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External Reporting Board Aotearoa New Zealand Climate Standard 1, Climate-related Disclosures, Strategy, and Metrics and Targets

This submission on the Aotearoa New Zealand Climate Standard 1, Climate-related Disclosures, Strategy, and Metrics and Targets Consultation Document, March 2022 (the Consultation), is from the Financial Services Council of New Zealand Incorporated (FSC).

As the voice of the sector, the FSC is a non-profit member organisation with a vision to grow the financial confidence and wellbeing of New Zealanders. FSC members commit to delivering strong consumer outcomes from a professional and sustainable financial services sector. Our 103 members manage funds of more than \$95bn and pay out claims of \$2.8bn per year (life and health insurance). Members include the major insurers in life, health, disability and income insurance, fund managers, KiwiSaver, and workplace savings schemes (including restricted schemes), professional service providers, and technology providers to the financial services sector.

Our submission has been developed through consultation with FSC members who are also reporting entities (REs), and in some cases also users of the disclosures, and represents the views of our members and our industry. We acknowledge the time and input of our members in contributing to this submission and we appreciate the provision of additional time in which to respond.

The FSC's guiding vision is to grow the financial confidence and wellbeing of New Zealanders and we strongly support initiatives that align with our strategic intent and deliver:

- strong and sustainable customer outcomes
- sustainability of the financial services sector
- increasing professionalism and trust of the industry.

We welcome the opportunity to provide feedback once again on the New Zealand Climate Standard 1 (NZ CS 1) to ensure that the impacts of climate change are actively considered by our members, that climate is taken into account in business and investment decisions made across the industry and so our members can demonstrate accountability and foresight in relation to climate issues. We fully support alignment with international standards as significant deviation from these would only create additional work for entities reporting in more than one jurisdiction.

The FSC fully supports the External Reporting Board (XRB) initiatives to promote climate scenario development. However, we encourage consideration of the provision of scenario analysis to be developed by the Government to be freely available for all participants. We are concerned by different sectors developing their own scenario analysis due to the risk of limited oversight and that scenario analysis at the sector level would not allow for comparability for those who are users of the information and are reporting based on the findings of those reports (for example, asset managers). We consider that this provision will significantly ease and simplify reporting requirements. We note the National Institute of Water and

Atmospheric Research (NIWA) already has the tools, skills, and significant experience in place to make available scenarios with different climate pathways for all RE entities and other potential user (such as councils and smaller businesses). These could be aligned with the Climate Change Response (Zero Carbon) Amendment Act 2019, the Climate Change Commission and the Energy Efficiency and Conservation Authority (EECA) energy assumptions to help achieve the Government's overarching climate commitment.

We note the importance of various methods for Taskforce for Climate-related Financial Disclosures (TCFD) disclosure and our concern is that the emphasis is placed on written descriptions. We encourage consideration in NZ CS 1, and further standards, of the incorporation of charts and diagrams, for example, as a means to provide disclosure rather than written descriptions. We encourage close alignment with the TCFD recommendations and query the usefulness of including disclosures in addition to TCFD requirements.

Whilst disclosures will be mandatory, NZ CS 1 needs to be flexible enough to allow all REs to provide comprehensive and meaningful information, particularly for the first few years of implementation. Some of our members consider the proposed standard too prescriptive in parts which may give rise to compliance challenges, and we offer suggestions as to how that might be addressed in this submission.

We support the development of industry specific guidance. This will facilitate the provision of information in a manner that enables comparison by primary users. We are happy to contribute to further discussion on this and look forward to confirmation of when draft guidance is likely to be issued.

We welcome continued discussions and engagement.

I can be contacted on 021 0233 5414 or richard.klipin@fsc.org.nz or Carissa Perano, Head of Regulatory Affairs, at carissa.perano@fsc.org.nz, to discuss any element of our submission.

