Aotearoa New Zealand Climate Standards
and
IFRS® Sustainability Disclosure Standards

Comparison Document

October 2023

Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Contents

Disclaimer

1. Why have we issued this comparison?

The purpose of this document is to provide helpful information to New Zealand climate reporting entities and primary users by comparing Aotearoa New Zealand Climate Standards (NZ CS) with the International Sustainability Standards Board's two sustainability reporting standards comprising its Climate-related Disclosures standard (IFRS S2), and its General Requirements standard (IFRS S1) insofar as the latter relates to climate disclosure. It is not intended to be a comprehensive guide to the disclosure requirements in IFRS S1 and IFRS S2.

1.1 Background

The XRB Board issued *Aotearoa New Zealand Climate Standards* in December 2022.

During the development of NZ CS, stakeholders told us that international alignment of climate-related disclosures is important because it would enable New Zealand entities to competitively participate in global markets. They told us that alignment with the climate standards to be issued by the International Sustainability Standards Board (ISSB) would be particularly important.

On 26 June 2023, the ISSB issued its initial IFRS® Sustainability Disclosure Standards: IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information and* IFRS S2 *Climate-related Disclosures*.

Our post-implementation review of NZ CS will begin by December 2025. The objective of a post-implementation review is to assess whether the effects of applying the new requirements on users, preparers, auditors, and regulators are as intended when the XRB Board developed those new requirements. As part of the post-implementation review, the XRB Board will consider aligning with requirements in international standards where it determines the requirements will meet user needs and the objective of NZ CS.

2. What we compared

This comparison has been prepared using the requirements from the following versions of the standards:

NZ CS 1 *Climate-related Disclosures* NZ CS 3 *General Requirements for Climate-related Disclosures*	Issued 14 December 2022, apply from 1 January 2023
IFRS S2 *Climate-related Disclosures* IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*	Issued 26 June 2023, apply from 1 January 2024

Both NZ CS and IFRS S1/S2 contain adoption provisions which have not been compared.

2.1 The ISSB standards

The ISSB's climate-related disclosure requirements can only be understood by understanding both IFRS S1 and IFRS S2. IFRS S1 has important implications for climate reporting for two reasons:

- IFRS S1 contains the conceptual foundations, general requirements and the requirements related to the exercise of judgement, uncertainties and errors.
- IFRS S1 sets out overarching requirements for disclosing information about sustainability-related risks and opportunities.

IFRS S2 sets out requirements that relate specifically to climate-related risks and opportunities. In addition, the appendices to IFRS S1 and IFRS S2 include mandatory application guidance.

Our comparison with NZ CS is limited to the mandatory requirements in IFRS S1/S2.

The ISSB has also issued three separate guidance documents — Accompanying Guidance on IFRS S1, Accompanying Guidance on IFRS S2 and Industry-based Guidance on implementing Climate-related Disclosures. We have not included these three guidance documents in our comparison because they are not mandatory.

2.2 How to read this comparison

This document is structured as follows:

Main findings	Section 3	Discusses the main findings from the comparison and provides our overall view of alignment. In this section, we highlight ten of the key differences discussed in sections 4 to 9 where we consider there are substantive differences in terms of the underlying approach, analysis or effort required by preparers to comply with either set of requirements.
Detailed analysis	Sections 4 to 9	Sections 4 to 9 contain our detailed analysis of the alignment and differences in the disclosure requirements. Each section is divided into two parts: • The first part of each section provides a summary of aligned requirements. • The second part of each section provides a discussion on our view of the key differences.
Proportionality mechanisms	Section 10	The ISSB introduced proportionality mechanisms into its final standards. This section provides a summary of the requirements that these proportionality mechanisms have been applied to.
List of identified differences	Appendix	This Appendix lists all the differences identified by XRB Staff (including those key differences discussed in sections 4 to 9). The lists include references to the relevant paragraph numbers in the standards.

3. Main findings from the comparison

Overall, there is a strong degree of alignment in the core content in NZ CS 1 and IFRS S2 (i.e., the disclosures on governance, strategy, risk management and metrics and targets). There is also significant alignment between the concepts and general requirements in IFRS S1 and NZ CS 3 *General Requirements for Climate-related Disclosures*. For example, the same approach to materiality and fair presentation is taken under both sets of standards.

However, there are many differences in detail which mean that if an entity applies IFRS S1/S2 it will not necessarily comply with NZ CS, and vice versa. Many of the disclosure requirements in IFRS S1/S2 include additional specificity on the disclosure itself or require the disclosure of additional items of information to NZ CS. As noted in the XRB Board's first public consultation document, NZ CS 1 is "intended to be short and succinct, focusing more on high-level areas for disclosure, rather than being overly prescriptive".[1] This was in recognition of data and best practice evolving over time. However, there are some occasions where NZ CS has included additional specificity on the disclosure itself or requires the disclosure of additional items of information compared to IFRS S1/S2.

In this section, we highlight ten of the key differences discussed in sections 4 to 9 where we consider there are substantive differences in terms of the underlying approach, analysis or effort required by preparers to comply with either set of requirements. These differences are discussed further in sections 4 to 9, links are provided to the underlying discussion for each of the ten differences.

Note: the identification of these differences as substantive from a preparer perspective is the judgement of XRB staff and is not a substitution for an entity working through the requirements themselves and applying them to its own specific facts and circumstances. We also note that preparers are yet to apply either set of standards, so while the comparison document aims to highlight any substantive differences that may occur in the actual reporting when applying the disclosure requirements, this is, by necessity, subjective.

1. *Current financial impacts – additional disclosures under IFRS S1/S2*

   IFRS S1/S2 require the disclosure of additional information relating to current financial impacts. One example is the identification of the risks and opportunities for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.

2. *NZ CS specifies a minimum of three scenarios and temperature outcomes for two—IFRS S1/S2 does not*

   NZ CS specifies that an entity analyses a minimum of three climate-related scenarios. NZ CS specifies temperature outcomes for two of the climate-related scenarios (i.e., 1.5^{O}C and ≥3^{O}C). IFRS S2 does not specify the number of climate-related scenarios to be used nor does IFRS S2 specify temperature outcomes.

[1] See https://www.xrb.govt.nz/dmsdocument/4182 P.9

3. *IFRS S2 requires entities to follow application guidance with a range of factors to consider before conducting scenario analysis—NZ CS does not*

Our view of the application guidance in IFRS S2 is that it effectively requires a quantitative approach (broadly understood to mean modelling) to scenario analysis—at least for those entities that consider themselves to have a high degree of exposure to climate-related risks and opportunities and have the skills, capabilities and resources available. NZ CS does not specify any circumstances when an entity would be required to apply a quantitative approach to climate-related scenario. The XRB Board emphasises in its Basis for Conclusions on NZ CS 1 the importance of taking an exploratory mindset to scenario analysis given the uncertainty posed by climate change, and states that an entity can start qualitatively and build in quantification over time.

4. *IFRS S2 requires disclosure of climate resilience assessment—NZ CS does not*

IFRS S2 requires disclosure of an entity's climate resilience assessment, including disclosure of the implications for the entity's business model and strategy and its capacity to adapt or respond. NZ CS does not require disclosure of a resilience assessment. An entity applying NZ CS is required to analyse, but not disclose, its climate resilience as part of scenario analysis.

