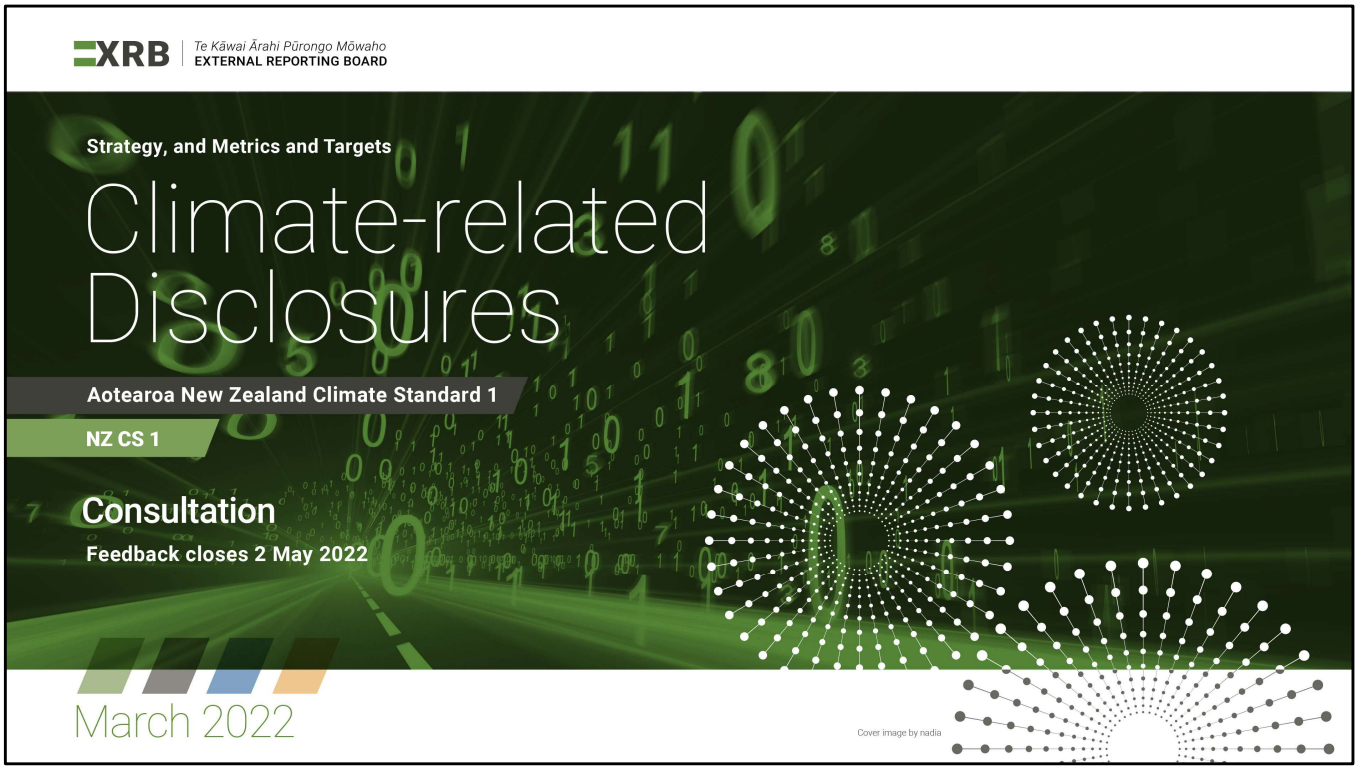


We have made our notes available from this session as we do not have a recording available due to a technical glitch.

Outline for this session

- Overview of framework
- Proposed metrics and targets disclosures
  - Cross-industry metrics
  - Industry-specific metrics
  - Targets
  - Greenhouse gas emissions
  - Assurance
- Questions after each section

Who is required to report and by when?

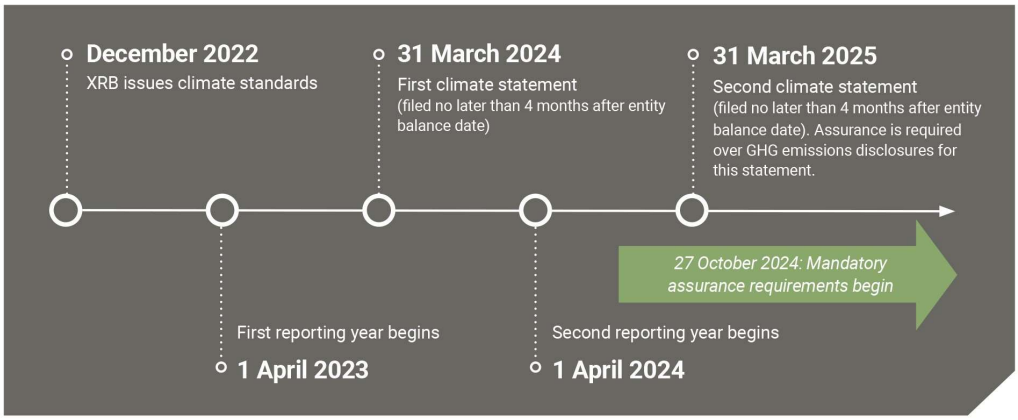
Large listed issuers	Large financial entities		
Large listed debt or equity issuers	Registered banks	Licensed insurers	Credit unions
	Building societies	Managers of registered investment schemes	Some Crown financial institutions (via letters of expectation)

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)

- Approximately 200 climate reporting entities are part of this regime, as designated in legislation
    - They are either large listed debt or equity issuers
    - Or large financial organisations, ranging from banks to managers of registered investment schemes (so including things like large KiwiSaver funds)
    - The Crown may also nominate that Crown Financial Institutions must report in line with the framework through a letter of expectation from their relevant Minister, effectively making them climate reporting entities as well.
- The XRB sets the rules for reporting, but does not determine whether an entity is in or out. If there is any uncertainty over whether an entity is a designated climate reporting entity or not, we recommend getting some independent advice, or speaking with the Financial Markets Authority

Example timeframe for a 1 April to 31 March reporting entity



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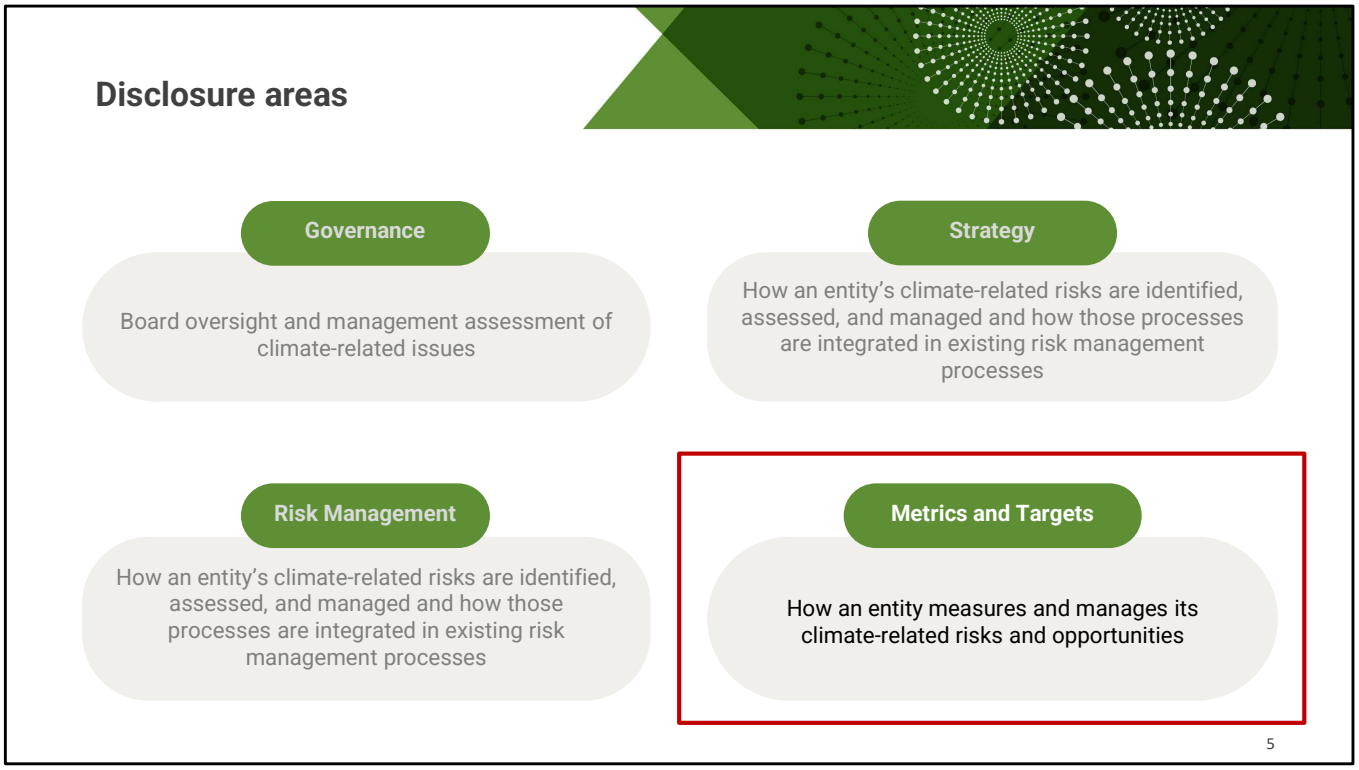
- We are anticipating issuing a standard by December 2022. This means that entities will be required to disclose according to the standard for accounting periods that start on or after 1 January 2023.
- For example, a reporting entity with a 31 March balance date, would be required to prepare their first climate statement as part of their 31 March 2024 reporting.
- Mandatory assurance over GHG emissions disclosures would kick in for their second climate statement
- One thing to note here is that, as explained in our feedback document on the Governance and Risk Management disclosures, available on our website, we are not requiring comparative information to be included in an entity's first climate statement. Comparative information will be required from the second climate statement onwards



