

Deep Dive – NZ CS 1 and NZ CS 2

for non-financial climate reporting entities

Thank you for joining us – the event will start shortly

16 August 2022

Deep Dive – NZ CS 1 and NZ CS 2 for non-financial climate reporting entities

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)

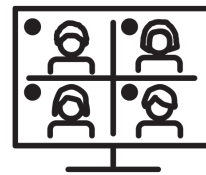
Aotearoa New Zealand Climate Standard 3:

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

Previous deep dive session



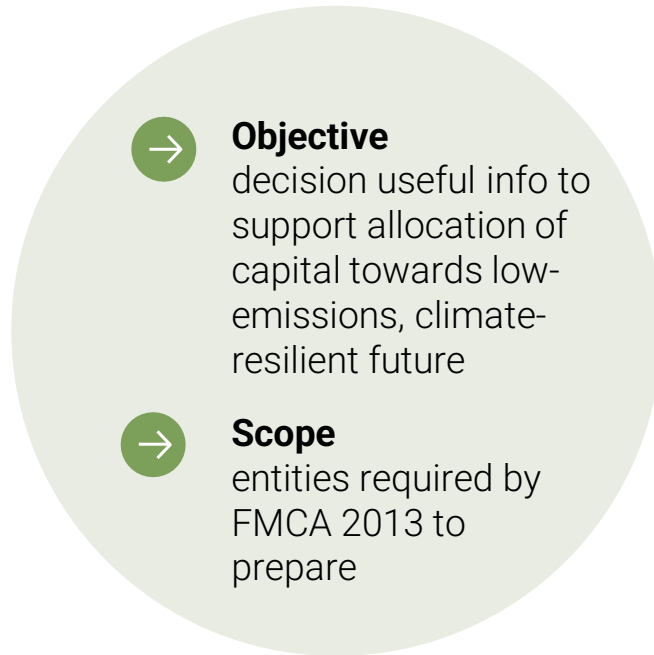
Deep dive 1: NZ CS 3 (For Everyone)



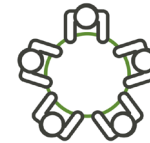
Recording available here:

<https://www.xrb.govt.nz/events/deep-dive-1-nz-cs-3-for-everyone/>

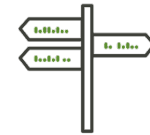
[draft] NZ CS 1 *Climate-related Disclosures*



Effective date
Annual reporting periods beginning on or after 1 January 2023.
Assurance of GHG reporting periods that end on or after 27 October 2024.



Governance



Strategy



Risk Management



Metrics and Targets



Assurance of GHG emissions



[draft] NZ CS 2 *First-time Adoption of Aotearoa New Zealand Climate Standards*



NZ CS 2

- Provides a limited number of first-time adoption provisions
- An entity can elect to use the adoption provision
- If using the adoption provision, the entity must disclose it is doing so
- The provision is allowed on first-time adoption:
 - If an entity drops out of the regime the provision is not available on re-entry
 - If an entity is new to the regime in future it can make use of the provision



identifies the availability of a first-time adoption provision

Supporting material

Comparison tables

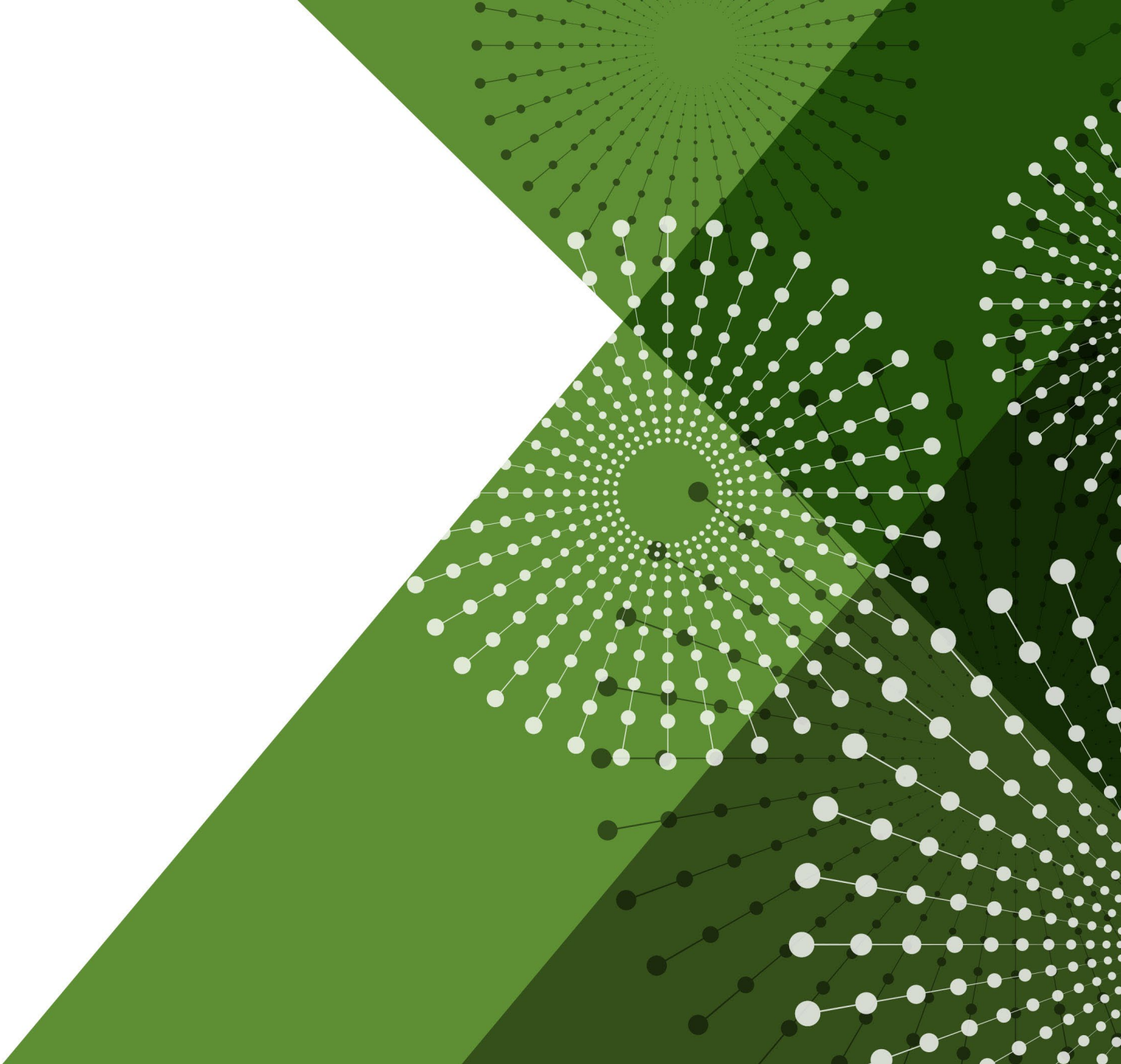
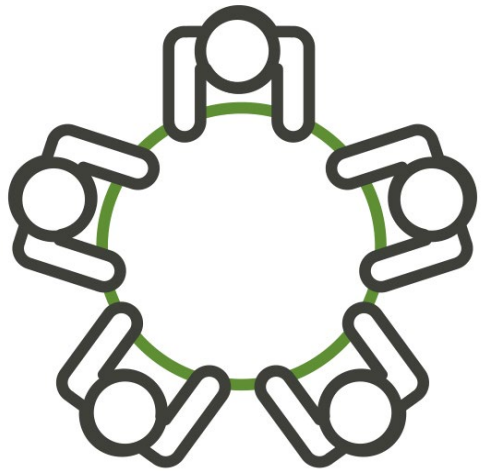
Two comparison tables are being issued to provide a comparison between draft NZ CS 1 and:

- The Task Force on Climate-related Financial Disclosures (TCFD) recommendations and guidance
- The International Sustainability Standards Board (ISSB) draft climate standard (IFRS S2 Climate-related Disclosures)

Basis for conclusions

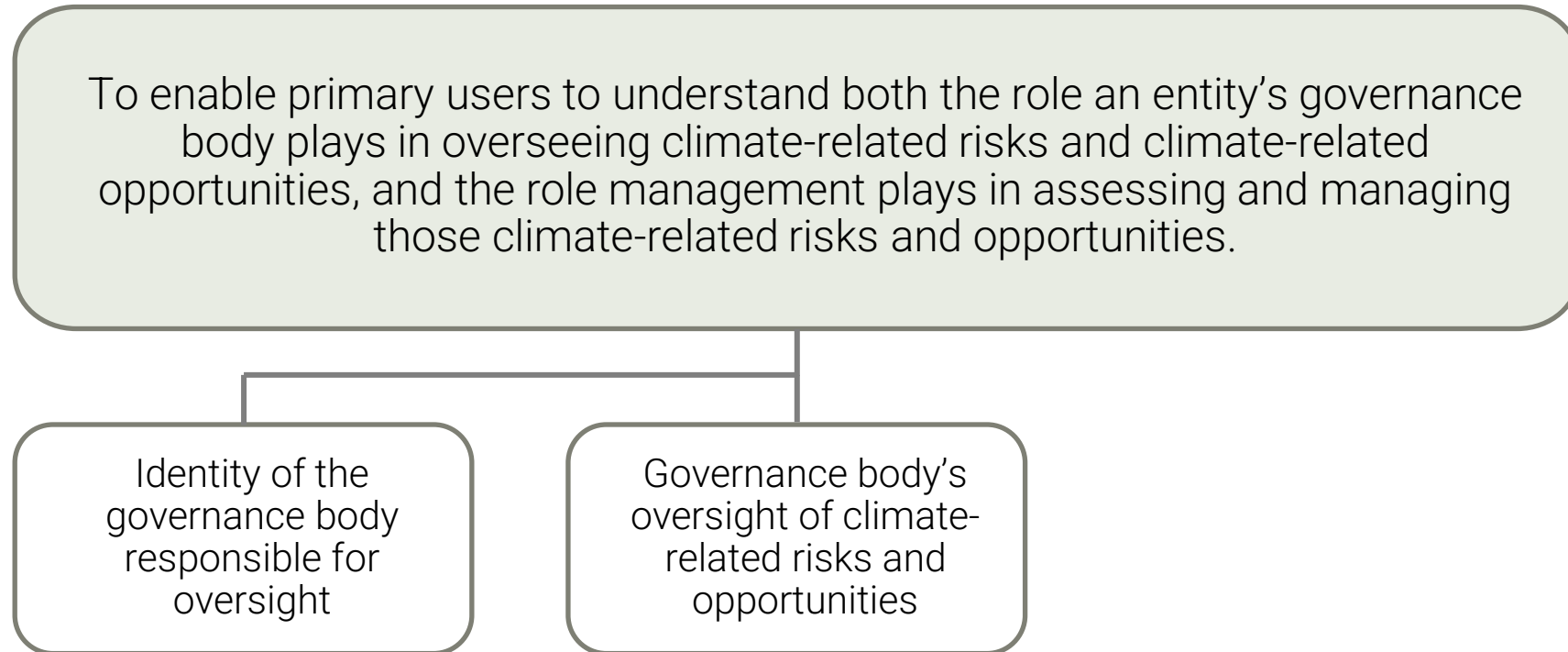
Each standard is accompanied by a basis for conclusions. The basis is intended to provide useful explanations of the XRB's decision-making process during the standards' development.

