addressed by Aus7.1 and Aus26.1 do not arise in New Zealand.
Would an alternative approach create unnecessary complexity for entities operating across both jurisdictions?	No. Not adopting the Australian paragraphs would not create unnecessary complexity because New Zealand entities would continue to apply NZ SX as a climate-only standard. Entities reporting under Australian requirements would continue to apply AASB S2 when required to do so.

Step 4: Consider whether there is a compelling reason for any other locally relevant modification

☒ This step is not applicable.

Step 5: Consider whether the issue can be addressed outside the standard

☒ This step is not applicable.

Step 6: Weigh the evidence and exercise judgement

☒ This step is not applicable.

Step 7: Apply an internal coherence check

Complete this step for all proposed modifications.

Question	Staff analysis
Is the proposed approach consistent with the architecture and intent of IFRS S2 as incorporated into NZ SX?	Yes. Removing paragraphs 7 and 26 does not affect the architecture or intent of the governance and risk management disclosure requirements in IFRS S2. Entities would remain required to provide all the disclosures specified in paragraphs 6 and 25. The removed requirements address duplication between climate-related disclosures and disclosures about other sustainability-related risks and opportunities, rather than establishing substantive governance or risk management disclosures.
Does it create any inconsistency with other requirements in NZ SX, including other proposed New Zealand modifications?	No. The proposed modification does not create an inconsistency with the other requirements in NZ SX. The governance and risk management disclosure requirements would continue to apply in full to climate-related risks and opportunities.
Could it have unintended consequences, including undermining another requirement or making it less effective?	No unintended consequences have been identified. Removing paragraphs 7 and 26 would not reduce or modify the information required by paragraphs 6 and 25. It would instead remove requirements that have no practical application where equivalent governance and risk management disclosure requirements are not applied to other sustainability-related topics.
Would the proposed approach support the coherence of New Zealand climate-related disclosure requirements as a whole?	Yes. Consistent with the legislative context described above, the proposed approach would align NZ SX with the scope of New Zealand's climate reporting regime.
Does the proposed modification affect related requirements, requiring particular attention to the internal coherence check?	Yes. Paragraphs 7 and 26 cross-refer to paragraph B42(b) of IFRS S1, which requires an entity to avoid unnecessary duplication when IFRS Sustainability Disclosure Standards require common items of information. If paragraphs 7 and 26 are removed, their cross-references to paragraph B42(b) will also be removed. Paragraph B42(b) should not be added separately to NZ SX because the duplication it addresses cannot arise where the same disclosure requirements are not applied across climate-related and other sustainability-related topics. Paragraphs B42(a) and B42(c) should be considered separately because they address connected information rather than the specific duplication addressed by paragraphs 7 and 26.

Appendix 2: Comparison of governance disclosures

Table 1: Governance disclosures IFRS S2 vs AASB S2

7. This table compares the governance disclosure requirements in IFRS S2 *Climate-related Disclosures* with the corresponding requirements in AASB S2 *Climate-related Disclosures* (compiled versions, incorporating amendments to December 2025). Each row represents a separate paragraph or sub-paragraph. Where wording differs, struck-through text shows the IFRS S2 wording that has been replaced or omitted, and underlined text shows the wording used instead in AASB S2.

Paragraph	IFRS S2 requirement	AASB S2 requirement	Difference
5	The objective of climate-related financial disclosures on governance is to enable users of general purpose financial reports to understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee climate-related risks and opportunities.	The objective of climate-related financial disclosures on governance is to enable users of general purpose financial reports to understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee climate-related risks and opportunities.	No difference
6	To achieve this objective, an entity shall disclose information about:	To achieve this objective, an entity shall disclose information about:	No difference
6(a)	the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the entity shall identify that body(s) or individual(s) and disclose information about:	the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the entity shall identify that body(s) or individual(s) and disclose information about:	No difference
6(a)(i)	how responsibilities for climate-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s);	how responsibilities for climate-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s);	No difference
6(a)(ii)	how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee	how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee	No difference

Paragraph	IFRS S2 requirement	AASB S2 requirement	Difference
	strategies designed to respond to climate-related risks and opportunities;	strategies designed to respond to climate-related risks and opportunities;	
6(a)(iii)	how and how often the body(s) or individual(s) is informed about climate-related risks and opportunities;	how and how often the body(s) or individual(s) is informed about climate-related risks and opportunities;	No difference
6(a)(iv)	how the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities; and	how the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities; and	No difference
6(a)(v)	how the body(s) or individual(s) oversees the setting of targets related to climate-related risks and opportunities, and monitors progress towards those targets (see paragraphs 33–36), including whether and how related performance metrics are included in remuneration policies (see paragraph 29(g)).	how the body(s) or individual(s) oversees the setting of targets related to climate-related risks and opportunities, and monitors progress towards those targets (see paragraphs 33–36), including whether and how related performance metrics are included in remuneration policies (see paragraph 29(g)).	No difference
6(b)	management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about:	management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about:	No difference
6(b)(i)	whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and	whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and	No difference
6(b)(ii)	whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.	whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.	No difference

Paragraph	IFRS S2 requirement	AASB S2 requirement	Difference
7	In preparing disclosures to fulfil the requirements in paragraph 6, an entity shall avoid unnecessary duplication in accordance with IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> (IFRS S1) (see paragraph B42(b) of IFRS S1). For example, although an entity shall provide the information required by paragraph 6, if oversight of sustainability-related risks and opportunities is managed on an integrated basis, the entity would avoid duplication by providing integrated governance disclosures instead of separate disclosures for each sustainability-related risk and opportunity.	In preparing disclosures to fulfil the requirements in paragraph 6, an entity shall avoid unnecessary duplication in accordance with Appendix D (see paragraph B42(b) in Appendix D). For example, although an entity shall provide the information required by paragraph 6, if oversight of sustainability-related risks and opportunities is managed on an integrated basis, the entity would avoid duplication by providing integrated governance disclosures instead of separate disclosures for each sustainability-related risk and opportunity.	In preparing disclosures to fulfil the requirements in paragraph 6, an entity shall avoid unnecessary duplication in accordance with IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> (IFRS S1) <u>Appendix D</u> (see paragraph B42(b) of IFRS S1 <u>in Appendix D</u>). The remainder is unchanged.
Aus7.1	Not applicable – no equivalent paragraph in IFRS S2.	The requirement in paragraph 7 to avoid unnecessary duplication applies particularly if an entity elects to voluntarily apply AASB S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> (September 2024) to disclose information about other sustainability-related risks and opportunities in addition to climate-related risks and opportunities in general purpose financial reports.	Added by the AASB – new Australian-specific paragraph; no IFRS S2 equivalent.

Table 2: Cross-referenced paragraph B42(b)

8. Paragraph 7 of both Standards cross-refers to paragraph B42(b) of the general requirements – IFRS S1 (Appendix B) for IFRS S2, and Appendix D for AASB S2. The full paragraph B42 is compared below, as B42(a) and B42(c) provide necessary context for B42(b).

Paragraph	IFRS S1 requirement	AASB S2 requirement (Appendix D)	Difference
B42	Drawing connections between disclosures involves, but is not limited to, providing necessary explanations and cross-references and using consistent data, assumptions, and units of measure. In providing connected information, an entity shall:	Drawing connections between disclosures involves, but is not limited to, providing necessary explanations and cross-references and using consistent data, assumptions, and units of measure. In providing connected information, an entity shall:	No difference

Paragraph	IFRS S1 requirement	AASB S2 requirement (Appendix D)	Difference
B42(a)	explain connections between disclosures in a clear and concise manner;	explain connections between disclosures in a clear and concise manner;	No difference
B42(b)	avoid unnecessary duplication if IFRS Sustainability Disclosure Standards require the disclosure of common items of information; and	avoid unnecessary duplication if Australian Sustainability Reporting Standards require the disclosure of common items of information; and	avoid unnecessary duplication if IFRS Sustainability Disclosure Standards <u>Australian Sustainability Reporting Standards</u> require the disclosure of common items of information; and
B42(c)	disclose information about significant differences between the data and assumptions used in preparing the entity's sustainability-related financial disclosures and the data and assumptions used in preparing the related financial statements.	disclose information about significant differences between the data and assumptions used in preparing the entity's climate-related financial disclosures and the data and assumptions used in preparing the related financial statements.	disclose information about significant differences between the data and assumptions used in preparing the entity's sustainability-related <u>climate-related</u> financial disclosures and the data and assumptions used in preparing the related financial statements.

Appendix 3: Comparison of risk management disclosures

Table 1: Risk management disclosures IFRS S2 vs AASB S2

1. This table compares the risk management disclosure requirements in IFRS S2 *Climate-related Disclosures* with the corresponding requirements in AASB S2 *Climate-related Disclosures* (compiled version, incorporating amendments to 15 December 2025). Each row represents a separate paragraph or sub-paragraph. Where wording differs, struck-through text shows the IFRS S2 wording that has been replaced or omitted, and underlined text shows the wording used instead in AASB S2.

Para. #	IFRS S2 requirement	AASB S2 requirement	Difference
24	The objective of climate-related financial disclosures on risk management is to enable users of general purpose financial reports to understand an entity's processes to identify, assess, prioritise and monitor climate-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process.	The objective of climate-related financial disclosures on risk management is to enable users of general purpose financial reports to understand an entity's processes to identify, assess, prioritise and monitor climate-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process.	No difference
25	To achieve this objective, an entity shall disclose information about:	To achieve this objective, an entity shall disclose information about:	No difference
25(a)	the processes and related policies the entity uses to identify, assess, prioritise and monitor climate-related risks, including information about:	the processes and related policies the entity uses to identify, assess, prioritise and monitor climate-related risks, including information about:	No difference
25(a)(i)	the inputs and parameters the entity uses (for example, information about data sources and the scope of operations covered in the processes);	the inputs and parameters the entity uses (for example, information about data sources and the scope of operations covered in the processes);	No difference
25(a)(ii)	whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related risks;	whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related risks;	No difference
25(a)(iii)	how the entity assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the entity considers qualitative factors, quantitative thresholds or other criteria);	how the entity assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the entity considers qualitative factors, quantitative thresholds or other criteria);	No difference
25(a)(iv)	whether and how the entity prioritises climate-related risks relative to other types of risk;	whether and how the entity prioritises climate-related risks relative to other types of risk;	No difference

Para. #	IFRS S2 requirement	AASB S2 requirement	Difference
25(a)(v)	how the entity monitors climate-related risks; and	how the entity monitors climate-related risks; and	No difference
25(a)(vi)	whether and how the entity has changed the processes it uses compared with the previous reporting period;	whether and how the entity has changed the processes it uses compared with the previous reporting period;	No difference
25(b)	the processes the entity uses to identify, assess, prioritise and monitor climate-related opportunities, including information about whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related opportunities; and	the processes the entity uses to identify, assess, prioritise and monitor climate-related opportunities, including information about whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related opportunities; and	No difference
25(c)	the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the entity's overall risk management process.	the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the entity's overall risk management process.	No difference
26	In preparing disclosures to fulfil the requirements in paragraph 25, an entity shall avoid unnecessary duplication in accordance with IFRS S1 (see paragraph B42(b) of IFRS S1). For example, although an entity shall provide the information required by paragraph 25, if oversight of sustainability-related risks and opportunities is managed on an integrated basis, the entity would avoid duplication by providing integrated risk management disclosures instead of separate disclosures for each sustainability-related risk and opportunity.	In preparing disclosures to fulfil the requirements in paragraph 25, an entity shall avoid unnecessary duplication in accordance with Appendix D (see paragraph B42(b) in Appendix D). For example, although an entity shall provide the information required by paragraph 25, if oversight of sustainability-related risks and opportunities is managed on an integrated basis, the entity would avoid duplication by providing integrated risk management disclosures instead of separate disclosures for each sustainability-related risk and opportunity.	In preparing disclosures to fulfil the requirements in paragraph 25, an entity shall avoid unnecessary duplication in accordance with IFRS S1 <u>Appendix D</u> (see paragraph B42(b) of IFRS S1 <u>in Appendix D</u>). The remainder is unchanged.
Aus26.1	Not applicable – no equivalent paragraph in IFRS S2.	The requirement in paragraph 26 to avoid unnecessary duplication applies particularly if an entity elects to voluntarily apply AASB S1 to disclose information about other sustainability-related risks and opportunities in addition to climate-related risks and opportunities in general purpose financial reports.	Added by the AASB – new Australian-specific paragraph; no IFRS S2 equivalent.

Cross-referenced paragraph B42(b)

2. Paragraph 26 of both Standards cross-refers to paragraph B42(b) of the general requirements – IFRS S1 (Appendix B) for IFRS S2, and Appendix D for AASB S2. The full paragraph B42 is compared below, as B42(a) and B42(c) provide necessary context for B42(b).
3. Refer to Table 2 in Appendix 2 for a comparison of paragraph B42.



[DRAFT] Decision-making framework for NZ IFRS S2NZ SX¹

Version date: 30 September 2026

Purpose of the framework

1. This decision-making framework for ~~NZ IFRS S2NZ SX Climate-related Disclosures~~ (the **framework**) supports both the development and ongoing maintenance of a future New Zealand standard(s) based on IFRS S2 Climate-related Disclosures (IFRS S2) and the climate-relevant provisions of IFRS S1 General Requirements for Climate-related Disclosures (IFRS S1) (together referred to in this document as NZ IFRS S2NZ SX) Climate-related Disclosures (NZ IFRS S2) and is intended to assist:
 - (a) staff to identify and analyse issues arising in the development and ongoing maintenance of ~~NZ IFRS S2NZ SX~~, apply the principles and decision-making steps in this framework, and develop recommendations for the Sustainability Reporting Board (SRB), and
 - (b) the SRB to make consistent, transparent and evidence-based decisions when considering those recommendations.
2. The framework ~~may will~~ also guide staff recommendations and SRB decisions on future amendments to ~~NZ IFRS S2NZ SX~~, including amendments arising from changes to IFRS S2 ~~Climate-related Disclosures (IFRS S2)~~, AASB S2 Climate-related Disclosures (AASB S2), the Australian Corporations Act 2001, New Zealand legislative or regulatory settings, or stakeholder feedback.

Application of the framework

3. In applying this framework, staff and the SRB should use the same decision-making steps. References to matters the SRB should consider also guide staff analysis and recommendations.
4. In applying this framework, staff and the SRB should assess costs, benefits and practical implications having regard to the definition of climate reporting entity as proposed in the Financial Markets Conduct Amendment Bill 135-2, consistent with the assumptions underpinning the draft climate reporting roadmap. This includes consideration of the characteristics of those entities that are required to apply NZ IFRS S2 and the primary users² of those entities' climate-related disclosures.³

The framework is based on three principles

5. This decision-making framework applies the three principles set out in the [draft] climate reporting roadmap: international alignment, harmonisation with Australia and local relevance. These principles guide the development of ~~NZ IFRS S2NZ SX~~ and future amendments to that standard.
 - (a) **International alignment** — adopting IFRS S2 as the basis for ~~NZ IFRS S2NZ SX~~⁴

Commented [LK1]: Staff edit: added a footnote to say that NZ SX is used as a working title in this framework while the structure and naming is being considered

Commented [LK2]: Added a version date to clearly identify the date of this draft and support version control.

Commented [LK3]: Staff edit as structure and naming still being considered

Commented [LK4]: Staff edit

Commented [LK5]: Staff edit

Commented [LK6]: At its meeting on 3 August 2026, the Board provided feedback on the draft framework. The Board asked staff to revise the draft framework to: clarify the application of the framework by reference to the climate reporting entity population expected to apply after the *Financial Markets Conduct Amendment Bill* is enacted.

Commented [LK7]: Staff edit - moved footnote 4 to paragraph 7

¹ "NZ IFRS S2NZ SX" is used as a working title in this framework while the final name of the proposed New Zealand climate standard(s) is being considered.

² Primary users are existing and potential investors, lenders and other creditors.

³ The *Financial Markets Conduct Amendment Bill* was not enacted before the 54th New Zealand Parliament was dissolved. If the proposed changes to the definition of climate reporting entity are not enacted, staff and the SRB will consider the application of this framework.

⁴ All references to 'adopting IFRS S2' in this document should be read to mean together with adopting the climate-relevant portions of IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information.

- (b) **Harmonisation with Australia** — considering what approach to take where there are differences between IFRS S2 and the climate reporting obligations in Australia under AASB S2 and the Australian Corporations Act 2001, and
 - (c) **Local relevance** — considering what modifications if any, are needed to fit with New Zealand's legislative and regulatory settings, reporting practice and market context.
6. These principles are not applied in isolation. Staff and the SRB will need to consider how they interact in each decision, and whether a proposed approach appropriately balances international alignment, trans-Tasman harmonisation and local relevance.

The starting point is a rebuttable presumption that IFRS S2 requirements will be retained

7. The starting point for staff analysis and SRB decision-making is a rebuttable presumption that IFRS S2 requirements and climate-relevant provisions of IFRS S1 ~~General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1)~~ as identified by the ISSB in its educational material⁵ will be retained in ~~NZ-IFRS-S2-NZ SX~~ (i.e. the requirements are copied word-for-word). This reflects the proposed strategic direction of international alignment through adoption of IFRS S2.⁶
8. The presumption is rebutted where locally relevant modifications are needed to fit with New Zealand's legislative and regulatory settings.
9. The presumption may be rebutted where:
- (a) Australia has taken a different approach from IFRS S2, whether through AASB S2 or the Australian Corporations Act 2001, and the SRB considers New Zealand should take the same or a similar approach
 - (b) there is a compelling reason to add, remove or otherwise change an IFRS S2 requirement to reflect New Zealand reporting practice or market context.

Commented [LK8]: Staff edit

The SRB must consider the statutory purpose of climate standards

10. In applying this framework, staff and the SRB ~~should~~ **must** consider whether any proposed approach or modification is inconsistent with the purpose of climate standards and climate-related disclosures in section 19B of the Financial Reporting Act 2013.
11. Section 19B provides that the purpose of climate standards is to provide for, or promote, climate-related disclosures in order to encourage entities to routinely consider climate-related risks and opportunities, enable entities to show how they are considering those risks and opportunities, and enable investors and other stakeholders to assess the merits of how entities are considering those risks and opportunities.
12. This statutory purpose is embedded in each step of the framework. Staff and the SRB ~~should~~ **must** explicitly consider, at each step, whether a proposed approach or modification would be inconsistent with the statutory purpose in section 19B.
13. If staff or the SRB conclude that a proposed approach or modification would be inconsistent with the statutory purpose in section 19B, that approach or modification ~~should will~~ not be recommended or adopted, and no further analysis of that approach or modification is required.

Commented [LK9]: Staff edits made in this section to align the body text with the heading

⁵ Applying IFRS S1 when reporting only climate-related disclosures in accordance with IFRS S2

⁶ All references to 'adopting IFRS S2' in this document should be read to mean together with adopting the climate-relevant provisions of IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information.

The framework has eight steps

14. The following sections outline the eight steps of the framework.

Step 1: Identify the issue and the relevant IFRS S2 requirement

15. For each decision, staff should identify:

- (a) the relevant IFRS S2 requirement, or climate-relevant provision in IFRS S1, being considered
- (b) whether Australia has taken a different approach
- (c) the issue or concern that has been identified
- (d) whether the issue arises from New Zealand legislation, regulation, reporting practice or market context
- (e) whether the issue involves a possible addition, removal or change to an IFRS S2 ~~or IFRS S1~~ requirement
- ~~(f) whether the issue may be capable of being addressed outside the standard, rather than through a modification to the requirement from IFRS S2.~~

Commented [LK10]: Staff edit

16. This step is intended to ensure that the SRB is clear about the nature of the decision before considering whether any modification to the relevant requirement is justified.

Step 2: Consider whether a modification is required for New Zealand's legislative and regulatory settings

17. Some modifications may be required to ensure ~~NZ IFRS S2~~ NZ SX operates within New Zealand's legislative and regulatory framework. These may include technical amendments to align the standard with New Zealand legislation, regulatory settings, assurance requirements or other domestic legal requirements. ~~This recognises that NZ IFRS S2~~ NZ SX, as secondary legislation, must operate consistently with applicable primary legislation.
18. In making an assessment whether a modification is needed to ensure ~~NZ IFRS S2~~ NZ SX operates effectively and consistently within New Zealand's legislative and regulatory framework, the SRB should consider whether the proposed modification:
- (a) is necessary to fit New Zealand's legislative or regulatory framework
 - (b) is limited to what is needed to address the New Zealand-specific matter.
19. Where possible, a modification made for New Zealand legislative or regulatory reasons should preserve the substance and intent of the relevant requirement. This is not a separate threshold for deciding whether the modification is necessary. Rather, it is a factor to consider when determining how the modification should be drafted.

Commented [LK11]: Staff edit step 1 is intended to identify and define the issue. Paragraph 15(f), however, begins evaluating the appropriate response to that issue. That evaluation is already the specific purpose of **Step 5**, which asks whether the issue can be addressed outside the standard.

This duplicates step 5 so have removed from here

Commented [LK12]: Staff edit - Deleted as this sentence incorrectly narrows the requirement to primary legislation only. The preceding sentence already establishes that NZ IFRS S2 must operate within the broader legislative and regulatory framework, which includes other secondary legislation — not just primary legislation.

Step 3: Consider whether Australian harmonisation is relevant

20. Where AASB S2 or the Australian Corporations Act 2001 takes a different approach from IFRS S2, staff should analyse, and the SRB should consider, the appropriate New Zealand response.
21. This does not mean that New Zealand would automatically adopt the Australian approach. Rather, the SRB should consider whether harmonisation with Australia would be appropriate in the circumstances, having regard to the rationale for the Australian approach and the New Zealand context.

22. Where Australia has taken a different approach from IFRS S2, there are three broad options for the SRB to consider:

- (a) retain the IFRS S2 requirement, on the basis that the ~~rebuttable~~ presumption in paragraph 7 has not been rebutted
- (b) adopt the Australian approach, where harmonisation with Australia is appropriate in the circumstances
- (c) adopt an alternative New Zealand approach, where that approach is justified having regard to the principles in this framework and the New Zealand context.

Commented [LK13]: Staff edit

23. The SRB should adopt the Australian approach only where it is appropriate in the New Zealand context and is not inconsistent with the statutory purpose of climate reporting, the needs of primary users, and the overall coherence of ~~NZ IFRS S2 NZ SX~~.

24. Depending on the issue, relevant questions ~~may~~ include:

Commented [LK14]: Staff edit

- (a) What is the substance of the Australian approach, and does it add to, remove or change an IFRS S2 requirement?
- (b) Does the difference arise from AASB S2, the Australian Corporations Act 2001, or both?
- (c) Why did Australia take that approach?
- (d) Does the rationale for the Australian approach also apply in New Zealand? If the rationale does not apply in New Zealand, that will generally weigh against adopting the Australian approach, although other relevant factors may still be considered.
- (e) Would adopting the Australian approach reduce the usefulness of information for primary users?
- (f) What has stakeholder feedback indicated about the costs, benefits and practical implications of the Australian approach for New Zealand entities, including those that do not have Australian reporting obligations?
- (g) Is there an alternative New Zealand approach that would provide entities with flexibility while enabling them to comply with ~~NZ IFRS S2 NZ SX~~ and, where relevant, IFRS S2 or AASB S2?
- (h) Would an alternative New Zealand approach create unnecessary complexity for entities operating across both jurisdictions?

Step 4: Consider whether there is a compelling reason for any other locally relevant modification

25. For any proposed modification that is not required for New Zealand legislative or regulatory reasons, staff should identify, and the SRB should consider, whether there is a compelling reason for the modification.

26. ~~Sources of evidence for a~~ A compelling reason may ~~arise from consultation feedback, staff analysis, or both. include consultation feedback, implementation experience, staff analysis, research, and relevant experience in other jurisdictions.~~ The evidence should be sufficiently clear to justify a departure from the starting presumption that IFRS S2 requirements will be retained. More significant departures from IFRS S2 require stronger supporting rationale and evidence.

Commented [LK15]: Edit made for consistency with content added below in responding to Board feedback

27. The SRB should only consider locally relevant modifications where it is appropriate in the New Zealand context and is not inconsistent with the statutory purpose of climate reporting, the needs of primary users, and the overall coherence of ~~NZ IFRS S2 NZ SX~~.

28. Depending on the issue, relevant questions ~~may~~ include:

- (a) Is there evidence that applying the IFRS S2 requirement in New Zealand would result in undue cost or practical difficulty?
- (b) Is there evidence that a modification would provide benefits to primary users that outweigh the expected costs for entities?
- (c) ~~Is there sufficient evidence that existing the proportionality mechanisms in IFRS S2 may be sufficient to would address the concern without modifying the IFRS S2 requirement?~~
- (d) ~~Is there evidence that other jurisdictions have taken, or are considering, a similar approach to an identified issue? If so, what are the reasons for that approach, and are those reasons relevant in the New Zealand context?~~
- ~~(d)(e)~~ What would the cumulative impact be of multiple locally relevant modifications (additions, ~~departures~~ ~~removals~~ or ~~changes~~ ~~removals~~)?

Commented [LK16]: Staff edit

Commented [LK17]: Staff edit

Commented [LK18]: At its meeting on 3 August 2026, the Board provided feedback on the draft framework. The Board asked staff to revise the draft framework to: include, in Step 4, consideration of whether there is evidence of multiple jurisdictions taking a similar approach to an issue.

Commented [LK19]: Staff edit for consistency with rest of document

Step 5: Consider whether the issue can be addressed outside the standard

- 29. Before recommending or deciding to modify a requirement from IFRS S2, staff and the SRB should consider whether the issue could be more appropriately addressed outside the standard. For example, some matters may be better addressed through domestic versions of ISSB educational material, implementation support, illustrative examples, guidance on locally relevant modifications, or other non-mandatory material.
- 30. This step is intended to avoid unnecessary modifications to IFRS S2 requirements where the issue can be addressed in a way that maintains alignment with IFRS S2 while supporting effective implementation in New Zealand.
- 31. However, this approach has limitations. Non-mandatory material is not legally binding and may add complexity for preparers and users. It may also reduce comparability for primary users if it creates New Zealand-specific material or explanations that differ from IFRS S2.

Step 6: Weigh the evidence and exercise judgement

32. Where the earlier steps identify contested information from the feedback process, contradictory or unclear evidence, or a potential conflict between the three principles, staff should weigh that evidence in developing their recommendation, and the SRB should weigh that evidence in reaching its decision.

33. In weighing the evidence, staff and the SRB should apply the ~~rebuttable~~ presumption in paragraph 7 that IFRS S2 requirements will be retained in ~~NZ IFRS S2 NZ SX~~ unless that presumption is rebutted.

Commented [LK20]: Staff Edit

~~32-34.~~ ~~The nature, relevance and strength of evidence will vary depending on the issue. The nature of the evidence may relate to costs or benefits, difficulties in obtaining reliable information, the usefulness of information for primary users, and the practical effect of relevant proportionality mechanisms.~~

Commented [LK21]: At its meeting on 3 August 2026, the Board provided feedback on the draft framework. The Board asked staff to revise the draft framework to: add further explanation in Step 6 about how the nature, relevance and strength of evidence should be considered, without making the framework overly prescriptive.

~~33-35.~~ The SRB should give particular weight to evidence that:

- (a) demonstrates that the issue is important in the New Zealand context
- (b) is specific, well-supported and clearly relevant to New Zealand's legislative and regulatory settings, reporting practice or market context
- (c) explains the likely effect of any modification on the usefulness of information for primary users

Commented [LK22R21]: See paragraphs 34, 35 and 36

- (d) supports a clear rationale for any departure from IFRS S2.

36. ~~Evidence will be assessed on the merits and not solely by the number of stakeholders expressing a particular view. No single factor is determinative. The weight given to evidence will depend on the nature of the decision, the significance of any proposed departure from IFRS S2, and the extent to which the evidence supports a clear and reasoned conclusion.~~

~~34-37.~~ Where the evidence is contradictory, unclear or incomplete, the SRB may decide to:

- (a) retain the IFRS S2 requirement
- (b) seek further feedback
- (c) monitor implementation before deciding whether a standard-setting response is needed
- (d) address the matter through guidance or other non-mandatory material
- (e) change a mandatory requirement to an optional requirement, where the SRB is satisfied that doing so would appropriately address the issue identified, while preserving the purpose of the requirement and avoiding a loss of useful information for primary users. The SRB may decide that this is an interim approach, to be reconsidered once further evidence is available, including evidence from implementation experience or the operation of relevant proportionality mechanisms.

Step 7: Apply an internal coherence check

~~35-38.~~ Before recommending or confirming any decision, staff and the SRB should consider whether the proposed approach is consistent with ~~NZ-IFRS S2~~ **NZ SX** as a whole.

~~36-39.~~ Relevant questions include:

- (a) Is the decision consistent with the architecture and intent of IFRS S2 as incorporated into ~~NZ-IFRS S2~~ **NZ SX**?
- (b) Does the decision create any inconsistency with other requirements in ~~NZ-IFRS S2~~ **NZ SX**, including other proposed New Zealand modifications?
- (c) Could the decision have unintended consequences, including undermining another requirement or making it less effective?
- (d) Would the modification support the coherence of New Zealand climate-related disclosure requirements as a whole?

~~37-40.~~ This check is particularly important where a proposed modification may affect related requirements.

Step 8: Document the rationale for the SRB's decision

~~38-41.~~ The documentation should record the key matters considered under this framework, including:

- (a) the IFRS S2 requirement being considered
- (b) the issue identified
- (c) the relevant principle or principles
- (d) whether the proposed approach or modification would be inconsistent with the statutory purpose in section 19B
- (e) whether the starting presumption to retain IFRS S2 has been rebutted

- (f) the evidence considered, including ~~its nature, relevance and strength~~ **relevant consultation feedback and staff analysis**
- (g) the recommended approach
- (h) the rationale for the recommendation
- (i) the outcome of the internal coherence check.

Commented [LK23]: Edit made to be consistent with changes above to respond to Board feedback

~~39-42.~~ This will support consistent SRB decision making and provide a clear basis for explaining the SRB's decisions in the exposure draft and any related consultation material. This will also inform the Basis for Conclusions accompanying ~~NZ IFRS S2NZ SX~~ when it is issued in its final form.

Staff communicate local modifications and support implementation

~~40-43.~~ After the SRB has made a decision, staff should consider whether any further actions are needed to support implementation, transparency and international engagement.

~~41-44.~~ If the SRB decides to make a locally relevant modification to ~~NZ IFRS S2NZ SX~~, staff should consider whether the matter should be communicated to the ISSB for future consideration. This may be appropriate where the modification reflects a New Zealand-specific implementation issue, cost-benefit concern, market practice or legislative/regulatory matter that could be relevant to future ISSB standard-setting, maintenance or implementation activities.

