

Deep Dive – NZ CS 1 and NZ CS 2 for MIS Managers

# 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



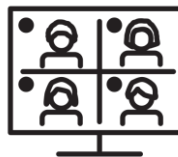
Deep dive 1: NZ CS 3 (For Everyone)



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



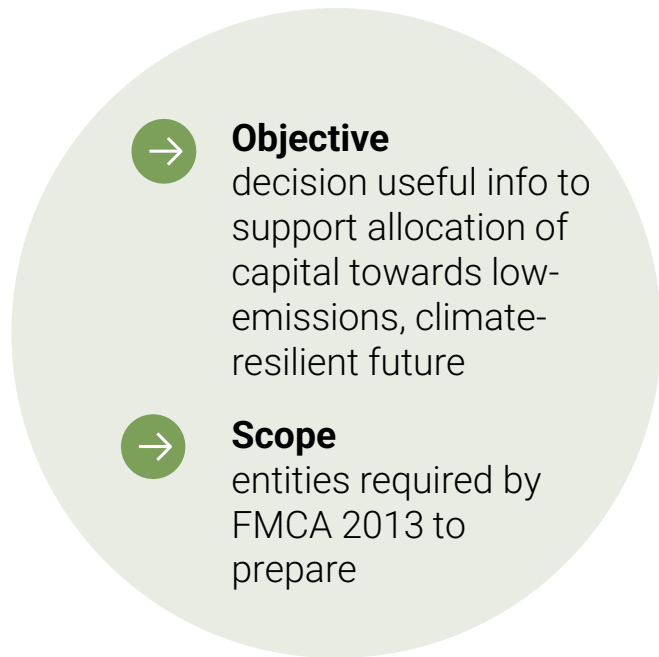
Deep dive 2: NZ CS 1 and NZ CS 2 for financial CREs



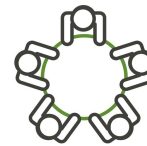
Recordings available here:

<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



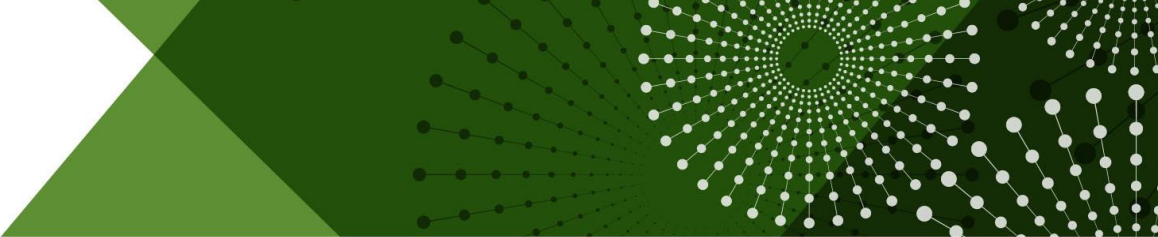
Risk Management



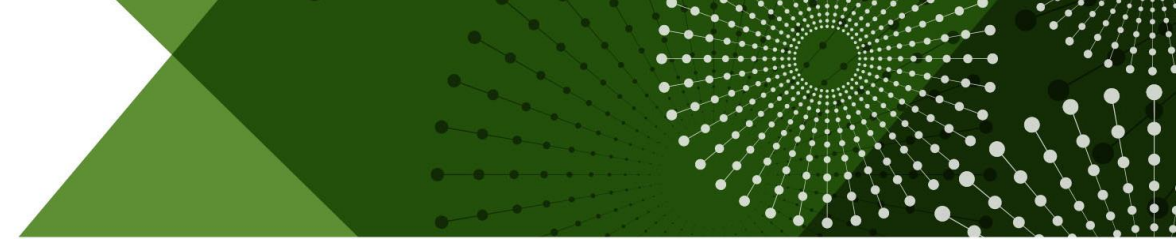
Metrics and Targets



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.

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



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

## Overarching principle of fair presentation

### Principles: Information

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

### Principles: Presentation

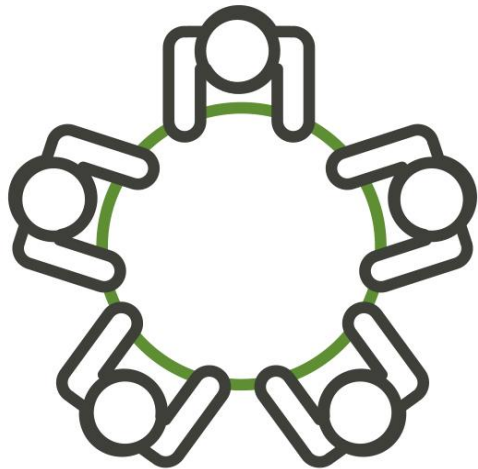
- Understandability
- Consistency
- Completeness
- Coherence

### General Requirements

**Location of disclosures:** To avoid unnecessary duplication common information across funds can be presented at a scheme level.



