Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Consultation launch

Climate-related Disclosures

Aotearoa New Zealand Climate Standard 1

NZ CS 1

March 2022

Cover image by nadia

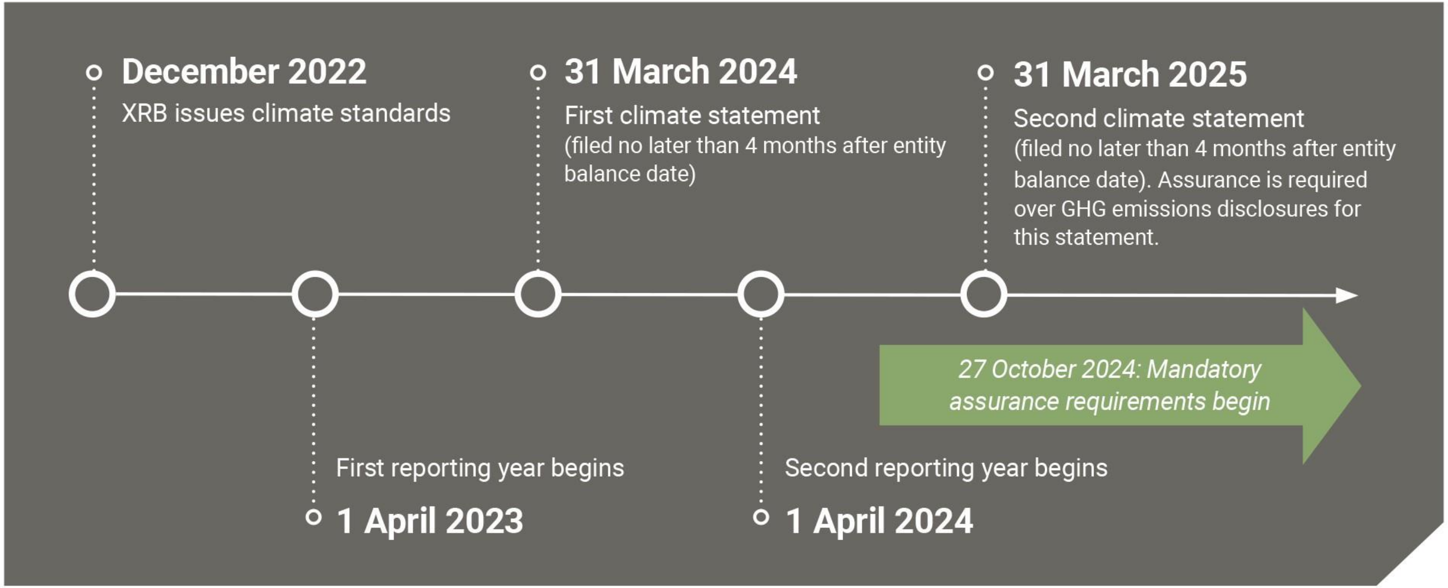
Who is required to report and by when?

Large listed issuers	Large financial entities		
Large listed debt or equity issuers	Registered banks	Licensed insurers	Credit unions
	Building societies	Managers of registered investment schemes	Some Crown financial institutions (via letters of expectation)

Climate reporting entities must exceed the threshold of 'large' for the previous two accounting periods to be considered climate reporting entities.

Large listed debt or equity issuers = market capitalisation of over $60 million
Large financial entities = NZ $1 billion assets/total assets under management (or for insurers NZ $250 million annual gross premium revenue)

Example timeframe for a 1 April to 31 March reporting entity



The climate-related disclosure framework

NZ CS 1
The disclosures

NZ CS 2
First-time adoption provisions

NZ CS 3
General requirements

The XRB will also issue non-mandatory guidance to assist reporting entities when making disclosures

Global developments

Updated guidance
Task Force on Climate-related Financial Disclosures
October 2021

Prototype
Technical Readiness Working Group
November 2021

Exposure draft
International Sustainability Standards Board
March 2022

Timeline

October 2021

Governance and Risk Management

This initial draft was released for a 4-week consultation period.