Today's session is a deep dive on metrics and targets for listed debt and equity issuers

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

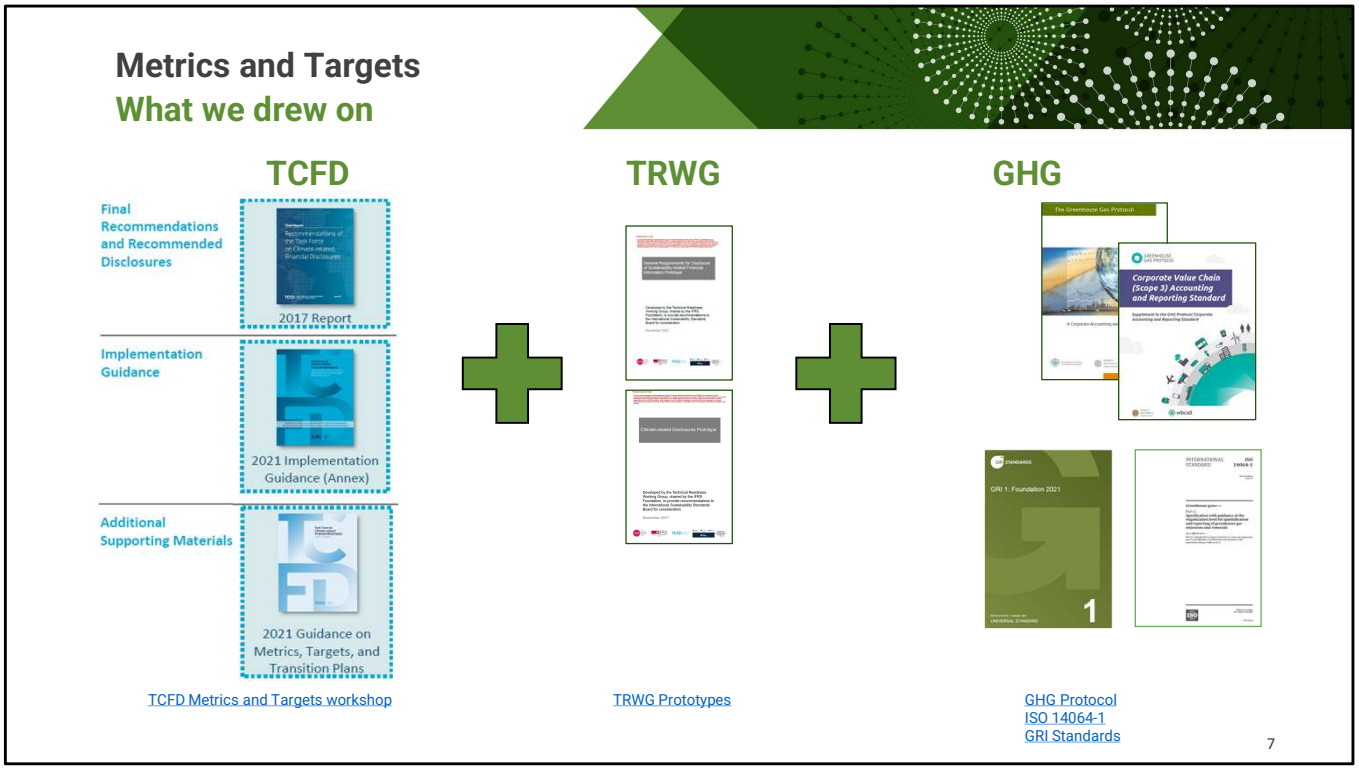
Metrics
- Cross-industry metrics including GHG emissions (gross scopes 1, 2, and 3 (value chain))
- Industry-metrics and/or entity-specific metrics used

Targets
- Targets used and performance against targets

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

6

- The objective for disclosing metrics and targets information is to allow primary users to better assess the organization's potential risk-adjusted returns, general exposure to climate-related issues, and progress in managing or adapting to those issues
- For an entity these disclosures should be about describing the metrics and targets that you use to manage your climate-related risks and opportunities
- Climate-metrics should inform, and be informed by, the entity's governance, strategy and risk management processes and create a feedback loop over time in the same way that other key performance indicators and key risk indicators are used to inform business management processes
- Climate related metrics are related to disclosures in the governance, strategy and risk management sections
- The proposed standard has three sections - metrics, targets and methodologies and assumptions. We'll look at each section in more detail shortly.
- We've tried to balance principles-based disclosures providing flexibility for entities along with prescriptive disclosures that provide comparability (we've been more prescriptive around the cross-industry metrics categories)



- We have drawn strongly on the TCFD recommendations and guidance in developing the metrics and targets section

- This includes the most recent updates made in 2021 – the implementation guidance and the additional guidance for Metrics, Targets and Transition plans

- We then considered a range of other resources including the the TRWG prototype – both the climate prototype and the general requirements prototype; and we are expecting the release of the exposure draft of this standard today (31 March 22)
- We'll be looking closely at this when it arrives. Word on the street is that it is not substantially different from the prototype

For the GHG disclosures we also looked at the
- the GHG Protocol Corporate Accounting and Scope 3 Value Chain standards
- ISO 14064-1:2018 and
- The global reporting initiative standards

