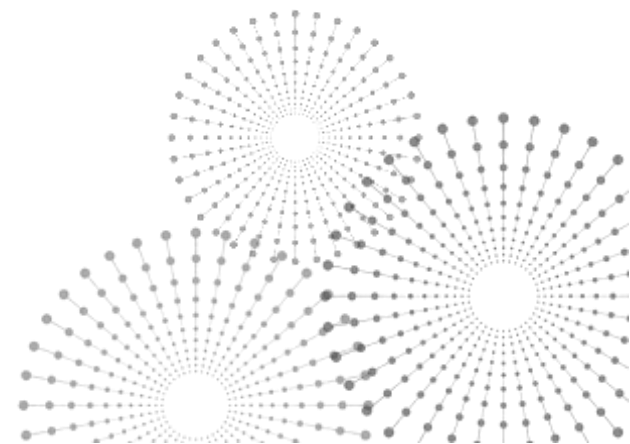


Comparison Table

XRB to ISSB

July 2022



Comparison of XRB Proposals to ISSB Proposals

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The comparison tables and commentary have been prepared by XRB staff members and do not represent the views of the XRB Board.

How to read Tables 1 to 4 (proposed disclosures)

Column 1	XRB's ED NZ CS 1	These are the XRB's proposed disclosures. All references in the comparison table are to the proposed disclosures in Exposure Draft NZ CS 1 <i>Climate-related Disclosures</i> unless we have specified that they are contained in Exposure Draft NZ CS 3 <i>General Requirements for Climate-related Disclosures</i> .
Column 2	ISSB's ED IFRS S2	These are the proposed disclosures from the ISSB's exposure drafts issued on 31 March 2022. The ISSB issued two exposure drafts. Exposure Draft IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> ; and Exposure Draft IFRS S2 <i>Climate-related Disclosures</i> . All references in the comparison table are to ED IFRS S2 unless we have specified, they are contained in ED IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> .
Column 3	XRB Staff Commentary	Commentary by XRB staff members on alignment between XRB proposed disclosures and ISSB proposed disclosures.

How to read Table 5 (proposed defined terms)

Column 1	Defined term	This column contains the defined term.
Column 2	XRB's ED NZ CS 1	These are the XRB proposed defined terms from Appendix A of ED NZ CS 1. Also included are terms defined in <i>Aotearoa New Zealand Climate Standards</i> and used in ED NZ CS 1 with the same meaning.
Column 3	ISSB's ED IFRS S2	These are the proposed defined terms from Appendix A of ED IFRS S2. Also included are proposed terms defined in ED IFRS S1 and used in this ED IFRS S2 with the same meaning.
Column 4	XRB Staff Commentary	Commentary by XRB staff members on alignment and use of defined terms between XRB Proposals and ISSB proposals.

XRB Staff have submitted to the ISSB on its exposure drafts ED IFRS S1 and ED IFRS S2, we make reference to this submission in the tables below. You can find this submission on our website <https://www.xrb.govt.nz/submissions/climate-submissions>.

Table 1 Comparison of Governance Disclosures – XRB Proposals to ISSB Proposals

Governance		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
<p>Disclosure Objective</p> <p>To enable primary users to understand both the role an entity's <i>governance body</i> plays in overseeing climate-related risks and climate-related opportunities, and the role <i>management</i> plays in assessing and managing those climate-related risks and opportunities.</p> <p>[Paragraph 5]</p>	<p>Disclosure Objective</p> <p>The objective of climate-related financial disclosures on governance is to enable users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities.</p> <p>[Paragraph 4]</p>	No substantive difference.
<p>To achieve the disclosure objective in paragraph 5, an entity must disclose the following information:</p> <p>[Paragraph 6]</p> <p>a description of the governance body's oversight of climate-related risks and opportunities (see paragraph 7); and</p> <p>[Paragraph 6(b)]</p> <p>a description of management's role in assessing and managing climate-related risks and opportunities (see paragraph 8).</p> <p>[Paragraph 6(c)]</p>	<p>To achieve this objective, an entity shall disclose information about the governance body or bodies (which can include a board, committee or equivalent body charged with governance) with oversight of climate-related risks and opportunities, and information about management's role in those processes. Specifically, an entity shall disclose:</p> <p>[Paragraph 5]</p>	
<p>the identity of the governance body responsible for oversight of climate-related risks and opportunities;</p> <p>[Paragraph 6(a)]</p>	<p>the identity of the body or individual within a body responsible for oversight of climate-related risks and opportunities;</p> <p>[Paragraph 5(a)]</p>	<p>No substantive difference.</p> <p>We do not require the identity of the individual.</p>
<p>Governance body oversight</p> <p>An entity must include the following information when describing the governance body's oversight of climate-related risks and opportunities (see paragraph 6(b)):</p> <p>the processes and frequency by which the governance body is informed about climate-related risks and opportunities;</p> <p>[Paragraph 7(a)]</p>	<p>how and how often the body and its committees (audit, risk or other committees) are informed about climate-related risks and opportunities;</p> <p>[Paragraph 5(d)]</p>	No substantive difference.
<p>how the governance body ensures that the appropriate skills and competencies are available to provide oversight of climate-related risks and opportunities;</p> <p>[Paragraph 7(b)]</p>	<p>how the body ensures that the appropriate skills and competencies are available to oversee strategies designed to respond to climate-related risks and opportunities;</p> <p>[Paragraph 5(c)]</p>	No substantive difference.
<p>how the governance body considers climate-related risks and opportunities when developing and overseeing implementation of the entity's strategy; and</p>	<p>how the body and its committees consider climate-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions, and its risk management</p>	<p>Following stakeholder feedback, the XRB Board amended this proposed disclosure to clarify that an important focus is on the role of the governance body in developing and overseeing an entity's strategy, rather than disclosures on how issues are</p>

Governance		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
[Paragraph 7(c)]	policies, including any assessment of trade-offs and analysis of sensitivity to uncertainty that may be required; [Paragraph 5(e)]	merely incorporated into governance processes. See Basis for Conclusions on ED NZ CS 1 Governance section. We are not clear what information (or level of detail) the ISSB are expecting by including in proposed paragraph 5(e) the following - 'including any assessment of trade-offs and analysis of sensitivity to uncertainty that may be required' – we have included a comment on this in our submission to the ISSB.
how the governance body sets, monitors progress against, and oversees achievement of metrics and targets for managing climate-related risks and opportunities, including whether and if so how, related performance metrics are incorporated into remuneration policies (see also paragraph 21(h)). [Paragraph 7(d)]	how the body and its committees oversee the setting of targets related to significant climate-related risks and opportunities, and monitor progress towards them (see paragraphs 23–24), including whether and how related performance metrics are included in remuneration policies (see paragraph 21(g)); and [Paragraph 5(f)]	No substantive difference.
-	how the body's responsibilities for climate-related risks and opportunities are reflected in the entity's terms of reference, board mandates and other related policies; [Paragraph 5(b)]	Additional requirement in ISSB's ED IFRS S2. Our submission to the ISSB includes further information on this point.
Management's role An entity must include the following information when describing management's role in assessing and managing climate-related risks and opportunities (see paragraph 6(c)): how climate-related responsibilities are delegated to management-level positions or committees, and the process and frequency by which management-level positions or committees engage with the governance body; [Paragraph 8(a)] the related organisational structure(s) showing where these management-level positions and committees lie; and [Paragraph 8(b)] the processes and frequency by which management is informed about, makes decisions on, and monitors, climate-related risks and opportunities. [Paragraph 8(c)]	a description of management's role in assessing and managing climate-related risks and opportunities, including whether that role is delegated to a specific management-level position or committee and how oversight is exercised over that position or committee. The description shall include information about whether dedicated controls and procedures are applied to management of climate-related risks and opportunities and, if so, how they are integrated with other internal functions. [Paragraph 5(g)]	No substantive difference.
	In preparing disclosures to fulfil the requirements in paragraph 5, an entity shall avoid unnecessary duplication in accordance with [draft] IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> (see	The proposed 'location of disclosures' requirements in XRB's ED NZ CS 3 <i>General Requirement for Climate-related Disclosures</i> provides entities with the flexibility to provide its climate-related disclosures in a standalone document or within

<i>Governance</i>		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
	<p>paragraph 78). For example, although an entity shall provide the information required by paragraph 5, when its oversight of sustainability-related risks and opportunities is managed on an integrated basis, providing integrated governance disclosures rather than separate disclosures for each significant sustainability-related risk and opportunity would reduce duplication.</p> <p>[Paragraph 6]</p>	<p>another document for example, its annual report or a sustainability or integrated report. See proposed paragraphs 13 to 19 of ED NZ CS 3.</p> <p>This proposed flexibility in ED NZ CS 3 will enable entities to provide integrated governance disclosures in line with ISSB's proposed paragraph 6.</p>