16 March 2022

Strategy, and Metrics and Targets

Level of assurance, Materiality

This initial draft is being released for a 4-week consultation period, closing 13 April 2022.

July 2022

Formal Exposure Draft

This formal exposure draft will comprise the entire climate-related disclosure framework.

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Strategy disclosures

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Strategy
Summary of proposed section

Objective

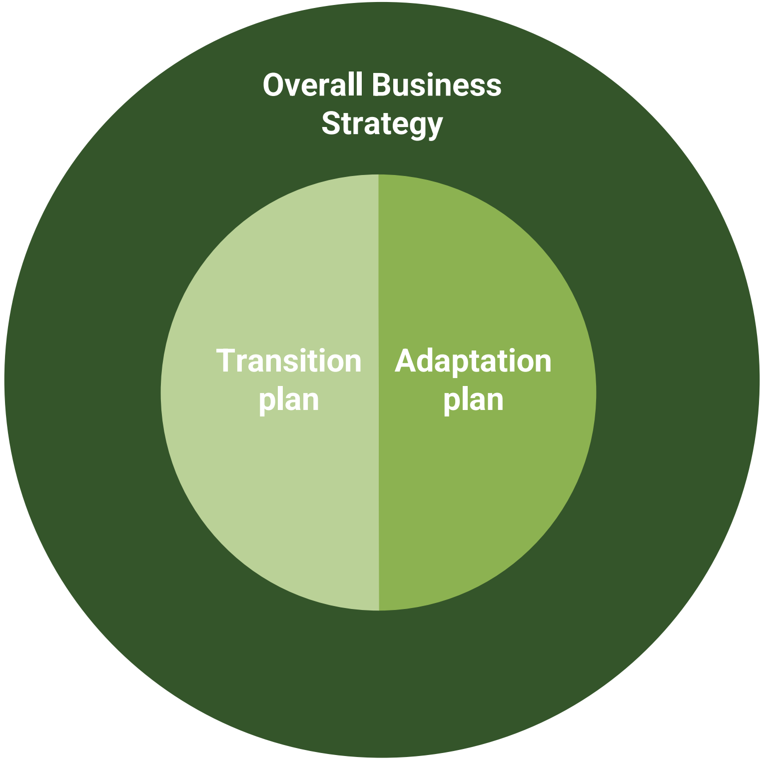
To enable primary users to understand the impacts of climate-related risks and opportunities on an entity's business model, strategy and financial planning over the short, medium, and long term, including actual and potential financial impacts.

Disclosures

- Climate-related risks and opportunities
- The impacts including financial impacts, transition and adaptation plans
- The resilience of its business model and strategy to different climate-related scenarios (including, at a minimum, a 1.5 degree and a greater than 2 degree scenario)
- The methodologies and assumptions relating to scenario analysis