5. *IFRS S2 requires the climate resilience assessment to be conducted annually—NZ CS does not.*

Although IFRS S2 does not require climate-related scenario analysis to be updated at every reporting date, IFRS S2 requires an assessment of the entity's resilience to be carried out annually. NZ CS does not require entities to analyse its climate resilience annually.

6. *NZ CS requires disclosure of anticipated financial impacts before planned response—IFRS S1/S2 does not*

IFRS S1/S2 requires the disclosure of anticipated financial effects after an entity's planned response to climate change is included. NZ CS requires disclosure of the anticipated financial impacts before an entity's planned response to climate change is included. Any expected effect that transition planning may have on an entity's anticipated financial impacts would be disclosed separately.

7. *The risk management disclosures in IFRS S1/S2 require disclosure of processes to identify climate-related opportunities —NZ CS does not*

IFRS S1/S2 require an entity to disclose the processes used to identify, assess, prioritise and monitor climate-related **opportunities**, including the extent to which, and how, these processes are integrated into and inform the entity's overall risk management process.
NZ CS does not require these disclosures.

8. *IFRS S2 requires specific information in relation to financed emissions if entity's activities include asset management, commercial banking or insurance—NZ CS does not*

An entity that participates in asset management, commercial banking or insurance is required to disclose additional and specific information about its financed emissions. NZ CS does not require these disclosures.

9. *In determining industry-based metrics, IFRS S2 requires an entity to refer to guidance derived from SASB Standards—NZ CS does not*

In determining the industry-based metrics that the entity discloses, IFRS S1/S2 require an entity to refer to and consider the applicability of the industry-based metrics associated with the disclosure topics described in the *Industry-based Guidance on Implementing IFRS S2*. There is no equivalent requirement in NZ CS, rather NZ CS requires disclosure of the industry-based metrics used by the entity to measure and manage its climate-related risks and opportunities.

10. *IFRS S1 requires revision of comparatives for changes in estimates—NZ CS does not*

IFRS S1 requires an entity to revise comparatives to reflect changes in estimates that relate to the preceding period (unless impracticable or if the original disclosure was forward-looking). NZ CS does not require an entity to revise comparatives. Rather, in these circumstances, an entity is required to provide an explanation of the change and the effect on the current reporting period's climate-related disclosures.

4. Objective and scope of the climate standards

4.1 Summary of aligned requirements

The objectives of NZ CS and IFRS S2 are aligned in that they aim to provide decision useful information to primary users. The primary users are the same in NZ CS and IFRS S1/S2 i.e., existing and potential investors, lenders and other creditors.

4.2 Discussion of key differences

IFRS S2 focuses on an entity disclosing information about climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects or, more specifically "could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term". Climate-related risks and opportunities that could not reasonably be expected to affect an entity's prospects are outside the scope of IFRS S2.

NZ CS includes a purpose statement — "to support the allocation of capital towards activities that are consistent with a transition to a low-emissions, climate-resilient future". The XRB Board added this purpose statement into NZ CS to clarify the nature of the decisions expected to be made by primary users, and to be consistent with the New Zealand Government's intent in implementing mandatory climate-related disclosures.

The XRB Board's view is that primary users need information that enables them to make capital allocation assessments consistent with this purpose, and the entities themselves need to have this purpose in mind when applying NZ CS. The XRB Board noted that primary users also make assessments of an entity's ability to create or preserve value for itself and therefore for its investors and creditors, and that generating long-term value necessarily requires a wider perspective than just immediate monetary returns.[2]

[2] See paragraph BC47 NZ CS 3 Basis for Conclusions

5. Governance disclosures

5.1 Summary of aligned requirements

Both NZ CS and IFRS S1/S2 require entities to disclose:

- ☑ The identity of the governance body responsible for the oversight of climate-related risks and opportunities and how that governance body ensures that the appropriate skills and competencies are available to provide that oversight.
- ☑ The processes and frequency by which the governance body is informed about climate-related risks and opportunities and the link between climate-related risks and opportunities and performance incentives including remuneration.
- ☑ Management’s role in assessing and managing climate-related risks and opportunities.

5.2 Discussion of key differences

IFRS S2 requires the disclosure of more detailed information than NZ CS. For example, IFRS S2 requires disclosures in relation to the way that responsibilities for climate-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies.

6. Strategy disclosures

This is the most difficult section to map because the disclosures in NZ CS and IFRS S1/S2 are structured differently and use some different language and terminology. The strategy disclosures in IFRS S1/S2 include additional specificity on the disclosure itself or require the disclosure of additional items of information to NZ CS. As we noted earlier in this document, preparers are yet to apply either set of standards, and practice is still emerging in quite a few of the areas covered in the strategy section, one example being transition planning. While we aim to highlight any differences that may occur in the actual reporting when applying the disclosure requirements, this is, by necessity, subjective. It is also possible that, despite NZ CS not requiring several of the specific elements that are in IFRS S1/S2, that over time the actual disclosures may become more aligned as practice and user expectations evolve.

6.1 Summary of aligned requirements

Both NZ CS and IFRS S1/S2 require an entity to disclose:

- ☑ How climate change is currently impacting (effecting) an entity and how it may do so in the future (including current and anticipated financial impacts (effects)).
- ☑ Qualitative and quantitative information about current and anticipated financial impacts (effects). Both NZ CS and IFRS S1/S2 recognise that it may not always be possible for an entity to quantify current and anticipated financial impacts (effects) and both standards provide an exemption from the disclosure of quantitative information. If an entity takes advantage of the exemption not to provide quantitative information, both sets of standards require the entity to provide an explanation as to why it has not disclosed quantitative information.
- ☑ The scenario analysis an entity has undertaken (including disclosure of inputs, methods and assumptions).
- ☑ How the scenario analysis process has been conducted.
- ☑ The climate-related risks and opportunities an entity has identified over the short, medium and long term, explanations of how an entity defines its timeframes (i.e., short, medium and long-term) and linkages to plans and decision-making, both distinguish between the two categories of climate-related risks— physical risks and transition risks.
- ☑ An entity's response to the identified climate-related risks and opportunities.

6.2 Discussion of key differences

6.2.1 Current impacts and financial impacts

NZ CS requires disclosure of current impacts and financial impacts vs current effects and financial effects of climate-related risks and opportunities in IFRS S1/S2

NZ CS requires the disclosure of current impacts and financial impacts, whereas IFRS S2 tethers its requirements on current effects and financial effects to previously identified risks and opportunities. (i.e., the current effects requirements hang off paragraph 9(a) in IFRS S2). The practical effect of this difference on disclosure is unclear but, in our view, may lead to broader disclosures required when applying NZ CS than when applying IFRS S2.

NZ CS uses the term 'current climate-related impacts' to refer to those impacts which have been experienced by the entity in the reporting period. This is because climate-related impacts can be caused by a previously identified climate-related risk or opportunity materialising in the current reporting period, but they can also be caused by a physical or transition event occurring in the reporting period that had not previously been identified as a climate-related risk or opportunity by the entity.