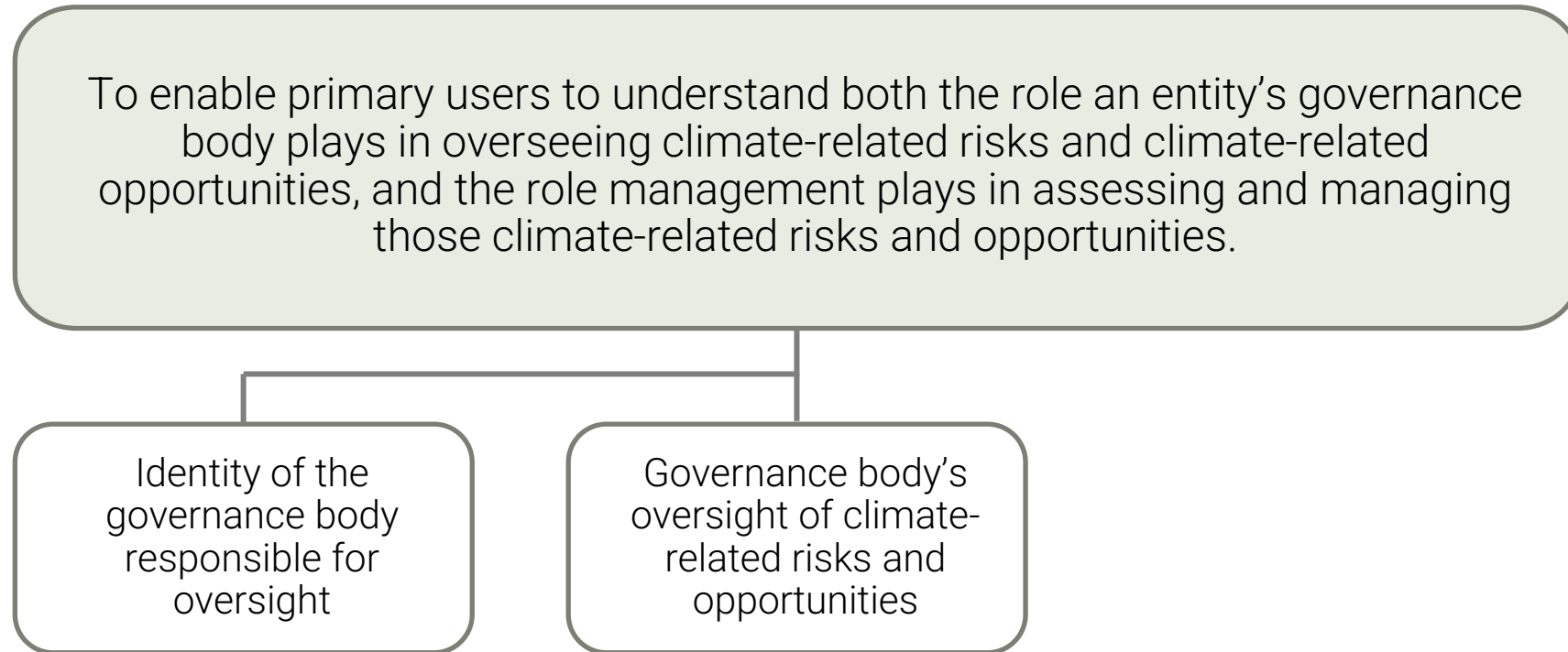
Governance





# Governance

## Summary of proposed section



# Governance

## Proposed disclosures

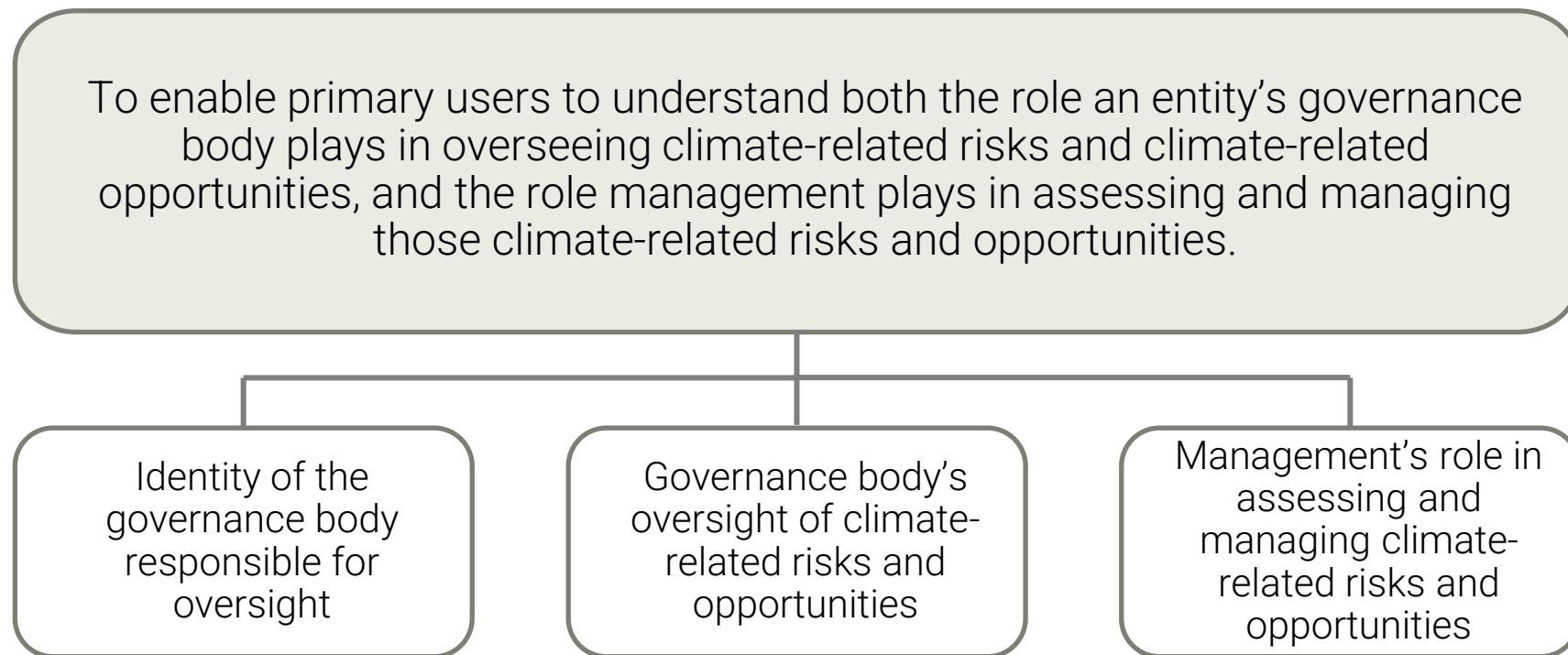
### Governance body oversight

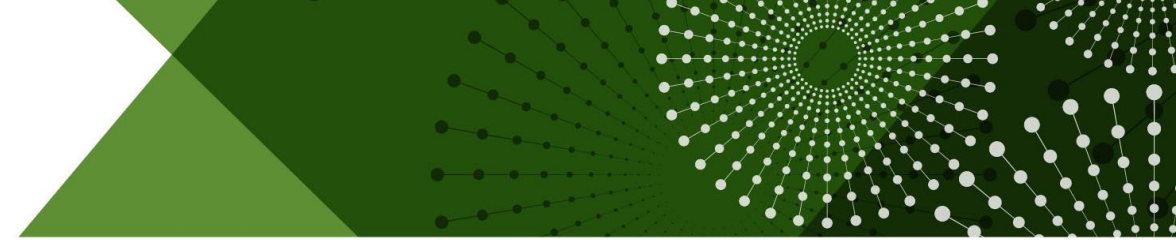
#### **Sub-disclosures include:**

- 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

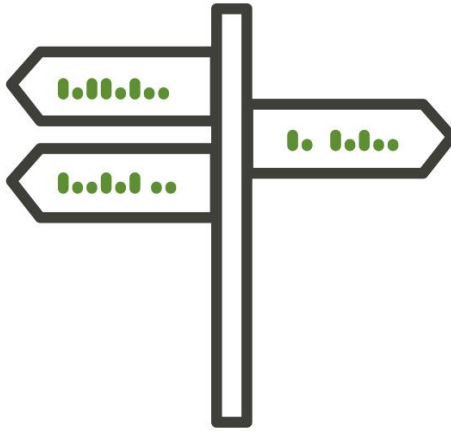
**Sub-disclosures include:**

- 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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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:**

