



28 April 2022

Strategy, and Metrics and Targets Consultation
External Reporting Board

By email: climate@xrb.govt.nz

Climate-related Disclosures: Strategy, and Metrics and Targets

Meridian welcomes the opportunity to comment on the Strategy, and Metrics and Targets consultation document of the proposed standard, *Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (NZ CS 1)*. Responses to the XRB's specific consultation questions are included in Appendix A of this submission.

Our experiences so far in climate reporting

Meridian has been an early and enthusiastic adopter of climate and sustainability reporting, now preparing a fourth annual voluntary Climate-Related Disclosure (CRD) aligned with Task Force on Climate-Related Financial Disclosures (TCFD) guidance. Climate action is central to our purpose and business strategy. Meridian believes in the value of being transparent and proactive about the climate impacts on our business. Our voluntary climate-related disclosures and supporting processes have played a key role in this and we strive to make year on year improvements to our underlying processes and the quality of our external disclosures for primary users.

Meridian supports the indicative direction of travel

We are pleased to see the relatively large alignment between indicative NZ CS 1 requirements in this consultation, and that of existing global frameworks – the “comparison tables” of XRB proposed disclosures for Strategy and Metrics and Targets against TCFD Recommendations and TRWG Prototype, were very useful.

Primary users of these disclosures will be unique to reporting entities but many, including Meridian, will have primary users from around the world. Therefore, we continue to support the close alignment of NZ CS 1 with existing best practice global frameworks to enable reasonable comparability for disclosure users. Our strong preference is to not be required to prepare multiple different disclosures on the same topic. It is clear the XRB are taking prudent steps to evaluate global references and we strongly support this continued diligence.

At a high level, Meridian views the balance struck between principles-based and prescriptive requirements as largely fair and commends the XRB for deliberate focus on this. Some minor examples exist where Meridian would support a review of the draft disclosure requirements, against the section objective, and consider if there is some unnecessary mandatory disclosure detail suggested that has the potential to create risks. For example, some elements of the scenario methodologies and assumptions disclosure expectations could risk mandating confidential and/or commercially sensitive information be disclosed (refer Appendix A, question response 1(c)).

Meridian supports a phased approach for compliance

Meridian is well placed to adopt all indicative NZ CS 1 provisions outlined in the subject consultation document, but recognises the degree of maturity that exists having voluntarily disclosed for the last three financial years. That said, Meridian supports the XRB's proposal of allowing first time adoption provisions to enable other organisations, who may be starting on this journey, to have a time-bound period to scale their Climate-Related Disclosure capability. Meridian's only suggestion on the XRB's proposed first-time adoption provisions relates to "first climate statement" provisions to allow for disclosing "progress towards" developing a transition plan. Meridian believes there is room to raise the requirements here and include the disclosure of a "transition roadmap" as a bridge to a plan in the second climate statement with targets / initiatives. A disclosure requirement of only "progress towards", could result in vague references that don't sufficiently demonstrate to a primary user that tangible and action-orientated planning is underway.

Conclusion

Meridian is highly supportive of mandatory Climate-Related Disclosures and will continue to voluntarily disclose for now and look forward to sharing our FY22 disclosure later in August. We would like to commend the XRB for leading this consultation and look forward to reviewing of the first NZ CS 1 exposure draft in the near future.

Nāku noa, nā

A handwritten signature in black ink, appearing to read 'Tina Frew', written in a cursive style.

Tina Frew

Head of Sustainability

Appendix A: Responses to consultation questions

	Question	Response
1.	<p>Do you think the proposed Strategy section of NZ CS 1 meets primary user needs?</p> <p>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.</p>	<p>Yes overall, the proposed Strategy section will provide useful information for primary users.</p> <p>Note detailed feedback below on specific proposed elements.</p>
	<p>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?</p>	<p>The articulation of sub paragraphs is clear. It could be useful to visually represent the disclosure requirements like the TCFD model (figure 3 in the consultation document) – to simplify the structure and avoid the need for cross referencing between sub paragraphs.</p> <p>Additionally, the first-time adoption provision ‘example timeline’ in figure 5 is a very helpful reference to clarify intent outlined in table 5 (where the table by itself, could leave room for confusion).</p>
	<p>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?</p>	<p>The proposed Strategy disclosure section is very comprehensive. Meridian's only observation relates to the reasonable degree of “prescriptiveness” incorporated into Strategy section. Mandatory disclosure on some suggested details could either detract from achieving a simple, clear disclosure for primary users that meets the section objective, or potentially puts a CRE in a position where commercially sensitive information is considered mandatory to disclose. For example, the proposed requirement under the scenario methodologies and assumptions Table 3, paragraphs (7(a)(iii) and 7(a)(v) and 7(b)(iv)), has some risk of causing confidential and/or commercially sensitive information to be disclosed. Meridian would support reframing these disclosure paragraphs to ensure an expectation is</p>