For example, Entity X had not previously identified tropical cyclones and their direct and indirect impacts as a climate-related risk. In the current reporting period, Entity X experienced significant impacts associated with a tropical cyclone, such as displacement of staff, significant damage to assets, disrupted logistics due to impacts on necessary related infrastructure, lost revenue and asset repair costs. Information about the impacts of the tropical cyclone in the current reporting period would be disclosed applying NZ CS if the entity considered the event to be climate related. It is unclear whether this impact would be disclosed by an entity applying IFRS S1/S2, because the event was not a previously 'identified' climate-related risk.

Current financial impacts—additional disclosures under IFRS S1/S2

If an entity takes advantage of the exemption not to provide quantitative information, IFRS S1/S2 requires the disclosure of additional qualitative information, such as identifying line items, totals and subtotals within the financial statements that have been affected and providing combined quantitative information about the current financial effects unless the entity determines that the information would not be useful. NZ CS does not require these disclosures.

IFRS S1/S2 requires an entity to identify which of its identified climate-related risks and opportunities could have a significant risk of a material adjustment within the next reporting period to the carrying amounts of assets and liabilities reported in the related financial statements. NZ CS does not require this disclosure.

6.2.2 Scenario analysis undertaken

NZ CS specifies a minimum of three scenarios and temperature outcomes for two—IFRS S2 does not

NZ CS specifies that an entity analyses a minimum of three climate-related scenarios. NZ CS specifies temperature outcomes for two of the climate-related scenarios (i.e., 1.5^{O}C and ≥3^{O}C). IFRS S2 does not specify the number of climate-related scenarios to be used nor does IFRS S2 specify temperature outcomes.

NZ CS defines a climate-related scenario—IFRS S2 does not

NZ CS defines a climate-related scenario as a description of how the future may develop and notes that physical and transition risks need to be integrated. It also clarifies that scenarios are not probabilistic or predictive. IFRS S2 does not define a climate-related scenario.

Including this definition in NZ CS was important because it specifically acknowledges that a scenario in this context cannot be a forecast or prediction.

IFRS S1/S2 includes factors to consider in determining approach to scenario analysis—NZ CS does not

IFRS S2 includes mandatory application guidance that sets out the three considerations an entity must make in selecting its approach to climate-related scenario analysis. NZ CS does not.

IFRS S2 requires an entity to use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with the entity's circumstances. IFRS S2 contains detailed mandatory application guidance on the factors an entity shall consider when determining an appropriate approach to climate-related scenario analysis. This requires an entity to consider its exposure to climate-related risks and opportunities, the skills, capabilities and resources available to the entity for the climate-related scenario analysis and a consideration of all reasonable and supportable information that is available at the reporting date without undue cost or effort. IFRS S2 requires an entity to assess its circumstances each time it carries out its climate-related scenario analysis.

IFRS S2 states that an entity with a high degree of exposure to climate-related risks and opportunities, and with access to the necessary skills, capabilities or resources, is required to apply a more "advanced" quantitative approach to climate-related scenario analysis. Our view of this application guidance is that it effectively requires a quantitative approach (broadly understood to mean modelling) to scenario analysis at least for those entities that consider themselves to have a high degree of exposure to climate risk and skills, capabilities and resources available.

NZ CS does not include factors that an entity must consider when determining an appropriate approach to climate-related scenario analysis. NZ CS does not specify any circumstances when an entity would be required to apply a quantitative approach to climate-related scenario analysis. The XRB Board emphasises in its Basis for Conclusions on NZ CS 1 the importance of taking an exploratory mindset to scenario analysis given the uncertainty posed by climate change, and states that an entity can start qualitatively and build in quantification over time. This is considered to be consistent with TCFD guidance on scenario analysis[3] and the need for significant caution when it comes to using models for the purposes of climate-related scenario analysis to inform business model and strategy resilience.

NZ CS requires more specificity in disclosures on how the scenario analysis process has been conducted—IFRS S2 does not

NZ CS specifies information to be disclosed on how the scenario analysis process has been conducted, such as the role of the governance body and management in the scenario process, whether modelling was undertaken, and which external partners or stakeholders were involved. IFRS S1/S2 does not.

IFRS S2 requires disclosure of climate resilience assessment—NZ CS does not

The requirements in IFRS S2 make a distinction between the concepts of 'resilience assessment' and 'scenario analysis'. A resilience assessment is described by the ISSB as "management's assessment of a range of plausible but uncertain climate outcomes, the implications for the entity's business model

3 https://assets.bbhub.io/company/sites/60/2020/09/2020-TCFD_Guidance-Scenario-Analysis-Guidance.pdf see 2.5.1 on page 30.

and strategy and its capacity to adapt or respond". Scenario analysis is described by the ISSB as "the analytical exercise used to inform that assessment".[4] NZ CS does not make this distinction.

IFRS S2 requires disclosure of an entity's climate resilience assessment, including disclosure of the implications for the entity's business model and strategy and its capacity to adapt or respond.

NZ CS does not require disclosure of a climate resilience assessment. An entity is required to analyse its climate resilience as part of scenario analysis. NZ CS instead requires an entity to disclose how it will position itself as the global and domestic economy transitions towards a low-emissions, climate-resilient future state (see section on transition plan aspects of its strategy below). The reasons why the XRB Board decided not to require disclosure of an entity's climate resilience assessment are set out in paragraph BC41 in the Basis for Conclusions on NZ CS 1.

IFRS S2 requires an assessment of the entity's climate resilience to be carried out annually—NZ CS does not

IFRS S2 requires an entity—at a minimum—to update its climate-related scenario analysis in line with its multi-year strategic planning cycle (for example, every three to five years) rather than updating the analysis at every reporting date. NZ CS is silent on how often an entity should carry out scenario analysis, however, the staff guidance accompanying NZ CS notes that entities typically refresh their scenarios and conduct their scenario analysis as part of their strategic planning cycle.

Although the climate-related scenario analysis is not required to be updated at every reporting date, IFRS S2 requires an assessment of the entity's resilience to be carried out annually to reflect updated insight into the implications of climate uncertainty for the entity's business model and strategy, as such the result of the entity's resilience assessment shall be updated each reporting period. NZ CS does not require a climate resilience assessment to be conducted annually.

6.2.3 Climate-related risks and opportunities

IFRS S1/S2 includes requirements on when an entity reassesses the scope of climate-related risks and opportunities throughout its value chain—NZ CS does not

Paragraphs B11 and B12 in IFRS S1 include requirements on reassessment of the scope of climate-related risks and opportunities throughout the value chain. NZ CS does not include such requirements.

IFRS S1/S2 require an entity to consider SASB Standards—NZ CS does not

When identifying climate-related risks and opportunities IFRS S1 requires an entity to refer to and consider the applicability of the disclosure topics in the SASB Standards, this requirement is in addition to the requirement in IFRS S2 to consider the applicability of the industry-based disclosure topics defined in the *Industry-based Guidance on Implementing IFRS S2*. NZ CS does not require an entity to refer to and consider the applicability of any standards or sources or guidance issued by another body.

[4] See paragraph BC59 IFRS S2 Basis for Conclusions.