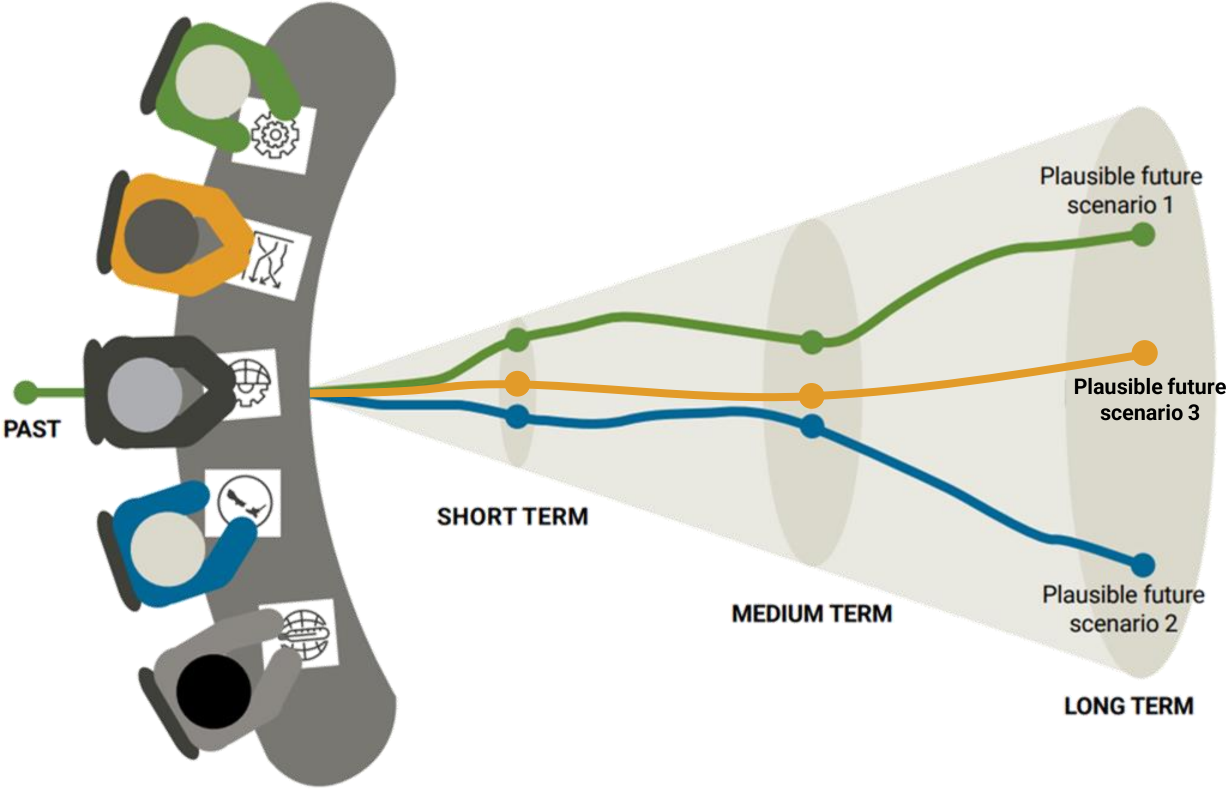
What are climate-related risks and opportunities?

What are transition and adaptation plans?



Adapted from TCFD guidance

What is scenario analysis?



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Metrics and Targets disclosures

Judy Ryan, Technical Advisor – GHG Emissions

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Metrics and Targets
Summary of proposed section

Objective
To enable users to understand how an entity measures and manages its climate-related risks and opportunities.