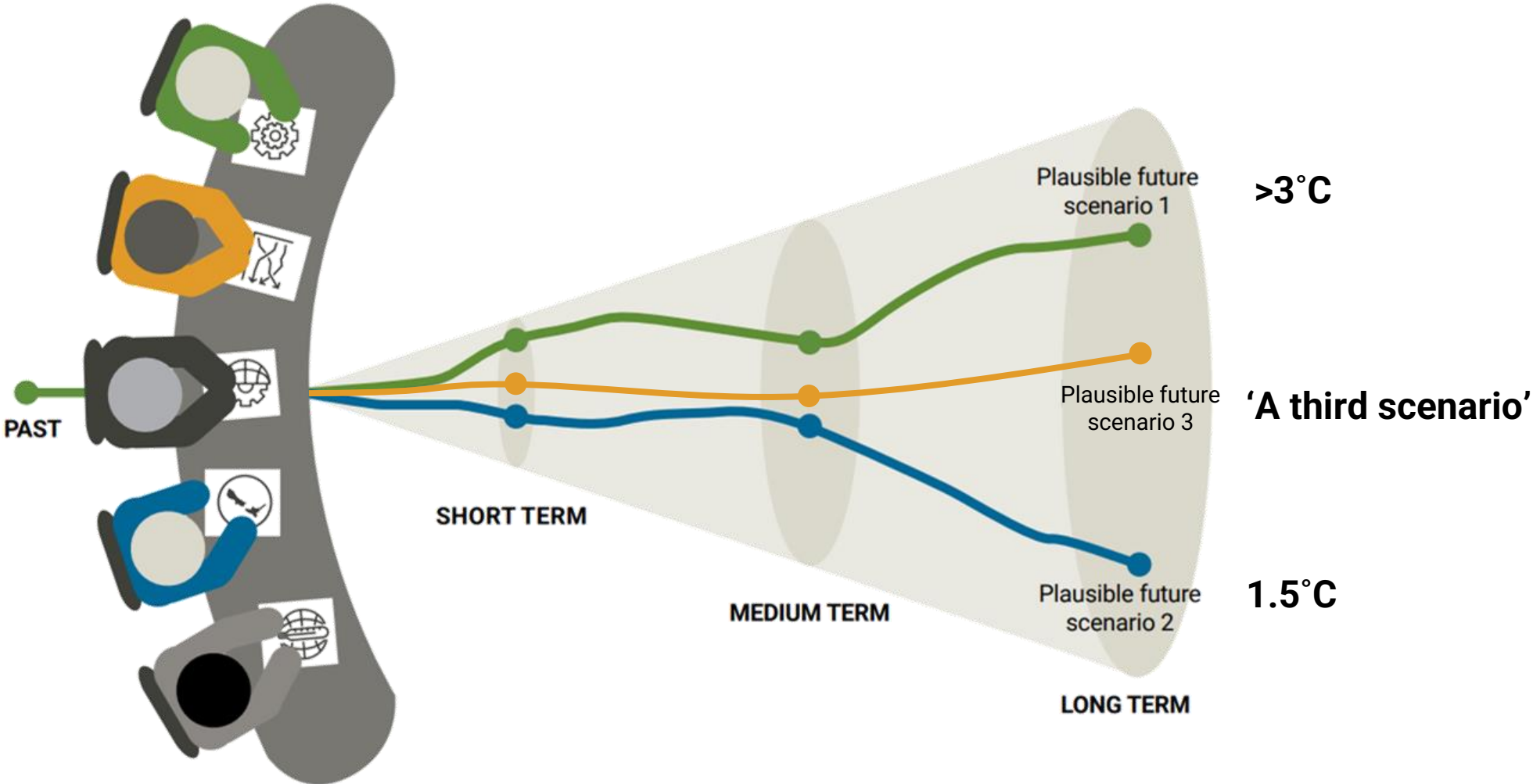
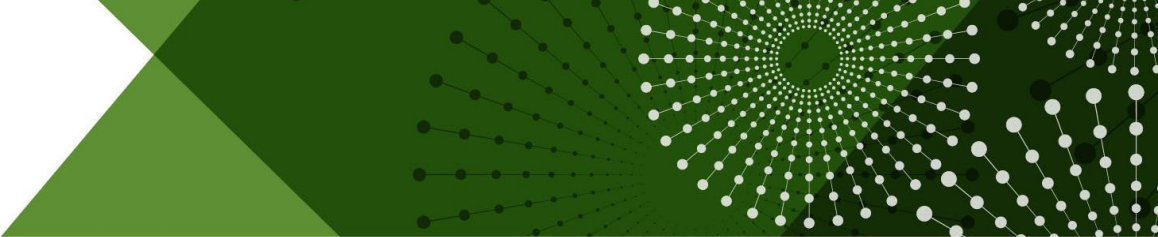
- Describe the scenario analysis undertaken
- Include at least a 1.5 degrees, a 3 degrees or greater and a third scenario

#### Fact sheets and guidance

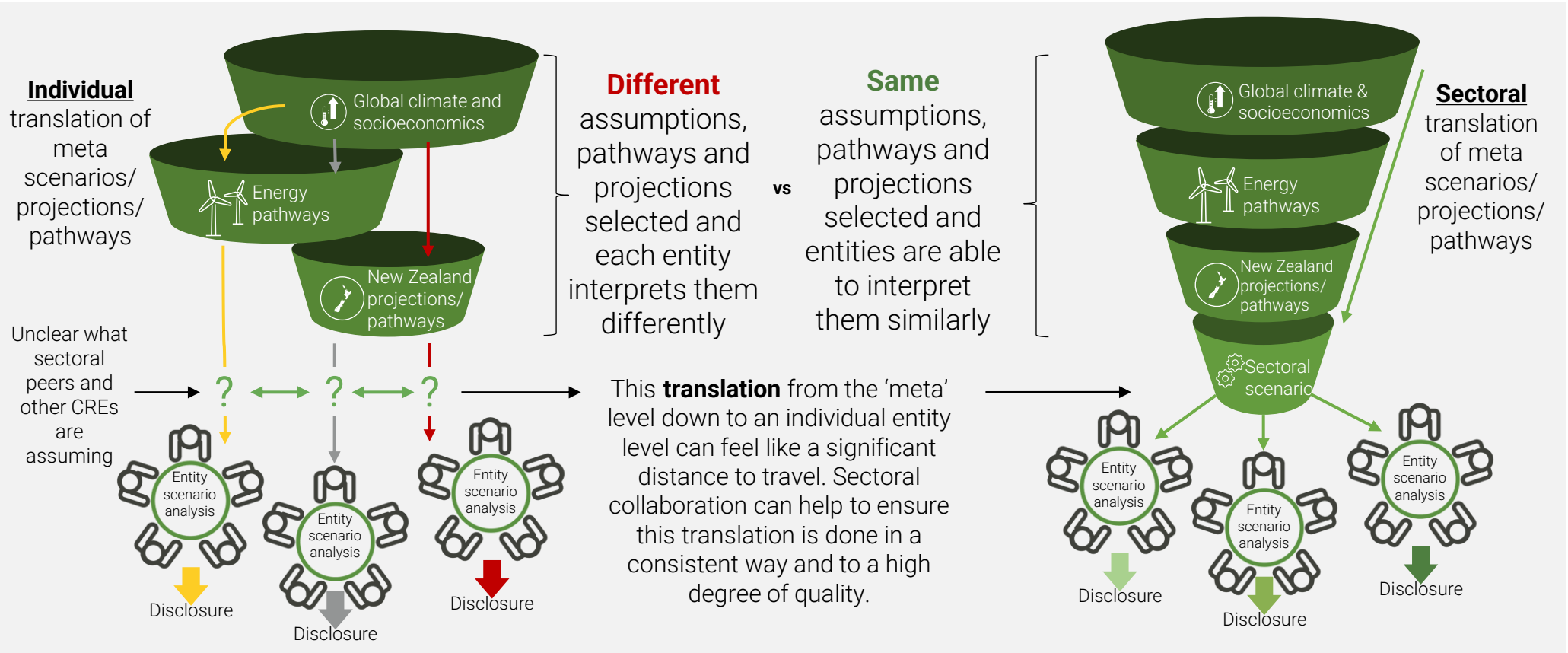
- ➔ Scenario analysis: Getting started at the sector level
- ➔ Scenario analysis factsheet

Download from: [Resources » XRB](#)