Governance



Governance

Summary of proposed section



Governance

Proposed disclosures

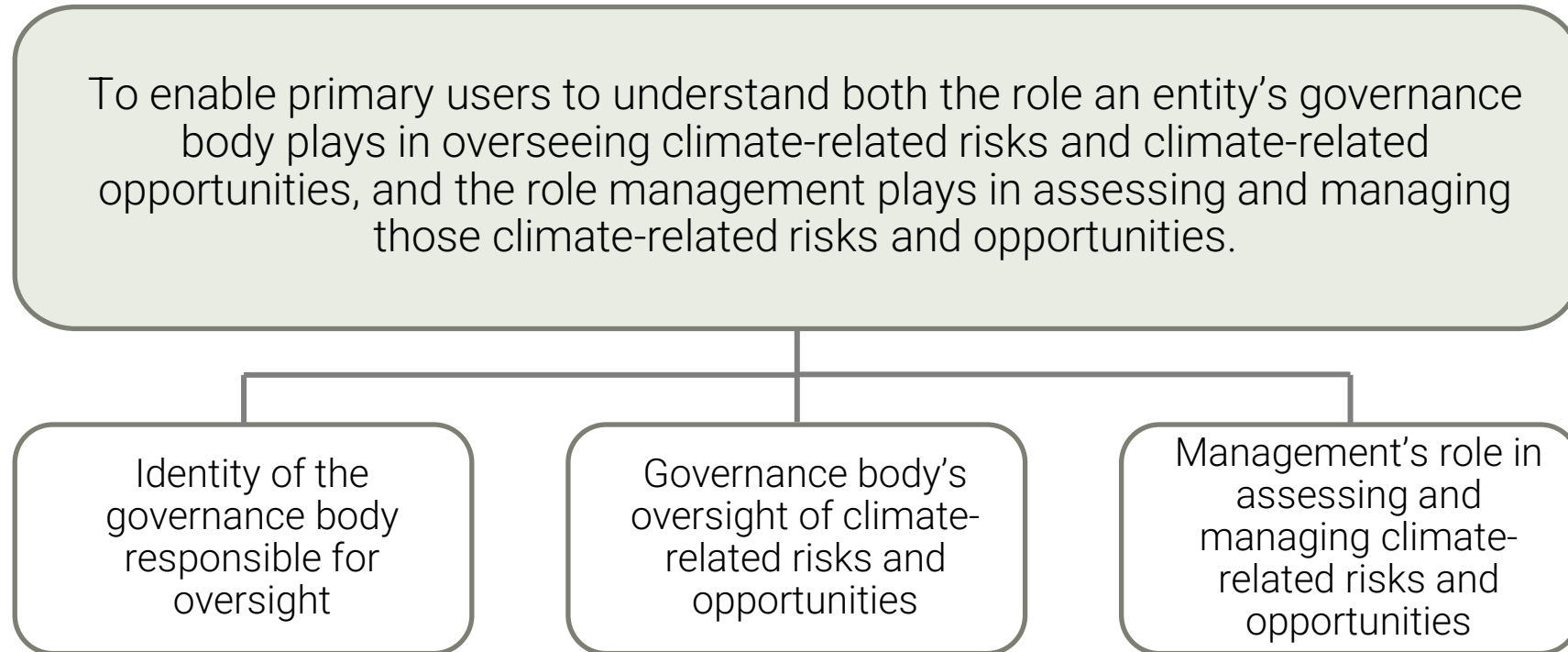
Governance body oversight

Sub-disclosures include:

- Processes and frequency for informing the governance body
- How the body ensures that the appropriate skills and competencies are available to provide oversight
- How the body considers climate-related risks and opportunities when developing and overseeing implementation of the entity's strategy
- How the body sets, monitors progress against, and oversees achievement of metrics and targets for managing climate-related risks and opportunities , including whether and if so how, related performance metrics are incorporated into remuneration policies

Governance

Summary of proposed section





Management's role

Sub-disclosures include:

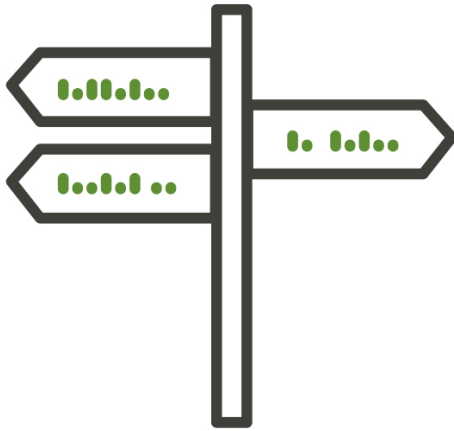
- How responsibilities are delegated to management-level positions or committees, and the process and frequency of engagement with the governance body
- Related organisational structure showing where these management-level positions and committees lie
- Processes and frequency by which management is informed about, makes decisions on, and monitors, climate-related risks and opportunities

Questions

→ Proposed Governance disclosures



Strategy



Strategy

Summary of proposed section



To enable primary users to understand how climate change is currently impacting an entity and how it may do so in the future. This includes the scenario analysis an entity has undertaken, the climate-related risks and opportunities an entity has identified, the anticipated impacts and financial impacts of these, and how an entity will position itself as the global and domestic economy transitions towards a low-emissions, climate-resilient future.

Identification of climate-related risks and opportunities

Scenario analysis against a minimum of three climate-related scenarios

Current climate-related impacts, and anticipated impacts of identified climate-related risks and opportunities

How the entity will position itself in the transition to a low-emissions, climate-resilient future

Strategy

Summary of proposed section



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Identification of climate-related risks and opportunities

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Current climate-related impacts, and anticipated impacts of identified climate-related risks and opportunities

How the entity will position itself in the transition to a low-emissions, climate-resilient future

New structural component

Reordered

Current impacts and financial impacts

Sub-disclosures include:

- Current physical and transition impacts
- Current financial impacts of physical and transition impacts identified
- If unable to disclose quantitative information, an explanation of why



One year exemption from disclosing current financial impacts

Scenario analysis undertaken

Sub-disclosures include:

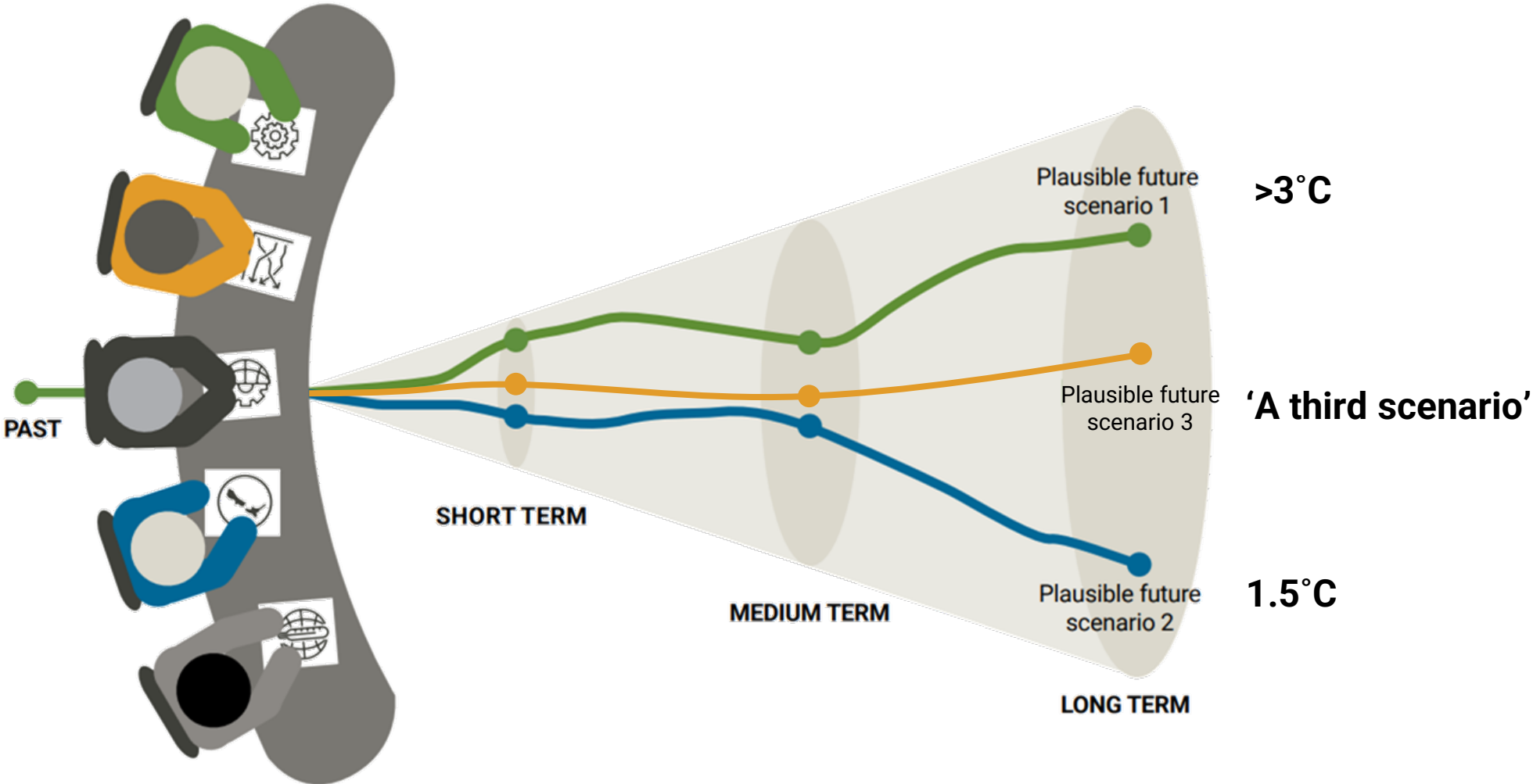
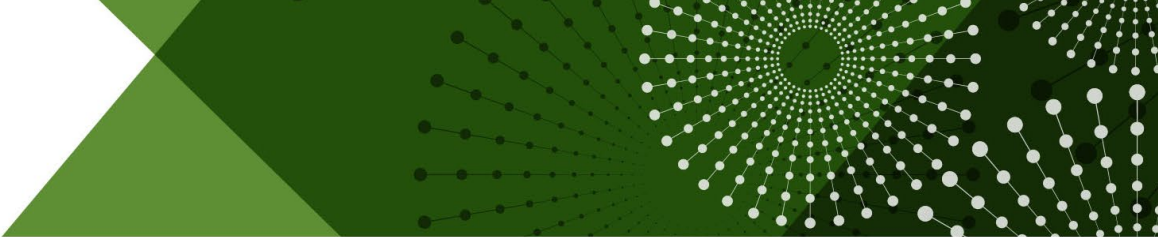
- Describe the scenario analysis undertaken
- Include at least a 1.5 degrees, a 3 degrees or greater and a third scenario