~~42-45.~~ Staff should also consider whether the matter should be raised with the AASB or through other international engagement channels, particularly where it is relevant to trans-Tasman harmonisation or to New Zealand's ongoing engagement with international standard setters.

~~43-46.~~ Where a locally relevant modification changes or removes a requirement in IFRS S2 or the climate-relevant portions of IFRS S1, staff should consider how the modification should be explained publicly, including whether it may need to be reflected in New Zealand's ISSB jurisdictional ~~profile~~.

Commented [LK24]: At its meeting on 3 August 2026, the Board provided feedback on the draft framework. The Board asked staff to revise the draft framework to: include a flow chart to help explain the decision-making process

Commented [LK25R24]: Flowchart has been added to the clean version

Memorandum

To SRB members

Meeting date 13 October 2026

Subject **Naming conventions and structures for New Zealand standards based on ISSB standards**

Date 2 October 2026

Prepared by Geoff Connor

Through Amelia Sharman

☒ **Action Required**

☐ **For Information Purposes Only**

Purpose¹

1. To seek feedback on the naming convention for, and structure of any New Zealand climate standard(s) that the Board may decide to consult on after considering feedback on the draft climate reporting roadmap.

Recommendations

2. That the Board PROVIDE FEEDBACK on the following proposals:
 - (a) New Zealand Sustainability Disclosure Standards (NZ SDS) would be the naming convention for New Zealand climate standards based on IFRS Sustainability Disclosure Standards
 - (b) Two standards are issued comprising:
 - i. a standard based on IFRS S2
 - ii. a standard based on the climate-relevant provisions in IFRS S1.
 - (c) The standards are called:
 - i. Climate-related Disclosures
 - ii. General Requirements for Climate-related Disclosures.

Background

3. The International Sustainability Standards Board (**ISSB**) has issued two IFRS Sustainability Disclosure Standards:
 - (a) *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information* establishes the general requirements for sustainability-related financial disclosures. It comprises:
 - i. requirements for disclosures on governance, strategy, risk management, and metrics and targets

¹ This memo refers to the work of the International Sustainability Standards Board (ISSB) and uses registered trademarks of the IFRS Foundation (for example, IFRS® Sustainability Disclosure Standards, and ISSB® papers).

- ii. principles and requirements relating to matters such as materiality, connected information, reporting entity, presentation, and comparative information
- (b) IFRS S2 *Climate-related Disclosures* requires an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.
- 4. While specific and detailed climate-related requirements fall under IFRS S2, some general requirements in IFRS S1 apply for climate reporting purposes.

The naming convention issue

- 5. The naming convention issue arises because the ISSB permits national standard setters to use IFRS in the title only if the ISSB standard is adopted in full. If a New Zealand climate standard were to include any modifications:
 - (a) we would not be able to assert that the New Zealand standard is the “New Zealand equivalent” of IFRS S2 (or IFRS S1). It would be acceptable to state that the New Zealand standard “is based on” IFRS S2 (or IFRS S1)
 - (b) using NZ IFRS S2 (or NZ IFRS S1) as the abbreviation would be impermissible
 - (c) we could use the same title words (e.g., “Climate-related disclosures” in relation to a New Zealand standard based on IFRS S2).
- 6. We expect to make at least one amendment that would modify IFRS S2 sufficiently to mean we would be unable to use the name NZ IFRS S2 (removing the requirement to consider the [industry-based disclosure requirements](#)).
- 7. Appendix 1 provides information about the naming conventions and abbreviations used in other jurisdictions that have issued standards based on the ISSB standards. There is no consensus. Four approaches have been taken in relation to the abbreviation:
 - (a) The abbreviation relates to the name of the standard setter
 - (b) FRS-S (Financial Reporting Standard – Sustainability)
 - (c) SDS (Sustainability Disclosure Standard)
 - (d) SRS (Sustainability Reporting Standard).
- 8. It would also be possible for the Board to retain NZ CS.

Staff analysis on the naming convention

- 9. We do not recommend the standard-setter name approach for future-proofing reasons. Parliament might transfer the responsibility for preparing and issuing climate standards from the XRB to another agency. The XRB Board might change the name of the SRB. The XRB Board might disestablish the SRB and transfer the responsibility for setting climate standards to itself, a committee of XRB Board members or another technical board.
- 10. We do not recommend using NZ CS for the following reasons:
 - (a) It is important to change the naming and abbreviation convention because it would clearly signal that the Board is replacing the current NZ CS standards.
 - (b) It could be confusing if the new standard based on IFRS S2 were to be abbreviated as NZ CS 2 (or NZ CS 1) because there is an NZ CS 2 (and an NZ CS 1) under the current set of New Zealand climate standards. There are also issues with NZ CS 4 because it would imply a continuation of the current standards and “4” for the climate-related disclosure standard would be unique to New Zealand.

11. We consider that SDS and SRS are equally good at accurately representing the substance. FRS-S is less accurate. Although the purpose is to convey information about financially material risks and opportunities, the content of the standards and the disclosures that they mandate relate to both financial and non-financial matters.
12. We consider that NZ SDS and NZ SRS are the best options, but there is little to choose between them. On balance, we recommend NZ SDS because:
 - (a) The ISSB uses “disclosure” in the full name of its standards (“IFRS Sustainability Disclosure Standards”). The name of IFRS S1 includes “Disclosure”. IFRS S2 is called “Climate-related Disclosures”. The ISSB has stated that the forthcoming IFRS Practice Statement will be called “Nature-related Disclosures”.
 - (b) “Disclosure” is used in New Zealand primary legislation. The Financial Reporting Act 2013 refers to the “climate-related disclosure framework.” The title of Part 7A of the Financial Markets Conduct Act 2013 is “Climate-related disclosures for certain FMC reporting entities with higher level of public accountability”.

Options regarding number of standards

13. We have identified three options:
 - (a) **Option 1 – One standard using the Australian approach:** Issue a standard based on IFRS S2 and incorporate the climate-relevant portions of IFRS S1 in an appendix.
 - (b) **Option 2 – One standard in two parts:** Part 1 (IFRS S1 content), Part 2 (IFRS S2 content), or vice versa.
 - (c) **Option 3 – Two standards:** Issue one standard based on IFRS S2 and another standard comprising the climate-relevant portions of IFRS S1. Consistent with [section 12\(aa\)](#) of the Financial Reporting Act 2013, the IFRS S1-related New Zealand standard would be called *General Requirements for Climate-related Disclosures*, not *General Requirements for Disclosure of Sustainability-related Financial Information*.
14. We also considered the possibility of a single standard coherently integrating IFRS S2 and the climate-relevant provisions of IFRS S1 throughout the standard. However, we concluded that it is not a realistic option mainly because creating a unique New Zealand structure and paragraph numbering (with a consequential need to publish a table of concordance) could be confusing for primary users and CREs.
15. The single integrated standard approach also has the potential to add a considerable amount of work for SRB members and XRB staff because of the need to make potentially difficult judgements about where to locate specific paragraphs from each standard within the overall structure.

Assessment of options

16. We consider that Option 3 (two standards) is the best option for the reasons outlined below.
17. We assessed the options against the criteria in Table 1 and used the scoring system in Table 2. Our assessment of the options is summarised in Table 3.

Table 1: Assessment criteria

Criterion	Assessment question
1. Alignment with IFRS standards	To what extent does the option preserve the architecture of IFRS 1 and IFRS S2?
2. Harmonisation with Australia	To what extent does the option align with the architecture adopted in Australia?

3. Readability and usability	To what extent is the option intuitive to navigate, understand and apply?
4. Ease of maintenance	To what extent does the option facilitate the efficient and effective incorporation of future amendments to ISSB and/or Australian standards?
5. Future proofing	To what extent does the option provide a suitable foundation should Parliament expand mandatory sustainability reporting beyond climate-related disclosures?
6. Signalling	To what extent does the option make it clear that New Zealand has only issued standard(s) based on IFRS S2 and the climate-relevant content in IFRS S1?

Table 2: Assessment criteria scoring

Score	Meaning
5	Strongly meets the criterion
4	Meets the criterion well
3	Moderately meets the criterion
2	Meets the criterion to a limited extent
1	Does not meet the criterion

18. We gave a double weighting to readability and usability (criterion 3) because it is the most important consideration from a primary user and CRE perspective. That said, Option 3 (Two standards) would have obtained the highest score even had we not double weighted criterion 3.

Table 3: Assessment of options (1-5 scale, double weighting for criterion 3)

Option \ Criterion	1: The Australian approach	2: One standard in two parts	3: Two standards
1. IFRS alignment	4	4	5
2. Australian harmonisation	5	4	3
3. Readability & usability (double weighting)	4	8	10
4. Ease of maintenance	4	3	5
5. Future proofing	2	2	3
6. Signalling	5	5	4
Totals	24	26	30

19. We make the following comments in support of our quantitative assessments in Table 3:
- (a) *Criteria 1 and 2 (IFRS alignment and Australian harmonisation)*: All three options rate relatively highly against these architecture-related criteria but there are tensions between them, which is why no option can score 5 against both criteria.
 - (b) *Criterion 3 (readability & usability)*: We rated Option 1 (Australian approach) as 2 out of 5 for criterion 3 because some paragraph numbers appear twice in AASB S2. The main part of AASB S2 has whole number paragraphs. Appendix B has B-numbered paragraphs. The duplication arises because Appendix D of AASB S2 (i.e. the climate relevant portions in IFRS S1) also includes whole number and B-numbered paragraphs.
 - (c) *Criterion 4 (Ease of maintenance)*: We gave a higher score to Option 1 than Option 2 because of the opportunity to work together with External Reporting Australia staff on implementation.

- (d) *Criterion 5 (Future proofing)*: Changes would need to be made under all options should Parliament expand the XRB's sustainability-related mandate. We rated Option 3 (Two standards) one point higher than each of the single standard options because the SRB would only need to make incremental changes to the general requirement standard rather than reconfigure the standard architecture.
- (e) *Criterion 6 (Signalling)*: We allocated 4 points out of 5 to Option 3 (Two standards) because of our proposal that the IFRS S1-related standard be called *General Requirements for Climate-related Disclosures*. This title would make it clear that the XRB is not acting outside its statutory standard-making powers. We would have given it 2 points had our proposal for Option 3 been to use the same title as IFRS S1.

Appendix 1: Abbreviation and naming conventions in other jurisdictions

Table 4 provides information about jurisdictions with abbreviations that reference the name of the standard setting board. Table 5 provides information about jurisdictions with abbreviations that relate to the substance of the standards.

Table 4: The abbreviation references the name of the standard setter

Jurisdiction	Abbreviation	Name of the standards	Standard setter
Australia	AASB S	Sustainability Reporting Standards	Australian Accounting Standards Board
Japan	SSBJ	Sustainability Disclosure Standards	Sustainability Standards Board of Japan
Korea	KSSB	Sustainability Disclosure Standards	Korea Sustainability Standards Board

Table 5: The abbreviation relates to substance

Jurisdiction	Abbreviation	Name of the standards	Standard setter
Financial Reporting Standards – S			
Hong Kong	HKFRS S	Sustainability Disclosure Standards	Hong Kong Institute of Certified Public Accountants
Philippines	PFRS S	Financial Reporting Standards on Sustainability Disclosures	Philippine Financial and Sustainability Reporting Standards Council
Singapore ²	SFRS S	Sustainability Disclosure Standards	Interim Sustainability Standards Committee of the Accounting and Corporate Regulatory Authority
Sri Lanka	SLFRS S	Sustainability Disclosure Standards	Institute of Chartered Accountants Sri Lanka
Sustainability Disclosure Standards			
Brazil	NBC TDS ³	Accounting Standards for Sustainability Information Disclosure ⁴	Federal Accounting Council
Canada	CSDS	Sustainability Disclosure Standards	Canadian Sustainability Standards Board
China	CSDS	Sustainability Disclosure Standards	Ministry of Finance
Indonesia	PSPK ⁵	Sustainability Disclosure Standard Statements	Sustainability Standards Board of the Institute of Indonesia Chartered Accountants
Sustainability Reporting Standards			
Mexico	NIS ⁶	Sustainability Reporting Standards	Mexican Financial Reporting and Sustainability Standards Board
Turkiye	TSRS	Sustainability Reporting Standards	Public Oversight, Accounting and Auditing Standards Authority
United Kingdom	UK SRS	Sustainability Reporting Standards	Department for Business and Trade

² Singapore's sustainability disclosure standards are in draft form. The Accounting and Corporate Regulatory Authority launched a public consultation on 27 July 2026, which runs until 25 October.

³ NBC TDS stands for Normas Brasileiras de Contabilidade - Técnicas para Divulgação de Informações sobre Sustentabilidade.

⁴ The name in Portuguese is Normas Brasileiras de Contabilidade para Divulgação de Informações de Sustentabilidade.

⁵ PSPK stands for Pernyataan Standar Pengungkapan Keberlanjutan.

⁶ NIS stands for Normas de Informacion de Sostenibilidad.

Memorandum

To: SRB Members

Meeting date: 13 October 2026

Subject: **Consultation analysis and recommendations: Proposed Amendments to NZ CS 1 Climate-related Disclosures 2026**

Date: 2 October 2026

Prepared by: Judy Ryan

Through: Amelia Sharman

Copy: Misha Pieters and Karen Tipper

☒ **Action Required**

☐ **For Information Purposes Only**

Purpose

1. This memo analyses the issues raised through consultation on the Exposure Draft (**ED**) of Proposed Amendments to NZ CS 1 Climate-related Disclosures 2026 and seeks the Board's agreement to the recommended actions in response to those issues.

Background documents

2. The following documents should be read as background to inform the analysis contained within this memo:
 - (a) [ED: Proposed Amendments to NZ CS 1 Climate-related Disclosures 2026](#)
 - (b) [Consultation document: Proposed Amendments to NZ CS 1 Climate-related Disclosures 2026](#)

Recommendations

3. We recommend that the Board AGREE:

in relation to the proposal to permit exclusions of emissions from specific financial activities:

 - (a) to proceed with the amendments and clarify in the Basis for Conclusions (**BC**) that exclusions apply only to specified greenhouse gas (**GHG**) emissions disclosures
 - (b) to retain the proposed exclusions-based drafting
 - (c) that financed emissions should not be defined and that the BC clarify the treatment of assets under management and undrawn loan commitments
 - (d) to amend the description of insurance-associated emissions to improve alignment with IFRS S2 wording and clarify in the BC that the exclusion does not apply to emissions disclosed under other scope 3 categories
 - (e) to amend the description of facilitated emissions to improve alignment with IFRS S2 wording
 - (f) to retain existing approach in B9, redraft B3 and explain approach to exclusions in the BC

- (g) not to incorporate the additional disclosure requirements introduced by IFRS S2 in relation to the incorporation of XRB staff guidance as application material
- (h) to retain paragraph B4 and explain its operation in the BC
- (i) to revise paragraphs B7 and B8 to clarify that they provide examples rather than mandatory requirements
- (j) to address methodology scope exclusions in the BC
- (k) not to introduce an explicit expectation of continual improvement
- (l) not to make changes to clarify the distinction between disclosure requirements and measurement methods.

4. We recommend the Board NOTE:

- (a) that feedback on the benefits and costs of the proposed amendments has been reflected in the appendix to the Regulatory Standards Act Assessment, including feedback on preparer cost relief, user impacts, transparency and comparability
- (b) the proposals for which no further Board decision is required because consultation feedback indicated broad support and no significant unresolved issues, namely
 - i. the drafting of the derivatives exclusion
 - ii. incorporating existing XRB staff guidance as application material
 - iii. the proposed application date of 1 January 2027 with early adoption permitted
- (c) the list of submissions received, links to the submissions and classification of respondents set out in [Appendix 1](#)
- (d) the summary of responses to each consultation question in [Appendix 2](#)
- (e) the convention used to describe the level of respondent support, as set out in [Appendix 3](#).

Structure of this memo

- 5. The background section explains the international developments that prompted the proposed amendments, summarises the consultation feedback, and outlines the benefits and costs identified by respondents.
- 6. The section on supported proposals identifies matters where no further Board decision is required because respondents supported the proposals in the ED and raised no significant issues.
- 7. The main body is organised around the topics requiring Board decisions. For each topic, the memo:
 - (a) summarises the issue raised by respondents
 - (b) analyses the feedback and relevant considerations
 - (c) recommends an action for the Board
 - (d) shows any resulting drafting changes to the proposals in the ED, where applicable.
- 8. The appendices provide the supporting detail. Appendix 1 lists the submissions received and includes links to the submissions, Appendix 2 summarises responses to each consultation question, including respondent names and levels of support, and Appendix 3 explains the terms used to describe levels of respondent support.

Background

IFRS S2 was amended to limit scope 3 category 15 disclosures to financed emissions

9. In December 2025, the International Sustainability Standards Board (ISSB) amended IFRS S2 *Climate-related Disclosures* (IFRS S2)¹ and the Australian Accounting Standards Board (AASB) issued equivalent amendments to AASB S2 *Climate-related Disclosures* (AASB S2) to maintain alignment.² One amendment allows an entity to limit the scope 3 investment-related emissions it is required to disclose (Category 15, the investments category in the Greenhouse Gas Protocol — Corporate Value Chain (Scope 3) Accounting and Reporting Standard (GHG Protocol Scope 3 Standard)) to “financed emissions”.³
10. Our stakeholders told us that the current requirements to report all material scope 3 GHG emissions (which, depending on the entity could include insurance-associated and facilitated emissions) in Aotearoa New Zealand Climate Standard 1 *Climate-related Disclosures* (NZ CS 1) are now more onerous than IFRS S2. They told us that this is creating uncertainty and unnecessary cost, particularly for climate reporting entities (CREs) that are New Zealand subsidiaries of Australian groups facing divergent expectations. They are seeking clarity and relief to reduce costs arising from this international divergence.

XRB consulted on amendments to NZ CS 1 on GHG emissions exclusions

11. In July 2026 the XRB consulted on [proposed amendments to NZ CS 1](#) to internationally align requirements for the disclosure of scope 3 investment-related GHG emissions and to incorporate existing XRB staff guidance on exclusions into the standard.
12. The consultation closed on 29 July 2026, and the Board received a verbal update on the main themes at its meeting on 3 August 2026.

We received 20 responses and overall support for the amendments

13. We received 20 submissions to the consultation from a broad range of stakeholders, including CREs, industry bodies, professional service providers, financial institutions and primary users. Overall, respondents were supportive of the proposed amendments. Eighteen respondents (90%) considered that the amendments would improve international alignment, reduce implementation costs and complexity, and provide greater certainty regarding the disclosure of investment-related emissions.
14. Although support for the direction of the amendments was generally strong, respondents requested clarification regarding several aspects of the proposals.

Feedback supports the benefit-cost case for proceeding

15. Most respondents considered that the benefits of the amendments outweigh the costs. They identified improved international alignment, greater clarity and certainty, reduced reporting complexity, and lower compliance and assurance costs as key benefits. Several respondents also noted that the amendments provide appropriate relief where data quality is poor, methodologies are unavailable, or measurement outcomes are highly uncertain.
16. Two respondents cautioned that permitting exclusions could reduce completeness, comparability and transparency for users. They were concerned that reduced disclosures may shift costs from

¹ This document refers to the work of the International Sustainability Standards Board (ISSB) and uses registered trademarks of the IFRS Foundation (for example, IFRS® Sustainability Disclosure Standards).

² Subsequently in this document, references to IFRS S2 should be read as also referring to AASB S2, which includes equivalent amendments.

³ “...emissions attributed to loans and investments made by the entity to investees or counterparties. ‘Loans and investments’ include loans, project finance, bonds, equity investments and undrawn loan commitments. For an entity that participates in asset management activities, financed emissions include greenhouse gas emissions attributed to assets under management.” (see IFRS S2 paragraph 29A)

preparers to users, make peer comparisons more difficult, or obscure information about climate-related risks and performance. One respondent recommended monitoring whether the relief materially reduces the usefulness or comparability of climate statements over time.

17. We have reflected this feedback in the analysis of benefits and costs in the appendix to the Regulatory Standards Act Assessment (see agenda paper 4.4). The feedback does not change the recommendations in this paper, but it supports explaining how the amendments balance cost relief for preparers with the need to preserve decision-useful information for users.

Supported proposals that do not require further Board decisions

18. The following items are not analysed as separate Board decision topics because consultation feedback indicates broad support and no significant issues. Where respondents raised concerns about specific aspects of the XRB staff guidance, those matters are addressed in the decision sections below.
 - (a) The drafting of the exclusion in relation to derivatives was not raised as a concern by any respondent.
 - (b) The proposal to incorporate existing XRB staff guidance as application material was supported or partially supported by all respondents who answered the question. Respondents who partially supported the proposal raised concerns about specific aspects of the guidance, which are addressed in the relevant decision sections below.
 - (c) The proposed application date of 1 January 2027, with early adoption permitted, was supported by all respondents who answered the question. No implementation timing concerns were raised.

The Board is asked to decide on 12 issues raised through consultation

19. The 12 issues in this section require Board decisions. For each issue, we describe the issue, present our analysis and recommend an action. [Appendix 2](#) contains a summary of consultation feedback, including levels of support and respondent comments. The analysis also identifies one minor drafting refinement arising from staff's post-consultation review.

Issue 1: Concerns about the scope and effect of the proposed exclusions

20. Two respondents questioned whether permitting specified emissions to be excluded from scope 3 GHG emissions disclosures could reduce the completeness, comparability and decision-usefulness of climate statements, particularly where those emissions remain material. One further respondent recommended monitoring whether the relief reduces the usefulness or comparability of climate statements over time.
21. Two respondents also argued that emissions should not be excluded where they can be measured using established methodologies.
22. A few respondents observed that insurance-associated and other excluded emissions may remain relevant to an entity's transition risks, strategy, governance or risk management disclosures. They were concerned that excluding these emissions from scope 3 GHG emissions disclosures could imply that the activities themselves are not relevant to understanding climate-related risks and opportunities.

Analysis

23. We note that the central question is not whether insurance-associated and other excluded emissions may be relevant or material in particular circumstances, but whether NZ CS 1 should align with the

scope of financed emissions disclosures required by IFRS S2. The proposed amendments preserve the requirement for entities to exercise judgement while providing relief consistent with the international standard.

24. In relation to concerns about emissions that can be measured using established methodologies, we acknowledge that methodologies exist for some excluded emissions sources. However, IFRS S2 does not require disclosure of all Category 15 emissions for which a methodology exists. Rather, it limits the disclosure requirement to financed emissions. We consider that alignment with IFRS S2 is consistent with the Board's intent and avoids creating a more onerous New Zealand-specific requirement.
25. We also agree that excluding a source from scope 3 GHG emissions disclosures does not imply that the source is irrelevant for other climate-related disclosures. Entities remain responsible for considering whether information about these activities is necessary to meet the objectives of the Aotearoa New Zealand Climate Standards (**NZ CS**) as a whole and to provide material information about climate-related risks and opportunities. The proposed exclusions apply only to specified scope 3 GHG emissions disclosures and do not alter an entity's broader disclosure obligations under NZ CS.

Recommendation (a): Proceed with the amendments and clarify in the BC that exclusions apply only to specified GHG emissions disclosures

26. We recommend proceeding with the proposed amendments. Consultation feedback demonstrated broad support for aligning NZ CS 1 with IFRS S2 and AASB S2, with most respondents citing improved comparability, reduced implementation complexity and lower compliance costs.
27. In addition, we recommend including material in the BC clarifying that:
 - (a) the exclusions apply only to specified scope 3 GHG emissions disclosure requirements and do not affect an entity's broader obligations under NZ CS to disclose material information about climate-related risks, strategy, governance or risk management
 - (b) the Board's intent is to align NZ CS 1 with the scope of financed emissions disclosures required by IFRS S2, rather than to determine whether excluded emissions are material or capable of being measured. See BC84 and BC85.

Issue 2: Exclusion-based drafting may not fully align with IFRS S2 outcomes

28. Four respondents questioned whether the proposed list-based approach would achieve the same outcome as IFRS S2.

Analysis

29. We considered whether adopting the IFRS S2 inclusions-based drafting would improve alignment and reduce uncertainty. However, many of the issues raised by respondents arise from uncertainty about the underlying emissions categories and their boundaries rather than from the exclusions-based structure used in NZ CS 1. Retaining the exclusions-based approach better fits the existing architecture of NZ CS 1, as explained in the consultation document, and avoids a broader restructuring that may not resolve the concerns raised.
30. We also considered whether adopting the IFRS S2 structure would introduce new issues. For example, expressly identifying items such as assets under management and undrawn loan commitments as included emissions sources could raise additional questions about measurement and application. This would extend beyond the original objective of providing targeted amendments to respond to the IFRS S2 amendments. Under the current structure, these matters can be addressed through the existing exclusions requirements, including where no appropriate methodology or data is available.

31. We consider that the issues identified by respondents can be addressed more effectively through targeted drafting improvements and explanations in the BC.

Recommendation (b): Retain the proposed exclusions-based drafting

32. We recommend retaining the current exclusions-based structure, subject to targeted amendments (detailed in sections following). This approach:
- (a) maintains the structure and drafting logic of NZ CS 1
 - (b) avoids a broader redraft that may not resolve the main application issues
 - (c) responds to respondent feedback through targeted clarification
 - (d) supports international alignment without importing an IFRS S2 structure that does not sit naturally within NZ CS 1.

Issue 3: Financed emissions should be defined

33. Three respondents requested a clearer definition of financed emissions, arguing it would reduce divergence and improve comparability. This included clarifying the treatment of assets under management, undrawn loan commitments, cash and term deposits and assets held for sale, and pooled investment vehicles. FMG also raised practical difficulties obtaining emissions data through third-party investment managers for pooled investment assets.

Analysis

34. We concluded that introducing a definition of financed emissions would be unlikely to resolve the key issues raised by respondents and could create additional interpretative challenges. Many of the questions raised during consultation relate to the boundaries of particular activities rather than the absence of a definition itself. We also note that financed emissions are not comprehensively defined in IFRS S2 and that questions continue to arise internationally regarding the scope of particular activities and emissions sources. In these circumstances, introducing a definition in NZ CS 1 would be unlikely to eliminate uncertainty and may instead create additional complexity by encouraging debate about the boundaries of individual terms. We therefore consider that a definition could increase, rather than reduce, the need for ongoing interpretation.
35. We considered FMG's feedback on pooled investment vehicles. We do not recommend amending NZ CS 1 to specify whether pooled investment vehicles are in or out of scope. Whether emissions associated with pooled investment vehicles are required to be disclosed will depend on the nature of the entity's interest in the vehicle, the emissions source being considered, and the measurement methodology applied. We acknowledge FMG's concern that externally managed pooled investment assets can create practical data and assurance challenges, particularly where the reporting entity has limited visibility of underlying assets. However, attempting to address pooled investment vehicles explicitly in the definition of financed emissions, or in the list of exclusions, would risk creating New Zealand-specific boundary issues and may not align with evolving international practice. These practical challenges are better addressed through the existing exclusions framework, including where data is unavailable or no applicable methodology exists, rather than by introducing a separate rule for pooled investment vehicles.

Recommendation (c): Do not define financed emissions

36. We recommend not defining financed emissions in NZ CS 1. We consider that many of the interpretation issues raised by respondents relate to the boundaries of specific activities rather than the absence of a definition. Introducing a definition would add complexity, may create additional interpretative questions, and risks diverging from evolving international practice. We therefore

recommend retaining the proposed exclusions-based approach and clarifying in the BC that the Board's intent is to achieve the same outcome as the amendments made to IFRS S2. See BC86.

37. We also recommend including BC material clarifying that assets under management and undrawn loan commitments remain emissions sources subject to the existing NZ CS 1 disclosure and exclusions framework and are not automatically excluded by the amendments. See BC87.

Issue 4: Insurance-associated emissions exclusion needs clarification

38. Feedback on the insurance emissions exclusions focused on the need for clearer definitions and scope. Five respondents sought clearer boundaries for the proposed insurance and reinsurance underwriting exclusion. IAG, Insurance Council of New Zealand, AA Insurance and Tower asked whether claims supply chain emissions are excluded, while EY noted that emerging insurance-related emissions concepts may be interpreted inconsistently.

Analysis

39. We note that while the relief in IFRS S2 is framed around what is required to be disclosed, that is, financed emissions as defined, the ISSB clarified in its BC on the amendments to IFRS S2 which Category 15 emissions it considered not to be financed emissions. Relevant extracts in relation to insurance associated emissions are shown below:

"BC121D [...] The ISSB noted that financed emissions are a type of Category 15 greenhouse gas emissions, distinct from other types of Category 15 greenhouse gas emissions. Examples of other types of Category 15 greenhouse gas emissions are facilitated emissions that are associated with investment banking activities, and insurance-associated emissions that are associated with insurance and reinsurance underwriting activities."

"BC129 The ISSB confirmed that IFRS S2 requires financed emissions disclosure only for insurance-related financial activities associated with an insurer's assets. In other words, IFRS S2 does not require disclosure of the 'associated emissions' of underwriting portfolios in the insurance and reinsurance industries."

"Footnote to BC129 [...] In Amendments to Greenhouse Gas Emissions Disclosures, issued in December 2025, the ISSB clarified that although emissions associated with an entity's insurance or reinsurance underwriting activities are Category 15 greenhouse gas emissions, these emissions do not meet the definition of financed emissions. Considering the definition of financed emissions, paragraph BC129 could be more specifically phrased to state that the ISSB confirmed that IFRS S2 requires 'Category 15 greenhouse gas emissions' disclosure for only financial activities associated with an insurer's loans and investments."

40. These BC paragraphs indicate that the ISSB regards insurance-associated emissions as Category 15 emissions but not as financed emissions. In other words, the emissions remain Category 15 emissions for GHG Protocol categorisation purposes but fall outside the scope of emissions required to be disclosed under the amended IFRS S2 financed emissions requirements. We consider that NZ CS 1 should achieve the same outcome.
41. We consider that reflecting IFRS S2 wording is preferable because the same interpretation questions are already arising in Australia, including whether the relief applies or could apply to insurance supply chain emissions. Using consistent terminology keeps the issue aligned across New Zealand and Australia, rather than creating a New Zealand-specific boundary that may diverge from Australian practice.
42. This is particularly important for New Zealand reporting entities that are part of Australian-based groups and may look to IFRS S2 and AASB S2 interpretations in practice. Maintaining consistent terminology supports comparability and reduces the risk of conflicting interpretations across jurisdictions.
43. We also note that international GHG reporting standards continue to evolve. Respondents referred to ongoing GHG Protocol work on a proposed Scope 3 Category 16 for insurance-associated

emissions, including uncertainty about whether any future category would be limited to underwriting emissions or extend more broadly to insurance-related supply chain emissions. If the GHG Protocol introduces a new category, IFRS S2 may also need to consider how that category is treated in future updates.

