

## Deep Dive – NZ CS 1 and NZ CS 2

# Financial climate reporting entities

Thank you for joining us – the event will start shortly

17 August 2022



**Deep Dive – NZ CS 1 and NZ CS 2 for 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)

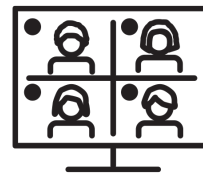
## Previous deep dive sessions



Deep dive 1: NZ CS 3 (For Everyone)



Deep dive 2: NZ CS 1 and NZ CS 2 for non-financial CREs

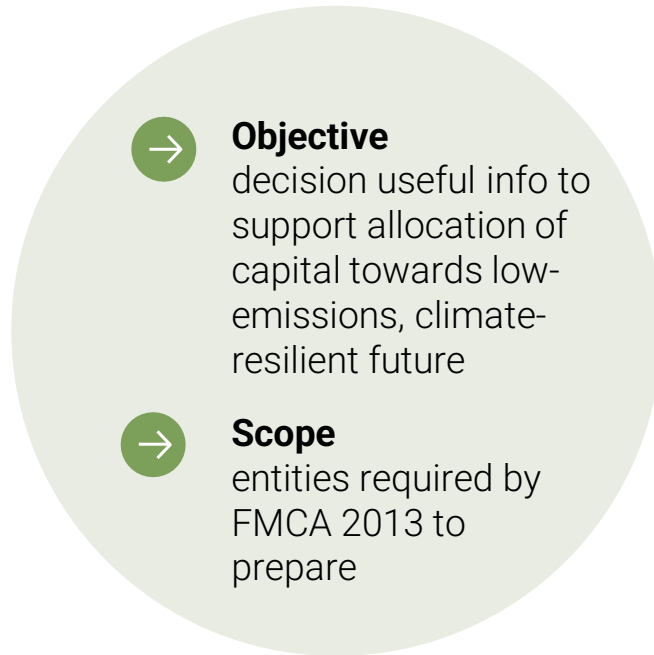


Recordings available here:

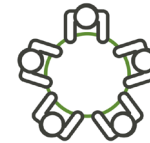
<https://www.xrb.govt.nz/events/?filter=previous>



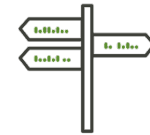
# [draft] NZ CS 1 *Climate-related Disclosures*



**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

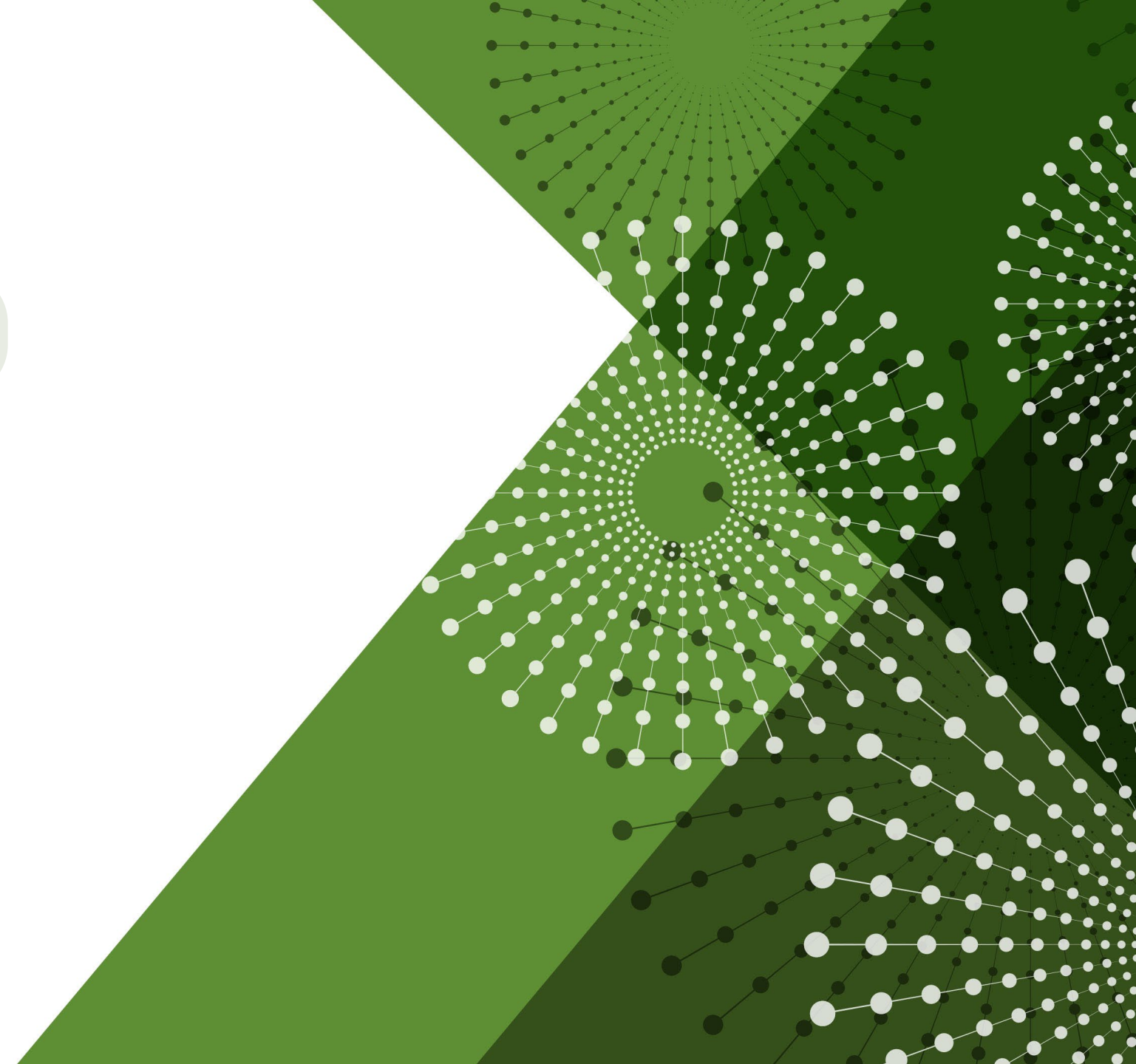
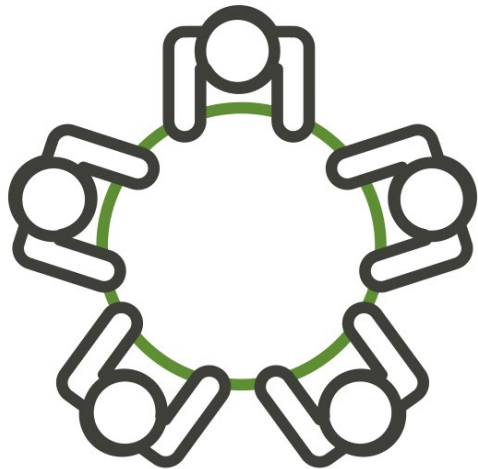
Two comparison tables are being issued to provide a comparison between draft NZ CS 1 and:

- 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.

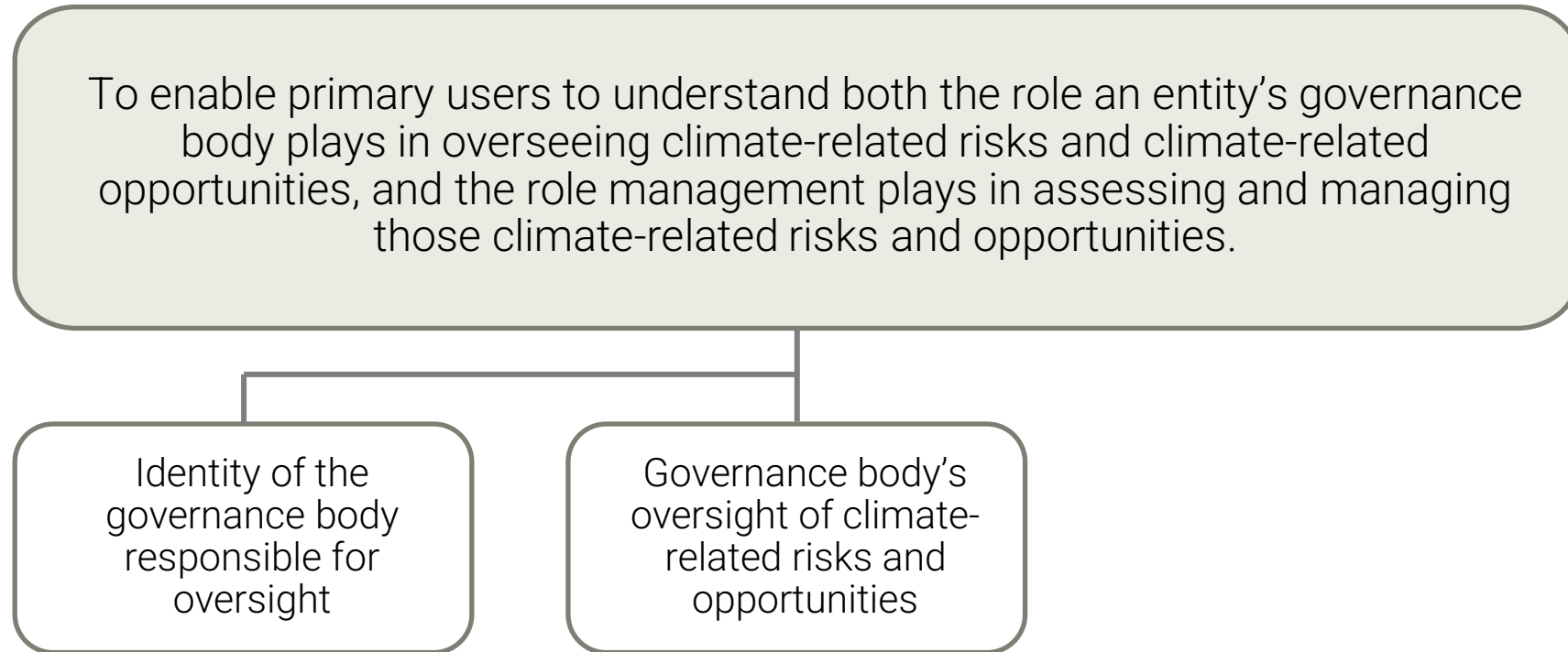
Governance





# Governance

## Summary of proposed section



# Governance

## Proposed disclosures

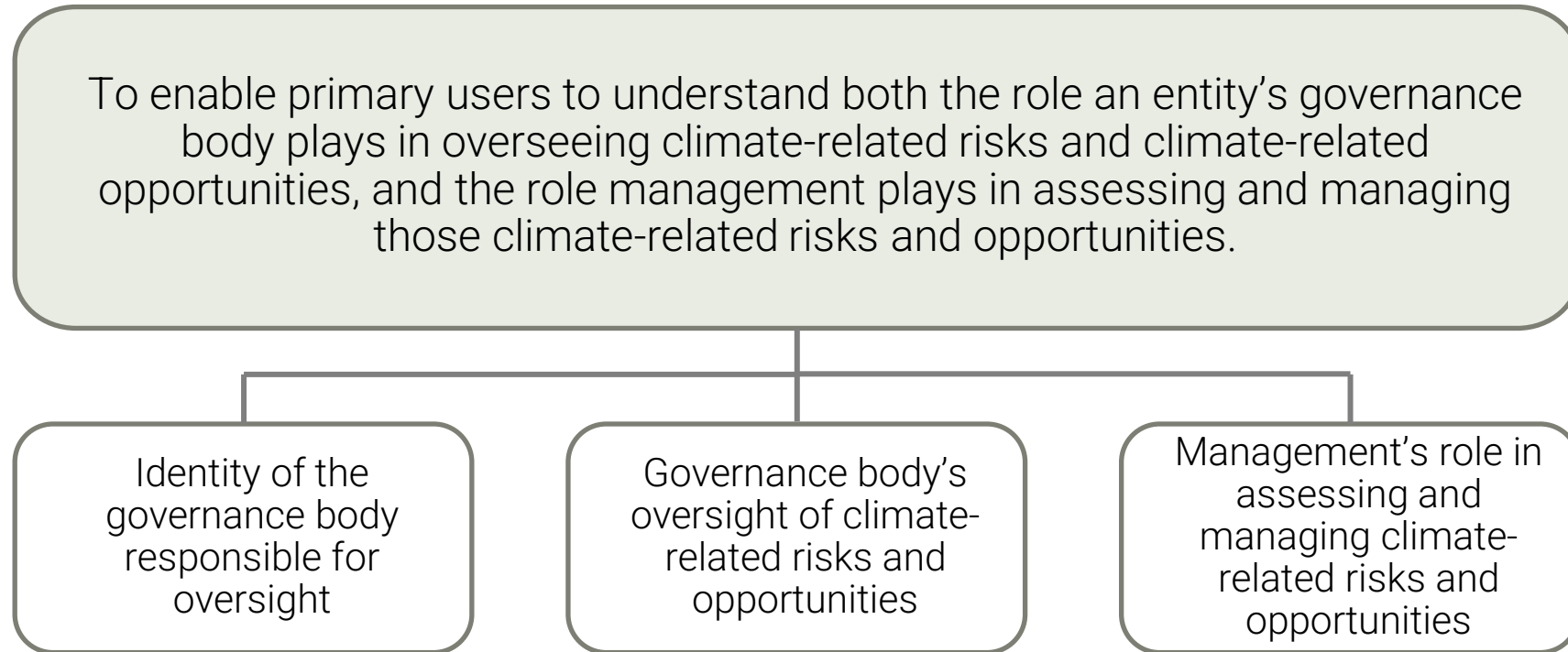
### Governance body oversight

#### **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

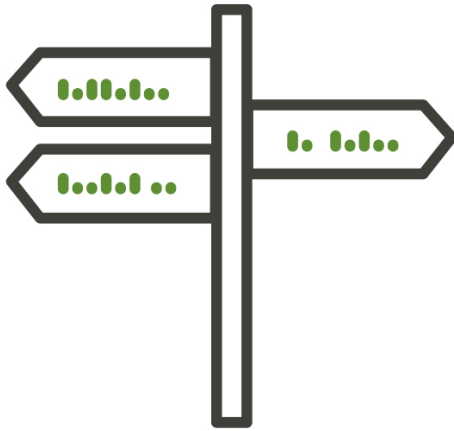
#### **Sub-disclosures include:**

- 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

→ 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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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