Difference in the definition of transition risks

NZ CS also defines transition risks differently to IFRS S2. NZ CS, in line with its approach to transition planning, specifically refers to the transition to a low-emissions, climate-resilient global and domestic economy. This would therefore include adaptation/resilience-related risks, such as the risk to an entity that a managed retreat occurs at a location that it relies upon for its activities. IFRS S2 refers to the transition to a lower-carbon economy. It does not refer to resilience.

6.2.4 Anticipated impacts and financial impacts

NZ CS requires disclosure of anticipated financial impacts before planned response—IFRS S1/S2 does not

IFRS S1/S2 require an entity to disclose how it expects its financial position, financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities. By including the words 'given its strategy to manage climate-related risks and opportunities", IFRS S1/S2 is requiring the disclosure of anticipated financial effects after an entity's planned response to climate change is included. NZ CS requires disclosure of the anticipated financial impacts (impacts on financial position, financial performance and cash flows) of climate-related risks and opportunities reasonably expected by an entity i.e. it requires disclosure of the anticipated financial impacts before an entity's planned response to climate change is included, any expected effect that transition planning may have on an entity's anticipated financial impacts would be disclosed separately.

IFRS S1/S2 require an entity to consider additional factors when determining its anticipated financial effects, such as, the entity's investment and disposal plans, including plans the entity is not contractually committed to.

Anticipated financial impacts – additional disclosures under IFRS S1/S2

If an entity takes advantage of the exemption not to provide quantitative information, IFRS S1/S2 requires the disclosure of additional qualitative information, such as identifying line items, totals and subtotals within the financial statements that that are likely to be affected and providing combined quantitative information about the anticipated financial effects unless the entity determines that the information would not be useful. NZ CS does not require these disclosures.

6.2.5 Transition plan aspects of its strategy

NZ CS requires a description of an entity's current business model and strategy—IFRS S2 does not

NZ CS requires a description of an entity's current business model and strategy. The XRB Board added this disclosure to contextualise the disclosures to follow that illustrate changes to an entity's business model and strategy. IFRS S2 does not require this disclosure.

Difference in approach to transition planning between NZ CS and IFRS S1/S2

The two standards define transition planning similarly but with some important differences:

- NZ CS defines a transition plan as "an aspect of an entity's overall strategy that describes an entity's targets, including any interim targets, **and** actions for its transition towards a **low-emissions, climate-resilient future**".
- IFRS S2 defines a climate-related transition plan as "as aspect of an entity's overall strategy that lays out the entity's targets, actions **or** resources for its transition towards a **lower-carbon economy**, including actions such as reducing its greenhouse gas emissions".

The NZ CS defined term includes "climate-resilient future". This means the 'targets, and actions' as referred to in the transition plan definition must include adaptation targets and actions as well as mitigation targets and actions. The definition in IFRS S2 does not refer to adaptation or resilience.

The inclusion of the word 'and' in NZ CS as opposed to the use of the word 'or' in IFRS S2 is also a key difference. The IFRS S2 definition could therefore potentially be read narrowly to just include any one of plans, actions or resources as opposed to all of the above, but it is yet to be seen how this specific wording will be interpreted.

The ISSB sought to distinguish the requirements related to an entity's overall strategy and decision-making, and the requirements related to the entity's transition plan. In paragraph BC47 of the IFRS S2 Basis for Conclusions, the ISSB explain this distinction as follows:

- For some entities, a climate-related transition plan forms part of the overall business strategy because the plan adjusts the entity's business model to respond to climate-related risks and opportunities.
- For other entities, a climate-related transition plan might apply more narrowly to a particular product line, business unit or set of activities, and sit alongside the entity's overall business strategy.

Because the IFRS S1/S2 definition of transition plan still refers to it as an "aspect of an entity's overall strategy", it is difficult to determine how the definition and the disclosure requirements will work together.

We are also unclear as to what will be disclosed under IFRS S2 paragraph 14(a)(iv) specifically on the climate-related transition plan compared to the other requirements in paragraph 14(a)(i)-(iii) and 14(a)(v), 14(b) and 14(c).

However, across the totality of the disclosures (as other parts of paragraph 14(a) refer to adaptation), and if an entity applying IFRS S1/S2 does see a climate-related transition plan forming part of the overall business strategy, in practice, the difference in disclosure on this particular aspect may be minimal. If on the other hand, an entity does apply climate-related transition planning more narrowly, there may be a greater difference in what constitutes transition planning disclosed under NZ CS and IFRS S1/S2.

Additional disclosures about transition plan assumptions and dependencies required by IFRS S1/S2

IFRS S2 requires disclosure of key assumptions used by the entity in developing its transition plan, and dependencies on which the entity's transition plan relies. NZ CS does not.

Additional disclosures about plans required by IFRS S1/S2

IFRS S1/S2 require an entity to disclose quantitative and qualitative information about the progress towards achieving plans disclosed in previous reporting periods. Plans is not a defined term in IFRS S1/S2, and so may be interpreted to mean climate-related transition plans, although it may also be interpreted to mean any other plans disclosed by an entity (e.g., plans to manage or decommission carbon-, energy- or water-intensive operations as per paragraph 14(a)(i) of IFRS S2). NZ CS does not require these disclosures.

7. Risk management disclosures

7.1 Summary of aligned requirements

Both NZ CS and IFRS S1/S2 require the disclosure of an entity's processes for identifying, assessing, and managing climate-related risks, and how those processes are integrated into the entity's overall risk management processes.

7.2 Discussion of key differences

IFRS S2 requires disclosures on the processes used to identify, assess, prioritise and monitor climate-related **opportunities,** including the extent to which, and how, these processes are integrated into and inform the entity's overall risk management process. NZ CS does not require these disclosures.

There are also additional disclosures in IFRS S2 that are not required in NZ CS and vice versa, for example, NZ CS requires disclosure of whether any parts of the value chain are excluded from an entity's risk management processes and IFRS S2 requires disclosure of the related policies the entity uses to identify, assess, prioritise and monitor climate-related risks.

8. Metrics and targets disclosures

8.1 Summary of aligned requirements

NZ CS and IFRS S2 both use the cross-industry metric categories recommended by the TCFD in its Guidance on *Metrics, Targets and Transition Plans*.

Both sets of standards require entities to disclose:

- ☑ Metrics for each of the TCFD's cross-industry metrics categories (except for GHG emissions intensity – which is required to be disclosed by NZ CS but not IFRS S1/S2).
  - ☑ Gross GHG emissions for Scope 1, 2 and 3.
  - ☑ Location-based Scope 2 GHG emissions.
- ☑ Industry-based metrics.
- ☑ Metrics used to measure and manage climate-related risks and opportunities (NZ CS refers to these as other Key Performance Indicators).
- ☑ Any targets set by the entity.

8.2 Discussion of key differences

8.2.1 Metric categories

NZ CS requires an entity to disclose its GHG emissions intensity

NZ CS requires an entity to disclose its GHG emissions intensity. The XRB Board considers that the GHG emissions intensity metric category, recommended by the TCFD, is a useful metric category and together with gross GHG emissions, helps provide a complete picture of an entity's GHG emissions over time. IFRS S2 does not explicitly require an entity to disclose its GHG emissions intensity. An entity may disclose its GHG emissions intensity metric applying IFRS S2 if it uses such a metric to manage its climate-related risks or opportunities.[5]

IFRS S2 requires use of Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)

IFRS S2 requires an entity to measure its GHG emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004).

