

From: [Sarah Beale](#)
To: [XRB Climate Related Disclosures](#)
Cc: [Craig Peirce](#)
Subject: PFI submission - Climate-related disclosures consultation
Date: Monday, May 2, 2022 12:34:48 PM
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Good afternoon,

Thank you for the opportunity to submit on the draft Strategy and Metrics and Targets sections of the Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (NZ CS 1).

PFI is an NZX-listed property vehicle focused on the industrial sector. PFI's nationwide portfolio of almost 100 properties is valued at over \$2bn and is leased to around 150 tenants. PFI has provided two sets of voluntary climate-related disclosures to date, in its FY20 and FY21 annual reports, which are available on our [website](#). We therefore believe we are well-placed to provide useful feedback to the XRB.

We appreciate Amelia Sharman, Judy Ryan and Jack Bisset taking the time to discuss this consultation with us. PFI's responses to the XRB's questions in the consultation document are set out below:

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.***

Yes, subject to our responses to questions 1(b) and 1(c) below.

- 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 request that this section is made clearer by explicitly stating that an entity is not required to disclose information that isn't material even if it is set out in the list of required disclosures.

We also suggest updating disclosure 6(b) to read "how its business model and strategy **have changed, or** might change, to address such risks and opportunities" to reflect that entities may have already changed their business model and strategy.

- 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?***

Our interpretation of disclosure 5(c) is that this requires us to calculate the actual expense, revenue, asset and liability impacts of climate-related risks and opportunities that have been incurred. Our view is that this is too prescriptive and will not be practical for entities to implement in practice in some cases. For example, one of PFI's climate-related risks is the risk of increased insurance costs as a result of increasing climate-related weather events. PFI's insurance costs typically increase from year to year due to a range of factors such as increased construction costs, insurer appetite, and claims history (which may or may not be related to climate change events). We do not, and will not, have visibility of the proportion of our insurance cost increase

that is related to climate change. Therefore while we may know that this risk has been realised in a given year, and it may be material, we are not able to calculate the actual financial impact. Similarly, disclosure 6(c) will be even more difficult to estimate, and it is unlikely that a meaningful, quantitative value can be ascribed. While there are first-time adoption provisions allowing for qualitative responses in the first year, the standard implies that quantitative information will be required over time. In some cases (like the example above), this information may never be available to us so we are concerned with having a quantitative requirement in the standard. We submit that the standard should allow for a description of the impact rather than a quantitative value, where quantitative information is not available.

Secondly, our view is that the level of detail in disclosure 7(a)(iii) is too prescriptive. Depending on the reporting entity, only some of this information may be relevant and useful for users. We submit that the inclusion of policy assumptions, macroeconomic trends, energy pathways, carbon sequestration and technology assumptions should be moved to the guidance rather than included in the standard.

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

A description of the business model and strategy is useful context for the strategy disclosures, however we think it would be appropriate to allow entities to simply reference other material (for example, a section of the entity's annual report or their website), rather than repeating the information in their climate-related disclosures.

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 that this should be left open for businesses to choose for themselves. We have engaged a third party to complete some modelling to support PFI's climate-related disclosures. When we were considering who to use for this service, we spoke to a range of businesses that provide climate change modelling services, and each of these modellers used different RCPs. If the XRB is more prescriptive as to which RCP must be used, we believe it will narrow the services available to entities to support them in undertaking modelling (if they wish to use these services).

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?

We agree with this approach. The purpose of the standards is to provide users with information for decision making, and not to tie entities to a particular transition pathway.

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

No.

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?

Yes, subject to our response to 1(c).

- 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.***

Not from our perspective. However, we believe that those organisations that have not yet produced a TCFD report would be best placed to answer this question.

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

N/A

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.

- 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 submit that this section should be made clearer by explicitly stating the following (which we understand from our discussion to be the intention):

- an entity is not required to disclose information that isn't material even if it is set out in the list of required disclosures;
- an entity can meet the requirements of the standard by stating that they do not measure a particular metric category;
- an entity is free to define what specific metric(s) they will measure and disclose in line with the categories set out in 4(a)-(h); and
- a target is not required in relation to each of the metrics.

- 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, subject to our other responses.

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 believe it is reasonable to direct preparers where to look for industry-specific metrics. Entities should be able to select the metrics (if any) that are relevant for their business as not all industry-specific metrics will be relevant for all entities in that industry.

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?

We do not currently have an impediment to measuring our Scope 3 emissions, however we understand that this may be an issue for other businesses. We note that measurement of Scope 3 emissions may also present a challenge for entities that change their operations (and associated Scope 3 impacts) within a reporting period as it can take time to collect the required data, particularly the first time that it is obtained.

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?**

Our view is that disclosure 8(e) can be covered in the GHG emissions report (which will be readily accessible to users) rather than as a separate disclosure.

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?**

It will take time for entities to develop systems to measure and track their metrics and targets. In our view, it would be reasonable to provide first-time adoption provisions for metrics and targets.

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

Yes.

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?**

Yes, this is a pragmatic approach.

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

No.

If you have any questions regarding this submission, please feel free to contact me.

Kind regards,

Sarah Beale
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Operations



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