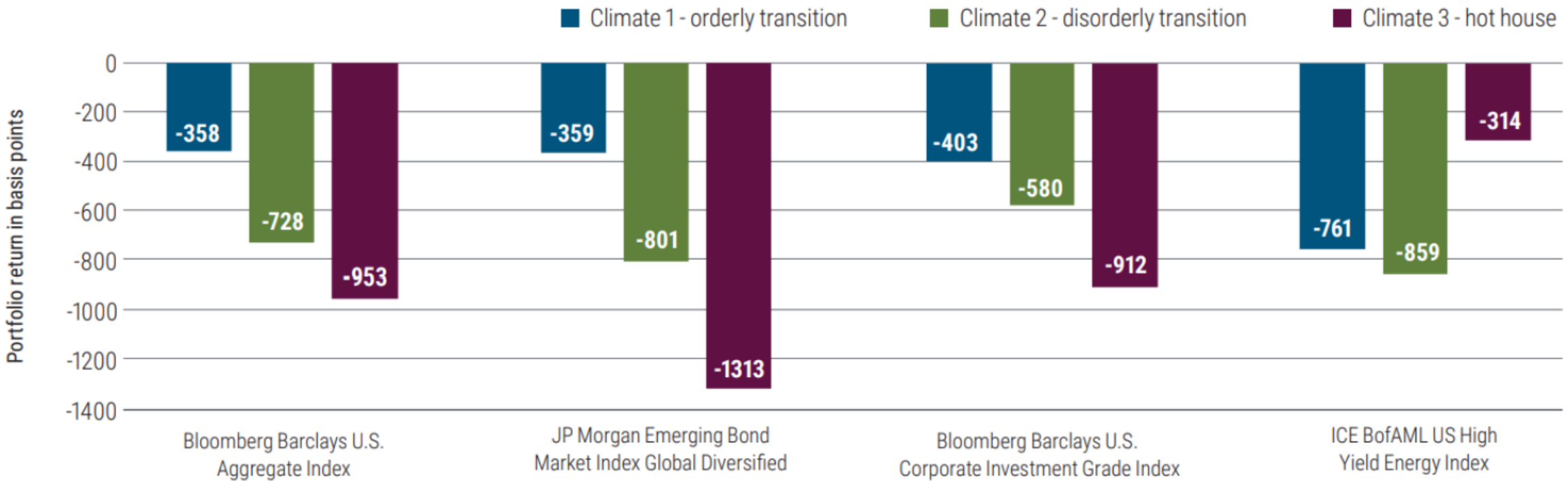
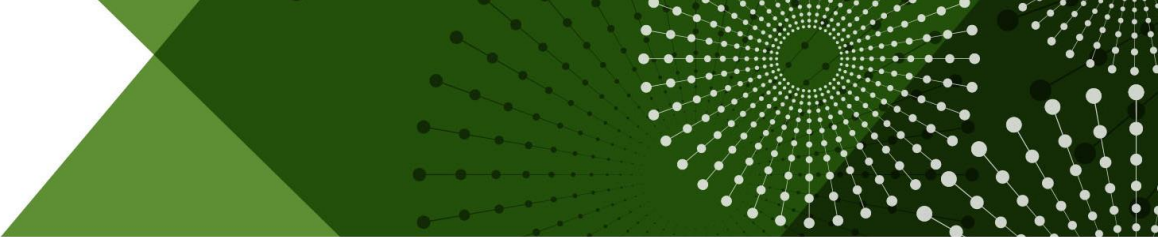
# Scenario analysis is a tool to enhance strategic thinking



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



# Example disclosure – PIMCO



Source: PIMCO, PROTEUS. For illustrative purposes only.

# 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

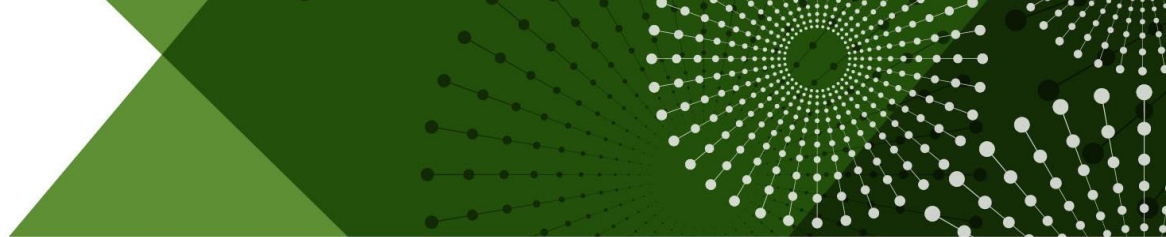
#### **Sub-disclosures include:**

- 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?



### Physical risks and opportunities

Examples

-  Intense rain and flooding
-  Increased risk of wildfire
-  Extended periods of drought
-  Longer growing seasons
-  Accelerating biodiversity loss



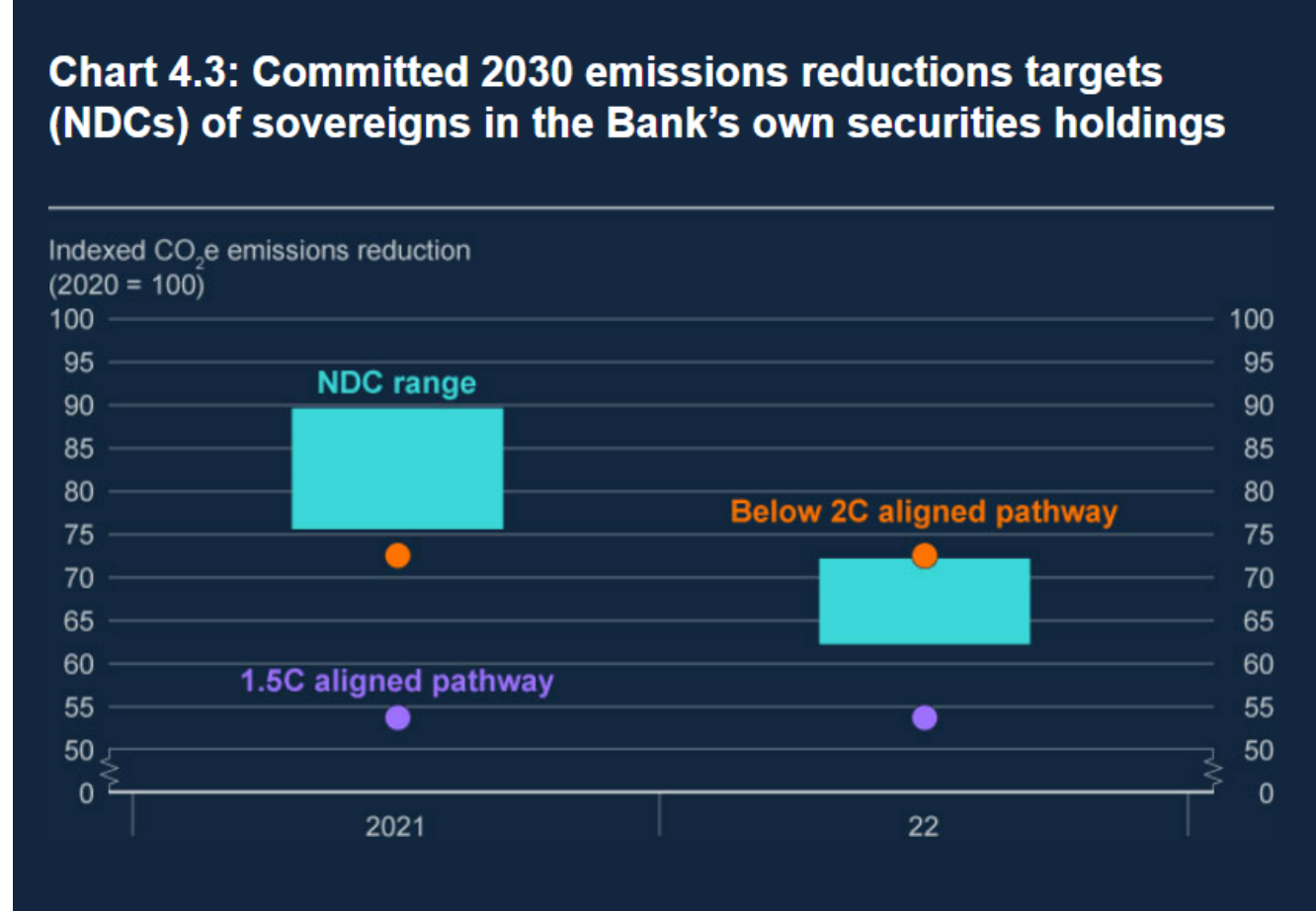
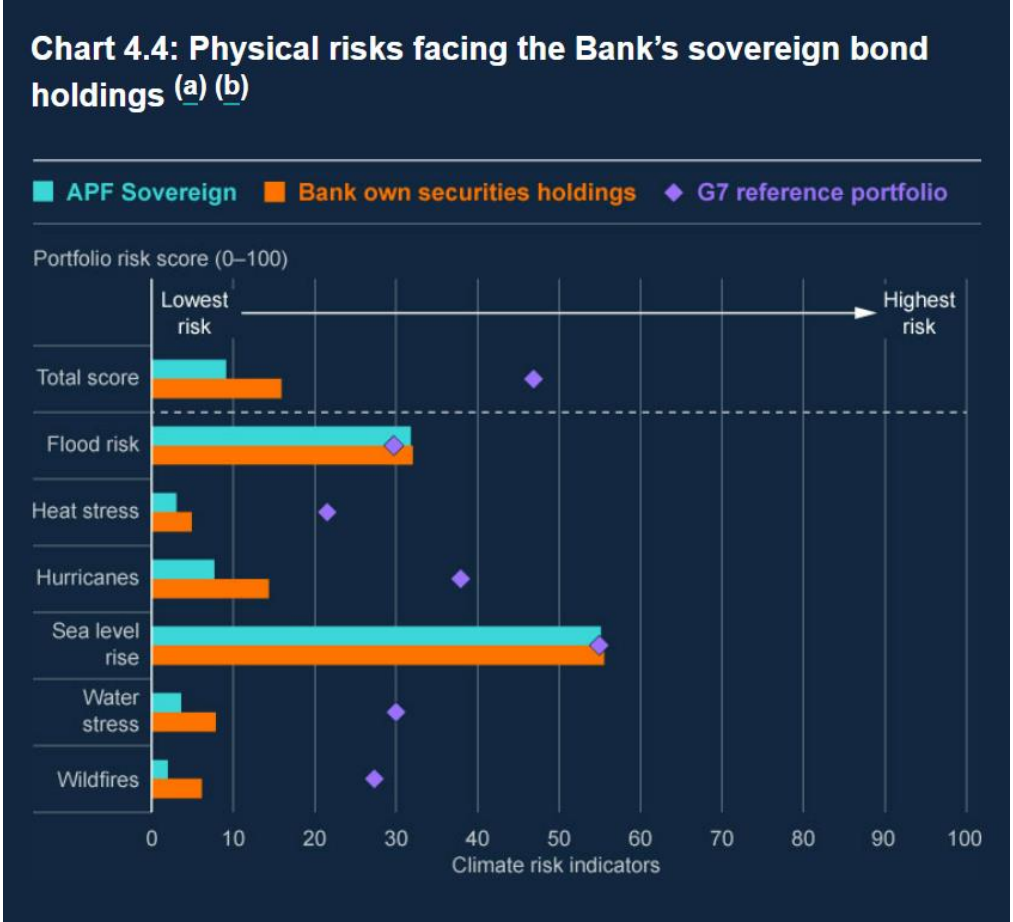
### Transition risks and opportunities