NZ CS does not prescribe which measurement standard an entity must use to measure its GHG emissions, it requires disclosure of the standard or standards used.

IFRS S2 includes large amount of mandatory application guidance on measurement and disclosure of GHG emissions

IFRS S2 includes a large amount of mandatory application guidance on the measurement and disclosure of GHG emissions. This includes a Scope 3 measurement framework developed by the

5 See paragraphs BC82 to BC84 of IFRS S2 Basis for Conclusions.

ISSB. This framework must be used by an entity to prioritise its inputs and assumptions when measuring its Scope 3 GHG emissions. The ISSB note in its Basis for Conclusions on IFRS S2 that the Scope 3 measurement framework builds on the GHG Protocol Value Chain Standard.[6] It is possible that an entity that currently applies the GHG Protocol Value Chain Standard would be some way towards complying with the ISSB's Scope 3 measurement framework, but an entity would need to work through the requirements in IFRS S2 to determine this.

IFRS S2 requires specific information in relation to financed emissions if entity's activities include asset management, commercial banking or insurance—NZ CS does not

The application guidance in paragraph B58–B63 of IFRS S2 sets out requirements for the disclosure of financed emissions by entities engaged in financial activities associated with asset management, commercial banking and insurance.

IFRS S2 requires the disclosure of additional items of information on GHG emissions

IFRS S2 also requires the disclosure of additional items of information, such as emissions factors used in the calculation of an entity's GHG emissions (NZ CS requires the disclosure of the **source** of the emission factors), disaggregating Scope 1 and Scope 2 GHG emissions between the consolidated accounting group and other investees.

8.2.2 Industry-based metrics

In determining industry-based metrics IFRS S2 requires an entity to refer to guidance derived from SASB Standards—NZ CS does not

In determining the industry-based metrics that the entity discloses, IFRS S2 requires the entity to refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the *Industry-based Guidance on Implementing IFRS S2*. The guidance has been derived from the SASB Standards and is published in 68 separate industry-based volumes (see paragraph IB16 of the *Accompanying Guidance on Climate-related Disclosures*). There is no equivalent requirement in NZ CS, NZ CS requires disclosure of the industry-based metrics used by the entity to measure and manage its climate-related risks and opportunities.

8.2.3 Targets

IFRS S2 requires the disclosure of additional items of information on targets

IFRS S2 requires disclosure of any targets an entity is required to meet by law or regulation. NZ CS does not require this.

IFRS S2 is more specific in the information it requires an entity to disclose for each target. There are some cases where NZ CS may require the same disclosure but it will be just for GHG emission targets such as, whether it is an absolute target or an intensity target or whether the target and the methodology for setting the target has been validated by a third party.

6 See paragraph BC117 IFRS S2 Basis for Conclusions.

9. Principles and general requirements

9.1 Summary of aligned requirements

Both NZ CS and IFRS S1/S2:

- ☑ Require the disclosure of material information.
- ☑ Apply the same definition of materiality.
- ☑ Contain the overarching concept of fair presentation.
- ☑ Contain similar principles of useful information (although different terminology has been used – for example, IFRS S1 refers to qualitative characteristics).
- ☑ Require an entity's climate-related disclosures to be for the same reporting entity as the financial statements.
- ☑ Require the entity to use the same presentation currency as the financial statements when currency is used as a unit of measure.
- ☑ Require the disclosure of methods and assumptions and measurement uncertainty.
- ☑ Require the correction of material prior period errors by restating the comparative information (IFRS S1/S2 contains relief if impracticable to do so).
- ☑ Allow cross referencing to other documents, provided certain requirements are met.
- ☑ Require a statement of compliance to be made.

9.2 Discussion of key differences

9.2.1 Principles

Connected information – specific requirements in IFRS S1

IFRS S1 includes specific requirements and mandatory application guidance on connected information. An entity is required to provide information in a manner that enables users to understand connections both between the items to which the information relates and between disclosures provided by the entity in its general purpose financial reports. NZ CS relies on the application of the coherence principle '…Coherence also 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'.

9.2.2 General requirements

Sources of guidance – IFRS S1 includes a hierarchy

IFRS S1 contains a hierarchy of the sources of guidance an entity shall consider when preparing climate-related disclosures, particularly SASB Standards. IFRS S1 also contains sources of guidance in that hierarchy that an entity may refer to and consider the applicability of, such as the CDSB Framework Application Guidance. IFRS S1 also requires an entity to disclose the specific standards, pronouncements, industry practice and other sources of guidance that the entity has applied in preparing its climate-related disclosures. NZ CS does not prescribe any guidance or industry standards.

Location of disclosures – required to be part of GPFR in IFRS S1

IFRS S1 requires disclosures required by IFRS Sustainability Disclosure Standards as part of its general purpose financial reports. NZ CS allows flexibility in the location of disclosures, subject to a requirement in section 461 ZJ of the Financial Markets Conduct Act 2013.

Commercially sensitive information – IFRS S1 exemption in limited circumstances

IFRS S1 provides an exemption in limited circumstances where an entity is permitted to omit information about a climate-related opportunity if it determines that information is commercially sensitive. NZ CS does not include a similar exemption. Guidance on the disclosure of commercially sensitive information is included in the XRB staff guidance.[7]

IFRS S1 requires disclosure of judgements

IFRS S1 requires the disclosure of judgements that an entity has made in the process of preparing its climate-related disclosures for example, judgements in relation to (a) identifying material information and (b) in determining which sources of guidance to apply. NZ CS does not require similar disclosures.

IFRS S1 requires revision of comparatives for changes in estimates

IFRS S1 requires an entity to revise comparatives to reflect changes in estimates that relate to the preceding period (unless impracticable or if the original disclosure was forward-looking). NZ CS does not require an entity to revise comparatives, rather in these circumstances an entity is required to provide an explanation of the change and the effect on the current reporting period's climate-related disclosures.

[7] See https://www.xrb.govt.nz/dmsdocument/4844 p.40

10. Proportionality mechanisms in IFRS S1/S2

Most respondents to the ISSB's Exposure Drafts suggested that the ISSB consider the range of capabilities and preparedness of entities around the world to apply IFRS Sustainability Disclosure Standards. Responding to this feedback the ISSB introduced 'proportionality mechanisms' into the standards, such as the concept of reasonable and supportable information without undue cost or effort and consideration of skills, capabilities and resources by the entity.

The table below summarises the requirements these proportionality mechanisms have been applied to.

NZ CS does not include proportionality mechanisms. The principles-based approach to NZ CS was intended to recognise the skills, capabilities and size of New Zealand entities, and thus eliminate the need for explicit proportionality mechanisms. Consistent with that approach, paragraphs 11 and 14 of NZ CS 1 provide exemptions from quantifying current and anticipated financial impacts under NZ CS 1 if the entity is unable to do so, subject to providing an explanation of why that is the case.