Reordered

New structural component

### Current impacts and financial impacts

#### **Sub-disclosures include:**

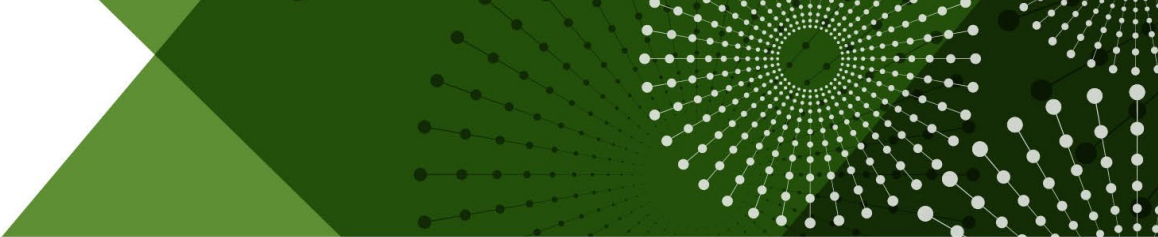
- Current physical and transition impacts
- Current financial impacts of physical and transition impacts identified
- If unable to disclose quantitative information, an explanation of why



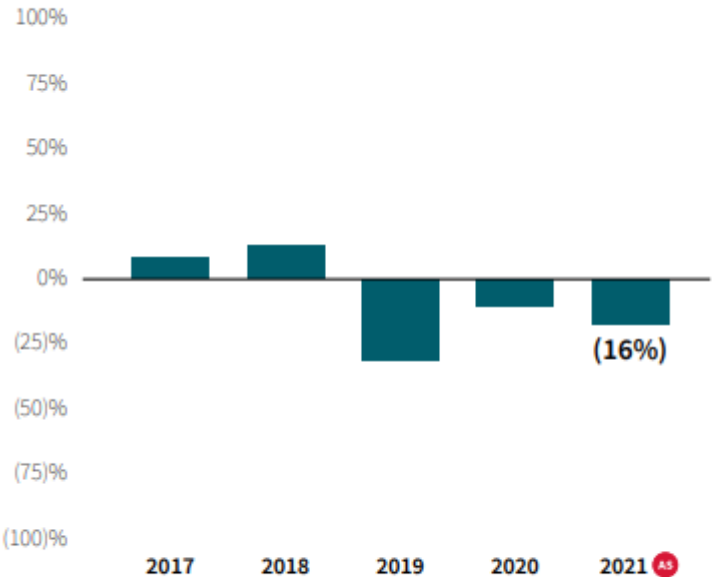
One year exemption from disclosing current financial impacts



# Example disclosures – Aviva

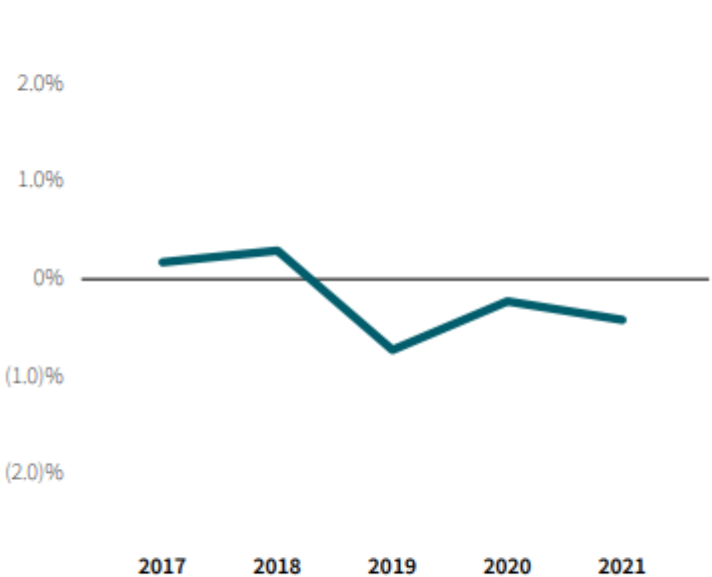


**Figure 11: Actual catastrophic weather-related losses versus expected losses by year (net of reinsurance)**



Source: Aviva Canada. When the actual weather-related losses is equal to the long-term average, the percentage is equal to 0%. Better than expected performance will result in a negative percentage and worse than expected performance will be a positive percentage.

**Figure 12: Catastrophic weather impact on Aviva Canada’s COR (net of reinsurance)**



Source: Aviva Canada. When the impact on Aviva Canada’s Combined Operating Ratio (COR) is as expected, the percentage is equal to 0%. Better than expected performance will be a negative percentage (hence a reduction in COR) and worse than expected performance will be a positive percentage (hence an increase in COR).

### Scenario analysis undertaken

#### **Sub-disclosures include:**

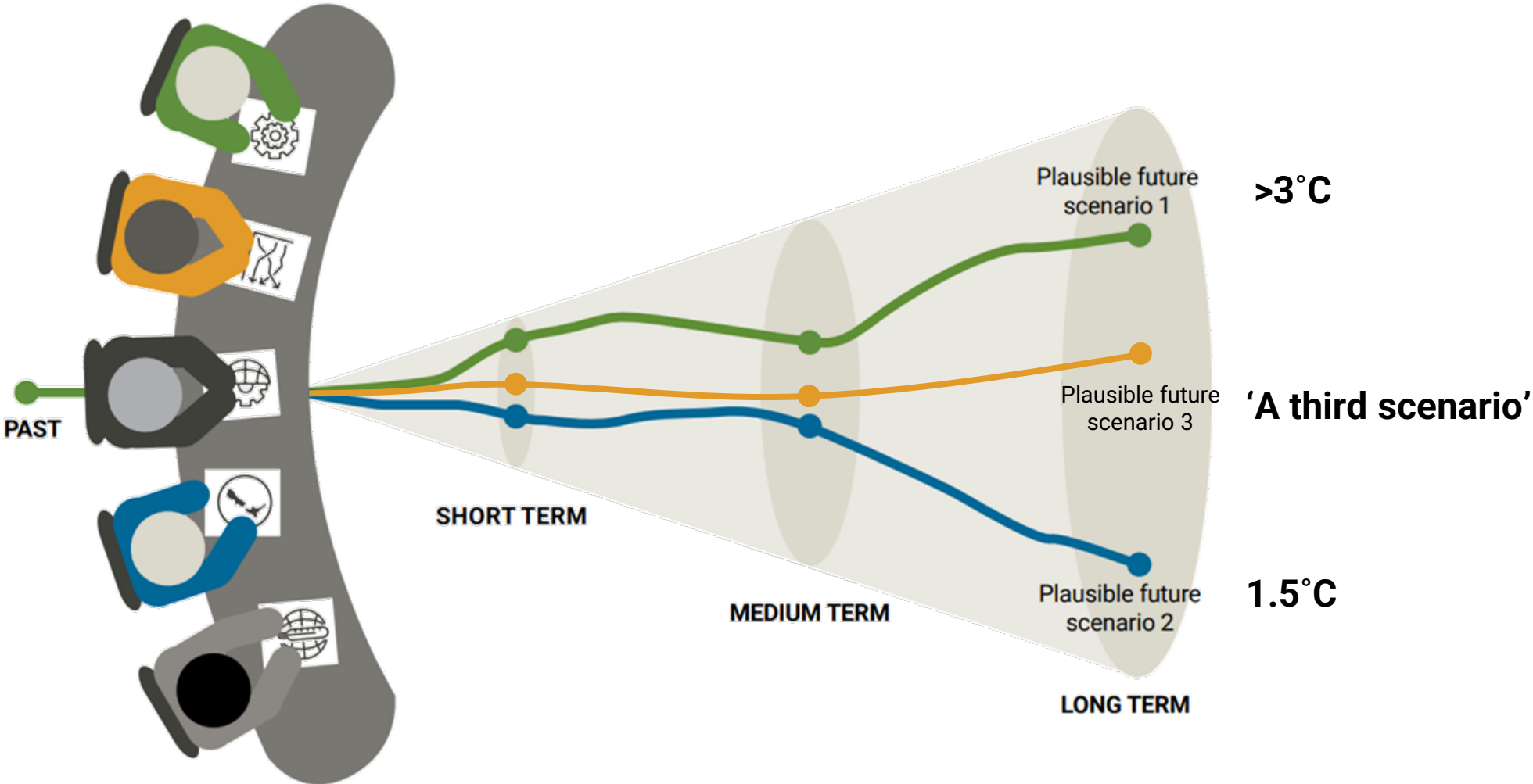
- Describe the scenario analysis undertaken
- Include at least a 1.5 degrees, a 3 degrees or greater and a third scenario

#### Fact sheets and guidance

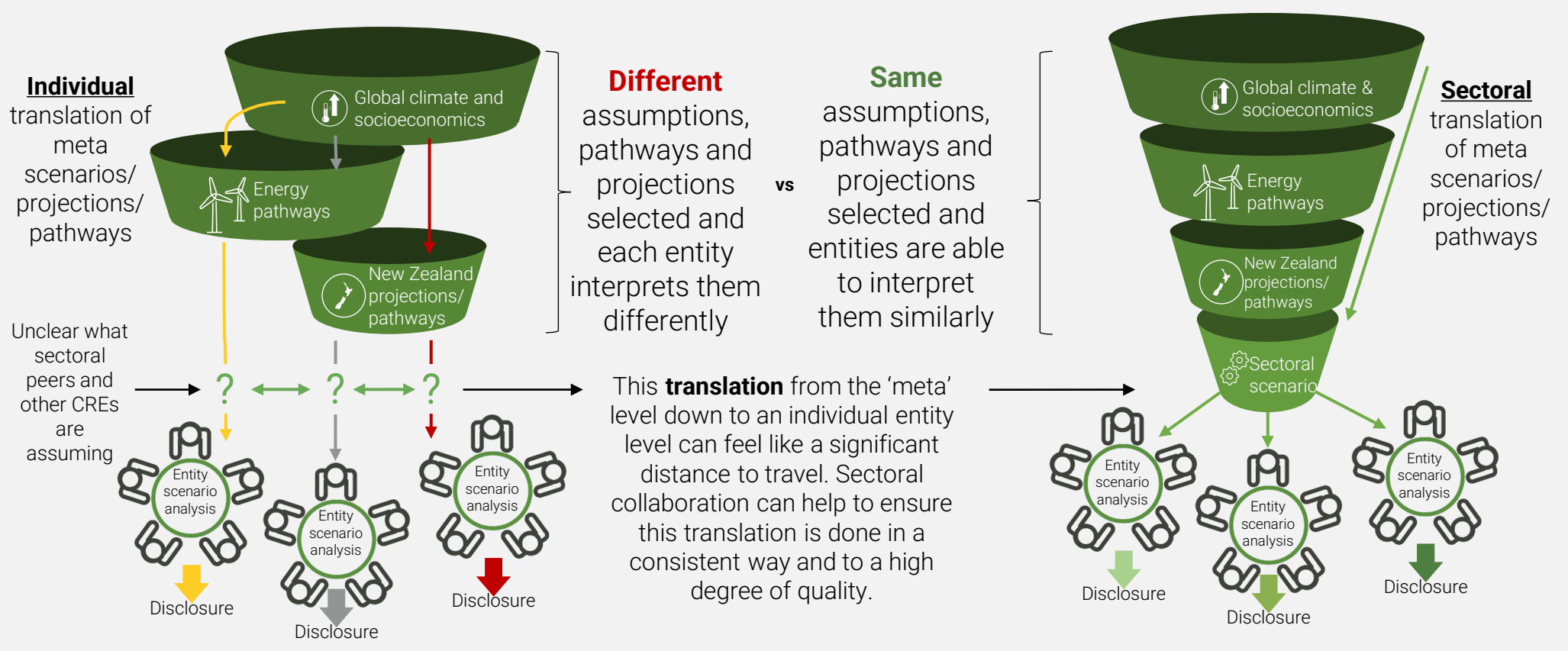
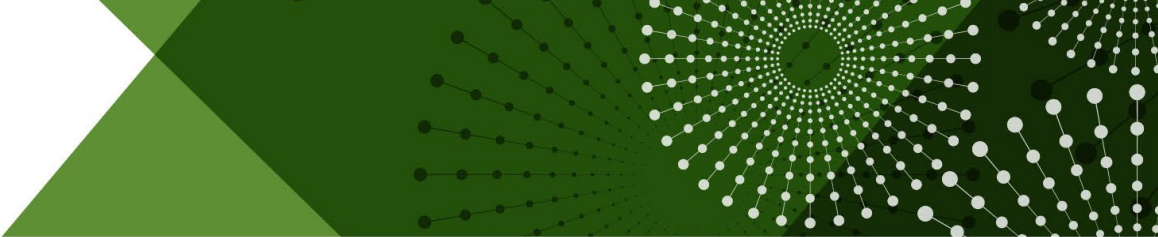
- ➔ Scenario analysis: Getting started at the sector level
- ➔ Scenario analysis factsheet