Yours sincerely

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

a) Do you think that the information in this section of the standard will provide information that is useful to primary users for decision making? If not, please explain why not and identify any alternative proposals. We support the aspects of this proposed section that focus on ‘describing’ the climate impact and the business’ resilience. Some of our members have indicated that based on stakeholder engagement and participation in ESG surveys, they can confirm the information in this section is requested by the primary audience.

In some instances, the information in this section may extend beyond the requirements of the TCFD international framework. We encourage alignment as far as possible and the removal of additional disclosure requirements as applicable, unless there is a specific reason or additional value to be gained by the inclusion of such components. We also support the development of industry specific guidance. This will assist REs to implement the standard, providing consistent information that primary users can compare.

Table 3: Proposed Strategy section of NZ CS 1, Disclosures: Methodologies and assumptions

7.(a)(i): We suggest the inclusion of a name of the scenario if a common scenario is used and how it details both transition and adaptation risks and opportunities or how those are embedded moving forward.

7.(a)(iii): Due to the requirement to report gross emissions in 4(a), offsetting standards may not be applicable or needed for all REs. However, if REs prefer to report these as well, such as to demonstrate progress for example, we recommend the application of the Oxford Principles for Offsetting¹ as a standard to measure any offsetting aspects. Reporting should include all details of an offsetting project, such as type and location, and how those are phased out over time to allow for real Green House Gases (GHG) emission reduction.

7(b)(ii): We are supportive of moving 7(b)(ii) to the Governance section of disclosures as it is a more appropriate discussion point for Governance matters.

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?

In some instances, it is unclear whether a description is sufficient or more information is required. For example, para 3(b) on page 20 requires disclosure of a description of the impact of climate-related risks, however its description (by para 5(a)-(e)) requires inclusion of matters that may be more than a description. These include paragraph 5(c), which might best be dealt with numerically and with a short description. We suggest amending 3(b) by replacing “a description of” with “the impact of”. We note that all NZ CS 1 disclosures are to be subject to the relevant disclosure objective and to NZ CS 3 materiality but requiring the paragraph 3(b) description to include the paragraph 5 information may complicate the application of materiality.

Ideally, every sub-paragraph of 3 (and the paragraphs that expand on paragraph 3), should clarify if a description or some other disclosure is required. For example, paragraph 5 could be rephrased as: “An entity must include in the description required by paragraph 3(b) information about ... (etc)” (rather than “the following information”). We found the XRB’s terminology in the Deep Dives sessions of “sub-disclosure” paragraphs (for example paragraphs 4, 5 and 6) helpful. It would be useful if this terminology could be incorporated into the section, aiding understanding, interpretation, and structure.

¹ The Oxford Principles for Net Zero Aligned Carbon Offsetting September 2020, <https://www.smithschool.ox.ac.uk/publications/reports/Oxford-Offsetting-Principles-2020.pdf>

To achieve clarity on how fund managers meet the disclosure requirements of 5(c), we suggest there is further consultation between the XRB and the funds management industry to discuss how impacts on financial statements are defined. For a fund manager, most of the assets in a statement of financial position are investments such as equities, bonds, and term deposits. Equities, for example, are impacted financially by any number of investment market movements and these movements are difficult to currently define as being caused by climate risks or opportunities. A change in share price could be driven by a combination of climate risks and opportunities, as well as several other unrelated impacts. Quantifying the investment gain or loss in the statement of financial performance will face the same issue.

Paragraph 4(a) requires a RE to disclose how it defines short, medium and long term and how its definitions link to its strategic planning and capital deployment plans. It would be useful to have some clarification as to appropriate ranges for each category which could be provided via industry specific guidance.

We also suggest that if a Reporting Entity's own definition of similar terms does not materially differ to that of the standard, that there is an allowance for this to be explained within their annual statement.

c) Do you consider that this section of the standard is adequately comprehensive and achieves the right balance between prescriptiveness and principles based disclosures? If not, what should be removed or added to achieve a better balance?