Fact sheets and guidance

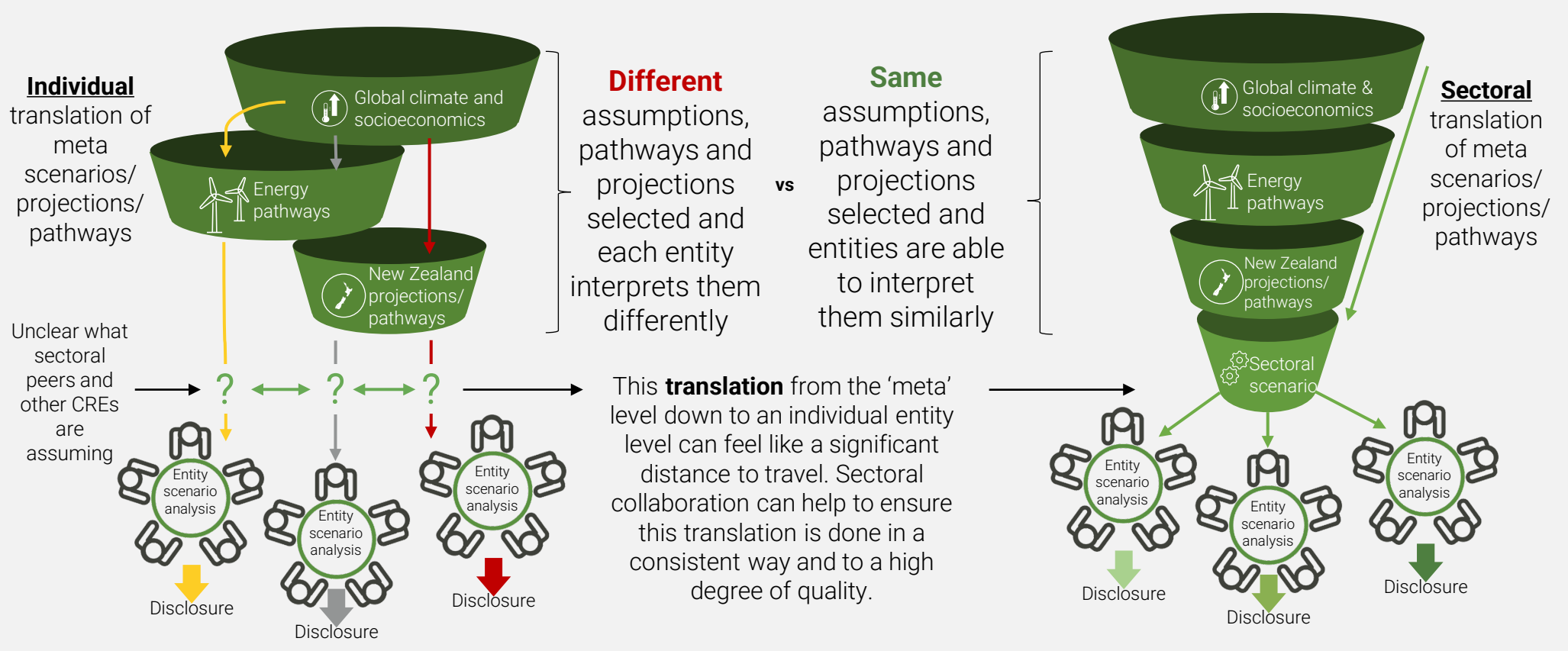
- ➔ Scenario analysis: Getting started at the sector level
- ➔ Scenario analysis factsheet

Download from: [Resources » XRB](#)

Scenario analysis is a tool to enhance strategic thinking



Parallel work to encourage starting on scenario analysis at the sector level



Update: Indicative status of various sectors' scenario work



SECTOR	PLANNING	STAKEHOLDER ENGAGEMENT	ANALYSIS UNDERWAY	SCENARIOS COMPLETE
Marine	█	█	█	█
General insurance	█	█	█	█
Tourism	█	█	█	
Banking	█	█	█	
Materials & buildings	█	█	█	
Agriculture	█	█	█	
Retail	█	█		
Fund managers & CFIs	█			
Health care	█			
Transport				
Energy				
Health & life insurance				
HR, education				

Climate-related risks and opportunities

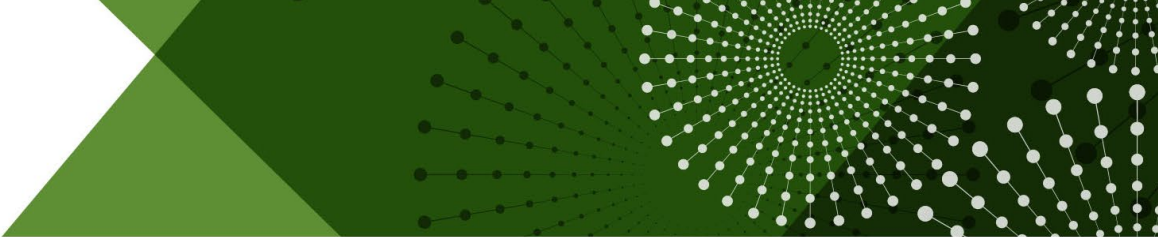
Sub-disclosures include:

- Definition of short, medium and long term and links to strategic planning
- Time horizon for expected financial impacts
- Categorisation of risks and opportunities
- How they serve as an input to financial planning processes



One year exemption from disclosing time horizons for expected financial impacts

What are climate-related risks and opportunities?



Example disclosures – Zespri

PHYSICAL RISKS

Climate Variable	Potential Impact	Projected change in 2050		Risk Rating
		2°C scenario	4°C scenario	
Average temperatures	Rising average temperatures may increase the risk of pests and pathogens becoming established in primary growing regions.	~0.9°C	~1.1°C	High
Minimum temperatures	A rise in minimum spring temperature may prevent consistent bud-break and king flower production in primary growing regions.	~1°C	~1.25°C	High
Maximum temperatures	A rise in summer maximum temperatures may increase energy costs in post-harvest sorting and distribution centres.	~1°C		Moderate
Number of hot days (>25°C)	An increase in the number of hot days in primary growing regions may increase the risk of heat stress among orchard workers.	~75% increase	~95% increase	Moderate
Average Rainfall	Kiwifruit vine water demand may increase with rising temperatures, impeding on fruit development in water-deprived areas.	Substantial regional and seasonal variation.		Moderate
Drought	An increase in the severity and frequency of droughts, especially in already dry areas, may impede on fruit development.	100mm increase in PED ³		Moderate
Number of dry days (<1mm / day rainfall)	An increase in the number of dry days may marginally alter the risk of drought and water stress in primary growing areas.	0-5% Increase in dry days		Low
Extreme rainfall events	An increase in extreme rainfall events may marginally alter the risk of harvest losses, soil erosion, flood damage and diminish soil productivity.	0-5% increase in the magnitude of a 99th percentile rainfall event		Low
Extreme wind speeds	An increase in extreme wind speeds may see more wind damaged fruit on the vine.	0-2.5% increase in the magnitude of a 99th percentile daily mean wind speed		Low

Figure 5. Zespri physical climate risk scenario analysis and risk ratings for New Zealand growing regions.

TRANSITIONAL RISKS

Moderate (2°C) emissions scenario	Risk Rating	High (4°C) emissions scenario	Risk Rating
Environmental regulation			
Under a moderate emissions scenario, the short-term financial impacts of regulation diminish over time and are ultimately offset by reduced production costs and enhanced market access.	High	Under a high emissions scenario environmental regulation is rolled back to foster primary sector growth in the face of climate deterioration.	Low
Social licence to operate & consumer aversion to unsustainable products			
Under a moderate emissions scenario, the short-term financial impacts of regulation diminish over time and are ultimately offset by reduced production costs and enhanced market access.	Low	Under the high emissions scenario social licence steadily erodes over the short to medium term to become a substantial problem.	High

Figure 6. Zespri's priority transitional risks & potential impacts.

Example disclosures – Zespri



OPPORTUNITIES

- Warmer temperatures and longer growing seasons in some regions may result in higher quality fruit (e.g. increased dry matter) and yield.
- Warmer temperatures may make existing sites with sub-optimal growing conditions (e.g. colder) more favourable and alternative growing locations may become more suited to production.

PHYSICAL

TRANSITIONAL

OPPORTUNITIES

Consumers, the public, politicians, regulators and investors are increasingly expecting business to play its part in reducing the impact on the climate. The kiwifruit industry will need to work together to address the challenges as economies around the world decarbonise. While this includes increasing climate regulations, there will also be opportunities as consumer preferences for healthy, low impact products increases.

For example, carbon labelling is emerging in Zespri's global markets and will start to set the standards that New Zealand exporters are expected to meet. Such labelling will provide consumers with information about the level of product embodied carbon emissions. It could also provide consumers with transparency to make informed shopping decisions.

By taking a leadership approach in its response to climate change, by continuing to embed sustainability as a core part of its business, there is an opportunity for Zespri to continue to build a brand that is recognisable for what it stands for as much as for the quality of its fruit.



'Consumer preferences'



'Policy changes'

Anticipated impacts and financial impacts

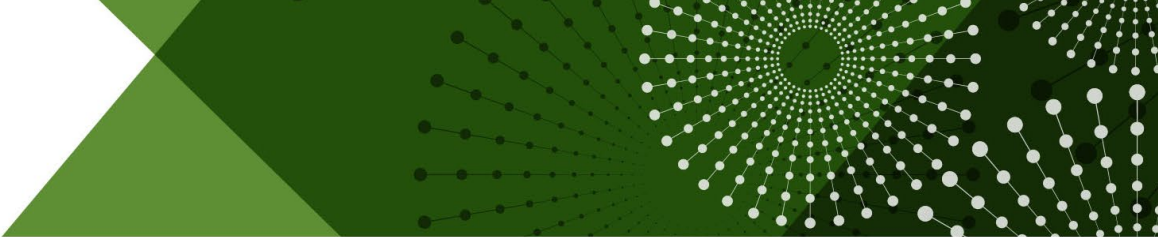
Sub-disclosures include:

- Anticipated impacts of climate-related risks and opportunities reasonably expected
- Anticipated financial impacts of climate-related risks and opportunities reasonably expected
- If unable to disclose quantitative information, an explanation of why



One year exemption from disclosing anticipated financial impacts

Example disclosures – Meridian Energy



Risk drivers	 Extreme rainfall in hydro catchments
Type	Physical
Scale	Medium
Likelihood	About as likely as not
Timeframe	Long-term (30 years)
Impacts	Increasing intensity of extreme rainfall events in hydro catchments.
Financial implications	Increase in intensity of extreme rainfall events may require the lowering of dam water levels (reducing assets' generating capacity) and/or the strengthening of dam structures.
Quantification	-\$7 to-\$11 million per annum
Methodology	Estimated potential financial impact is an annualised figure over a 30 year time horizon of estimated civil construction costs and negative revenue impacts.
Management response	Probable Maximum Flood values are reviewed once every ten years to incorporate climate change, or more frequently if warranted circumstances arise.