Download from: [Resources » XRB](#)

# Scenario analysis is a tool to enhance strategic thinking

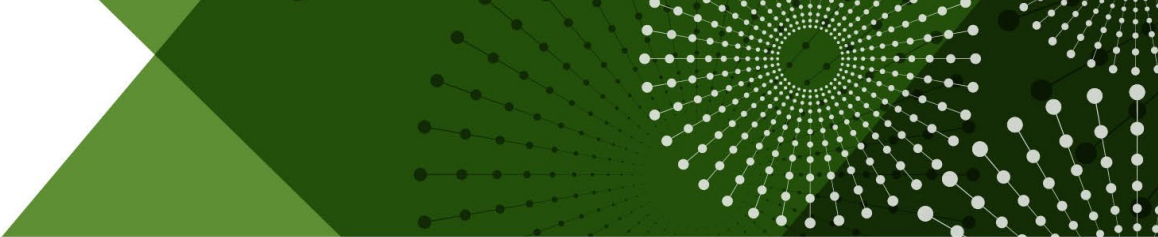


# Parallel work to encourage starting on scenario analysis at the sector level





# 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	█	█		
MIS / Fund managers, Kiwisaver Providers, Health & life insurance	█			
Health care	█			
Transport				
Energy				
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 – Aviva

## Climate-related impacts

### Risks

#### Description

##### As an Asset Manager, Asset Owner, Savings and Pension Provider:

Reduction in returns from company investments in highly carbon-intensive companies and sectors, where those companies are not taking action to transition to a low carbon economy **(Short to Medium-term)** and due to extreme weather events as well as chronic effects that could impact many different types of companies and sectors, especially those not taking sufficient action to build resilience and adapt to climate change **(Medium to Long-term)**

Reduction in returns from real assets that are not compatible with the transition to a low carbon economy **(Short to Medium-term)** and due to extreme weather events as well as chronic effects which present financial risks through loss of revenues from business interruption and / or increased capital costs to repair assets. **(Medium to Long-term)**

Reduction in returns from sovereign holdings where countries are exposed to the transition to a low carbon economy or physical effects of climate change and are not able to mitigate or adapt and build resilience to these **(Medium to Long-term)**

##### As an Insurer:

Disruption to the general insurance market, for example a move to electric and autonomous vehicles and sharing economy or changes in extreme weather that impact product design and demand as well as affordability of insurance products in some cases **(Medium to Long-term)**

Disruption to the life insurance market as a result in potential changes in morbidity or mortality rates as a result of less air pollution due to the transition to a low carbon economy, or a reduction in healthcare spending and an increase in the prevalence of certain health conditions in higher temperature scenarios **(Medium to Long-term)**

## Climate-related impacts

### Opportunities

#### Description

##### As an Asset Manager, Asset Owner, Savings and Pension Provider:

Enhanced returns on company investments aligned with the transition to a low carbon economy **(Short to Medium-term)** and which are resilient to the physical effects of climate change **(Medium to Long-term)**

Enhanced returns on real assets aligned with the transition to a low carbon economy **(Short to Medium-term)** and which are resilient to the physical effects of climate change **(Medium to Long-term)**

Enhanced returns from sovereign holdings where countries are committed to the transition to a low carbon economy and are resilient to physical effects of climate change **(Medium to Long-term)**

##### As an Insurer:

Develop climate-conscious general insurance products and services that support the transition to a low carbon economy and reward customers for environmentally responsible actions and help to build resilience to climate change **(Short to Medium-term)**

Develop climate-conscious savings and retirements products and services that enable and incentivize climate-positive behaviour from customers **(Short to Medium-term)**



### 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 – Allianz Group (insurer & asset manager)



Assets and business impact under transition scenarios (source: Allianz, excerpt)

Global		2°C					1.5°C				
		2020	2025	2030	2035	2040	2020	2025	2030	2035	2040
Energy	Integrated oil and gas	(M)	(M)				(M)				T
Energy	Oil and gas storage and transportation										
Energy	Coal and consumable fuels				T, P	T, P				T, P	T, P
Materials	Fertilizers and agricultural chemicals	(T)	(T)	(T)	(T)	(T)	(T)	(T)	(T)	P	
Materials	Aluminum										
Materials	Steel										
Industrials	Industrial conglomerates										
Industrials	Airlines	(T)	P				(T)	P			
Consumer discretionary	Auto components										
Consumer discretionary	Automobiles			P	P, T	T		P	P	P, T	P, T
Utilities	Electric utilities	P	(M)		P	P	P	(M)		P	P
Utilities	Renewable electricity				T	T				T	T

**Risk enhancer:**

P = policy

T = substitution technology

M = related market forces

**Risk mitigator:**

(P) = policy

(T) = little substitution technology

(M) = countering market forces

**Risk:**

Low
Medium
High
Very high

1 The heatmap was not updated in the last year. If it was updated, results might change.

# Example disclosures – Schroders (Asset manager)

## Strategy

The decarbonisation of the global economy as we transition towards net zero poses a number of risks and opportunities to our business and those that we invest in. We consider these over the following time horizons:

		0-5 years: Short term	5-10 years: Medium term	10 years +: Long term
Risk	Description	Timeframe		Impact
<b>Market</b>	Changing client behaviour impacting demand for our products		Medium term	Decreased revenue
<b>Physical</b>	The impact on physical operations of extreme weather events or changes in temperature		Long term	Increased capital expenditure
<b>Regulatory and legal</b>	Changes to current/emerging climate-related regulation that impact how companies operate		Long term	Decreased profitability
<b>Reputation</b>	Perception of not having responded appropriately to climate challenges		Medium term	Decreased revenue
<b>Technology</b>	The need to keep up with technological advancements to examine and manage climate risks and opportunities		Medium term	Impact on fund performance and revenue
Opportunity	Description	Timeframe		Impact
<b>Products and services</b>	Evolution of product range in response to opportunities		Medium term	Increased revenue
<b>Market</b>	Adapting investment proposition to reflect client preferences		Medium term	Better competitive position and increased revenue
<b>Resilience</b>	Providing products to manage the impacts of climate change	Short term		Increased revenues
<b>Energy source</b>	Use of new technology and lower emission sources to reduce our environmental impact		Medium term	Reduced indirect costs

# 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.<sup>1</sup>

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



How the entity will position itself (transition plan aspects)

### Sub-disclosures include:

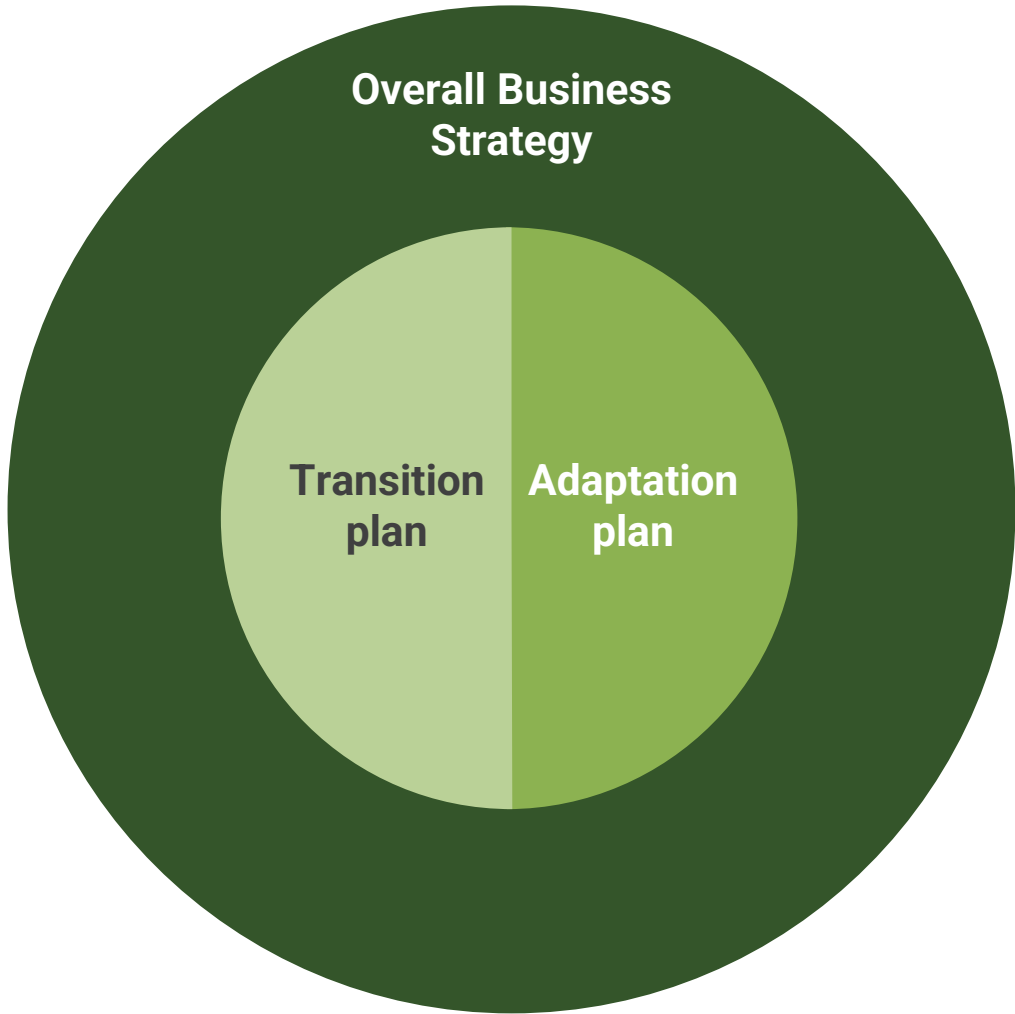
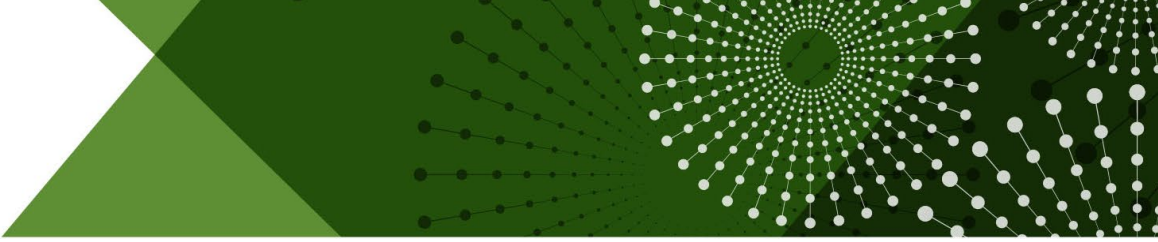
- Description of current business model and strategy
- Transition plan aspects of its strategy including changes to its business model and strategy to address its climate-related risks and opportunities
- Extent to which these are aligned with financial planning processes



