

Deep dive 1: NZ CS 3

General requirements for Climate-related Disclosures

Thank you for joining us – the event will start shortly

9 August 2022



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Deep Dive 1: NZ CS 3

Climate-related Disclosures

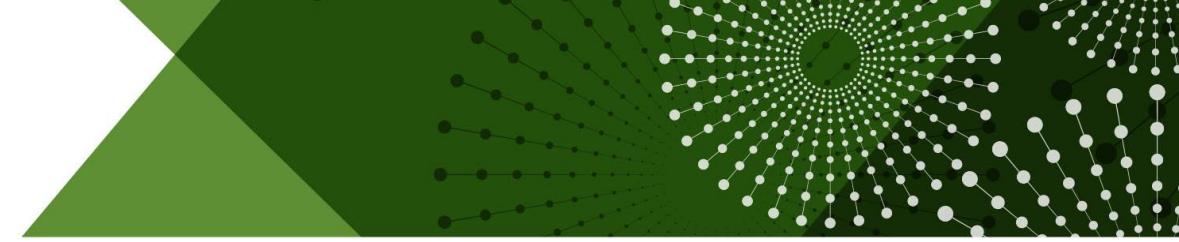
Aotearoa New Zealand Climate Standards

NZ CS 1, NZ CS 2, NZ CS 3

Consultation closes 26 September 2022



What are [draft] Aotearoa New Zealand Climate Standards?



Climate-related disclosure framework: Aotearoa New Zealand Climate Standards

Aotearoa New Zealand Climate Standard 1:

Climate-related
Disclosures (NZ CS 1)

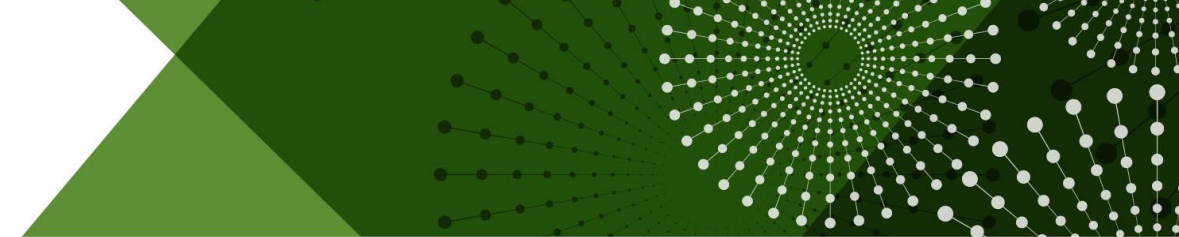
Aotearoa New Zealand Climate Standard 2:

First-time Adoption of
Aotearoa New Zealand
Climate Standards
(NZ CS 2)

Aotearoa New Zealand Climate Standard 3:

General Requirements for
Climate-related Disclosures
(NZ CS 3)

Draft NZ CS 3: General Requirements for Climate-related Disclosures



Draft NZ CS 3 contains the principles for disclosure, and a number of general requirements.

Overarching principle of fair presentation

Principles: Information

- Relevance
- Comparability
- Balance
- Consistency
- Accuracy
- Timeliness
- Verifiability

Principles: Presentation

- Understandability
- Consistency
- Completeness
- Coherence

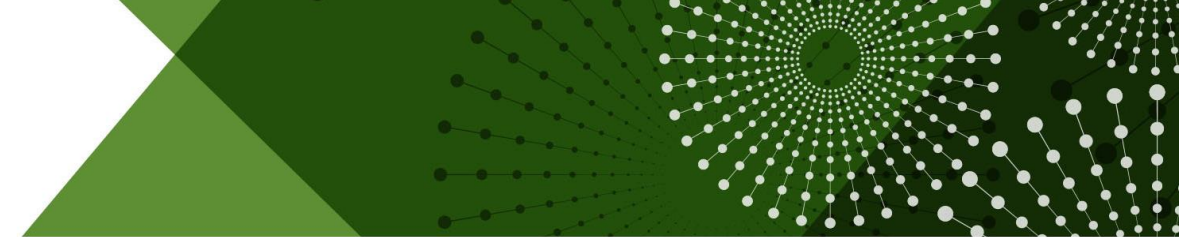


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Questions on the principles?