Recommendation (d): Amend the description of insurance-associated emissions to improve alignment with IFRS S2 wording

44. We recommend amending the drafting of the exclusion proposed in the ED to reflect the wording used in paragraph BC121D of the BC on IFRS S2. This change would not answer the separate question about the treatment of claims supply chain emissions. However, it would keep that interpretive issue aligned across New Zealand and Australia, reduce the risk of creating New Zealand-specific interpretations, and allow future developments in Australia, IFRS S2 and the GHG Protocol to be reflected without creating further divergence in NZ CS 1.

Ref	Per exposure draft	Recommended drafting
B9(b)	emissions attributable to insurance and reinsurance underwriting activities	insurance-associated emissions that are associated with insurance and reinsurance underwriting activities

45. We also recommend explaining in the BC that the exclusion applies to insurance-associated emissions associated with insurance and reinsurance underwriting activities and does not extend to emissions otherwise required to be disclosed under other scope 3 categories. See BC92.

Issue 5: Alignment of facilitated emissions exclusion with its intended scope

46. Feedback on facilitated emissions focused on whether the proposed description and boundaries are too narrow. Four respondents requested clarification of the scope of the facilitated emissions exclusion, including whether it extends beyond capital market issuance activities to activities such as syndicated lending. One respondent also questioned whether facilitated emissions should be treated as investment-related emissions.

Analysis

47. We considered whether retaining the existing wording could create interpretation issues, particularly if preparers conclude that certain activities fall outside the exclusion because they are not directly linked to capital market issuance activities. We noted that feedback referenced activities such as syndicated lending and other investment banking-related services, creating uncertainty about whether the current drafting captures the same population of emissions sources intended to be covered by the international relief.
48. We do not consider it desirable to develop a New Zealand-specific description of facilitated emissions. As with insurance-associated emissions, introducing different terminology in NZ CS 1 risks creating interpretation issues that are unique to New Zealand and may diverge from emerging practice in Australia and internationally.
49. We note that while the relief in IFRS S2 is framed around what is required to be disclosed, that is, financed emissions as defined, the ISSB clarified in its BC on the amendments to IFRS S2 which Category 15 emissions it considered not to be financed emissions. Relevant extracts in relation to facilitated emissions are shown below:

“BC121D [...] The ISSB noted that financed emissions are a type of Category 15 greenhouse gas emissions, distinct from other types of Category 15 greenhouse gas emissions. Examples of other types of Category 15 greenhouse gas emissions are facilitated emissions that are associated with investment banking activities, and insurance-associated emissions that are associated with insurance and reinsurance underwriting activities.”

Recommendation (e): Amend the description of facilitated emissions to improve alignment with IFRS S2 wording

50. We recommend amending the drafting of the exclusion proposed in the ED to reflect the wording used in paragraph BC121D of the BC on IFRS S2. This would better reflect the intended scope of the exclusion, improve international alignment, and reduce the risk of creating New Zealand-specific interpretations that diverge from emerging international practice.

Ref	Per exposure draft	Recommended drafting
B9(c)	facilitated emissions attributable to capital market issuance activities	facilitated emissions that are associated with investment banking activities

Issue 6: Clarify that exclusions may be applied regardless of materiality

51. Five respondents requested clarification that the exclusions proposed in paragraph B9 may be applied regardless of materiality, and four of these also sought greater clarity regarding the implications for audit and assurance.

Analysis

52. NZ CS materiality requirements provide the framework for determining whether information must be disclosed. [Paragraph 27](#) of NZ CS 3 *General Requirements for Climate-related Disclosures* requires entities to apply materiality to all disclosure requirements. This means that, for all material emissions sources, an entity must either include the emissions in its scope 1, scope 2 or scope 3 GHG emissions disclosures, as applicable, or disclose that the source has been excluded and justify the exclusion under paragraph 24(d). The proposed application guidance is consistent with that requirement. Paragraph B3 applies where an entity has determined that a GHG emissions source is material and has been excluded, while paragraph B4 clarifies that if an entity determines a GHG emissions source is not material, the entity is not required to disclose the source as an exclusion or provide a justification for excluding it.
53. Adding wording such as “regardless of materiality” could create ambiguity about the interaction between the proposed exclusions and the materiality requirements in NZ CS. It may suggest that the exclusions create a separate materiality threshold, or override the principles in NZ CS 3, when that is not the intent. We consider that this would risk confusion and could inadvertently undermine the consistent application of materiality across NZ CS.
54. We also note that paragraph B9 operates differently from the exclusions described in paragraphs B7 and B8. Paragraphs B7 and B8 address circumstances in which an entity concludes that emissions cannot be reasonably estimated or quantified. By contrast, paragraph B9 provides an explicit permission to exclude specified emissions sources from scope 3 GHG emissions disclosures. Where an entity applies that permission, the basis for the exclusion is the application of paragraph B9 itself. The entity is therefore not required to demonstrate that data is unavailable or that no applicable methodology exists. Instead, paragraph 24(d) requires the entity to disclose that the emissions source has been excluded and explain that the exclusion has been made in accordance with paragraph B9. Accordingly, we consider that the existing drafting appropriately reflects the role of materiality and that additional wording is unnecessary.
55. As part of our post-consultation review of the application guidance, we identified an opportunity to improve the clarity of paragraph B3. We recommend a minor amendment to clarify that, when an entity determines that a GHG emissions source is material, it either includes that source in its scope 1, scope 2 or scope 3 GHG emissions disclosures, as applicable, or discloses and justifies its exclusion in accordance with paragraph 24(d). The amendment improves clarity and readability without changing the substance of the proposal in the ED.

Recommendation (f): Retain existing approach in B9, redraft B3 and explain approach to exclusions in the BC

56. We do not recommend adding wording stating that exclusions apply “regardless of materiality”. Instead we recommend:

- (a) amending paragraph B3 to improve clarity and readability, without changing the substance of the proposal in the ED
- (b) including an explanation in the BC confirming that the amendments operate within the existing NZ CS materiality requirements and principles and do not modify the application of materiality requirements in NZ CS 3
- (c) the BC should also explain that the exclusions in B9 apply only to specified scope 3 GHG emissions disclosures. See BC93 to BC99.

Ref	Per exposure draft	Per amending standard
B3	If, when applying the disclosure requirements to its own specific facts and circumstances, an entity determines that a GHG emissions source is material, the entity must disclose information about that source in accordance with NZ CS 1, including either: (a) the gross GHG emissions from that source; or (b) a summary of that source as a specific exclusion and a justification for the exclusion, in accordance with paragraph 24(d).	If, when applying the disclosure requirements to its own specific facts and circumstances, an entity determines that a GHG emissions source is material, the entity must disclose information about that source in accordance with NZ CS 1, by either: (a) including the gross GHG emissions from that source in its disclosures in accordance with paragraph 22(a); or (b) including the source in its summary of specific exclusions and a justification for the exclusion, in accordance with paragraph 24(d).

Issue 7: Existing disclosure requirements may not provide sufficient transparency

57. Some respondents questioned whether the existing NZ CS 1 disclosure requirements provide users with sufficient information to understand the nature and effect of exclusions. Four respondents supported incorporating IFRS S2 paragraphs 29B–29C, or equivalent disclosures, to improve transparency and comparability, while two respondents recommended requiring entities to explain how they define derivatives when applying the exclusions.

Analysis

58. Most respondents supported the proposal as exposed. However, some respondents questioned whether users would have sufficient information to understand the nature and effect of exclusions. We considered whether the additional IFRS S2 disclosures would provide meaningful incremental information but concluded that the underlying objective can largely be achieved through the existing requirement in paragraph 24(d) for entities to explain and justify exclusions. We consider that the key issue is ensuring users understand what has been excluded and why, rather than prescribing detailed disclosures for each exclusion category.
59. We also note that incorporating the IFRS S2 disclosure requirements would add complexity and make this part of NZ CS 1 disproportionately detailed relative to the rest of the standard. The amendments are intended to provide a targeted response to the IFRS S2 changes, and we do not consider that the consultation feedback demonstrates a sufficiently strong case for introducing more prescriptive disclosure requirements.

60. Instead, we recommend using the BC to reinforce that entities should provide sufficient information for users to understand the nature and potential significance of exclusions. This approach responds to the concerns raised by respondents while avoiding unnecessary complexity.
61. Accordingly, we consider that the existing requirement to disclose and justify exclusions remains the most proportionate approach. It supports user understanding while maintaining flexibility for entities and avoiding additional disclosure requirements that are unlikely to provide commensurate benefits.

Recommendation (g): Do not incorporate the additional disclosure requirements introduced by IFRS S2

62. We recommend not incorporating the additional disclosure requirements introduced by IFRS S2. The existing requirement in NZ CS 1 to disclose and justify exclusions should be retained, with any additional explanation provided in the BC. This approach maintains the targeted nature of the amendments and is consistent with the views of most respondents. See BC100 to BC101.

Issue 8: Clarify role of materiality in applying paragraph B4

63. Two respondents raised concerns about how proposed paragraph B4 would operate in practice. PwC requested clarification on the application of materiality and whether an entire scope of emissions could be treated as a single emissions source, while KPMG argued that B4 could reduce transparency and comparability by allowing immaterial emissions sources to be omitted without disclosure.

Analysis

64. The feedback on paragraph B4 reflected concerns about the application of materiality and transparency, rather than opposition to the principle that immaterial information need not be disclosed.
65. We consider that B4 reflects the existing materiality requirements in NZ CS 3 rather than introducing a new position. The paragraph clarifies that where an emissions source has been assessed as not material, an entity is not required to disclose the source as an exclusion or justify its exclusion. Requiring disclosure of immaterial emissions sources would be inconsistent with the principles-based approach in NZ CS and could obscure material information without providing a corresponding benefit to users.
66. We consider that respondent concerns are best addressed through the BC. The BC can explain that B4 is intended to reflect the operation of the existing NZ CS materiality requirements, including the application of both quantitative and qualitative materiality considerations, and is not intended to reduce transparency or create a lower threshold for disclosure.

Recommendation (h): Retain paragraph B4 and explain its operation in the BC

67. We recommend that the BC explain that B4 reflects the existing NZ CS materiality requirements and is not intended to reduce transparency or create a lower threshold for disclosure. The BC should also clarify that entities are expected to apply both quantitative and qualitative materiality considerations when assessing emissions sources. See NZ CS 1 BC97.

Issue 9: Paragraphs B7 and B8 may be interpreted as mandatory

68. Two respondents requested clarification on whether paragraphs B7 and B8 are intended to be mandatory or advisory. PwC suggested replacing “should consider” with “must consider” if the paragraphs are intended to impose a requirement, while Institute of Directors / Chapter Zero New Zealand sought clarification on their intended status.

Analysis

69. We consider that the current wording could be interpreted as requiring entities to undertake additional analysis before relying on an exclusion. This was not the intent. Paragraph B6 contains the

substantive requirement to disclose and justify an exclusion, while paragraphs B7 and B8 were intended to provide illustrative examples that may assist an entity in explaining its rationale. The drafting should therefore reinforce their explanatory role and avoid implying that they establish additional criteria that must be met.

70. We also note that retaining "should consider" could have unintended assurance implications by creating an expectation that entities undertake and document specific analyses. This could increase compliance effort beyond what was intended by the amendments.
71. We recommend revising paragraphs B7 and B8 to make clear that they provide examples of information that may support an entity's justification for an exclusion under paragraph 24(d), rather than additional requirements that must be satisfied before an exclusion can be applied.

Recommendation (i): Revise paragraphs B7 and B8 to clarify that they provide examples rather than mandatory requirements

72. We recommend revising paragraphs B7 and B8 to clarify that they provide examples of considerations that may assist an entity in explaining and supporting its justification for an exclusion under paragraph 24(d) and further clarifying this in the BC. The proposed change is intended to improve clarity and avoid the perception that the application guidance introduces additional requirements or mandatory steps that must be completed before an exclusion can be applied. See BC103 to BC105.

Ref	Per exposure draft	Per amending standard
B6	When providing the justification required by paragraph 24(d), an entity explains the basis on which the source was excluded. In doing so, an entity describes factors relevant to its circumstances, for example: (a) data is unavailable and no reasonable estimate can be made (see paragraph B7); or (b) there is no applicable method for quantification (see paragraph B8); or (c) the entity has applied the permission in paragraph B9 to exclude specified sources from its disclosure of scope 3 GHG emissions.	No change to proposed drafting
B7	In some cases, an entity may be unable to estimate GHG emissions from a particular source due to insufficient data. Before excluding these emissions, an entity should consider whether alternative estimation methods are available, for example, whether a spend-based emission factor could be used. If data is unavailable for a specific source including facilities, operations or assets, an entity should consider whether a comparable source could provide a reasonable basis for estimation.	A justification may explain, for example, the steps taken to identify available data and alternative estimation approaches and why the entity concluded that no reasonable estimate could be made for a particular source, including a facility, operation or asset.
B8	There may be situations where there is no applicable method to quantify GHG emissions from a particular source. For example, a recognised framework might allow exclusions for asset classes for which it has not yet developed a measurement standard. In those circumstances,	A justification may explain that there is no applicable method to quantify emissions from a particular source, including a facility, operation or asset. For example, a recognised framework may not contain a measurement method for a particular source, asset class or

Ref	Per exposure draft	Per amending standard
	an entity may decide either to exclude the source and disclose the exclusion under paragraph 24(d), or to develop an estimation method. If an entity develops an estimation method, an entity must disclose the method used and the rationale for doing so (see NZ CS 3 paragraph 52).	activity. This may occur because no recognised methodology exists or because the source is outside the scope of an available methodology. The justification may also explain why developing an estimation method was not appropriate in the entity's circumstances.

Issue 10: Paragraph B8 may not address activities excluded by a recognised methodology

73. Two respondents requested that paragraph B8 address situations where a recognised methodology exists but excludes a particular activity from its scope. They argued that an activity-specific exclusion is different from having no applicable methodology and should be addressed explicitly. Examples included lending and other financial activities for which an available methodology does not cover the relevant emissions source.

Analysis

74. We considered whether paragraph B8 should be expanded to address situations where a recognised methodology excludes a particular activity from its scope. Respondents argued that this circumstance is distinct from situations in which no recognised methodology exists and should therefore be addressed explicitly.
75. We agree that entities may encounter situations in which a recognised methodology exists but does not provide a method for quantifying emissions from a particular source, asset class or activity. However, we do not consider it necessary to develop detailed requirements for specific fact patterns. Doing so could create a more prescriptive rule by elevating one example above other circumstances that may arise in practice.
76. Instead, we have revised paragraph B8 to clarify that an applicable method may be unavailable either because no recognised methodology exists or because a source falls outside the scope of an available methodology. We consider that this approach addresses the concern raised by respondents while maintaining the principles-based nature of the guidance and avoiding unnecessary complexity.

Recommendation (j): Revise paragraph B8 to clarify the treatment of methodology scope exclusions

77. We recommend revising paragraph B8 to clarify that an applicable method may be unavailable where no recognised methodology exists or where a source, asset class or activity falls outside the scope of an available methodology. We do not recommend introducing more detailed requirements or examples for specific activities. The revised drafting as shown in recommendation (i) responds to respondent concerns while maintaining a principles-based approach and avoiding unnecessary prescription. See BC104.

Issue 11: Require ongoing improvement in data and methodologies when relying on exclusions

78. One respondent suggested that entities relying on B7 or B8 should improve data collection and estimation methods over time and reassess applicability each reporting period.

Analysis

79. We acknowledge that methodologies, data availability and reporting practices evolve over time. However, we do not recommend incorporating an explicit expectation of continual improvement or periodic reassessment into paragraphs B7 and B8. NZ CS already contain an implicit expectation that entities reassess disclosures each reporting period as methodologies, data availability and circumstances evolve.

80. Paragraphs B7 and B8 are intended to provide examples of information that may support an entity's justification for an exclusion, rather than create ongoing obligations. An entity is already required to apply NZ CS each reporting period and reassess material information based on its facts and circumstances.

Recommendation (k): Do not introduce an explicit expectation of continual improvement

81. We do not recommend introducing an explicit expectation that entities continually improve data collection or reassess the applicability of paragraphs B7 and B8.

Issue 12: Distinguish disclosure requirements from measurement methods

82. One respondent recommended clarifying that the disclosure requirements under NZ CS 1 should be distinguished from compliance with the measurement methodology used by the entity.

Analysis

83. We considered the feedback that the standard should distinguish between disclosure requirements and measurement methods. We agree that these are separate concepts. Paragraph B5 expressly states that the disclosure requirements in NZ CS 1 continue to apply, including the requirement to disclose scope 1, scope 2 and scope 3 GHG emissions (or an exclusion) in accordance with the standard. Paragraphs B6 to B8 operate within that disclosure framework by providing guidance on explaining and justifying exclusions where they arise. While a recognised methodology may be relevant to that justification, the obligation to disclose and justify an exclusion arises from NZ CS 1, not from the underlying methodology.

Recommendation (l): No changes are required to clarify the distinction between disclosure requirements and measurement methods

84. We recommend no amendments. The proposed drafting already distinguishes between disclosure requirements and measurement methods.

Appendix 1 – List of submissions received

This appendix provides links to the submissions received, whether submitted via survey or letter. It also shows how the responder classified themselves for the purposes of this submission.

Respondent	Type	Response as user or preparer
ACC	Other – Crown Financial Institution	Both
AA Insurance	Licensed insurer	Preparer
BNZ	Registered bank	Both
CA ANZ	Industry body	Neither
Ernst and Young	Professional service provider	Neither
Fonterra	Listed issuer	Preparer
FMG	Licensed insurer	Preparer
IAG New Zealand	Licensed insurer	Preparer
Individual 1	Other – Independent	Neither
Individual 2	Other – Individual	Neither
Insurance Council of New Zealand	Industry body	Neither
IOD Chapter Zero	Industry body	Neither
KPMG New Zealand	Professional service provider	Neither
NZBA	Industry body	Neither
PCAF	Other – Standard setter	Neither
PRI	Industry body	Neither
PwC	Professional service provider	Neither
QBE Insurance Group	Licensed insurer	Preparer
Suncorp New Zealand	Licensed insurer	Preparer
Tower	Licensed insurer	Preparer

Appendix 2 – Summary of responses to consultation questions

1. This appendix summarises consultation feedback by question. It records who responded, identifies levels of support for each consultation question, and groups respondent feedback by theme. Some respondents chose not to answer all of the questions. The analysis and recommendations in the main body of the memo reflect consideration of all feedback received.

Respondents to consultation

2. As shown in Figure 1 the consultation received 20 responses in total, 18 from organisations and two from individuals. A range of organisation types were represented. Half of the respondents were from the financial services sector: six licensed insurers, one bank, PRI Association, New Zealand Banking Association (**NZBA**) and Insurance Council of New Zealand (**ICNZ**). These respondents are among those most affected by these proposed changes.
3. **Error! Reference source not found.** shows that two primary users responded to the survey, noting that they were also preparers (ACC Investments, Bank of New Zealand). In total, 9 respondents (45%) were preparers. The remaining 11 respondents (55%) were neither primary users nor preparers. Of these, five were industry bodies, three were professional service providers, two were individuals and one was a standard setter (Partnership for Carbon Accounting Financials (**PCAF**)).

Figure 1: Respondents to consultation by type

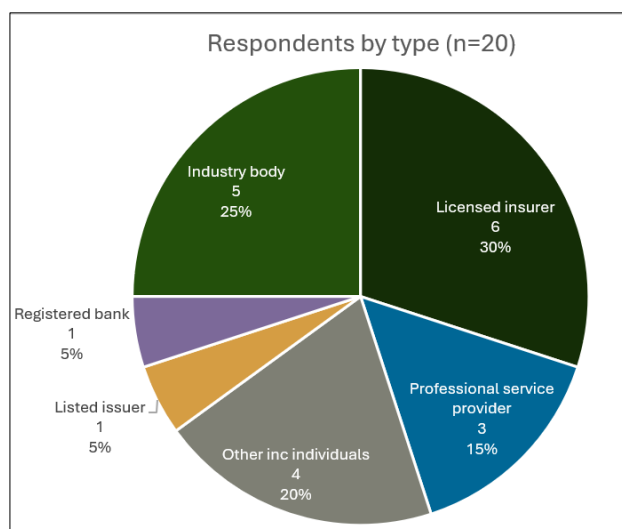
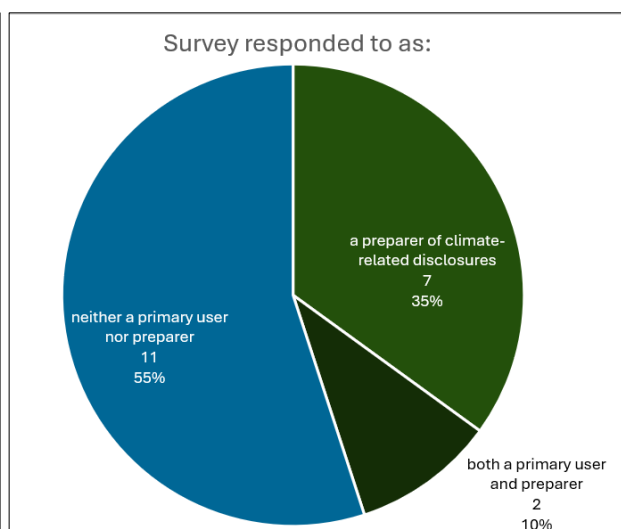
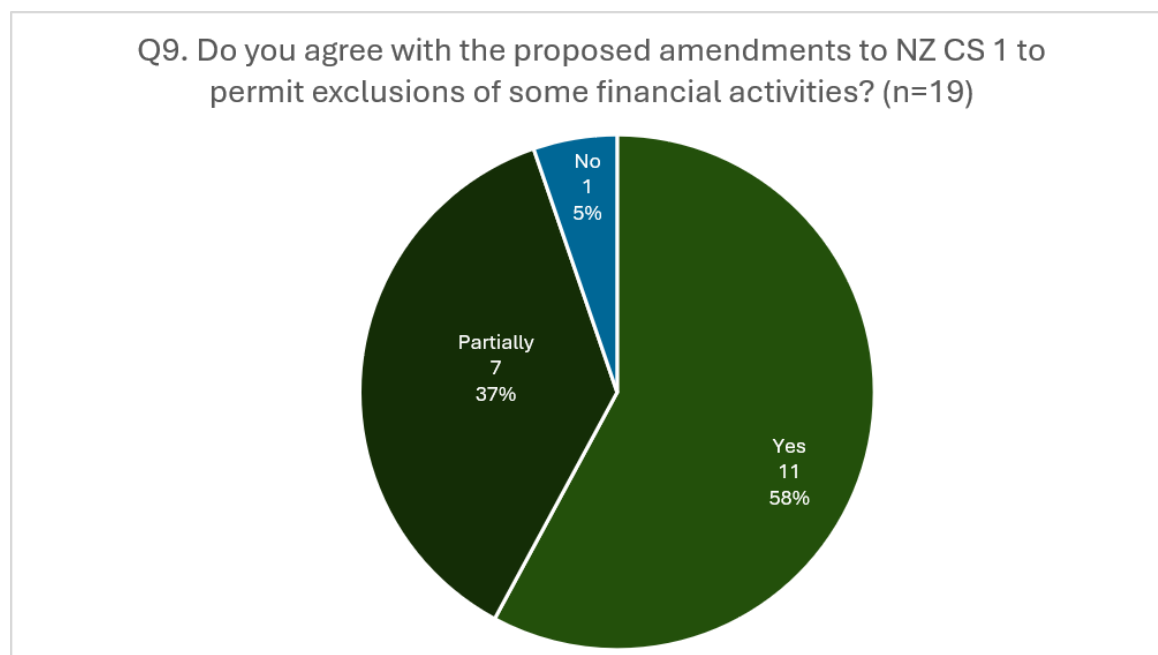


Figure 2: Response to survey as primary user, preparer or neither



Responses to Q9 and Q10 show broad support with requests for clearer boundaries

Figure 3: Responses to question 9



4. Respondents who answered 'yes': PRI Association, ACC Investments, FMG, PwC, Institute of Directors / Chapter Zero New Zealand, ICNZ, Suncorp New Zealand, AA Insurance Limited, Chartered Accountants Australia and New Zealand (**CA ANZ**), Tower Limited, Individual 1.
5. Respondents who answered 'partially' or 'no': IAG New Zealand Ltd, Ernst and Young, KPMG New Zealand, QBE Insurance Group Limited, PCAF, Individual 2, Bank of New Zealand, NZBA.

Supportive comments

6. **Respondents primarily supported the amendments because they improve international alignment while reducing implementation complexity** (12 respondents). Respondents emphasised that alignment supports comparability, reduces divergence from Australia and other jurisdictions, and helps preparers, users and assurance practitioners operate across multiple reporting regimes. PRI Association, PwC, Institute of Directors / Chapter Zero New Zealand, IAG New Zealand Ltd, Ernst and Young, ICNZ, Suncorp New Zealand, AA Insurance Limited, CA ANZ, Bank of New Zealand, NZBA, Individual 1.
7. **The amendments are seen as practical and proportionate** (seven respondents). Supporters viewed the amendments as a pragmatic response to implementation challenges and the absence of robust methodologies for some activities. ACC Investments, FMG, KPMG New Zealand, QBE Insurance Group Limited, CA ANZ, Bank of New Zealand, Individual 1.
8. **Insurance-associated emissions are viewed as complex and uncertain** (four respondents). Insurance sector respondents noted that data quality, boundary definitions and methodologies are still developing, which can make reliable measurement and assurance challenging. ICNZ, Suncorp New Zealand, Tower Limited, FMG.
9. **The proposed exclusions are supported, but not as a signal that the emissions are irrelevant** (one respondent). The Institute of Directors / Chapter Zero New Zealand highlighted that emissions falling outside the ISSB definition of financed emissions may still be relevant to transition risk, strategy or board oversight.

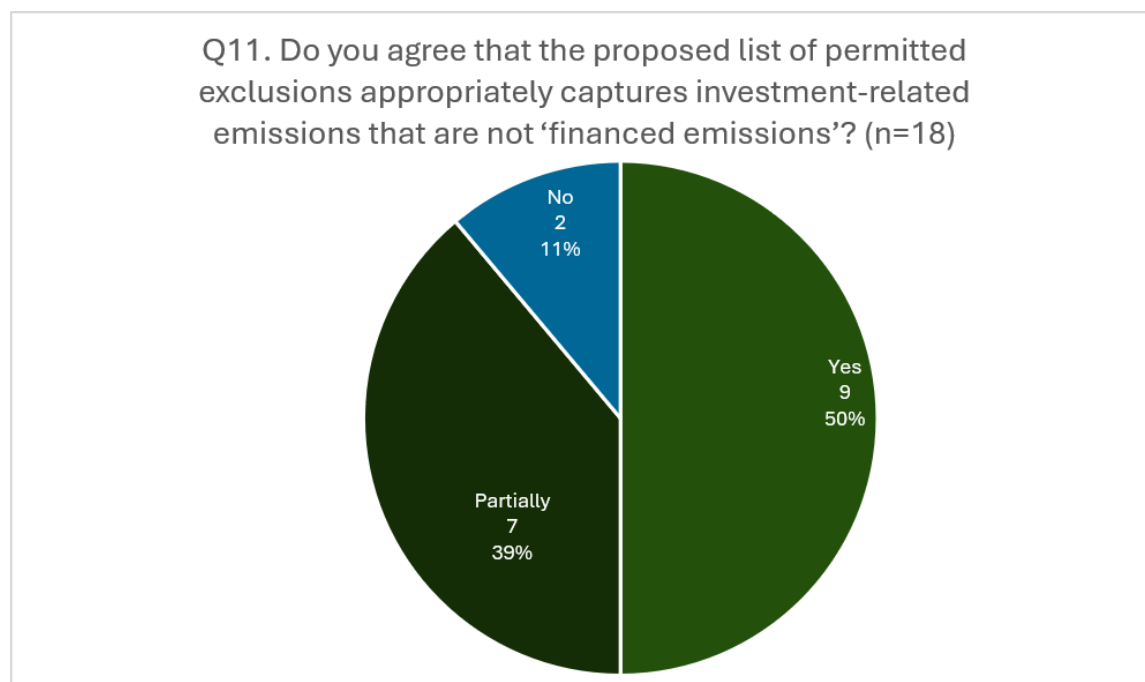
10. **Decision-usefulness remains important** (one respondent). CA ANZ framed the approach as balancing international interoperability, practical implementation and the continued provision of decision-useful climate-related disclosures.

Qualified support, requests for clarification or disagreement

11. **Insurance-associated emissions drew mixed views** (six responses). Some insurance-sector responses sought clarity on their treatment or supported exclusion. (ICNZ, Suncorp New Zealand, Tower Limited, FMG). Two respondents argued that insurance-related emissions should be maintained because they can be relevant to transition risk and climate-related exposure (PCAF and Individual 2).
12. **Clarification is needed to ensure consistent application** (three respondents). Three respondents asked XRB to clarify how the amendments apply to assets under management, undrawn loan commitments, facilitated emissions, insurance-associated emissions, and emissions sources that sit outside established methodologies. BNZ and the NZBA were particularly focused on avoiding uncertainty and diversity in practice. IAG New Zealand asked for clarification on paragraph B9.
13. **There is concern that exclusions could reduce comparability and interoperability** (three respondents). While some respondents support alignment with IFRS S2, others noted that excluding facilitated and insurance-associated emissions could create fragmentation with frameworks such as ESRS and GRI, which require disclosure of all material Scope 3 Category 15 emissions. PCAF, KPMG New Zealand, QBE Insurance Group.
14. **One respondent supports exclusions only where emissions are immaterial or cannot be measured comparably**. KPMG emphasised that entities should measure and disclose emissions where established methodologies exist, unless they can demonstrate that the emissions are not material or that measurement would not be comparable.
15. **PCAF strongly opposes removing disclosure expectations for material Scope 3 Category 15 emissions**. PCAF argued that financed, facilitated and insurance-associated emissions can be highly material for financial institutions, provide decision-useful information about climate-related risk, and should continue to be disclosed where material. PCAF also noted that its standard provides an operationally feasible methodology for these emissions.
16. **One individual respondent warned against aggregating different categories of financial emissions**. They highlighted that financed, facilitated and insurance-related emissions should be reported separately, as combining them could lead to double counting and misleading disclosures.