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

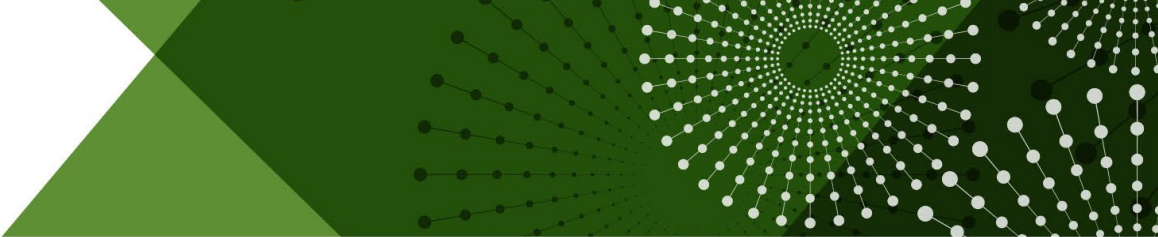


The Net-Zero Insurance Alliance

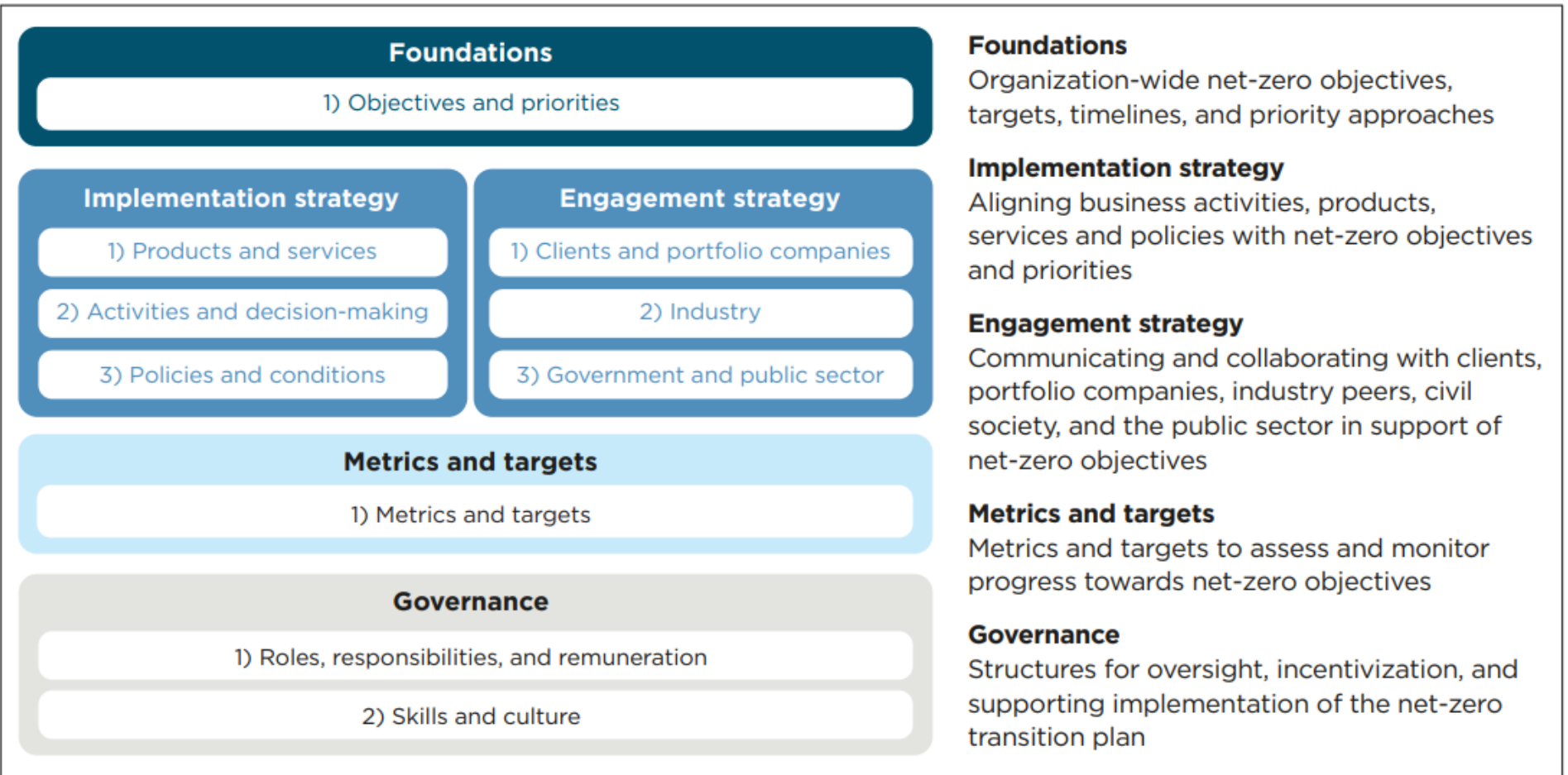
Statement of commitment by signatory companies

Net-Zero Banking Alliance  
Industry-led, UN-convened

# GFANZ guidance for financial institutions



**Figure 1: GFANZ financial institution net-zero transition plan framework**



[GFANZ Recommendations-and-Guidance-on-Net-zero-Transition-Plans-for-the-Financial-Sector June2022.pdf \(bbhub.io\)](https://bbhub.io/GFANZ_Recommendations-and-Guidance-on-Net-zero-Transition-Plans-for-the-Financial-Sector_June2022.pdf)



# Example disclosures – Aviva’s transition plan (insurance e.g.)



## Our plan is to become a Net Zero carbon emissions company by 2040\*

**Targeting Net Zero on carbon emissions** we produce ourselves by **2030**, from our suppliers by **2030** and from customers’ and shareholders’ investments by **2040**.

### Today

- **First major UK financial services company to target Net Zero carbon by 2040**
- Operational emissions cut by 81% since 2010. We’ve committed to invest £100m into nature-based solutions as a carbon removal solution
- New ‘Climate Engagement Escalation Programme’ – to drive change in high-emitting companies we invest in, or we will disengage
- We signed up to Science Based Targets initiative (SBTi)
- Offering customers Climate Transition Funds and Net Zero-aligned default pensions
- Annual reporting on progress and first insurer to commit to putting our climate disclosures (TCFD) to an AGM vote
- Published our biodiversity policy

### By the end of 2022

- Divest from companies which make more than 5% of their revenue from coal, unless they have signed up to the SBTi
- Expected to invest a further £10bn of assets from our auto-enrolment default funds and other policyholder funds into low-carbon strategies (of which £5bn has already been announced)
- Validate SBTi targets
- Launch first Aviva Forest partnership to begin to create carbon removals

### By 2025

- **25% cut in carbon intensity of investments**
- 100% renewable electricity for all offices, which total 230,231 square metres, and 100% electric/hybrid new-vehicle leases for our 1,540-strong motor fleet
- Aviva will invest £6bn in green assets, including £1.5bn of policyholder money into climate transition funds
- Aviva Investors will invest £2.5bn in low-carbon and renewable energy infrastructure and deliver £1bn of carbon transition loans

### By 2030

- **60% cut in carbon intensity of investments**
- Net Zero operations
- Net Zero supply chain
- £100m committed to nature-based solutions

### By 2040

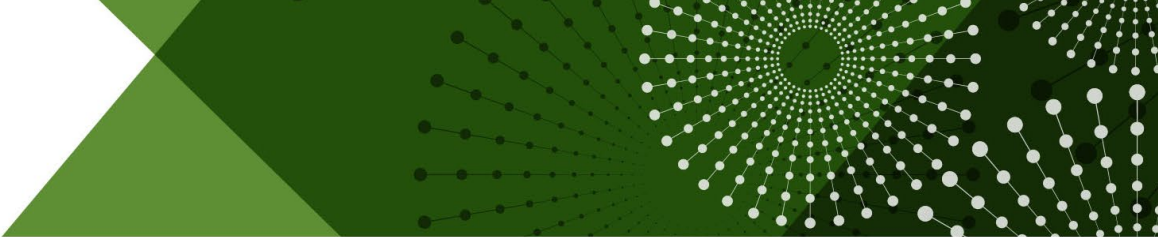
- **Net Zero company with Net Zero carbon investments**



Read more about our climate goals at [www.aviva.com/climate-goals](http://www.aviva.com/climate-goals)

[aviva.com/content/dam/aviva-corporate/documents/socialpurpose/pdfs/2021-climate-transition-plan.pdf](http://aviva.com/content/dam/aviva-corporate/documents/socialpurpose/pdfs/2021-climate-transition-plan.pdf)

# Example disclosures – CitiGroup’s transition plan (bank e.g.)



[taskforce-on-climate-related-financial-disclosures-report-2021.pdf \(citigroup.com\)](https://www.citigroup.com/na/en/regulatory/taskforce-on-climate-related-financial-disclosures-report-2021.pdf)

# Questions

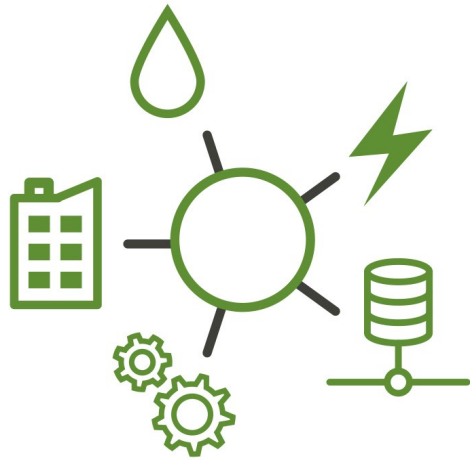
→ Proposed Strategy disclosures





*Te Kāwai Ārahi Pūrongo Mōwaho*  
**EXTERNAL REPORTING BOARD**

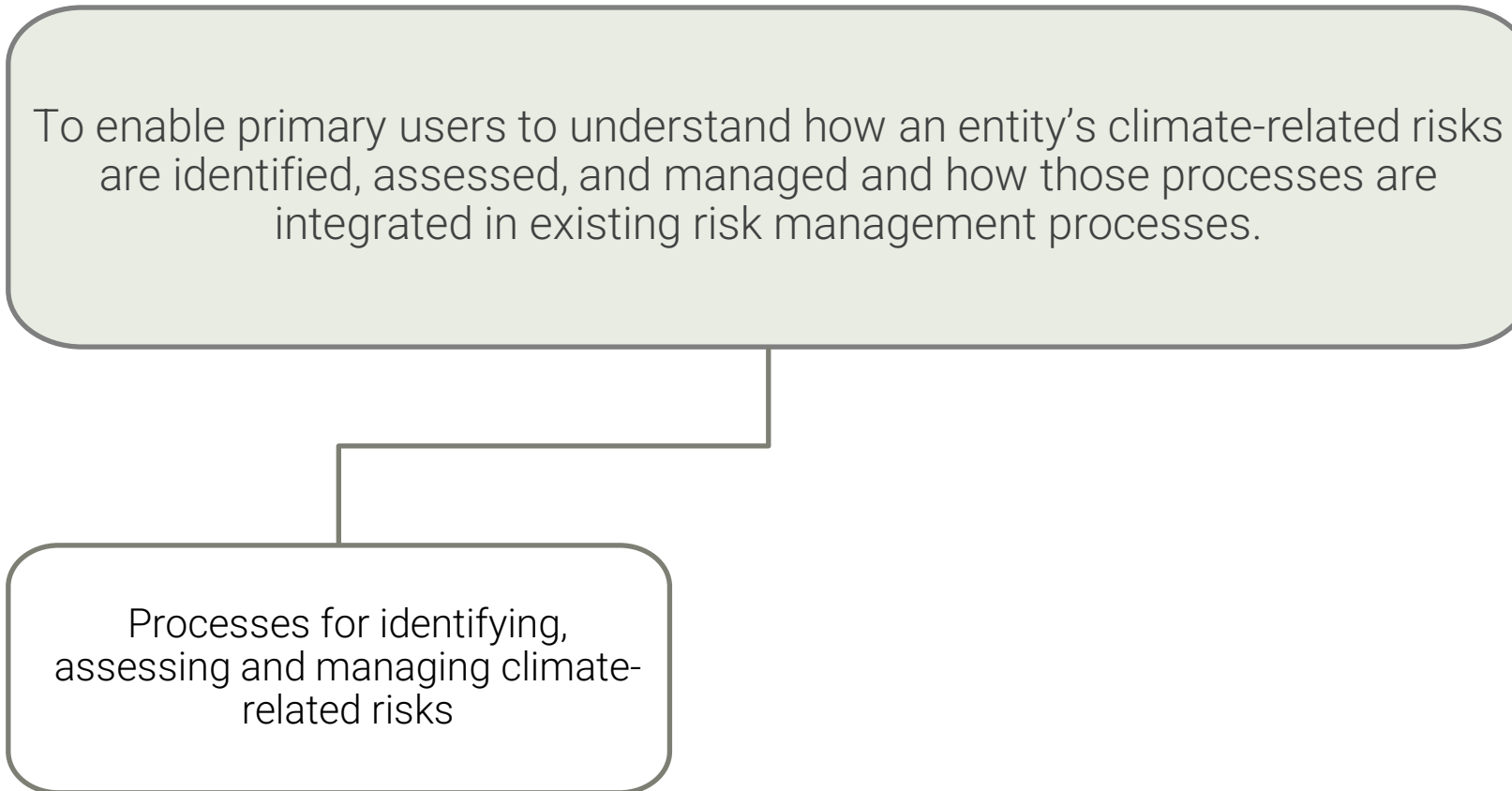
## Risk Management





# 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

## Financial sector examples



### CitiBank TCFD 2021

“Citi continues to view climate risk not as a stand-alone risk category, but instead as a transversal risk, capable of manifesting itself across each of the risk categories in our risk taxonomy” (p.40)

→ Climate-related risk identification and categorisation

→ Qualitative risk review process

Source: [Citi's TCFD Report 2021](#)



on an obligor’s source of income/revenue, spend/cost and value of assets, resulting in a decrease in the value of the collateral as well as an increase in the utilization of credit facilities”

...ation of drivers, can result in a change in market value of the bank’s hold to maturity portfolio. Volatility of market variables including interest rates, FX rates, equity and commodity prices can result in losses”

...ed demand for funds by counterparties/customers to fund their obligations, a reduction in liquidity, or bank or limitations on the bank’s ability to roll its debt, affecting the bank’s ability to meet its current and future cash flow and collateral needs”

...on the bank’s ecosystem (i.e., supplier, customer, competition, regulation, investors and other stakeholders), conditions, regulations, low-carbon products and preferences, and legal action, which can result in significant shifts”

...s locations (e.g., damage, inaccessibility), employees (e.g., productivity, ability to work from home), and service providers resulting in disruption of normal business operations. Climate drivers can also result in physical and operational risk...”

