28 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 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

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

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.

i) 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.

ii) 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.

iii) 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, all stated under their respective sub-headings below.

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 should 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.

Recognition

Beyond the proposed interoperability mechanisms, we also make a further point about recognition that we are aware falls outside of EFRAG's remit. We consider that relevant EU institutions should further consider permitting non-EU undertakings to file disclosures prepared under IFRS S1 and IFRS S2, or equivalent jurisdictional standards, instead of preparing and filing ESRS-40a disclosures. While these reports apply a financial rather than impact materiality lens, such recognition would avoid duplicate reporting and associated compliance costs.

iv) 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:

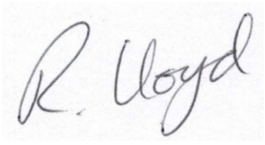
- support the requirements to disclose the use of approximations, including related assumptions, limitations and preparation methods, so users can understand how EU-derived concepts have been applied outside their legal context
- encourage EFRAG to identify relevant international references and illustrative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