Table 2 Comparison of Strategy Disclosures – XRB Proposals to ISSB Proposals

Strategy		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
<p>Disclosure objective</p> <p>To enable primary users to understand how climate change is currently impacting an entity and how it may do so in the future. This includes the <i>scenario analysis</i> it has undertaken, the climate-related risks and opportunities an entity has identified, the anticipated <i>impacts</i> and <i>financial impacts</i> of these, and how it will position itself as the global and domestic economy transitions towards a low-emissions, climate-resilient future state.</p> <p>[Paragraph 9]</p>	<p>The objective of climate-related financial disclosures on strategy is to enable users of general purpose financial reporting to understand an entity's strategy for addressing significant climate-related risks and opportunities.</p> <p>[Paragraph 7]</p>	<p>The ISSB's proposed objective for the strategy section is quite narrow. The XRB's proposed objective is broader, summarising the full breadth of the underlying section rather than being short and simple. We consider that the ISSB's proposed objective could confuse because it implies that an entity should have a 'strategy for addressing' climate change, i.e. a separate and disconnected strategy, rather than considering the impacts of climate change on its core strategy then reflecting on what may need to change.</p>
<p>Disclosures</p> <p>To achieve the disclosure objective in paragraph 9, an entity must disclose:</p> <p>[Paragraph 10]</p> <p>a description of its current climate-related impacts (see paragraph 11);</p> <p>[Paragraph 10(a)]</p> <p>a description of the scenario analysis it has undertaken (see paragraph 12);</p> <p>[Paragraph 10(b)]</p> <p>a description of the climate-related risks and opportunities it has identified over the short, medium, and long term (see paragraph 13);</p> <p>[Paragraph 10(c)]</p> <p>a description of the anticipated impacts of climate-related risks and opportunities (see paragraph 14); and</p> <p>[Paragraph 10(d)]</p> <p>a description of how it will position itself as the global and domestic economy transitions towards a low-emissions, climate-resilient future state (see paragraph 15).</p> <p>[Paragraph 10(e)]</p>	<p>To achieve this objective, an entity shall disclose information about:</p> <p>[Paragraph 8]</p> <p>the significant climate-related risks and opportunities that it reasonably expects could affect its business model, strategy and cash flows, its access to finance and its cost of capital, over the short, medium or long term (see paragraphs 9–11);</p> <p>[Paragraph 8(a)]</p> <p>the effects of significant climate-related risks and opportunities on its business model and value chain (see paragraph 12);</p> <p>[Paragraph 8(b)]</p> <p>the effects of significant climate-related risks and opportunities on its strategy and decision-making, including its transition plans (see paragraph 13);</p> <p>[Paragraph 8(c)]</p> <p>the effects of significant climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long term—including how climate-related risks and opportunities are included in the entity's financial planning (see paragraph 14); and</p> <p>[Paragraph 8(d)]</p> <p>the climate resilience of its strategy (including its business model) to significant physical risks and significant transition risks (see paragraph 15).</p> <p>[Paragraph 8(e)]</p>	<p>Both the XRB and the ISSB have departed structurally from the TCFD's recommendations.</p> <p>We have aligned with the ISSB's proposals to the extent we considered necessary. We have not fully aligned with the ISSB's proposed structure, reflecting our more principles-based approach.</p>

Strategy		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
<p>Current impacts and financial impacts</p> <p>An entity must include the following information when describing its current climate-related impacts (see paragraph 10(a)):</p> <p>[Paragraph 11]</p> <p>its current physical and transition impacts;</p> <p>[Paragraph 11(a)]</p>	<p>An entity shall disclose information that enables users of general purpose financial reporting to understand its assessment of the current and anticipated effects of significant climate-related risks and opportunities on its business model. Specifically, an entity shall disclose:</p> <p>[Paragraph 12]</p>	<p>We have separated out current impacts and anticipated impacts (see our proposed paragraph 14(a) for proposed requirement to disclose anticipated impacts).</p>
	<p>a description of the current and anticipated effects of significant climate-related risks and opportunities on its value chain; and</p> <p>[Paragraph 12(a)]</p>	<p>Additional requirement in ISSB's ED IFRS S2.</p> <p>We would expect the disclosure under our proposed paragraph 11(a) and 13 to include impacts on an entity's value chain.</p>
	<p>a description of where in its value chain significant climate-related risks and opportunities are concentrated (for example, geographical areas, facilities or types of assets, inputs, outputs or distribution channels).</p> <p>[Paragraph 12(b)]</p>	<p>Additional requirement in ISSB's ED IFRS S2.</p> <p>We would expect the disclosure under our proposed paragraph 11(a) and 13(c) to include impacts on an entity's value chain.</p>
	<p>Financial position, financial performance and cash flows</p> <p>An entity shall disclose information that enables users of general purpose financial reporting to understand the effects of significant climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long term—including how climate-related risks and opportunities are included in the entity's financial planning. An entity shall disclose quantitative information unless it is unable to do so. If an entity is unable to provide quantitative information, it shall provide qualitative information. When providing quantitative information, an entity can disclose single amounts or a range. Specifically, an entity shall disclose:</p> <p>[Paragraph 14]</p>	<p>No substantive difference.</p>
<p>the current financial impacts of its physical and transition impacts identified in paragraph 11(a); and</p> <p>[Paragraph 11(b)]</p> <p>Financial impacts is defined in ED NZ CS 1 as the translation of impacts into current or anticipated impacts on financial performance, financial position, and cash flows.</p>	<p>how significant climate-related risks and opportunities have affected its most recently reported financial position, financial performance and cash flows;</p> <p>[Paragraph 14(a)]</p>	<p>No substantive differences.</p>

Strategy		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
if the entity is unable to disclose quantitative information for paragraph 11(b), an explanation of why that is the case. [Paragraph 11(c)]	if the entity is unable to disclose quantitative information for paragraph 14(a)–(d), an explanation of why that is the case. [Paragraph 14(e)]	Aligned.
<p>Scenario analysis undertaken</p> <p>An entity must describe the scenario analysis it has undertaken to help identify its climate-related risks and opportunities and better understand the resilience of its business model and strategy. This must include a description of how it has analysed, at a minimum, a 1.5 degrees Celsius <i>climate-related scenario</i>, a 3 degrees Celsius or greater climate-related scenario, and a third climate-related scenario (see paragraph 10(b)). [Paragraph 12]</p>	<p>whether the analysis has been conducted by comparing a diverse range of climate-related scenarios; [Paragraph 15(b)(i)(2)]</p> <p>whether the scenarios used are associated with transition risks or increased physical risks; [Paragraph 15(b)(i)(3)]</p> <p>whether the entity has used, among its scenarios, a scenario aligned with the latest international agreement on climate change; [Paragraph 15(b)(i)(4)]</p>	<p>Following feedback from our SMT consultation we amended our scenario analysis proposals, see Basis for Conclusions on ED NZCS 1 Strategy section.</p> <p>We have not included an equivalent to ISSB's proposed paragraph 15(b)(i)(3) as we consider this could encourage non-integrated scenarios. Because all plausible futures involve some combination of physical and transition risk, we consider this to be a more appropriate direction to be encouraging entities to head, which will better enable subsequent strategic decision-making.</p> <p>We have not used the ISSB's proposed definition of 'the latest international agreement on climate change' as we consider there is a relatively strong consensus that using a 1.5 degrees scenario is most useful and comparable in this context. In our view the ISSB's proposed definition is broad and open to interpretation.</p>
	<p>Climate resilience</p> <p>An entity shall disclose information that enables users of general purpose financial reporting to understand the resilience of the entity's strategy (including its business model) to climate-related changes, developments or uncertainties—taking into consideration an entity's identified significant climate-related risks and opportunities and related uncertainties. The entity shall use climate-related scenario analysis to assess its climate resilience unless it is unable to do so. If an entity is unable to use climate-related scenario analysis, it shall use an alternative method or technique to assess its climate resilience. When providing quantitative information, an entity can disclose single amounts or a range. Specifically, the entity shall disclose: [Paragraph 15]</p> <p>the results of the analysis of climate resilience, which shall enable users to understand: [Paragraph 15(a)]</p> <p>the implications, if any, of the entity's findings for its strategy, including how it would need to respond to the effects identified in paragraph 15(b)(i)(8) or 15(b)(ii)(6); [Paragraph 15(a)(i)]</p>	<p>We are not proposing to allow alternatives to scenario analysis to be used. We consider that the alternatives proposed by the ISSB are not necessarily appropriate for the purpose of identifying climate-related risks and opportunities and testing the resilience of an entity's business model and strategy. Rather, they appear to be more suited to financial impact analysis, which is a different purpose. We consider that allowing entities to avoid undertaking scenario analysis will create unnecessary consistency and comparability problems for primary users. We think it is preferable for all sectors to collaborate on scenario analysis to help individual entities to create more decision-useful scenarios and learn how to undertake it.</p> <p>Our submission to the ISSB includes further information on this point.</p>

Strategy		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
	the significant areas of uncertainty considered in the analysis of climate resilience; [Paragraph 15(a)(ii)]	
Climate-related risks and opportunities An entity must include the following information when describing the climate-related risks and opportunities it has identified (see paragraph 10(c)): [Paragraph 13]	Climate-related risks and opportunities An entity shall disclose information that enables users of general purpose financial reporting to understand the significant climate-related risks and opportunities that could reasonably be expected to affect the entity's business model, strategy and cash flows, its access to finance and its cost of capital, over the short, medium or long term. Specifically, the entity shall disclose: [Paragraph 9]	No substantive differences. We have not included specific reference to the entity's access to finance or cost of capital as we consider this unnecessary. We are not convinced this will work for all entities and have retained a more principles-based approach.
how it defines short, medium and long term and how the definitions are linked to its strategic planning horizons and capital deployment plans; [Paragraph 13(a)]	how it defines short, medium and long term and how these definitions are linked to the entity's strategic planning horizons and capital allocation plans. [Paragraph 9(b)]	Aligned.
a description of the time horizon over which each climate-related risk or opportunity could reasonably be expected to have a financial impact; [Paragraph 13(b)]	a description of significant climate-related risks and opportunities and the time horizon over which each could reasonably be expected to affect its business model, strategy and cash flows, its access to finance and its cost of capital, over the short, medium or long term. [Paragraph 9(a)]	Aligned. We have not included specific reference to the entity's access to finance or cost of capital as we consider this unnecessary. We are not convinced this will work for all entities and have retained a more principles-based approach.
whether the risks and opportunities identified are physical or transition risks or opportunities and, where relevant, their sector and/or geography; and [Paragraph 13(c)]	whether the risks identified are physical risks or transition risks. For example, acute physical risks could include the increased severity of extreme weather events such as cyclones and floods, and examples of chronic physical risks include rising sea levels or rising mean temperatures. Transition risks could include regulatory, technological, market, legal or reputational risks. [Paragraph 9(c)]	We have added specific reference to opportunities here for alignment with the rest of ED NZ CS 1.
how climate-related risks and opportunities serve as an input to its financial planning processes, including for capital deployment and funding. [Paragraph 13(d)]		This is a disclosure from the TCFD that we have included.