Examples

-  Policy & regulatory
-  Liability
-  Consumer preferences
-  Technology
-  Market shifts



# Example disclosures – Bank of England (sovereign bonds e.g.)



### Anticipated impacts and financial impacts

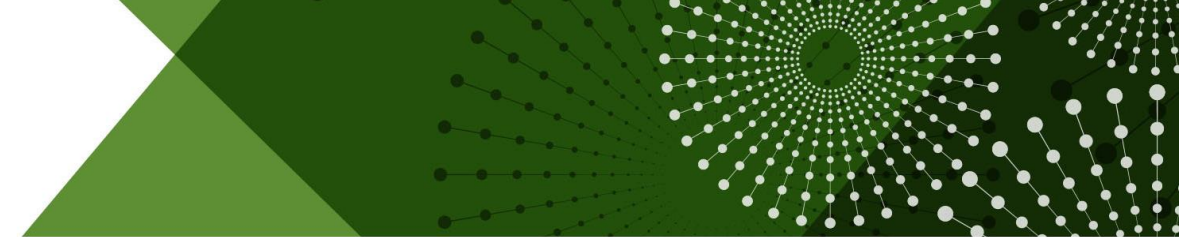
#### **Sub-disclosures include:**

- 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

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

# Example disclosures – Aviva (Asset manager)



Figure 4: Aviva’s Climate VaR output by scenario for shareholder funds as at 31/12/2021. Source: Aviva

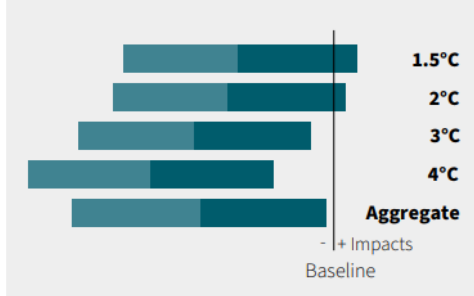


Figure 5b: Proportion of Climate VaR aggregated impacts split by asset type for Aviva’s shareholder funds as at 31/12/2021. Source: Aviva

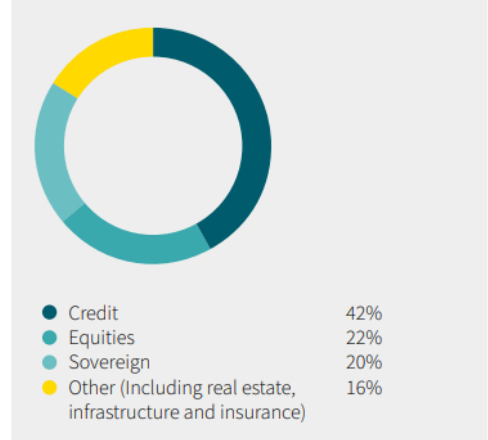
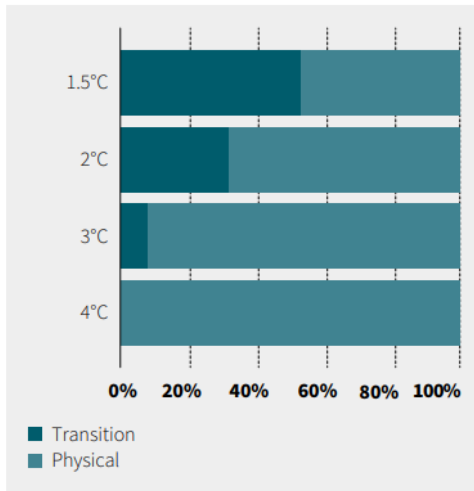
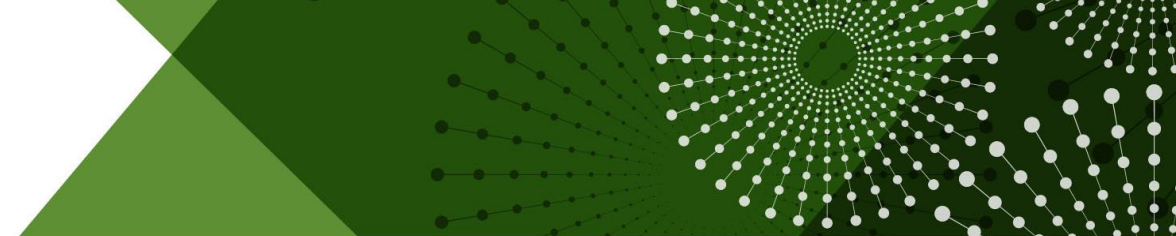


Figure 5a: Transition versus physical risk by scenario for Aviva’s shareholder funds as at 31/12/2021. Source: Aviva



# Example disclosures – BNY Mellon



## Change in equity value for sections of investment portfolio

		<b>Scenario A Transition/Physical</b>	<b>Scenario B Transition/Physical</b>	<b>Scenario C Transition/Physical</b>
<b>Extraction</b>	Gas/Coal/Oil	-45%	-40%/-5%	NA/-20%
<b>Generation</b>	Gas/Coal/Oil	-65%	-55%/-5%	NA/-20%
<b>Transport</b>	Automotive/ Marine/ Aviation	-30%/NA	-18%/-5%	NA/-10%
<b>Energy Intensive</b>	First order processing of chemicals, cement, iron etc.	-35%/NA	-25%/-10%	NA/-20%
<b>Agriculture</b>	Agriculture, forestry, fishing etc.	-65%/-5%	-50%/-10%	NA/-20%
<b>Real Estate</b>	Change in property value	-20%/NA	NA/-30%	NA/-60%
<b>Sovereigns &amp; Municipal Bonds</b>	Credit Rating downgrades	-20bp	-30bp	-20bp