- ← 'Risk'
- ← 'Physical'
- ← 'Time horizon'
- ← 'Impacts'
- ← 'Anticipated financial impacts'

meridianenergy.co.nz/assets/Sustainability/FY21-Meridian-Climate-Change-Disclosure-Report-TCFD-FINAL.pdf

Concerns about disclosing confidential information

Strategy c): Concerns about Disclosing Confidential Information

The Task Force has heard from preparers over the years that one of the top concerns related to the Strategy recommendation is disclosing scenario analysis assumptions, as such assumptions may include confidential business information

Companies' concern about disclosing certain confidential information related to their scenario analysis assumptions or resilience of their strategies was addressed in the 2020 status report.¹

When evaluating whether particular aspects of a company's intended disclosure around scenario analysis assumptions or the resilience of its strategy contain confidential business information, the company should consider the following:

- whether the information **provides the company with an economic benefit** that translates into a **competitive advantage** because the information is unknown to its competitors
- whether making such information public may **cause a considerable economic loss for the company**.

In situations where a company is not certain information related to its scenario analysis assumptions or the resilience of its strategy contains confidential business information, the **Task Force encourages the company to consider a stepwise approach to disclosure** — rather than decide not to disclose. For example, a company might start by disclosing broader, qualitative information and move to more specific, quantitative data and information over time.

1. This topic was also covered in the Guidance on Scenario Analysis for Non-Financial Companies Sources
TCFD, [2019 Status Report](#), 2019, p.49.
TCFD, [2020 Status Report](#), 2020
TCFD, [Guidance on Scenario Analysis for Non-Financial Companies](#), 2020

Strategy

Proposed disclosures

How the entity will position itself (transition plan aspects)

Sub-disclosures include:

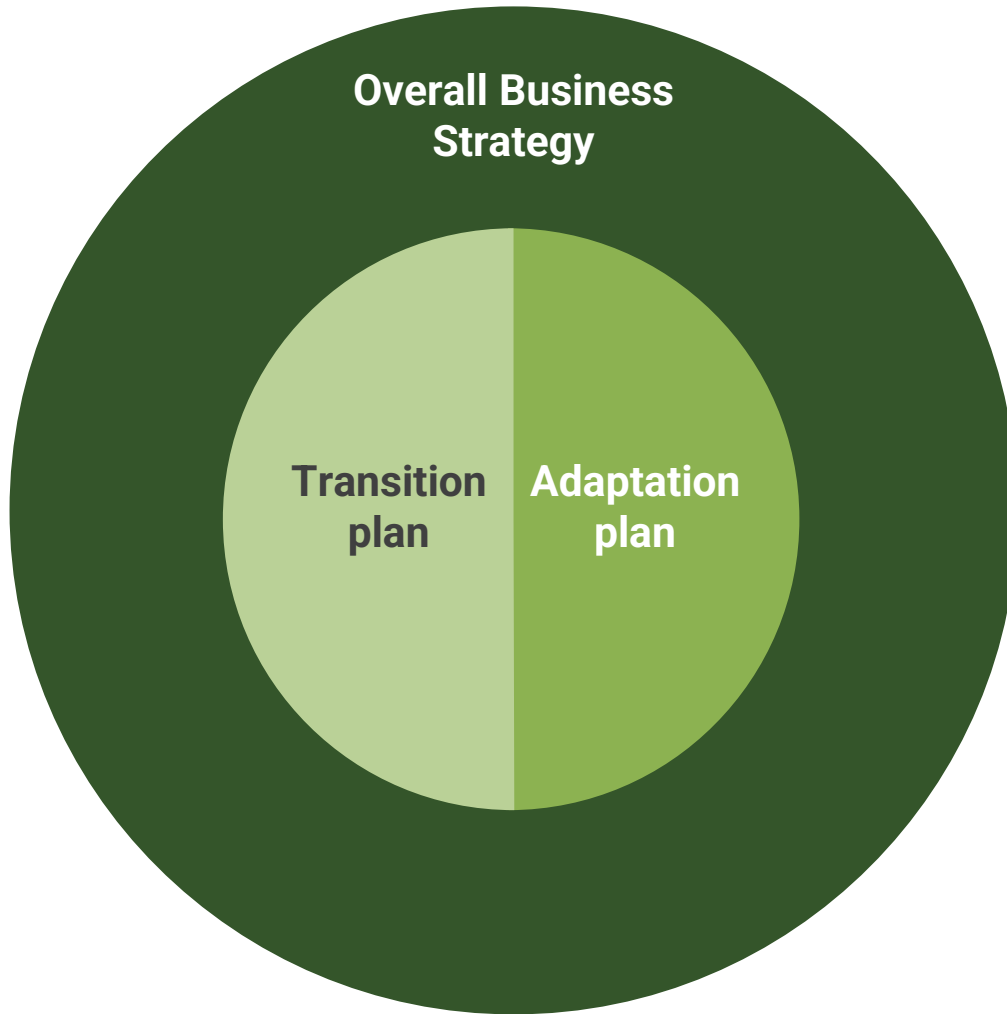
- Description of current business model and strategy
- Transition plan aspects of its strategy including changes to its business model and strategy to address its climate-related risks and opportunities
- Extent to which these are aligned with financial planning processes



One year exemption from disclosing transition plan aspects of strategy, including alignment with financial planning

* **However** must disclose progress towards developing these aspects

What are transition plans?



(Adapted from TCFD guidance)



(Adapted from TCFD guidance)

What are transition plans?

Standards



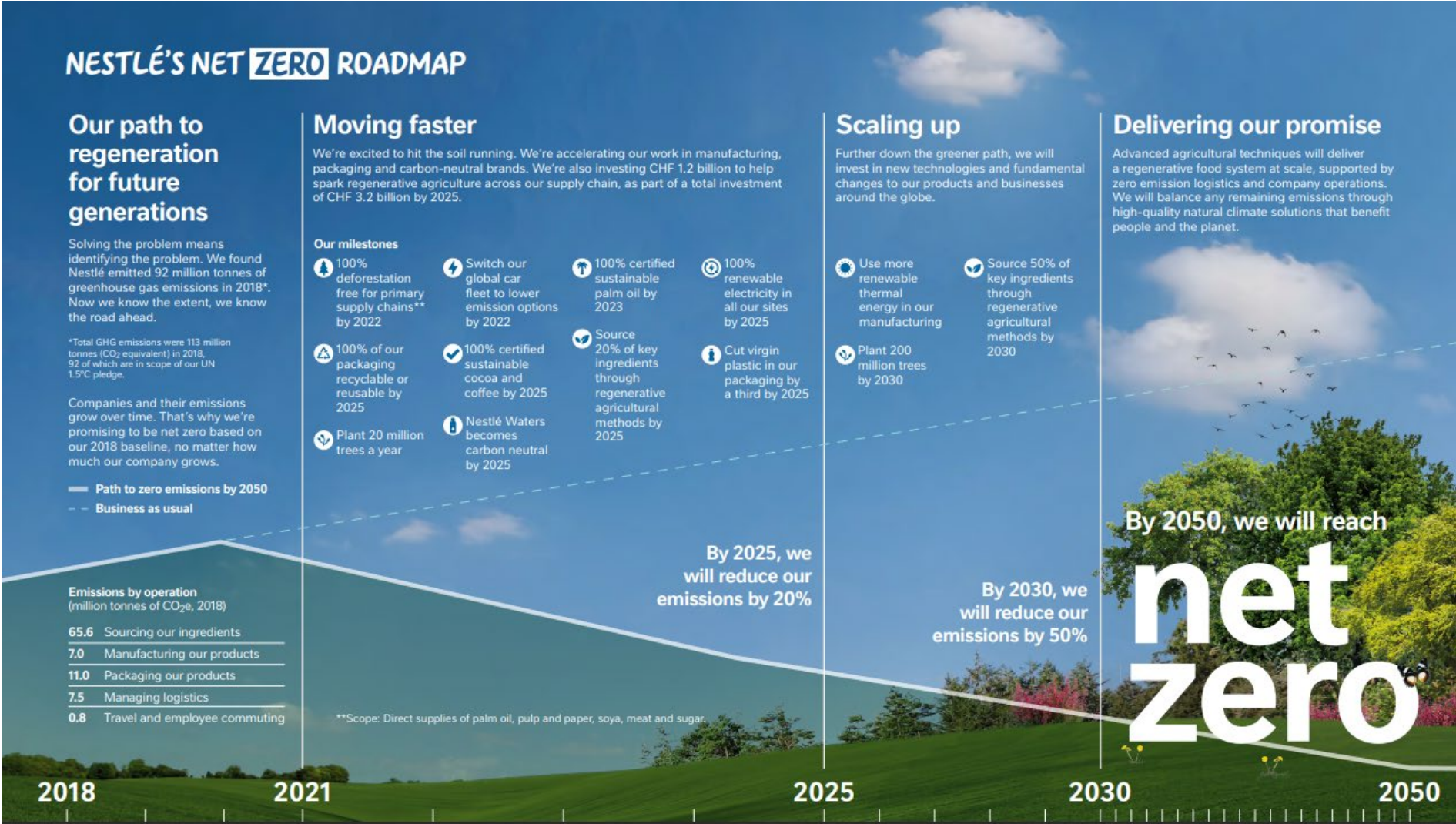
Guidance



Voluntary commitments and criteria



Example disclosures – Nestlé transition plan



Example disclosures – Volkswagen strategy



The world of mobility will change fundamentally by 2030: electric drive and fully-networked transportation with autonomous drive will determine how we move around in future. With the Group strategy “NEW AUTO – Mobility for Generations to Come”, the Volkswagen Group is a significant driver of this transformation and accelerates its realignment from vehicle manufacturer to tech company.