...lic disclosures or products, which increases the risk of misrepresentation, increased regulatory scrutiny, which increases the potential of non-compliance, increased use of external analytics and data, which increases the potential for data privacy breaches, all of which could result in fines, civil money penalties, and litigation of contracts”

...tional risk if Citi is perceived not to be meeting, sufficiently progressing or failing to meet its climate-related commitments”

# Risk Management

## Financial sector examples



### SwissRe TCFD 2021

“Sound risk management, underwriting and asset management lie at the core of Swiss Re’s businesses. This enables Swiss Re to use existing processes and instruments to address climate-related risks.” (p.175)

→ Monitoring all forms of transition risk

→ Secondary perils generating increasing costs

Source: [SwissRe TCFD Report 2021](#)



### Secondary perils:

1 “Firming and expanding risk views, reflective of macro risk trends (climate change, urbanisation, etc.)”

2 “Inter-peril correlation (research and embed global peril correlations into underwriting risk decisions and risk management)”

3 “Governance and steering: enhance capturing of secondary perils in pricings to enable rigid monitoring, steering and establishing an enhanced framework for actual vs expected analysis”

# Risk Management

## How climate risk differs



### Characteristics of climate-related risks

- Different effects based on geography and activities

The effects of climate change and climate-related risks occur on local, regional, and global scales with different implications for different businesses, products and services, markets, operations, and value chains, among others.
- Longer time horizons and long-lived effects

Some climate-related risks exist and play out over time horizons that stretch beyond traditional business planning and investment cycles. These risks and related impacts may occur as a result of decades-long changes in driving forces (e.g., greenhouse gas concentrations in the atmosphere) leading to climate-related physical or transition risk changes over the short, medium, and long term
- Novel and uncertain nature

Many of the effects of climate change have no precedent, limiting the ability to apply statistical and trend analysis based on historical data. Climate change is a dynamic and uncertain phenomenon and possible mitigation responses are also complex, with many unknowns such as the development and deployment of critical technologies and adaptation strategies as well as changing market and consumer behaviors.
- Changing magnitude and nonlinear dynamics

Climate-related risks may manifest at different scales over time, with increasing severity and scope of impacts. Climate systems may exhibit thresholds and tipping points that result in large, long-term, abrupt, and possibly irreversible changes. Understanding the sensitivities of tipping points in the physical climate system, as well as in ecosystems and society, is essential for understanding climate-related risks.
- Complex relationships and systemic effects

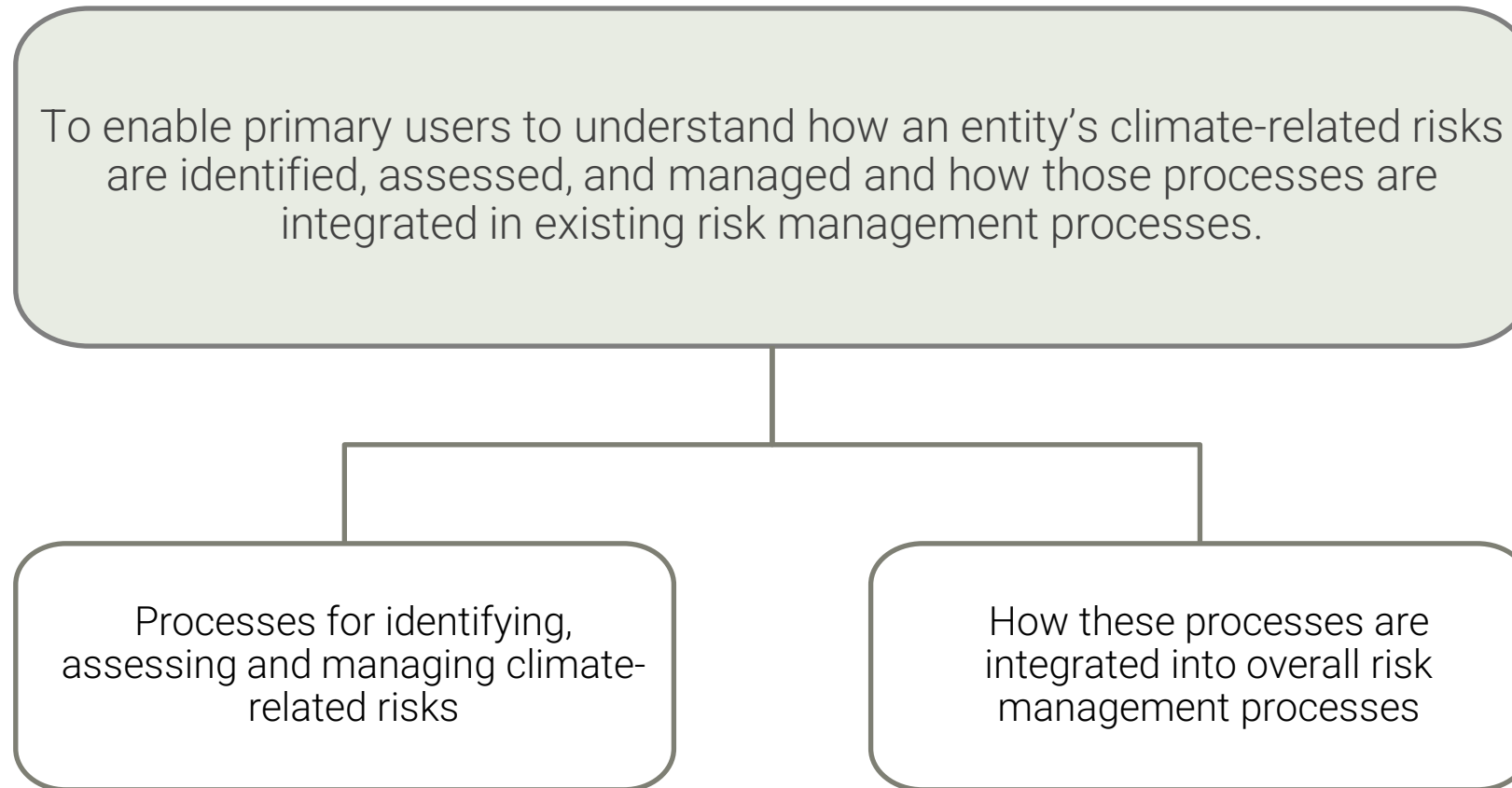
Risks associated with climate change are interconnected across socioeconomic and financial systems. Such interconnected risks are often characterized by knock-on effects and systemic effects, requiring a multidimensional perspective to assess the short-, medium-, and long-term implications for a company.

Source: [TCFD Risk management guidance](#)



# Risk Management

## Summary of proposed section

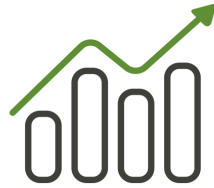


# Questions

→ 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.

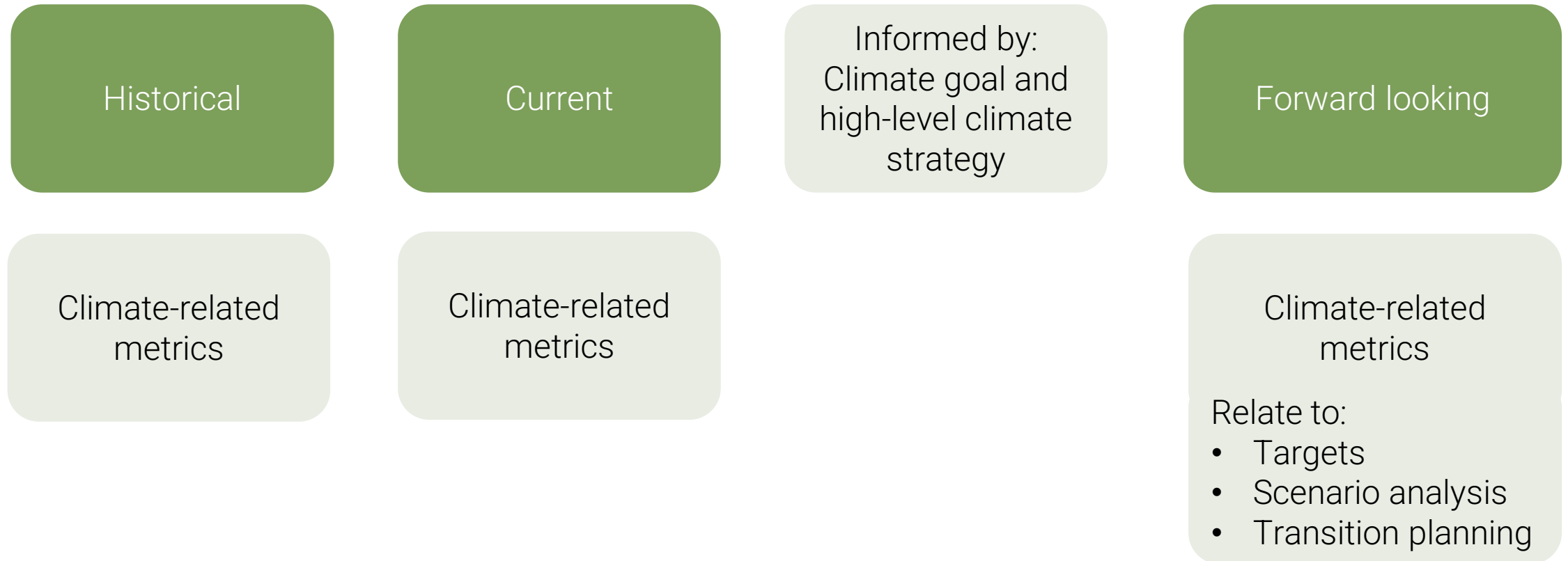
Cross-industry metric categories (including scopes 1, 2, and 3 greenhouse gas emissions)

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



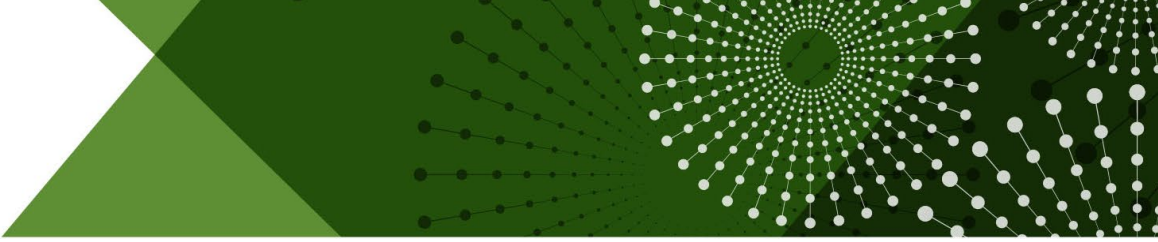
Exemption from disclosing comparatives in year one, partial for year two



Exemption from disclosing analysis of trends for two years

# Metrics and Targets

## Proposed disclosures



Greenhouse gas (GHG) emissions: gross emissions in metric tonnes of CO<sub>2</sub>e 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