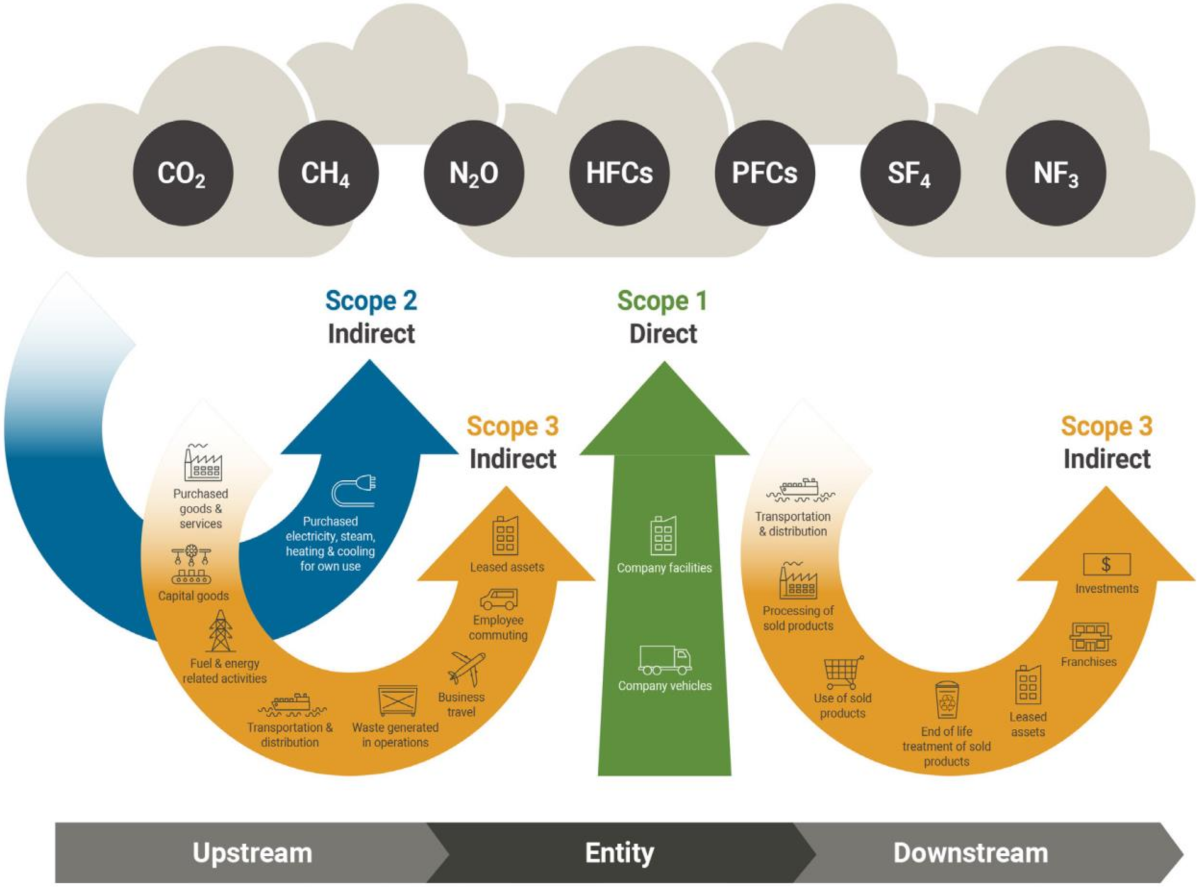
Disclosures

Metrics
- Cross-industry metrics including GHG emissions (gross scopes 1, 2, and 3 (value chain))
- Industry-metrics and/or entity-specific metrics used

Targets
- Targets used and performance against targets

Methodologies and assumptions
- Methodologies and assumptions used in calculations
- Significant estimation uncertainties

Emissions scopes



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Materiality

Lisa Kelsey, Senior Project Manager – Climate Standards

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Materiality
The concept

Materiality involves a user and purpose-based judgement about what information is relevant—whether providing or withholding information is likely to influence primary users' decision making

Materiality
Proposed definition

Materiality

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users make on the basis of their assessments of an entity’s enterprise value across all time horizons, including the long term.

Materiality
Summary of proposed section

Key proposals:

- Material information could include information about an entity's impacts *on* the climate, if those impacts could reasonably be expected to affect the entity's enterprise value
- No uniform quantitative threshold for materiality, or predetermination of what would be material in a particular situation, is made
- Disclosures are presumed to be material, but an entity need not disclose if it determines information would not be material relating to its own specific facts and circumstances
- Assess whether information is material in the context of the climate statement as a whole

Assurance

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What needs to be assured

GHG emissions are the subject of mandatory assurance.
Assurance practitioners carrying out this work must comply with all applicable auditing and assurance standards issued by the XRB.

Intended scope of assurance engagement:

- Scope 1, 2 and 3 GHG emissions
- Additional requirements for the disclosure of GHG emissions (e.g., consolidation approach)
- Requirement to prepare a GHG emissions report and provide a link/cross reference to this report
- Confirmation that GHG disclosures have been drawn from the GHG emissions report

Assurance

Proposed minimum level

Limited assurance

- This is a lower level of assurance compared to reasonable
- Framed as a negative conclusion, i.e., “Nothing came to our attention…”

Reasonable assurance

- This is the highest level of assurance
- Framed as a positive conclusion

Entities can obtain reasonable assurance over some, or all, of their GHG emissions disclosures, or any other disclosures, if they wish

Over to you...

We are keen to hear your feedback and this can be provided formally and informally.

The full consultation document can be found here:
https://www.xrb.govt.nz/standards/climate-related-disclosures/consultation-and-engagement/strategy-and-targets-and-metrics

To help you wrap your head around the information in this consultation document, we're hosting a series of Deep Dive events between 28 March – 1 April. Register to attend here

To provide feedback you can:

Email us
Climate@xrb.govt.nz

Submit via
www.xrb.govt.nz

Comment on our
LinkedIn page

The consultation closes 13 April 2022