Summary of proportionality mechanisms used in IFRS S1/S2

Reasonable and supportable information without undue cost or effort

- IFRS S2 requires an entity to use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort when applying the following disclosure requirements:
  - in identifying the climate-related risks and opportunities that could reasonably be expected to affect an entity's prospects (In this case IFRS S2 states that reasonable and supportable information includes information about past events, current conditions and forecasts of future conditions) [IFRS S2 paragraph 11]
  - to determine the scope of the value chain, which includes its breadth and composition [IFRS S2 paragraph B36]
  - in preparing disclosures about the anticipated financial effects of a climate-related risk or opportunity (see also the skills, capabilities and resources below) [IFRS S2 paragraph 18]
  - its approach to climate-related scenario analysis [IFRS S2 paragraph B1, B8-B15]
  - when selecting the measurement approach, inputs and assumptions it uses in measuring Scope 3 greenhouse gas emissions [IFRS S2 paragraph B39]
  - in preparing disclosures for the following cross-industry metric categories: climate-related transition risks, climate-related physical risks and climate-related opportunities [IFRS S2 paragraph 30]
- Paragraphs B8–B10 of IFRS S1 provide guidance on what constitutes reasonable and supportable information and undue cost or effort.

Consideration of skills, capabilities and resources by the entity

- IFRS S2 requires an entity to use an approach that is commensurate with the skills, capabilities and resources that are available to the entity for preparing those disclosures when applying the following disclosure requirements:
  - In preparing disclosures about the anticipated financial effects of a climate-related risk or opportunity [IFRS S2 paragraph 18]
  - Its approach to climate-related scenario analysis [IFRS S2 paragraph B2] [see also IFRS S2 paragraphs B3, B6–B7,B8,B16]

Summary of proportionality mechanisms used in IFRS S1/S2

Concept of unable to do so

- Although the term 'unable to do so' was used in the Exposure Draft of IFRS S2, it is no longer used in IFRS S2; however, this concept is articulated through whether the current or anticipated financial effects are separately identifiable or whether the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful.
- An entity need not provide quantitative information about the current or anticipated financial effects of a climate-related risk or opportunity if the entity determines that:
  - those effects are not separately identifiable; or
  - the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful [IFRS S2 paragraph 19]

Appendix: list of identified differences

This Appendix lists all differences identified by XRB staff. This includes those key differences discussed in sections 4 to 9.

Note: these are paraphrased; see the standards themselves for the full wording of the disclosure requirements. See sections 4 to 9 for a discussion of XRB staff's views of the key differences from these lists.

A.1 Objective and scope

NZ CS requirements not included in IFRS S1/S2

- NZ CS contains the following purpose statement: The ultimate aim of *Aotearoa New Zealand Climate Standards* is to support the allocation of capital towards activities that are consistent with a transition to a low-emissions, climate-resilient future [NZ CS 1 paragraph 2]

IFRS S1/S2 requirements not included in NZ CS

- Requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. For the purposes of this Standard, these risks and opportunities are collectively referred to as 'climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects' [IFRS S2 paragraph 2]

A.2 Governance

NZ CS requirements not included in IFRS S1/S2

- Requires disclosure of the organisational structure showing where management-level positions with responsibility for climate lie [NZ CS 1 paragraph 9(b)]

IFRS S1/S2 requirements not included in NZ CS

- Requires disclosure of how responsibilities for climate-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s) [IFRS S2 paragraph 6(a)(i)]
- Requires disclosure of information about how the body(s) or individual(s) takes into account climate-related risks and opportunities in its decisions on major transactions and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities [IFRS S2 paragraph 6(a)(iv)]
- Requires disclosure of whether the use of management controls and procedures to support the oversight of climate-related risks are integrated with other internal functions [IFRS S2 paragraph 6(b)(ii)]

A.3 Strategy: Current impacts and financial impacts

IFRS/S2 requirements not included in NZ CS

- In providing disclosures about the current effects of the risks and opportunities on a entity's financial position, financial performance and cash flows, IFRS S2 sets out criteria for when quantitative and qualitative information is required. Disclosure of only qualitative information is permitted under some circumstances, for example, when an entity cannot separately identify the effects of the risk or opportunity or when the level of measurement uncertainty involved is too high [IFRS S2 paragraph 19]

- Requires the disclosure of additional qualitative information when an entity determines that it need not provided quantitative information, such as identifying line items, totals and subtotals within the financial statements that have been affected and providing combined quantitative information about the current financial effects unless the entity determines that information would not be useful [IFRS S2 paragraph 21]
- Requires an entity to identify the climate-related risks and opportunities for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements [IFRS S2 paragraph 16(b)]

A.4 Strategy: Scenario analysis undertaken

NZ CS requirements not included in IFRS S1/S2

- Specifies the particular scenarios that an entity is required to use in its climate-related scenario analysis:
  - 1.5 degrees Celsius climate-related scenario
  - a 3 degrees Celsius or greater climate-related scenario
  - a third climate-related scenario [NZ CS 1 paragraph 13]
- Requires specific disclosures of how the scenario analysis process has been conducted, such as which external partners and stakeholder are involved [NZ CS 3 paragraph 51 (b)]
- Requires disclosure of a brief description of each scenario narrative [NZ CS 3 paragraph 51(a)(i)]
- Defines a 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 opportunity for entities to develop their internal capacity to better understand and prepare for the uncertain future impacts of climate change [NZ CS 1 Appendix A].

IFRS S1/S2 requirements not included in NZ CS

- Contains mandatory application guidance on factors an entity shall consider when determining an approach to climate-related scenario analysis [IFRS S2 paragraph 22 and paragraphs B1–B18]
- Requires disclosures of the sources of the scenarios, whether the entity included a diverse range of climate-related scenarios, whether the scenarios are associated with transition risks or physical risks, whether the entity used a scenario aligned with the latest agreement on climate changes [IFRS S2 paragraph 22(b)(i)(1)(2)(3)(4)]
- Requires disclosure of the reporting period in which the scenario analysis is carried out [IFRS S2 paragraph 22(b)(iii)]
  - IFRS S2 requires that an entity—at a minimum—update its climate-related scenario analysis in line with its strategic planning cycle (for example, every three to five years) rather than updating the analysis at every reporting date. However, disclosure of the resilience assessment is required annually [IFRS S2 paragraph B18]
- Requires an entity to disclose the entity's assessment of its climate resilience as at the reporting date including key areas of uncertainty, the implications for the entity's strategy and business model, and its adaptive capacity [IFRS S2 paragraph 22(a)]

A.5 Strategy: Climate-related risks and opportunities

NZ CS requirements not included in IFRS S1/S2

- NZ CS defines a climate-related transition risk as including the transition to a global and domestic climate-resilient economy. [NZ CS 1 Appendix A]

IFRS S1 and S2 requirements not included in NZ CS

- In identifying the climate-related risks and opportunities IFRS S2 requires an entity to refer and consider the applicability of the industry-based disclosure topics defined in the industry-based Guidance on Implementing IFRS S2. The industry-based guidance is derived from the SASB standards and is published in 68 separate-industry-based volumes [IFRS S2 paragraph 12]
- In addition to the above an entity is required to consider the applicability of the disclosure topics in the SASB Standards [IFRS S1 paragraphs 54–55]
- An entity is not required to reassess the scope of all affected climate-related risks and opportunities throughout the value chain at each reporting date. An entity is required to reassess the scope of all affected sustainability-related risks and opportunities arising throughout its value chain only if a significant event or significant change in circumstances occurs [IFRS S1 paragraph B11]
    - An entity is permitted, but not required, to reassess the scope of any sustainability-related risk or opportunity throughout its value chain more frequently than required by paragraph B11 [IFRS S1 paragraph B12]