[considering-climate-at-bny-mellon.pdf \(bnymellon.com\)](https://www.bnymellon.com/considering-climate-at-bny-mellon.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.<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:

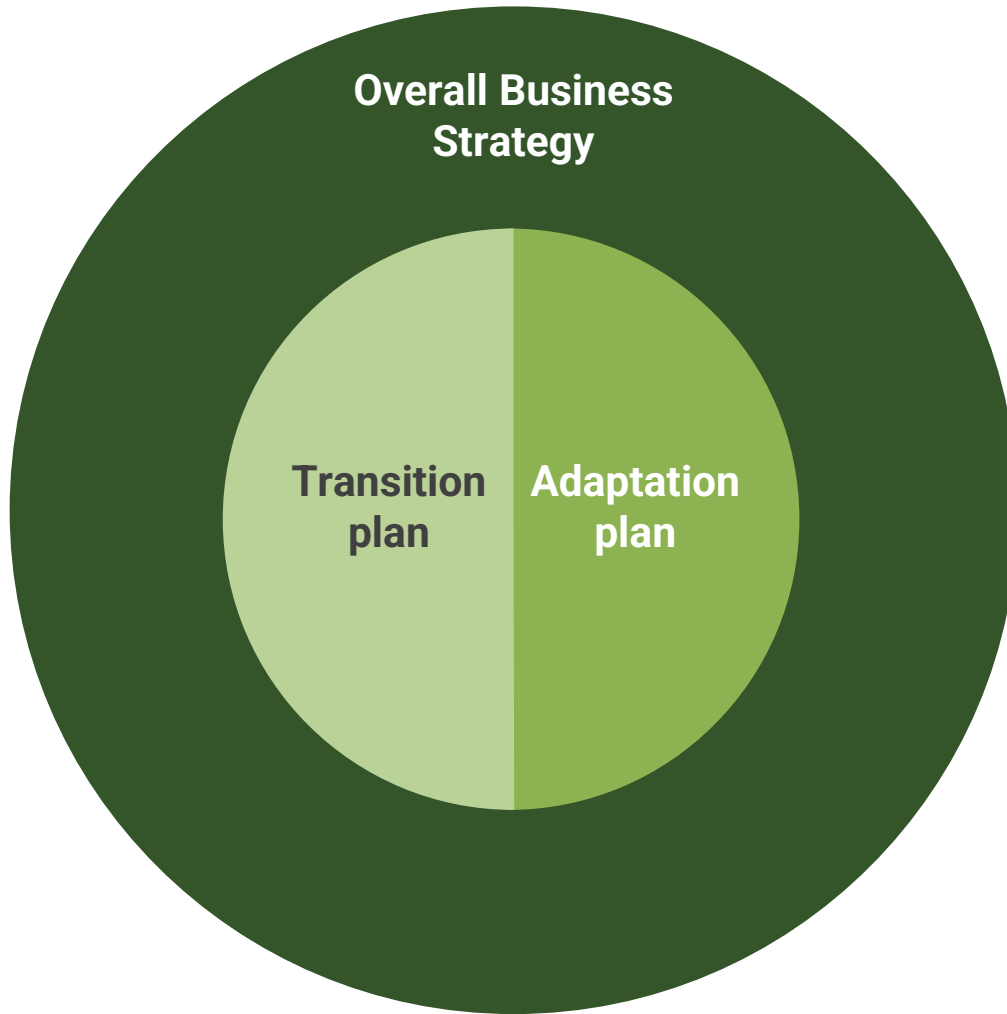
- Description of current business model and strategy
- Transition plan aspects of its strategy including changes to its business model and strategy to address its climate-related risks and opportunities
- Extent to which these are aligned with financial planning processes



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?