We interpret 5(b) and 5(c) (the actual impacts of climate-related risks and opportunities) as a quantitative measure, including past and present impacts and therefore suggest all references throughout NZ CS 1 are amended to actual and potential. We also acknowledge longer term actual impacts to be difficult as the climate-related risks and opportunities are potential and less certain. Furthermore, reporting longer term actual impacts may be very time and resource intensive for some RE for which climate change is not yet a material issue. We propose allowing REs to decide if they report longer term actual impacts and amending to potential impacts in this instance.

Some of our members are concerned that this section may be too prescriptive, particularly in the case of a voluntary framework like TCFD. Some of these entities are part of a wider international group with its own strategy, metrics and targets and these will feed into the local entity's approach to climate-related disclosures (CRD). In the context of the mandatorily enforced XRB standards and wider international obligations, prescriptive detail can pose compliance challenges. Reassurance is provided by the 'disclose or explain' function of the TCFD, particularly if aspects may not be relevant to the RE, or they have the ability to phase in more elements over time. If this approach is not permitted, it would be preferable to exempt REs from providing one or more elements of the information required by the subsidiary paragraphs, such as paragraphs 4 – 7, on the proviso that they explain and disclose why that information is not relevant to the Reporting Entity (RE) or disclose if they are still working toward introducing certain elements. It could also be useful to have a "materiality" concept stated in this section of the NZ CS 1 (as opposed to being a separate concept, standalone in NZ CS3).

2. Do you agree that a standalone disclosure describing the entity's business model and strategy is necessary? Why or why not?

We support the intention to require disclosure of the impact of climate on the business, however we have concerns on the level of detail required.

The term 'business model' has very diverse interpretations and definitions in a general sense and noting the definition in the Consultation at page 22, we suggest that using this term, particularly at the disclosure objective level, could confuse and make disclosures appear unnecessarily technical. We note the term business model is detailed in the TCFD guidance and acknowledge the intent, however some of our members' preference is the TCFD's focus on "business(es), strategy, and financial planning" only.

Our members have additional concerns that requiring a description of 'business model' may put a RE in a dilemma as to whether to disclose commercial in confidence, strategic and other information and require information that goes beyond climate considerations (because of the "must include ... when describing" format of the requirement as noted in response to consultation Question 1(b) above). We also consider that it is likely to duplicate information that users already have about the business from existing financial disclosures.

It is evident from some of our members' previous climate change scenario analysis that a RE's business model and strategy could be significantly impacted by climate change, both positively and negatively, over time. For those members using the extension and use of business model, was not a challenge. They saw it way to adjust their business models to embrace opportunities from climate change. It is therefore reasonable that these are disclosed in the context of climate risk reporting. The ability for REs to cross reference other public reports they have made that contain information relevant to the required CRD standard (for example the RE's Annual Report) which also describes this information would help reduce unnecessary additional workload on this element of the disclosure.

We note in 6.5.1 on page 26 of the Consultation that a summarised description is expected, and in the Deep Dive sessions the XRB noted an expectation that the responses to paragraph 6 would be short and succinct. Clarification of those expectations in NZ CS 1 (or the accompanying guidance) would be considered useful.

3. Do you agree that we should not prescribe which global mean temperature increase scenario(s) should be used to explore higher physical risk scenarios (such as 2.7°C and/or 3.3°C or by using Representative Concentration Pathways (RCP) such as RCP4.5 or 6), but rather leave this more open by requiring a 'greater than 2°C scenario'? Why or why not?

We agree, as the general bands suggested are already sufficient to ensure REs properly consider realistic temperature pathways. However, some of our members have suggested that 'greater than 2°C' is too low as a guideline for an upper scenario, given current policies align to a 2.7°C warming. We suggest further consideration and analysis of these bands. We also note that scenario analysis is evolving and without clear structure different REs, depending on their temperature pathway of their industries, may chose different temperature pathways. For consistency and comparability, we consider that there should be set temperature pathways so investors can more easily compare how companies are tackling climate-related risks.