Responses to Q11 and Q12 focus on alignment and definitions

Figure 4: Responses to question 11



17. Respondents who answered ‘yes’: PRI Association, ACC Investments, ICNZ, Suncorp New Zealand, QBE Insurance Group Limited, AA Insurance Limited, CA ANZ, Tower Limited, Individual 1.
18. Respondents who answered ‘partially’ or ‘no’: FMG, PwC, IAG New Zealand Ltd, Ernst and Young, KPMG New Zealand, PCAF, Individual 2, Bank of New Zealand, NZBA.

Qualified support, requests for clarification or disagreement

19. **The proposed drafting may not align cleanly with IFRS S2** (four respondents).
 - FMG and Ernst and Young both noted that IFRS S2 defines what is included in Category 15 or financed emissions, while NZ CS 1 instead lists specific exclusions. They said this creates uncertainty and may lead to different outcomes from IFRS S2.
 - PwC said a closed list of exclusions may not ensure the same outcome as IFRS S2 paragraph 29A.
 - Bank of New Zealand said NZ CS 1 does not explicitly refer to certain IFRS S2 categories, particularly assets under management and undrawn loan commitments.
20. **Insurance and reinsurance underwriting exclusions need clearer boundaries, especially for claims supply chain emissions** (five respondents).
 - IAG said the exclusion for insurance and reinsurance underwriting activities needs clarification so it is not interpreted too broadly and does not lead to withholding other Scope 3 disclosures, particularly claims supply chain emissions.
 - ICNZ asked whether claims supply chain emissions are intended to be excluded from insurance-associated emissions and recommended clear wording on boundaries and scope.
 - AA Insurance said it is essential to define “insurance and reinsurance underwriting activities”, including whether claims supply chain emissions are covered.
 - Tower said recent Australian developments and proposed GHG Protocol changes make clear definitions necessary, particularly for claims-related emissions.

- Ernst and Young also warned that terms such as “insurance-related emissions” are emerging concepts and may be interpreted differently without clearer definitions.

21. Facilitated emissions and capital market issuance activities may be drafted too narrowly (four respondents).

- PwC said “facilitated emissions attributable to capital market issuance activities” may be interpreted more narrowly than facilitated emissions associated with broader investment banking activities.
- Bank of New Zealand said syndicated lending should not automatically be treated as financed emissions and that the current wording may not extend beyond bond issuance.
- NZBA similarly said paragraph B9(c) should be broader because it is unclear whether the exemption covers facilitated emissions beyond bond issuance, such as syndicated lending.
- Individual 2 said facilitated emissions are not “investment-related” emissions because they arise from off-balance-sheet fee services rather than assets held on the financial institution’s balance sheet.

22. The standards should include a clearer definition of financed emissions (three respondents).

- KPMG said NZ CS should clearly define financed emissions for New Zealand climate reporting and that a clear definition would reduce divergence and improve comparability.
- Ernst and Young said the proposed NZ CS 1 approach puts more stress on defining exclusions, which are not robustly defined in international GHG measurement or reporting standards.
- Bank of New Zealand asked for clarification on whether assets under management and undrawn loan commitments are within scope.

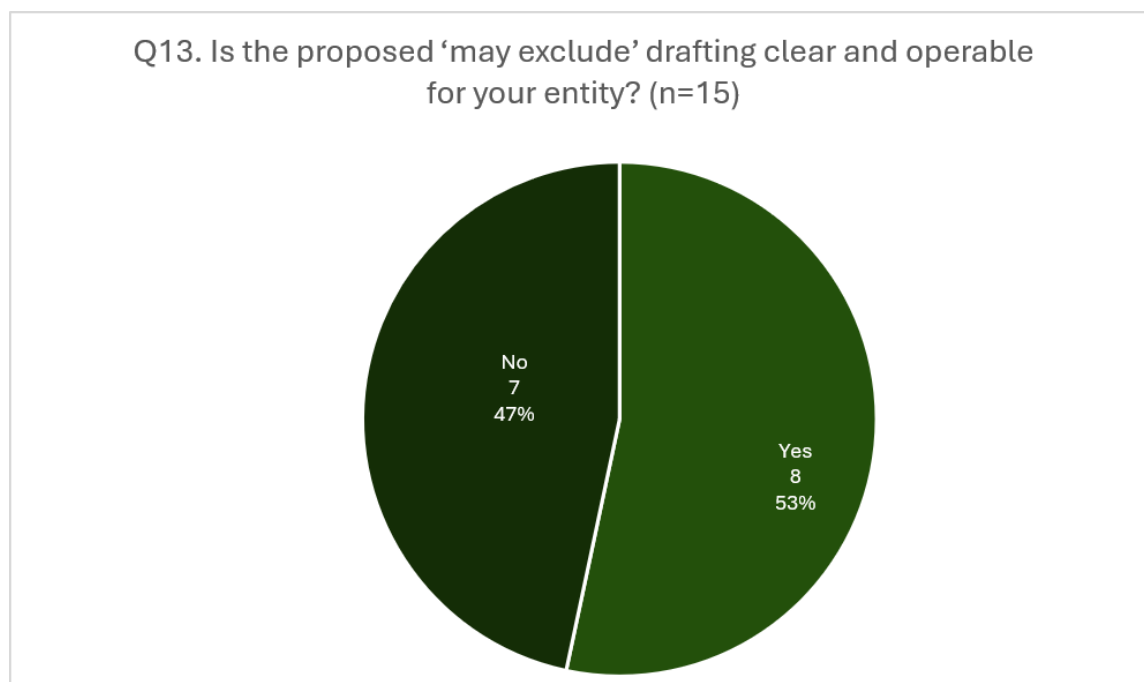
23. Pooled investment vehicles and managed investment scheme changes create practical difficulties (one respondent). FMG said the drafting creates uncertainty about whether pooled investment vehicles remain in scope. It noted that many general insurers use pooled investment vehicles through external fund managers, which limits visibility of underlying assets and makes it hard to obtain quality emissions data. FMG also said the removal of managed investment schemes from the climate-related disclosures regime has made it harder for reporting entities to determine suitable emissions factors and obtain assurance, increasing compliance burden for some entities.

24. Two respondents considered the proposed exclusions inappropriate because the emissions remain decision useful (two respondents)

- KPMG said insurance emissions and facilitated emissions are forms of emissions associated with financial services and therefore represent financed emissions in substance.
- PCAF recommended removing insurance and reinsurance underwriting activities and capital market issuance activities from the list of permitted exclusions, arguing that insurance-associated and facilitated emissions provide important information about climate-related risk exposure and support completeness, comparability and decision-usefulness.

Responses to Q13 and Q14 focus on materiality and assurance implications

Figure 5: Responses to question 13



25. Respondents who answered 'yes': PRI Association, ACC Investments, ICNZ, KPMG New Zealand, QBE Insurance Group Limited, CA ANZ, Individual 1, NZBA.
26. Respondents who answered 'no': PwC, IAG New Zealand Ltd, Ernst and Young, Suncorp New Zealand, AA Insurance Limited, Tower Limited, PCAF.

Qualified support, requests for clarification or disagreement

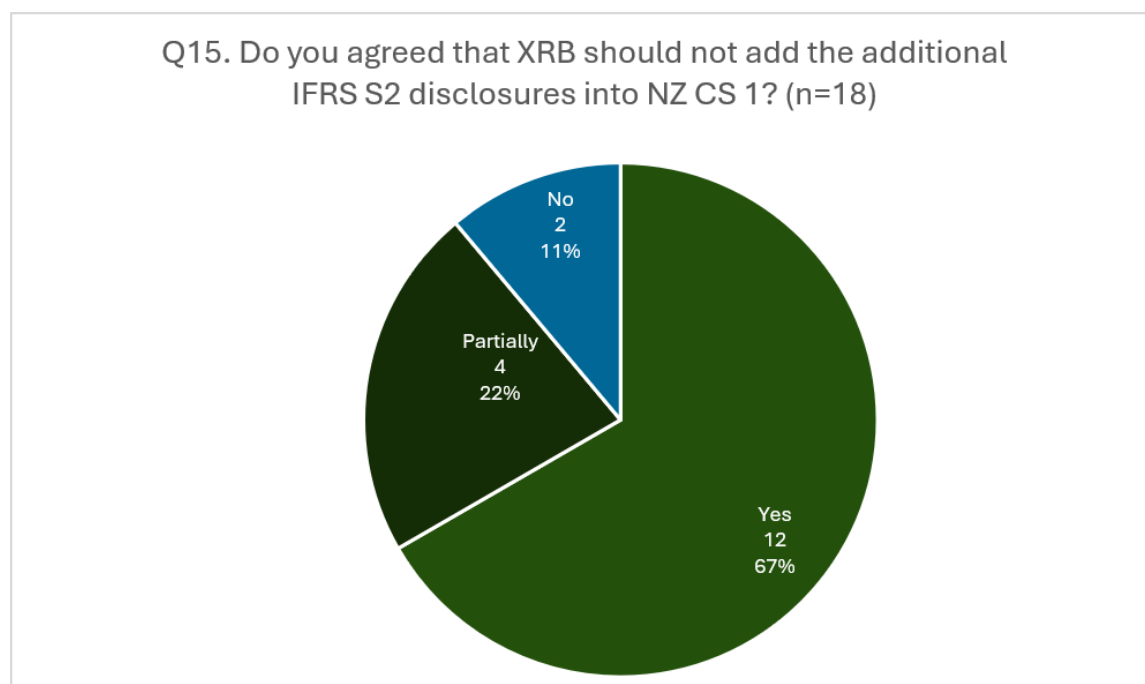
27. **Clarify that the exclusion applies regardless of materiality** (five respondents). IAG New Zealand, ICNZ, Suncorp New Zealand, AA Insurance, Tower.
 - Five respondents made this point, either directly or by asking for wording such as "independent of materiality" or "regardless of materiality"
28. **Clarify how auditors and assurance providers should treat exclusions** (four respondents)
 - ICNZ said it will be important to understand how the standard relates to audit standards and how auditors treat decisions to exclude immaterial emissions sources.
 - Suncorp New Zealand said assurance providers may still require entities to include material emissions sources, despite the "may exclude" drafting.
 - AA Insurance Limited requested clarity for both preparers and auditors that the exclusion is permitted regardless of materiality.
 - Tower Limited noted that exclusion would require clear justification against the current measurement standard.
29. **Clarify the scope and boundaries of the excluded activities** (one respondent). PwC recommended clarifying the terms "derivatives" and "capital market issuance activities", requiring entities that apply B9(a) to explain what they have treated as a derivative, and clarifying the facilitated activities covered by B9(c).
30. **Clarify that the relief is limited to Scope 3 GHG emissions disclosure and does not remove transition risk disclosure requirements** (one respondent). Ernst and Young said the amendments

should clarify that the relief does not extend to other NZ CS requirements relating to an entity's exposure to transition risk, including where underwriting, commercial banking or insurance-related activities remain relevant to transition risk disclosures.

31. **Opposed the proposed exclusion for material Category 15 emissions** (one respondent). PCAF opposed the direction of the amendment. PCAF recommended that NZ CS 1 continue to require disclosure of all material Scope 3 Category 15 emissions, including financed, facilitated and insurance-associated emissions.

Responses to Q15 and Q16 focus on additional transparency disclosures

Figure 6: Responses to question 15



32. Respondents who answered 'yes': FMG, Institute of Directors / Chapter Zero New Zealand, IAG New Zealand Ltd, KPMG New Zealand, Suncorp New Zealand, ICNZ, QBE Insurance Group Limited, AA Insurance Limited, CA ANZ, Tower Limited, Individual 2, NZBA.
33. Respondents who answered 'no' or 'partially': PRI Association, ACC Investments, PwC, Ernst and Young, PCAF, Individual 1.

Qualified support, requests for clarification or disagreement

34. **Support for including the IFRS S2 29B–29C disclosures or equivalent provisions** (four respondents).
- PRI Association recommends including IFRS S2 paragraphs 29B–29C, or equivalent provisions tailored to NZ CS 1. The additional disclosures would give investors a structured basis for comparing emissions data across entities and jurisdictions, especially investors with holdings in both New Zealand and Australia. Adopting the relief without the accompanying transparency provisions creates only partial alignment with the ISSB baseline, and that full alignment would better serve preparers and primary users.
 - Ernst and Young supports including the additional disclosures in IFRS S2 and AASB S2 as this would be another step towards greater alignment between NZ CS, ISSB Standards and AASB S2
 - ACC Investments says IFRS S2 paragraph 29C supports better comparability between entities with similar activities but different approaches to including or excluding emissions from derivatives, insurance and reinsurance underwriting, and capital market issuance activities.

- Institute of Directors / Chapter Zero New Zealand says users should be able to understand not only that an exclusion has been made, but also its nature and potential significance to the entity's reported emissions profile.

35. **Disclosure about how derivatives are defined should be added** (two respondents).

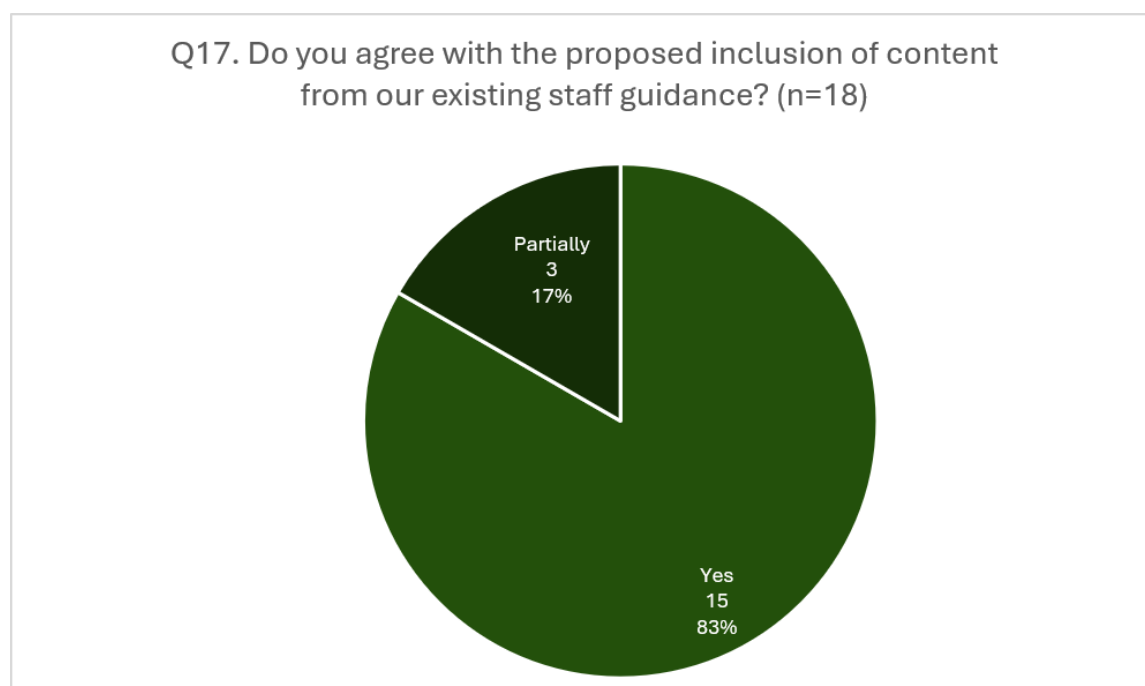
- PwC says the term “derivative” is not defined, so different interpretations could reduce comparability. They recommend a limited disclosure requiring entities to explain what they have treated as a derivative.
- Ernst and Young says the additional disclosures would require an entity to explain how it has defined derivatives, which would be useful to users.

36. **Disaggregation of emissions attributable to derivatives would be useful and consistent with financed emissions reporting practice** (one respondent). ACC Investments says adding a NZ CS 1 amendment for disaggregating emissions attributable to derivatives would be consistent with financed emissions reporting standards, such as PCAF, without needing to introduce “financed emissions” as a defined term.

37. **Do not allow exclusions** (one respondent). PCAF.

Responses to Q17 and Q18 support incorporating guidance but seek clearer application material

Figure 7: Responses to question 17



38. Respondents who answered ‘yes’: FMG, Institute of Directors / Chapter Zero New Zealand, IAG New Zealand Ltd, Ernst and Young, ICNZ, Suncorp New Zealand, QBE Insurance Group Limited, AA Insurance Limited, CA ANZ, Tower Limited, PCAF, Individual 1, Fonterra Co-operative Group Limited, Bank of New Zealand, NZBA.

39. Respondents who answered ‘partially’: ACC Investments, PwC, KPMG New Zealand.

Support

40. **Incorporating the guidance would improve clarity and consistency while preserving judgement** (one respondent). CA ANZ supported the proposal because it would help preparers apply the exclusions more consistently while retaining professional judgement and the principles-based nature of the standards.

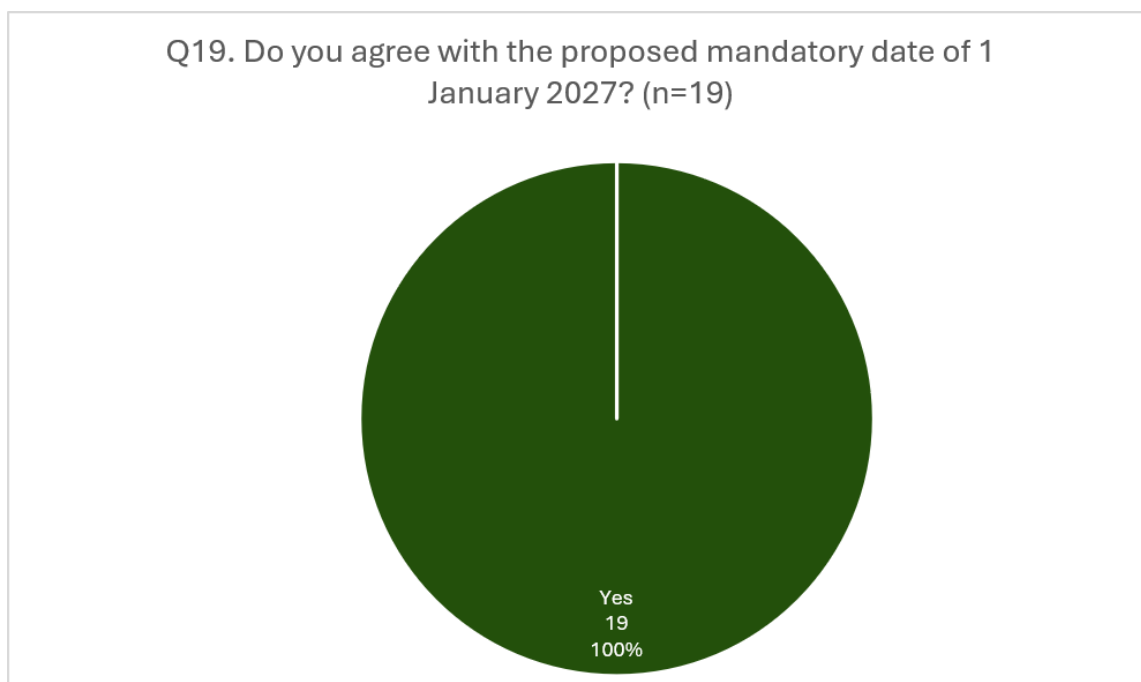
41. **The examples should not be interpreted as the only possible grounds for exclusion** (one respondent). FMG supported incorporating the guidance, but noted that the application material should remain clear that the examples are not exhaustive.

Qualified support, requests for clarification

42. **Clarify whether "should consider" is mandatory or advisory** (two respondents). Two respondents questioned whether paragraphs B7 and B8 are intended to create a mandatory requirement to consider alternative estimation methods and comparable sources before excluding emissions.
- PwC recommended changing "should consider" to "must consider" if the intention is for the requirement to be mandatory.
 - Institute of Directors / Chapter Zero New Zealand recommended clarifying whether consideration of alternative estimation methods and comparable sources is required or merely guidance.
43. **Reconsider or further explain proposed paragraph B4** (two respondents).
- PwC requested clarification on how B4 applies when an entire scope of emissions is determined to be immaterial and questioned how NZ CS 3 qualitative materiality considerations should be applied. They suggest it would be helpful to have application guidance or practice guidance for these situations.
 - KPMG opposed B4, arguing it could reduce accountability for completeness, impair comparability and transparency, and suggested either deleting B4 or requiring disclosure of excluded immaterial sources.
 - PwC also suggested clarifying the definition of an emissions source, including whether an entire scope could constitute a single emissions source.
44. **Expand B8 to address sources excluded by methodology scope limitations** (two respondents). Bank of New Zealand and NZBA argued B8 should address circumstances where a methodology exists but intentionally excludes certain activities from its scope.
45. **Clarify the threshold and justification required for excluding material emissions sources** (one respondent). PwC recommended clarifying in B3 that exclusion of a material emissions source is not an unrestricted election and must be supported by a reasonable basis.
46. **Clarify the interaction between disclosure requirements and measurement standards** (one respondent). PwC recommended clarifying that disclosure requirements under NZ CS 1 should be distinguished from compliance with the measurement methodology used by the entity.
47. **Retain flexibility where methodologies are immature or unavailable** (one respondent). Bank of New Zealand emphasised that methodologies continue to evolve and that flexibility should be retained where methodologies are immature, unavailable, or not designed to cover the relevant activity.

Responses to Q19 and Q20 all support the proposed mandatory date

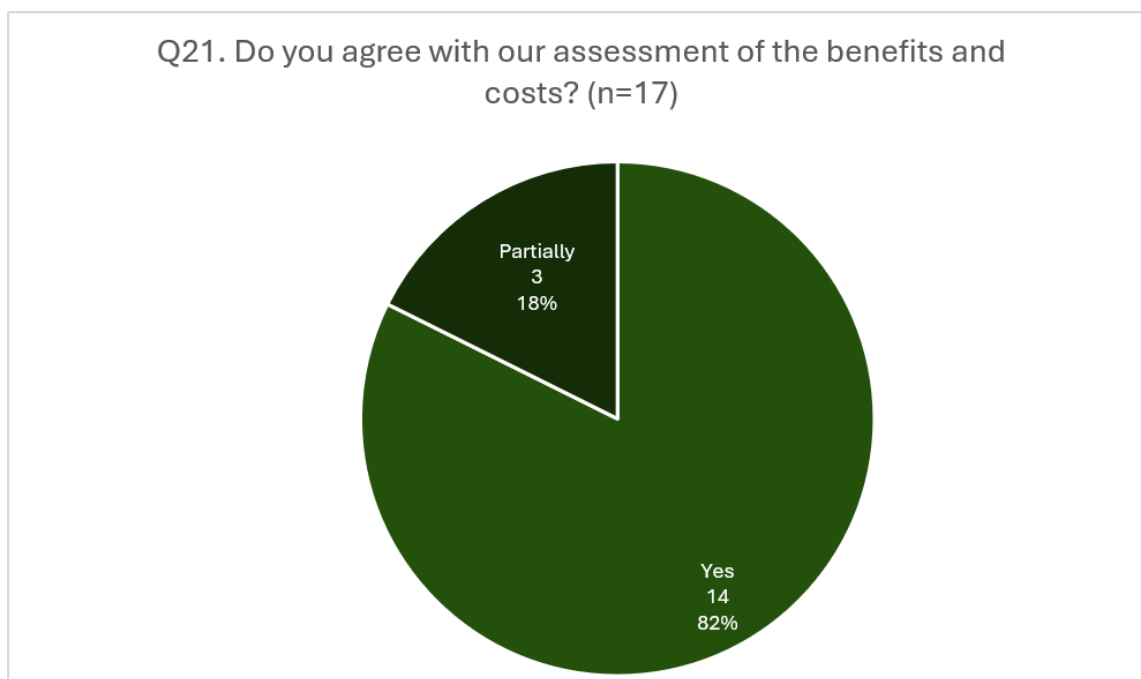
Figure 8: Responses to question 19



48. Respondents who answered 'yes': PRI Association, ACC Investments, FMG, PwC, Institute of Directors / Chapter Zero New Zealand, IAG New Zealand Ltd, Ernst and Young, ICNZ, KPMG New Zealand, Suncorp New Zealand, QBE Insurance Group Limited, AA Insurance Limited, CA ANZ, Tower Limited, PCAF, Individual 1, Individual 2, Bank of New Zealand, NZBA.

Responses to Q21 and Q22 support the benefits but raise user cost concerns

Figure 9: Responses to question 21



49. Respondents who answered 'yes': ACC Investments, PwC, Institute of Directors / Chapter Zero New Zealand, IAG New Zealand Ltd, ICNZ, Suncorp New Zealand, QBE Insurance Group Limited, CA ANZ,

Tower Limited, PCAF, Individual 1, Individual 2, Fonterra Co-operative Group Limited, Bank of New Zealand.

50. Respondents who answered 'partially': FMG, KPMG New Zealand, AA Insurance Limited.

Supportive comments

51. **Agree that the amendments will improve clarity, certainty and consistency in applying exclusions and support comparability** (six respondents).
 - PwC, Institute of Directors / Chapter Zero New Zealand, QBE Insurance Group Limited, CA ANZ, Fonterra Co-operative Group Limited, Bank of New Zealand highlighted improved clarity, certainty, consistency, or clearer application guidance as key benefits of the amendments.
 - QBE considered the amendments should support more consistent and efficient reporting over time, while BNZ noted that improved alignment with IFRS S2 would support comparability and reduce the risk of New Zealand requirements extending beyond international requirements without a clear policy directive.
52. **Emphasise international alignment as a key benefit, including alignment with IFRS S2, AASB S2 or Australia** (six respondents).
 - Institute of Directors / Chapter Zero New Zealand, ICNZ, Suncorp New Zealand, QBE Insurance Group Limited, AA Insurance Limited, Bank of New Zealand supported the amendments because they improve international alignment, including alignment with Australia, AASB S2, IFRS S2, or international standards more generally.
53. **Acknowledge that the amendments should reduce reporting complexity, duplication, compliance effort, and resource or financial burden for preparers** (seven respondents).
 - PwC, Institute of Directors / Chapter Zero New Zealand, Suncorp New Zealand, QBE Insurance Group Limited, CA ANZ, Bank of New Zealand, Tower Limited indicated that the amendments should reduce unnecessary reporting complexity, duplication, uncertainty, compliance effort, reporting or assurance work, costs, or the resource and financial burden on insurers.
54. **Highlight that exclusions are justified where emissions data is incomplete, highly estimated, unreliable or methodologies are not available or do not apply** (four respondents).
 - Insurance Council of New Zealand, Tower Limited, Bank of New Zealand, QBE Insurance Group Limited pointed to data challenges, incomplete datasets, high estimation requirements, unreliable measurement, or the absence or inapplicability of methodologies as reasons the amendments are beneficial.
55. **Frame the amendments as supporting more decision-useful reporting by focusing effort on relevant information** (two respondents).
 - PwC said the amendments should improve the overall quality of disclosures for users by clarifying that immaterial information need not be disclosed.
 - QBE said the amendments help entities focus resources on information that is most relevant and decision-useful for stakeholders.
56. **Recognise that the overall regulatory impact is likely to be limited because relatively few entities are expected to apply the amendments** (one respondent). CA ANZ noted that the number of reporting entities expected to apply the amendments is likely to be relatively limited, especially given proposed legislative changes and the FMA's exemption for Overseas Climate Reporting Entities.
57. **The requirement to identify and justify material exclusions is a key mitigation for reduced completeness or comparability** (one respondent). Institute of Directors / Chapter Zero New Zealand

noted that implementation risks are partly mitigated by the continuing requirement to identify and justify material exclusions.

Qualified support

58. **Consider whether the cost-benefit assessment adequately reflects costs to users, not just reductions in preparer costs** (two respondents).
 - KPMG considered that reduced disclosures may transfer burden from preparers to users, requiring investors, lenders, regulators and others to do additional analysis.
 - Institute of Directors / Chapter Zero also noted that optional exclusions may reduce completeness and make peer comparison and trend analysis more difficult.
59. **Ensure exclusions remain transparent enough for users to understand their nature, significance and effect on comparability** (two respondents).
 - Institute of Directors / Chapter Zero asked that exclusions be transparent enough for users to understand their nature and significance, and suggested monitoring whether the relief reduces usefulness or comparability.
 - KPMG raised concerns that reduced or omitted disclosures could make it harder for users to understand climate-related risks and performance or compare entities within and across sectors.
60. **Monitor whether the relief materially reduces the usefulness or comparability of climate statements** (one respondent). Institute of Directors / Chapter Zero New Zealand supported the amendments but recommended that the XRB monitor whether the relief materially reduces the usefulness or comparability of climate statements over time.
61. **Consider setting expectations for entities relying on paragraphs B7 or B8 to improve data collection and estimation over time and reassess the applicability of those paragraphs each reporting period** (one respondent). PwC requested that XRB set expectations that a CRE relying on paragraphs B7 or B8 should make reasonable efforts to improve data collection processes and estimation methods, where possible, so that it seeks to report in line with the disclosure requirements. They also suggested re-evaluating the applicability of paragraphs B7 or B8 in each reporting period.
62. **Assess whether the proposed relief goes far enough for CRD entities investing through third-party investment managers** (one respondent). FMG considered the proposed extension of exclusions did not go far enough to compensate for additional reporting costs imposed on CRD entities that invest through third-party investment managers, particularly where those schemes are now exempt from the reporting regime.
63. **Clarify the rationale for excluding insurance-associated emissions, particularly where they require significant investment to measure and cannot be reasonably influenced** (one respondent). AA Insurance was unsure about the stated alignment with transition risk, noting that removing insurance-associated emissions is more aligned with not measuring and reporting emissions that require significant investment and cannot be reasonably influenced.
64. **Consider whether exclusions could make material emissions less visible to boards and primary users** (one respondent). Institute of Directors / Chapter Zero New Zealand raised a governance concern that material emissions associated with underwriting, derivatives or capital-markets activity may become less visible to boards and primary users, even where those emissions remain relevant to transition risk, strategy or organisational accountability.

Appendix 3 – Convention used to describe the level of respondent support

1. The table below explains the convention used in this memo to describe the level of respondent support, based on the number or proportion of responses to that question.

Term	Threshold
All respondents	100%
Almost all respondents	>90%
Most respondents	>70%
Many respondents	~30-70%
Some respondents	~4-5 respondents
A few respondents	2-3 respondents
One respondent	1 respondent

Memorandum

To: SRB members

Meeting date: 13 October 2026

Subject: **Approval of amending standard, RAS and other signing processes**

Date: 2 October 2026

Prepared by: Judy Ryan

Through: Amelia Sharman

☒ **Action Required**

☐ **For Information Purposes Only**

Purpose

1. The purpose of this memo is to seek approval of *Amendments to NZ CS 1 Climate-related Disclosures 2026 (2026/64)*.

Recommendations

2. We recommend that the Board:
 - (a) AGREE the Regulatory Standards Act assessment (**RS Act Assessment**)
 - (b) APPROVE the analysis of the benefits and costs in the appendix to the RS Act Assessment
 - (c) APPROVE the amending standard, subject to:
 - i. XRB Board Chair signing the certificate of determination (**CoD**) under s26 of the Financial Reporting Act 2013 (**FR Act**)
 - ii. the Chief Executive signing the Compliance Accountability Statement (**CAS**)
 - (d) APPROVE the Certificate Signing memorandum which includes the CoD
 - (e) APPROVE the memo SRB Chair to Chief Executive re CAS
 - (f) NOTE the draft CAS.