Strategy		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
	In identifying the significant climate-related risks and opportunities described in paragraph 9(a), an entity shall refer to the disclosure topics defined in the industry disclosure requirements (Appendix B). [Paragraph 10]	Additional requirement in ISSB's ED IFRS S2. We are not proposing to require industry-based disclosure requirements.
	In preparing disclosures to fulfil the requirements in paragraphs 12–15, an entity shall refer to and consider the applicability of cross-industry metric categories and the industry-based metrics associated with disclosure topics, as described in paragraph 20. [Paragraph 11]	Additional requirement in ISSB's ED IFRS S2. We are not proposing to require industry-based disclosure requirements.
Anticipated impacts and financial impacts An entity must include the following information when describing the anticipated impacts of the climate-related risks and opportunities it has identified (see paragraph 10(d)): [Paragraph 14] the anticipated impacts of climate-related risks and opportunities reasonably expected by the entity; [Paragraph 14(a)]	An entity shall disclose information that enables users of general purpose financial reporting to understand its assessment of the current and anticipated effects of significant climate-related risks and opportunities on its business model. Specifically, an entity shall disclose: [Paragraph 12]	We have separated out current impacts and anticipated impacts (see our proposed paragraph 11(a) for proposed requirement to disclose current impacts). Then see proposed paragraphs 11(b) and 14(b) for financial impact disclosures.
the anticipated financial impacts of climate-related risks and opportunities reasonably expected by the entity; and [Paragraph 14(b)]	how it expects its financial position to change over time, given its strategy to address significant climate-related risks and opportunities, reflecting: [Paragraph 14(c)] its current and committed investment plans and their anticipated effects on its financial position (for example, capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas and asset retirements); [Paragraph 14(c)(i)] its planned sources of funding to implement its strategy; [Paragraph 14(c)(ii)] how it expects its financial performance to change over time, given its strategy to address significant climate-related risks and opportunities (for example, increased revenue from or costs of products and services aligned with a lower-carbon economy, consistent with the latest international agreement on climate change; physical damage to assets	The ISSB proposals contain quite prescriptive disclosures on anticipated financial impacts, we comment on these proposed disclosures in our submission to the ISSB.

Strategy		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
	from climate events; and the costs of climate adaptation or mitigation); and [Paragraph 14(d)]	
	information about the climate-related risks and opportunities identified in paragraph 14(a) for which there is a significant risk that there will be a material adjustment to the carrying amounts of assets and liabilities reported in the financial statements within the next financial year; [Paragraph 14(b)]	Additional requirement in ISSB's ED IFRS S2, we comment on this proposed disclosure in our submission to the ISSB.
if the entity is unable to disclose quantitative information for paragraph 14(b), an explanation of why that is the case. [Paragraph 14(c)]	if the entity is unable to disclose quantitative information for paragraph 14(a)–(d), an explanation of why that is the case. [Paragraph 14(e)]	Aligned.
Transition plan aspects of its strategy An entity must include the following information when describing how it will position itself as the global and domestic economy transitions towards a low-emissions, climate-resilient future state (see paragraph 10(e)): [Paragraph 15]	Strategy and decision-making An entity shall disclose information that enables users of general purpose financial reporting to understand the effects of significant climate-related risks and opportunities on its strategy and decision-making, including its transition plans. Specifically, an entity shall disclose: [Paragraph 13] how it is responding to significant climate-related risks and opportunities including how it plans to achieve any climate-related targets it has set. This shall include: [Paragraph 13(a)]	ED IFRS S2 has included both reference to an entity's transition plan and also 'how it is responding to significant climate-related risks and opportunities'. We have not included both as we consider this to be duplicative and we would expect the latter to be included in a transition plan. Our definition of a transition plan is slightly broader.
a description of its current business model and strategy; [Paragraph 15(a)]		Additional XRB proposed disclosure to ensure disclosures on business model and strategy can be understood by primary users.
the <i>transition plan</i> aspects of its strategy, including how its business model and strategy might change to address its climate-related risks and opportunities; and [Paragraph 15(b)]	information about current and anticipated changes to its business model, including: [Paragraph 13(a)(i)] about changes the entity is making in strategy and resource allocation to address the risks and opportunities identified in paragraph 12. Examples of these changes include resource allocations resulting from demand or supply changes, or from new business lines; resource allocations arising from business development through capital expenditures or additional expenditure on operations or research and development; and acquisitions and divestments. This information includes plans and critical assumptions for	We have taken a more principles-based approach to this proposed disclosure but consider there to be general alignment. We would expect most of the detail in the ISSB additional proposed disclosures to be included in an entity's transition plan.

Strategy		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
	<p>legacy assets, including strategies to manage carbon-energy- and water-intensive operations, and to decommission carbon-energy- and water-intensive assets.</p> <p>[Paragraph 13(a)(i)(1)]</p> <p>information about direct adaptation and mitigation efforts it is undertaking (for example, through changes in production processes, workforce adjustments, changes in materials used, product specifications or through introduction of efficiency measures).</p> <p>information about indirect adaptation and mitigation efforts it is undertaking (for example, by working with customers and supply chains or use of procurement).</p> <p>[Paragraph 13(a)(i)(2)]</p>	
<p>the extent to which transition plan aspects of its strategy are aligned with its financial planning processes, including for capital deployment and funding.</p> <p>[Paragraph 15(c)]</p>	<p>how these plans will be resourced.</p> <p>[Paragraph 13(a)(ii)]</p>	<p>Generally aligned.</p>
	<p>information regarding climate-related targets for these plans including:</p> <p>[Paragraph 13(b)]</p> <p>the processes in place for review of the targets;</p> <p>[Paragraph 13(b)(i)]</p> <p>the amount of the entity's emission target to be achieved through emission reductions within the entity's value chain;</p> <p>[Paragraph 13(b)(ii)]</p> <p>the intended use of <i>carbon offsets</i> in achieving emissions targets. In explaining the intended use of carbon offsets the entity shall disclose information including:</p> <p>[Paragraph 13(b)(iii)]</p> <p>the extent to which the targets rely on the use of carbon offsets;</p> <p>[Paragraph 13(b)(iii)(1)]</p> <p>whether the offsets will be subject to a third-party offset verification or certification scheme (<i>certified carbon offset</i>), and if so, which scheme, or schemes;</p> <p>[Paragraph 13(b)(iii)(2)]</p> <p>the type of carbon offset, including whether the offset will be nature-based or based on technological carbon removals</p>	<p>Generally, we expect all entities with a transition plan to disclose most of this information. We have not called it out separately here as it is effectively already captured below in XRB's proposed paragraph 22 in the metrics and targets section, so would already be disclosed.</p> <p>The ISSB's proposals require the disclosure of information about the use of offsets in its proposed strategy disclosures for transition plans. The XRB Board's view is that offsets cannot be an important part of a credible, long-term transition plan for an entity. However, the XRB Board agrees for the need for transparency around the extent to which an entity's targets rely on offsets and proposed disclosure of this (see XRB's proposed paragraph 22(e)(iii)).</p> <p>The ISSB proposals include the disclosure of a greater level of information about the use of offsets than the XRB. We believe we have covered core information for primary users. An entity may wish to provide additional information if they believe it is material to primary users.</p> <p>Our submission to the ISSB includes further information on this point.</p>

Strategy		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
	<p>and whether the amount intended to be achieved is through carbon removal or emission avoidance; and [Paragraph 13(b)(iii)(3)]</p> <p>any other significant factors necessary for users to understand the credibility and integrity of offsets intended to be used by the entity (for example, assumptions regarding the permanence of the carbon offset). [Paragraph 13(b)(iii)(4)]</p>	
	<p>quantitative and qualitative information about the progress of plans disclosed in prior reporting periods in accordance with paragraph 13(a)–(b). Related requirements are provided in paragraph 20. [Paragraph 13(c)]</p>	<p>We consider this requirement to be covered in our proposed paragraph 22(d) in the Metrics and Targets section.</p>
	<p>the entity's capacity to adjust or adapt its strategy and business model over the short, medium and long term to climate developments in terms of: [Paragraph 15(a)(iii)]</p> <p>the availability of, and flexibility in, existing financial resources, including capital, to address climate-related risks, and/or to be redirected to take advantage of climate-related opportunities; [Paragraph 15(a)(iii)(1)]</p> <p>the ability to redeploy, repurpose, upgrade or decommission existing assets; and [Paragraph 15(a)(iii)(2)]</p> <p>the effect of current or planned investments in climate-related mitigation, adaptation or opportunities for climate resilience. [Paragraph 15(a)(iii)(3)]</p>	<p>Additional requirements in ISSB's ED IFRS S2, we have not included this level of prescriptiveness. Our submission to the ISSB includes comments on these proposed disclosures.</p>
<p>Scenario analysis methodologies and assumptions An entity must disclose the methodologies and assumptions underlying the climate-related scenarios used, and the scenario analysis process employed. The following information must be included when describing the methodologies and assumptions underlying the climate-related scenarios used, and the scenario analysis process employed: [Paragraph 50 of ED NZ CS 3]</p>	<p>how the analysis has been conducted, including: [Paragraph 15(b)]</p> <p>when climate-related scenario analysis is used: [Paragraph 15(b)(i)]</p>	<p>We have added more emphasis to the 'process employed' to give primary users transparency on what steps were taken.</p>

