



Bank of New Zealand’s submission on the
“Aotearoa New Zealand Climate Standard 1 -
Climate-related Disclosures – Governance and
Risk Management Consultation Document
(NZCS1)”

29 November 2021

1 Introduction

- 1.1 Bank of New Zealand ('BNZ') has prepared this submission in response to "Aotearoa New Zealand Climate Standard 1 - Climate-related Disclosures – Governance and Risk Management Consultation Document (NZCS1)" ('Consultation Document').
- 1.2 BNZ is very engaged on the topic of climate-related disclosures. BNZ supports the introduction of the Standard to enable existing and potential investors, lenders, and insurance underwriters to understand the potential impacts of climate change on reporting entities. BNZ is committed to transparently disclosing how it is managing exposure to climate change and has recently issued its voluntary reporting in the form of a Climate Risk Disclosure Statement for the year ended 30 September 2021 - see [Climate-Risk-Disclosure-Statement-2021.pdf \(bnz.co.nz\)](#).
- 1.3 The focus of this submission is to call out factors that we believe will assist in developing a robust climate standard that will be comparable for investors, lenders, and underwriters. One of our key themes is the need for this to be more than a compliance exercise, and if done well, it should enable reporting entities and readers to gain insights on opportunities as well as risks. BNZ considers that for the disclosure regime to be effective, investors should be able to make comparisons between different reporting entities. In order to do so, BNZ's view is that a consistent climate impact data set should be made available, free of charge for all New Zealand reporting entities to use. In BNZ's view, this data set should be provided by the Government to ensure that the data used is comparable and not restricted based on the ability of an entity to pay for the data. We would also note that making this data freely available would assist not only reporting entities, but also the wider business sector in helping to identify and manage the climate related risks associated with their businesses.
- 1.4 In general, BNZ supports the New Zealand Banker's Association submission on this consultation (although BNZ's structure differs to other banks in that it does not have a branch structure – therefore for its own circumstances, BNZ is comfortable with the references to "the board" in the Governance section).

2 Responses to Consultation Document questions

Q1: 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?

- 2.1 BNZ supports the list of primary users identified by XRB.

Q2: Do you think the proposed Governance section of NZ CS 1 meets primary user needs?

- 2.2 Yes

Q2(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.

2.3 Yes

Q2(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?

2.4 Yes

Q2(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?

2.5 BNZ considers that the proposed Governance section of NZ CS 1 will meet primary user needs. This section is clear and unambiguous. The balance between prescriptiveness and specificity is appropriate and will allow organisations to describe their own governance arrangements.

Q3: Do you think the proposed Risk Management section of NZ CS 1 meets primary user needs?

2.6 Yes

Q3(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.

2.7 Yes

Q3(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?

2.8 Yes

Q3(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?

2.9 In general, BNZ considers that the information provided under this section of the standard will provide information that is useful for decision making to primary users.

2.10 BNZ supports NZBA's submissions proposing amendments to the disclosures in paragraph 4 and considers that guidance would be beneficial on how "value chain stages" should be applied by banks and other financial service providers.

Q4: 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?

2.11 BNZ supports close alignment with TCFD definitions. BNZ has already conducted voluntary reporting based on TCFD definitions.

Q5: 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’.

Q5(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’?

2.12 BNZ supports the use of terms ‘climate related opportunities’ and ‘climate related issues’, though we note that the term ‘climate-related risks’ if this is the final outcome can cover both, given the existence of both negative and positive risks

Q5(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?

2.13 BNZ supports the inclusion of “climate-related opportunities” as well as risks. This aligns with BNZ’s view that the disclosures should be more than a compliance exercise.

2.14 BNZ considers that the definitions of ‘physical risk’ and ‘transition risk’ align with those that BNZ has adopted in its own voluntary reporting.

2.15 As noted above, BNZ considers that the definition of value chain stages could be expanded on in guidance, particularly in relation to the application to banks and other financial service providers.

Q6: Do you have any other views on the defined terms as they are currently proposed?

2.16 See responses above regarding the value chain definition.

Q7: 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?

2.17 BNZ supports the NZBA submissions on the benefits of including adoption provisions in relation to Governance and Risk Management disclosures, in particular to recognise that entities may include anticipated actions/plans to improve disclosures.

Q8: 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?

2.18 BNZ agrees with this approach and supports NZBA’s submissions on sector specific guidance for the banking sector, considering TCFD guidance on the characterisation of climate-related risks in the context of traditional banking industry risk categories. BNZ’s voluntary reporting reflects this approach.

Q9: Do you have any other comments?

2.19 BNZ has no further comments in relation to the Governance and Risk Management disclosures.

- 2.20 In terms of the other issues under consideration, BNZ considers that the timing of disclosures of GHG emissions needs to be considered. BNZ is part of an Australian corporate group that is required (under the Australian National Greenhouse and Energy Reporting Act 2007) to report scope 1 and 2 emissions on a 1 July-30 June year but has a 1 Oct-30 September financial year. If required to report to financial year under the Standard, BNZ will have to reproduce scope 1 and 2 emissions on a different year to group reporting. This will likely be an issue for all NZ companies that are part of an Australian group.
- 2.21 A further issue that will need careful consideration in the next round of consultation is comparability. As noted above, BNZ considers that a consistent data set should be made available, free of charge for all New Zealand reporting entities to use. This would ensure that disclosures are prepared from a comparable base set of data. As noted above, there will be value to the wider economy and risk management practices for non-reporting entities if they are able to access the climate data and apply this to their own businesses. This ought to assist New Zealand prepare for, and successfully respond to, the challenges and opportunities associated with climate change risk management.
- 2.22 We note that this submission is relatively brief and builds on earlier discussions and engagement with XRB on this important disclosure regime that the bank fully supports. We anticipate making a more detailed submission once the full standard is released for consultation.

Should the XRB have any questions in relation to this submission, please contact:

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