Structure of this memo

3. This memo is structured as follows:
 - **Background** – explains the reasons for the amendments, including relevant international developments, stakeholder feedback and the consultation undertaken.
 - **Regulatory Standards Act assessment including benefits and costs** – summarises the conclusions of the RS Act Assessment, including the finding that no inconsistencies with the principles of responsible regulation were identified and that the expected benefits outweigh the costs.
 - **Compliance with due process requirements** – explains how the XRB complied with the consultation and due process requirements in the FR Act.

- **Summary of main amendments** – outlines the principal changes made by the amending standard and related editorial amendments.
- **Commencement and application** – sets out the effective date, early adoption provisions and approvals sought in relation to the amending standard and certificate signing process.
- **Compliance Accountability Statement** – summarises the Chief Executive approval process under the Regulatory Standards Act 2025 and seeks approval of the memorandum from the SRB Chair to the Chief Executive and noting of the draft CAS.

Background

4. The amendments were developed in response to international standard-setting developments and stakeholder feedback on the operation of NZ CS 1 Climate-related Disclosures (**NZ CS 1**). In December 2025, the International Sustainability Standards Board (**ISSB**) amended IFRS S2 *Climate-related Disclosures* (**IFRS S2**)¹ and the Australian Accounting Standards Board (**AASB**) issued equivalent amendments to AASB S2 *Climate-related Disclosures* (**AASB S2**) to maintain alignment.² The amendments permit entities to limit scope 3 category 15 (investments) disclosures to financed emissions.
5. Stakeholders advised the XRB that the existing NZ CS 1 requirements were more onerous than IFRS S2 and AASB S2, particularly for New Zealand subsidiaries of Australian groups, resulting in unnecessary cost, complexity and divergent reporting expectations. Stakeholders also sought greater clarity regarding the exclusion of greenhouse gas (**GHG**) emissions sources. The amendments therefore sought to improve international alignment and incorporate existing XRB guidance on exclusions into the standard as authoritative application material.
6. At its meeting on 25 February 2026, the Board agreed to consult on whether to make targeted amendments to NZ CS 1 to align scope 3 GHG emissions disclosure requirements with the recent amendments issued by both the ISSB and AASB. The consultation document (*Proposed amendments to NZ CS 1 Climate-related Disclosures*) was issued on 30 June 2026. Submissions closed at 5pm on 29 July 2026.

Regulatory Standards Act assessment including benefits and costs

7. The RS Act Assessment documents the XRB's review of both the amending standard and the process followed to develop it against the principles of responsible regulation in the Regulatory Standards Act 2025 (**RS Act**). The assessment considers matters including clarity and accessibility, consultation, evaluation of the issue, implementation, effectiveness and proportionality, and the expected benefits and costs of the amendments.
8. The assessment concludes that the amendments are consistent with the applicable principles of responsible regulation and that no inconsistencies were identified. It also concludes that the expected benefits of the amendments, including improved international alignment, greater clarity and reduced compliance burden, outweigh the associated costs.

¹ This document refers to the work of the International Sustainability Standards Board (ISSB) and uses registered trademarks of the IFRS Foundation (for example, IFRS® Sustainability Disclosure Standards).

² Subsequently in this document, references to IFRS S2 should be read as also referring to AASB S2, which includes equivalent amendments.

Questions for the Board

1. Does the Board AGREE with the RS Act Assessment for Amendments to Climate-related Disclosures 2026?
2. Does the Board APPROVE the analysis of the benefits and costs in the appendix to the RS Act Assessment?

Compliance with due process requirements

9. Section 22(1) of the FR Act requires the XRB to take reasonable steps to consult with persons (or their representatives) who, in the opinion of the Board, would be substantially affected by the issue or amendment of a standard. Section 22(2) includes a requirement to consult with the Privacy Commissioner if a standard or amendment is likely to require the disclosure of personal information.
10. We consider that the process followed by the XRB complied with the due process requirements established by the XRB Board and the requirements of section 22(1) for the reasons stated in the signing memorandum to the Chair of the XRB Board. The amending standard does not require the disclosure of personal information. Therefore, we did not consult with the Privacy Commissioner.

Summary of main amendments

11. The amending standard has been drafted in the usual manner, by underlining added text and striking through deleted text. It amends paragraph 24(d) and adds paragraphs B1 to B9 and paragraph C3. Paragraphs B1 and B2 have been renumbered and relocated as paragraphs C1 and C2 in new Appendix C.
12. Editorial corrections have also been made to three defined terms in Appendix A.

Commencement and application

13. *Amendments to NZ CS 1 Climate-related Disclosures 2026* will be applicable for annual reporting periods beginning on or after 1 January 2027, with early adoption permitted.

Questions for the Board

3. Does the Board APPROVE Amendments to NZ CS 1 Climate-related Disclosures 2026?
4. Does the Board APPROVE the signing memorandum to the Chair of the XRB Board requesting approval to issue Amendments to NZ CS 1 Climate-related Disclosures 2026?

Compliance Accountability Statement

14. The CAS records the Chief Executive's confirmation that the XRB has assessed both *Amendments to NZ CS 1 Climate-related Disclosures 2026* and the process followed to develop it against the principles of responsible regulation in section 9 of the RS Act.
15. The draft memorandum from the SRB Chair to the Chief Executive records the SRB's agreement with the RS Act Assessment and draft CAS and requests that the Chief Executive approve the CAS. Both the CAS and the memorandum conclude that no inconsistencies with the principles of responsible regulation were identified.

Questions for the Board

5. Does the Board APPROVE the memo from the SRB Chair to Chief Executive re the CAS?

6. Does the Board NOTE the draft CAS?

Attachments

- [Regulatory Standards Act assessment](#)
- [Amending Standard](#)
- Draft [Certificate Signing memorandum](#)
- Draft [Certificate of determination](#)
- Draft [Memo Chair SRB to CE re CAS](#)
- Draft [Compliance Accountability Statement](#)

Assessment for Consistency Accountability Statement

Reference number	2026/64
Subject	Regulatory Standards Act assessment to support Consistency Accountability Statement
Related to	Amendments to NZ CS 1 Climate-related Disclosures 2026
Date of technical board discussion of this assessment	13 October 2026
Approval Date	13 October 2026

Guidance and instructions

- *This template includes italicised guidance and instructions in green that, among other things summarises the statutory guidance available to help to complete a Regulatory Standards Act (RS Act) Assessment that underpins a Consistency Accountability Statement.*
- *The green italicised content should be retained in the RS Act Assessment that is submitted to the board being asked to approve a new or amendment standard or authoritative notice.*
- *None of the green italicised content should be included in the final version of the RS Act Assessment.*

Purpose

- Section 3(1) of the Regulatory Standards Act 2025 (RS Act), insofar as it relates to secondary legislation states that the purposes of the RS Act are to:
 - promote the accountability of the Executive to Parliament for the development of high-quality legislation
 - support Parliament in overseeing and controlling the use of delegated powers to make legislation.
- One way the RS Act does so is:
 - to list principles of responsible regulation (**the principles**)
 - to provide for agencies responsible for making secondary legislation to publish:
 - a Consistency Accountability Statement (**CAS**) confirming that the agency has reviewed the legislation and the process for developing it for consistency with the principles and summarising any identified inconsistency
 - a statement that briefly explains the reasons for any inconsistency.
- This RS Act assessment documents the analysis and processes that underpin the CAS for Amendments to NZ CS 1 *Climate-related Disclosures* 2026 (**2026/64**).

Summary of this RS Act assessment

- The Chief Executive, the responsible Director and the Director's staff have assessed 2026/64 and the process for developing it for consistency with the principles. We have not identified any inconsistencies with the principles.

The scope of XRB's statutory powers

5. The XRB makes the following secondary legislation under sections 12 and 20 of the Financial Reporting Act 2013 (**FR Act**):
 - (a) Financial reporting standards and authoritative notices that govern the content of general purpose financial statements.
 - (b) Climate standards and authoritative notices that govern the content of climate statements prepared under Part 7A of the Financial Markets Conduct Act 2013 (**the FMC Act**).
 - (c) Auditing and assurance standards, related service standards and professional and ethical standards that contribute to the system for regulating assurance practitioners.

The context for this RS Act assessment

6. Part 7A of the FMC Act requires climate reporting entities (as defined in s461O of that Act) to prepare and publish climate statements in accordance with the climate-related disclosure framework (**CRD framework**). Section 9AA of the FR Act states that climate statements comply with the CRD framework only if they comply with:
 - (a) applicable climate standards
 - (b) in relation to matters for which no provision is made in applicable climate standards, an authoritative notice.
7. Section 19B of the FR Act states that the purpose of climate standards is to provide for, or promote, climate-related disclosures to:
 - (a) encourage entities to routinely consider the short, medium and long-term risks and opportunities that climate change presents for the activities of the entity or the entity's group
 - (b) enable entities to show how they are considering those risks and opportunities
 - (c) enable investors and other stakeholders to assess the merits of how entities are considering those risks and opportunities.
8. 2026/64 is not stand-alone regulation. There are three Aotearoa New Zealand Climate Standards (**NZ CS** which apply to all climate reporting entities. 2026/64 amends NZ CS 1 Climate-related Disclosures. The purpose of 2026/64 is to internationally align requirements for the disclosure of scope 3 GHG emissions related to specific financial activities and to include content on GHG emissions exclusions as authoritative application material. This assessment relates to the specific impact of 2026/64.

Applying the principles of responsible regulation

9. This RS Act Assessment documents our processes and analysis in accordance with the principles. We have evaluated 2026/64 against all principles.
10. We have, in preparing this RS Act Assessment, considered the [statutory guidance](#) jointly issued in May 2026 by the Attorney-General and Minister for Regulation under section 26 of the RS Act.

S9(a)(i): The legislation should be clear and accessible

The principle

11. Section 9(a)(i) states that “the law should be clear and accessible”. We have not identified any inconsistencies in 2026/64 with this principle.

Accessibility**Statutory guidance on accessibility**

The statutory guidance states that legislation should be easy to find by those it applies to. It also states that agency-published legislation should be published in full on the agency's website.

12. 2026/64 including the Basis for Conclusions will be published on the [Climate standards page](#) on the XRB's website on the date that it is gazetted.
13. In addition, all extant XRB standards are searchable using the [XRB Standards Navigator](#).

Clarity**Statutory guidance on clarity**

The statutory guidance states that:

- *the degree of clarity that is expected depends on the context, including who it applies to*
- *the legislation needs to be clear to its intended audience*
- *legislation that is mainly used by specialists and technical experts may be clear despite using technical terms*
- *in some cases, clarity of law can be enhanced by using technical content*
- *legislation that is cross-referenced (e.g. definitions in other legislation) and material incorporated by reference should be assessed in the same way as the legislation itself.*

14. 2026/64 will apply to all climate reporting entities. It also needs to be understood by assurance practitioners providing assurance in accordance with requirements in [section 461ZH](#) of the FMC Act and paragraphs 25 and 26 of NZ CS 1.
15. We consider that 2026/64 fits with the audience's needs because the language and structure are consistent with the standard it amends and are aligned with the other standards within this suite of standards. This approach promotes consistency and comparability, avoids the risks of contradictions with other parts of the standard and other standards, reduces the risk of contractual disputes and reduces compliance costs.

S9(a)(ii): The legislation should not adversely affect rights and liberties, or impose obligations, retrospectively

16. We have not identified any inconsistencies in 2026/64 with this principle. Consistent with the prohibition on retrospectivity in section 28(2)(b) of the FR Act, 2026/64 does not have retrospective effect.

S9(a)(iii): Every person is equal before the law

17. We have not identified any inconsistencies in 2026/64 with this principle. The XRB does not have the statutory power to unequally administer the law.

S9(a)(iv): There should be an independent, impartial judiciary

18. We have not identified any inconsistencies in 2026/64 with this principle. The XRB does not have the statutory power to compromise the independence or impartiality of the judiciary.

S9(a)(v): Issues of legal right and liability should be resolved by the application of the law, rather than the exercise of administrative discretion

19. We have not identified any inconsistencies in 2026/64 with this principle. The XRB issues standards as secondary legislation. These standards do not provide for the resolution of legal rights and liability in a manner that is contrary to the rule of law.

S9(b)): Legislation should not unduly diminish a person's liberty, personal security, freedom of choice or action, or rights to own, use and dispose of property without the consent of the owner except as is necessary to provide for, or protect, any such liberty, freedom, or right of another person

Statutory guidance on liberties

The statutory guidance in relation to the liberties principle focuses on natural persons. It also states that:

- *While most legislation involves setting some form of limit on rights or liberties, the intent is not to capture every situation where a liberty may be diminished to any degree.*
- *This principle is only breached if the legislation both unduly diminishes rights or liberties and does so more than is needed to provide for or protect others' rights and liberties.*

20. We have not identified any inconsistencies in 2026/64 with this principle. The XRB does not have the statutory powers to unduly diminish a person's liberties, freedoms or rights.

S9(c): Taking or severely impairing property without the owner's consent

21. We have not identified any inconsistencies in 2026/64 with this principle. The XRB does not have the statutory power to take or severely impair private property.

Ss9(d)-(f): Taxes, fees and levies

22. We have not identified any inconsistencies in 2026/64 with this principle. The XRB does not have the statutory power to impose or authorise the imposition of a tax, fee or levy.

S9(g): Legislation should preserve the courts' constitutional role of ascertaining the meaning of legislation

23. We have not identified any inconsistencies in 2026/64 with this principle. The XRB does not have the statutory power to make an authoritative determination of the meaning of a standard or interfere with the judicial process in particular cases before the courts.

S9(h): Legislation should make rights and liberties, or obligations, dependent on administrative power only if the power is sufficiently defined and subject to appropriate review

24. We have not identified any inconsistencies in 2026/64 with this principle. The XRB does not have the statutory power to make rights, liberties and obligations dependent on administrative power or limit judicial review.

S9(i): Consultation

The principle

25. Section 9(i) refers to "the importance of consulting, to the extent that is reasonably practicable, the persons or representatives of the persons that the responsible agency

RS Act assessment – Amendments to NZ CS 1 Climate-related Disclosures 2026 (2026/64)

considers will be directly and materially affected by the legislation”. We have not identified any inconsistencies in 2026/64 with this principle.

Statutory guidance on consultation

The statutory guidance states that the expectation is that the focus of the assessment should be on consultation with persons outside Government.

Much of the statutory guidance on consultation relates to the ‘reasonably practicable’ exception in s9(i). It states that this is a genuine urgency exception. Genuine urgency only arises when the legislation is needed for reasons beyond the responsible agency’s control, such as responding to a national emergency. It does not apply merely because the agency decided to act with urgency. For example, an agency that fails to consult with all directly and materially affected persons or their representatives because it legislated quickly in response to external pressures will have acted inconsistently with the principle.

Our consultation on 2026/64

26. 2026/64 will directly and materially affect:
 - (a) Climate reporting entities¹
 - (b) Primary users as identified in NZ CS as “existing and potential investors, lenders and other creditors”.
 - (c) Assurance practitioners who conduct assurance over climate statements in full or part.
27. The XRB undertook targeted outreach to affected stakeholders, including insurers, banks, preparers, professional service providers (including assurance practitioners) and industry bodies. Following receipt of submissions, XRB staff held further discussions with selected respondents to better understand technical issues relating to the proposed exclusions, implementation challenges and alignment with IFRS S2.
28. We took the following steps to consult:
 - (a) The exposure draft was open for comment from 30 June to 29 July 2026 and was supported by consultation materials, an online survey and an explanatory webcast
 - (b) The XRB promoted the consultation through a Climate Alert and a series of LinkedIn posts and undertook targeted outreach with affected stakeholders, including insurers, a bank and a professional services provider, both before and after consultation
 - (c) Following receipt of submissions, XRB staff held further discussions with selected respondents to better understand technical issues relating to the proposed exclusions and alignment with IFRS S2.

S9(j): Evaluation

The principle

29. Section 9(j) refers to the importance of carefully evaluating:
 - i. the issue concerned
 - ii. the effectiveness of any relevant existing legislation and common law
 - iii. whether the public interest requires that the issue be addressed
 - iv. any options (including non-legislative options) that are reasonably available for addressing the issue
 - v. who is likely to benefit, and who is likely to suffer a detriment, from the legislation.

¹ Climate reporting entity is defined in section 461O of the FMC Act.

RS Act assessment – Amendments to NZ CS 1 Climate-related Disclosures 2026 (2026/64)

30. We have not identified any inconsistencies in 2026/64 with this principle.

Section 9(j)(i) – The importance of carefully evaluating the issue concerned

The statutory guidance on evaluating the issue

The statutory guidance states that the agency should develop a clear problem definition that identifies and (to the extent feasible) quantifies the problem that the proposed legislation seeks to address. This involves:

- identifying the problem and its root causes, including consideration of whether any market failure is involved*
- assessing the nature, scale, and urgency of the issue, to the extent possible, based on available evidence*
- assessing why the issue is significant and what will happen if it is not addressed, including any opportunity cost.*

31. The issue is narrow in scope but material for affected entities because it concerns specific scope 3 investment-related greenhouse gas (**GHG**) emissions disclosures within NZ CS 1. The urgency arises from the timing of international amendments to IFRS S2 and AASB S2 and from stakeholders' evidence that continuing divergence would impose unnecessary costs and complexity on entities preparing climate statements, particularly those operating across New Zealand and Australia or seeking alignment with IFRS S2 for other reasons.
32. The issue identified by stakeholders was that NZ CS 1 had diverged from IFRS S2 and AASB S2 for certain scope 3 investment-related GHG emissions disclosures. The root cause was that IFRS S2 and AASB S2 were amended to permit entities to limit those disclosures to financed emissions, while NZ CS 1 retained broader disclosure requirements. Stakeholders indicated that this divergence created unnecessary compliance costs, implementation complexity and uncertainty, particularly for entities operating across multiple jurisdictions. Stakeholders also sought greater clarity and consistency on when GHG emissions sources may be excluded and how existing XRB guidance should be applied.
33. If the issue were not to be addressed, NZ CS 1 would continue to impose broader requirements than IFRS S2 and AASB S2 for certain scope 3 investment-related GHG emissions disclosures. This would result in higher implementation and compliance costs, increased complexity and uncertainty for preparers, and reduced consistency of reporting within trans-Tasman groups. The opportunity cost is that affected entities would continue to spend resources complying with requirements that are no longer aligned with comparable international standards, rather than focusing reporting effort on climate-related information that is most relevant and decision-useful for primary users.

Section 9(j)(ii) – The importance of carefully evaluating the effectiveness of existing law

The statutory guidance on the effectiveness of existing law

The statutory guidance states that the agency should assess whether existing legislation and common law already address the problem. This involves:

- identifying what current legislation or common law is relevant to the issue and assessing whether and how it is already working to address the issue or issues*
- identifying any gaps, overlaps, or inefficiencies.*

34. The issue arises from requirements within NZ CS 1 itself rather than from the operation of legislation, common law or implementation guidance. Although non-legislative guidance can support application of NZ CS 1, it cannot remove or modify disclosure requirements contained within the standard. Amendment of NZ CS 1 is therefore the only effective means of addressing the identified divergence.

Section 9(j)(iii) – The importance of carefully evaluating whether the public interest requires that the issue be addressed

The statutory guidance on the public interest

The statutory guidance states that the agency should consider whether (based on available evidence) the scale, urgency, and impact of the issue indicates that it needs to be addressed in the public interest.

35. It is in the public interest to issue 2026/64 for the reasons discussed in the sections on context (paragraphs 6 to 8) and the evaluation of available options (paragraphs 29 to 34). In particular, the amendments promote consistency with IFRS S2 and AASB S2, reduce unnecessary compliance costs and complexity arising from regulatory divergence, and improve the clarity and consistency of climate-related disclosures for preparers and primary users.

Section 9(j)(iv) – The importance of carefully evaluating any options that are reasonably available for addressing the issue

The statutory guidance on options

The statutory guidance states that the agency should:

- *consider non-legislative options – noting that the policy objective might be achieved more effectively through education programmes, reliance on the common law or existing legislation, or reliance on existing civil remedies*
- *identifying all feasible options (or groups of options) that would address the identified problem or achieve the identified objective, including any deregulatory options*
- *assessing the effectiveness, cost, and feasibility of these options relative to each other and to the status quo.*

36. The XRB publishes non-legislative guidance, but usually to provide guidance about a standard. We publish guidance because it:
- (a) provides practical support for applying standards
 - (b) helps reporting entities, assurance practitioners, users and regulators understand and implement complex principles
 - (c) promotes reporting or assurance consistency among entities and practitioners that choose to use it.
37. Amending NZ CS 1 through 2026/64 is the preferred option for consistency and comparability reasons. Information about a reporting entity is more useful if it can be compared with similar information about other entities and with similar information about the same entity for another period or date. Non-legislative options such as guidance would provide less useful information because reporting entities would be permitted to use alternative climate reporting methods for the same economic phenomenon.

Section 9(j)(v) – Distributional impacts

The statutory guidance on distributional impacts

The statutory guidance states that agencies should:

- *identify those that have been affected by the legislation and how those effects differed across different groups*
- *identifying any equity or fairness issues that have arisen because of the legislation*
- *identifying any unintended consequences that have resulted for any groups.*

RS Act assessment – Amendments to NZ CS 1 Climate-related Disclosures 2026 (2026/64)

38. The purpose of 2026/64 is to improve the overall quality of the standards that must be applied by climate reporting entities. The amendments affect reporting entities, primary users and assurance practitioners differently.
- (a) Reporting entities are expected to benefit from improved alignment with IFRS S2 and AASB S2, reduced complexity and lower compliance costs in applying certain scope 3 investment-related GHG emissions disclosure requirements.
 - (b) Primary users benefit from greater consistency and clarity in climate-related disclosures, although some may need to undertake additional analysis where exclusions are applied.
 - (c) Assurance practitioners benefit from clearer requirements and application material when providing assurance over climate statements.
39. The costs of implementing and applying the amended requirements will be borne primarily by reporting entities.
40. We have not identified any fairness or equity issues.
41. Potential unintended consequences include reduced completeness or comparability of disclosures where exclusions are applied and the need for some users to undertake additional analysis to understand the significance of excluded emissions. However, these effects are mitigated by the requirement for entities to identify and justify material exclusions and by the continued application of the NZ CS materiality framework.

S9(k): Implementation

The principle

42. The implementation principle identifies the importance of the responsible agency identifying and developing effective arrangements for implementing the legislation. We have not identified any inconsistencies in 2026/64 with this principle.

The statutory guidance on implementation

The statutory guidance states that agencies should:

- *develop an overall strategy for implementing the chosen option, including the steps and actions required*
- *identify the key risks associated with the implementation of the legislation, and develop possible mitigation strategies to address these risks*
- *identify the roles and responsibilities of all parties involved in the implementation process, including the responsible agency and any other stakeholders*
- *identify the resources required for implementation, including financial, human, and technical resources.*

43. Our approach to implementation is scaled project-by-project because standards range from major and complex projects to routine and technical amendments. The XRB has complied with the implementation principle for 2026/64 by developing the amendments through a public consultation process supported by consultation materials, an explanatory webcast, a Climate Alert and targeted stakeholder engagement with affected preparers and advisers.
44. The amendments are also designed to align with equivalent requirements in IFRS S2 and AASB S2 and incorporate existing XRB staff guidance into NZ CS 1 as application material, reducing the need for entities to refer to multiple sources when applying the requirements.
45. Given the narrow scope of the amendments and their purpose of improving international alignment and clarifying existing requirements, no significant additional implementation programme is proposed. This approach is proportionate because the amendments are

RS Act assessment – Amendments to NZ CS 1 Climate-related Disclosures 2026 (2026/64)

narrow in scope, primarily align NZ CS 1 with existing international requirements and incorporate existing XRB guidance into the standard.

46. Following issuance of the standard, the XRB will communicate the amendments through its normal stakeholder communication channels, including a Climate Alert and direct notification to relevant stakeholders. The XRB will also monitor implementation experience, stakeholder feedback and international developments as part of its ongoing standard-setting activities. This monitoring will include implementation issues arising in New Zealand and relevant developments relating to IFRS S2, AASB S2 and other international reporting frameworks, which will inform any assessment of whether further amendments are required.

S9(l): Benefits exceed the costs

The principle

47. The principle states that legislation should be expected to produce benefits that exceed the costs of the legislation to the public or persons. Refer to Appendix A for the analysis of benefits and costs for 2026/64.
48. We have not identified any inconsistencies in 2026/64 with this principle.

The statutory guidance on benefits and costs

The statutory guidance states that agencies should:

- *identify all expected major costs and benefits*
- *quantify and monetise costs and benefits in dollar terms to the extent feasible*
- *identify and disclose any expected effects that cannot be monetised*
- *identify who is expected to benefit and who is expected to bear the costs*
- *disclose any risks or uncertainties, or any key assumptions affecting the analysis.*

S9(m) – Effectiveness, efficiency and proportionality

The principle

49. The principle states that the legislation should be the most effective, efficient and proportionate response to the issue concerned that is available. We have not identified any inconsistencies in 2026/64 with this principle.

The statutory guidance on effectiveness, efficiency and proportionality

This principle focuses on ensuring that the legislation is the optimal response to the policy problem or objective it aims to address or achieve, within the options reasonably available. Assessments of consistency against this principle can draw on assessments made against the other principles, particularly the other good law-making principles. More specifically:

- ***Effectiveness:*** *There should not be other options that can better achieve the defined objectives or deliver more net benefits.*
- ***Efficiency:*** *There should not be other options that achieve the defined objectives with the same benefit at less cost.*
- ***Proportionality:*** *There should not be other responses that would align better with the level of severity, urgency and/or scope of the issue in question, and/or would be more flexible or less costly.*

50. 2026/64 is the most effective, efficient and proportionate response to the identified issue. The amendments address a specific divergence between NZ CS 1 and equivalent requirements in IFRS S2 and AASB S2 relating to certain scope 3 investment-related GHG emissions disclosures. They improve international alignment, reduce unnecessary compliance costs

RS Act assessment – Amendments to NZ CS 1 Climate-related Disclosures 2026 (2026/64)

and implementation complexity, and provide greater clarity regarding the application of exclusions while maintaining the existing NZ CS materiality framework.

51. The amendments are effective because they directly address the identified problem of regulatory divergence and achieve the policy objective of enabling substantially the same disclosure outcome as IFRS S2 within the existing structure of NZ CS 1.
52. They are efficient because they achieve that outcome through targeted amendments and the incorporation of existing XRB staff guidance into authoritative application material, rather than through more extensive changes to the framework.
53. They are proportionate because they are narrow in scope, respond to a clearly identified issue raised by stakeholders, and balance the benefits of international alignment, reduced compliance costs and improved clarity against the potential reduction in completeness or comparability of some disclosures. Non-legislative guidance would not adequately address the issue because the divergence arises from the requirements of NZ CS 1 itself and can only be resolved through amendment of the standard.
54. The XRB therefore considers that no reasonably available alternative would better achieve the objectives of the amendments or deliver a more favourable balance of benefits and costs.

Attachment

Appendix A – Benefit and Cost Assessment

Appendix A – Benefit and Cost Assessment

This Appendix records the XRB's assessment of whether the expected benefits of issuing or adopting a standard are likely to exceed the expected costs, consistent with the good law-making principle in section 9(l) of the Regulatory Standards Act 2025.

Standard Title	Amendments to NZ CS 1 <i>Climate-related Disclosures</i> 2026
Standard Reference	XRB 2026/64
Principal Standard/amendment	Amending standard
Significant impact/narrow scope	Narrow scope
Impacted entities	All climate reporting entities

Section A – XRB approach to evaluating benefits and costs

1. The purpose of this document is to record the XRB's assessment of the major expected benefits and costs of issuing or adopting the standard. The assessment supports the good law-making principle that legislation should be expected to produce benefits that exceed the costs of the legislation to the public or to persons.
2. This assessment compares the expected future state if the standard is issued or adopted with the counterfactual position if the regulatory change does not proceed. It identifies the main affected parties, the expected benefits and costs, distributional impacts, uncertainty and the extent to which benefits and costs can be quantified or monetised.
3. The purpose of the XRB's standards is to promote trust and confidence, transparency and accountability through high-quality external reporting and assurance. We do this by establishing and maintaining robust frameworks and standards that are internationally credible and locally relevant. The development of New Zealand standards in line with the XRB's due process requirements, build on the due process, research, consultation and effects analysis undertaken by international standard-setting bodies, while assessing whether the resulting requirements are appropriate for New Zealand. The XRB therefore considers both the factual position and the counterfactual position, including what would occur if the standard were not issued or adopted.
4. The analysis carried out by the International Sustainability Standards Board (ISSB) provides the starting point. The ISSB's reasons for the change are identified and discussed in Section B below. Our domestic analysis then considers whether those benefits and costs are relevant, proportionate and sufficiently evidenced in the New Zealand context.
5. This assessment has been prepared with reference to the [Ministry for Regulation's](#) cost-benefit analysis resource. Consistent with that guidance, the XRB applies a proportionate approach and addresses the following matters:
 - Identify all expected major benefits and costs
 - Identify who is expected to benefit and who is expected to bear the costs
 - Quantify and monetise benefits and costs in dollar terms to the extent feasible
 - Identify and disclose any expected effects that cannot be monetised
 - Disclose any risks or uncertainties, or any key assumptions affecting the analysis

RS Act assessment – Amendments to NZ CS 1 Climate-related Disclosures 2026 (2026/64)

- Compare the factual and counterfactual positions, including the consequences of no regulatory change.

Section B – International benefit-cost considerations

6. The ISSB sets IFRS Sustainability Standards. The ISSB has identified the following benefits and costs associated with its recent amendments to IFRS S2, with which the New Zealand amendments were aligned. These matters are outlined in the ISSB's Basis for Conclusions on [*Amendments to IFRS S2 – Amendments to Greenhouse Gas Emissions Disclosures*](#) – see paragraphs BC80A-80E.
7. Based on the Basis for Conclusions, the ISSB's overall conclusion was that the amendments would reduce complexity, compliance costs, and lower implementation costs, while not significantly reducing the usefulness of information for users of general purpose financial reports. The ISSB considered the amendments necessary to address implementation challenges that emerged after IFRS S2 was issued.
8. The major expected benefits and costs are as follows.