Strategy		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
the climate-related scenarios it has used, including: [Paragraph 50(a) of ED NZ CS 3]	which scenarios were used for the assessment and the sources of the scenarios used; [Paragraph 15(b)(i)(1)]	Aligned
a brief description of each scenario narrative; [Paragraph 50(a)(i) of ED NZ CS 3]		We have added this proposed requirement, drawing on TCFD guidance and because we consider primary users are seeking this information to help understand the scenario in question.
the time horizons considered, including endpoints and whether the endpoints are determined by a year or a temperature target; [Paragraph 50(a)(ii) of ED NZ CS 3]	the time horizons used in the analysis; [Paragraph 15(b)(i)(6)]	Aligned, we have slightly more detail from the underlying TCFD guidance.
a description of the various emissions reduction pathways in each scenario and the key assumptions underlying pathway development over time, including the scope of operations covered, policy and socioeconomic assumptions, macroeconomic trends, energy pathways, carbon sequestration from afforestation and nature-based solutions and technology assumptions including negative emissions technology; [Paragraph 50(a)(iii) of ED NZ CS 3]	the inputs used in the analysis, including—but not limited to—the scope of risks (for example, the scope of physical risks included in the scenario analysis), the scope of operations covered (for example, the operating locations used), and details of the assumptions (for example, geospatial coordinates specific to entity locations or national- or regional-level broad assumptions); and [Paragraph 15(b)(i)(7)] assumptions about the way the transition to a lower-carbon economy will affect the entity, including policy assumptions for the jurisdictions in which the entity operates; assumptions about macroeconomic trends; energy usage and mix; and technology. [Paragraph 15(b)(i)(8)]	Generally aligned. We refer to the assumptions that the ISSB has in proposed paragraph 15(b)(i)(8) differently but ultimately capture the same information.
an explanation of why the entity believes the chosen scenarios are relevant and appropriate to assessing the resilience of the entity's business model and strategy to climate-related risks and opportunities; and [Paragraph 50(a)(iv) of ED NZ CS 3]	an explanation of why the entity has decided that its chosen scenarios are relevant to assessing its resilience to climate-related risks and opportunities; [Paragraph 15(b)(i)(5)]	Aligned
the sources of data used to construct each scenario; [Paragraph 50(a)(v) of ED NZ CS 3]		We have added this proposed requirement from underlying TCFD guidance. We consider this important to help bring transparency to what external materials the entity has drawn from. This will help primary users to better understand the assumptions being made and whether they are novel or aligned with others in the same sector / across sectors.

Strategy		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
<p>how the scenario analysis process has been conducted, including: [Paragraph 50(b) of ED NZ CS 3]</p> <p>whether scenario analysis is a standalone analysis or integrated within the entity's strategy processes; [Paragraph 50(b)(i) of ED NZ CS 3]</p> <p>the governance process used to oversee and manage the scenario analysis process, including the role of the governance body and management; [Paragraph 50(b)(ii) of ED NZ CS 3]</p> <p>if modelling has been undertaken, a clear description of what modelling was undertaken and why the model/s were chosen as the appropriate model/s; and [Paragraph 50(b)(iii) of ED NZ CS 3]</p> <p>which external partners and stakeholders are involved. [Paragraph 50(b)(vi) of ED NZ CS 3]</p>	-	<p>We have added this proposed requirement, drawing on TCFD guidance and because we consider primary users are seeking this information to help understand the scenario in question.</p>
	<p>(ii) when climate-related scenario analysis is not used: [Paragraph 15(b)(ii)]</p> <p>an explanation of the methods or techniques used to assess the entity's climate resilience (for example, single-point forecasts, sensitivity analysis or qualitative analysis); [Paragraph 15(b)(ii)(1)]</p> <p>the climate-related assumptions used in the analysis including whether it includes a range of hypothetical outcomes; [Paragraph 15(b)(ii)(2)]</p> <p>an explanation of why the entity has decided that the chosen climate-related assumptions are relevant to assessing its resilience to climate-related risks and opportunities; [Paragraph 15(b)(ii)(3)]</p> <p>the time horizons used in the analysis; [Paragraph 15(b)(ii)(4)]</p> <p>the inputs used in the analysis, including—but not limited to—the scope of risks (for example, the scope of physical risks included in the analysis), the scope of operations covered (for example, the operating locations used), and details of the assumptions (for example, geospatial</p>	<p>We are not proposing to allow alternatives to scenario analysis to be used. We consider that the alternatives proposed by the ISSB are not necessarily appropriate for the purpose of identifying climate-related risks and opportunities and testing the resilience of the business model and strategy. Rather, they appear to be more suited to financial impact analysis, which is a different purpose. We consider that allowing entities to avoid undertaking scenario analysis will create unnecessary consistency and comparability problems for primary users. We think it is preferable for all sectors to collaborate on scenario analysis to help individual entities to create more decision-useful scenarios and learn how to undertake it.</p> <p>We consider that all entities can do climate-related scenario analysis now for the purposes of identifying risks and opportunities and considering the resilience of their business model and strategy. Any limitations in access to data or concerns regarding compliance costs are purely about the quality, depth and breadth of the analysis, rather than the ability to do it at all.</p> <p>Our submission to the ISSB includes further information on this point.</p>

<i>Strategy</i>		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
	<p>coordinates specific to entity locations or national- or regional-level broad assumptions);</p> <p>[Paragraph 15(b)(ii)(5)]</p> <p>assumptions about the way the transition to a lower carbon economy will affect the entity, including policy assumptions for the jurisdictions in which the entity operates; assumptions about macroeconomic trends; energy usage and mix; and technology; and</p> <p>[Paragraph 15(b)(ii)(6)]</p> <p>an explanation of why the entity was unable to use climate-related scenario analysis to assess the climate resilience of its strategy.</p> <p>[Paragraph 15(b)(ii)(7)]</p>	

Table 3 Comparison of Risk Management Disclosures – XRB Proposals to ISSB Proposals

Risk Management		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
<p>Disclosure Objective</p> <p>To enable primary users to understand how an entity's climate-related risks are identified, assessed, and managed and how those processes are integrated in existing <i>risk management</i> processes.</p> <p>[Paragraph 16]</p>	<p>The objective of climate-related financial disclosures on risk management is to enable users of general purpose financial reporting to understand the process, or processes, by which climate-related risks and opportunities are identified, assessed and managed.</p> <p>[Paragraph 16]</p>	<p>The main difference between the XRB and ISSB risk management proposed disclosure requirements is that the ISSB has decided to add to the TCFD recommendations. The ISSB proposals include the addition of processes used to identify and prioritise climate-related <u>opportunities</u>.</p> <p>Our submission to the ISSB includes further information on this point.</p>
<p>Disclosures</p> <p>To achieve the disclosure objective in paragraph 16, an entity must disclose the following information for both <i>transition risks</i> and <i>physical risks</i>:</p> <p>[Paragraph 17]</p> <p>a description of its processes for identifying, assessing and managing climate-related risks (see paragraph 18); and</p> <p>[Paragraph 17(a)]</p>	<p>To achieve this objective, an entity shall disclose:</p> <p>[Paragraph 17]</p> <p>the process, or processes, it uses to identify climate-related:</p> <p>[Paragraph 17(a)]</p> <p>risks;</p> <p>[Paragraph 17(a)(i)]</p> <p>and opportunities;</p> <p>[Paragraph 17(a)(ii)]</p> <p>the process, or processes, it uses to monitor and manage the climate-related:</p> <p>risks, including related policies; and</p> <p>opportunities, including related policies;</p> <p>[Paragraph 17(d)(i) and (ii)]</p>	<p>As noted above, the ISSB proposals include the addition of processes used to identify and prioritise climate-related <u>opportunities</u>.</p> <p>The disclosure of related policies is an additional requirement in ISSB's ED IFRS S2. The XRB Board decided not to add a disclosure requirement on related policies. It does not believe the disclosures of policies per se will provide useful information for primary users.</p> <p>Our submission to the ISSB includes further information on this point.</p>
<p>a description of how its processes for identifying, assessing, and managing climate-related risks are integrated into its overall risk management processes.</p> <p>[Paragraph 17(b)]</p>	<p>the extent to which and how the climate-related risk identification, assessment and management process, or processes, are integrated into the entity's overall risk management process; and</p> <p>[Paragraph 17(e)]</p>	<p>No substantive differences.</p>
<p>An entity must include the following information when describing its processes for identifying, assessing and managing climate-related risks (see paragraph 17(a)):</p> <p>[Paragraph 18]</p>	<p>the process, or processes, it uses to identify climate-related risks for risk management purposes, including when applicable:</p> <p>[Paragraph 17(b)]</p>	<p>ISSB proposals refer to 'risk management purposes'</p> <p>Our submission to the ISSB includes further information on this point.</p>
<p>the tools and methods used to identify, and to assess the scope, size, and impact of, its identified climate-related risks;</p> <p>[Paragraph 18(a)]</p>	<p>the input parameters it uses (for example, data sources, the scope of operations covered and the detail used in assumptions); and</p> <p>[Paragraph 17(b)(iii)]</p>	<p>No substantive differences.</p>

Risk Management		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
	how it assesses the likelihood and effects associated with such risks (such as the qualitative factors, quantitative thresholds and other criteria used); [Paragraph 17(b)(i)]	
the short-, medium-, and long-term time horizons considered, including specifying the duration of each of these time horizons; [Paragraph 18(b)]		Proposed paragraph 17(b)(iii) of ED IFRS S2 requires disclosure of the input parameters used. Timeframes considered could be an input parameter.
whether any parts of the <i>value chain</i> are excluded; [Paragraph 18(c)]		Proposed paragraph 17(b)(iii) of ED IFRS S2 requires disclosure of the input parameters used, including scope of operations covered. The XRB Board's view is that a comprehensive approach to the identification and assessment of risk includes all stages of the value chain. Primary users want to know if an entity has excluded any stages of its value chain when identifying and assessing climate-related risks.
the frequency of assessment; and [Paragraph 18(d)]		Risk management processes should be iterative, the XRB Board added this disclosure to provide primary users with information on an entity's processes in relation to the frequency of review and revision.
how it prioritises climate-related risks relative to other types of risks. [Paragraph 18(e)]	how it prioritises climate-related risks relative to other types of risks, including its use of risk-assessment tools (for example, science-based risk-assessment tools); [Paragraph 17(b)(iii)]	ISSB's proposed disclosure is more prescriptive, the ISSB's proposed disclosure requires disclosure of an entity's use of risk-assessment tools.
	whether it has changed the processes used compared to the prior reporting period; [Paragraph 17(b)(iv)]	This will be covered by the proposed requirements in XRB's ED NZ CS 3 <i>General Requirement for Climate-related Disclosures</i> . If an entity changes what it discloses or how it presents its information, the proposals require that it must provide an explanation of those changes and of the effect on the current reporting period's climate-related disclosures.
	The process, or processes, it uses to identify, assess and prioritise climate-related opportunities; [Paragraph 17(c)]	Additional requirement in ISSB's ED IFRS S2. As noted above, the ISSB proposals include the addition of processes used to identify and prioritise climate-related <u>opportunities</u> . Our submission to the ISSB includes further information on this point.