[Strategy \(volkswagenag.com\)](https://www.volkswagenag.com)

Questions

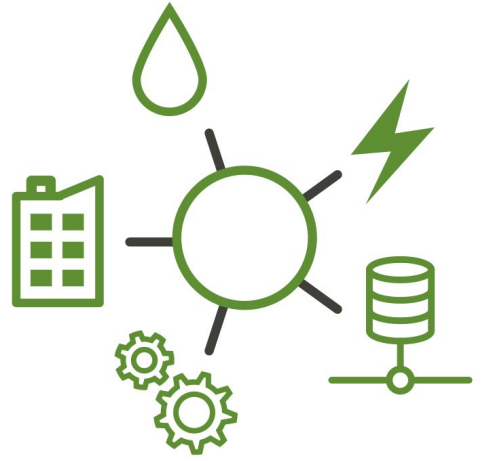
→ Proposed Strategy disclosures





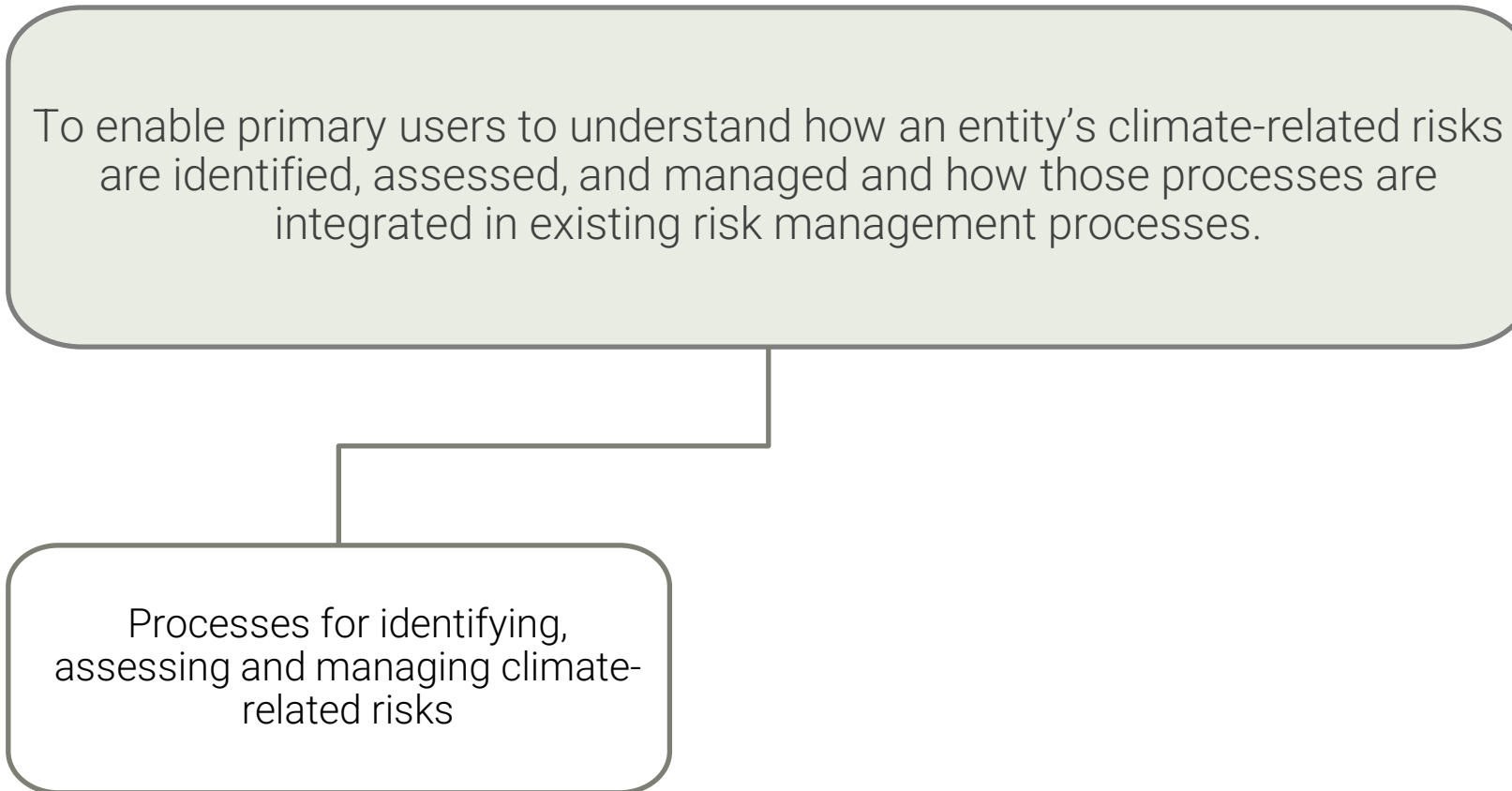
Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Risk Management



Risk Management

Summary of proposed section



Risk Management

Proposed disclosures



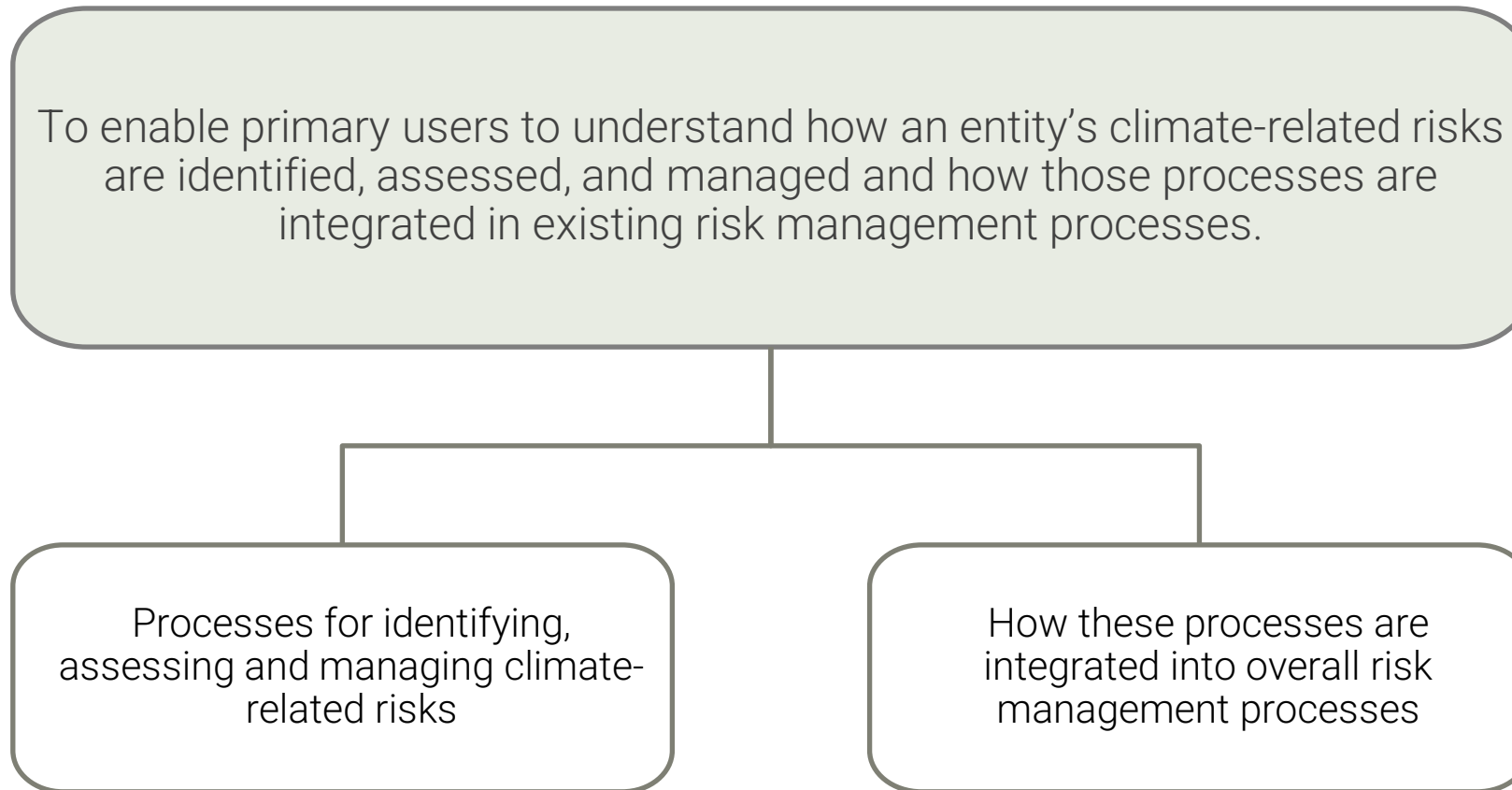
Climate-related risk management processes

Sub-disclosures include:

- Tools and methods used
- Short-term, medium-term and long-term time horizons considered
- Parts of value chain excluded
- Frequency of assessment
- How climate-related risks are prioritised relative to other risks

Risk Management

Summary of proposed section

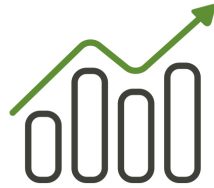


Questions

→ Proposed Risk Management disclosures



Metrics and Targets



Assurance



Metrics and targets

Summary of proposed section



To enable primary users to understand how an entity measures and manages its climate-related risks and opportunities. Metrics and targets also provide a basis upon which primary users can compare entities within a sector or industry.

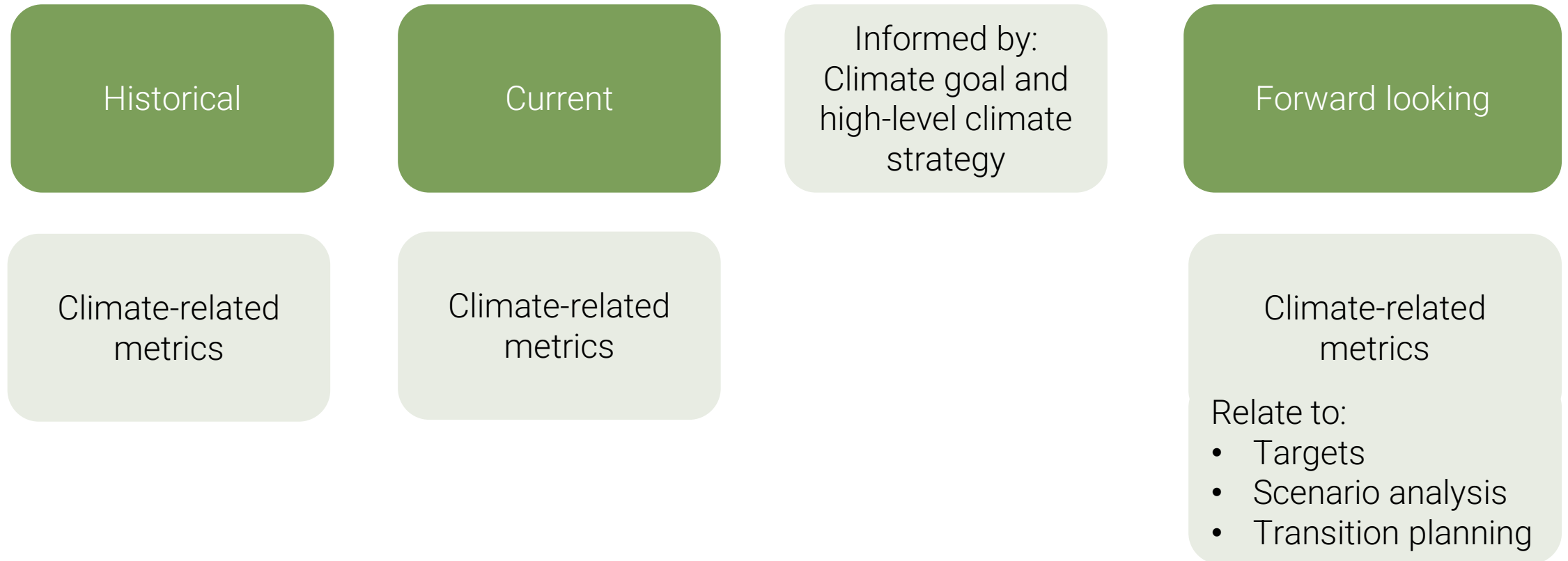
Cross-industry metric categories (including scopes 1, 2, and 3 greenhouse gas emissions)

Industry-based metrics

Any other key performance indicators

Targets, and performance against targets

Metrics should be consistent over time



Metrics and Targets

Proposed disclosures



Cross-industry metric categories

- Greenhouse gas emissions
- GHG emissions intensity
- Transition risks
- Physical risks
- Climate-related opportunities
- Capital deployment
- Internal emissions price
- Remuneration



Exemption from disclosing comparatives in year one, partial for year two



Exemption from disclosing analysis of trends for two years

Metrics and Targets

Proposed disclosures



Greenhouse gas (GHG) emissions: gross emissions in metric tonnes of CO₂e classified as: scope 1, scope 2 and scope 3

Defined term:
gross emissions



Total GHG emissions excluding any purchase, sale or transfer of GHG emission offsets or allowances. Gross scope 2 emissions must be calculated using the location-based methodology. Removals should be reported separately.

