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Level 6 Jackson Stone House  
3-11 Hunter Street  
PO Box 1925  
Wellington 6001  
New Zealand

Tel: 04 496-6282  
[www.sbc.org.nz](http://www.sbc.org.nz)

## SBC Submission on Climate Related Disclosures Aotearoa Climate Standard 1

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The XRB is currently seeking feedback on the Climate-Related Disclosures Governance and Risk Management Consultation document (document).

The Sustainable Business Council (SBC) and Climate Leaders Coalition (CLC) have a combined membership of 155 organizations representing 41% of Aotearoa's GDP. Twenty-seven of our members will be required to make climate related disclosures under these proposed amendments.

Our members have been active in climate risk disclosure for over twenty years. What we have seen during that period is that this is a complex area and it takes time for companies to learn how to report and ensure that the data gathered is accurate and relevant. Across our members there is no one standard approach to climate related risk disclosure. For this reason, providing clear guidance is critical.

At a high level we believe that the document is a sensible and sound method to ensuring a consistent approach to climate related disclosures across New Zealand businesses. We believe that the principle-based approach for the document with further detail within the guidance is sensible to allow for updates to the guidance over time. This aligns with the evolutionary approach ensuring that businesses have time to plan their reporting.

We believe that aligning with the Task Force on Climate Related Financial Disclosures (TCFD) is appropriate given it is an international framework and utilised by several of our members currently.

We broadly agree with the content of the document however we believe that there are several areas that require further clarification and have outlined these below.

## Greater Detail Requested

*Question 2c: Do you consider that this section of the standard is adequately comprehensive and achieves the right balance in terms of prescriptiveness and specificity? If not, what should be removed or added to achieve a better balance?*

We agree in principle that the standard is adequately comprehensive. However, we request more comprehensive explanation be provided either within the guidance document or in a second standard currently under development on two specific issues:

- **Materiality:** We note that the official definition of materiality is currently being developed. It is difficult for our members to assess the adequacy of this document without this definition. We suggest the creation of a working definition of materiality to enable covered entities to better assess the implications of this standard.
- **Remuneration disclosure (4c):** Our members request greater detail in the guidance document for meeting this clause. For organisations interested in meeting this requirement it would be useful to have guidance on best practice for policies, strategies and targets related to remuneration. *Question 3b: Do you consider that this section of the standard is clear and unambiguous in terms of the information to be disclosed? If not, how could clarity be improved?*

We also request greater clarity on the definitions for short, medium and long term time horizons. As part of the definition we request that the duration of each horizon is specified.

## Alignment with TCFD (Question 4 and Question 6)

*Question 4: The XRB has primarily drawn from the TCFD's definitions for its defined terms. Do you agree that we should align closely with the TCFD's definitions?*

We strongly support alignment with TCFD as brings New Zealand's approach in line with international best practice and is being used by some of our members already. For this reason, we see that it makes sense for definitions in the document to align with those in the TCFD framework.

We do see a risk for the development inconsistent definitions between XRB and TCFD, particularly in areas XRB classifies as mandatory disclosures which are not currently in TCFD, such as remuneration policy.

*Question 6: Do you have any other views on the defined terms as they are currently proposed?*

One area in which departure from TCFD may be justified is where clarification is needed from the content of this standard and other New Zealand regulation. For example; "Management" [positions] are defined as executive and senior management positions. The definition distinguishes them from the board, but risks confusion with the much broader general use of "management" within (especially large) organisations. The scope of the term is consistent with the defined "senior manager" in the Financial Markets Conduct Act 2013, and it may be that "Senior Management" should be the defined term in the document, notwithstanding the TCFD terminology.

## Sector Neutral

*Question 8: The XRB currently intends NZ CS 1 to be concise and sector neutral, with sector specific requirements to be contained in guidance. Do you agree with this approach?*

We agree with this approach. It is good to keep it concise and sector neutral, utilising guidance for sector specific requirements.

However, several of our members have businesses whose operations span multiple sectors of the economy. Providing sector guidance could be restrictive and create confusion when companies are seeking to align with one sector. It could also result in differences of approach for companies which operate across multiple geographical regions. As the XRB develops sector specific guidance we encourage consideration of these multi-sector and multi-geography organizations.

## Scenarios

*Question 9: Do you have any other comments?*

In 10.1, there is discussion of scenarios. Although referenced in passing under risk management, there should be recognition here that the purpose of scenarios is not limited to understanding resilience (or quantifying risk outcomes), but also in identifying (qualifying) risks as users consider unfamiliar situations. SBC would be happy to work with XRB alongside our members in various sectors to help develop scenarios for analysis and planning where that is helpful.

We would like to commend the XRB for leading out on this work. You have developed a clear and easy to understand consultation document and the two-part approach to consultation ensures meaningful and manageable engagement.

NZCS1 is an important foundational step in the development of the standard. Further elements of the standard including strategy and key metrics will require detailed engagement from stakeholders given the analytical and quantitative elements and need for different sector specific approaches. We look forward to working with the XRB as this work unfolds.

We have no objection to the release of information contained within this submission.

Yours sincerely



Mike Burrell  
Executive Director, Sustainable Business Council