## Proposed standards



## Guidance



## Voluntary commitments and criteria



Aotearoa New Zealand Investor Coalition for Net Zero

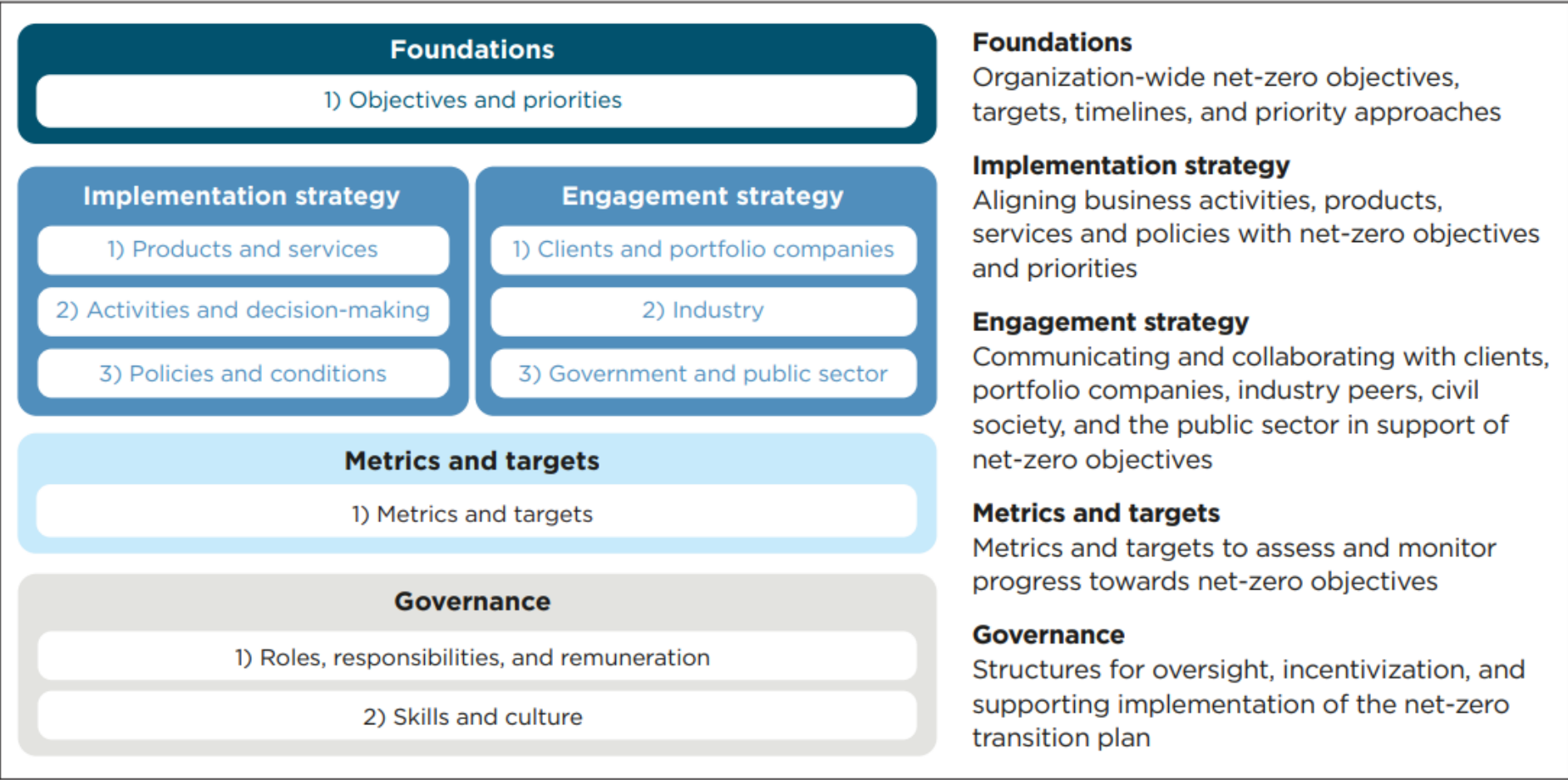
NET ZERO ASSET MANAGERS INITIATIVE

UN-convened Net-Zero Asset Owner Alliance

# 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 (asset owner/manager & insurer 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | By the end of 2022                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | By 2025                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | By 2030                                                                                                                                                                                                               | By 2040                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• <b>First major UK financial services company to target Net Zero carbon by 2040</b></li><li>• Operational emissions cut by 81% since 2010. We’ve committed to invest £100m into nature-based solutions as a carbon removal solution</li><li>• New ‘Climate Engagement Escalation Programme’ – to drive change in high-emitting companies we invest in, or we will disengage</li><li>• We signed up to Science Based Targets initiative (SBTi)</li><li>• Offering customers Climate Transition Funds and Net Zero-aligned default pensions</li><li>• Annual reporting on progress and first insurer to commit to putting our climate disclosures (TCFD) to an AGM vote</li><li>• Published our biodiversity policy</li></ul> | <ul style="list-style-type: none"><li>• Divest from companies which make more than 5% of their revenue from coal, unless they have signed up to the SBTi</li><li>• 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)</li><li>• Validate SBTi targets</li><li>• Launch first Aviva Forest partnership to begin to create carbon removals</li></ul> | <ul style="list-style-type: none"><li>• <b>25% cut in carbon intensity of investments</b></li><li>• 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</li><li>• Aviva will invest £6bn in green assets, including £1.5bn of policyholder money into climate transition funds</li><li>• Aviva Investors will invest £2.5bn in low-carbon and renewable energy infrastructure and deliver £1bn of carbon transition loans</li></ul> | <ul style="list-style-type: none"><li>• <b>60% cut in carbon intensity of investments</b></li><li>• Net Zero operations</li><li>• Net Zero supply chain</li><li>• £100m committed to nature-based solutions</li></ul> | <ul style="list-style-type: none"><li>• <b>Net Zero company with Net Zero carbon investments</b></li></ul> |



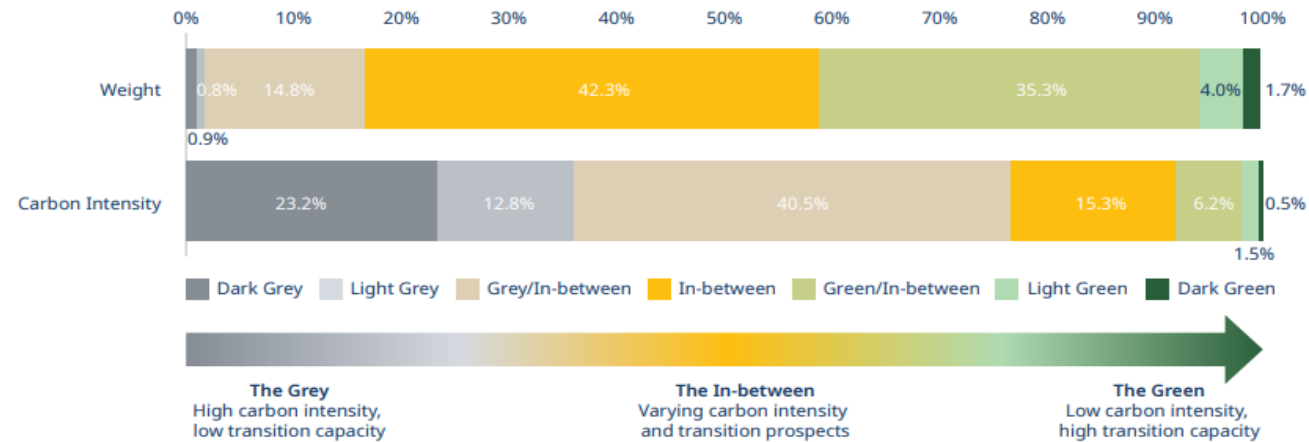
Read more about our climate goals at [www.aviva.com/climate-goals](http://www.aviva.com/climate-goals)

[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 – Mercer NZ Transition plan



## Transition assessment: Example diversified portfolio



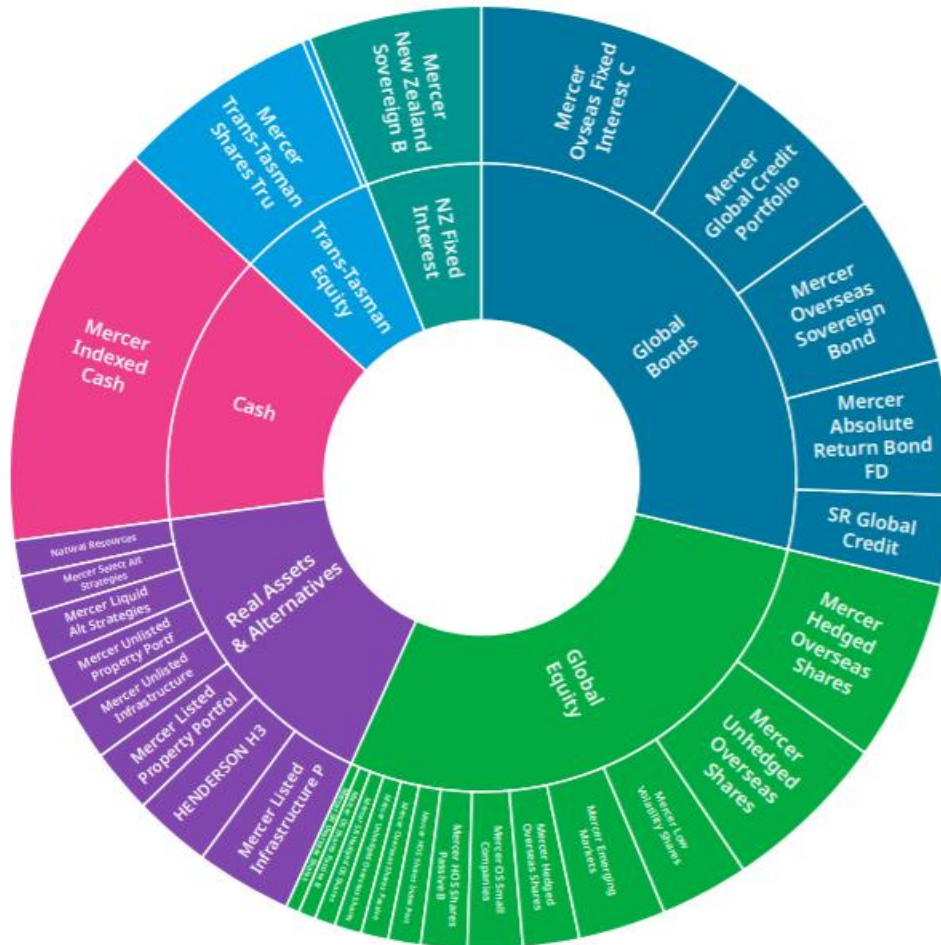
Source: Mercer, with underlying metrics from MSCI ESG Research and ISS

[Deep dive: Strategy \(Financial entities\) - YouTube](#)

