

Feedback on Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (NZ CS 1)

Introduction

1. Precinct Properties New Zealand Limited ("**Precinct**") welcomes the opportunity to provide feedback on the External Reporting Board's ("**XRB**") consultation document on the governance and risk management sections of the Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (**NZ CS 1**).
2. Precinct supports mandatory climate related disclosure as a tool to help achieve the purposes of the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill:
 - ensure the effects of climate change are routinely considered in business, investment, lending and insurance underwriting decisions;
 - help reporting entities better demonstrate responsibility and foresight in their consideration of climate issues; and
 - lead to smarter, more efficient allocation of capital, and help smooth the transition to a more sustainable, low-emissions economy.

About Precinct

3. Precinct is the largest owner, developer and manager of premium inner-city business space in Auckland and Wellington. As a city centre specialist, Precinct's portfolio comprises principally of office properties in central Auckland and Wellington as well as the Commercial Bay retail centre in Auckland. Precinct also owns Generator NZ, New Zealand's premier flexible office space provider.
4. Precinct is fully supportive of a low-carbon future for Aotearoa New Zealand and we acknowledge there is much work to be done. Precinct is considered as a market-leader in climate-related disclosure amongst New Zealand listed issuers and has publicly reported annually on sustainability since 2015. Precinct reports on its material sustainability issues facing our business in its annual report, in accordance with the Global Reporting Initiative (GRI) Standards (core option). Precinct's overarching measure used as its core ESG indices performance benchmark is the Global Real Estate Sustainability Benchmark (GRESB). Precinct targets both a 5 Green Star Design and As-built rating (Excellence) for its new developments and targets over 50% of the portfolio to have at least a best practice (4 star) Green Star rating. In addition, Precinct is targeting 'A leadership and strategic best practice' in the Carbon Disclosure Project (CDP). Precinct has external assurance for its greenhouse gas emissions by meeting the requirements of Toitū carbonzero® certification having measured its greenhouse gas emissions in accordance with ISO 14064-1:2006.

5. In 2020, Precinct established a sustainable debt framework, which sets out a governance framework for Precinct to issue and manage various sustainable debt products. Precinct issued its first green bonds in May 2021, in the amount of \$150,000,000. Precinct has identified eligible assets and manages the use of the proceeds of the green bonds consistently with the Green Bond Principles published by the International Capital Market Association.

Feedback on Governance & Risk Management Sections of NZ CS 1

6. As highlighted above, Precinct supports mandatory climate related disclosure and is supportive of the approach to the Governance & Risk Management sections proposed by XRB in the consultation document.
7. Our response to certain of the XRB's specific questions is as follows:

- **Definition of “primary users”**

Precinct supports the definition of “primary users” being existing and potential investors, lenders and insurance underwriters. It is appropriate to include all of these users in the primary user category and this is sufficiently broad to capture the groups that Precinct understands are the key users of the climate risk disclosures already made by Precinct in its annual reports.

- **Is this section of the standard adequately comprehensive and achieve the right balance in terms of prescriptiveness and specificity?**

The proposed Governance section of NZ CS 1 is clear and unambiguous but still allows issuers with sufficient flexibility to adjust their disclosures to meet their specific business needs and in line with their particular risks.

- **Do you agree that we should align closely with the TCFD's definitions?**

Precinct notes that the XRB has primarily drawn from the TCFD's definitions for its defined terms.

We are strongly of the view that New Zealand's disclosure regime should be aligned to international best practice and the TCFD is internationally recognised as a leader in this area. This alignment provides consistency for international investors and allows issuers to draw on a wide pool of disclosure examples for continuous improvement.

Precinct considers the TCFD recommendations provide the appropriate framework to disclose our climate related risks and opportunities to our stakeholders. Precinct has already published (on a voluntary basis) our own Climate-related Financial Disclosures document based on the TCFD recommendations, available on our company website.

- **Do you consider that the XRB should align with the TCFD and use the terms ‘climate-related opportunities’ and ‘climate-related risks’, or should only refer to ‘climate-related risks’?**

In light of the key objectives of Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill, we consider that the XRB should only refer to ‘climate-related risks’. Issuers and other entities are always free to consider and report on climate-related opportunities and are commercially incentivised to do so. It is more appropriate for a mandatory disclosure regime to focus on risks and to support consistency of reporting in respect of those risks to improve investor decision making.

- **Do you agree that it is not necessary to provide any adoption provisions in relation to the Governance and Risk Management disclosures?**

Given the high-level nature of the Governance & Risk Management sections, Precinct supports these sections coming into force as soon as is reasonably practicable and does not believe any adoption provisions are required. The entities subject to the disclosure regime are sophisticated and accustomed to making comprehensive investor disclosure so these additional requirements will not be onerous.

- **Do you agree NZ CS 1 should be concise and sector neutral, with sector specific requirements to be contained in guidance?**

The construction and building industry will have highly specific disclosure requirements. Precinct welcomes further guidance from XRB in this respect and agrees that sector specific requirements should sit separately from NZ CS 1.

Precinct thanks the XRB for the opportunity to comment on the consultation document and is happy to participate in further discussions on these sections. We are also looking forward to reviewing the other two draft sections of the proposed standards (Strategy and Metrics and Targets) early next year.