- Our proposed section is closely aligned with the TCFD disclosures

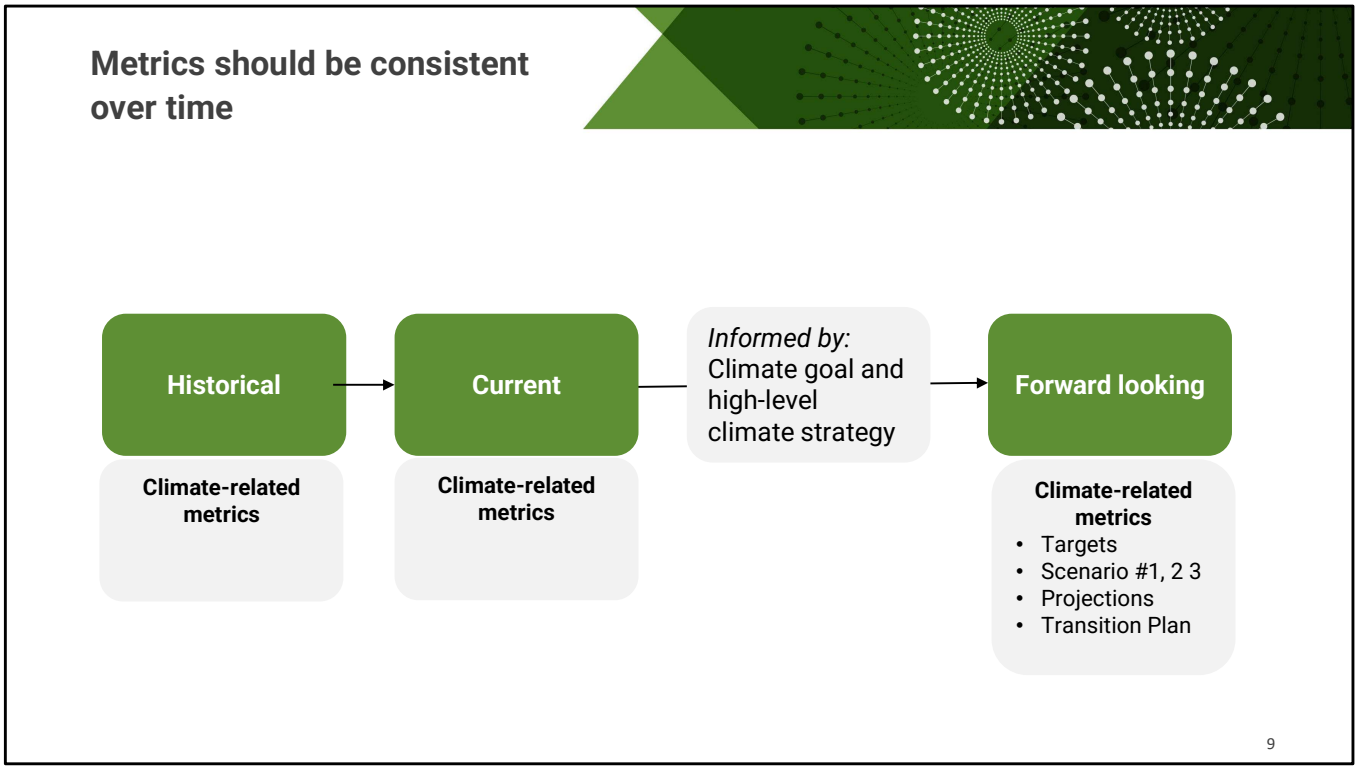
Metrics and Targets
Summary of proposed section

Cross-industry metrics categories

- Greenhouse gas emissions – gross scope 1, 2, 3 (value chain) (tCO_2e)
- GHG emissions intensity – (metric per tCO_2e)
- Transition risks – assets or business activities vulnerable ($ or %)
- Physical risks – assets or business activities vulnerable ($ or %)
- Climate-related opportunities – revenue, assets or business activities ($ or %)
- Capital deployment – capital expenditure, financing or investment ($)
- Internal emissions price – ($ per tCO_2e)
- Remuneration – management remuneration linked (% or weighting or description or $)

8

- We have eight cross-industry metric categories which are consistent with both the TCFD recommended disclosures and the TWRG prototype
- Note that these are categories rather than individual metrics to allow entities flexibility in reporting while retaining some consistency
- We'll run through some examples from each of these categories
- We'll cover greenhouse gas emissions disclosures at the end



There are three time horizons that are relevant to climate-related metrics: current, historical, and forward-looking, which are defined as follows:

- Current. Current period data, outlining most recent reporting period and covering the same period as the current period in the organization's financial filings (e.g., 12 months year to date)
- Historical. Data for the period(s) prior to the current period, covering at a minimum the same period as in the organization's financial filings
- Forward-Looking. Future period data, covering short-, medium-, and long-term time horizons

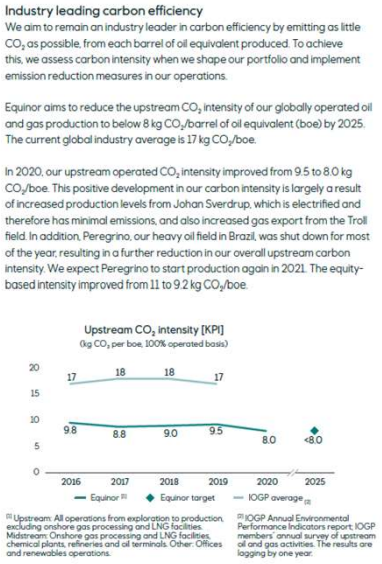
- Forward-looking metrics may be based on methodologies such as scenario analysis, trend analysis, sensitivity analysis, and simulations, as well as commitments and climate-related targets
- Unlike historical and current data, forward-looking data are usually more appropriately reported as ranges based on assumptions about the future state of the world, often tied to one or more plausible climate scenarios
- Targets are a sub-set of forward looking metrics
- For example you might have a forward projection of carbon price but not a target

- It is helpful for preparers to disclose climate-related metrics consistently from year to year in order to facilitate comparative and trend analysis and to clearly identify the time horizon over which climate-related metrics are measured
- Climate-related metrics are most effective when the same item is reported across all time periods as shown

Example GHG intensity metric - equinor

"In 2020, our upstream operated CO_2 intensity improved from 9.5 to 8.0 kg CO_2/boe. This positive development in our carbon intensity is largely a result of ….."

Source: Equinor, 2020 Sustainability Report



Industry leading carbon efficiency

We aim to remain an industry leader in carbon efficiency by emitting as little CO_2 as possible, from each barrel of oil equivalent produced. To achieve this, we assess carbon intensity when we shape our portfolio and implement emission reduction measures in our operations.

Equinor aims to reduce the upstream CO_2 intensity of our globally operated oil and gas production to below 8 kg CO_2/barrel of oil equivalent (boe) by 2025. The current global industry average is 17 kg CO_2/boe.

In 2020, our upstream operated CO_2 intensity improved from 9.5 to 8.0 kg CO_2/boe. This positive development in our carbon intensity is largely a result of increased production levels from Johan Sverdrup, which is electrified and therefore has minimal emissions, and also increased gas export from the Troll field. In addition, Peregrino, our heavy oil field in Brazil, was shut down for most of the year, resulting in a further reduction in our overall upstream carbon intensity. We expect Peregrino to start production again in 2021. The equity-based intensity improved from 11 to 9.2 kg CO_2/boe.

[1] Upstream. All operations from exploration to production, excluding onshore gas processing and LNG facilities. Midstream: Onshore gas processing and LNG facilities, chemical plants, refineries and oil terminals. Other: Offices and renewables operations.

[2] IOGP Annual Environmental Performance Indicators report; IOGP members' annual survey of upstream oil and gas activities. The results are lagging by one year.

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GHG intensity

Intensity ratios express GHG impact per unit of physical activity or unit of economic output

- A physical intensity ratio is suitable when aggregating or comparing across businesses that have similar products
- An economic intensity ratio is suitable when aggregating or comparing across businesses that produce different products. A declining intensity ratio reflects a positive performance improvement
- Many companies historically tracked environmental performance with intensity ratios
- Intensity ratios are often called 'normalised' environmental impact data

Examples of intensity ratios include

- product emission intensity (for example, tonnes of CO2 emissions per electricity generated)
- Service intensity (for example, GHG emissions per function or per service) and
- sales intensity (for example, emissions per sales)

Example transition risks metric – United Airlines

"Approximately 33% of United's 2019 capacity (including regional partners) was flown between country-pairs that have volunteered for the first phase of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) (2021-23). If additional countries join in subsequent years, this number is expected to increase."

Source: CDP, United Airlines Holdings Climate Change 2020 report

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Transition risks – amount or percentage of assets or business activities vulnerable to transition risks

Entities can be vulnerable to several types of climate-related transition risks:

a) policy and legal risks reflecting changes in policy and litigation action

b) technology risk as emerging technologies impact the competitiveness of certain organizations

c) market risk from changes to supply and demand and

d) Reputational risks tied to changing customer or community perceptions

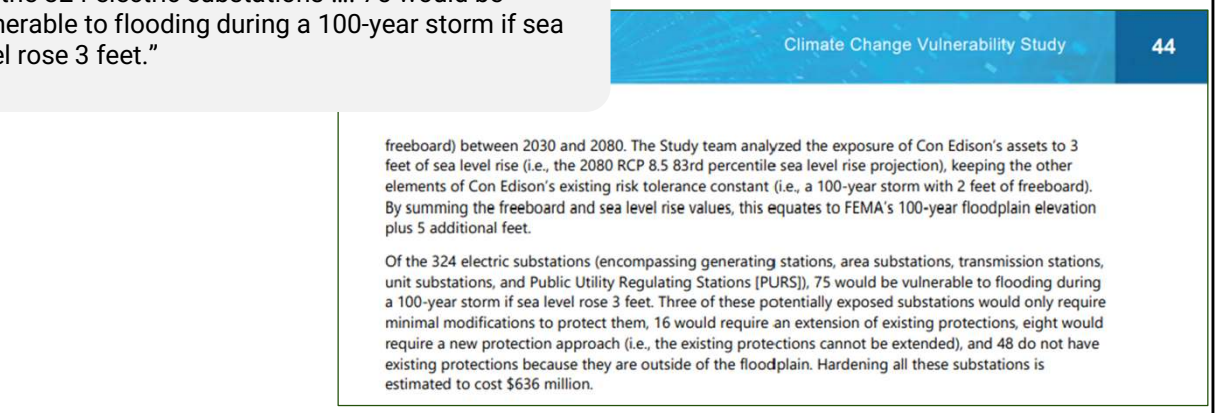
- Disclosure of the amount or extent of an entity's assets or business activities vulnerable to climate-related transition risks allows users to better understand potential financial vulnerability regarding issues such as possible impairment or stranding of assets, effects on the value of assets and liabilities, and changes in demand for products or services