We encourage the XRB to work with other Government agencies to have one set of climate change scenarios for New Zealand, available for all sectors to use. We consider this addresses concerns of industries defining their own standards with a lack of governance and oversight. These scenarios could be modelled on other international freely available scenarios such as the International Energy Agency. Covering two physical RCP's (the lowest and highest) is enough as users can derive assumptions from those in between both Pathways.

4. We do not require transition plans to be tied to any particular target such as net zero and/or 1.5°C, but that entities will be free to disclose this if they have done so. Do you agree? Why or why not?

The New Zealand Climate Change Response (Zero Carbon) Amendment Act 2019 seeks to limit global average temperature increases to 1.5°C and therefore all users should have set a target in line with the Act and implement actions to meet this goal. Transition plans will be more effective, and REs will be more likely to achieve them, if they are aligned to clear and measurable targets

We agree, provided planning demonstrates that impacts and resilience have been realistically considered and the objective has been accomplished. In addition, there is an important role for XRB guidance related to transition planning, rather than locking requirements into the standard itself. The focus of the CRD seems to be on assessment of climate risk, whilst we consider the real focus should be on ensuring that actions are implemented to meet our national 1.5°C target.

We consider transition planning is more than just a disclosure obligation. Whilst aspects of transition planning are relevant to the disclosure objectives, there are further considerations about what may be appropriate beyond disclosure to act on climate change. For example, a just transition for those sectors that are changing and supporting our workforces and communities to adapt to changing work environments which may well become an area that FMA could produce guidance on. Such guidance could draw on international best practice and simple frameworks such as the World Benchmarking Alliance's Just Transition company rating².

5. Do you have any views on the defined terms as they are currently proposed?

Having definitions is helpful, particularly in an area which is both technical and rapidly evolving. We suggest that the definitions of commonly used terms, such as 'financial planning', be amended to state 'include' definitions rather than 'mean' definitions. For example, "in the context of this standard, 'financial planning' includes an entity's consideration of how ... (etc)". This allows for the terms to be used in the commonly used sense, but with the relevant inclusion emphasised, aiding the use of these terms in climate disclosures.

The definitions of 'transition plan' and 'adaptation plan' appropriately do not suggest that they should be standalone documents. However, they both use the word 'aspect', which is already used in the sentence at paragraph 5(e), meaning that an aspect of an aspect is being required. Secondly, the use of 'plan' suggests that it should be an identifiable part of a (strategy) document. NZ CS 1 should not prescribe parts of planning, or particular planning documents or sections. It should prescribe relevant disclosure about planning to the extent that those affect climate impacts and the business' resilience to them. One way to improve the definition would be outline transition or adaptation "planning" rather than about specific plans.

We note the use of 'potential' in 6(a) and 6(c) then defining 'potential' as 'plausible'. We suggest using 'plausible future impacts' throughout.

We also suggest that where a RE's own definition of similar terms does not materially differ to that of the standard, that there is an allowance for this to be explained within their annual statement.

² <https://www.worldbenchmarkingalliance.org/just-transition/>

6. The XRB has identified adoption provisions for some of the specific disclosures in NZ CS 1:

a) Do you agree with the proposed first-time adoption provisions? Why or why not?

We agree with the first time adoption provisions as they allow REs to reflect, learn and mature which is important for an area that has been, and continues to, rapidly evolve. In addition, given the substantial work required to meet these disclosures it allows REs time to adequately meet the requirements. We support encouragement of early identification as prudent business practice noting the findings of the latest Intergovernmental Panel on Climate Change Sixth Assessment Report (AR6),³ and that REs would require an adoption timeframe for the targets and metrics.

b) In your view, is first-time adoption relief needed for any of the other disclosure requirements? Please specify the disclosure and provide a reason.

We recommend that if an organisation has not completed a climate change scenario analysis that fully aligns their CRD with TCFD recommendations, the first climate statement should disclose progress towards conducting an analysis that does fully align, namely a path to compliance including disclosure of interim results and application.

c) If you are requesting further first-time adoption relief, what information would you be able to provide in the interim?