		not mandated that puts a CRE in a position of disclosing information which results in realisation of any of the risks outlined above.
2.	Do you agree that a standalone disclosure describing the entity's business model and strategy is necessary? Why or why not?	Meridian believes it is <i>helpful but not necessary</i> to have a standalone disclosure on business model and strategy. The process of assessing and disclosing climate impacts on a materiality basis, as well as disclosing a transition plan should clearly highlight any business model and/or strategic impacts. For example, supply and or demand for a CREs core product could be the fundamental and primary opportunity or risk for a business (which business model and/or strategy articulation might not explicitly highlight). However, the proposed disclosure is not arduous and allowing cross-referencing to other existing CRE public disclosures, makes this a minor point.
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?	Yes. Scenarios are intended to be plausible and distinct futures relevant to an organisation and used to assess a range of potential outcomes, rather than forecasts. Provided a CRE can outline/disclose why selected scenarios meet that intent, Meridian does not see a need to prescribe which global mean temperature increase scenario(s) should be used.
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?	Meridian strongly supports the mandatory disclosure of transition plans and strives to advance a strategy and climate opportunities that enable a 1.5 deg C future. As much as Meridian would strongly support all organisations aligning a transition plan to a 1.5 deg C future - Meridian does not believe it is the purpose of the XRB to mandate that. Including in NZ CS 1 the requirement to disclose which target a CRE has chosen, and why that is appropriate, is fair and it is up to a primary user to determine if that CRE's ambition, is aligned with a future the primary user may want to enable the financing of.

5.	Do you have any views on the defined terms as they are currently proposed?	<p>The definition of Strategy as an “entity’s desired future end state” is articulated as an objective or goal, rather than strategy focused on <i>how, where, what</i>.</p> <p>The definition of Impacts could be significantly simplified.</p> <p>The separate definition of an adaptation plan and transition plan are fine, but perhaps there is room to highlight that these do not need to be mutually exclusive and could for example, form an integrated climate action plan.</p> <p>It could be useful to include a definition for ‘mitigation’ to make clear any expectations around disclosure of adaptation and mitigation actions, or overarching plans such as a transition plan, or integrated climate action plan.</p>
6.	<p>The XRB has identified adoption provisions for some of the specific disclosures in NZ CS 1:</p> <p>a) Do you agree with the proposed first-time adoption provisions? Why or why not?</p>	<p>Meridian recognises the value in providing first-time adoption provisions for those possibly starting from the beginning, having been through a learning journey (which continues) in voluntary disclosures to date.</p> <p>Meridian’s main challenge to the proposed first-time adoption provisions relates to “first climate statement” provisions to allow for disclosing “progress towards” developing a transition plan. Meridian believes there is room to raise the requirements here and include the disclosure of a “transition roadmap”, or first conceptual transition plan, as a bridge to a plan in the second climate statement with targets / initiatives. A disclosure requirement of only “progress towards”, could easily result in vague references that don’t sufficiently demonstrate to a primary user that tangible and action-orientated planning is underway. Disclosure of a prototype, or concept plan, would likely be a way of demonstrating clear progress is being made.</p>
	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.	No.

	c) If you are requesting further first-time adoption relief, what information would you be able to provide in the interim?	Meridian will not request first-time adoption relief.
7.	<p>Do you think the proposed Metrics and Targets section of NZ CS 1 meets primary user needs?</p> <p>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.</p>	<p>Yes overall, the proposed Metrics and Targets section will provide useful information for primary users.</p> <p>Note detailed feedback below on specific proposed elements.</p>
	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?	The articulation of sub paragraphs is clear. It could be useful to visually represent the disclosure requirements like the TCFD model (figure 3 in the consultation document) – to simplify the structure and avoid the need for cross referencing between sub paragraphs.
	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?	Yes.
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	Meridian supports the XRB's proposed approach to not specify industry-specific metrics and reference 'where to look'.

	believe we should use the TCFD recommendations or follow the TRWG prototype?	
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?	No.
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?	No concerns.
11.	Do you have any views on the defined terms as they are currently proposed?	No.
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?	Meridian does not require any first-time adoption provisions.
13.	The XRB proposes that the minimum level of assurance for GHG emissions be set at limited assurance. Do you agree?	Meridian currently seeks reasonable independent assurance on its GHG Inventory and will continue with this standard. Meridian has no material concerns around limited assurance being the minimum mandated level.

14.	<p>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?</p>	<p>Meridian is comfortable with this definition, but supports the XRB ensuring a degree of consistency, or articulation on comparability, with NZX requirements on 'material information disclosure'.</p> <p>NZX continuous disclosure rules require listed companies to publicly report material information which is defined to mean information that "a reasonable person would expect, if it were generally available to the market, to have a material effect on the price of quoted financial products of the listed issuer..." A formulation of material information for climate related financial disclosures could similarly adopt a reasonable person standard, for example:</p> <ul style="list-style-type: none"> • Would a reasonable person expect if the information were generally available to the market, for that information to have a material effect on 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.
15.	<p>Do you have any other comments on the proposed materiality section?</p>	<p>Highlighting that a "combination" of information could elevate information to exceed a materiality threshold, is useful. The 'net effect' of a combination of component factors, is likely a more useful disclosure for a primary user.</p> <p>One area for potential confusion relates to Table 11 (Proposed Materiality section of NZ CS 3), point 4 where it is referenced: "...an entity determines.....information is not material, it need not disclose it.....yet primary users may reasonably expect disclosure, an explanation or alternative item of information may need to be disclosed".</p> <p>Read another way, the latter option is also just a disclosure requirement and could be considered counter to the former determination that information 'need not be disclosed'. Meridian considers it would be useful to focus on having clear bounds on what meets a 'materiality' threshold and ensure mandatory disclosure requirements meet that.</p>