Example metrics

- Volume of real estate collaterals highly exposed to transition risk
- Concentration of credit exposure to carbon-related assets
- Percent of revenue from coal mining
- Percent of revenue passenger kilometres not covered by Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)

Example physical risks metric – ConEdison

"Of the 324 electric substations …. 75 would be vulnerable to flooding during a 100-year storm if sea level rose 3 feet."



Climate Change Vulnerability Study 44

freeboard) between 2030 and 2080. The Study team analyzed the exposure of Con Edison's assets to 3 feet of sea level rise (i.e., the 2080 RCP 8.5 83rd percentile sea level rise projection), keeping the other elements of Con Edison's existing risk tolerance constant (i.e., a 100-year storm with 2 feet of freeboard). By summing the freeboard and sea level rise values, this equates to FEMA's 100-year floodplain elevation plus 5 additional feet.

Of the 324 electric substations (encompassing generating stations, area substations, transmission stations, unit substations, and Public Utility Regulating Stations [PURS]), 75 would be vulnerable to flooding during a 100-year storm if sea level rose 3 feet. Three of these potentially exposed substations would only require minimal modifications to protect them, 16 would require an extension of existing protections, eight would require a new protection approach (i.e., the existing protections cannot be extended), and 48 do not have existing protections because they are outside of the floodplain. Hardening all these substations is estimated to cost $636 million.

Source: ConEdison, Climate Change Vulnerability Study, December 2019,

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Physical risks – amount or percentage of assets or business activities vulnerable to physical risks

When considering the types of climate-related physical risks that an entity might be vulnerable to, you need to consider both

a) acute risks, such as storms, floods, and wildfires, that are event-driven and
b) chronic risks, such as higher temperatures and sea-level rise, that refer to longer-term shifts in climate patterns.

- In determining vulnerability to physical risks, entities should consider their climate-related hazards, exposures to those hazards, and their vulnerability

- Disclosure of the amount or extent of an entity's assets or business activities vulnerable to material climate-related physical risks allows users to better understand potential financial vulnerability regarding such issues as impairment or stranding of assets, effects on the value of assets and liabilities, and cost of business interruptions

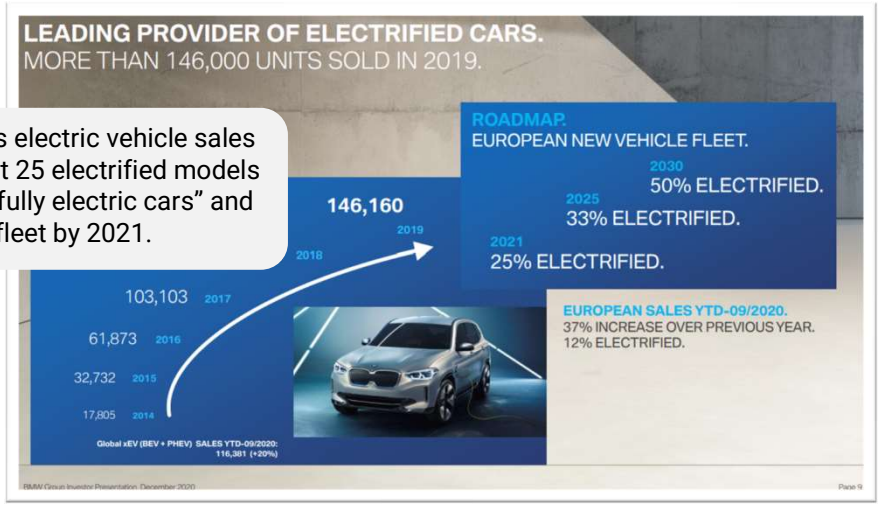
- Physical risks will be specific to the geography where the assets or activities are located and their likely exposure or vulnerability to the risk
- For example, certain assets may be most vulnerable to acute risks from storms or wildfires, while others are more at risk from chronic changes in average temperature, sea-level rise, or drought

Example metrics

- Wastewater treatment capacity located in 100-year flood zones
- Revenue associated with water withdrawn and consumed in regions of high or extremely high baseline water stress
- Proportion of property, infrastructure, or other alternative asset portfolios in an area subject to flooding, heat stress, or water stress
- Proportion of real assets exposed to 1:100 or 1:200 climate-related hazards

Example climate-related opportunities metric - BMW

Investor presentation includes electric vehicle sales and road map targets “at least 25 electrified models by 2023 including at least 13 fully electric cars” and “25% electrified” new vehicle fleet by 2021.



Source: BMW Group, Investor Presentation, December 2020

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Climate-related opportunities: proportion of revenue, assets, or other business activities aligned with climate-related opportunities, expressed as an amount or percentage

There are several categories of climate-related opportunities that entities can capture. Examples include

a) improved resource efficiency from reducing energy, water, and waste
b) use of energy sources that emit low or no GHG emissions
c) development of new products and services
d) access to new markets and
e) improved adaptive capacity and resilience

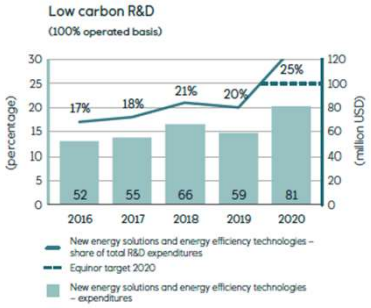
- Disclosure of the proportion of revenue, assets, or business activities aligned with climate-related opportunities provides insight into the position of organizations relative to their peers and allows users to understand likely transition pathways and potential changes in revenue and profitability over time

Example metrics

- Number of (1) zero-emissions vehicles (ZEV), (2) hybrid vehicles, and (3) plug-in hybrid vehicles sold
- Revenues from products or services that support the transition to a low-carbon economy
- Proportion of homes delivered certified to a third-party, multi-attribute green building standard

Example capital deployment metric - equinor

"Our low-carbon and energy efficiency R&D expenditure was around 25% in 2020, which is a large increase from 2019"



Source: Equinor, 2020 Sustainability Report

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Capital deployment - amount, in reporting currency, of capital expenditure, financing, or investment deployed toward climate-related risks and opportunities

- In addition to having different climate-related risks and opportunities, entities differ in the extent to which they are deploying capital to manage their risks and increase their opportunities
- Capital investment disclosure by non-financial organizations and financing by financial organizations gives an indication of the extent to which long-term enterprise value might be affected
- Deployment of capital in low-carbon technologies, business lines, or products may demonstrate that an entity is investing to make their businesses resilient to transition risk or to capture climate-related opportunities
- For example, entities that are hardening infrastructure in response to increased incidence of physical risks can signal that short-term debt might increase as the entity upgrades their assets but long-term costs may be lower
- Capital expenditures, capital investments, or the amount of financing for new technologies, infrastructure, or products can be reported in line with financial reporting standards and commonly used taxonomies for delineating climate-related risks and opportunities
- It can be helpful for organizations to present traditional disclosures alongside climate-related disclosures to allow users to understand the scale of investment in different types of activities

Example metrics

- Percentage of annual revenue invested in R&D of low-carbon products/services
- Investment in climate adaptation measures (e.g., soil health, irrigation, technology)

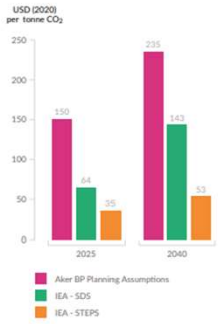
Example carbon pricing metric – Aker BP

"Climate-related considerations are embedded in our decision making and we use a set of strict financial criteria, including our internal carbon price, for all investment decisions."