Qualitative Assessment

Major expected benefits
• Reduced implementation complexity and compliance burden (Reporting Entities). The ISSB identified several areas where the original requirements created unnecessary complexity during implementation. The amendments in relation to scope 3 GHG emissions reduce complexity associated with measuring and reporting Category 15 (investment-related) Scope 3 emissions. • Reduced implementation costs (Reporting Entities). The ISSB explicitly referred to lower implementation costs in several areas: ○ reducing costs associated with reporting Category 15 emissions that are not financed emissions ○ reducing costs associated with establishing systems and processes while entities are still in the early stages of implementing IFRS S2. The ISSB also observed that many entities were still building systems and processes for GHG reporting and therefore acted quickly to reduce uncertainty and implementation costs. • Improved clarity and consistency of application (Reporting Entities). The amendments clarify how several existing requirements operate, including: ○ the scope of Category 15 emissions disclosures; and ○ the relationship between financed emissions and other Category 15 emissions. The ISSB considered these clarifications necessary to avoid confusion, inconsistency and diversity in practice. • Retention of decision-useful information (Users). The ISSB repeatedly concluded that the amendments would not significantly reduce the usefulness of information because: ○ entities remain required to disclose financed emissions ○ additional qualitative disclosures are required about excluded activities

RS Act assessment – Amendments to NZ CS 1 Climate-related Disclosures 2026 (2026/64)

- existing IFRS S1 requirements relating to connected information, transparency, aggregation and disaggregation continue to apply.
- **Comparability and credibility (Users):** Alignment with IFRS improves comparability across borders and strengthens the credibility of New Zealand reporting. Alignment with IFRS signals that New Zealand reporting meets globally recognised expectations for transparency, discipline and investor protection and helps users compare performance, assess risk and make investment decisions using a framework they already know.

Major expected costs

- **Reduced comparability (Users).** The principal concern considered by the ISSB was that allowing alternatives could reduce comparability between entities as there may be different interpretations of what constitutes a derivative for Category 15 disclosures. The ISSB concluded that these effects were mitigated through disclosure requirements and transparency about the methods, assumptions and classifications used.
- **Reduced completeness of Category 15 emissions disclosures (Users).** The amendments permit entities to limit Category 15 emissions disclosures to financed emissions and exclude certain other emissions, including derivatives, facilitated emissions and insurance-associated emissions. The ISSB acknowledged that users could have concerns about the completeness of reported Category 15 emissions information.

To address this concern, the ISSB introduced disclosure requirements requiring entities to:
 - explain what they treat as derivatives
 - describe excluded financial activities
 - disclose both total Category 15 emissions and the financed emissions subtotal where relevant.
- **Transition costs (Reporting Entities and Assurance Practitioners).** The ISSB acknowledged that some entities that had already applied IFRS S2 may incur costs in adjusting comparative information when first applying the amendments. However, it concluded that these costs would be limited and outweighed by the benefits to users of maintaining comparability over time
- **Ongoing compliance and judgement costs (Reporting Entities):** IFRS requires reporting entities to make many sophisticated judgements and detailed disclosures. These create ongoing costs for preparers and auditors, including additional judgement, data collection or disclosure obligations.

Quantitative Assessment

The ISSB has not provided a monetised assessment of the benefits and costs for this standard. The XRB has therefore considered the major expected qualitative benefits and costs, the parties affected, the counterfactual position and the practical constraints on quantification.

A quantified or monetised assessment is not feasible for this standard because the affected entities, systems, judgements and transition costs will vary materially by entity. The XRB has therefore relied on this qualitative assessment, while identifying the affected parties, the main categories of cost and benefit, the likely timing of impacts and the key uncertainties.

This is in line with the Ministry for Regulation guidance issued on 15 May 2026.

Section C – Domestic benefit-cost considerations

The major expected benefits and costs within the New Zealand context for the amendments to the New Zealand standard are as follows.

Qualitative Assessment

Major expected benefits
• Improved comparability and understandability of climate-related disclosures (Users): The amendments improve alignment with IFRS S2 and AASB S2, supporting greater comparability across jurisdictions and enhancing users' understanding of climate-related information. The requirement to identify and justify material exclusions provides transparency about reporting boundaries and the nature and significance of excluded emissions. • Greater clarity, certainty and consistency in applying NZ CS 1 (Reporting Entities): The amendments provide clearer requirements and authoritative application material for applying exclusions. This addresses practical implementation challenges and supports more consistent application of the requirements across reporting entities. • Reduced reporting complexity and compliance burden (Reporting Entities): By permitting exclusions in limited circumstances and improving alignment with international requirements, the amendments reduce unnecessary reporting complexity, duplication, compliance effort and associated costs for affected entities, particularly those operating across multiple jurisdictions. • Improved relevance and decision-usefulness of disclosures (Users and Reporting Entities): The amendments enable entities to focus reporting effort on emissions information that is most relevant to transition risk and supported by robust measurement methodologies, while maintaining transparency about any material exclusions.
Major expected costs
• Reduced completeness and comparability of disclosures (Users): Permitting exclusions may result in less complete emissions information being reported and may reduce comparability where similar entities apply the exclusions differently. This could make peer comparisons, trend analysis and assessments of climate-related performance more challenging in some circumstances. • Additional analysis required by users (Users): Excluded emissions may remain relevant to an entity's transition risks, strategy or governance. Users may therefore need to undertake additional analysis to understand the significance of excluded emissions and their implications for climate-related risks and opportunities. • Reduced comparability with IFRS S2 disclosures (Users and Reporting Entities): Because NZ CS does not incorporate the additional ISSB disclosure requirements relating to exclusions, climate statements prepared under NZ CS may provide less information about excluded emissions than disclosures prepared under IFRS S2, reducing international comparability. • Implementation and ongoing judgement costs (Reporting Entities): Entities will incur costs to update systems, processes, methodologies and disclosures to reflect the amended requirements. Ongoing effort will also be required to assess the availability and appropriateness of exclusions, explain and justify material exclusions, and improve data quality and estimation methodologies over time.

Quantitative Assessment

Consistent with the Ministry for Regulation guidance issued on 15 May 2026, we do not consider a quantitative assessment of benefits and costs (including compliance cost estimates, one-off and ongoing cost estimates and sensitivity analysis) to be feasible for this standard. We have relied upon the comprehensive qualitative assessment performed above to support our conclusion.

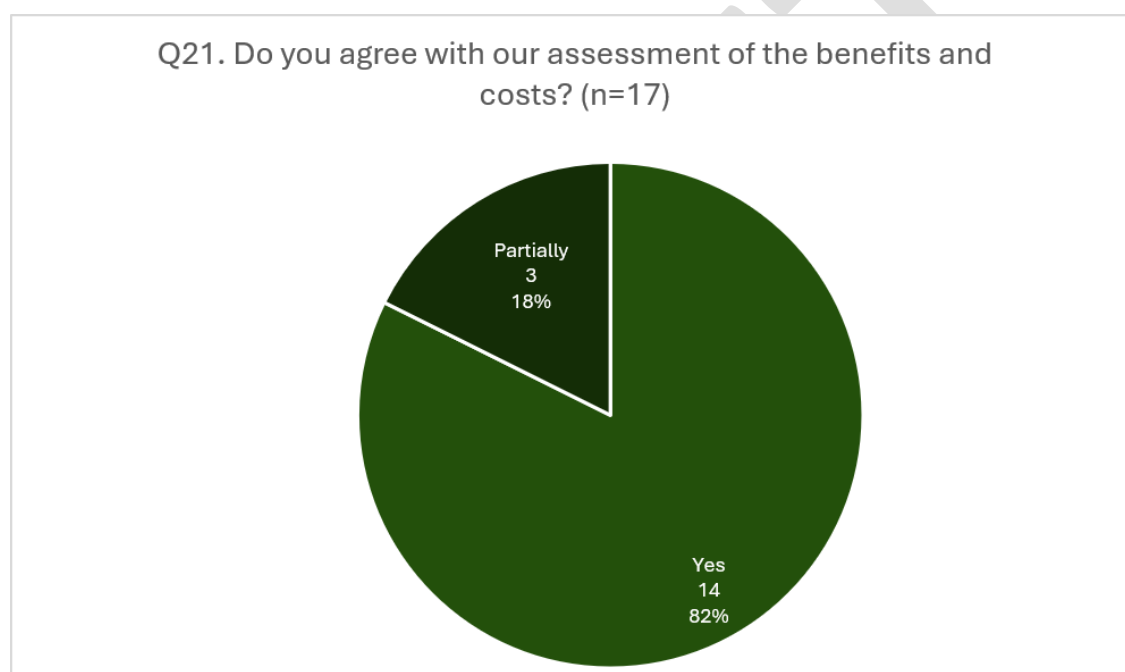
Section D – Benefit-cost questions and feedback from respondents

Our consultation on the proposed amendments to NZ CS 1 included a section setting out the benefits and costs that the XRB expected to arise from implementation. The consultation asked submitters whether they agreed with the XRB's assessment and why or why not. Most respondents agreed with the XRB's benefit-cost assessment – see Figure 1.

Respondents who answered 'yes': Fonterra Co-operative Group Limited, ACC Investments, Bank of New Zealand, Insurance Council of New Zealand, IAG New Zealand Ltd, QBE Insurance Group Limited, Suncorp New Zealand, Tower Limited, Chartered Accountants Australia and New Zealand, PwC, Institute of Directors/Chapter Zero New Zealand, Partnership for Carbon Accounting Financials (PCAF) and two individuals.

Respondents who answered 'partially': FMG, KPMG New Zealand and AA Insurance Limited.

Figure 1: Feedback from consultation responses



Supportive comments

1. Agree that the amendments will improve clarity, certainty and consistency in applying exclusions and support comparability (six respondents).
 - PwC; Institute of Directors/Chapter Zero New Zealand; QBE Insurance Group Limited (**QBE**); Chartered Accountants Australia and New Zealand (**CA ANZ**); Fonterra Co-operative Group Limited; Bank of New Zealand (**BNZ**) highlighted improved clarity, certainty, consistency, or clearer application guidance as key benefits of the amendments.
 - QBE considered the amendments should support more consistent and efficient reporting over time, while BNZ noted that improved alignment with IFRS S2 would support comparability and reduce the risk of New Zealand requirements extending beyond international requirements without a clear policy directive.
2. Emphasise international alignment as a key benefit, including alignment with IFRS S2, AASB S2 or Australia (six respondents).

RS Act assessment – Amendments to NZ CS 1 Climate-related Disclosures 2026 (2026/64)

- Institute of Directors/Chapter Zero New Zealand; Insurance Council of New Zealand; Suncorp New Zealand; QBE; AA Insurance Limited; BNZ supported the amendments because they improve international alignment, including alignment with Australia, AASB S2, IFRS S2, or international standards more generally.
3. Acknowledge that the amendments should reduce reporting complexity, duplication, compliance effort, and resource or financial burden for preparers (seven respondents).
 - PwC; Institute of Directors/Chapter Zero New Zealand; Suncorp New Zealand; QBE; CA ANZ; BNZ; Tower Limited indicated that the amendments should reduce unnecessary reporting complexity, duplication, uncertainty, compliance effort, reporting or assurance work, costs, or the resource and financial burden on insurers.
 4. Highlight that exclusions are justified where emissions data is incomplete, highly estimated, unreliable or methodologies are not available or do not apply (four respondents).
 - Insurance Council of New Zealand; Tower Limited; Bank of New Zealand; QBE pointed to data challenges, incomplete datasets, high estimation requirements, unreliable measurement, or the absence or inapplicability of methodologies as reasons the amendments are beneficial.
 5. Frame the amendments as supporting more decision-useful reporting by focusing effort on relevant information (two respondents).
 - PwC said the amendments should improve the overall quality of disclosures for users by clarifying that immaterial information need not be disclosed.
 - QBE said the amendments help entities focus resources on information that is most relevant and decision-useful for stakeholders.
 6. Recognise that the overall regulatory impact is likely to be limited because relatively few entities are expected to apply the amendments (one respondent). CA ANZ noted that the number of reporting entities expected to apply the amendments is likely to be relatively limited, especially given proposed legislative changes and the FMA's exemption for Overseas Climate Reporting Entities.
 7. The requirement to identify and justify material exclusions is a key mitigation for reduced completeness or comparability (one respondent). Institute of Directors/Chapter Zero New Zealand noted that implementation risks are partly mitigated by the continuing requirement to identify and justify material exclusions.

Qualified support

1. Consider whether the cost-benefit assessment adequately reflects costs to users, not just reductions in preparer costs (two respondents).
 - KPMG considered that reduced disclosures may transfer burden from preparers to users, requiring investors, lenders, regulators and others to do additional analysis.
 - Institute of Directors/Chapter Zero also noted that optional exclusions may reduce completeness and make peer comparison and trend analysis more difficult.
2. Ensure exclusions remain transparent enough for users to understand their nature, significance and effect on comparability (two respondents).
 - Institute of Directors/Chapter Zero asked that exclusions be transparent enough for users to understand their nature and significance, and suggested monitoring whether the relief reduces usefulness or comparability.

RS Act assessment – Amendments to NZ CS 1 Climate-related Disclosures 2026 (2026/64)

- KPMG raised concerns that reduced or omitted disclosures could make it harder for users to understand climate-related risks and performance or compare entities within and across sectors.
3. Monitor whether the relief materially reduces the usefulness or comparability of climate statements (one respondent).
 - Institute of Directors/Chapter Zero New Zealand supported the amendments but recommended that the XRB monitor whether the relief materially reduces the usefulness or comparability of climate statements over time.
 4. Consider setting expectations for entities relying on the justifications for exclusions described in paragraphs B7 or B8 in the proposed application guidance to improve data collection and estimation over time and reassess the applicability of those paragraphs each reporting period (one respondent). PwC requested that XRB set expectations that a climate reporting entity relying on paragraphs B7 or B8 should make reasonable efforts to improve data collection processes and estimation methods, where possible, so that it seeks to report in line with the disclosure requirements. They also suggested re-evaluating the applicability of paragraphs B7 or B8 in each reporting period.
 5. Assess whether the proposed relief goes far enough for entities investing through third-party investment managers (one respondent). FMG considered the proposed extension of exclusions did not go far enough to compensate for additional reporting costs imposed on entities that invest through third-party investment managers, particularly where those schemes are now exempt from the reporting regime.
 6. Clarify the rationale for excluding insurance-associated emissions, particularly where they require significant investment to measure and cannot be reasonably influenced (one respondent). AA Insurance was unsure about the stated alignment with transition risk, noting that removing insurance-associated emissions is more aligned with not measuring and reporting emissions that require significant investment and cannot be reasonably influenced.
 7. Consider whether exclusions could make material emissions less visible to boards and primary users (one respondent). Institute of Directors/Chapter Zero New Zealand raised a governance concern that material emissions associated with underwriting, derivatives or capital-markets activity may become less visible to boards and primary users, even where those emissions remain relevant to transition risk, strategy or organisational accountability.

Update benefits and costs to reflect consultation feedback

Following consultation, we updated the cost-benefit assessment to reflect:

- the consultation feedback received on both preparer and user impacts
- the Board's final decisions on the amendments and related disclosures
- the rationale for concluding that the benefits of improved international alignment, clarity and reduced compliance burden outweigh the potential costs associated with reduced completeness and comparability of information.

Section E – Overall conclusion

We expect the benefits of the standard to outweigh the costs, and consider that our analysis and conclusion are consistent with the requirements of the Regulatory Standards Act 2025.

Consistent with the Ministry for Regulation guidance issued on 15 May 2026, the XRB applies a proportionate approach to evaluating the benefits and costs of the standard. Major expected benefits are ongoing and relate to improved decision-useful information being reported to New Zealand users and stakeholders while major expected costs are implementation and on-going costs to comply with requirements, borne primarily by reporting entities.

RS Act assessment – Amendments to NZ CS 1 Climate-related Disclosures 2026 (2026/64)

These expected benefits and costs are in line with expectations, given the role of financial reporting standards to support minimum requirements for general-purpose reporting by entities to users and stakeholders for decision-making purposes.

This analysis and conclusion support the statement in the CAS that there are no inconsistencies in developing this standard with the principles of good law making.

DRAFT

XRB 2026/64

This secondary legislation is administered by the External Reporting Board. For more information please see:

Website: www.xrb.govt.nz

Contact phone: +64 4 550 2030

Contact address: Level 6/154 Featherston St, Wellington, 6011

This standard was published in the *Gazette* on **22 October 2026** and takes effect on **1 December 2026**. There is an [explanatory note](#) at the end of this standard that includes an explanation of how and from when this standard operates

Amendments to NZ CS 1 *Climate-related Disclosures* 2026

This standard is issued under section 12(aa) of the [Financial Reporting Act 2013](#) by the Sustainability Reporting Board:

- (a) acting under delegated authority of the External Reporting Board (given in accordance with section 73 of the Crown Entities Act 2004); and
- (b) after complying with section 22 of the Financial Reporting Act 2013.

Amendments to NZ CS 1 *Climate-related Disclosures* 2026**Contents**

Page

Title	2
Commencement	2
Principal standards.....	2
How amendments made.....	2
Application	2
Amendments to NZ CS 1 <i>Climate-related Disclosures</i>.....	3

Title

- 0.1 This standard is the Amendments to NZ CS 1 *Climate-related Disclosures* 2026.

Commencement

- 0.2 This standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019 (see section 27 of the Financial Reporting Act 2013).

Principal standards

- 0.3 This standard amends the following principal standards:
- Aotearoa New Zealand Climate Standard 1: *Climate-related Disclosures* (NZ CS 1)

How amendments are made

- 0.4 In this standard, text in the principal standard is deleted or inserted as follows:
- (a) text that is shown as ~~struck-out~~ is deleted from the stated provision of the principal standard
 - (b) text that is shown as underlined is inserted into the provision, (or is inserted as a new provision), of the principal standard
- Any other text included in this standard is only for the purposes of identifying these amendments within the principal standards.

Application

- 0.5 The accounting periods in relation to which this standard commences to apply are:
- (a) for an **early adopter**, those accounting periods following, and including, the **early adoption accounting period**.
 - (b) for any other reporting entity, those accounting periods following, and including, the first accounting period for the entity that begins on or after the **mandatory date**.
- 0.6 In paragraph 0.5:
- early adopter** means a reporting entity that applies this standard for an early adoption accounting period
- early adoption accounting period** means the accounting period of the early adopter:
- (a) that begins before the **mandatory date** but has not ended or does not end before this standard takes effect (and to avoid doubt, that period may have begun before this standard takes effect); and
 - (b) for which the **early adopter**:
 - (i) first applies this standard in preparing its climate statements or group climate statements; and
 - (ii) discloses in its climate statements or group climate statements for that accounting period that this standard has been applied for that period.
- mandatory date** means 1 January 2027

Amendments to NZ CS 1 *Climate-related Disclosures*

Paragraph 24(d) amended

24. ...

- (d) a summary of specific exclusions of sources, including facilities, operations or assets with a justification for their exclusion: (see paragraphs B1-B9).

Appendix A Defined terms

Editorial corrections to defined terms

climate-related disclosure framework	Climate-related disclosure framework has the same meaning set out in section 9AA of the Financial Reporting Act 2013.
financial impacts	The translation of impacts into current or anticipated impacts on <u>financial position</u> , financial performance, financial position and cash flows.
group climate statements	Group <u>climate financial</u> statements has the meaning set out in section 5 of the Financial Reporting Act 2013.

Heading of Appendix B amended

Appendix B Application date material

Subheading and paragraphs B1 to B2 deleted (relocated to new Appendix C)

Application date

- B1. ~~An entity must apply this Standard for annual reporting periods beginning on or after 1 January 2023, except for paragraphs 25 to 26.~~
- B2. ~~Assurance of GHG emissions (see paragraphs 25 to 26) applies to annual reporting periods that end on or after 27 October 2024.~~

New subheading and paragraphs B1 to B9 inserted

GHG emissions – justified exclusions and permissions to exclude specific sources (see paragraph 24(d))

- B1. Paragraph 22(a) requires an entity to disclose its gross GHG emissions in metric tonnes of carbon dioxide equivalent classified as scope 1, scope 2 and scope 3. Paragraph 24(d) requires an entity to disclose a summary of specific exclusions of sources, including facilities, operations or assets with a justification for their exclusion. Paragraph 6 of NZ CS 3 *General Requirements for Climate-related Disclosures* requires an entity to fairly present its climate-related disclosures.
- B2. The requirements in paragraph 24(d) apply to exclusions of scope 1, scope 2 and scope 3 GHG emissions.
- B3. If, when applying the disclosure requirements to its own specific facts and circumstances, an entity determines that a GHG emissions source is material, the entity must disclose information about that source in accordance with NZ CS 1, by either:
- Including the gross GHG emissions from that source in its disclosures in accordance with paragraph 22(a); or
 - Including that source in its summary of specific exclusions and a justification for the exclusion in accordance with paragraph 24(d).

XRB 2026/64

- B4. If an entity determines that a GHG emissions source is not material, the entity is not required to disclose that source as an exclusion nor to provide a justification for excluding that source (see NZ CS 3 paragraph 31).
- B5. An entity must comply with NZ CS 1 disclosure requirements regardless of any disclosure requirements contained in the measurement standard(s) the entity uses. Accordingly, exclusions under NZ CS 1 paragraph 24(d) are permitted regardless of whether the chosen measurement standard permits exclusions, noting that many measurement standards also require disclosure of immaterial exclusions.
- B6. When providing the justification required by paragraph 24(d), an entity explains the basis on which the source was excluded. In doing so, an entity describes factors relevant to its circumstances, for example:
- (a) data is unavailable and no reasonable estimate can be made (see paragraph B7); or
 - (b) there is no applicable method for quantification (see paragraph B8); or
 - (c) the entity has applied the permission in paragraph B9 to exclude specified sources from its disclosure of scope 3 GHG emissions.
- B7. A justification may explain, for example, the steps taken to identify available data and alternative estimation approaches and why the entity concluded that no reasonable estimate could be made for a particular source, including a facility, operation or asset.
- B8. A justification may explain that there is no applicable method to quantify emissions from a particular source, including a facility, operation or asset. For example, a recognised framework may not contain a measurement method for a particular source, asset class or activity. This may occur because no recognised methodology exists or because the source is outside the scope of an available methodology. The justification may also explain why developing an estimation method was not appropriate in the entity's circumstances.
- B9. An entity may exclude the following financial activities from its disclosure of scope 3 GHG emissions:
- (a) emissions attributable to derivatives;
 - (b) insurance-associated emissions that are associated with insurance and reinsurance underwriting activities; and
 - (c) facilitated emissions that are associated with investment banking activities.

New Appendix C inserted

Appendix C **Application date**

This appendix is an integral part of NZ CS 1 *Climate-related Disclosures* and has the same authority as the other parts of this Standard.

New subheading and new paragraphs C1 and C2 inserted (relocated from Appendix B)

Application date

- C1. An entity must apply this Standard for annual reporting periods beginning on or after 1 January 2023, except for paragraphs 25 to 26.
- C2. Assurance of GHG emissions (see paragraphs 25 to 26) applies to annual reporting periods that end on or after 27 October 2024.

New subheading and new paragraph C3 inserted

Amendments to NZ CS 1 Climate-related Disclosures 2026

- C3. *Amendments to NZ CS 1 Climate-related Disclosures 2026* amended paragraph 24(d) and added paragraphs B1 to B9 and paragraph C3. Paragraphs B1 and B2 were renumbered and relocated as paragraphs C1 and C2 in new Appendix C. An entity must apply those amendments in accordance with the application date provisions in paragraphs 0.5 to 0.6 of *Amendments to NZ CS 1 Climate-related Disclosures 2026*. An entity that applies these amendments to an 'early adoption accounting period' must disclose that fact.

Basis for Conclusions on NZ CS 1 *Climate-related Disclosures*

This Basis for Conclusions accompanies but is not part of NZ CS 1 *Climate-related Disclosures*.

...

New subheadings and new paragraphs BC75 to BC107 inserted

Amendments to Climate-related Disclosures 2026

Sustainability Reporting Board

- BC75. The XRB Board issued NZ CS 1 in December 2022. The Sustainability Reporting Board (SRB) was established by the XRB Board under clause 14 of Schedule 5 of the Crown Entities Act 2004 (CE Act). The XRB Board used the powers under section 73 of the CE Act to delegate to the SRB the function of preparing and issuing climate standards. The SRB issued this 2026 amending Standard.
- BC76. This section of the Basis for Conclusions summarises the SRB's considerations in developing *Amendments to NZ CS 1 Climate-related Disclosures 2026*.

Reasons for amendments

- BC77. In July 2026, the SRB consulted on proposed amendments to NZ CS 1 to internationally align requirements for the disclosure of scope 3 greenhouse gas (GHG) emissions related to specific financial activities and to incorporate existing XRB staff guidance on exclusions into the standard as authoritative application material.
- BC78. The proposed amendments were developed in response to amendments issued by the International Sustainability Standards Board (ISSB) to IFRS S2 *Climate-related Disclosures* (IFRS S2)¹ in December 2025 and equivalent amendments issued by the Australian Accounting Standards Board to AASB S2 *Climate-related Disclosures* (AASB S2). The ISSB amendments permit entities to limit scope 3 Category 15 disclosures to financed emissions².
- BC79. Stakeholders told the SRB that NZ CS 1 requirements to report all material scope 3 GHG emissions, including insurance-associated and facilitated emissions associated with financial activities, had become more onerous than the requirements in IFRS S2 and AASB S2, particularly for entities operating across jurisdictions. Stakeholders indicated that this divergence created uncertainty, increased implementation costs and could reduce consistency of reporting within trans-Tasman groups. The SRB therefore considered that timely action was necessary to ensure that NZ CS requirements did not become more onerous than equivalent international requirements when existing adoption relief ceases to be available for most entities from 1 January 2027.
- BC80. The SRB proposed incorporating content from existing XRB staff guidance, as authoritative application material within NZ CS 1. The objective was to consolidate guidance on exclusions within the standard, improve clarity for preparers, and remove the need to maintain separate guidance.

Consultation feedback and overall response

- BC81. The SRB received 20 submissions from a broad range of stakeholders, including climate reporting entities, industry bodies, professional service providers, financial institutions and primary users. Overall, respondents were supportive of the proposed amendments. Eighteen respondents considered that the amendments would improve international alignment, reduce implementation costs and complexity, and provide greater certainty regarding the disclosure of GHG emissions, particularly in relation to specific financial activities.
- BC82. Although support for the direction of the amendments was generally strong, respondents requested clarification regarding several aspects of the proposals. Feedback focused on the scope of the proposed exclusions, the interaction between the exclusions and materiality, the treatment of

¹ This document refers to the work of the International Sustainability Standards Board (ISSB) and uses registered trademarks of the IFRS Foundation (for example, IFRS® Sustainability Disclosure Standards).

² "...emissions attributed to loans and investments made by the entity to investees or counterparties. 'Loans and investments' include loans, project finance, bonds, equity investments and undrawn loan commitments. For an entity that participates in asset management activities, financed emissions include greenhouse gas emissions attributed to assets under management." (see IFRS S2 paragraph 29A)

XRB 2026/64

insurance-associated and facilitated emissions, the incorporation of XRB staff guidance into NZ CS 1, and whether additional disclosures similar to those introduced in IFRS S2 should also be incorporated into NZ CS 1.

- BC83. The SRB carefully considered all feedback received and concluded that the overall direction of the proposals should proceed. The SRB decided to make a number of targeted drafting changes and to provide explanatory material in the Basis for Conclusions to convey the SRB's intent.
- BC84. The SRB acknowledged that the proposed exclusions may be material emissions sources for some entities. Nevertheless, the SRB concluded that continuing to require disclosure of these emissions would mean NZ CS 1 continued to impose requirements beyond those required by IFRS S2. Because the purpose of these amendments was to align NZ CS 1 with IFRS S2, the SRB concluded that retaining those disclosure requirements would be inconsistent with that objective. The SRB's objective was to align NZ CS 1 with the scope of financed emissions disclosures required by IFRS S2 rather than to determine whether the excluded emissions sources are material or capable of being measured.

Aligning emissions disclosures associated with specific financial activities with IFRS S2

- BC85. A key objective of the amendments was to enable entities applying NZ CS 1 to achieve the same disclosure outcome as entities applying IFRS S2 in relation to scope 3 GHG emissions related to specific financial activities. However, NZ CS 1 differs structurally from IFRS S2 because it does not define financed emissions, prescribe specific scope 3 categories or require a particular measurement methodology. The SRB concluded that the IFRS S2 amendments needed to be adapted to fit within the existing framework of NZ CS 1.
- BC86. Three respondents suggested that NZ CS 1 should define financed emissions. These respondents considered that a definition could improve comparability and reduce uncertainty regarding the treatment of activities such as assets under management and undrawn loan commitments. The SRB considered this suggestion but concluded that introducing a definition would not necessarily resolve the interpretation issues identified during consultation. The SRB noted that many of those issues related to the boundaries of particular activities rather than the absence of a definition and that significant discussion continues internationally regarding the scope of financed emissions. The SRB therefore decided not to define financed emissions and instead retain the proposed exclusions-based approach.
- BC87. The SRB also considered feedback seeking clarification of the treatment of assets under management and undrawn loan commitments. The SRB noted that these activities remain potential GHG emissions sources that are subject to the existing NZ CS 1 disclosure requirements and exclusions framework. The amendments do not automatically exclude emissions associated with assets under management or undrawn loan commitments. Entities continue to apply NZ CS 1, including the requirements in paragraphs 22(a) and 24(d), based on their specific facts and circumstances.
- BC88. The consultation included feedback that the SRB should replace the proposed exclusions-based approach with an approach more closely aligned to the inclusions-based drafting used in IFRS S2. Respondents argued that this could reduce uncertainty and improve interoperability with IFRS S2.
- BC89. The SRB considered this suggestion but concluded that changing to an inclusions-based approach would not necessarily resolve the issues raised by respondents. Many of the concerns related to the boundaries of specific emissions categories rather than the drafting structure itself. The SRB also considered that an inclusions-based model would require more substantial amendments to NZ CS 1 and could create new interpretative questions. The SRB therefore decided to retain the exclusions-based approach and make targeted drafting refinements where necessary.