Metrics and Targets

Proposed disclosures

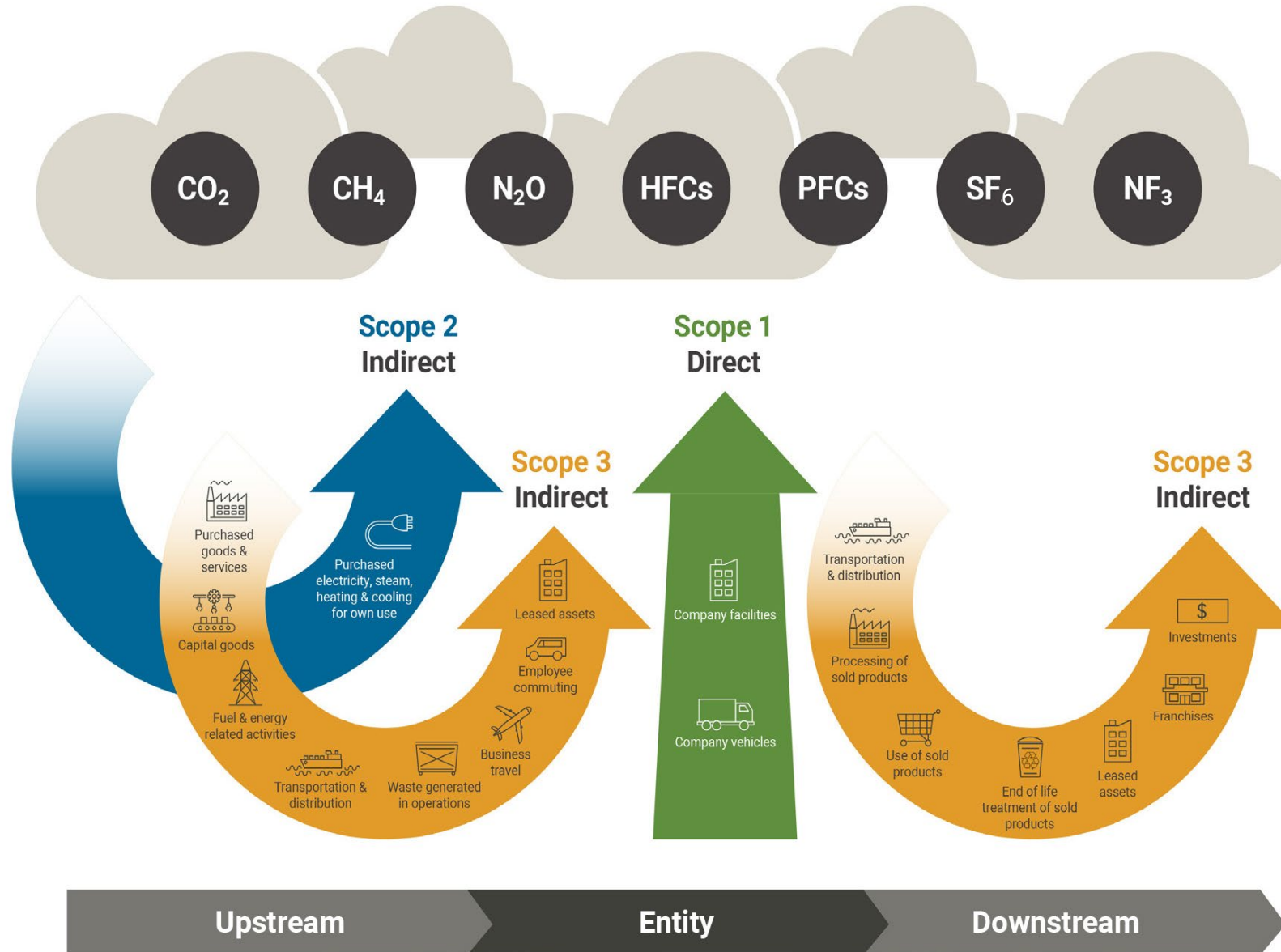
Greenhouse gas (GHG) emissions: gross emissions in metric tonnes of CO₂e classified as: scope 1, scope 2 and scope 3

- a statement describing the recognised standards or standards that its GHG emissions have been measured in accordance with
- The GHG emissions consolidation approach used (equity share, financial control or operational control)
- Summary of specific exclusions with a justification for their exclusion



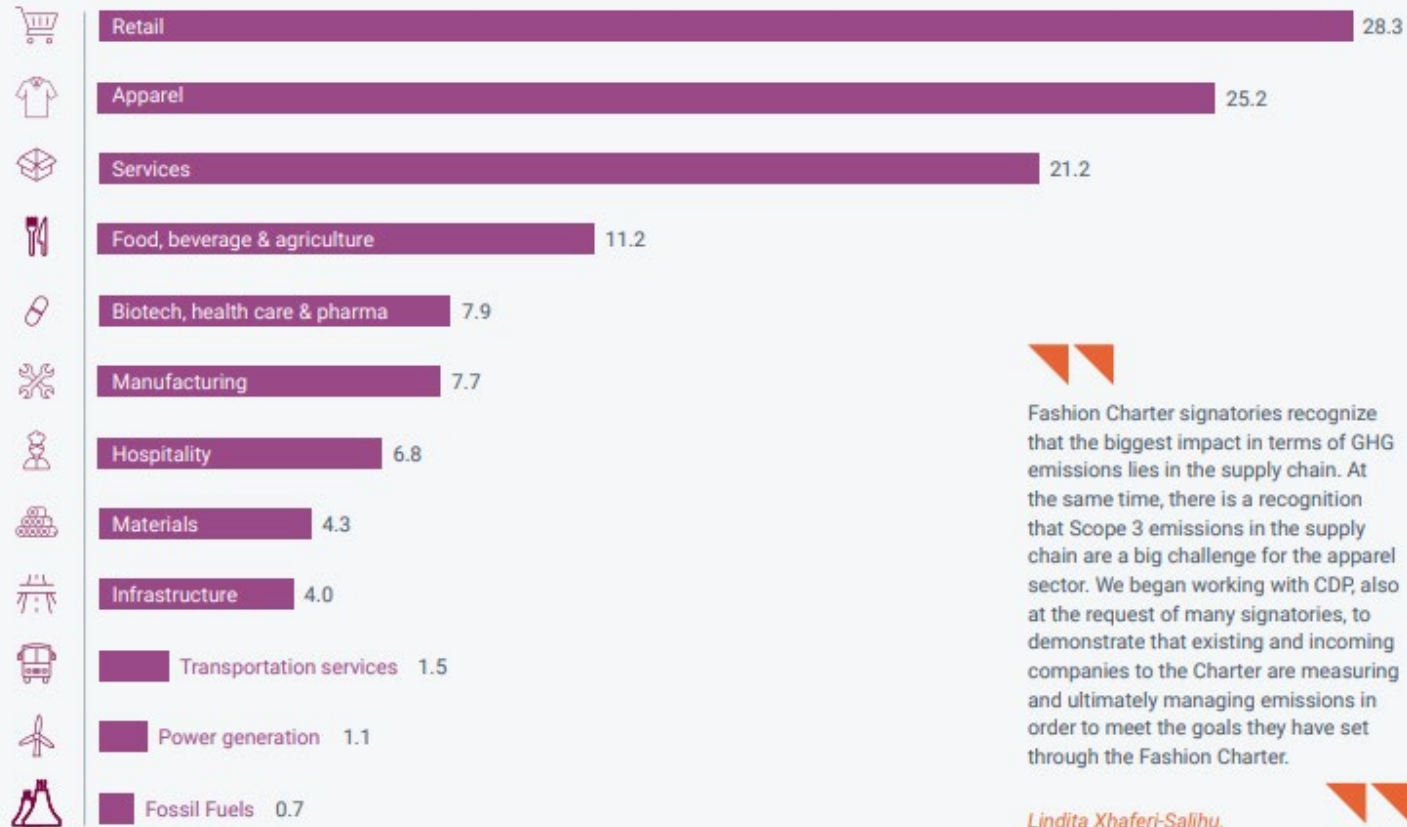
One year exemption from disclosing scope 3 emissions

Emissions scopes



Scope 3 matters

Upstream emissions: scope 3 emissions are on average 11.4 times higher than operational emissions



Average of final ratio (Scope 3 [supply chain emissions] : Scope 1 +2 [operational emissions and direct emissions])

Fashion Charter signatories recognize that the biggest impact in terms of GHG emissions lies in the supply chain. At the same time, there is a recognition that Scope 3 emissions in the supply chain are a big challenge for the apparel sector. We began working with CDP, also at the request of many signatories, to demonstrate that existing and incoming companies to the Charter are measuring and ultimately managing emissions in order to meet the goals they have set through the Fashion Charter.

Lindita Xhaferi-Salihu,
Sectors Engagement Lead,
UN Climate Change

Source: CDP [Supply Chain Report 2020](#)

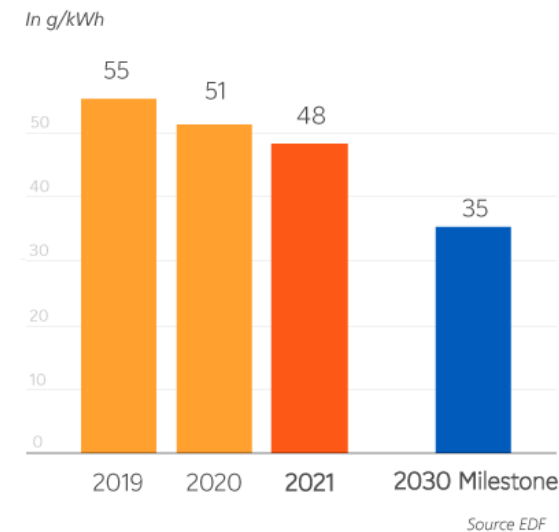
Example GHG intensity metric - EDF

“After passing under the 100g of CO₂/kWh mark in 2015, EDF Group’s specific carbon emissions delivered the figure of 48 g/kWh in 2021.”

Source: EDF, [Doing even more to reduce CO2 emissions](#)

Worldwide

EDF group's CO₂ emissions* are well below those of other electricity producers, and are steadily declining. After passing under the 100 g of CO₂/kWh mark in 2015, EDF Group's specific carbon emissions delivered the figure of 48 g/kWh in 2021. The Group's carbon intensity is now nine times lower than the sector's average worldwide⁽¹⁾, and five times lower than the European average⁽²⁾.