As noted at Question 6 b), our members suggest a path to compliance approach should be provided, progressing towards conducting an analysis that aligns in full. This should be provided by detailing percentages of completion or another simple mechanism that provides a clear simple understanding of a RE's progress.

7. Do you think the proposed Metrics and Targets section of NZ CS 1 meets primary user needs?

a) Do you think that the information in this section of the standard will provide information that is useful to primary users for decision making? If not, please explain why not and identify any alternative proposals. Yes, although it is unclear whether, if a RE does not "use" metrics required by paragraph 3 on page 31, no disclosures would be required (and consequently no disclosures for paragraphs 4, 5, 6, 7, 11 and 12).

Some of our members have indicated that based on stakeholder engagement and participation in ESG surveys, they can confirm the information in this section is requested by the primary audience. In particular, some members are seeing a demand for linking executive incentives to environmental performance.

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?

We support further guidance to provide clarity on the treatment of investments upstream or downstream value chain parties, including under Scope 3. Some of our members have indicated some REs do not have inhouse investment managers, and therefore use fund managers that often manage other fund managers. In addition, some RE change their asset allocation frequently. This means they should through investment agreements have influence over the funds, however in some instances they may have restrained influence

³ <https://www.ipcc.ch/2022/04/04/ipcc-remarks-wgiii-ar6-press-conference/>

over the companies or assets invested in, in terms of collecting data and influencing behaviour or outcomes.

We note that scope 3 GHG emission data is already provided by many fund managers, ESG data providers and is increasingly collected by companies. We expect data reliability to increase over the coming years. Whilst there is a higher level of estimation in those (compared to the level of uncertainty in scope 1 and 2 at present) the level of certainty for scope 3 is rapidly increasing. We therefore encourage the XRB to consider that a higher level of estimation will be present and more fluctuations to occur within the next few years within scope 3. We also suggest that all REs consider and report on scope 3 now to ensure that whilst a level of uncertainty exists, an overall assumption of those uncertainties is taken into account. Whilst we agree with 'most relevant' scope 3, we also encourage all participants to continue their monitoring and reporting to cover all scope 3 GHG emissions as would be expected of them by their customers.

We consider guidance as suggested, particularly for standards, would be useful. We also recommend ensuring the wording of this standard calls for disclosure of the percentage of the operation and boundary of the GHG emissions estimates and a reputable standard such as the GHG Protocol or ISO 14064 and 14064-1⁴ as suggested by the XRB.

Table 6: Proposed Metrics and Targets section of NZ CS 1, Disclosures: Cross-industry metrics, Targets and GHG Emissions

4(e) and (f): We suggest these could be aligned and include assets, operating expenses, capital expenses and revenue as determined by best industry practice.

7(f): We recommend including plans and actions and performance against targets.

8(f): We suggest including, 'and a plan to phase those in, if possible'.

We also consider there should be further clarity provided on:

- Being able to disclosure percentages for certain metrics where a RE does have limited ability to obtain data on metrics and targets listed.
- What should be disclosed if a RE determines alternative metrics are appropriate in the circumstances, that still allows for comparability and compliance. For example, through provision of industry specific metrics as those are not defined. These should be provided in a way that allows for easy comparability between sectors.
- How to support consistency generally, and comparative information specifically, as the sophistication (including measurement methodologies) of available metrics improves over time. We suggest the issuing of guidance that provides an allowance to the standard, for example, new TCFD guidance which is amended over time to reflect additional findings.
- The GHG emission intensity metric as this differs across current reporting, for example, by full time employees, customers, gross-written premium and investments.

c) Do you consider that this section of the standard is adequately comprehensive and achieves the right balance between prescriptiveness and principles based disclosures? If not, what should be removed or added to achieve a better balance?

There would be scope for a more expansive purposive statement for these disclosures, following the first sentence of the disclosure objective.