Risk Management		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
	<p>the extent to which and how the climate-related opportunity identification, assessment and management process, or processes, are integrated into the entity's overall management process</p> <p>[Paragraph 17(f)]</p>	<p>Additional requirement in ISSB's ED IFRS S2.</p> <p>As noted above, the ISSB proposals include the addition of processes used to identify and prioritise climate-related <u>opportunities</u>.</p> <p>Our submission to the ISSB includes further information on this point.</p>
	<p>In preparing disclosures to fulfil the requirements in paragraph 17, an entity shall avoid unnecessary duplication in accordance with [draft] IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> (see paragraph 78). For example, although an entity shall provide the information required by paragraph 17, when its oversight of sustainability-related risks and opportunities is managed on an integrated basis, providing integrated risk management disclosures rather than separate disclosures for each significant sustainability-related risk and opportunity would reduce duplication.</p> <p>[Paragraph 18]</p>	<p>The proposed 'location of disclosures' requirements in XRB's ED NZ CS 3 provides entities with the flexibility to provide its climate-related disclosures in a standalone document or within another document for example, its annual report or a sustainability or integrated report. See proposed paragraphs 13 to 19 of ED NZ CS 3.</p> <p>This proposed flexibility in ED NZ CS 3 will enable entities to provide integrated risk management disclosures in line with ISSB's proposed paragraph 18.</p>

Table 4 Comparison of Metrics and Targets Disclosures – XRB Proposals to ISSB Proposals

Metrics and Targets		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
<p>Disclosure objective</p> <p>To enable primary users to understand how an entity measures and manages its climate-related risks and opportunities. <i>Metrics</i> and <i>targets</i> also provide a basis upon which primary users can compare entities within a sector or industry.</p> <p>[Paragraph 19]</p>	<p>The objective of climate-related financial disclosures on metrics and targets is to enable users of general purpose financial reporting to understand how an entity measures, monitors and manages its significant climate-related risks and opportunities. These disclosures shall enable users to understand how the entity assesses its performance, including progress towards the targets it has set.</p> <p>[Paragraph 19]</p>	<p>No substantive differences in the first sentence between ISSB and XRB.</p> <p>The accompanying working draft of XRB staff guidance provides information on the perspective of primary users (i.e., why primary users want the disclosure – why the information is useful) for each proposed disclosure.</p> <p>We have provided information similar to the second sentence from ISSB proposals in the accompanying working draft of XRB staff guidance.</p>
<p>To achieve the disclosure objective in paragraph 19, an entity must disclose:</p> <p>[Paragraph 20]</p> <p>the cross-industry metrics, which are relevant to entities regardless of industry and business model; (see paragraph 21)</p> <p>[Paragraph 20(a)]</p>	<p>To achieve this objective, an entity shall disclose:</p> <p>[Paragraph 20]</p> <p>information relevant to the cross-industry metric categories (see paragraph 21), which are relevant to entities regardless of industry and business model;</p> <p>[Paragraph 20(a)]</p>	<p>See below for commentary on the alignment between proposed cross-industry metrics of XRB's ED NZ CS 1 and ISSB ED IFRS S2.</p>
<p>industry-based metrics relevant to its industry or business model used to measure and manage climate-related risks and opportunities;</p> <p>[Paragraph 20(b)]</p>	<p>industry-based metrics (as set out in Appendix B) which are associated with disclosure topics and relevant to entities that participate within an industry, or whose business models and underlying activities share common features with those of the industry;</p> <p>[Paragraph 20(b)]</p>	<p>The XRB Board decided not to prescribe industry-based metrics at this time. See ED NZ CS 1 Basis for Conclusions Metrics and Targets section.</p>
<p>any other key performance indicators used to measure and manage climate-related risks and opportunities; and</p> <p>[Paragraph 20(c)]</p>	<p>other metrics used by the board or management to measure progress towards the targets identified in paragraph 20(d); and</p> <p>[Paragraph 20(c)]</p>	<p>No substantive differences.</p>
<p>the targets used to manage climate-related risks and opportunities and performance against targets (see paragraph 22)</p> <p>[Paragraph 20(d)]</p>	<p>targets set by the entity to mitigate or adapt to climate-related risks or maximise climate-related opportunities</p> <p>[Paragraph 20(d)]</p>	<p>No substantive differences.</p>
<p>An entity must disclose cross-industry metrics for each of the categories below (see paragraph 20(a)):</p> <p>[Paragraph 21]</p> <p><i>greenhouse gas (GHG) emissions: gross emissions</i> in metric tonnes of <i>carbon dioxide equivalent (CO₂e)</i> classified as; (see paragraph 23)</p>	<p>An entity shall disclose information relevant to the cross-industry metric categories of:</p> <p>[Paragraph 21]</p> <p><i>greenhouse gas emissions</i>—the entity shall disclose:</p> <p>[paragraph 21(a)]</p>	<p>We have used gross rather than absolute. See ED NZ CS 1 Basis for Conclusions Metrics and Targets section.</p> <p>The accompanying working draft of XRB staff guidance directs preparers to the GHG Protocol suite of documents or ISO 14064-1 as the primary standards. The Partnership for Carbon Accounting Financials is referenced for financial entities. The</p>

<i>Metrics and Targets</i>		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
[Paragraph 21(a)] <i>scope 1</i> ; [Paragraph 21(a)(i)] <i>scope 2</i> ; [Paragraph 21(a)(ii)] <i>scope 3</i> . [Paragraph 21(a)(iii)]	its absolute gross greenhouse gas emissions generated during the reporting period, measured in accordance with the <i>Greenhouse Gas Protocol Corporate Standard</i> , expressed as metric tonnes of <i>CO₂ equivalent</i> , classified as: [Paragraph 21(a)(i)] <i>Scope 1 emissions</i> ; [Paragraph 21(a)(i)(1)] <i>Scope 2 emissions</i> ; [Paragraph 21(a)(i)(2)] <i>Scope 3 emissions</i> ; [Paragraph 21(a)(i)(3)]	GHG Protocol will not be referenced in ED NZ CS 1. See ED NZ CS 1 Basis for Conclusions Metrics and Targets section. We have included Scope 3 emissions for all entities. Under the GHG Protocol Corporate Standard scope 3 emissions reporting is optional. See ED NZ CS 1 Basis for Conclusions Metrics and Targets section.
GHG <i>emissions intensity</i> ; [Paragraph 21(b)]	its greenhouse gas emissions intensity for each scope in paragraph 21(a)(i)(1)–(3), expressed as metric tonnes of CO ₂ equivalent per unit of physical or economic output; [Paragraph 21(a)(ii)]	We have not required an intensity disclosure for each scope. The ISSB proposed requirement to include emissions intensity by scope has not been standard practice to date. Our submission to the ISSB recommends removal of the proposed requirement to disclose emissions intensity by scope.
transition risks: amount or percentage of assets or business activities vulnerable to transition risks [Paragraph 21(c)]	transition risks—the amount and percentage of assets or business activities vulnerable to transition risks [Paragraph 21(b)]	We have used 'amount or percentage' rather than 'amount and percentage'. We believe that 'or' allows some flexibility for entities when reporting and is aligned with the TCFD.
physical risks: amount or percentage of assets or business activities vulnerable to physical risks [Paragraph 21(d)]	physical risks—the amount and percentage of assets or business activities vulnerable to physical risks [Paragraph 21(c)]	We have used 'amount or percentage' rather than 'amount and percentage'. We believe that 'or' allows some flexibility for entities when reporting and is aligned with the TCFD.
climate-related opportunities: amount or percentage of assets, or business activities aligned with climate-related opportunities. [Paragraph 21(e)]	climate-related opportunities—the amount and percentage of assets or business activities aligned with climate-related opportunities [Paragraph 21(d)]	We have used 'amount or percentage' rather than 'amount and percentage' for consistency with transition risks and physical risks disclosures.
capital deployment: amount of capital expenditure, financing, or investment deployed toward climate-related risks and opportunities. [Paragraph 21(f)]	capital deployment—the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities [Paragraph 21(e)]	Aligned.

