



22 November 2021

Submissions  
External Reporting Board

By email: [climate@xrb.govt.nz](mailto:climate@xrb.govt.nz)

## **Climate-related Disclosures: Governance and Risk Management Consultation**

Thank you for the opportunity to provide feedback on the draft Governance and Risk Management sections of the upcoming *Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (NZ CS 1)*.

### **A little about who we are**

Meridian is Aotearoa's largest renewable electricity company. Our purpose is clean energy for a fairer and healthier world.

We produce energy from 100 percent renewable sources (wind, water and sun). Our hydro stations and wind farms generate enough electricity to power around 1.7 million and 200,000 homes respectively each year. We are also a major electricity retailer through our Meridian and Powershop brands. In Australia, we own two wind farms and three hydro stations. We also have an energy retailing software company, Flux Federation, that operates in New Zealand, Australia and the United Kingdom. We also own Dam Safety Intelligence, which is focused on the safe management of dams and other water infrastructure.

We are committed to meeting future energy needs with renewable energy and taking action on climate change. Some of our current projects include construction of a new wind farm (Harapaki in the Hawke's Bay), investment in a nationwide network of Electric Vehicle chargers, and a proposal to build the world's first large-scale green hydrogen plan in Southland.

### **Our experiences so far in climate reporting**

We have been early and enthusiastic adopters of climate and sustainability reporting. As a generator of renewable electricity, we make a meaningful contribution to national and global climate goals. Sustainability is at the core of what we do. It is clear to us that the impacts of climate change in New Zealand and globally will be devastating without strong climate action by government, business and society. It is essential to us that we are open and proactive

about the impacts on our business, as well as the impacts on others. Our climate disclosures have played a key role in this.

**We think that alignment with global frameworks (such as the Task Force on Climate-related Financial Disclosures (TCFD) framework) is essential**

Climate change is a global challenge, and therefore global solutions need to be developed. We think that climate disclosures will be most effective when they are well aligned with existing frameworks. This will help to ensure comparability for disclosure users, and make the framework simpler to apply.

Meridian operates in both New Zealand and abroad. Given the nature of our business and our focus on renewable energy, we are a compelling proposition for investors (both overseas and domestic) looking for green investments. Along with the XRB's disclosure standard, it is likely that we will also need to align with international standards, such as the TCFD framework. In addition, the Intergovernmental Panel on Climate Change (IPCC) work in developing climate scenarios provides a well-known base from which to inform our disclosures.

As an entity that looks to attract both domestic and international investors, clear and transparent disclosures that align with recognised, existing frameworks are key. One way of doing this could be to give entities the option of complying with either the domestic framework or a recognised international disclosure framework, such as the TCFD. Another option could be to ensure that disclosure requirements are consistent with the TCFD guidance. Our strong preference is to not be required to prepare multiple different disclosures on the same topic.

We also support consistency of language between global and domestic frameworks.

**We support transparency and accountability, and encourage disclosures that reflect this**

The drafts have a strong focus on the responsibilities of managers in understanding and responding to climate-related impacts. We encourage this and believe that disclosure on actions taken are equally important. We support the intent of demonstrating strong commitment to climate goals, and accountabilities and incentives being linked to climate action. A focus on individual remuneration and responsibilities potentially conflicts with other principles such as privacy which we caution. We think that the requirement to set out an organisational structure in disclosure 5(b) risks being too prescriptive, if on balance with other broader business risks and opportunities of a similar scale, it introduces an unbalanced disclosure requirement on a materiality basis.

**The definition of primary users of climate disclosures should be expanded to include groups that will be affected by the actions of entities**

The definition of primary users is currently focused on those that allocate capital, and therefore need good information to be able to assess risk and impose market discipline. We think that a better definition of primary users would be a broader one, which takes into account those who are impacted by the actions of entities, at both a practical and financial level. We think that employees, iwi and local communities should be recognised as primary users. Although they may not hold capital, they are significantly impacted by the climate actions that entities take. We expect that recognising these groups as primary users would not substantially change the draft standards, but we think there is value in recognising groups that are directly impacted by climate action (or inaction).