A.6 Strategy: Anticipated impacts and financial impacts

IFRS S1/S2 requirements not included in NZ CS

- Requires an entity to consider additional factors when determining its anticipated financial effects, such as, the entity's investment and disposal plans, including plans the entity is not contractually committed. [IFRS S2 paragraph 16]
- In providing disclosures about the anticipated effects of the risks and opportunities on a entity's financial position, financial performance and cash flows, IFRS S2 sets out criteria for when quantitative and qualitative information is required. Disclosure of only qualitative information is permitted under some circumstances, for example, when an entity cannot separately identify the effects of the risk or opportunity or when the level of measurement uncertainty involved is too high [IFRS S2 paragraph 19]
- Requires the disclosure of additional qualitative information when an entity determines that it need not provided quantitative information, such as identifying line items, totals and subtotals within the financial statements [IFRS S2 paragraph 21]

A.7 Strategy: Transition plan aspects of its strategy

NZ CS requirements not included in IFRS S/S2

- Defined term: transition plan. An aspect of an entity's overall strategy that describes an entity's targets, including any interim targets, and actions for its transition towards a low-emissions, climate-resilient future. [NZ CS 1 Appendix A]
- Requires a description of an entity's current business model and strategy [NZ CS 1 paragraph 16(a)]

IFRS S1 and IFRS S2 requirements not included in NZ CS

- Defined term: climate-related transition plan. An aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions. The IFRS S2 definition includes mitigation only (and refers only to carbon rather than all emissions). [IFRS S2 Appendix A]
- Requires the disclosure of current and anticipated business model changes, direct and indirect mitigation and adaptation efforts outside of the transition plan, the effect of which remains unclear [IFRS S2 paragraph 14(a)(i)(ii) and (iii)]
- Requires the disclosure of information about key assumptions used by an entity in developing its transition plan, and dependencies on which the entity's transition plan relies [IFRS S2 paragraph 14(a)(iv)]
- Requires quantitative and qualitative information about the progress of plans disclosed in previous reporting periods [IFRS S2 paragraph 14(c)]
- Requires the disclosure of information about trade-offs between climate-related risks and opportunities [IFRS S1 paragraph 33(c)]

A.8 Risk Management

NZ CS requirements not included in IFRS S1 and IFRS S2

- Requires disclosure of the short-term, medium-term, and long-term time horizons considered, including specifying the duration of each of these time horizons when an entity describes its processes for identifying, assessing and managing climate-related risks [NZ CS 1 paragraph 19(b)]
- Requires disclosure of whether any parts of the value chain are excluded when an entity describes its processes for identifying, assessing and managing climate-related risks [NZ CS 1 paragraph 19(c)]
- Requires disclosure of the frequency of assessment when an entity describes its processes for identifying, assessing and managing climate-related risks [NZ CS 1 paragraph 19(d)]

IFRS S1 and IFRS S2 requirements not included in NZ CS

- Requires disclosure of the processes the entity uses to identify, assess, prioritise and monitor **climate-related opportunities**, including information about whether and how the entity uses climate-related scenario analysis to inform its identification of **climate-related opportunities** [IFRS S2 paragraph 25(b)]
- Requires disclosure of the related policies the entity uses to identify, assess, prioritise and monitor climate-related risks [IFRS S2 paragraph 25(a)]
- Requires disclosure of whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related risks and opportunities [IFRS S2 paragraph 25(a)(ii)]

- Requires disclosure of whether and how the entity has changed the processes it uses to identify, assess, prioritise and monitor climate-related risks compared with the previous reporting period [IFRS S2 paragraph 25(a)(vi)]
- Requires disclosure of the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring **climate-related opportunities** are integrated into and inform the entity's overall risk management process [IFRS S2 paragraph 25(c)]

A.9 Metrics and Targets: Metric categories–excluding GHG emissions

NZ CS requirements not included in IFRS S2

- Requires disclosure of a GHG emissions intensity metric [NZ CS 1 paragraph 22(b)]

IFRS S2 requirements not included in NZ CS

- Requires the disclosure of both an amount **and** percentage. NZ CS requires disclosure of amount **or** percentage [IFRS S2 paragraphs 29(b)–(d)].
- Requires the disclosure of an explanation of whether and how the entity is applying a carbon price in decision-making [IFRS S2 paragraph 29(f)(i)]
- Contains mandatory application guidance in Appendix B on factors an entity shall consider in preparing disclosures of information relevant to the cross-industry metric categories (excluding GHG emissions) [IFRS S2 paragraphs B64–B65]

A.10 Metrics and Targets: Metric categories – GHG emissions

NZ CS requirements not included in IFRS S2

- Requires an entity to provide an explanation for any base year GHG emissions restatements [NZ CS 3 paragraph 54]

IFRS S2 requirements not included in NZ CS

- Requires an entity to measure its GHG emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless the entity is required by a jurisdictional authority or an exchange on which it is listed to use a different method [IFRS S2 paragraph 29(a)(ii)]
    - It is important to note that an entity applies the requirements in the GHG Protocol Standard only to the extent that they do not conflict with the requirements in IFRS S2. For example, the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) does not require an entity to disclose its Scope 3 greenhouse gas emissions, however, the entity is required to disclose Scope 3 greenhouse gas emissions in accordance with paragraph 29(a) of IFRS S2 [IFRS S2 paragraph B23]
- Where an entity has a different reporting period from some or all of the entities in its value chain, IFRS S2 gives permission for an entity to use information for reporting periods that are different to its own (there are some conditions attached to the permission) [IFRS S2 paragraph B19]
- If an entity uses direct measurement or emission factors not converted into CO_2, IFRS S2 requires an entity to use GWP values based on a 100-year time horizon from latest IPCC assessment available at reporting date [IFRS S2 paragraph B21 to B22]
- Requires disclosure of emission factors the entity uses to measure its GHG emissions [IFRS S2 paragraph B26(c) and B29]

- Requires an entity to provide the reason or reasons for the choice of consolidation (measurement) approach used and for the choices of other methods and measurement approaches [IFRS S2 paragraph 29(a)(iii)(2) and B27 – B28]
- Requires an entity to disaggregate its Scope 1 and Scope 2 GHG emissions into the consolidated accounting group and other investees [IFRS S2 paragraph 29(a) (iv)]
- Requires an entity to provide information about any contractual instruments to inform users' understanding of the entity's Scope 2 GHG emissions [IFRS S2 paragraph 29(a)(v) and B31]
- Requires an entity to apply the Scope 3 measurement framework to prioritise inputs and assumptions when measuring its Scope 3 GHG emissions [IFRS S2 paragraphs B38–B57]