Metrics and Targets		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
<p><i>internal emissions price</i>: price per metric tonne of CO₂e used internally by an entity [Paragraph 21(g)]</p>	<p>internal carbon prices: [Paragraph 21(f)] the price for each metric tonne of greenhouse gas emissions that the entity uses to assess the costs of its emissions; [Paragraph 21(f)(i)] an explanation of how the entity is applying the carbon price in decision-making (for example, investment decisions, transfer pricing and scenario analysis); [Paragraph 21(f)(ii)]</p>	<p>We have used emissions rather than carbon throughout Aotearoa New Zealand Climate Standards. This reflects that methane is also an important component of New Zealand's emissions.</p> <p>We have not required an explanation of how the internal emissions price is used. However, we have suggested in the accompanying working draft of XRB staff guidance that this may be additional information that an entity may wish to disclose, if it considers it is material to its primary users.</p>
<p>remuneration: management remuneration linked to climate-related risks and opportunities in the current period, expressed as a percentage, weighting, description or amount (see paragraph 7(d)). [Paragraph 21(h)]</p> <p>how the governance body sets, monitors progress against, and oversees achievement of metrics and targets for managing climate-related risks and opportunities, including whether and if so how, related performance metrics are incorporated into remuneration policies (see also paragraph 21(h)). [Paragraph 7(d)]</p>	<p>remuneration: [Paragraph 21(g)] the percentage of executive management remuneration recognised in the current period that is linked to climate-related considerations; and [Paragraph 21(g)(i)] a description of how climate-related considerations are factored into executive remuneration (also see paragraph 5(f)). [Paragraph 21(g)(ii)]</p> <p>5(f) how the body and its committees oversee the setting of targets related to significant climate-related risks and opportunities, and monitor progress towards them (see paragraphs 23–24), including whether and how related performance metrics are included in remuneration policies (see paragraph 21(g)); [Paragraph 5(f)]</p>	<p>We have used climate-related risks and opportunities rather than climate-related considerations to be consistent with the rest of ED NZ CS 1.</p> <p>We believe a description of how climate-related considerations are factored into executive remuneration is covered by our proposed disclosure requirement in paragraph 7(d).</p> <p>There are no substantive differences between XRB proposed paragraph 7(d) and ISSB proposed paragraph 5(f)</p>
<p>An entity must include the following information when describing the targets used to manage climate-related risks and opportunities, and performance against those targets (see paragraph 20(d)): [Paragraph 22]</p>	<p>An entity shall disclose its climate-related targets. For each climate-related target, an entity shall disclose: [Paragraph 23]</p>	<p>No substantive differences.</p>
<p>the time frame over which the target applies [Paragraph 22(a)]</p>	<p>the period over which the target applies; [Paragraph 23(g)]</p>	<p>No substantive differences.</p>
<p>the associated <i>interim targets</i> [Paragraph 22(b)]</p>	<p>any milestones or interim targets. [Paragraph 23(i)]</p>	<p>No substantive differences.</p>

Metrics and Targets		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
the <i>base year</i> from which progress is measured [Paragraph 22(c)]	the base period from which progress is measured; and [Paragraph 23(h)]	No substantive differences.
a description of performance against the targets; and [Paragraph 22(d)]		The XRB Board believes that disclosing a description of performance is important information for primary users.
	metrics used to assess progress towards reaching the target and achieving its strategic goals; [Paragraph 23(a)]	Additional requirement in ISSB's ED IFRS S2. Paragraph 20(d) of ED NZ CS 1 requires entities to disclose targets which are used to manage climate-related risks and opportunities. We do not believe this additional proposed ISSB disclosure is required.
	the specific target the entity has set for addressing climate-related risks and opportunities; [Paragraph 23(b)]	Additional requirement in ISSB's ED IFRS S2. Paragraph 20(d) of ED NZ CS 1 asks entities to disclose targets which are used to manage climate-related risks and opportunities. We do not believe this additional proposed ISSB disclosure is required.
for each GHG emission target: [Paragraph 22(e)] whether the target is an <i>absolute target</i> or <i>intensity target</i> , [Paragraph 22(e)(i)]	whether this target is an <i>absolute target</i> or an <i>intensity target</i> , [Paragraph 23(c)]	We have grouped those disclosures which relate only to GHG emissions separately. Aligned.
	the objective of the target (for example, mitigation, adaptation or conformance with sector or science-based initiatives); [Paragraph 23(d)]	Additional requirement in ISSB's ED IFRS S2. We believe this will be evident in most instances and that the nuance of mitigation, adaptation or conformance is not key information. We have included a proposed requirement as to whether the target is aligned with science see proposed paragraph 23(e)(ii) below.
for each GHG emission target: [Paragraph 22(e)] whether the target is aligned with science, and if so, whether it has been validated by a third party; [Paragraph 22(e)(ii)]	how the target compares with those created in the latest international agreement on climate change and whether it has been validated by a third party; [Paragraph 23(e)]	No substantive differences.
for each GHG emission target: [Paragraph 22(e)] the extent to which the target relies on offsets, whether the offsets are verified or certified, and if so, under which scheme or schemes.	Information regarding climate-related targets for these plans including: [Paragraph 13(b)]	ISSB requires the disclosure of information about the use of offsets in its proposed strategy disclosures for transition plans. The XRB Board's view is that offsets cannot be an <u>important part</u> of a credible, long-term transition plan for an entity. . However, the XRB Board agrees the need for transparency

Metrics and Targets		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
[Paragraph 22(e)(iii)]	<p>the intended use of <i>carbon offsets</i> in achieving emissions targets. In explaining the intended use of carbon offsets the entity shall disclose information including:</p> <p>[Paragraph 13(b)(iii)] the extent to which the targets rely on the use of carbon offsets;</p> <p>[Paragraph 13(b)(iii)(1)] whether the offsets will be subject to a third-party offset verification or certification scheme (<i>certified carbon offset</i>), and if so, which scheme, or schemes;</p> <p>[Paragraph 13(b)(iii)(2)] the type of carbon offset, including whether the offset will be nature-based or based on technological carbon removals and whether the amount intended to be achieved is through carbon removal or emission avoidance; and</p> <p>[Paragraph 13(b)(iii)(3)] any other significant factors necessary for users to understand the credibility and integrity of offsets intended to be used by the entity (for example, assumptions regarding the permanence of the carbon offset).</p> <p>[Paragraph 13(b)(iii)(4)]</p>	<p>around the extent to which an entity's targets rely on offsets and have proposed disclosure of this information.</p> <p>The ISSB proposals include the disclosure of a greater level of information about the use of offsets than the XRB (for example, the type of carbon offset). We believe we have covered core information for primary users. An entity may wish to provide additional information if they believe it is material to primary users.</p>
	<p>whether the target was derived using a sectoral decarbonisation approach;</p> <p>[Paragraph 23(f)]</p>	<p>Additional requirement in ISSB's ED IFRS S2.</p> <p>ED NZ CS 3 includes proposed requirements for the disclosure of methodologies and assumptions. We believe an entity would include this information when providing information about methodologies used. The accompanying working draft of XRB staff guidance suggests that an entity may include this information.</p>
<p>An entity must disclose the following in relation to its GHG emissions (see paragraph 21(a)):</p> <p>[Paragraph 23]</p>	<p><i>greenhouse gas</i> emissions—the entity shall disclose:</p> <p>[Paragraph 21(a)]</p>	<p>No substantive differences.</p>
<p>a statement describing the recognised standard or standards that the entity's GHG emissions have been measured in accordance with;</p> <p>[Paragraph 23(a)]</p>	<p>its absolute gross greenhouse gas emissions generated during the reporting period, measured in accordance with the <i>Greenhouse Gas Protocol Corporate Standard</i>, expressed as metric tonnes of <i>CO₂ equivalent</i>,</p> <p>[Paragraph 21(a)(i)]</p>	<p>The accompanying working draft of XRB staff guidance directs preparers to recognised standards, such as, the GHG Protocol suite of documents, ISO 14064-1 and the Partnership for Carbon Accounting Financials. The GHG Protocol will not be referenced in ED NZ CS 1. See ED NZ CS 1 Basis for Conclusions Metrics and Targets section.</p>

Metrics and Targets		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
<p>the GHG emissions consolidation approach used: equity share, financial control, or operational control; and [Paragraph 23(b)]</p>	<p>the approach it used to include emissions for the entities included in paragraph 21(a)(iii)(2) (for example, the equity share or operational control method in the Greenhouse Gas Protocol Corporate Standard); [Paragraph 21(a)(iv)]</p> <p>the reason, or reasons, for the entity's choice of approach in paragraph 21(a)(iv) and how that relates to the disclosure objective in paragraph 19; [Paragraph 21(a)(v)]</p>	<p>The XRB Board has not proposed a separate requirement for an entity to disclose the reason for the choice of GHG emissions consolidation approach. The XRB Board does not believe this disclosure will result in useful information for primary users.</p>
<p>a summary of specific exclusions of sources, facilities and/or operations with a justification of their exclusion. [Paragraph 23(c)]</p>	<p>for Scope 3 emissions disclosed in accordance with paragraph 21(a)(i)(3): [Paragraph 21(a)(vi)]</p> <p>an entity shall include upstream and downstream emissions in its measure of Scope 3 emissions; [Paragraph 21(a)(vi)(1)]</p> <p>an entity shall disclose the categories included within its measure of Scope 3 emissions, to enable users of general purpose financial reporting to understand which Scope 3 emissions have been included in, or excluded from, those reported; [Paragraph 21(a)(vi)(3)]</p> <p>when the entity's measure of Scope 3 emissions includes information provided by entities in its value chain, it shall explain the basis for that measurement; [Paragraph 21(a)(vi)(3)]</p> <p>if the entity excludes those greenhouse gas emissions in paragraph 21(a)(vi)(3), it shall state the reason for omitting them, for example, because it is unable to obtain a faithful measure; [Paragraph 21(a)(vi)(4)]</p>	<p>ISSB proposed paragraph 21(a)(vi)(1): Our definition for scope 3 includes upstream and downstream GHG emissions. Therefore, the ISSB's proposed additional disclosure is not necessary.</p> <p>ISSB proposed paragraph 21(a)(vi)(2): We have a simplified requirement requiring the disclosure of exclusions, we have not asked entities to disclose inclusions.</p> <p>ISSB proposed paragraph 21(a)(vi)(3): ED NZ CS 3 includes proposed requirements for the disclosure of methodologies, assumptions, and estimation uncertainty. We believe an entity would include this information when providing information to meet these proposed requirements.</p> <p>ISSB proposed paragraph 21(a)(vi)(4): Our proposals include providing a justification for the exclusion of sources, facilities and/or operations.</p>
	<p>for Scope 1 and Scope 2 emissions disclosed in accordance with paragraph 21(a)(i)(1)–(2), the entity shall disclose emissions separately for: [Paragraph 21(a)(iii)]</p> <p>the consolidated accounting group (the parent and its subsidiaries); [Paragraph 21(a)(iii)(1)]</p>	<p>Additional requirement in ISSB's ED IFRS S2.</p> <p>The XRB Board is not proposed that entities separate scope 1 and scope 2 emissions for the consolidated group and associates, joint ventures, unconsolidated subsidiaries or affiliates. It does not believe this will provide useful information for primary users.</p> <p>Our submission to ISSB includes further information on this point.</p>