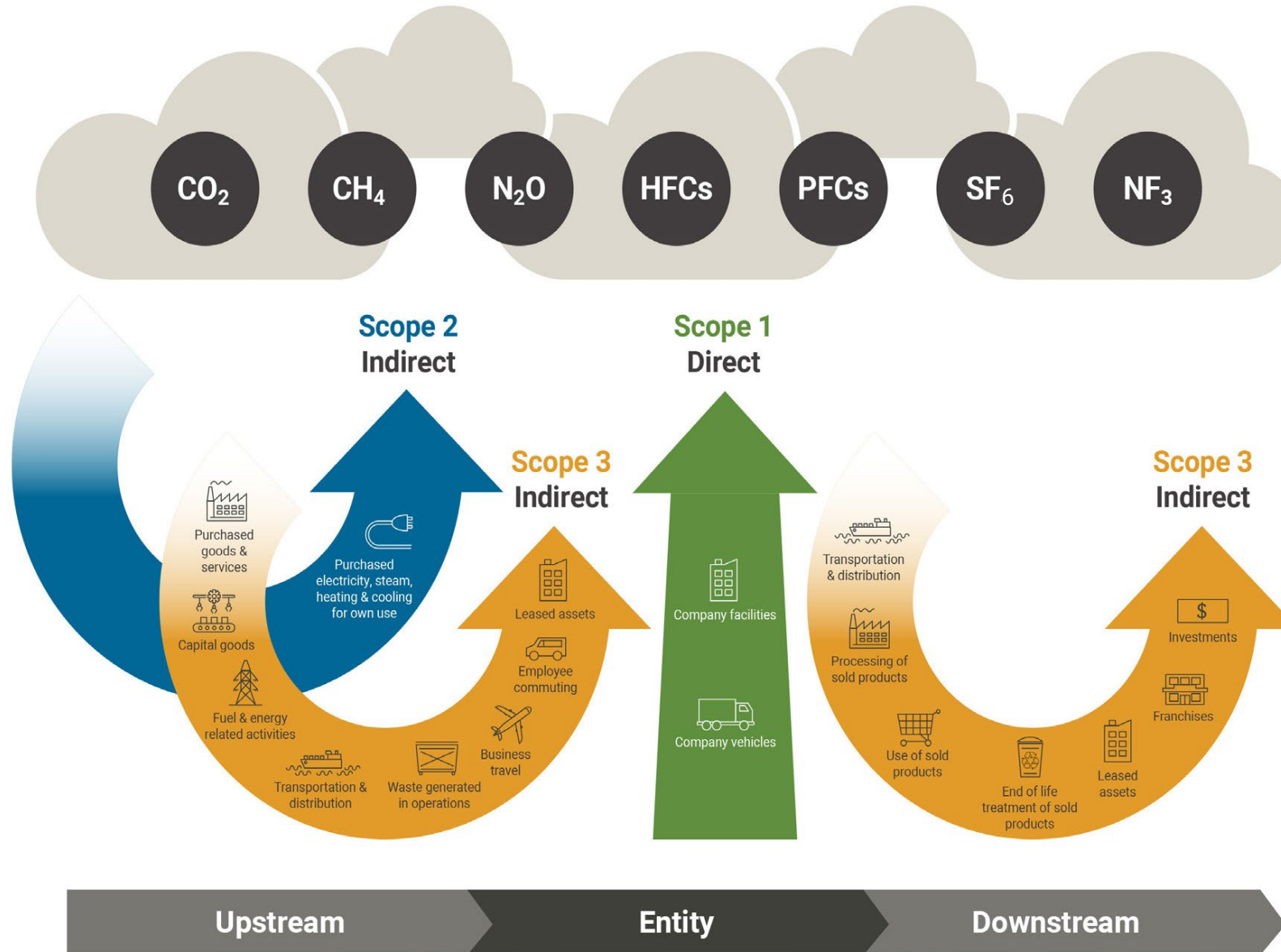
Greenhouse gas (GHG) emissions: gross emissions in metric tonnes of CO<sub>2</sub>e classified as: scope 1, scope 2 and scope 3

- 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

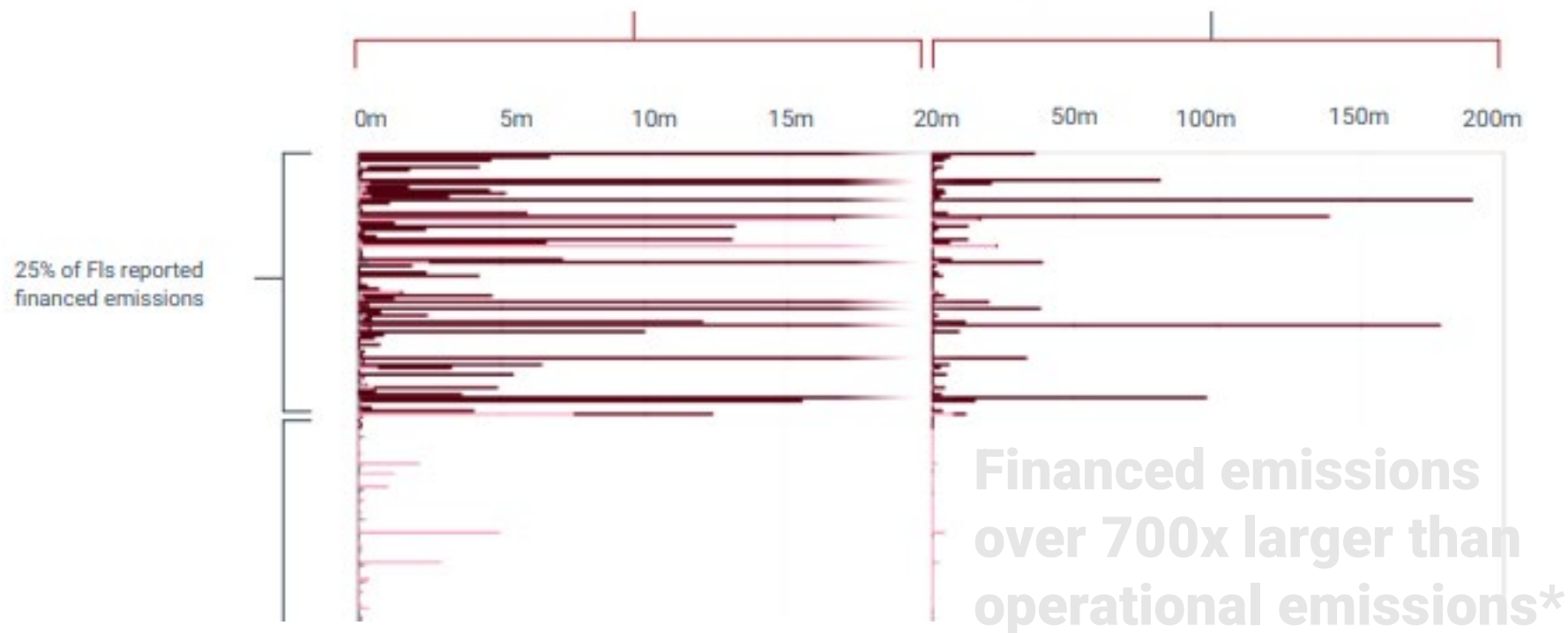


## Disclosed emissions by scope (metric tons CO<sub>2</sub>e)

Each bar represents the emissions of one FI

Here the scale goes from 0 to 20m

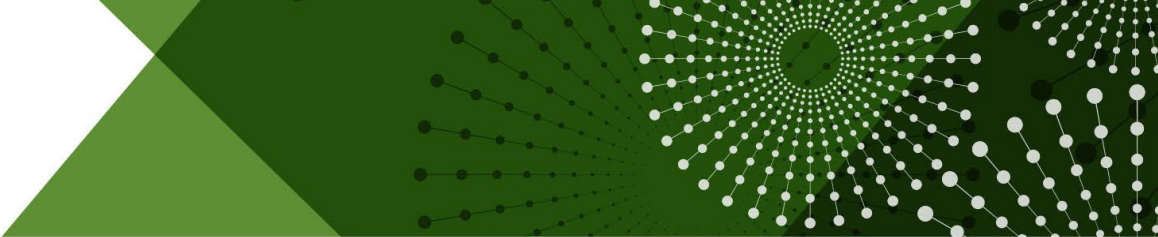
To see the financed emissions of those that report for their portfolio the scale must increase to 200m tons



Source: CDP [Financial Services Disclosure Report 2020](#)

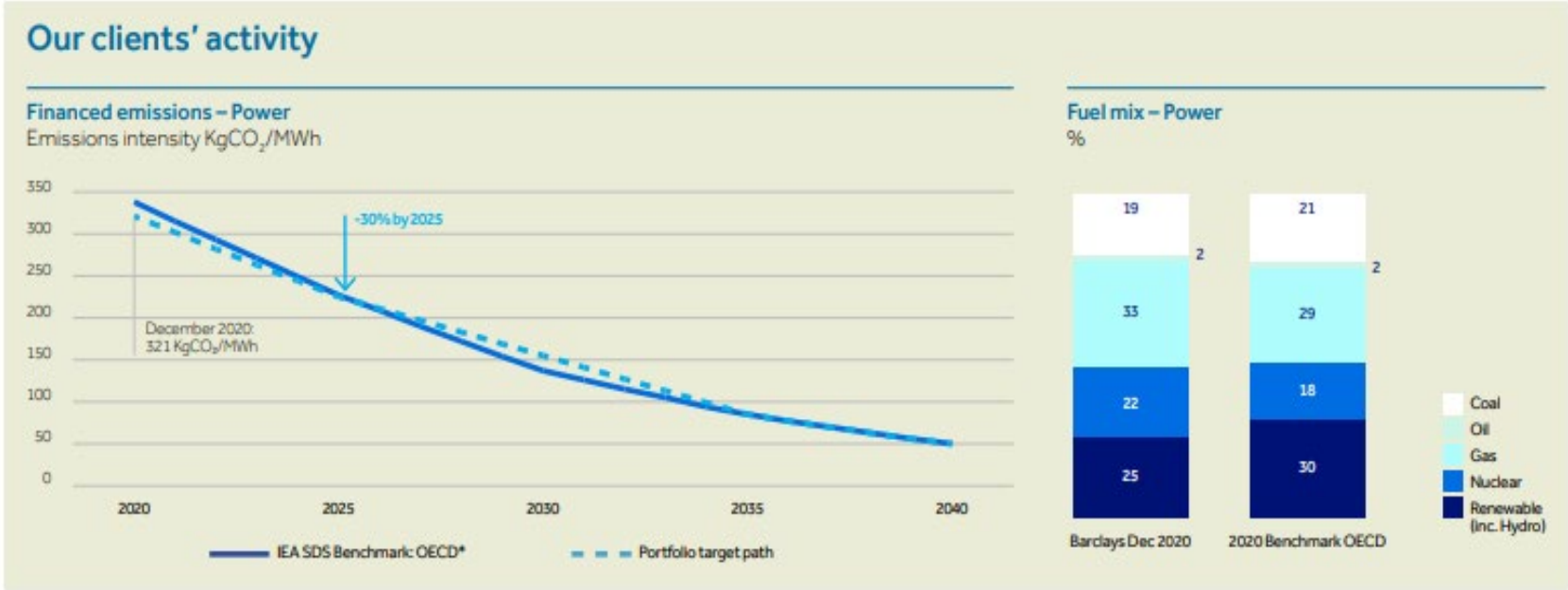
\* Only 25% of disclosing financial institutions report financed emissions. For those 25% on average, reported financed emissions are over 700x larger than reported operational emissions.





# Example GHG intensity metric - Barclays

“Power portfolio emissions intensity will reduce by 30% by 2025, on the way to alignment with our benchmark by 2035”



Our methodology and the data on which it draws are continuously improving; any changes to metrics as a result of methodology changes or new information that lead to materially different outcomes may result in metrics being restated. As company disclosures continue to improve, we are hopeful that this data will become sufficiently robust to play a much greater role in the calculation of BlueTrack™ metrics.

\*[iea.org/rwreports/world-energy-outlook-2019](http://iea.org/rwreports/world-energy-outlook-2019)

Source: Barclays PLC, [ESG Report 2020](#)

## Example transition risks metric – ING

“Outstanding– upstream oil and gas  
€3.6 billion.”