IFRS S2 requirements not included in NZ CS

- Requires detailed disclosures of the inputs an entity uses to measure its Scope 3 GHG emissions such as the extent to which inputs are verified [IFRS S2 paragraph 29(a)(iii)(1) and paragraphs B55 – B57]
- Requires disclosure of which of the 15 categories of Scope 3 greenhouse gas emissions are included in its Scope 3 GHG emissions.
    - The 15 categories are as described in the *Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011)* [IFRS S2 paragraph 29(vi)(1) and paragraphs B32–B33]
    - The 15 categories are to be used regardless of the method used [IFRS S2 paragraph B33]
- IFRS S2 contains some relief for when an entity is required to reassess which Scope 3 categories and entities throughout its value chain to include in the measurement of its scope 3 GHG emissions [IFRS S2 paragraph B34–B35]
- When determining the scope of the value chain, which includes its breadth and composition, an entity is required to use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort [IFRS S2 paragraph B36]
- Requires an entity that participates in one or more of the following financial activities to disclose additional information about its Category 15 emissions or those emissions associated with its investments which is also known as 'financed emissions' [IFRS S2 paragraph B59]
    - asset management (see IFRS S2 paragraph B61)
    - commercial banking (see IFRS S2 paragraph B62)
    - insurance (see IFRS S2 paragraph B63).

A.11 Metrics and Targets: Industry-based metrics

IFRS S1 and S2 requirements not included in NZ CS

- In determining the industry-based metrics that the entity discloses, the entity shall refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the *Industry-based Guidance on Implementing IFRS S2* [IFRS S2 paragraph 32]
- An entity is required to identify the particular volumes(s) it has applied in identifying particular applicable metrics [IFRS S1 paragraph 59(b)]

A.12 Metrics and Targets: Key performance indicators

IFRS S1/S2 requirements not included in NZ CS

- Requires the disclosure of additional information if a metric has been developed by an entity and taken from a source other than IFRS Sustainability Disclosure Standards, such as the source of the metric [IFRS S1 paragraphs 49–50]

A.13 Metrics and Targets: Targets

NZ CS requirements not included in IFRS S1/S2

- Requires disclosure of the entity's view as to how the GHG target contributes to limiting global warming to 1.5 degrees Celsius [NZ CS 1 paragraph 23(e)(iii)]

IFRS S1/S2 requirements not included in NZ CS

- climate-related target:
  - the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives) [IFRS S2 paragraph 33(b)]
  - if the target is quantitative, whether it is an absolute target or an intensity target [IFRS S2 paragraph 34(g)]. NZ CS requires this disclosure in relation to GHG targets only.
  - how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed climate related targets [IFRS S2 paragraph 33(h)].
- Requires the disclosure of the following additional items of information in relation to an entity's approach to setting and reviewing each target:
  - whether the target and the methodology for setting the target has been validated by a third party (NZ CS only requires this for GHG targets) [IFRS S2 paragraph 34(a)]
  - the entity's processes for reviewing the target [IFRS S2 paragraph 34(b)]
- More specific in terms of information required to be disclosed in relation to each GHG emissions target:
  - which greenhouse gases are covered by the target [IFRS S2 paragraph 36(a)]
  - whether scope 1,2 and 3 are covered by the target [IFRS S2 paragraph 36(b)]
  - whether the target is gross or net [IFRS S2 paragraph 36(c)]
  - whether derived using a sectoral decarbonisation approach [IFRS S2 paragraph 36(d)]
- If an entity discloses a net target it is also required to separately disclose its associated gross GHG emissions target [IFRS S2 paragraph 36(c)]
- More specific in terms of information required on the use of carbon credits (NZ CS uses the term offsets) [IFRS S2 paragraph 36(e) and paragraphs B70–B71]

A.14 Principles and general requirements

NZ CS requirements not included in IFRS S1/S2

Location of disclosures

- Where the climate-related disclosures are provided within another document, NZ CS requires an entity to include a table within that other document, clearly identifying the location of the disclosures required by Aotearoa New Zealand Climate Standards [NZ CS 3 paragraph 15]

Comparatives for metrics

- While both standards require comparative information for metrics, NZ CS requires the disclosure of comparative information for the immediately preceding **two** reporting periods [NZ CS 3 paragraph 40]

Statement of compliance

- Requires the statement of compliance to be presented prominently within an entity's climate-related disclosures [NZ CS 3 paragraph 56]

IFRS S1/S2 requirements not included in NZ CS

Connected information

- IFRS S1 includes requirements and integral application guidance in relation to connected information, such as, disclosing connections between various climate-related risks and opportunities [IFRS S1 paragraph 21 and paragraphs B39–B44]
- Requires an entity to identify the financial statements to which the climate-related disclosures relate [IFRS S1 paragraph 22]
- Requires that data and assumptions used in preparing climate-related disclosures shall be consistent—to the extent possible considering the requirements of IFRS Accounting Standards or other applicable GAAP— with the corresponding data and assumptions used in preparing the related financial statements [IFRS S1 paragraph 23]

Disclosure of information about sources of guidance

- Requires an entity to identify the specific standards, pronouncements, industry practice and other sources of guidance that the entity has applied in preparing its climate-related disclosures, including, if applicable, identifying the disclosure topics in the SASB Standards [IFRS S1 paragraph 59(a)]
- Requires an entity to identify the industry(s) specified in the IFRS Sustainability Disclosure Standards, the SASB Standards or other sources of guidance relating to a particular industry(s) that the entity has applied in preparing its sustainability-related financial disclosures, including in identifying applicable metrics [IFRS S1 paragraph 59(b)]

Location of disclosures

- Requires an entity to provide climate-related disclosures as part of its general-purpose financial report [IFRS S1 paragraph 60]

Timing of reporting

- Requires an entity to update disclosures for conditions that existed at the end of the reporting period that an entity receives information about before the date of when the disclosures are authorised for issue. [IFRS S1 paragraph 67]
- Although IFRS S1 does not mandate interim reporting (which aligns with NZ CS), IFRS S1 does provide guidance if an entity is required (for example, by the securities regulator) or elects to publish interim sustainability-related financial disclosures. [IFRS S1 paragraph 69 and paragraph B48]

Comparative information

- Requires disclosure of comparative information for all amounts disclosed and comparative information for narrative and descriptive information, where such information would be useful for an understanding of the disclosures for the reporting period [IFRS S1 paragraph 70–71]
- Requires an entity to revise comparatives to reflect changes in estimates that relate to the preceding period (unless impracticable or forward-looking) [IFRS S1 paragraph B50–B51]
- If an entity refines or replaces a metric in the reporting period, IFRS S1 requires the entity to disclose a revised comparative amount unless it is impracticable to do so [IFRS S1 paragraph B52]
- Requires comparatives for new metrics unless impracticable, in which case an entity is required to disclose that fact [IFRS S1 paragraph B52]

Judgements

- Requires the disclosure of judgements that an entity has made in the process of preparing is climate-related disclosures that have the most significant effect on the information included in those disclosures. For example, judgements an entity makes in relation to identifying material information [IFRS S1 paragraphs 74–76]

Commercially sensitive information

- IFRS S1 provides an exemption in limited circumstances where an entity is permitted to omit information about a climate-related opportunity if it determines that information is commercially sensitive. There are additional disclosure requirements associated with the exemption [IFRS S1 paragraph B34]