⁴ ISO 14064-1:2018 Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals

8. We have not specified industry-specific metrics. The guidance will direct preparers where to look for industry-specific metrics. Do you believe this is reasonable or do you believe we should include a list of required metrics by industry? If so, do you believe we should use the TCFD recommendations or follow the TRWG prototype?

We fully endorse this approach, but as noted at Question 7 above, we suggest that more attention be given to the provision of information on the benefit of the different categories of metrics. We recognise these are aligned to the TCFD recommendations, which makes disclosure easier for REs with reporting requirements in multiple jurisdictions. We note the ISSB release of draft standards⁵ includes industry specific metrics and suggest that New Zealand consider voluntarily adopting these, as globally we may see movement to align with ISSB over time.

We agree with the gross total GHG emissions approach as a high level of ambiguity exists within carbon credit and offsetting schemes. However, we encourage provision for all RE to add those additional figures as well as disclosing their offsetting and carbon credit projects, types, level of standard and certification as well as following the Oxford Principles for Offsetting⁶ when considering investment in offsetting projects.

More generally, we support the development of industry specific guidance as soon as possible to allow sufficient times for REs to review and adapt prior to the commencement of their first reporting period.

9. We will require disclosure of scope 3 value chain emissions as part of this standard. Are there areas (particularly in your scope 3 value chain) where there are impediments to measuring at present? If so, what are these areas and when do you think it might be possible to measure these areas?

Please refer to our response to Question 7b). We suggest that disclosure of scope 3 value chain emissions should be reported, if appropriate. We note that the TCFD guidance states that “if appropriate, Scope 3 greenhouse gas (GHG) emissions”⁷ be disclosed, and we suggest consideration of adopting these requirements. Fund managers may invest in hundreds of companies globally and rely on individual companies’ reports on their scope 1, 2 and 3 GHG emissions. There are a number of companies in both developed and emerging markets that do not yet report on their emissions which is an impediment when reporting at a fund level and therefore requires an estimate of emissions for a company based on sector or industry averages to address this issue. We consider this to be an area requiring further XRB and industry engagement to ensure a full scope 3 disclosure.

We note that there may be impediments to measuring when there is an obligation on an upstream party, for example, an independent adviser to report on these matters in a publicly transparent manner. Given independent financial advisers write business for more than one provider it would be currently impossible to assess their scope 3 emissions. Therefore, we suggest in such a scenario, consideration of an allowance for phasing in scope 3 and an increase in percentage of operation covered reporting over time.

⁵ <https://www.ifrs.org/content/dam/ifrs/project/climate-related-disclosures/issb-exposure-draft-2022-2-climate-related-disclosures.pdf>

⁶ The Oxford Principles for Net Zero Aligned Carbon Offsetting September 2020, <https://www.smithschool.ox.ac.uk/publications/reports/Oxford-Offsetting-Principles-2020.pdf>

⁷ https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf, page 19.

10. Paragraphs 8, 9 and 10 contain specific requirements relating to the disclosure of GHG emissions to facilitate the conduct of assurance engagements in line with the requirement of section 461ZH of the Financial Markets Conduct Act. Do you have any observations or concerns about these proposed requirements?

As the recommendation aligns with good industry practice, this supports REs who have their global emissions assured by one auditor, particularly if that auditor is not based in New Zealand. We encourage XRB consideration that such an assurance provider may not be based in New Zealand due to global operations. We therefore recommend allowing for assurance engagements in other jurisdictions to meet the RE's own requirements. It should also be noted that GHG emission assurance should cover the extent of operations assessed as well as comparisons to performance over time.

11. Do you have any views on the defined terms as they are currently proposed?

We consider scope 3 to be too broad. We recommend investments is defined, particularly what is in and out of scope for reporting as part of metrics and targets. We also refer to our response to Question 7b).

12. The XRB has proposed not providing first time adoption provisions for the Metrics and Targets section of NZ CS 1. Do you agree? Why or why not?