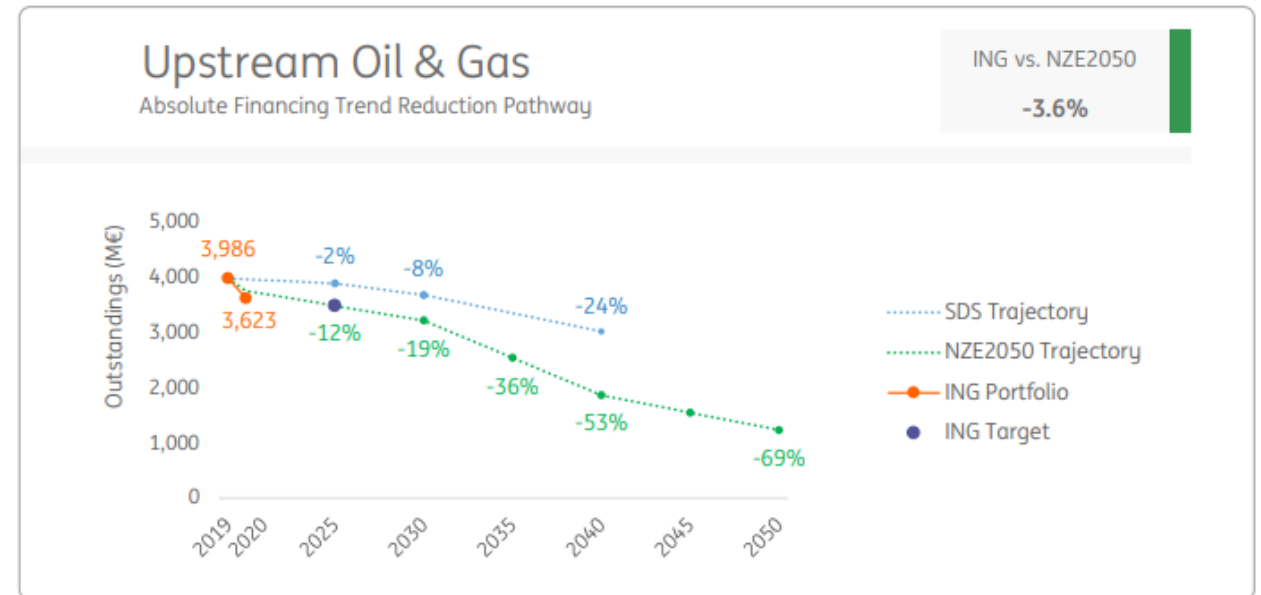
### Upstream oil & gas

#### Upstream oil & gas

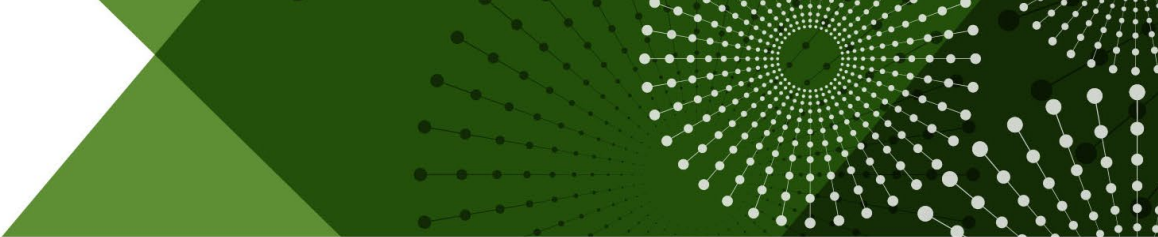
Outstandings in scope

€3.6 billion

Figure 6 Upstream Oil & Gas Financing Reduction Pathway



Source: ING, [Terra progress report](#), 2021

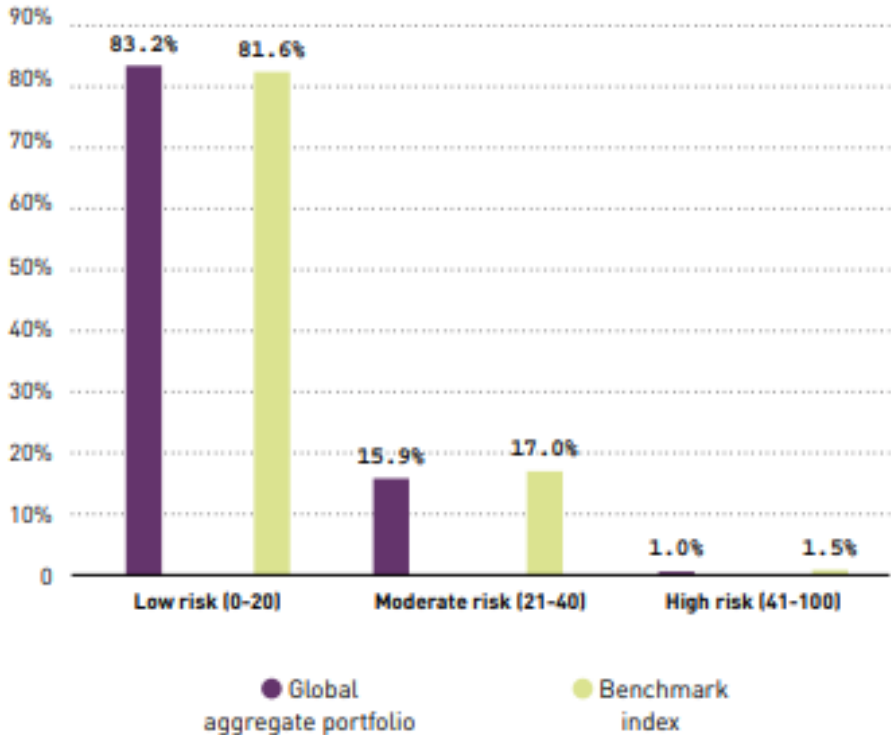


# Example physical risks metric – ERAFP

“ERAFP’s global aggregate portfolio scores 11.9, indicating a low risk.”

EXPOSURE TO PHYSICAL RISKS (% OF ASSETS)

Source — Trucost, 30 November 2020



- + The risk score is less than or equal to 20 (low risk) for 83.2% of the value of the global aggregate portfolio. This is higher than the low-risk proportion of the benchmark (81.6%).
- + The risk score is less than or equal to 40 (high risk) for 1.0% of the value of the global aggregate portfolio. This is lower than the high-risk proportion of the benchmark (1.5%).

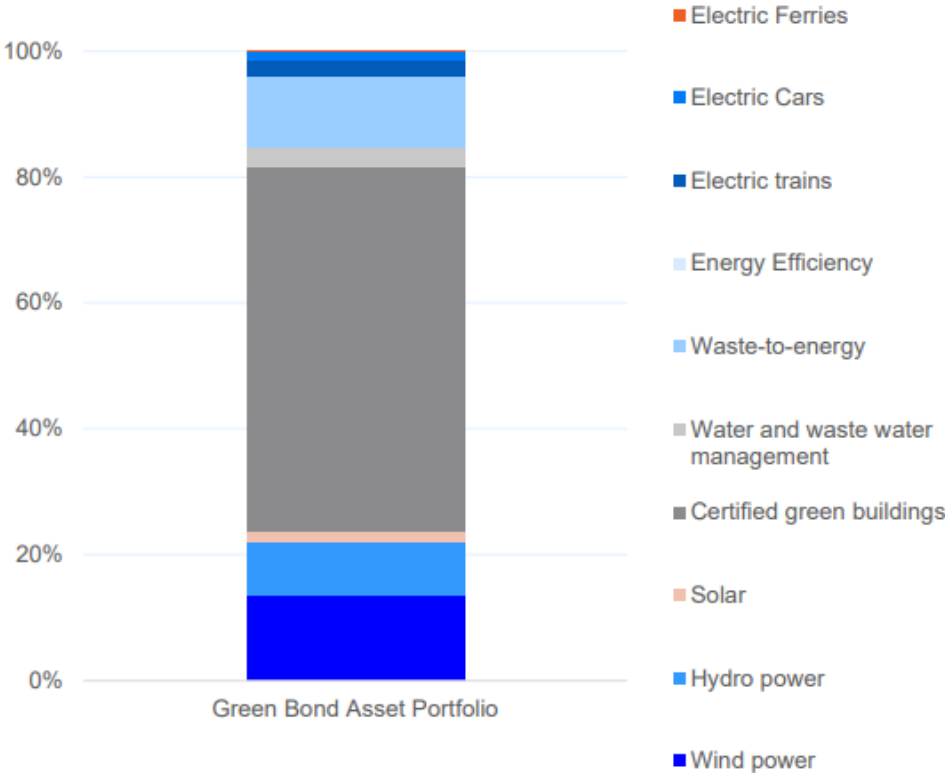
Source: ERAFP, [Public Report 2020](#)



# Example climate-related opportunities metric - Nordea

Investor presentation includes percentage breakdown of Green Bond Assets by sub-category

Green Bond Assets – breakdown by subcategory

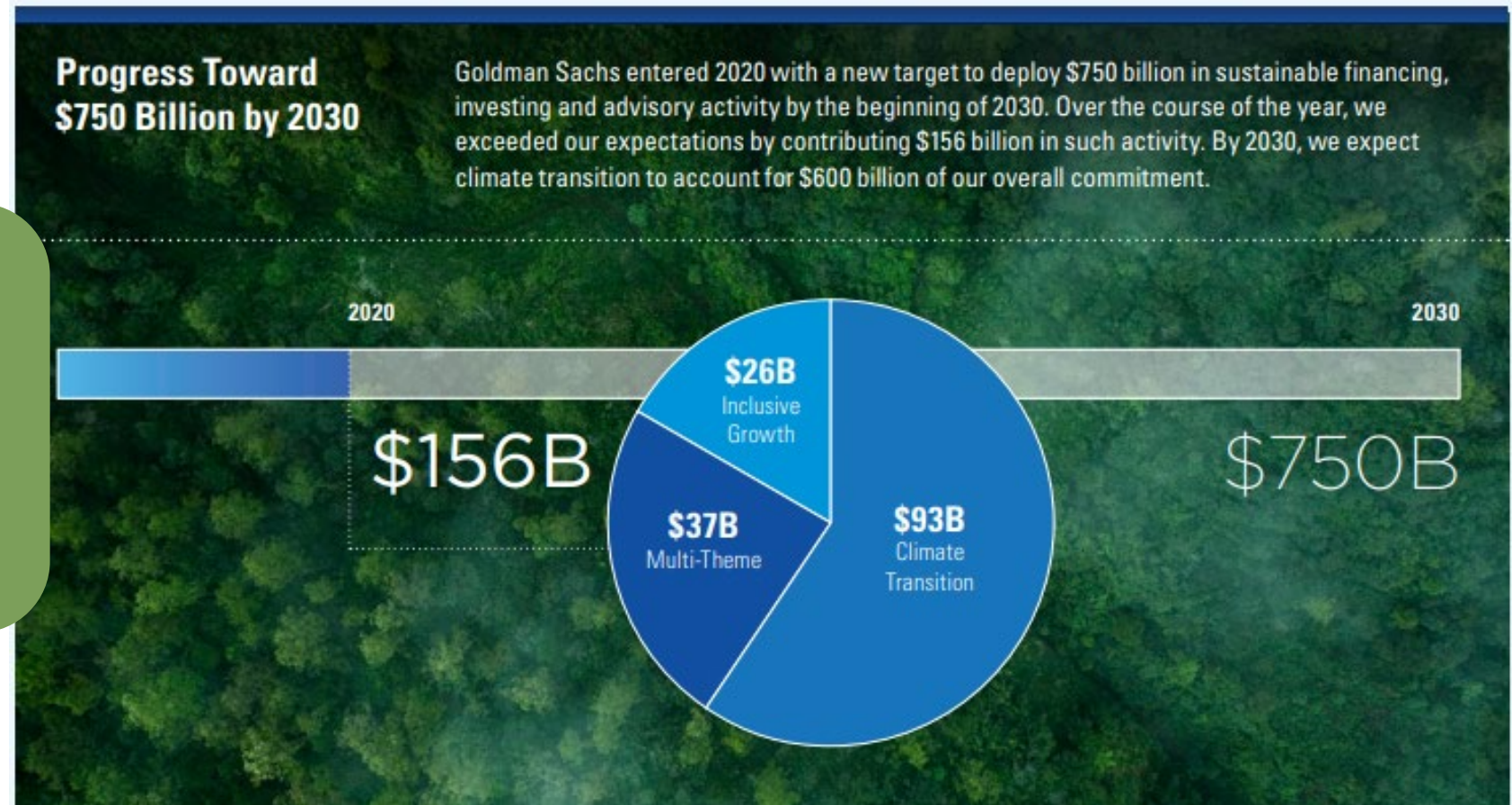


Source: Nordea, [Green bond investor presentation](#), 2021



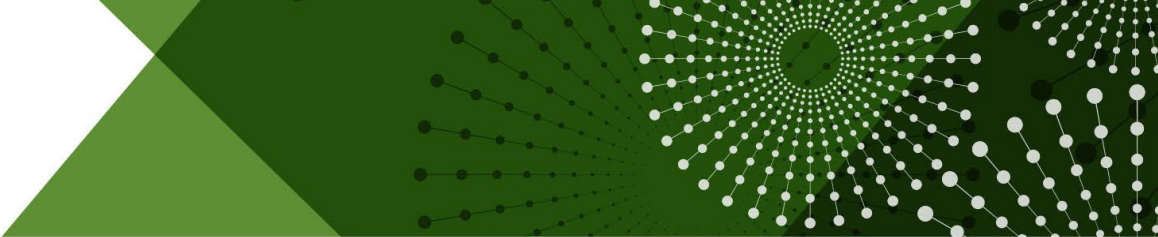
## Example capital deployment metric – Goldman Sachs

“Over the course of the year, we exceeded our expectations by contributing \$156 billion in such activity”



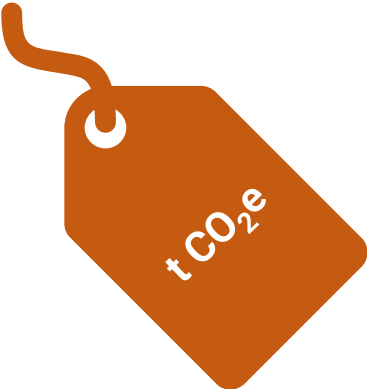
Source: Goldman Sachs, [2020 Sustainability Report](#),





# Example carbon pricing metric – Aker BP

“Covering over 60% of companies in our five sectors, the bottom-up assessment assumed carbon price increase to USD 75/t CO<sub>2</sub>e, holding the financials of our customers constant.”



Source: DBS Bank, [Sustainability Report 2020](#)

## Example remuneration metric - Barclays

“The decision was to include a standalone Climate measure within the [Long-Term Incentive Plan (LTIP)], providing clear alignment between the LTIP outcome, up to a maximum of 10%, and progress towards our targets which will help us to become net zero by 2050.”

Source: Barclays PLC, [Annual Report 2020](#)

The 2021-2023 LTIP award will be subject to the following forward-looking performance measures.