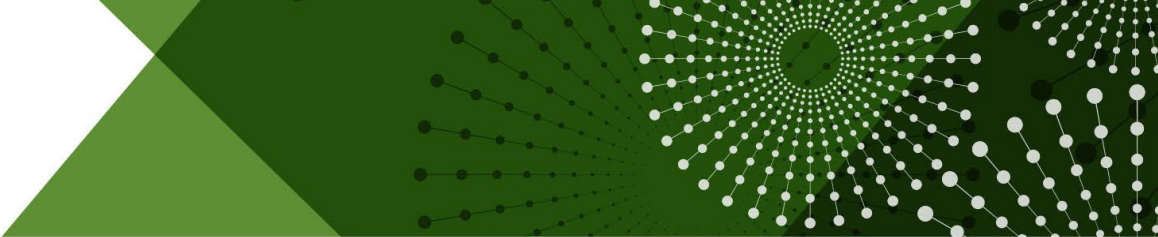


The decrease in carbon intensity between 2020 and 2021 is mainly related to the increase in the EDF Group CO₂-free* production (increase of more than 23 TWh), in particular of its nuclear production.

* Direct emissions excluding the life cycle analysis of generating plant and fuel.

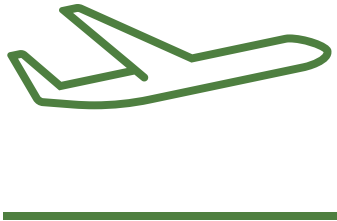
⁽¹⁾ 2019 data, International Energy Agency, Emission Factors 2021, Sept. 2021.

⁽²⁾ Estimation 2020, EU-27, European Environment Agency, Greenhouse gas emission intensity of electricity generation by country, Oct. 2021

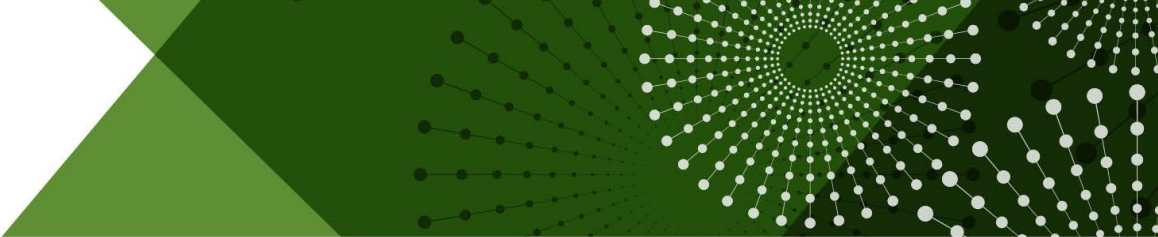


Example transition risks metric – United Airlines

“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



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.”

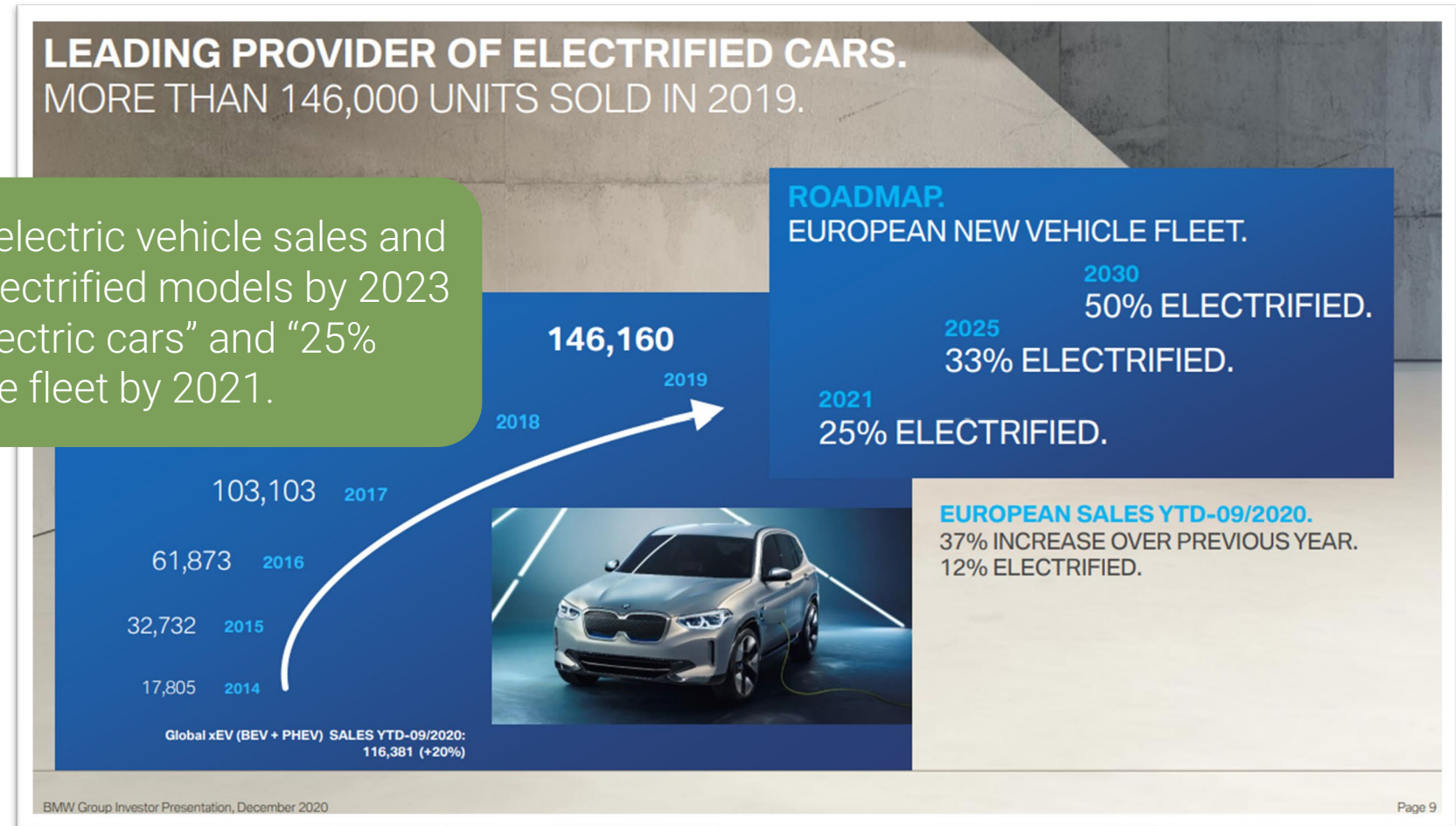
freeboard) between 2030 and 2080. The Study team analyzed the exposure of Con Edison’s assets to 3 feet of sea level rise (i.e., the 2080 RCP 8.5 83rd percentile sea level rise projection), keeping the other elements of Con Edison’s existing risk tolerance constant (i.e., a 100-year storm with 2 feet 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

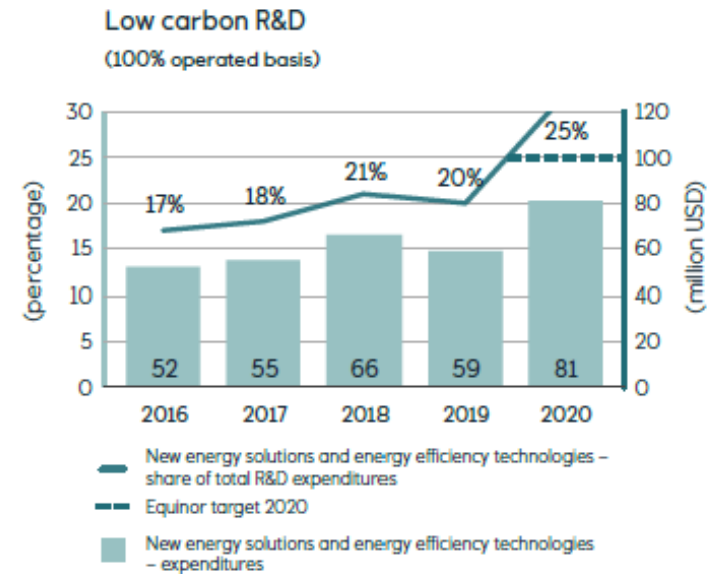
Example climate-related opportunities metric - BMW

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.



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](#)



Example emissions 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/tCO₂ 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”.

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** × **overall target achievement**
 target bonus = 100% of base salary 2020
 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.

Metrics and Targets

Proposed disclosures



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





Sub-disclosures include:

- Timeframe of the target, any interim targets and the base year
- Description of performance against targets
- For each GHG emissions target:
 - Absolute or intensity based
 - Target aligned with science, has it been validated
 - Offsets

Example target disclosure - Enel

Net-Zero commitment

Enel, as a signatory of the "Business Ambition for 1.5 °C" campaign promoted by the United Nations and other institutions, is committed to setting a long-term goal to achieve net-zero emissions across the entire value chain by 2050, including both direct emissions (Scope 1) and indirect emissions (Scope 2 and 3), together with science-based targets in all relevant areas and in line with the criteria and recommendations of the Science Based Targets initiative (SBTi).

	GHG Target	Scope	Climate scenario	Main drivers and actions to achieve target
Short term (2023)	148 gCO_{2eq}/kWh by 2023	100% of Scope 1 GHG emissions ⁽¹⁾	 1.5 °C ⁽²⁾	<ul style="list-style-type: none"> > Gradual phase out of 90% of coal-fired capacity in 2021-2023 period (percentage weight of coal capacity in total consolidated capacity reduced from 10% in 2020 to about 1% in 2023) > Invest €16.8 billion to accelerate the development of renewable energy by installing 15.4 GW of new renewables capacity in 2021-2023 period, reaching 60 GW of consolidated renewables capacity by 2023
Medium-Long term (2030)	82 gCO_{2eq}/kWh by 2030 (80% reduction compared with 2017)	100% of Scope 1 GHG emissions ⁽¹⁾	 1.5 °C, SBTi certified	<ul style="list-style-type: none"> > Accelerate the exit from coal to 2027 from 2030 (phasing out of 16 GW of coal capacity over 2017-2027) > Invest €65 billion to accelerate the development of renewable energy by installing 75 GW of renewables capacity in 2021-2030 period, reaching 120 GW of consolidated renewables capacity by 2030 (3 times installed renewables capacity in the 2017 base year)
	21.2 MtCO_{2eq} (16% reduction compared with 2017)	100% of Scope 3 emissions connected with sale of natural gas on end-user market (Scope 3, "use of products sold")	 2 °C, SBTi certified	<ul style="list-style-type: none"> > Promote the switch of customers from gas to electricity (especially residential customers) > Optimization of the gas portfolio of customers (especially industrial customers)
Long term (2050)	~0 gCO_{2eq}/kWh by 2050	100% of Scope 1 GHG emissions ⁽¹⁾⁽²⁾	 1.5 °C ⁽²⁾	<ul style="list-style-type: none"> > Aim for the gradual elimination of thermal capacity and achieve a 100% renewable energy mix

Source: CDP, [Enel Integrated Annual Report 2020](#)