"As shown in Figure 1, Aker BP's carbon price assumptions are significantly higher than the prices assumed in the IEA's scenarios. We therefore keep Aker BP's internal carbon price assumptions for testing the portfolio value under the selected scenarios for oil and gas prices."

Source: Aker BP, Sustainability Report 2020

FIGURE 1



Sources: IEA WEO 2020; Aker BP Planning Assumptions Q1 2021.

Notes:
1) Aker BP's assumed carbon price reaches USD 235/tCO_2 in 2030, assumed flat thereafter.
2) The IEA's original assumptions in 2019 real terms were inflated by 2%.
3) IEA does not provide prices for the DRS, but states that "Carbon prices for the DRS are close to those of the STEPS".

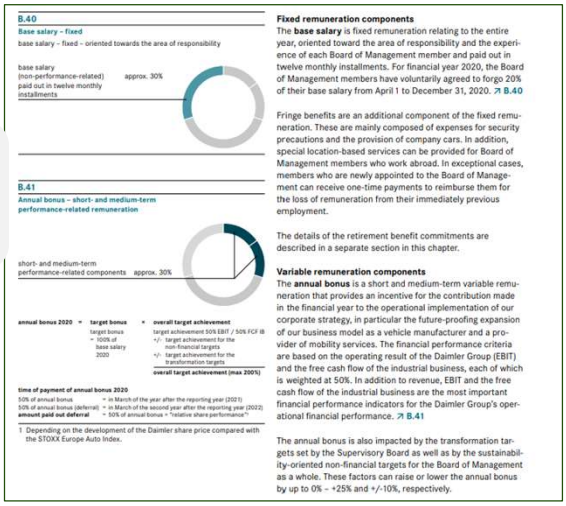
Internal emissions price – price on each tonne of greenhouse gas emissions used internally by an entity, expressed in reporting currency per metric tonne of CO2e

- Internal carbon pricing is a mechanism by which organisations can put a value on their GHG emissions to facilitate analysis of the actual and potential impacts of climate-related risks and opportunities
- For example, non-financial organisations may use an internal carbon price to understand the potential future costs associated with developing new carbon-related assets
- Internal carbon prices also provide users with an understanding of the reasonableness of an organization's risk and opportunity assessment and strategy resilience
- The disclosure of internal carbon prices can help users identify which organizations have business models that are vulnerable to future policy responses to climate change and which are adapting their business models to ensure resilience to transition risks
- While internal carbon prices can take a variety of forms and amounts, an increasing number of companies are setting an internal notional or actual price on the amount of CO2 emitted from assets and investment projects so they can see how, where, and when their GHG emissions could affect their strategy, profit-and-loss (P&L) statements, and investment choices
- There is no definitive source on what an organization's carbon price should be, and there are a variety of ways that the cost of carbon can be integrated into business practices

Example metrics
- Internal carbon price
- Shadow carbon price, by geography

Example remuneration metric - Daimler

Sustainability oriented targets can raise or lower the annual bonus by up to +/-25% and +/-10%, respectively.



B.40
Base salary – fixed
base salary – fixed – oriented towards the area of responsibility

base salary (non-performance-related) paid out in twelve monthly installments — approx. 30%

B.41
Annual bonus – short- and medium-term performance-related remuneration

short- and medium-term performance-related components — approx. 30%

annual bonus 2020 = target bonus (target bonus = 100% of base salary 2020) × overall target achievement (target achievement 50% EBIT / 50% FCF IB +/- target achievement for the non-financial targets +/- target achievement for the transformation targets) — overall target achievement (max 200%)

time of payment of annual bonus 2020
50% of annual bonus = in March of the year after the reporting year (2021)
50% of annual bonus (deferral) = in March of the second year after the reporting year (2022)
amount paid out deferral = 50% of annual bonus × relative share performance[1]

1 Depending on the development of the Daimler share price compared with the STOXX Europe Auto Index.

Fixed remuneration components
The **base salary** is fixed remuneration relating to the entire year, oriented toward the area of responsibility and the experience of each Board of Management member and paid out in twelve monthly installments. For financial year 2020, the Board of Management members have voluntarily agreed to forgo 20% of their base salary from April 1 to December 31, 2020. ↗ B.40

Fringe benefits are an additional component of the fixed remuneration. These are mainly composed of expenses for security precautions and the provision of company cars. In addition, special location-based services can be provided for Board of Management members who work abroad. In exceptional cases, members who are newly appointed to the Board of Management can receive one-time payments to reimburse them for the loss of remuneration from their immediately previous employment.

The details of the retirement benefit commitments are described in a separate section in this chapter.

Variable remuneration components
The **annual bonus** is a short and medium-term variable remuneration that provides an incentive for the contribution made in the financial year to the operational implementation of our corporate strategy, in particular the future-proofing expansion of our business model as a vehicle manufacturer and a provider of mobility services. The financial performance criteria are based on the operating result of the Daimler Group (EBIT) and the free cash flow of the industrial business, each of which is weighted at 50%. In addition to revenue, EBIT and the free cash flow of the industrial business are the most important financial performance indicators for the Daimler Group's operational financial performance. ↗ B.41

The annual bonus is also impacted by the transformation targets set by the Supervisory Board as well as by the sustainability-oriented non-financial targets for the Board of Management as a whole. These factors can raise or lower the annual bonus by up to 0% – +25% and +/-10%, respectively.

Source: CDP, United Airlines Holdings Climate Change 2020 report

Remuneration – proportion of management remuneration linked to climate-related risks and opportunities in the current period, expressed as a percentage, weighting, description or amount in reporting currency

- Remuneration policies are important incentives for achieving an entity's goals and objectives and may provide insight on an entity's governance, oversight, and accountability for managing climate-related issues
- The ways in which entities link executive compensation to performance on issues related to climate change will be specific to them and their governance structure
- Some entities choose to report the percentage of the executive's pay linked to climate considerations, while others discuss weighting factors or total amount of compensation that could be impacted

Example metrics
- Portion of employee's annual discretionary bonus linked to investments in climate-related products
- Weighting of climate goals on long-term incentive scorecards for Executive Directors
- Weighting of performance against operational emissions' targets for remuneration scorecard

Metrics and Targets
Summary of proposed section

Industry- and entity-specific metrics

- Must disclose industry-specific metrics used
- Any other key performance indicators used

- We are not proposing to specify industry-specific as we consider that entities should report those metrics which they actually use for management purposes
- We believe there is limited value for an entity in having to report metrics which are not used for management purposes

- The TCFD implementation guidance provides recommended sector specific metrics and the TRWG has proposed an extensive list drawn from SASB standards. We have provided information on both of these sources in our consultation document

Industry-specific metrics

5. An entity must disclose the industry-specific metrics it uses to measure and manage its climate-related risks and opportunities

Entity-specific metrics

6. An entity must include any other key performance indicators used to measure and manage climate-related risks and opportunities

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Sector (per TCFD)	Potential metrics
Agriculture, food and forest products	• Total water withdrawn and total water consumed • Percent water withdrawn and consumed in regions with high or extremely high water stress • Emissions from biological processes • Changes in carbon stocks as a result of land use • Land use changes
Energy	• Percent of water withdrawn in regions with high water stress • Gross global scope 1 emissions from 1) combustion, 2) flared hydrocarbons, 3) process emissions, 4) directly vented releases, and 5) fugitive emissions/leaks
Materials and buildings	• Building energy intensity by area • Building water intensity (by occupants or area) • Percent of fresh water withdrawn in regions with high or extremely high water stress • Area of buildings, plants or properties in flood hazard areas
Transportation	• Sales weighted average fleet fuel economy • Energy Efficiency Design Index (EEDI) for new ships • Life cycle reporting of GHG emissions of transportation products

- These are the potential metrics identified by the TCFD in its supplemental guidance

- While we are specifying which industry-specific metrics to use we would expect that there will be some consistency and pressure from investors for entities to use similar metrics when they are similar industries

Metrics and Targets

Summary of proposed section

The targets used to manage climate-related risks and opportunities and performance against targets

Sub-disclosures include:

- Whether the target is absolute or intensity based
- Whether the target is science-based and if so, whether it has been validated by a third party
- Timeframe of the target, any interim targets and the base year
- Description of performance against targets