Metrics and Targets		
XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff Commentary
	<p>associates, joint ventures, unconsolidated subsidiaries or affiliates not included in paragraph 21(a)(iii)(1); [Paragraph 21(a)(iii)(2)]</p>	
	<p>In preparing disclosures to fulfil the requirements in paragraph 21(b)–(g), an entity shall [Paragraph 22]</p> <p>consider whether industry-based metrics associated with disclosure topics, as described in paragraph 20(b), including those defined in an applicable IFRS Sustainability Disclosure Standard or those that otherwise satisfy [draft] IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> could be used in whole or part to meet the requirements; and [Paragraph 22(a)]</p> <p>in accordance with paragraphs 37–38 of [draft] IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i>, consider the relationship of these amounts with the amounts recognised and disclosed in the accompanying financial statements (for example, the carrying amount of assets used should be consistent with amounts included in the financial statements and when possible the connections between information in these disclosures and amounts in the financial statements should be explained). [Paragraph 22(b)]</p>	<p>Additional requirement in ISSB's ED IFRS S2.</p> <p>In the accompanying working draft of XRB staff guidance we have recommended that entities use industry-specific metrics where appropriate to fulfil cross-industry metric disclosure requirements.</p> <p>ED NZ CS 3 has a principle of coherence which requires an entity to present information in a way that allows primary users to relate information about its climate-related risks and opportunities to the entity's financial statements.</p>
	<p>In identifying, selecting and disclosing the metrics described in paragraph 23(a), an entity shall refer to and consider the applicability of industry-based metrics, as described in paragraph 20(b), including those defined in Appendix B, those included in an applicable IFRS Sustainability Disclosure Standard, or those that otherwise satisfy [draft] IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i>. [Paragraph 24]</p>	<p>Additional requirement in ISSB's ED IFRS S2.</p> <p>In the accompanying working draft of XRB staff guidance we have recommended that entities use industry-specific metrics where appropriate to fulfil cross-industry metric disclosure requirements.</p> <p>We believe that entities will set targets in relation to metrics they are disclosing under Aotearoa New Zealand Climate Standards.</p>

Table 5 Comparison of Defined Terms – XRB Proposals to ISSB Proposals

Defined Terms			
Defined term	XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff commentary
absolute target	A target defined by a change in absolute GHG emissions over time. For example, reducing scope 1 GHG emissions by 50% by 2030 from a 2019 base year.	A target defined by a change in absolute emissions over time, for example, reducing CO2 emissions by 25% below 1994 levels by 2010.	Aligned.
Aotearoa New Zealand Climate Standards	Standards issued by the External Reporting Board which comprise the climate-related disclosure framework.	Not defined.	-
base year	An historical datum (a specific year or an average over multiple years) against which an entity's metric is tracked over time.	Not defined.	XRB proposed definition sourced from GHG Protocol.
carbon offset	Not defined	An emissions unit issued by a carbon crediting programme that represents an emission reduction or removal of a greenhouse gas emission. Carbon offsets are uniquely serialised, issued, tracked and cancelled by means of an electronic registry.	-
certified carbon offset	Not defined	Certified carbon offset credits are carbon offsets that take the form of transferable or tradable instruments, certified by governments or independent certification bodies, representing a removal of emissions of one metric tonne of CO2, or an equivalent amount of other greenhouse gases. This links to the Kyoto Protocol, which included three market-based mechanisms (Article 6, 12, 17)—emissions trading, the clean development mechanism and joint implementation giving the parties a degree of flexibility in meeting their emission-reduction targets.	-
climate statements	For the purposes of this [draft] Standard has the same meaning as 'climate statements' as defined in the Financial Reporting Act 2013.	Not defined.	-
climate-related disclosures	Disclosures about climate-related risks and opportunities that are useful to primary users when they assess, and make decisions about, an entity's enterprise value, including information about its	Not defined.	-

Defined Terms			
Defined term	XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff commentary
	governance, strategy and risk management, and related metrics and targets.		
climate-related disclosure framework	For the purposes of this [draft] Standard, climate-related disclosure framework has the same meaning as 'climate-related disclosure framework' as defined in the Financial Reporting Act 2013.	Not defined.	-
climate-related opportunities [In ISSB's ED IFRS S2 the defined term is climate-related risks and opportunities]	The potentially positive climate-related outcomes for an entity. Efforts to mitigate and adapt to climate change can produce opportunities for entities, such as through resource efficiency and cost savings, the adoption and utilisation of low-emissions energy sources, the development of new products and services, and building resilience along the value chain.	Climate-related opportunities refer to the potentially positive climate-change generated outcomes for an entity. Global efforts to mitigate and adapt to climate change can produce climate-related opportunities for entities. For example, a power generating company could increase its revenue due to a growing demand for cooling (achieved by using electricity) in regions that experience more heatwaves. Climate-related opportunities will vary depending on the region, market and industry in which an entity operates.	No substantive differences.
climate-related risks [In ISSB's ED IFRS S2 the defined term is climate-related risks and opportunities]	The potential negative impacts of climate change on an entity. See also the definitions of physical risks and transition risks.	Climate-related risks refer to the potential negative effects of climate change on an entity. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (for example, cyclones, droughts, floods and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (which could result in, for example, sea-level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, changes in technology, market responses and reputational considerations.	XRB has split out proposed definitions of physical risks and transition risks.
climate-related scenario	A plausible, challenging description of how the future may develop based on a coherent and internally consistent set of assumptions about key driving forces and relationships covering both physical and transition risks in an integrated manner. Climate-related scenarios are not intended to be probabilistic or predictive, or to identify the 'most likely' outcome(s) of climate change. They are intended to provide an	Not defined.	-

Defined Terms			
Defined term	XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff commentary
	opportunity for entities to develop their internal capacity to better understand and prepare for the uncertain future impacts of climate change.		
climate resilience	Not defined.	The capacity of an entity to adjust to uncertainty related to climate change. This involves the capacity to manage climate-related risks and benefits from climate-related opportunities, including the ability to respond and adapt to transition risks and physical risks.	-
carbon dioxide equivalent (CO ₂ e)	The universal unit of measurement to indicate the global warming potential of each of the seven GHGs, expressed in terms of the global warming potential of one unit of carbon dioxide for 100 years. It is used to evaluate releasing (or avoiding releasing) any GHGs against a common basis.	The universal unit of measurement to show the global warming potential of each of the seven greenhouse gases, expressed in terms of the global warming potential of one unit of carbon dioxide for 100 years. This unit is used to evaluate releasing (or avoiding releasing) any greenhouse gas against a common basis.	No substantive differences.
emissions intensity	Intensity ratios express GHG emissions impact per unit of physical activity or unit of economic output. A physical intensity ratio is suitable when aggregating or comparing across that have similar products. An economic intensity ratio is suitable when aggregating or comparing across businesses that produce different products. A declining intensity ratio reflects a positive performance improvement. Intensity ratios are also often called normalised environmental impact data. Examples of intensity ratios include product emission intensity (for example, tonnes of GHG emissions per electricity generated); service intensity (for example, GHG emissions per function or service); and sales intensity (for example, emissions per sales).	Not defined.	Sourced from GHG Protocol.
financial impacts	The translation of impacts into current or anticipated impacts on financial performance, financial position and cash flows.	Not defined.	The ISSB refer to effects on financial position, financial performance and cash flows in the body of ED IFRS S2, see proposed paragraph 14 of ED IFRS S2. We have not specifically added reference to financial performance, financial position and cash flows in our proposed disclosures but it is included in this definition, so has the same

Defined Terms			
Defined term	XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff commentary
			meaning and we consider it is shorter and simpler to read.
governance body	A board, investment committee or equivalent body charged with governance.	Not defined.	The ISSB use the following example in proposed paragraph 5 of ED IFRS S2: governance body or bodies (which can include a board, committee or equivalent body charged with governance).
greenhouse gas (GHG)	The seven greenhouse gases listed in the Kyoto Protocol: carbon dioxide (CO ₂); methane (CH ₄), nitrous oxide (N ₂ O), hydrofluorocarbons (HFCs), nitrogen trifluoride (NF ₃), perfluorocarbons (PFCs), and sulphur hexafluoride (SF ₆).	The seven greenhouse gases listed in the Kyoto Protocol—carbon dioxide (CO ₂); methane (CH ₄); nitrous oxide (N ₂ O); hydrofluorocarbons (HFCs); nitrogen trifluoride (NF ₃); perfluorocarbons (PFCs); and sulphur hexafluoride (SF ₆).	Aligned.
Greenhouse Gas Protocol Corporate Standard	Not defined	The Greenhouse Gas Protocol Initiative is a multi-stakeholder partnership of businesses, non-governmental organisations (NGOs), governments, and others convened by the World Resources Institute, a US-based environmental NGO, and the World Business Council for Sustainable Development, a Geneva-based coalition of 170 international companies. Launched in 1998, the initiative's mission is to develop internationally accepted greenhouse gas accounting and reporting standards for business and to promote their broad adoption. The Greenhouse Gas Protocol Corporate Standard provides standards and guidance for companies and other types of organisations preparing a greenhouse gas emissions inventory. It covers the accounting and reporting of the seven greenhouse gases covered by the Kyoto Protocol.	-
group climate statements	For the purposes of this [draft] Standard has the same meaning as 'group climate statements' as defined in the Financial Reporting Act 2013.	Not defined.	-
gross emissions	Emissions are the release of GHGs into the atmosphere. Gross emissions are total GHG emissions excluding any purchase, sale or transfer of GHG emission offsets or allowances. Gross scope 2 emissions must be calculated using the location-based	Not defined.	The XRB's proposed definition was informed by GRI Standards.