Scope of the exclusions in paragraph B9

- BC90. Some consultation feedback focused on the scope of the proposed exclusions. Five respondents requested greater clarity regarding the boundaries of insurance-associated emissions, particularly whether claims-related emissions were intended to be included within the exclusion. Four respondents raised concerns that the facilitated emissions exclusion might be interpreted more narrowly than the equivalent relief in IFRS S2.
- BC91. In response to consultation feedback, the SRB decided to amend the wording used to describe insurance-associated emissions and facilitated emissions so that it more closely reflected the wording used in the ISSB's Basis for Conclusions on the amendments to IFRS S2. The SRB considered that this would reduce the risk of creating New Zealand-specific interpretations and support consistency with developing international practice.

XRB 2026/64

- BC92. The SRB also noted that the exclusion applies only to insurance-associated emissions associated with insurance and reinsurance underwriting activities. The exclusion does not apply to emissions that are otherwise required to be disclosed under another scope 3 emissions category.

Interaction with materiality

- BC93. Five respondents requested clarification that the exclusions in paragraph B9 could be applied regardless of materiality and suggested that wording to this effect be included in NZ CS 1. Concerns were also raised regarding how assurance providers might interpret the exclusions.
- BC94. The SRB concluded that such wording should not be added to the standard. NZ CS 3 requires entities to apply materiality to all disclosure requirements. The amendments do not modify that requirement. Rather, they recognise that there may be circumstances in which a material emissions source is excluded but disclosed and justified in accordance with paragraph 24(d). Conversely, where a source is determined not to be material, paragraph B4 reflects the existing NZ CS materiality requirements by confirming that disclosure of the exclusion is not required.
- BC95. The SRB also noted that paragraph B9 operates differently from the examples described in paragraphs B7 and B8. Paragraphs B7 and B8 provide examples of circumstances that may support an entity's justification for excluding an emissions source, such as where data is unavailable or no applicable methodology exists. By contrast, paragraph B9 provides an explicit permission to exclude specified emissions sources from scope 3 GHG emissions disclosures. Where an entity applies that permission, the basis for the exclusion is the application of paragraph B9 itself. The entity is not required to demonstrate that data is unavailable or that no applicable methodology exists. Instead, paragraph 24(d) requires the entity to disclose the exclusion and explain that the emissions source has been excluded in accordance with paragraph B9.
- BC96. The SRB noted that paragraph B9 provides permission to exclude specified emissions sources. It does not require an entity to exclude those emissions sources from its scope 3 GHG emissions disclosures.
- BC97. In applying paragraphs B3 and B4, the SRB expects entities to apply the existing materiality requirements in NZ CS 3, including consideration of both quantitative and qualitative factors. The SRB notes that an emissions source may be material because of its nature, the circumstances of the entity, or its relevance to users' understanding of climate-related risks and opportunities, even if the associated emissions are not quantitatively significant. Paragraph B4 does not introduce a new threshold for disclosure or change how materiality is assessed. It simply clarifies how the existing materiality requirements apply in the context of emissions source exclusions.
- BC98. The SRB was concerned that introducing wording such as "regardless of materiality" could create uncertainty regarding the role of materiality within NZ CS and potentially imply the existence of a separate materiality threshold for these exclusions. The SRB therefore decided to retain the proposed drafting.
- BC99. The SRB noted that the exclusions introduced by these amendments apply only to specified GHG emissions disclosures. The amendments do not affect an entity's broader obligations under NZ CS to disclose material information relating to climate-related risks and opportunities. Information about activities that have been excluded from scope 3 GHG emissions disclosures may still be relevant to governance, strategy, risk management or transition risk disclosures and entities remain responsible for complying with those disclosure requirements.

Additional disclosures introduced by ISSB

- BC100. The ISSB amendments introduced additional disclosures that apply when an entity elects to use the relief in IFRS S2 paragraph 29A. Respondents expressed mixed views regarding whether equivalent disclosures should be added to NZ CS 1. A few respondents considered that doing so would improve comparability and transparency, while most supported the proposal not to include them.
- BC101. The SRB concluded that the existing requirement in paragraph 24(d) to disclose and justify exclusions provided an appropriate level of transparency. The SRB considered that users primarily needed to understand what has been excluded and why. Additional disclosure requirements similar to those introduced by IFRS S2 would increase complexity without providing commensurate benefits and could result in a disproportionately detailed set of requirements for one aspect of scope 3 emissions reporting.

XRB 2026/64

Incorporating staff guidance into NZ CS 1 as application material

- BC102. Respondents generally supported incorporating the content of the existing XRB staff guidance into NZ CS 1 as authoritative application material. The SRB concluded that including this material within the standard would improve clarity and ensure that entities have a single source of guidance when applying paragraph 24(d).
- BC103. Some respondents questioned whether proposed paragraphs B7 and B8 were intended to impose mandatory steps before an exclusion could be applied. The SRB confirmed that this was not the intention, and that the purpose of the paragraphs are to provide examples of factors that may support an entity's justification for an exclusion, rather than creating additional requirements. The SRB therefore revised the drafting to make its intent clear.
- BC104. Respondents also suggested that paragraph B8 should specifically address situations in which a recognised methodology exists but excludes a particular asset class, instrument or activity from its scope. The SRB considered that these situations fall within the broader concept that no applicable methodology exists for the emissions source concerned. The SRB therefore decided not to expand the application material but noted that the concept of "no applicable method" includes circumstances in which no recognised methodology exists for the emissions source concerned, as well as circumstances in which a recognised methodology exists but the source, asset class or activity is outside its scope.
- BC105. The SRB further noted that the purpose of paragraphs B6 to B8 is to provide application material that may assist an entity in explaining and supporting a disclosed exclusion under paragraph 24(d). Those paragraphs are not intended to prescribe how an entity must measure GHG emissions or which measurement methodology must be applied. The disclosure requirements in NZ CS 1 operate independently of the requirements of any measurement methodology. Whether a methodology includes, excludes or does not address a particular emissions source may be relevant to an entity's justification for an exclusion, but the disclosure obligation arises from NZ CS 1 rather than from the methodology used to quantify emissions. Equally, an entity is not required to disclose information solely because a measurement methodology requires or recommends its disclosure. Consistent with NZ CS 3, entities are required to disclose only information that is material to primary users. Accordingly, an entity determines what information must be disclosed by applying the disclosure and materiality requirements in NZ CS, regardless of the disclosure requirements or conventions of the measurement methodology used.

Effective date

- BC106. All respondents supported the proposed mandatory date of 1 January 2027, with early adoption permitted. The SRB therefore decided to retain the proposed date.

Monitoring future developments

- BC107. One respondent requested that the SRB monitor whether the relief reduces the usefulness or comparability of climate statements over time. The SRB noted that as part of the XRB's wider work on ensuring fit for purpose standards and ensuring support for adoption and implementation, it will continue to monitor implementation experience, stakeholder feedback, the usefulness and comparability of climate statements, emerging issues and developments in international reporting frameworks.

Issued at Wellington on 16 October 2026

Becky Lloyd

Chair

Sustainability Reporting Board acting under delegated authority of the External Reporting Board

EXPLANATORY NOTE AND OTHER INFORMATION

This note and other information is not part of the standard

Explanatory note

This standard is the Amendments to NZ CS 1 *Climate-related Disclosures* 2026.

This standard amends Aotearoa New Zealand Climate Standard 1 *Climate-related Disclosures* (NZ CS 1). The amendments clarify the disclosure of exclusions from greenhouse gas emissions disclosures, permit specified exclusions from scope 3 greenhouse gas emissions disclosures for certain financial activities, and incorporate existing guidance on exclusions into NZ CS 1 as application material. The standard applies to accounting periods beginning on or after 1 January 2027. Early adoption is permitted.

The paragraph numbering within this amendment standard refers to the paragraph numbering of the principal standard as issued. The footnote numbering within this amendment standard may be adjusted consecutively rather than referring to the footnote numbering of the principal standard as issued. Accordingly, some paragraph and footnote numbering may not align with the compiled standard as published from time to time by the XRB on its website.

This standard was issued by the Sustainability Reporting Board acting under delegated authority of the External Reporting Board.

Copyright

The standard is secondary legislation and, by section 27 of the Copyright Act 1994, no copyright exists in it.

For any enquiries generally in relation to the reproduction or use of this standard, please contact the External Reporting Board at <https://www.xrb.govt.nz/about-xrb/contact-us/>

Consistency with principles of responsible regulation

The External Reporting Board provides the following document relating to its review of this secondary legislation, and its process for developing it, for consistency with the principles of responsible regulation under the Regulatory Standards Act 2025:

- a consistency accountability statement on 16 October 2026:

A copy of this document can be found at <https://www.xrb.govt.nz/about-xrb/legislation/consistency-accountability-statements/>

The External Reporting Board considers that a statement from the maker under section 14(1)(b) of the Regulatory Standards Act 2025 is not required for this secondary legislation.

XRB 2026/64

Minimum Legislative Information

This standard is secondary legislation published under the Legislation Act 2019.	
Title	Amendments NZ CS 1 <i>Climate-related Disclosures</i> 2026
Principal or amendment	Amendment
Consolidated version	No
Empowering Act and provisions	Section 12(aa) of the Financial Reporting Act 2013
Replacement empowering Act and provision	Not applicable
Maker name	Sustainability Reporting Board acting under delegated authority of the External Reporting Board
Administering agency	External Reporting Board
Date made	16 October 2026
Publication date	22 October 2026
Notification date	22 October 2026
Commencement date	1 December 2026
End date	Not applicable
Consolidation as at date	Not applicable
Related instruments (unofficial XRB consolidation)	NZ CS 1 Climate-related Disclosures

Memorandum

To: John Kensington, Chair External Reporting Board

From: Becky Lloyd, Chair Sustainability Reporting Board (SRB)

CC: Wendy Venter, Chief Executive External Reporting Board

Subject: **Certificate Signing Memorandum:**
Amendments to NZ CS 1 Climate-related Disclosures 2026

Date: 13 October 2026

☒ Action Required

☐ For Information Purposes Only

Action requested

1. The SRB seeks your approval to issue Amendments to NZ CS 1 *Climate-related Disclosures* 2026 (XRB 2026/64).

Recommendation

2. The SRB recommends that you sign the attached certificate of determination on behalf of the XRB Board.
3. Please notify the Chief Executive and copy myself, once you have signed the certificate of determination.

The milestones in the development of the amendments to the standard

International amendments prompted New Zealand alignment

4. In December 2025, the International Sustainability Standards Board (ISSB) amended IFRS S2 *Climate-related Disclosures (IFRS S2)*¹ and the Australian Accounting Standards Board (AASB) issued equivalent amendments to AASB S2 *Climate-related Disclosures (AASB S2)* to maintain alignment.² These amendments permit entities to limit scope 3 category 15 (investments) disclosures to financed emissions.

Domestic process, including a summary of the major issues raised by stakeholders and the conclusions reached

5. The New Zealand amendments were developed in response to these developments and stakeholder feedback on the operation of NZ CS 1 *Climate-related Disclosures (NZ CS 1)*.

Consultation and stakeholder engagement

6. Stakeholders advised the XRB that the existing NZ CS 1 requirements were more onerous than IFRS S2 and AASB S2, particularly for New Zealand subsidiaries of Australian groups, resulting in unnecessary cost, complexity and divergent reporting expectations. Stakeholders

¹ This document refers to the work of the International Sustainability Standards Board (ISSB) and uses registered trademarks of the IFRS Foundation (for example, IFRS® Sustainability Disclosure Standards).

² Subsequently in this document, references to IFRS S2 should be read as also referring to AASB S2, which includes equivalent amendments.

also sought greater clarity regarding the exclusion of greenhouse gas (**GHG**) emissions sources. The amendments therefore sought to improve international alignment and incorporate existing XRB guidance on exclusions into the standard as authoritative application material.

7. Prior to consultation, the SRB considered the proposed amendments at its 25 February 2026 meeting. A Climate Alert issued on 3 March 2026 informed stakeholders that the SRB had agreed to propose amendments permitting the exclusion of emissions attributable to derivatives, insurance and reinsurance underwriting activities, and capital market issuance activities, together with the incorporation of content from the XRB's existing guidance [Excluding GHG emissions sources — Considerations for preparers](#) into NZ CS 1. The Climate Alert also advised stakeholders that the proposals would be exposed for consultation in July 2026.
8. The exposure draft consultation was launched on 30 June 2026 and remained open until 29 July 2026. Consultation material was published on the XRB website through the dedicated consultation page: [Proposed Amendments to NZ CS 1 Climate-related Disclosures 2026](#). The consultation sought feedback on two principal proposals: permitting the exclusion of specified financial activity emissions from scope 3 GHG emissions disclosures and incorporating existing staff guidance on exclusions into the standard as mandatory application material. The consultation was supported by an online survey and an explanatory webcast.
9. To raise awareness of the consultation, the XRB undertook a targeted communications programme. This included a Climate Alert issued on 30 June 2026 announcing the consultation and explaining the proposed amendments, together with a series of LinkedIn posts on 1 July, 14 July and 23 July 2026 encouraging stakeholders to participate. Those communications highlighted the proposed international alignment with IFRS S2 and AASB S2, the relief proposed for certain financial activity emissions, and the proposal to embed existing guidance on excluding emissions sources within NZ CS 1.
10. The XRB also undertook targeted stakeholder outreach before and after the consultation period. The proposed amendments were tested with external stakeholders before consultation, including insurers, a bank and a professional services provider, to assess whether the proposals appropriately aligned with IFRS S2. Feedback from those discussions resulted in minor refinements before consultation materials were issued.
11. Following receipt of submissions, XRB staff continued to engage directly with certain submitters to better understand technical issues raised during consultation. These discussions focused on the operation of the proposed exclusions, including facilitated emissions, insurance-associated emissions and alignment with IFRS S2.
12. The feedback received through the 20 responses to the survey, stakeholder engagement and follow-up discussions informed the final recommendations presented to the SRB. Consistent with the objectives of the consultation, the final amendments seek to maintain international alignment with IFRS S2 and AASB S2, reduce unnecessary compliance costs arising from divergence, and improve clarity by incorporating existing exclusion guidance directly into NZ CS 1.
13. Consultation feedback was generally supportive of the proposed amendments. However, stakeholders raised several technical issues regarding the scope and operation of the proposed exclusions, including the treatment of insurance-associated emissions, facilitated emissions, financed emissions, materiality and the transparency of exclusions. Views were mixed on whether the exclusions could reduce comparability, completeness and decision-usefulness, and on whether additional disclosures equivalent to those introduced by IFRS S2 should be incorporated.

14. In response, the SRB agreed to proceed with the amendments but made a few refinements. The SRB agreed to amend the descriptions of insurance-associated emissions and facilitated emissions to better align with IFRS S2 terminology, revise application guidance to clarify that certain examples are illustrative rather than mandatory, and include additional explanation in the Basis for Conclusions regarding the scope of the exclusions, the operation of materiality, and the application of methodology-based exclusions. The SRB concluded that no further changes were required to define financed emissions, introduce additional disclosure requirements, require continual improvement, or modify the existing materiality framework.
15. In October 2026, the SRB agreed to issue Amendments to NZ CS 1 *Climate-related Disclosures* 2026 subject to your agreement to sign the attached Certificate Signing Memorandum. The standard was approved with affirmative votes of **X out of X** SRB members.

Compliance with due process requirements

16. We consider that the process followed by the SRB complied with the due process requirements established by the XRB Board, including the consultation requirements of section 22 of the Financial Reporting Act 2013.

An explanation of how the standard is consistent with the XRB Board's financial reporting strategy

17. The amendments are consistent with the XRB Board's financial reporting strategy of maintaining alignment with internationally recognised reporting standards unless there are compelling New Zealand-specific reasons to depart from them.
18. The amendments respond to changes made by the International Sustainability Standards Board (**ISSB**) to IFRS S2 and maintain alignment with equivalent Australian requirements. By reducing unnecessary divergence between New Zealand, international and Australian climate reporting requirements, the amendments support comparability, reduce compliance costs for affected entities, and promote the credibility and usability of climate-related disclosures. No New Zealand-specific circumstances were identified that would justify retaining requirements that are more onerous than the corresponding international standards.

Review of the standard as required by the Regulatory Standards Act 2025 (RS Act)

The standard has been reviewed as required by the RS Act

19. The standard and the process for developing it has been reviewed and assessed in accordance with the RS Act, including as to consistency with the principles of responsible regulation set out in under that Act. No inconsistencies have been identified.
20. Full details of the review and assessment are set out in the [Regulatory Standards Act Assessment document](#) for this standard.

Benefits and costs have been considered in line with the RS Act

21. The review and assessment included a review of the benefits and costs of the standard as provided for by the RS Act.
22. For the purposes of the RS Act, it is considered that the benefits exceed the costs.

Consistency Accountability Statement

23. We have sent a memorandum to the Chief Executive recommending that she signs the Consistency Accountability Statement as required by the RS Act based on the review and assessment referred to in the section above.
24. The Chief Executive has confirmed that she is ready to make the Consistency Accountability Statement.

Whether it was necessary to consult with the Privacy Commissioner under section 22(2) of the Financial Reporting Act 2013, and if so, the outcome of that consultation

25. The Financial Reporting Act 2013, section 22(2) requires that the External Reporting Board consult with the Privacy Commissioner where an accounting or assurance standard is likely to require the disclosure of personal information. No such consultation was required in relation to this standard.

We considered the Australian developments and harmonisation

26. The amendments to NZ CS 1 have been developed to maintain alignment with the equivalent requirements in IFRS S2 and AASB S2. Consistent with the Australian approach, the amendments permit the exclusion of insurance-associated emissions and facilitated emissions from scope 3 greenhouse gas (GHG) emissions disclosures and align New Zealand requirements more closely with the international baseline.
27. There are no harmonisation differences between New Zealand and Australia in relation to these amendments. The amendments support consistent reporting outcomes across the two jurisdictions and reduce compliance costs and complexity for entities that report under both New Zealand and Australian climate-related disclosure requirements.

Any other matters the technical board considers should be drawn to the attention of the XRB Chair or the designated alternate

28. There are no other matters relating to the issue of this standard that the SRB considers to be pertinent or that should be drawn to your attention.

Attachments

- [Amending standard](#)
- [Draft Certificate of determination](#)
- [Draft Consistency Accountability Statement](#)

Becky Lloyd
Chair, SRB

CERTIFICATE OF DETERMINATION

Amendments to NZ CS 1 *Climate-related Disclosures* 2026

This document is a certificate issued in accordance with section 26 of the Financial Reporting Act 2013.

The following determinations are hereby made in relation to the Amendments to NZ CS 1 *Climate-related Disclosures* 2026 ("standard"), approved by the SRB on 13 October 2026. This standard:

- is secondary legislation for the purposes of the Legislation Act 2019
- is issued on **22 October 2026** under section 12(aa) of the Financial Reporting Act 2013
- takes effect on the 28th day after the date of its issue.

Commencement and application

The accounting periods in relation to which this standard commences to apply are:

- (a) for an **early adopter**, those accounting periods following, and including, the **early adoption accounting period**.
- (b) for any other reporting entity, those accounting periods following, and including, the first accounting period for the entity that begins on or after the **mandatory date**.

early adopter means a reporting entity that applies this standard for an early adoption accounting period

early adoption accounting period means the accounting period of the early adopter:

- (a) that begins before the **mandatory date** but has not ended or does not end before this standard takes effect (and to avoid doubt, that period may have begun before this standard takes effect); and
- (b) for which the **early adopter**:
 - i. first applies this standard in preparing its climate statements or group climate statements; and
 - ii. discloses in its climate statements or group climate statements for that accounting period that this standard has been applied for that period.

mandatory date means 1 January 2027.

Approval to Issue Amendments to NZ CS 1 *Climate-related Disclosures* 2026

In accordance with the protocols established between the SRB and the XRB, the SRB has:

- approved for issue Amendments to NZ CS 1 *Climate-related Disclosures* 2026; and
- provided a certificate signing memorandum outlining the due process followed before reaching that decision, and other related information.

I have reviewed the certificate signing memorandum and am satisfied with the information provided.

Accordingly, the Sustainability Reporting Board is hereby authorised to issue Amendments to NZ CS 1 *Climate-related Disclosures* 2026 pursuant to section 12(aa) of the Financial Reporting Act 2013.

Dated this **16 October 2026**

.....
John Kensington

Chair

External Reporting Board

Memorandum

To: Wendy Venter, Chief Executive External Reporting Board

From: Becky Lloyd, Chair Sustainability Reporting Board (SRB)

Subject: **Consistency accountability statement**
Amendments to NZ CS 1 *Climate-related Disclosures* 2026 (2026/64)

Date: 13 October 2026

☒ **Action Required**

☐ **For Information Purposes Only**

Introduction

1. In accordance with the Regulatory Standards Act 2025, the SRB requests that you make a consistency accountability statement (**CAS**) for Amendments to NZ CS 1 *Climate-related Disclosures* 2026 ("standard").

Recommendations

2. We recommend that you approve the CAS to accompany the standard. Please keep myself and the XRB Chair informed via email once you are ready to approve the CAS.
3. Once you have approved the CAS, a link to it will be added to the explanatory note of the standard.

Information for your preparation of the CAS

4. We have reviewed the Regulatory Standards Act (**RS Act**) assessment and draft CAS prepared by staff and agree with them.
5. We have not identified any inconsistencies with the principles of responsible regulation.
6. We have provided the Certificate Signing Memorandum to the Chair of the External Reporting Board, recommending that the Chair sign the Certificate of Determination, approving the issuance of the standard.

Attachments

- [Link to draft CAS](#)
- [Link to RS Act assessment](#)

Consistency Accountability Statement: Amendments to NZ CS 1 *Climate-related Disclosures 2026*

Agency responsible	External Reporting Board (XRB)
Portfolio	Commerce & Consumer Affairs
Legislative authority to make the secondary legislation	Section 12 of the Financial Reporting Act 2013
Date signed by the Chief Executive	[DD Mmmm 20XX]
Identification number	XRB 2026/64

I confirm that the XRB has assessed the Amendments to NZ CS 1 *Climate-related Disclosures 2026*, and the process for developing it, for consistency with the principles of responsible regulation as set out in section 9 of the Regulatory Standards Act 2025.

The XRB has not identified any inconsistencies with the principles of responsible regulation.

Add electronic signature

Wendy Venter
Chief Executive
External Reporting Board

Memorandum

To SRB Members

Meeting date Tuesday 13 October 2026

Subject **Update on international and jurisdictional monitoring**

Date Friday 2 October 2026

Prepared by The Sustainability Reporting team

Through Amelia Sharman

☐ **Action Required**

☒ **For Information Purposes Only**

Purpose¹

1. To provide an update of our international and jurisdictional monitoring from 23 July 2026 to 30 September 2026.

Recommendations

2. To NOTE this update.

Structure

3. This paper is structured as follows:

[Section 1:](#) IFRS Foundation and the International Sustainability Standards Board (**ISSB**)

[Section 2:](#) Update on other international standard-setters

[Section 3:](#) Update on jurisdictions

[Section 4:](#) Glossary

Section 1: IFRS Foundation and the ISSB

ISSB technical work and implementation

4. The ISSB considered two papers at its meeting on 24 September 2026. The first related to its Human Capital research project. The second was an ISSB staff summary of the most recent Transition Implementation Group on IFRS S1 and IFRS S2 (**TIG**) meeting, held on 23 July 2026. It is normal practice for ISSB staff to provide these summaries to the ISSB so that ISSB Board members can discuss implementation questions raised through the TIG process.²

¹ This memo refers to the work of the International Sustainability Standards Board (ISSB) and uses registered trademarks of the IFRS Foundation (for example, IFRS® Sustainability Disclosure Standards, and ISSB® papers).

² <https://www.ifrs.org/news-and-events/calendar/2026/september/international-sustainability-standards-board/>

The ISSB advances its workforce-related disclosures research

5. The ISSB added Human Capital research to its work plan in April 2024. The ISSB staff update paper proposes changing the title of the project to 'Workforce-related Disclosures'.
6. The paper states that ISSB staff have identified deficiencies in current reporting practices on workforce-related risks and opportunities including a lack of relevant decision-useful information, and inconsistent, incomplete and difficult to understand information. ISSB staff propose conducting further research on:
 - (a) workforce-related terms and definitions already in use
 - (b) investors' precise information needs for specific workforce-related topics
 - (c) the relationship between an entity's business model and workforce-related risks and opportunities
 - (d) the jurisdictional context for workforce-related risks, opportunities and disclosures
 - (e) emerging disclosure of workforce-related information applying IFRS S1.
7. The paper states that this approach would enable the ISSB to publish an exposure draft (rather than a discussion paper) as the next due process step should the ISSB decide to move to standard-setting.
8. The paper also states the ISSB staff expects to share research findings (whether preliminary or final) periodically in the coming months.

TIG supports using judgement and materiality to identify climate-related targets

9. The TIG last met on the 23 July 2026 and considered questions about the meaning of climate-related targets. A [meeting summary](#) is now on the IFRS Foundation website.³
10. The TIG discussed the meaning of "climate-related targets" in IFRS S2 at its 23 July 2026 meeting, and members expressed overall agreement with the staff view that such targets are not limited to GHG emissions targets, nor to things explicitly labelled as "targets" or approved by a specific governance body, with an entity instead applying judgement based on the disclosure objective, requirements and materiality.
11. Members supported this with several points, including that targets may relate to climate risks beyond GHG emissions and to opportunities, that board approval is a useful (but not determinative) indicator of materiality, that not all identified targets will require disclosure once materiality is assessed, that items not meeting the definition of "target" may still warrant disclosure elsewhere (e.g. as part of strategy), and that the same analysis applies to similar requirements in IFRS S1; they also suggested a practical two-step process of first identifying targets and then assessing materiality.
12. The next TIG meeting date has yet to be confirmed.

The ISSB prepares to consult on nature-related disclosures

13. As noted in the last update, the ISSB plans to release a draft IFRS Practice Statement on nature-related disclosures and basis for conclusions during the UN Biodiversity Conference (COP 17) in Yerevan, Armenia from 19-30 October 2026. The ISSB has stated that the practice statement will complement IFRS S1 and IFRS S2 without changing the requirements in the standards.

³ <https://www.ifrs.org/groups/tig-ifrs-s1-and-ifrs-s2/>

The ISSB has published FAQs on the proposed Practice Statement for nature-related disclosures

14. We note that the ISSB has published [Nature-related Disclosures — Frequently Asked Questions on form of standard-setting](#) which includes questions such as “What is an IFRS Practice Statement?” and “Why did the ISSB decide to propose an IFRS Practice Statement rather than a new ISSB Standard, or amendments to existing ISSB Standards?”.

ISSB strategy and institutional developments

ISSB and IASB plan concurrent agenda consultations

15. As noted in the last update, the ISSB and the International Accounting Standards Board (**IASB**) plan to carry out concurrent agenda consultations in accordance with the following timeline:
- (a) Start the consultation processes in late 2026
 - (b) Issue requests for information on the agendas in 2027
 - (c) Complete the concurrent consultations in 2028
16. The XRB has a broad interest in both consultations.

IFRS Foundation secures funding for the ISSB through to 2031

17. On 18 August 2026, the IFRS Foundation Trustees announced a five-year operating and financing plan for the IASB and the ISSB, alongside plans to open an ISSB office in Geneva, Switzerland during 2027 to serve as the seat of the ISSB and to support the ISSB's multi-location model. Funding has been secured for the ISSB to deliver its priorities through to 2031, providing a pathway beyond the seed funding due to expire at the end of 2026. As adoption of ISSB Standards matures, the ISSB will move to a more durable, long-term funding model.

Trustees propose reducing the size of the IASB and ISSB

18. The IFRS Foundation Trustees have published an Exposure Draft proposing targeted amendments to the IFRS Foundation Constitution to reduce the size of the IASB and the ISSB. More details on this exposure draft can be found in the *Documents open for comment* agenda item.

Other IFRS Foundation updates

Sue Lloyd highlights New Zealand's draft climate reporting roadmap consultation

19. Following each ISSB meeting, Chair Emmanuel Faber and Vice-Chair Sue Lloyd record a podcast covering the key matters discussed by the ISSB, together with other recent developments across the IFRS Foundation and the ISSB. A link to the podcast and a summary is provided below.

Link	Summary
 ISSB Podcast 16.59 mins	In the podcast, Vice-Chair Sue Lloyd reflected on her recent visit to New Zealand, where she met with stakeholders and noted that New Zealand is the 46th jurisdiction consulting on the use of ISSB Standards through its climate reporting roadmap consultation. She also highlighted developments in Europe, including the European Commission's adoption of the revised ESRS delegated act, which she said "opens the path for passporting" by enabling an ISSB report to form the basis for meeting CSRD requirements under the ESRS, and encouraged stakeholders to respond to EFRAG's consultation on ESRS-40a for non-EU companies. The podcast also covered implementation developments in Singapore, progress on nature-related disclosures and industry-based materials, the ISSB's workforce-related disclosures research

Link	Summary
	project, a recap of the latest TIG discussions, and updates on the ISSB's strategy, funding and planned Geneva office.

IFRS Sustainability Reference Group discusses ISSB implementation and key technical projects

20. At its September 2026 meeting, the IFRS Sustainability Reference Group⁴ received updates on global implementation of ISSB Standards, developments relating to EFRAG's proposed ESRS-40a standard for certain non-EU undertakings, progress on the ISSB's project to enhance the SASB Standards, and the forthcoming Nature-related Disclosures Practice Statement Exposure Draft. Members also discussed findings from the ISSB's human capital research project, including evidence of investor demand for more decision-useful workforce-related information and areas requiring further research before the ISSB considers future standard-setting.⁵

ISSB proposes updates to the Sustainability Disclosure Taxonomy

21. On the 29 July 2026, the [ISSB published a proposed update to the IFRS Sustainability Disclosure Taxonomy](#), reflecting the amendments made to IFRS S2 *Climate-related Disclosures* on greenhouse gas emissions disclosures in December 2025. The Taxonomy supports digital financial reporting by enabling companies to tag information prepared in accordance with ISSB Standards. The comment period on the proposed update closed on 28 September 2026.