- A climate-related target refers to a specific level, threshold, quantity, or qualitative goal that the entity wishes to meet over a defined time horizon in order to address its climate-related risks and opportunities
- An entity's climate-related targets should inform, and be informed by, its strategy and risk management and be linked to its climate-related metrics
- Some entities select climate-related metrics and then define climate-related targets that allow them to operationalise their high-level climate strategy
- Others set targets and then select climate-related metrics to measure and track progress related to their targets
- Required disclosures for targets have been drawn from the TCFD recommended disclosures in the Metrics and Targets guidance
- We have added an additional disclosure for science-based targets drawn from TRWG as this helps the primary user to understand the level of ambition and provide comparability for emissions-reduction targets
- TRWG has other additional disclosure requirements which we haven't included

- Additional page for notes on targets

Targets should be:

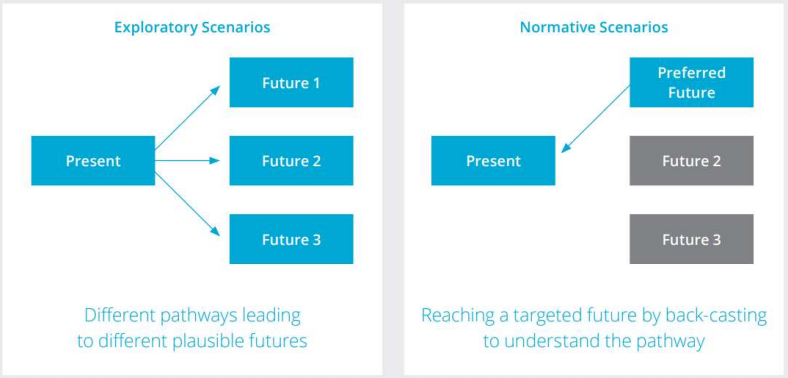
- Aligned with your strategy and risk management goals
- Linked to relevant metrics
- Quantified and measurable
- Clearly Specified over Time. Climate-related targets should be defined clearly over time and specify the following:
    - Baseline: Clear definition of baseline time period against which progress will be tracked, with a consistent base year across GHG emissions targets
    - Time horizon: Defined time horizon by which targets are intended to be achieved Short-, medium-, and long-term time horizons should be consistent across an organization's targets and, if feasible, consistent with key dates tracked by key international organizations, such as the Intergovernmental Panel on Climate Change (IPCC), or regulators
    - An interim target is a checkpoint between the current period and the target end date in which an organization assesses its progress and makes any
    - adjustments to its plans and targets. Any medium- and long-term targets should have interim targets set at appropriate intervals (e.g., 5–10 years) covering the full medium or long-term target time horizon.

- Similar to the disclosure of climate-related metrics, effective disclosure of climate-related targets includes grounding disclosures in narrative or qualitative information to help users understand their context
- Disclosures of targets should be supported by contextual, narrative information on items such as organizational boundaries, methodologies, and underlying data and assumptions, including those around the use of offsets

Role of scenario analysis in setting targets

Figure C1

Exploratory versus Normative Scenarios



Scenario analysis Target setting

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The two main types of scenarios are

(1) exploratory scenarios used to explore a range of different possible futures and

(2) normative scenarios used to plan for a preferred future.

- For normative scenarios, scenario analysis starts with a preferred or desired future outcome and then back-casts plausible pathways from the preferred future to the present in order to inform decisions on what is needed to achieve that preferred future
- Examples of normative climate-related scenarios are those targeting net-zero emissions in 2050
- Normative scenarios are used for assessment and setting of specific targets and implementation plans, rather than assessment of climate-related risks and uncertainties

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Cross-industry metric category	Example climate-related target
Transition risks assets or business activities vulnerable ($ or %)	Reduce percentage of asset value exposed to transition risks by 30% by 2030, relative to a 2019 baseline
Physical risks assets or business activities vulnerable ($ or %)	Ensure at least 60% of flood-exposed assets have risk mitigation in place in line with the 2060 projected 100-year floodplain
Climate-related opportunities revenue, assets or business activities ($ or %)	Increase net installed renewable capacity so that it comprises 85% of total capacity by 2035
Capital Deployment capital expenditure, financing or investment ($)	Invest at least 25% of annual capital expenditure into electric vehicle manufacturing
Internal emissions price ($ per tCO2e)	Increase internal carbon price to $150 by 2030 to reflect potential changes in policy
Remuneration management remuneration linked (% or weighting or description or $)	Increase amount of executive management remuneration impacted by climate considerations to 10% by 2025

- In its 2021 guidance, the Task Force recommends that organizations disclose climate-related targets related to the seven cross-industry, climate-related metric categories, where relevant

- We have proposed entities disclose those targets they use
- The table here shows some example targets which entities could consider (from the TCFD guidance)

Metrics and Targets
Summary of proposed section

The methodologies and assumptions used to calculate its metrics and targets

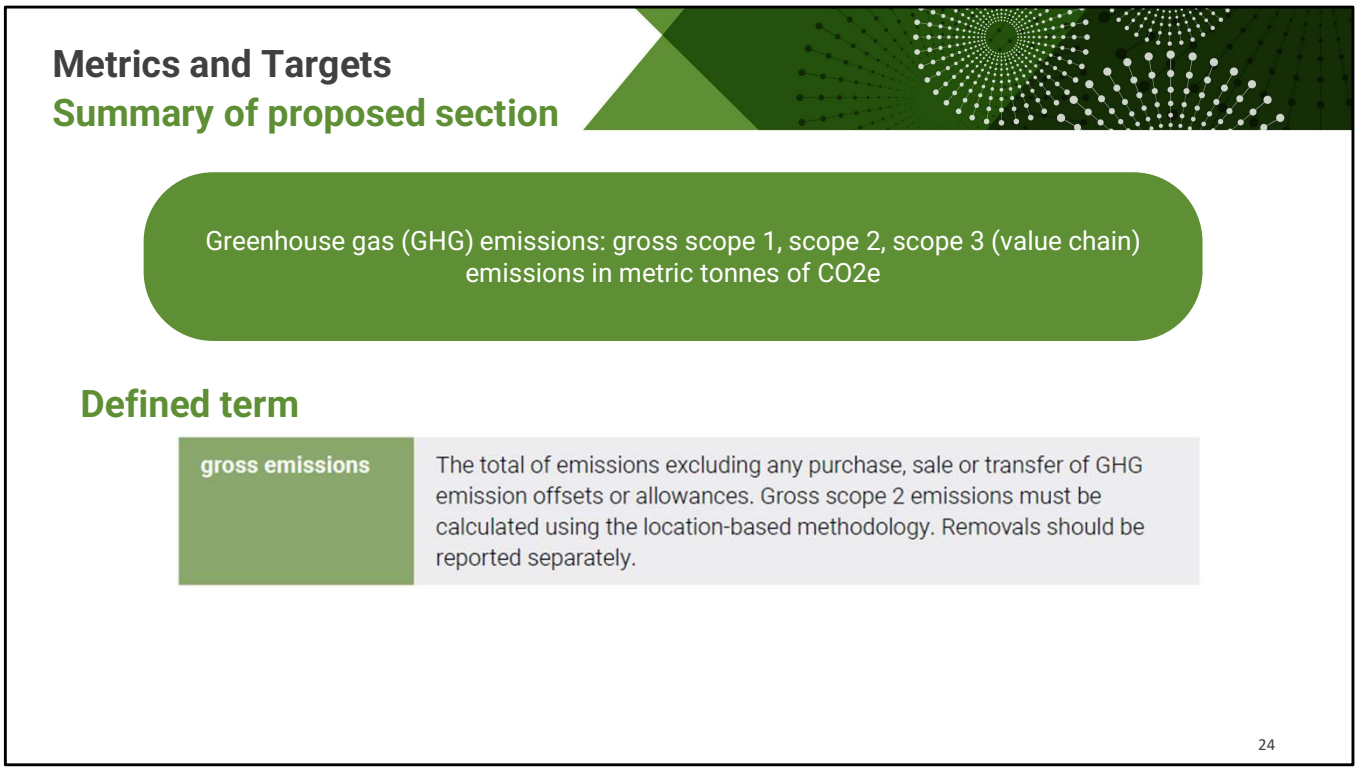
Sub-disclosures include:

- Description of methodologies and assumptions, including significant assumptions made and limitations of those methods
- Identify metrics that have significant estimation uncertainty, including the factors affecting the uncertainties