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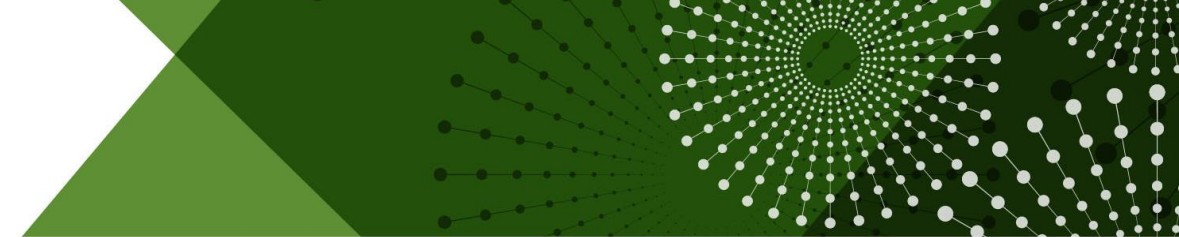
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General Requirements

Location of disclosures: An entity may provide its climate-related disclosures in a standalone document or within another document (e.g., an annual report).



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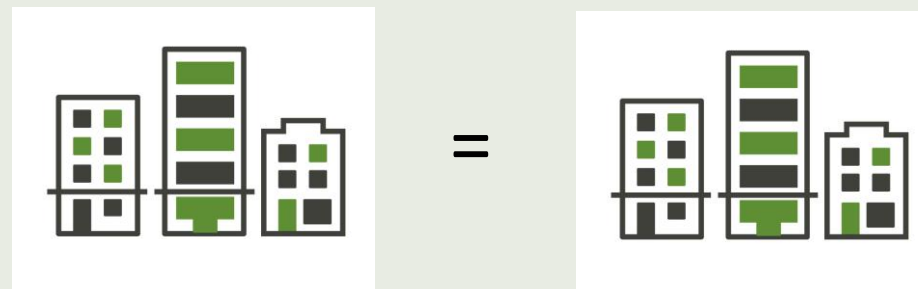
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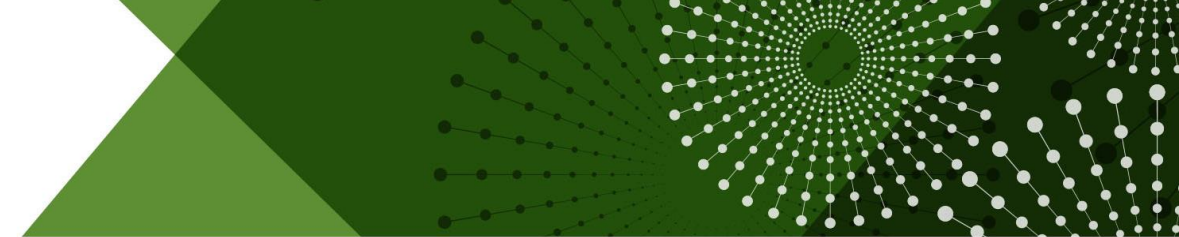
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General Requirements

Reporting entity : An entity must prepare its climate-related disclosures for the same reporting entity as its financial statements.



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General Requirements

Value chain: An entity must consider the exposure of its value chain when considering its exposure to climate-related risks and opportunities.



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General Requirements

Reporting currency and reporting period: An entity must use the presentation currency of its financial statements. An entity must prepare its climate-related disclosures for the same reporting period as its annual financial statements.



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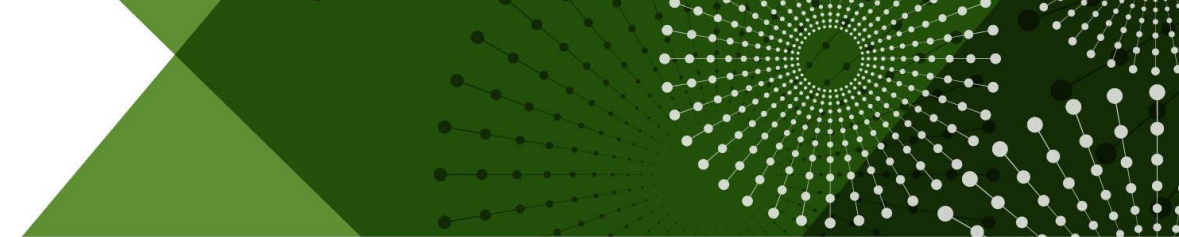
General Requirements

Materiality: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users make on the basis of their assessments of an entity's enterprise value.

Material information could include, but is not limited to, information about an entity's impacts on the climate if those impacts could reasonably be expected to affect the entity's enterprise value.