Section 2: Update on other International Standard-setters

International Public Sector Accounting Standards Board

IPSASB agrees greater flexibility on location and timing of CRD and extends project timeline

22. The International Public Sector Accounting Standards Board (**IPSASB**) met in Accra, Ghana on 15-17 September 2026. The draft IPSASB SRS [X] *Climate-related Disclosures: Public Policy Outcomes* was on the agenda.⁶ The IPSASB agreed:
- (a) to use the same definition of materiality contained in IPSASB SRS 1 *Climate-related Disclosures*. IPSASB staff plan to develop application guidance on applying this definition to the reporting of climate-related outcomes in public policies.
 - (b) to allow flexibility on the location and timing of the climate-related disclosures. IPSASB staff had recommended linking climate reporting to the financial statements and annual report, but the Board's preference was to permit decoupling, including permitting reporting less frequently than annually.
 - (c) to include proportionality mechanisms aligned with IFRS S2 *Climate-related Disclosures* (i.e., the reasonable and supportable information/skills, capabilities and resources mechanisms) for certain disclosures.
23. The IPSASB decision to permit flexibility on the timing of climate-related disclosures has consequential implications for the recommendations IPSASB staff had made on the frequency of measuring metrics, transition relief and the use of the proportionality mechanisms. The IPSASB has therefore agreed to delay the completion of the project to accommodate the additional work by IPSASB staff. The plan had been to review and approve the standard at the

⁴ <https://www.ifrs.org/groups/ifrs-sustainability-reference-group/#about>

⁵ <https://www.ifrs.org/content/dam/ifrs/meetings/2026/september/srg/q3-2026-meeting-slides.pdf>

⁶ <https://www.ipsasb.org/meetings/ipsasb-meeting-46> - see Agenda Item 8

next IPSASB meeting in December 2026. The Board will instead review an updated draft final standard at that December 2026 meeting. Approval has been pushed back to March 2027, with an option to defer it further if more time is needed.

AOSSG

Implementation updates reveal differing jurisdictional approaches to sustainability reporting

24. The Asian-Oceanian Standard-Setters Group (**AOSSG**) interim meeting was held on 27 September 2026 in London.⁷ The following sessions were relevant to sustainability:
 - (a) The Institute of Chartered Accountants of India (which is a statutory body regulating and developing the accountancy profession in India) gave an update of the implementation of India's Business Responsibility and Sustainability Reporting (**BRSR**) framework. This framework has similarities with IFRS Sustainability Disclosure Standards, but some key differences such as a wider primary user base (e.g. including employees and communities), the inclusion of impact materiality, voluntary scope 3 greenhouse gas emissions disclosures, and non-binding guidance for sector metrics.
 - (b) The [Philippine Sustainability Reporting Committee](#) gave an update of their implementation of IFRS Sustainability Disclosure Standards. They noted that they have moved away from an impact focused reporting mindset (the basis of most voluntary reporting), to the ISSB's risk and opportunity framework, and are attempting to emphasise the strategic value of the disclosure to entities.
 - (c) The ISSB provided an update on their technical work programme and the intended structure of the ISSB literature (using this slide pack [here](#)).
25. An update was also given by the International Non-Profit Reporting Foundation (**INPRF**) about the development of the [International Non-Profit Accounting Standard \(INPAS\)](#).
26. New Zealand is hosting the 18th annual AOSSG meeting in November 2026 in Auckland on behalf of Australia.

ISO

ISO/UNDP 53001 has launched: a milestone for sustainable development

27. On the 28 September 2026, [ISO and UNDP launched ISO/UNDP 53001](#), *Management systems for the United Nations Sustainable Development Goals (SDGs) – Requirements*.

“The challenge is no longer simply setting sustainability ambitions, but embedding them into the way organizations actually operate and make decisions. ISO/UNDP 53001 provides a common, internationally recognized framework that helps organizations translate their contribution to the SDGs into structured, measurable action. By bringing sustainable development into governance, strategy and day-to-day operations, it can help organizations manage their impacts more consistently, demonstrate progress with greater credibility and continually improve over time.” — Noelia Garcia Nebra, Head of Sustainability and Partnerships, ISO

ISO's long-awaited proposed net zero standard, ISO 14040, failed to pass a vote

28. ISO's net zero standard, ISO 14060, did not receive sufficient approval from member bodies to advance towards publication in its current form. The draft standard, intended to provide globally consistent guidance on developing credible net zero transition plans, attracted nearly 5,000

⁷ <https://www.aoss.org/meetings-events/interim-meeting/interim-meeting-no-8-2026/>

comments during its 12-week consultation period. ISO stated that the responsible committee will now consider the feedback received and determine the next steps.⁸

GHG Protocol

Goal of ISO GHGP partnership is to have a single co-branded corporate standard

29. On 29 July 2026 GHGP provided an update on its strategic partnership with ISO in respect to the corporate carbon accounting standard. The goal is to have a single, co-branded corporate standard, with an integrated public consultation planned for Q2 2027. The integrated consultation will bring together GHGP's Scope 1, Scope 2, Scope 3 and Actions and Markets Instruments (AMI) standards along with ISO's 14064-1 standard. Technical experts from both organisations continue to advance work across the agreed [standards development programme](#).

Scope 2 consultation feedback released with mixed views on approaches

30. A [Scope 2 consultation feedback summary](#) and an [Executive summary](#) were also published on 29 July. This consultation received nearly 1,100 responses from 56 countries.
31. The consultation highlighted a range of stakeholder perspectives on how corporate electricity procurement contributes to decarbonisation and how those outcomes should be reflected in greenhouse gas accounting and reporting. While stakeholders expressed different views on specific approaches, the feedback demonstrated strong interest in improving transparency and ensuring that reported outcomes and associated claims are aligned. Overall, the feedback suggested that different stakeholders often have different objectives for scope 2 reporting and different views about how electricity procurement can drive climate impact.
32. A copilot comparison between the summary of feedback and the submission by XRB notes XRB's position aligns quite closely with the main feasibility and proportionality concerns expressed by respondents, particularly on hourly granularity, assurance burden, data accessibility, market participation and transition arrangements. On several substantive questions, however, XRB sits toward the more cautious end of the respondent spectrum. It further notes that the consultation summary echoes XRB's central argument: greater theoretical precision does not necessarily translate into proportionately better decision-useful information, particularly where the cost, systems and assurance consequences are substantial.

AMI stakeholder feedback shows broad support for multi-statement GHG reporting structure

33. A [summary of stakeholder feedback](#) on the Actions and Market Instruments (AMI) Request for Information (RFI) Phase 1 Progress Update White Paper was released on 23 September. The Request for Information received feedback from over 400 respondents, representing a diverse range of stakeholder groups. Support for the overall multi-statement reporting structure was strong and broadly consistent across regions and organisation types, with the majority of responses coming from North America and Europe.
34. The input received revealed significant support for reporting approaches that could provide greater transparency into market instruments and mitigation-related activities beyond what is currently reflected in greenhouse gas inventories.
35. The summary of responses shows the following:
 - (a) There is broad stakeholder support for a multi-statement GHG reporting structure, with 84 percent of respondents indicating "strong support" or "support" for the proposal,

⁸ [ISO's Proposed Net Zero Standard Fails Initial Vote Amid Record Feedback - ESG Today](#)

- (b) The strongest support among the proposed additional statements was for the Market-based GHG Inventory Statement with 87 percent of respondents indicating it should be included in the multi-statement structure,
 - (c) There was also strong support for including a GHG Impact Statement, with 80 percent stating “it should be included,
 - (d) Support for a Non-GHG Indicators Statement was more mixed with 33 percent supporting its inclusion, 44 percent expressing neutrality or uncertainty and 25 percent opposing its inclusion.
36. Throughout the summary of responses feedback, respondents consistently recognised the need to expand current GHG reporting to reflect decarbonisation actions that are often not visible in current scope 1, scope 2, and scope 3 inventories. Stakeholders also called for clear rules and quality criteria to ensure credibility, with guidance to support implementation that is in alignment with the accounting and reporting ecosystem. Many respondents recommended that the newly proposed statements remain optional, at least initially, to accommodate organisations at different levels of data readiness and capacity, including small and medium-sized enterprises.

PCAF

PCAF identifies new priorities for its 2026-2028 standards programme

37. In late July 2026, PCAF [announced seven initial priority topics](#) for further development in its 2026-2028 standard development cycle. In addition, an exploratory working group for Export Credit Agencies will be stood up. The priority areas are:
- (a) Asset-based financed (new methodology)
 - (b) Insurance claims (new methodology)
 - (c) Personal non-life insurance (new methodology)
 - (d) Inventory fluctuation (guidance for Parts B and C, as well as implementation resources)
 - (e) Transition finance (implementation resources for use of proceeds, financed avoided emissions, and forward-looking metrics)
 - (f) Agriculture, forestry and land-use change (guidance and implementation resources).
38. On 21 September 2026, PCAF announced it had [appointed three new directors](#) to its board. These appointments bring perspectives from the Middle East and North Africa, Latin America and the Caribbean, as well as Europe.

GRI GSSB

Sector standards for Banking, Capital Markets and Insurance release expected late Q1 2027

39. At the 17 September meeting, the GSSB approved the GRI Sector Standards for Financial Services (Banking, Capital Markets, Insurance). These standards are expected to be launched in late Q1 2027 or early Q2 2027. The proposed effective date is 1 January 2029.
40. Key adjustments after the public consultation on the Exposure Drafts included making disclosures on investment activities more distinct from core banking and insurance activities, expanding recommendations on data limitations and quality, and enhancing guidance on customer engagement and stewardship by removing references to 'agreed-upon' targets and broadening the scope of engagement outcomes. The standards also strengthened requirements for human rights due diligence across a wider range of topics, increased emphasis on

digitalisation and cybersecurity, and aligned biodiversity, water, and waste disclosures more closely with leading frameworks like TNFD and GRI topic standards. Additional changes included clarifying governance and staff competency disclosures, updating terminology for economic impacts, and expanding recommendations on privacy, data security, and AI governance. These revisions aimed to ensure the standards are practical, globally relevant, and responsive to the evolving expectations of stakeholders in the financial services sector.

GSSB approved roll-out of new streamlined sector standards

41. GRI is speeding up the delivery of reporting support in sectors, following GSSB approval to roll-out new streamlined sector standards. This approach responds to a practical challenge: how to meet the growing demand and gap in the market for authoritative sector guidance, through shorter and more focused sustainability reporting standards? The first pilot project in this series – for Food and Beverages – will act as a proof of concept for the wider series.

GRI's State of Sustainability Reporting research released

42. This [research](#) shows that GRI is the most widely used sustainability reporting framework worldwide, referenced by companies accounting for 62% of global market capitalisation and 40% of all large listed companies. It is mostly combined with other frameworks such as TCFD, SASB, CDP, ISSB, ESRs and TNFD. GRI reporting rates are led by jurisdictions in Asia and Latin America, with the highest levels including Taiwan (China, 95% of companies), Argentina (82%), Colombia (79%), Singapore (76%), Brazil (71%) and Malaysia (70%).

CDP Disclosure

CDP analysis finds companies anticipate nearly US\$400 billion in water-related financial impacts

43. On 21 September 2026, CDP published new analysis — [Water, Trade and Capital: How water is reshaping geopolitics, supply chains and financial risk](#) — based on water disclosures from over 6,500 companies. Companies already report US\$1.4 billion in current financial impacts from water-related disruption and anticipate a further US\$397 billion in future impacts, including US\$45 billion arising upstream in supply chains. Despite this exposure, only a fifth of companies reported quantified financial impacts, and more than a third still lack a systematic process to assess and manage water risk. CDP noted that around 60% of upstream water risks for Global North-headquartered companies are located in the Global South, raising particular exposure as companies reshore or diversify supply chains.

International Transition Plan Network

ITPN Dialogue highlights the role of transition planning in building resilience and mobilising finance

44. The XRB attended the second [International Transition Plan Network \(ITPN\)](#) Dialogue in Oxford, UK on 15-17 September 2026. The key themes for this year's dialogue included:
 - (a) how transition plans mobilise finance and build business resilience
 - (b) new ITPN research on transition plans and the cost of debt (to be published in late October)
 - (c) connecting entity-level transition plans to sectoral pathways and national strategies on mitigation and adaptation (including understanding company dependencies and how to unblock them)

- (d) navigating the changing global context, exploring how transition plans can support energy security, and the wider transition away from fossil fuel dependency and the transition to cleaner energy sources
 - (e) individual policymakers' and regulators' roles within the wider system and how to build effective cross-agency coordination.
45. Much of the discussion resonated with the purpose of climate reporting as per section 19B of the Financial Reporting Act, in that there is value that accrues to the entity (i.e. by the process of transition planning), as well as to the external user of the information (i.e. the disclosure of the transition plan). Evidence shared by the ITPN team indicated evidence that every element of transition planning (and every element disclosed) has incremental benefit to entities and users, (as opposed to only having value by a fully worked through plan).
46. The strong benefit of coherent sector transition pathways was mentioned frequently, to enable entities with a coherent basis on which to plan, and for investors to understand how entities are tracking against the sector pathway. The legitimacy of how such pathways are developed was discussed, as different jurisdictions' approaches obtain legitimacy via the inclusion of different state and non-state actors (i.e. government-led or not).
47. At the end of the Dialogue, the following key messages surfaced:
- (a) Transition planning is a tool: a tool for dialogue, a tool for strategy, a tool for navigation
 - (b) Transition planning can accelerate collaboration, enhance the development of a common narrative (including the use of transition plans for advocacy purposes for systems or policy change), and is possible without complete regulatory certainty
 - (c) Transition planning makes necessary actions tangible and practical, to build strategic and business resilience and recalibration (rather than a linear path to a specific goal).
48. Interesting resources and case studies shared at the Dialogue included:
- (a) GeoDep, a European Commission tool to assess the geographical dependencies of the industrial transition that is due to be launched in 2027
 - (b) A [legal opinion by Client Earth](#) (June 2025) that investigated the potential liability for climate-related transition plan disclosures (the opinion finds that "a requirement that companies disclose a CRTP is not likely to result in a materially heightened liability risk for companies and directors")
 - (c) A [transition plan disclosure pilot](#) by the Hong Kong Green and Sustainable Finance Cross-Agency Steering Group. The pilot "aims to promote industry-developed best practices for transition planning and disclosure, to enable volunteer HKEX-listed and A-H companies to produce investor-focused and decision-useful transition plans aligned with internationally recognised frameworks"
 - (d) Information on [Japan's Green Transformation \(GX\) Policy](#) which includes government-produced technology roadmaps to support the transition
 - (e) Information on the [United Kingdom's sector transition plans](#), as an "essential tool to support investment, action and skills for the clean energy transition", including a strong focus on finance for the transition
49. Staff will discuss the insights from the Dialogue to inform what potential further work on transition planning may be most useful in the New Zealand context.

Section 3: Update on Jurisdictions

Australia

50. There are five Australian developments to report on:

- (a) An Australian Treasury consultation paper on improving the efficiency of climate-related financial disclosures
- (b) A new Productivity Commission inquiry into non-financial business reporting
- (c) External Reporting Australia appointments and vacancies
- (d) The Australian Securities and Investments Commission (**ASIC**)’s observations from a review of 40 sustainability reports
- (e) Australian Accounting Standards Board (**AASB**) discusses disclosure of sustainability-related assurance fees.

Improving the efficiency of climate-related financial disclosures

51. On 24 August 2026, the Australian Treasury published a consultation paper titled [Improving the efficiency of climate-related financial disclosures](#). It seeks views about:

- (a) adjusting assurance settings by either maintaining the limited assurance requirement (rather than transitioning to reasonable assurance by 2030), delaying the transition to reasonable assurance until 2035, or requiring reasonable assurance only for ‘mature sustainability reporting metrics.’
- (b) options for improving consistency in the application of existing requirements by publishing additional guidance on:
 - i. the use of the proportionality mechanisms in AASB S2 *Climate-related Disclosures*
 - ii. how to apply the exception to climate reporting in [section 296B](#) of the Corporations Act on the grounds that an entity has no material climate-related financial risks or opportunities
 - iii. providing assurance where an entity elects to apply proportionality mechanisms or makes a section 296B statement.

This section of the consultation paper notes that sustainability reporting implementation is outside the Treasury’s responsibility and that feedback received on these topics will be shared with relevant agencies for further consideration.

- (c) whether supply chain administrative burdens could be reduced if the Government were to provide reliable secondary data.
- (d) the potential alignment of reporting periods under AASB S2 and the National Greenhouse and Energy Reporting Act 2007.

52. Submissions closed on 3 October 2026. The paper also states that:

- (a) the changes being considered will not impact on reporting for the 2026-27 financial year
- (b) an exposure draft will be released if legislation is required to give effect to any changes.

Productivity Commission inquiry into non-financial business reporting in Australia

53. Also on 24 August 2026, the Australian Government asked the Productivity Commission (**PC**) to inquire into opportunities to improve the efficiency and value of non-financial business reporting requirements. The PC has been asked to identify significant regulatory pain points and

instances where the objectives of reporting could be achieved more efficiently. The findings will inform further work aimed at improving the utility of non-financial reporting and streamlining reporting requirements.

54. The PC published a [call for submissions](#) on 9 September 2026. It includes a section on sustainability and environmental reporting. That discussion notes that there are several different reporting requirements, including climate-related financial disclosures, emissions reporting, and pollution reporting. It also states that some schemes impose overlapping reporting requirements.
55. The PC states that it is interested in the cumulative costs of sustainability and environmental reporting, opportunities to improve its efficacy, and how climate-related financial disclosures fit together with other reporting. The PC is also interested in feedback on ways to better balance the benefits of reporting and the burdens they impose.
56. Submissions closed on 30 September 2026. The call for submissions states that the PC will release an interim report in November. The Government has set a deadline of 24 February 2027 for the final report.

External Reporting Australia appointments and vacancies

57. On 20 August 2026, the Assistant Treasurer, Hon Dr Daniel Mulino, [announced](#) the seven members and one associate member of the Governing Council of External Reporting Australia, which commences operations on 1 December.
58. Three current members of the Financial Reporting Council (**FRC**) have been appointed, including the current FRC Chair Andrew Mills, who will be the inaugural Chair of the Governing Council. Two of the four new members (Siobhan Toohill and Simon O'Connor) each have more than 20 years of sustainability-related experience.
59. Amy Fox of the Australian Treasury has been appointed as an associate member. Associate members are entitled to attend and participate in discussions but do not have voting rights.
60. In addition, the FRC has [sought applications](#) for the chair and member roles on the three ERA standard-setting boards, for appointments of up to four years. Applications closed on 27 September.

ASIC's observations on climate reporting

61. On 21 September 2026, ASIC published a [Report](#) outlining its observations on 40 of the 312 sustainability reports lodged under the Corporations Act by entities with financial years ending in 2025. ASIC reviewed reports lodged by 20 listed entities and 20 unlisted entities.
62. It was not a representative sample. ASIC prioritised sectors with higher GHG emissions or higher exposure to climate-related risks and opportunities, notably financial services and insurance, oil and gas, and mining-related industries.
63. The report states that the quality, quantity and consistency of climate-related financial information in the market has increased with the introduction of the statutory reporting requirements compared to disclosures previously made voluntarily. It also states that generally entities appear to have complied with the preparation, lodgement and assurance requirements in the Corporations Act and engaged in good faith with the disclosure requirements in AASB S2, particularly where the disclosure requirement relates to current matters.
64. ASIC also identified opportunities for improvements in forward-looking disclosures and those underpinned by assumption or judgment. To assist reporting entities to improve their disclosures, ASIC lists the following eight practical actions to consider:

- (a) Explain how information in the sustainability report connects with relevant disclosures in the financial report. For example, connecting information under cross-industry metrics (such as the amount and percentage of assets or business activities vulnerable to climate-related risks or aligned with climate-related opportunities) and the current and anticipated financial effects of climate-related risks and opportunities with related disclosures in the financial report. When disclosing material information about current and anticipated financial effects of climate-related risks and opportunities, carefully consider whether you are also able to disclose quantitative information, rather than only qualitative information and, if not, ensure that users can understand the reasons you provided qualitative information over quantitative.
- (b) When identifying climate-related risks and opportunities, consider past events, current conditions and forecast future conditions, as well as how you may be affected (whether directly or indirectly) by the risks and opportunities across your value chain.
- (c) Provide clear, effective and proximate disclosure of relevant judgements, assumptions and areas of measurement uncertainty, including when identifying climate-related risks and opportunities and calculating the amounts and percentages that must be disclosed under cross-industry metrics.
- (d) When determining whether you have a 'climate-related target', remember that the definition of 'climate-related targets' in AASB S2 extends to targets that you must meet by law or regulation. This includes greenhouse gas emissions targets such as the [Safeguard Mechanism](#).
- (e) Ensure material climate-related financial information is not obscured through the disclosure of additional climate-related information.
- (f) Meet the cross-referencing disclosure requirements, including the requirement that the cross-referenced information is available on the same terms and at the same time as the sustainability report.
- (g) Do not use disclaimers that conflict with the statutory framework and objectives of Chapter 2M sustainability reporting and may confuse or mislead users.

AASB takes a monitoring approach to sustainability-related assurance fee disclosures

65. [At its meeting on the 27 August 2026](#), the AASB considered whether standard-setting action is needed to address differences in how assurance fees related to sustainability disclosures required by AASB S2 *Climate-related Disclosures* are disclosed in practice. The AASB decided to adopt a monitoring approach at this time, to allow further evidence to be gathered on user needs, market practice and relevant regulatory developments before reconsidering the matter.⁹

The European Union

Revised ESRS and the voluntary standards enter into force

66. The European Commission adopted two Delegated Acts on 3 July 2026. The Delegated Acts have now entered into force following a two-month scrutiny period by the European Council and the European Parliament. Neither body raised an objection.
67. The two Acts in question are:
- (a) The revised European Sustainability Reporting Standards (**ESRS**) for companies required to report under the revised Corporate Sustainability Reporting Directive (**CSRD**).

⁹ https://aasb.gov.au/media/3awkbngk/06-1_sp_assurancedisclosures_m222_pp.pdf

- (b) Voluntary reporting standards for businesses with no more than 1,000 employees that are not otherwise required to report under the CSRD.

68. The revised ESRS applies for financial years starting on or after 1 January 2027, with early adoption permitted for financial years commencing in the 2026 calendar year.

EFrag consults on sustainability reporting standards for non-EU companies

- 69. On 23 July 2026, EFRAG issued the [European Sustainability Reporting Standards for Certain Non-EU Undertakings \(ESRS-40a\)](#) Exposure Draft. ESRS-40a was previously referred to as ESRS for Third-Country Undertakings (ESRS-TC) and ESRS for Non-EU Groups (N-ESRS). The public consultation on the ESRS-40a Exposure Draft closes on 31 October 2026.
- 70. XRB staff have prepared a draft submission letter on the ESRS-40a Exposure Draft for the Board's approval. The draft letter is attached to a separate memorandum titled *Documents open for comment*. That memorandum provides background on the Exposure Draft and the key issues addressed in the proposed submission.

United Kingdom

UK Government seeks to streamline corporate reporting requirements

- 71. On 7 September 2026, the Department for Business, Innovation, Science and Trade published a [consultation paper](#) proposing comprehensive changes aimed at improving the reporting system under the Companies Act 2006. Submissions close on 30 November.
- 72. The consultation paper notes that the law has evolved in a 'messy and piecemeal way, resulting in a complex series of regulations.' It states that:
 - (a) the purpose of the annual report and accounts has become obscured, serving different audiences and policy objectives
 - (b) incremental additions to reporting requirements have increased the volume and complexity of annual reports
 - (c) requirements are scattered across company law, accounting standards and regulatory rules, leading to duplication, inconsistency and needless compliance costs.
- 73. The consultation paper includes a section on sustainability-related financial disclosures. It notes that there are significant interactions and overlaps between the climate-related financial disclosure (CFD) requirements in the Companies Act for registered companies and the disclosures in UK Sustainability Reporting Standards (UK SRS), the UK-endorsed version of the ISSB Standards. However, the consultation paper does not include questions about the CFD requirements because the government is conducting a post-implementation review of the regulations that introduced them. The review is due to be completed in the first half of 2027.
- 74. The consultation paper also:
 - (a) states that the government will consider how UK SRS should be reflected in the Companies Act, taking into consideration feedback to this consultation, the CFD post-implementation review and related processes
 - (b) includes a section about assurance over strategic and sustainability information in annual reports, but notes that the government does not have any plans to require companies to obtain assurance over future UK SRS reporting at this stage, or for other strategic reporting topics
 - (c) proposes introducing a financial materiality test for reporting on various topics including environmental impacts, employment policies, social responsibility and human rights. This

proposal would mean that companies will no longer be required to disclose non-material information

- (d) refers to a separate consultation process by the Department for Energy Security & Net Zero on how the government might implement a manifesto commitment to require UK-regulated financial institutions and FTSE 100 companies to develop and implement transition plans that align with the 1.5°C goal of the Paris Agreement. That consultation ran from 25 June to 17 September. The BIST consultation paper states that the government will ensure that any decisions consider the sustainability reporting landscape coherently.

Financial Conduct Authority finalises rules to report against UK Sustainability Reporting Standards on a comply or explain basis

- 75. On 30 September, the UK's Financial Conduct Authority (**FCA**) published [Policy Statement PS26/19](#) that applies to listed issuers. Key elements of the statement to note include:
 - (a) replacement of existing TCFD reporting requirements with UK SRS
 - (b) only requiring reporting against the UK SRS on a comply or explain basis.
- 76. The statement also requires "international commercial companies with a secondary listing and depositary receipt issuers to also report against UK SRS on a comply or explain basis, in place of the consultation proposal to signpost any reporting requirements and disclosures under their home jurisdiction".
- 77. The rules will apply to accounting periods beginning on 1 January 2027, with first reporting in 2028. The rules provide a 1-year transitional relief for Scope 3 disclosures under UK SRS S2 *Climate-related Disclosures* and a 2-year transitional relief for disclosures under UK SRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*.

United States of America

Republican attorneys general question firms' support for climate-related disclosure initiatives

- 78. On 24 August 2026, 16 Republican state attorneys general sent [a 38-page letter](#) to the chief executives of Deloitte, EY, KPMG and PwC warning them of potential violations of state laws in relation to climate-related disclosures and assurance.
- 79. The letter states that the firms have pursued "climate-activist goals" through their participation in the TCFD, their founding membership of the Net Zero Financial Service Providers Alliance (**NZFSPA**), and their commitment to advancing the adoption and use of the ISSB standards. It also states that the firms may have violated their duty of independence and their professional duties of integrity and objectivity by "pushing clients to make burdensome climate-related disclosures that are against their clients' interests ...driving up the overall costs of audit and assurance services... [and] creating a multibillion-dollar cost to the economy."
- 80. The letter includes 38 questions, including requests for information and documents relating to internal policies, training materials, changes to audit methodology and any instances in which partners or other principals raised concerns about the compatibility of the firm's climate commitments (including to TCFD, ISSB or NZFSPA) with its professional duties.

California proposing narrowing initial mandatory Scope 3 emissions reporting to five categories

- 81. In July 2026, the California Air Resources Board (**CARB**) [proposed limiting initial Scope 3 emissions disclosure](#) under Senate Bill 253 to five GHG Protocol categories: purchased goods and services, fuel- and energy-related activities, waste generated in operations, business travel

and employee commuting. The proposal responds to cost and data availability concerns raised by companies. CARB also proposed limited assurance for Scope 1 and Scope 2 emissions from 2027 and plans to host listening sessions in August and September on the proposal.

Canada

CSSB raises concerns on ISSB architecture in SASB Standards response

82. The Canadian Sustainability Standards Board (**CSSB**) submitted its response letter to the ISSB's Exposure Draft on proposed amendments to the SASB Standards and IFRS S2 Industry-based Guidance. Among its four overarching recommendations, the CSSB called on the ISSB to explicitly clarify the role of the SASB Standards within the IFRS Sustainability Disclosure Standards framework, stating that this relationship "remains uncertain" and that the current amendments are only an interim step toward a coherent architecture. The CSSB referenced the ISSB's own staff paper (Agenda Paper 6A, February 2026), which acknowledged similar stakeholder concerns about the risk of duplication between SASB content and IFRS S1/S2. While ISSB staff have suggested addressing the broader "future state" of ISSB Standards separately from the current project phases, the CSSB disagreed with this sequencing, recommending the ISSB prioritise resolving architectural and interoperability questions in a timelier manner.

Section 4: Glossary

83. The following table outlines the set of undefined abbreviations used in this paper:

Abbreviation	Definition
AASB	Australian Accounting Standards Board
AOSSG	Asian-Oceanian standard-setters group
ASIC	Australian Securities & Investments Commission
CDP	CDP (formally known as Carbon Disclosure Project)
EC	European Commission
ED	Exposure Draft
EFRAG	European Financial Reporting Advisory Group
EFRAG SRB	European Financial Reporting Advisory Group Sustainability Reporting Board
ERA	External Reporting Australia
ESRS	European Sustainability Reporting Standards
GHGP	Greenhouse Gas Protocol
GHGP ISB	GHG Protocol Independent Standards Board
GRI	Global Reporting Initiative
GRI GSSB	Global Reporting Initiative Global Sustainability Standards Board
IAASB	International Auditing and Assurance Standards Board
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPSASB	International Public Sector Accounting Standards Board
ISO	International Organization for Standardization
ISSB	International Sustainability Standards Board
ISSB TIG	International Sustainability Standards Board Transition Implementation Group on IFRS S1 and IFRS S2
ITPN	International Transition Plan Network
PC	Australian Productivity Commission
PCAF	Partnership for Carbon Accounting Financials
SDGs	Sustainable Development Goals
TIG	Transition Implementation Group on IFRS S1 and IFRS S2
TISFD	The Taskforce on Inequality and Social-related Financial Disclosures
UNDP	United Nations Development Programme

Memorandum

To: SRB Members

Meeting date: 13 October 2026

Subject: **Combined communications register**

Date: 2 October 2026

Prepared by: Nicola van Rooijen

☐ **Action Required**

☒ **For Information Purposes Only**

Purpose

1. To inform the Board about key communications of the Sustainability Reporting team.

Recommendations

2. To NOTE this memo (containing updated information since the previous communications memo was issued on 3 August 2026).

Key communication items

What	Content
Climate Alert – 4 August 2026	Anticipated financial impacts guidance; a conversation with Sue Lloyd; climate reporting roadmap public feedback forum. View here .

Correspondence

What	Date
Email to Transition Implementation Group on IFRS S1 and IFRS S2 (via Sue Lloyd) regarding queries over the inclusion of supply-chain emissions in relation to the insurance sector.	4 Sep 26

Confirmed future speaking engagements

Event name	Presenter(s)	Date
IFASS - XRB Emerging Research Update	Amelia Sharman	29 Sep 26
University of Auckland guest lecture	Amelia Sharman	12 Oct 26

Event name	Presenter(s)	Date
CA ANZ Sustainability conference (pre-recorded session with the FMA)	Amelia Sharman	Recording complete, publication date 16 Oct 26
Building capability of Malaysian senior public servants to lead sustainable outcomes	Amelia Sharman, Judy Ryan	27 Oct 26
For purpose Charity and Accounting update from the XRB	TBC	10 Nov 26
Finance Development Programme Public Sector CFO forum	Amelia Sharman, Michelle Lombaard	19 Nov 26
University of Auckland Faculty of Business and Economics PhD Conference	Amelia Sharman	4 Dec 26
All Things Sustainable1 podcast	Amelia Sharman	Recording complete, publication date TBC