Example targets for cross-industry metric categories from TCFD

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 tCO ₂ e)	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

Assurance of GHG emissions

Assurance of GHG emissions

- Limited assurance
- For reporting periods that end on or after 27 October 2024

The assurance engagement covers

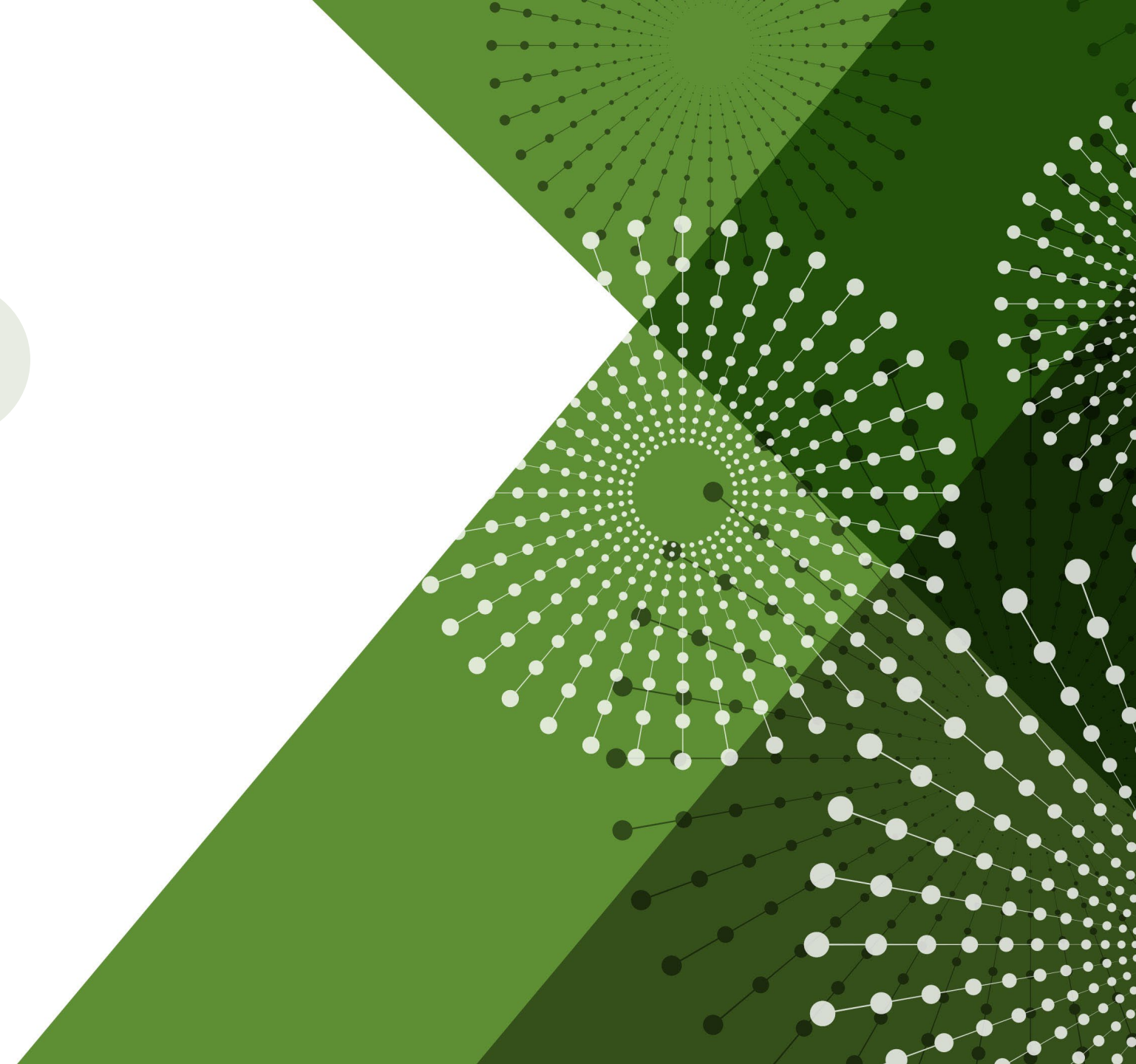
- GHG emissions: gross emissions in metric tonnes of CO₂e classified as: scope 1, scope 2, scope 3
- Additional requirements – statement of standards, consolidation approach, exclusions
- GHG emissions methodologies, assumptions and estimation uncertainty – NZ CS 3

Questions

- Proposed Metrics and Targets disclosures and Assurance



Staff Guidance



Overview of XRB staff guidance

Previously published

We have previously released targeted guidance and fact sheets on topics of particular concern to reporting entities:

- Scenario analysis: Getting started at the sector level
- Scenario analysis factsheet
- Getting started on measuring your emissions
- Director preparation guide

Download from: [Resources » XRB](#)

Published in July

Two draft guidance documents were published in July and released with the Exposure Draft materials:

- Guidance for all sectors
- Guidance for MIS Managers

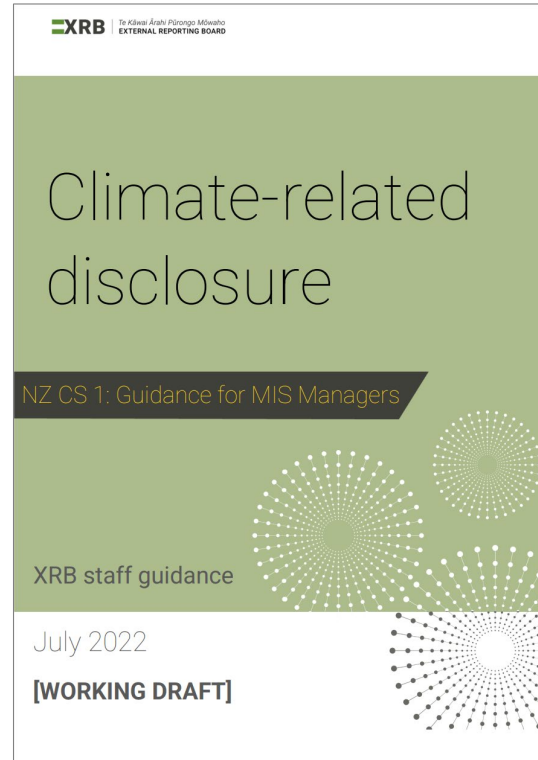
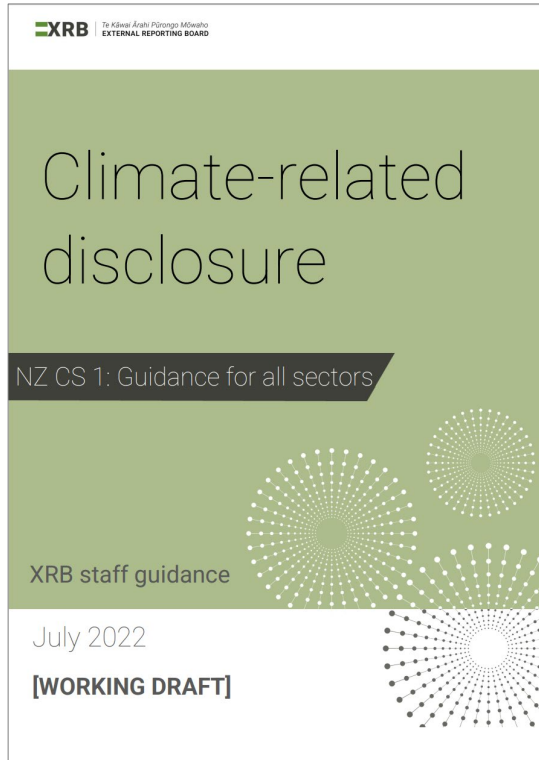
Download from: [Climate-related Disclosures Final Consultation » XRB](#)

In development

Additional guidance resources are in development and will also be consulted on (the timeline for their delivery is yet to be confirmed):

- Guidance for Banks
- Guidance for Insurers
- Scenario analysis: Getting started at the entity level
- Transition plan guidance

These are working drafts



So please let us know what you think

- We're looking for your feedback on these documents
- They will continue to be developed as we develop other forms of guidance

Our approach to the guidance



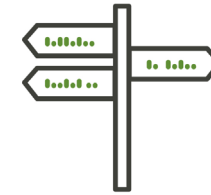
1. Deepen understanding

Explaining the 'why and how' of climate-related risk and opportunity is as important in our view as the disclosure output. Enhanced climate resilience is a vital outcome.



2. Illustrate primary user needs

We are aiming to help preparers to understand what it is that primary users need from disclosures and illustrate how these needs can be met.



3. Build consistency

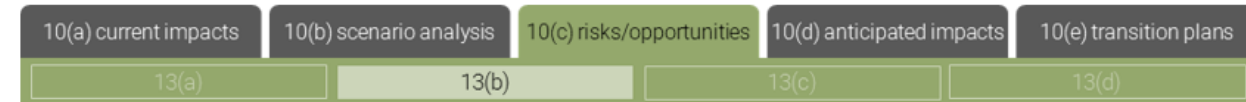
We want to build consistency among disclosures through a shared understanding of what should be disclosed and transparency about how disclosures have been arrived at.

Diving into an example

Guidance documents

- Are set out by disclosure domains, mapping to over-arching and sub-disclosures
- Provide links to sources and further reading
- Include examples or illustrations where these provide additional insight

2.5.2 Risks and opportunities: Disclosure 13(b)



Disclosure 13(b): a description of the time horizon over which each climate-related risk or opportunity could reasonably be expected to have a financial impact on the entity

Table 5: if an entity has identified five risks and three opportunities with anticipated financial impacts, they may opt to provide categorical estimations of when each risk and opportunity might arise, and with what scale of financial impact

Scale of anticipated financial impacts	Time horizon		
	Short term (x-x years)	Medium term (x-x years)	Long term (x-x years)
Small (\$x to \$x)	Transition Risk 1; Transition Risk 2	Physical Risk 1	Physical Opportunity 1; Physical Opportunity 2
Moderate (\$x to \$x)	Transition Opportunity 1	Physical Risk 2	Transition Opportunity 4; Physical Risk 3
Large (\$x to \$x)	Transition Risk 3; Transition Opportunity 2	Transition Opportunity 3	Physical Risk 4

Publisher	Year	Source	Pages
TCFD	2021	Implementing the Recommendations of the TCFD	p.11, 17
TCFD	2021	Guidance on Metrics, Targets, and Transition Plans	p.46-52

Questions

→ Draft guidance



Upcoming deep dive sessions



Deep dive for financial institutions: NZ CS 1 and NZ CS 2 (e.g., banks, insurers)



Deep dive for MIS Managers: NZ CS 1 and NZ CS 2

Consultation questions



Questions include:

- Will draft Aotearoa New Zealand Climate Standards meet primary user needs?

- Do you have any practical concerns about the feasibility of preparing the required disclosures in draft Aotearoa New Zealand Climate Standards?

- Do you agree with the proposed first-time adoption provisions in NZ CS 2?

- Do you think the draft staff guidance documents will support climate reporting entities when making their disclosures and support consistent application of the disclosure requirements? .



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.