Defined Terms			
Defined term	XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff commentary
	methodology. Removals should be reported separately.		
impacts	The effects (also referred to as consequences or outcomes) of climate change occurring for an entity. These effects will, in turn, depend on the impacts of climate change on the broader socioeconomic and ecological systems an entity operates within (including an entity's value chain).	Not defined.	XRB's proposed definition is adapted from two separate TCFD definitions, ensuring the focus is specific to the entity while retaining broader contextual relationships which TCFD drew from the IPCC definition.
intensity target	A target defined by a change in the ratio of emissions to a metric over time. For example, reducing tonnes CO ₂ e per \$ revenue by 48% by 2025 from a 2018 base year.	A target defined by a change in the ratio of emissions to a business metric over time, for example, reduce CO ₂ per tonne of cement by 12% by 2008.	Aligned.
interim period	A reporting period shorter than a full year.	Not defined.	-
interim target(s)	A short-term milestone between an entity's medium-term or long-term target and the current period.	Not defined.	-
internal emissions price [In ISSB's ED IFRS S2 the defined term is internal carbon price]	A monetary value on GHG emissions that an entity uses internally to guide its decision-making process in relation to climate-related impacts, risks and opportunities.	Price used by entities to assess the financial implications of changes to investment, production and consumption patterns, as well as potential technological progress and future emissions-abatement costs. Entities' internal carbon prices can be used for a range of business applications. There are two types of internal carbon prices commonly used by entities. The first type is a shadow price, which is a theoretical cost or notional amount that the entity does not charge but that can be used in assessing the economic implications or trade-offs for such things as risk impacts, new investments, net present value of projects, and the cost—benefit of various initiatives. The second type is an internal tax or fee, which is a carbon price charged to a business activity, product line, or other business unit based on its greenhouse gas emissions (these internal taxes or fees are similar to intracompany transfer pricing).	ISSB also have a substantive description in its proposed defined term.

Defined Terms			
Defined term	XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff commentary
latest international agreement on climate change	Not defined.	The latest international agreement on climate change is an agreement by states, as members of the United Nations Framework Convention on Climate Change to combat climate change. The agreements set norms and targets for a reduction in greenhouse gases.	-
Legacy asset	Not defined.	An asset that has remained on an entity's statement of financial position for a long period of time and has since become obsolete or has lost nearly all of its initial value.	-
management	Executive or senior management positions that are generally separate from the governance body.	Not defined.	-
metric(s)	A quantity indicative of the level of historical, current, and forward-looking climate-related risks and opportunities for a given entity. These indicators are used to track climate-related risks and opportunities and can also be used to measure progress against targets over the duration of the period for which a target is set.	Not defined.	-
physical risks	Risks related to the physical impacts of climate change. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events. They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns, such as sea level rise.	Risks resulting from climate change that can be event-driven (acute) or from longer-term shifts (chronic) in climate patterns. These risks may carry financial implications for entities, such as direct damage to assets, and indirect effects of supply-chain disruption. Entities' financial performance may also be affected by changes in water availability, sourcing and quality; and extreme temperature changes affecting entities' premises, operations, supply chain, transportation needs and employee safety.	The ISSB's related defined term, climate-related risks and opportunities, also covers similar material to its definition here. Our related term is 'climate-related risks'.
primary users	Existing and potential investors, lenders and other creditors.	Existing and potential investors, lenders and other creditors.	Aligned.
risk management	A set of processes that are carried out by an entity's governance body and management to support the achievement of an entity's objectives by addressing its risks and managing the combined potential impact of those risks.	Not defined.	XRB definition from TCFD.

Defined Terms			
Defined term	XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff commentary
scenario analysis [The ISSB's defined term is climate-related scenario analysis]	A process for systematically exploring the effects of a range of plausible future events under conditions of uncertainty. Engaging in this process helps an entity to identify its climate-related risks and opportunities and develop a better understanding of the resilience of its business model and strategy.	Scenario analysis is a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, climate-related scenario analysis allows an entity to explore and develop an understanding of how the physical risks and transition risks of climate change may affect its businesses, strategies and financial performance over time.	Generally aligned. We have emphasised the process nature of scenario analysis in order to ensure that it is not conceptualised as something that is just 'done by external consultants', but rather is able to form an important part of strategy development. We have also clarified that it can play a role to identify climate-related risks and opportunities because we are aware some entities in New Zealand are using it for this purpose.
scope 1	Direct GHG emissions from sources owned or controlled by the entity.	Direct greenhouse gas emissions that occur from sources that are owned or controlled by an entity, for example, emissions from combustion in owned or controlled boilers, furnaces, vehicles or emissions from chemical production in owned or controlled process equipment.	Proposed definition substantively aligned. ISSB include examples in its proposed definition.
scope 2	Indirect GHG emissions from consumption of purchased electricity, heat, or steam.	Indirect greenhouse gas emissions that occur from the generation of purchased electricity, heat or steam consumed by an entity. Purchased electricity is defined as electricity that is purchased or otherwise brought into an entity's boundary. Scope 2 emissions physically occur at the facility where electricity is generated.	Proposed definitions substantively aligned. ISSB include examples in its proposed definition.
scope 3	Other indirect GHG emissions not covered in scope 2 that occur in the value chain of the reporting entity, including upstream and downstream GHG emissions. Scope 3 categories are purchased goods and services, capital goods, fuel-related and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, upstream leased assets, downstream transportation and distribution, processing of sold products, use of sold products, end-of-life treatment of sold products, downstream leased assets, franchises, and investments.	Indirect emissions outside of Scope 2 emissions that occur in the value chain of the reporting entity, including both upstream and downstream emissions. For the purposes of this standard, Scope 3 emissions include these categories (consistent with the GHG Protocol): <ol style="list-style-type: none">1) purchased goods and services;2) capital goods;3) fuel- and energy-related activities not included in Scope 1 emissions or Scope 2 emissions;4) upstream transportation and distribution;5) waste generated in operations;6) business travel;	Proposed definitions substantively aligned. ISSB include examples in its proposed definition.

Defined Terms			
Defined term	XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff commentary
		7) employee commuting; 8) upstream leased assets; 9) downstream transportation and distribution; 10) processing of sold products; 11) use of sold products; 12) end-of-life treatment of sold products; 13) downstream leased assets; 14) franchises; and 15) investments. Scope 3 emissions could include—the extraction and production of purchased materials and fuels; transport-related activities in vehicles not owned or controlled by the reporting entity; electricity-related activity (for example, transmission and distribution losses), outsourced activities, and waste disposal.	
target(s)	A specific level, threshold, or quantity of a metric that an entity wishes to meet over a defined time horizon in order to achieve an entity's overall climate-related ambition and strategy.	Not defined.	-
transition plan	An aspect of an entity's overall strategy that describes an entity's targets and actions for its transition towards a low-emissions, climate-resilient future.	An aspect of an entity's overall strategy that lays out a set of targets and actions supporting its transition toward a lower-carbon economy, including actions such as reducing its greenhouse gas emissions.	We considered other terms more commonly used in New Zealand at present but consider international alignment is important and the term works adequately in our context. The scope of the transition plan definition and its important link into the overall strategy is important for entities to understand and consider. We added reference to climate resilience to clarify that adaptation is considered in scope. This also relates to the definition of transition risks below.

Defined Terms			
Defined term	XRB's ED NZ CS 1	ISSB's ED IFRS S2	XRB Staff commentary
transition risks	Risks related to the transition to a low-emissions, climate-resilient global and domestic economy, such as policy, legal, technology, market and reputation changes associated with the mitigation and adaptation requirements relating to climate change.	Moving to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements relating to climate change. Depending on the nature, speed and focus of these changes, transition risks may pose varying levels of financial and reputational risk to entities.	We added reference to climate resilience and adaptation to ensure there is clarity that it is considered in scope. This definition does deviate from that of the TCFD, which we had initially aligned with. However, given the developments from the ISSB and US SEC in particular, we consider this to be the more likely direction of travel and works well in New Zealand's context given the progress with respect to national adaptation policy The ISSB's related defined term, climate-related risks and opportunities, also covers similar material to its definition here. Our related term is 'climate-related risks'.
value chain	The full range of activities, resources and relationships related to an entity's business model and the external environment in which it operates. A value chain encompasses the activities, resources and relationships an entity uses and relies on to create its products or services from conception to delivery, consumption and end of life. Relevant activities, resources and relationships include those in an entity's operations, such as human resource; those along its supply, marketing and distribution channels, such as materials and service sourcing and product and service sale and delivery; and the financing, geographical, geopolitical and regulatory environments in which an entity operates.	The full range of activities, resources and relationships related to a reporting entity's business model and the external environment in which it operates. A value chain encompasses the activities, resources and relationships an entity uses and relies on to create its products or services from conception to delivery, consumption and end-of-life. Relevant activities, resources and relationships include those in the entity's operations, such as human resource; those along its supply, marketing and distribution channels, such as materials and service sourcing and product and service sale and delivery; and the financing, geographical, geopolitical and regulatory environments in which the entity operates.	No substantive differences.