

GRM062 Response to XRB Climate-related Disclosures Consultation Document dated 20 Oct 2021 from Kiwi Wealth

1. 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?

1. Yes, is/should an existing investor include a retail customer with money invested in an investor?

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

1. 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.

i. Yes, but in these sections - Risk/Governance there is a lack of quantitative reporting expectations.

2. 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?

i. We support allowing entities to describe their climate journey in a meaningful way, acknowledging that the disclosures should meet primary user needs which requires qualitative metrics over 'journeys', which sounds open to interpretation / can be more subjective than useful for a comparison, or tool to regulate firms.

ii. What does 'value chain' stage mean when look at information covered to primary users on page 18 - this feels very difficult to measure and report on based on current data availability.

3. 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?

No comment

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

1. 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.

i. Yes, but without this competency required in an individual board member, how are we holding board members to consistent standard in understanding and assessing climate-related risk? What are the repercussions, or personal liability if board members are not assessing climate-related risk at a material level? There (perhaps not in the first year, but at some stage) needs to show improvement in transparency/reporting to help primary users make investment decisions. We are nor convinced this information will be useful for decision making to primary

users if there is zero prescribed consistency in how figures, value chains, risks should be reported. Financial figures, GHG calculations, oversight at board level.

2. 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?
 - i. **While the four types of transition risk (policy and legal, technology, market, and reputation) and two types of physical risks (acute and chronic) make sense to report on, is it possible to provide more concise metrics expected (will this be covered in the second consultation period?).**
3. 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?
 - i. **More prescriptiveness would help ensure consistency in approach from the outset - ideally aligned to international, existing frameworks. Prescriptiveness in GHG, financial impact, time horizons.**
 - ii. **How/who can verify/audit the data used to identify and assess climate-related risks? Should GHG emissions not be specifically shared if this is required data under the NZ ETS obligations?**
 - iii. **Consideration of time frames feels very broad and like it will lack an ability to hold firms accountable / compare progress / best practice over time. Which specific key material information must be included to help primary users of TCFD reporting?**
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?
 - i. **Yes, close alignment ensures a global, coordinated, current approach. It also helps primary users understand the 'best-in-class' in TCFD reporting over the longterm if we stick to this language. I'm sure you have taken this into account, but updates to this should include: https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf (TCFD updated their implementation guidance this week (superseding the 2017 Annex).**
5. 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'.
 1. 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'?
 - i. **We don't believe there is added value in reporting on opportunities (could be a source of competitive advantage, and opportunities would not have a negative outcome as mentioned on page 21).**

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2. 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?
 - i. **Is comparing significant of climate-related risk to other risks helpful here - we are predicting something less predictable (or at least less expert in predicting) when compared to other methodical risk assessments (governance, financial performance, investment analysis)?**
6. Do you have any other views on the defined terms as they are currently proposed?
 - i. **At this stage of data collection / availability, we believe it's still quite difficult to get accurate, qualitative data on up/downstream life cycle of a product. Perhaps by 2023 this will have changed? And is up/downstream life cycle valuable information is Scope 1, 2, 3 GHG and scenario analysis is comprehensive?**
7. 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?
 - i. **We don't believe adoption provisions are required for these entities as the size should ensure similar risk/governance processes around financial materiality of climate-related risks; if/when this standard is applied more broadly to NZ-based firms this may need to be revisited as oversight/processes could differ significantly.**
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?
 - i. **Yes. While this section doesn't cover metrics, we believe providing metrics of some type need to be included in assessing risk (and expect to see this in consultation part two).**
9. Do you have any other comments?
 - i. **A critical area of uncertainty is the final form of the ISSB's climate standard and the extent to which it will be globally adopted. Do we expect changes to TCFD legislation based on ISSB draft of its climate standard in Q2/Q3 2022 that would impact how we report in 2023?**
 - ii. **Scope 3 emission reporting should not be compulsory in reporting until more accurate data is available, which currently prevents high-quality disclosures being made.**
 - iii. **Comparability of scenario analysis makes it easier for the primary user, but we understand and support sector-specific reporting.**