## Conclusion

Meridian is highly supportive of mandatory climate disclosures. We would like to commend the XRB for leading this consultation and look forward to the next round of consultation in March 2022.

Nāku noa, nā



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## Appendix A: Responses to consultation questions

	Question	Response
1.	<p>Primary users have been identified as existing and potential investors, lenders and insurance underwriters. Do you think that all of these users should be included in the primary user category?</p>	<p>We agree that all of these users should be included, but also think that this definition should be broadened to include those impacted by an entity's climate actions: iwi, local communities, employees.</p>
2.	<p>Do you think the proposed Governance section of NZ CS 1 meets primary user needs?</p> <p>(a) Do you think that the information provided under this section of NZ CS 1 will provide information that is useful for decision making to primary users (existing and potential investors, lenders and insurance underwriters)? If not, please explain why not and identify any alternative proposals.</p>	<p>Yes.</p>
	<p>(b) 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?</p>	<p>Yes.</p>
	<p>(c) 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?</p>	<p>We think that the proposed Governance section of NZ CS 1 is comprehensive. However, we think that disclosure 5(b) becomes too prescriptive. This is because it could require an unbalanced disclosure requirement, relative to other broader business risks and opportunities, which are provided on a materiality basis.</p>

3.	<p>Do you think the proposed Risk Management section of NZ CS 1 meets primary user needs?</p> <p>(a) Do you think that the information provided under this section of the standard will provide information that is useful for decision making to primary users (existing and potential investors, lenders and insurance underwriters)? If not, please explain why not and identify any alternative proposals.</p>	Yes.
	<p>(b) 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?</p>	Yes.
	<p>(c) 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?</p>	The proposed Risk section of draft NZ CS 1 is comprehensive and balanced.
4.	<p>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?</p>	We strongly support alignment with existing frameworks, especially the TCFD, as this is widely adopted and well understood.

<p>5.</p>	<p>The XRB is particularly interested in feedback on the following defined terms as they are currently proposed: 'climate-related risk', 'climate-related opportunities', 'climate related issues', 'physical risk', and 'transition risk'</p> <p>(a) Do you consider that the XRB should align with the TCFD and use the terms 'climate related opportunities' and 'climate-related issues', or should we only refer to 'climate related risks'?</p>	<p>We recommend that the XRB align with the TCFD terminology for consistency and to avoid unnecessary confusion. Many reporting entities will be disclosing to primary users across the globe who may not be as familiar with any New Zealand-specific potential nuances.</p>
	<p>(b) Do you consider that the proposed definitions for these terms are accurate, sufficiently clear and well-explained? Do they need further detail or explanation? If so, should that detail be included in the defined terms or in guidance?</p>	<p>Yes.</p>
<p>6.</p>	<p>Do you have any other views on the defined terms as they are currently proposed?</p>	<p>None.</p>
<p>7.</p>	<p>The XRB is currently of the view that adoption provisions for some of the specific disclosures in NZ CS 1 will be required. However, the XRB does not believe it is necessary to provide any adoption provisions for entities in relation to the Governance and Risk Management disclosures. Do you agree with this view? Why or why not?</p>	<p>We support the proposed approach. Based on our three years of voluntary disclosure experience, the more complex and significant requirements flow from the Strategy and Metrics and Targets disclosures. It would no doubt be useful to include adoption provisions to allow for more meaningful capability building to occur over a defined period. We suggest not more than 3 years.</p>

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?	Yes. Even within sectors, climate-related opportunities and risks can be significantly different. For example, the impact of inflow changes on hydro lakes from the physical impacts of climate change will likely be materially different across others in the sector. Catering for all sectors in a primary NZ CS1 standard risks increasing the length and complexity. To meet the intended needs of the reporting users, we support concise and sector neutral NZ CS1 guidance. We see value in subsequently developing sector-specific requirements in guidance material.
9.	Do you have any other comments?	We would like to commend the XRB for leading this piece of work. Meridian is highly supportive of the introduction of mandatory climate-related risk and opportunity processes and disclosures. We acknowledge the greater complexity and detail to work through is to come in the March 2022 consultation release.