- The key point is for primary users to understand the level of estimation and uncertainty included in the metrics and targets disclosures
- We would anticipate that both levels of estimation and uncertainty would reduce over time

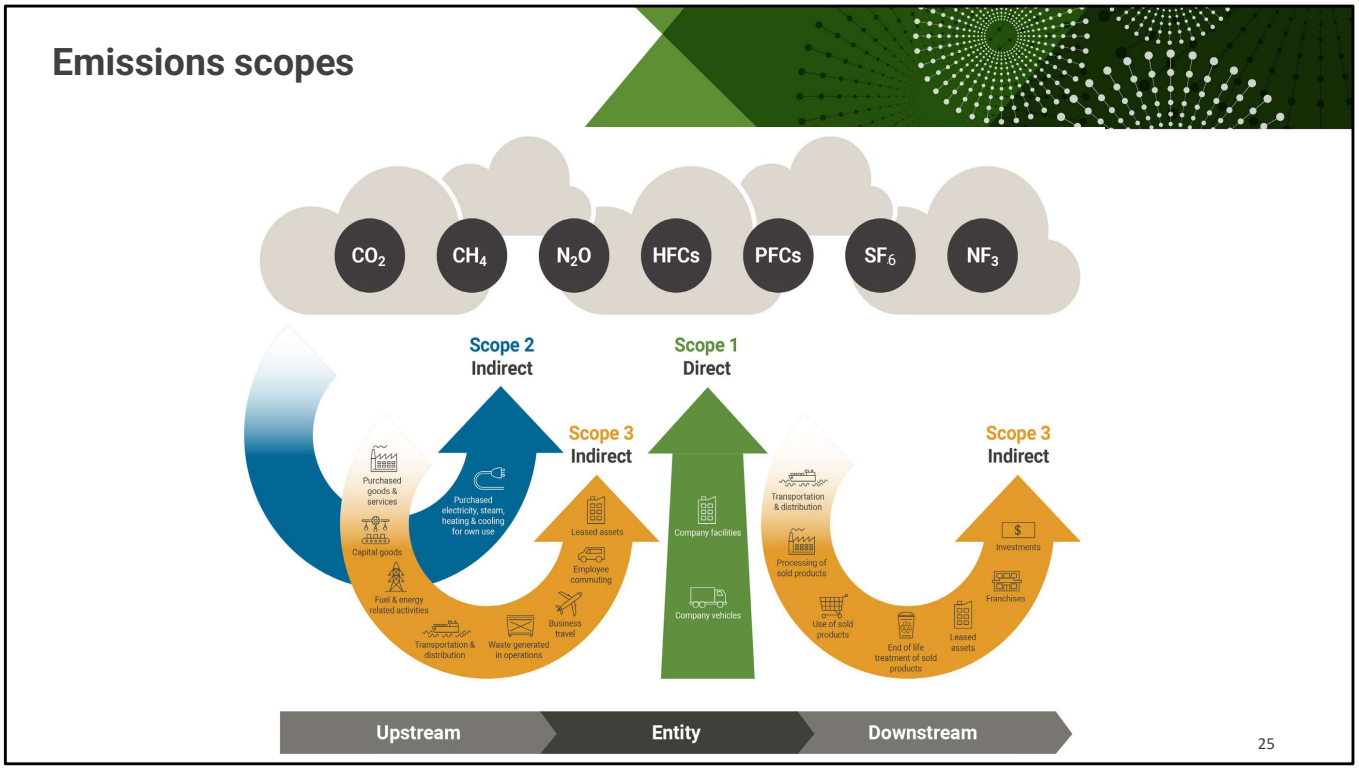
- Methodologies and definitions used, including the scope of application, data sources, critical factors or parameters, assumptions, and limitations of the methodology
- For metrics informed by scenario analysis, entities should include information on which climate scenarios were used and their assumptions and limitations
- Organizations should also provide context if they adjust the methodology or definition of particular metrics

- When metrics cannot be quantified directly and can only be estimated, measurement uncertainty arises. The use of reasonable estimates is an essential part of preparing climate-related metrics and does not undermine the usefulness of the information if the estimates are clearly and accurately described and explained
- Even a high level of measurement uncertainty does not necessarily prevent such an estimate from providing useful information



GHG emissions disclosures – Gross scope 1, 2 & 3

- We have used the term 'gross' GHG emissions rather than 'absolute' as used by the TCFD. The TRWG uses 'gross absolute'
- The intention is that entities should report their emissions before any trades, credits or removals are applied. This includes accounting for scope 2 emissions using the location-based methodology and reporting any removals separately
- This shows the total emissions that an entity is causing
- We believe that this is a transparent approach which will focus attention on emissions reductions rather than offsetting and can help to avoid allegations of greenwashing
- This approach is consistent with the GRI Standard 305 disclosures
- Gross is a defined term
- An entity can provide additional disclosures such as market-based emissions if this is how they measure and manage their climate-related risks and opportunities



GHG emissions disclosures – Scope 3 value chain

- We have required disclosure of scope 3 value chain emissions for all entities. These are the yellow arrows shown on the slide
- This stance is supported by our advisory panel and most of the feedback received from our first consultation
- The decision to include scope 3 is in alignment with both TCFD and TRWG
- Scope 3 categories are: purchased goods and services; capital goods; fuel- and energy-related activities; upstream transportation and distribution; waste generated in operations; business travel; employee commuting; upstream leased assets; downstream transportation and distribution; processing of sold products; end-of-life treatment of sold products; downstream leased assets; franchises; and investments

Scope 3 matters

Source: CDP Supply Chain Report 2020

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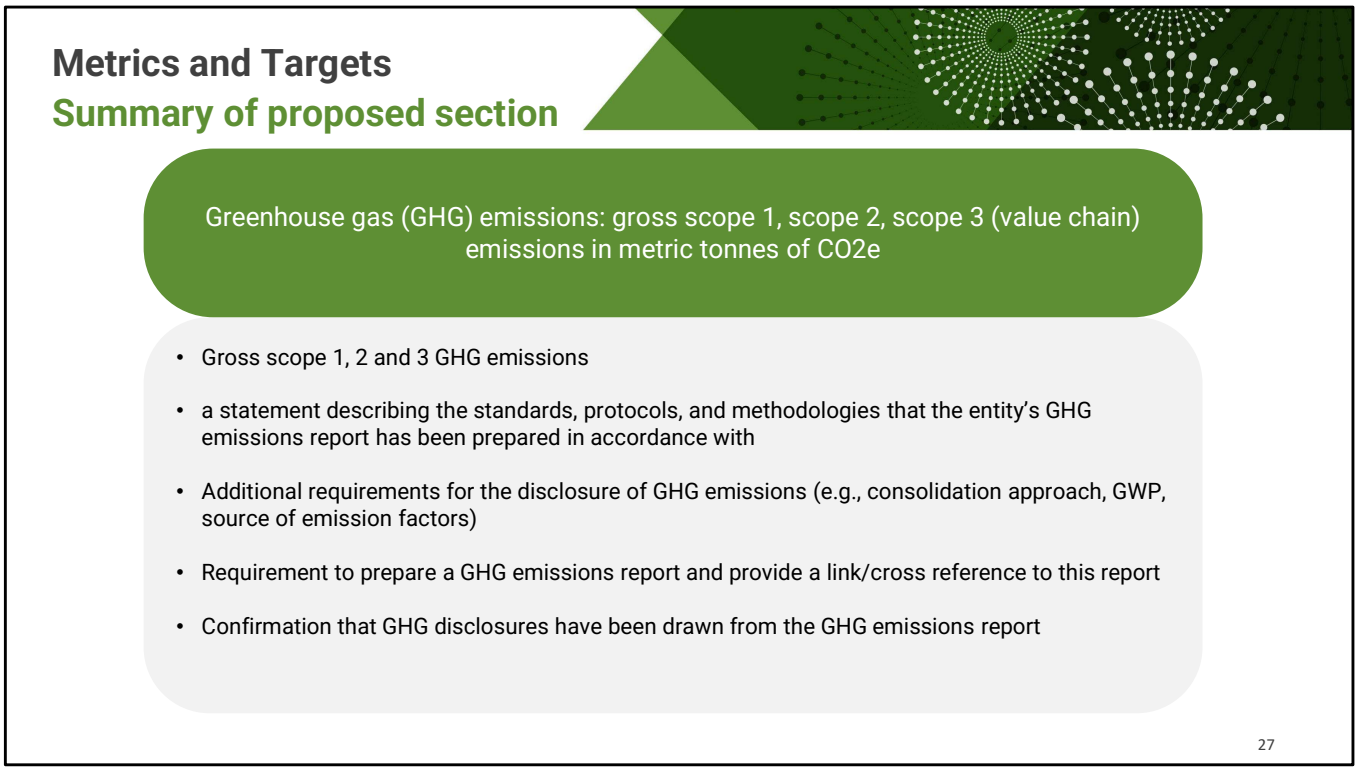
Why?
For most entities this is where the most significant emissions risks and opportunities lie, and it is important for entities and primary users to understand these risks and opportunities.