Performance measure	Weighting	Threshold	Maximum vesting
2023 return on tangible equity (RoTE) ex material items*	25%	0% of award vests for RoTE of 6.0% rising on a straight-line basis	RoTE of 12.0%
Average cost: income ratio ex material items	10%	0% of award vests for average cost: income ratio of 65.0% rising on a straight-line basis	Average cost: income ratio of 62.0%
Maintain CET1 ratio within the target range	10%	If CET1 is below MDA hurdle <sup>1</sup> +180bps during the period, the Committee will consider what portion of this element should vest, based on the causes of the CET1 reduction.  If CET1 is above MDA hurdle +280bps but does not make progress towards the range over the period, the Committee will consider what portion of this element should vest, based on the reasons for the elevated levels of CET1 versus target range and the associated impacts.	CET1 ratio between 180bps and 280bps above MDA hurdle throughout the period.
Relative Total Shareholder Return (TSR)	25%	6.25% vests for performance <sup>2</sup> at median of the peer group <sup>3</sup> rising on a straight-line basis	Performance at the upper quartile
Risk Scorecard	10%	The Risk Scorecard captures a range of risks and is aligned with the annual incentive risk alignment framework shared with the regulators. The current framework measures performance against three broad categories – Capital and Liquidity, Control Environment and Conduct – using a combination of quantitative and qualitative metrics. The framework may be updated from time to time in line with the Group's risk strategy. Specific targets within each of the categories are deemed to be commercially sensitive. Retrospective disclosure will be made in the 2023 Remuneration Report, subject to commercial sensitivity no longer remaining.	
Climate	10%	The evaluation will focus on progress towards our ambition to be a net zero bank by 2050 including: <ul style="list-style-type: none"> <li>our commitment to align our financing with the goals of the Paris Climate Agreement; and</li> <li>our commitment to €100bn of green financing by 2030.</li> </ul> There will be detailed retrospective narrative on progress over the period, including consideration of progress towards other relevant targets. Performance will be assessed by the Committee to determine the percentage of the award that may vest between 0% and 10%.	
Strategic non-financial	10%	The evaluation will focus on key performance measures from the Performance Measurement Framework, with a detailed retrospective narrative on progress throughout the period against each category. Performance against the strategic non-financial measures will be assessed by the Committee to determine the percentage of the award that may vest between 0% and 10%. The measures are organised around three main categories: Customer and Client, Colleagues and Society (Citizenship). Each of the three main categories has equal weighting. Measures will likely include, but not be limited to, the following: <ul style="list-style-type: none"> <li><b>Customers and Clients:</b> Drive world class outcomes for customers and clients and continue to support them through the pandemic: improve Net Promoter Scores, reduce BUK customer complaints and improve resolution time, maintain client ranking and market share within CIB, increase digital engagement.</li> <li><b>Colleagues:</b> Protect and strengthen our culture through our Purpose, Values and Mindset: continue to improve diversity in leadership roles, improve inclusion indicators, maintain engagement at healthy levels and maintain culture and conduct indicators.</li> <li><b>Society (Citizenship):</b> Drive a focus on the sustainable impact of our business: continue investing in our communities, including LifeSkills, Connect with Work and Unreasonable Impact.</li> </ul>	

# 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 - Intesa Sanpaolo

Net-Zero aligned targets for 2030 in high-emitting sectors <sup>(1)</sup> ...				
	Sector and scope	Metrics	Baseline 2019 <sup>(3)</sup>	Target 2030 <sup>(4)</sup>
High-emitting sectors <sup>(1)</sup>	Oil & Gas <sup>(2)</sup> (Scope 1, 2, 3)	gCO <sub>2</sub> e/MJ	64	52-58
	Power generation (Scope 1, 2)	kgCO <sub>2</sub> e/MWh	214	110
	Automotive (Scope 3)	gCO <sub>2</sub> e/km	162	95
	Coal mining ( <i>exclusion policy</i> )	€ bn exposure	0.2	0 by 2025

1) Sectors consistent with NZBA. Reference scenario: IEA Net-Zero 2050.

2) The Group already has a policy in place to phase out unconventional oil and gas by 2030.

3) Portfolio composition as of 6/30/21, latest available emissions data as of FY19.

4) Targets may be updated over time following the evolution of the emissions calculation methodology, the regular updates required by NZBA and SBTi, and any issuance of new external guidelines.

# Example categories for targets for financial institutions

Metric categories	Examples
Financed GHG emissions reductions targets	<ul style="list-style-type: none"><li>• Coverage</li><li>• Absolute</li><li>• Intensity-based</li><li>• Alignment-based</li></ul>
Real-economy transition metrics	<ul style="list-style-type: none"><li>• Capital invested, deployed or committed to green and transition-aligned activities</li><li>• Capital invested, deployed or committed toward climate solution business and projects</li><li>• Green asset ratios</li></ul>
Net-zero transition plan implementation metrics	<ul style="list-style-type: none"><li>• Number and types of climate-related engagement activities</li><li>• Proportion of senior management remuneration covered by net-zero commitment targets</li><li>• Portfolio alignment measurement</li></ul>



# 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**

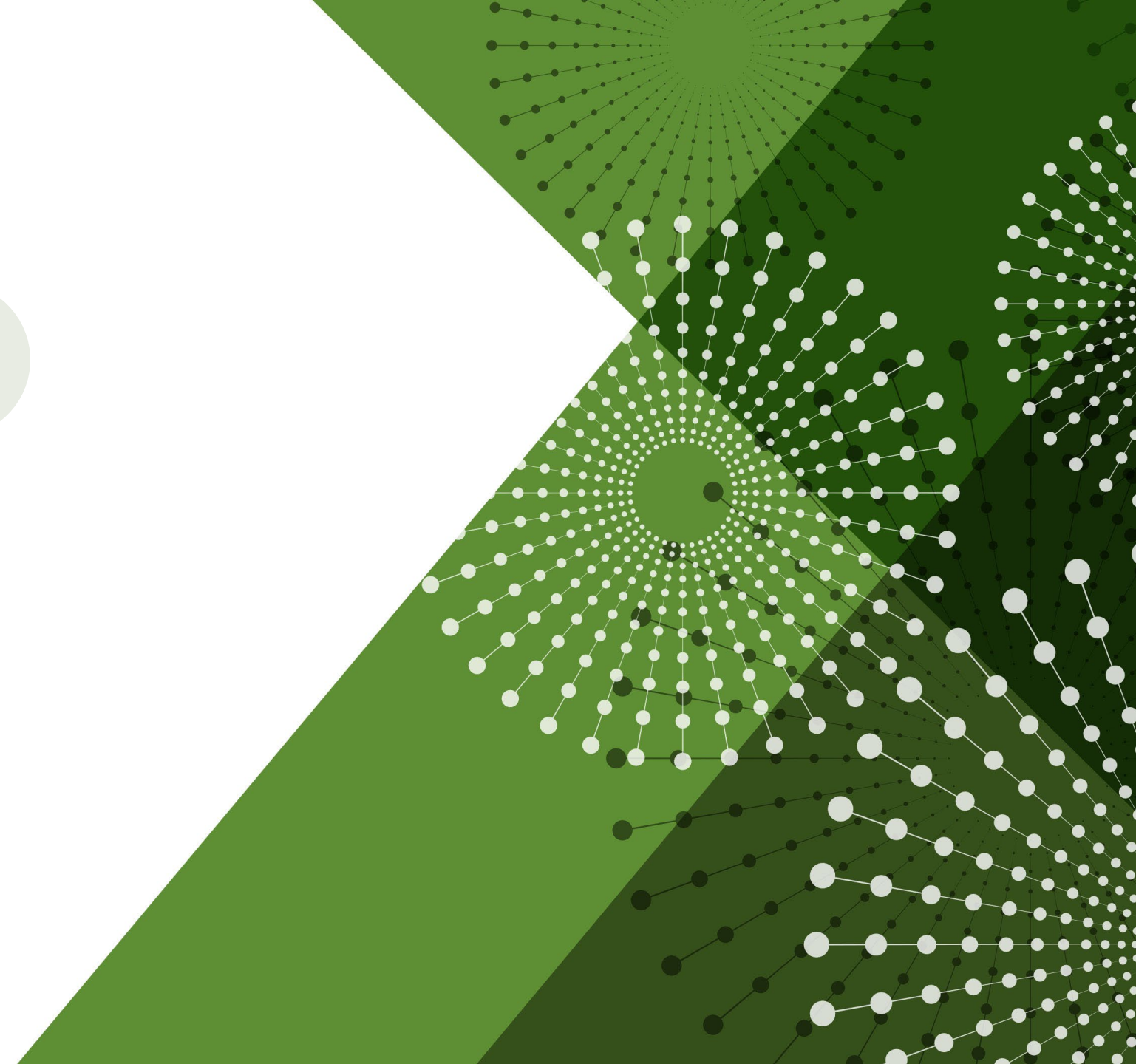
- GHG emissions: gross emissions in metric tonnes of CO<sub>2</sub>e classified as: scope 1, scope 2, scope 3
- Additional requirements – statement of standards, consolidation approach, exclusions
- GHG emissions methodologies, assumptions and estimation uncertainty – NZ CS 3

# 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

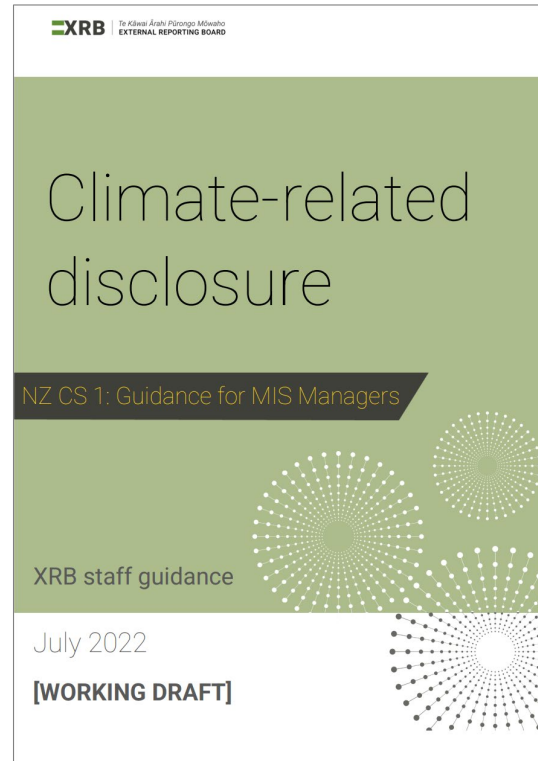
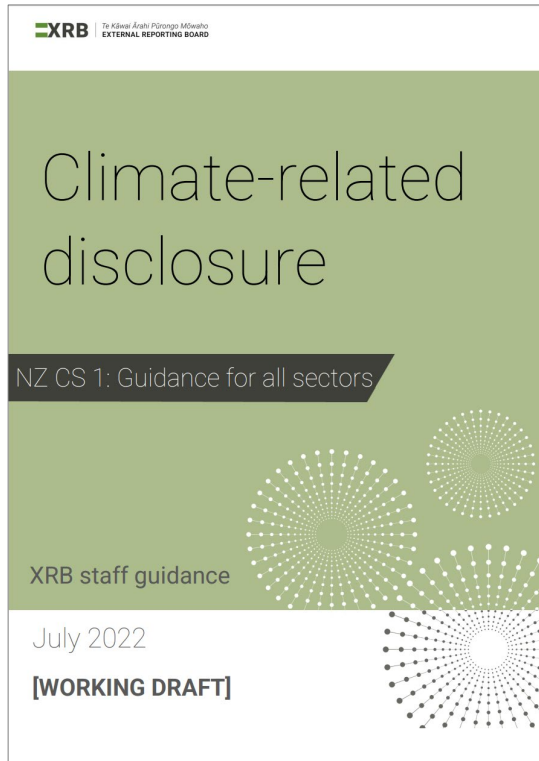
Download from: [Climate-related Disclosures Final Consultation » XRB](#)

## 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



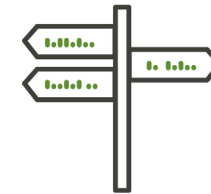
## 1. Deepen understanding

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

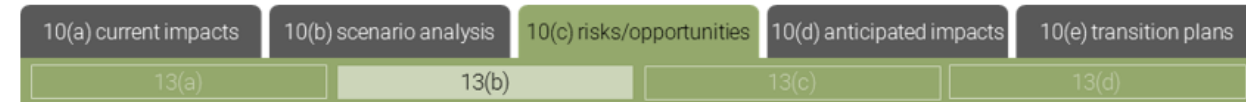
We want to build consistency among disclosures through a shared understanding of what should be disclosed and transparency about how disclosures have been arrived at.

# 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	<a href="#">Implementing the Recommendations of the TCFD</a>	p.11, 17
TCFD	2021	<a href="#">Guidance on Metrics, Targets, and Transition Plans</a>	p.46-52

# Questions

→ Draft guidance



## Upcoming deep dive session



**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](https://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.