Some of our members support amending this section to make its purpose clearer so that the requirements are less prescriptive to enable REs to capture the requirements such as carbon metrics and consider that first time adoption provisions are probably unnecessary.

Other members consider that first time provisions are necessary as understandings of climate risks and impacts is still evolving. It will take time to be able to set up all required metrics and the quality of the data will also improve over time. These members therefore consider that the first time provisions should be expanded to require REs to report on some of the requirements, leaving scope for introducing more of the metrics and targets over time. This is particularly the case for scope 3 emissions for investments.

Therefore, we suggest further guidance may be required where the RE does not have full coverage, the methodology is still developing, or the data is simply not available. As noted, this particularly regarding scope 3 investments.

13. The XRB proposes that the minimum level of assurance for GHG emissions be set at limited assurance. Do you agree?

Yes, we strongly support that the minimum level of assurance for GHG emissions be set at limited assurance and to review this periodically.

14. The XRB has proposed a definition of material (*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*). Do you agree with this definition? Why or why not?

We suggest extending the definition to that of double materiality, to support consumer understandings of companies' impact to the environment and to align with the Australasian Investor Group on Climate

Change recommendation to the XRB on climate reporting⁸ and the European Union’s sustainable investment⁹ and financing¹⁰ and corporate reporting framework¹¹ on double-materiality. This supports the approaching disclosures under the Taskforce on Nature-related Disclosures requiring the incorporation of double-materiality. This further supports the Extended External Reporting or EER/integrated reporting the XRB is currently putting a framework together for as part of the XRB’s mandate.¹² The way the materiality section is defined and focused on risk to the operation within the Consultation points to single material definition. In its essence the concept of materiality seems to be somewhat aligned to the definition posed by the Global Reporting Initiative (GRI)¹³, however the definition is lacking people and stakeholders as well as the GRI’s recent change to ensure that double materiality is clearly spelt out.

The references to time horizons could be strengthened as follows: “across all relevant short, medium and long-term time horizons.”

15. Do you have any other comments on the proposed materiality section?

We suggest that the definition is considered further, including a review on whether or not it should extend to double materiality over time.

Other comments

Strategy 6(b) at page 21: We note how an entity might change its business model and strategy to address potential risks and opportunities is also covered under 5(e) which requires entities to disclose transition and adaptation plans. We would suggest moving 5(e) to sit in section 6, which deals with the forward looking potential impacts.

Metrics and Targets 4(c) at page 32: The term ‘vulnerable’ is used and we suggest a ‘materiality’ concept could be included in this wording as vulnerable is subjective and problematic to define.

4(g) at page 32: We note this may be commercially sensitive.

First time adoption provisions: No comparative (prior year) data is required in first disclosures, but from second disclosures comparative information is required for two prior years. For year two, this will include comparative information for the year before the first disclosure, which many REs will not have. We suggest including in First Time Adoption Provisions specifications that only one year of comparative information is required in the second disclosure year.

⁸ <https://igcc.org.au/wp-content/uploads/2022/01/IGCC-Climate-Disclosures-New-Zealand-Global-Lessons.pdf?ExcludePageBreak=true>

⁹ [EUR-Lex - 32020R0852 - EN - EUR-Lex \(europa.eu\)](https://eur-lex.europa.eu/lexuri/csdl.do?uri=CELEX:32020R0852-EN)

¹⁰ [EUR-Lex - 32019R2088 - EN - EUR-Lex \(europa.eu\)](https://eur-lex.europa.eu/lexuri/csdl.do?uri=CELEX:32019R2088-EN)

¹¹ [Corporate sustainability reporting | European Commission \(europa.eu\)](https://ec.europa.eu/euro-lex/lexuri/csdl.do?uri=CELEX:32020R0852-EN)

¹² <https://www.xrb.govt.nz/integrated-reporting>

¹³ [GRI - Why double-materiality is crucial for reporting organizational impacts \(globalreporting.org\)](https://www.globalreporting.org/why-double-materiality-is-crucial-for-reporting-organizational-impacts)