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General Requirements

Comparative information, consistency of reporting, and restatement of comparatives: Two years of comparative information is required for each metric, and an entity must disclose an analysis of main trends. Restatement required for material errors.



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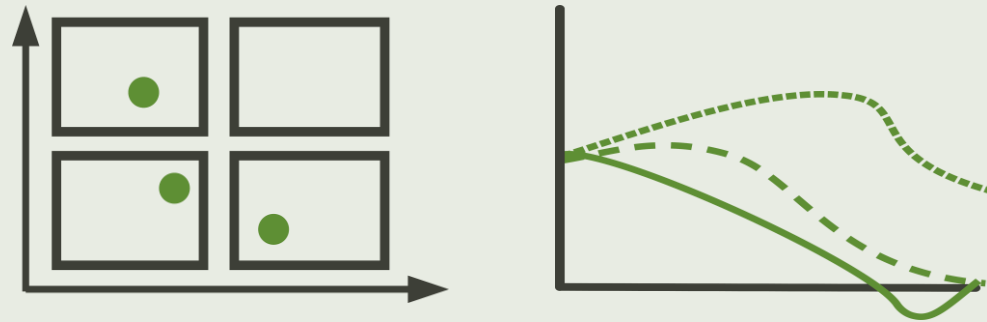
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Principles: Presentation

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General Requirements

Methodologies, assumptions and estimation uncertainty: An entity must disclose methodologies, significant assumptions and significant estimation uncertainty, including on scenario analysis and GHG emissions.



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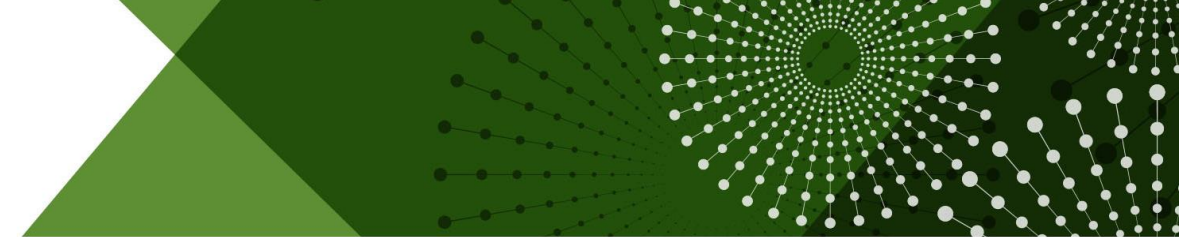
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General Requirements

Statement of compliance: requirement to include an explicit and unreserved statement of compliance. Must be presented prominently.



Appendix A and B



ED NZ CS 3

Appendix A
Defined terms

This appendix is an integral part of NZ CS 3 *General Requirements for Climate-related Disclosures* and has the same authority as the other parts of this [draft] Standard.

Aotearoa New Zealand Climate Standards	Standards issued by the External Reporting Board which comprise the climate-related disclosure framework.
climate statements	For the purposes of this [draft] Standard has the same meaning as 'climate statements' as defined in the Financial Reporting Act 2013.
climate-related disclosures	Disclosures about climate-related risks and opportunities that are useful to primary users when they assess, and make decisions about, an entity's enterprise value, including information about its governance, strategy and risk management, and metrics and targets.
climate-related disclosure framework	For the purposes of this [draft] Standard, climate-related disclosure framework has the same meaning as 'climate-related disclosure framework' as defined in the Financial Reporting Act 2013.
enterprise value	Market capitalisation of an entity plus the market value of the entity's net debt. It is determined by capital market participants, based on their estimation of the amount, timing and certainty of future cash flows spanning the short, medium and long term. Enterprise value reflects primary users' assessments of future cash flows, including the value attributed to those cash flows by primary users. Essential inputs in determining enterprise value include corporate reporting in financial statements, as well as reporting on climate-related risks and climate-related opportunities that are reasonably likely to affect the entity's business model over time (that is to say, affect revenue, costs, assets, liabilities, cost of capital and/or risk profile). The term captures the notion of expected value creation, preservation or erosion over time for an entity's primary users.
group climate statements	For the purposes of this [draft] Standard has the same meaning as 'group climate statements' as defined in the Financial Reporting Act 2013.
interim period	A reporting period shorter than a full year.
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.
reporting entity	An entity that is required, or chooses, to prepare climate statements or group climate statements.
reporting period	The period covered by climate statements or group climate statements.