- The Carbon Disclosure Project's 2021 analysis indicates that a given company's scope 3 emissions average some 11.5 times higher than its direct emissions.

- Among financial institutions, portfolio emissions are on average over 700 times higher than direct emissions

By measuring Scope 3 emissions, organisations can:
- Assess where the emission hotspots are in their supply chain
- Identify resource and energy risks in their supply chain
- Identify which suppliers are leaders and which are laggards in terms of their sustainability performance
- Identify energy efficiency and cost reduction opportunities in their supply chain
- Engage suppliers and assist them to implement sustainability initiatives
- Improve the energy efficiency of their products
- Positively engage with employees to reduce emissions from business travel and employee commuting



GHG emissions disclosures – additional requirements

- NZ CS 1 is primarily a disclosure rather than a measurement standard. We propose that an entity prepares a separate GHG emissions report and that selected extracts from that report are disclosed in its Climate Statement
- The XRB recognises that there are existing globally accepted and commonly used GHG emissions measurement and reporting standards including the GHG Protocol and ISO 14064-1. Therefore we are not proposing to mandate a single approach but instead propose that CREs disclose the standards, protocols and methodologies used
- We have proposed additional disclosure requirements for greenhouse gas emissions. Some of these are to enable greater comparability for primary users
- We have not required a particular consolidation approach (equity share, operational control or financial control). While the choice of consolidation approach can move emissions between scopes, we believe that with the inclusion of Scope 3 value chain emissions the total emissions disclosed will be similar irrespective of consolidation approach applied. Instead, we have required disclosure of the consolidation approach used
- In addition, we require disclosure of the source of emissions factors, the global warming potential rates used and a summary of exclusions. We believe these, along with the consolidation approach provide key information to enable primary users to understand how emissions have been calculated without having to refer to the GHG emissions report
- Based on expert discussions, we consider these to be the most material disclosures

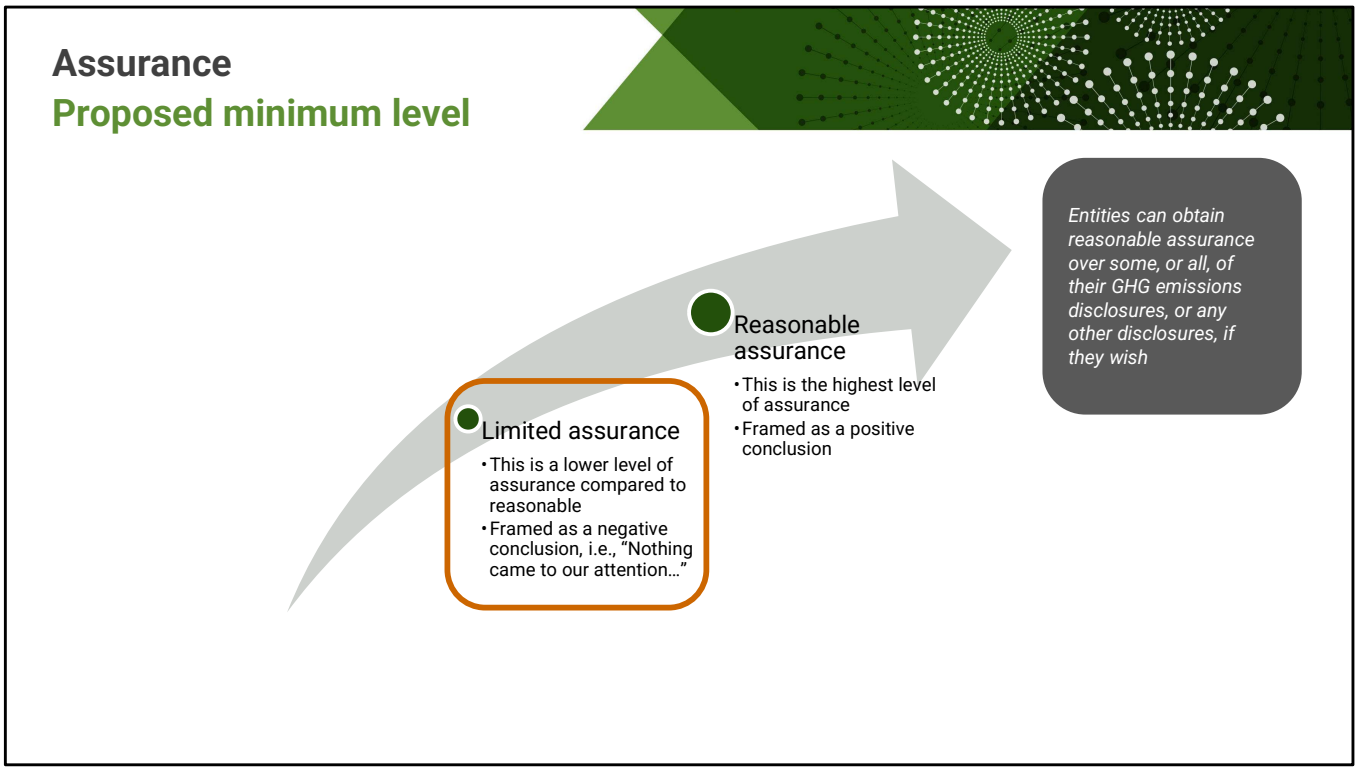
Metrics and Targets
Defined term

GHG emissions report	The report from which GHG disclosure data is extracted for the climate statement. This contains all the details required by the recognised standards or methodologies (basis of preparation) used to calculate emissions.

MFE example | Auckland Airport | Contact Energy | Meridian Energy | Mainfreight | Synlait | Z Energy

GHG emissions disclosures – GHG emissions report

- Emissions disclosures are required to be assured. For an assurance opinion to be formed over the disclosed greenhouse gas emissions the information needs to be prepared and reported in accordance with suitable measurement criteria
- This means a greenhouse gas emissions report will need to be prepared in accordance with a generally accepted methodology to support the emissions disclosures in the climate statement. Our proposal is for an entity to prepare a greenhouse gas emissions report. This greenhouse gas emissions report would be an integral part of the disclosures, would be required to be publicly available, and would be subject to assurance
- We have a defined term for GHG emissions report
- Refers to recognised standards or methodologies – these contain the criteria that your assurers will review. Most common standards are the GHG protocol, ISO 14064-1. For financial institutions PCAF
- Some companies already publishing inventory reports which you can review
- MFE publishes an example report



Assurance of GHG emissions

- Two possible levels - either 'reasonable' or 'limited' assurance
- Reasonable is the highest possible assurance, limited assurance is a lower level of assurance
- For users reading an assurance report, reasonable assurance is stated in the positive – in my opinion the GHG emissions are fairly presented
- For users reading a limited assurance report, the conclusion is stated in the negative " Nothing has come to my attention"
- The XRB is proposing to specify the minimum required level of assurance as part of the climate-related disclosure framework.
- Based on our research of market practice to date the level of assurance varies for those entities that currently report and seek assurance over their Greenhouse gas emissions.
- Informed by outreach undertaken so far the XRB considers that in these early days, depending on the circumstances the entity, it might be too early to mandate reasonable assurance, especially in light of the disclosure requirements that include all scope 3 emissions.
- The XRB is therefore proposing that at a minimum, limited assurance over the GHG emissions is required in the first instance but that the level of assurance should be revisited after a suitable period. Some entities may voluntarily seek reasonable assurance over some or all of the GHG emissions disclosures.
- We expect a move from Limited to reasonable assurance over time and we expect that matters that are subject to assurance will also broaden over time, to eventually encompass the entire climate statement.

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 provide feedback you can:

Email us
Climate@xrb.govt.nz

Submit via
www.xrb.govt.nz

Comment on our
LinkedIn page

The consultation closes **2 May 2022**