Terms defined in Aotearoa New Zealand Climate Standards and used in this [draft] Standard with the same meaning

climate-related risks	The potential negative impacts of climate change on an entity. See also the definitions of physical risks and transition risks.
climate-related opportunities	The potentially positive climate-related outcomes for an entity. Efforts to mitigate and adapt to climate change can produce opportunities for entities, such as through resource efficiency and cost savings, the adoption and utilisation of low-emissions energy sources, the

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ED NZ CS 3

Appendix B
Effective date

This appendix is an integral part of NZ CS 3 *General Requirements for Climate-related Disclosures* and has the same authority as the other parts of this [draft] Standard.

Effective date

B1. An entity must apply this [draft] Standard for annual reporting periods beginning on or after [1 January 2023].

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Basis for conclusions

XRB | Te Kāwai Ārahi Pūrongo Māwaho
EXTERNAL REPORTING BOARD

Aotearoa New Zealand Climate Standard 3 General Requirements for Climate-related Disclosures (NZ CS 3)

Exposure Draft

Submissions close 26 September 2022

July 2022

ED NZ CS 3

Basis for Conclusions on [draft] NZ CS 3 General Requirements for Climate-related Disclosures

This Basis for Conclusions accompanies, but is not part of, [draft] NZ CS 3 General Requirements for Climate-related Disclosures.

Introduction

BC1. This Basis for Conclusions summarises the External Reporting Board (the XRB Board's) considerations in developing [draft] NZ CS 3 General Requirements for Climate-related Disclosures as part of the climate-related disclosure framework for Aotearoa New Zealand.²

Scope

BC2. The XRB Board has developed Aotearoa New Zealand Climate Standards primarily for those entities that are climate reporting entities (CREs) under the Financial Markets Conduct Act 2013 (the FMCA 2013). The CREs captured are large listed debt or equity issuers, large financial entities such as registered banks, licensed insurers, credit unions, building societies, and managers of registered managed investment schemes (MIS managers).

BC3. The XRB Board recognises that other entities may voluntarily apply this [draft] Standard. For example, asset owners will be requesting information on climate-related risks and opportunities from the companies they invest in, and these companies may look to Aotearoa New Zealand Climate Standards for how to disclose this information. Crown Financial Institutions may be directed to apply Aotearoa New Zealand Climate Standards via a letter of expectation from the Minister of Finance. There will also be entities which voluntarily decide to apply Aotearoa New Zealand Climate Standards as opposed to having been asked by their funders or owners.

BC4. The XRB Board encourages all entities which voluntarily adopt Aotearoa New Zealand Climate Standards to apply all the requirements of Aotearoa New Zealand Climate Standards. An entity must not describe its climate statements or group climate statements as complying with Aotearoa New Zealand Climate Standards unless it complies with all the requirements of Aotearoa New Zealand Climate Standards.

BC5. The XRB Board has the ability under the Financial Reporting Act 2013 to issue Aotearoa New Zealand Climate Standards that apply to interim periods. For the avoidance of doubt the XRB Board has clarified in paragraph 4 of NZ CS 3 that the Standards do not apply to interim periods.

Fair Presentation

BC6. The XRB Board considers fair presentation is the overarching principle. There is a presumption that Aotearoa New Zealand Climate Standards will result in climate-related disclosures being presented fairly. Additional disclosures may be necessary if Aotearoa New Zealand Climate Standards do not achieve fair presentation.

Principles

BC7. To underpin its requirements and help guide current and future development in climate-related disclosures, the XRB Board has developed a set of principles of high-quality reporting for climate-related disclosures. Such principles underpin the principle of fair presentation. Entities

² Note that some of the content in this Basis for Conclusions applies to the climate-related disclosure framework as a whole.

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Questions on the general requirements?



Upcoming Deep Dive Sessions



Deep dive 2: NZ CS 1 and NZ CS 2 (For non-financial (listed debt and equity issuer) CREs)



Deep dive 3: NZ CS 1 and NZ CS 2 (For financial (e.g., bank, insurer) CREs)



Deep dive 4: NZ CS 1 and NZ CS 2 (For MIS managers)



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/>

To help you wrap your head around the information in this consultation document, we're hosting a series of Deep Dive events in August. Register to attend at www.xrb.govt.nz/events

To provide feedback you can:



The consultation closes 26 September 2022. Late submissions will not be able to inform the development of the final standards.