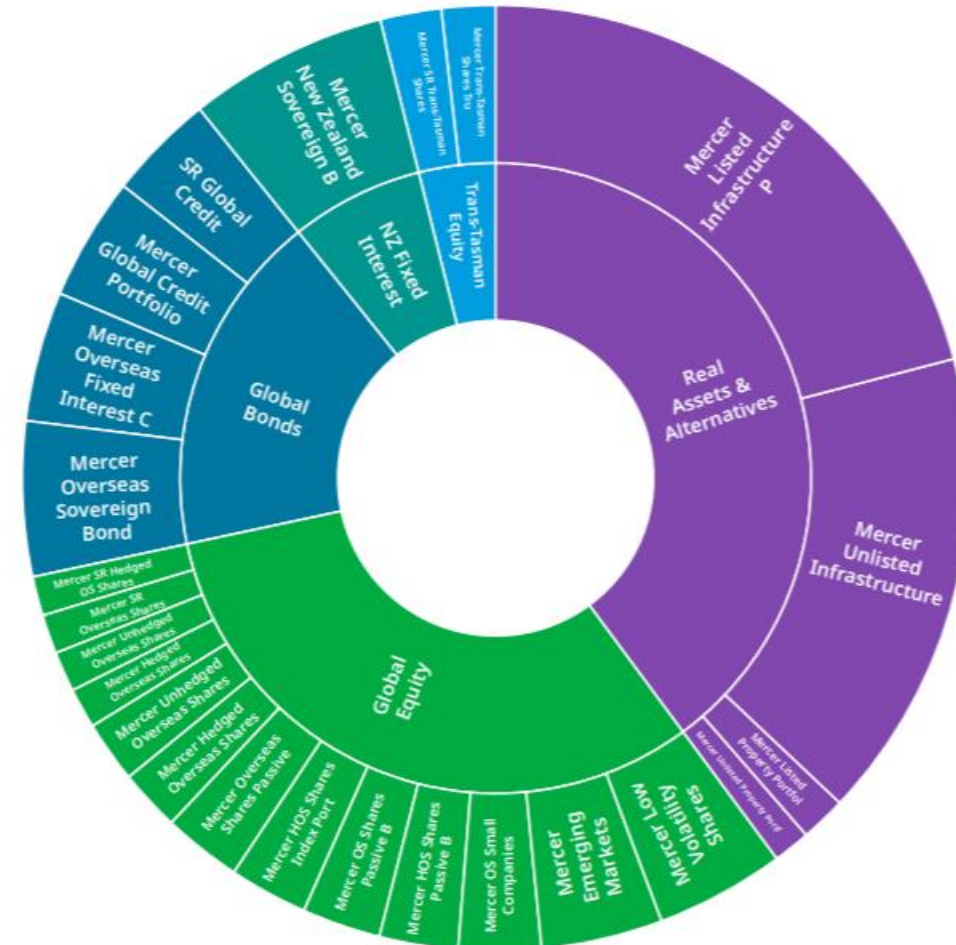
# Example – Mercer NZ Transition plan



Asset allocation



Carbon intensity



Source: Mercer, with underlying metrics from MSCI ESG Research and ISS

# Example – Mercer NZ Transition plan



## Integration

- Optimised Strategic Asset Allocation (SAA) updates to contribute where possible to emissions reductions
- Optimised asset class emissions reductions informed by:
  - **Mercer's ACT results** by Fund and manager to prioritise highest emissions intensity and lowest weight impact
  - **Mercer's manager survey results**, those best positioned and that pose a risk
- Agreements made with appointed investment managers, based on materiality, for:
  - Transition management and emissions reductions
  - Physical damages management and risk reduction



## Active Ownership

- Climate focused manager engagement
- Climate actively considered for voting and engagement across material holdings
- Participation in collaborative initiatives e.g. Investor Group on Climate Change, Climate Action 100+, CDP, Investor Statements to Governments



## Investment in Solutions

- Increased allocation to low-carbon / sustainability-themed exposures through SAA optimisation and / or allocations within asset classes



## Screening

- High carbon intensity exposures with low transition capacity (i.e. Dark Greys from ACT assessment) monitored to inform integration, manager engagement and active ownership steps

# Questions

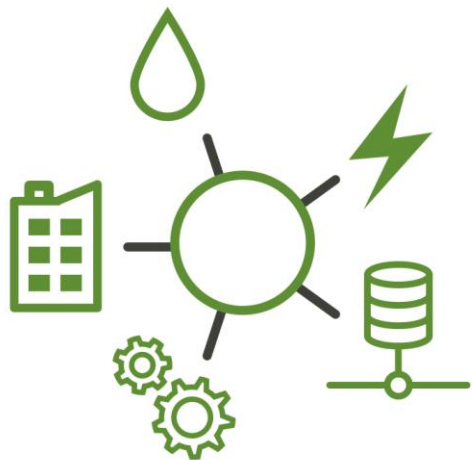
→ Proposed Strategy disclosures





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

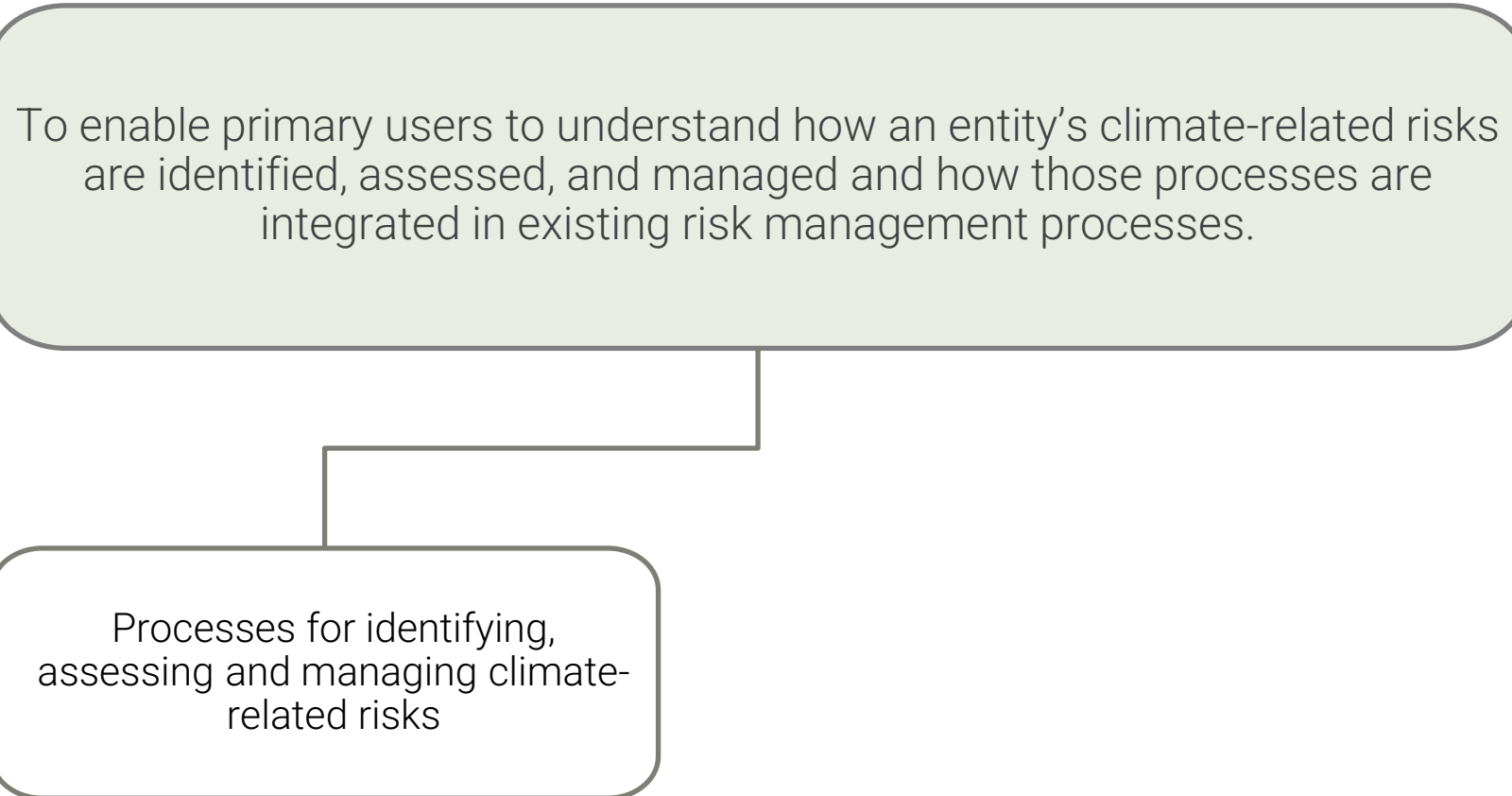
## Risk Management





# 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

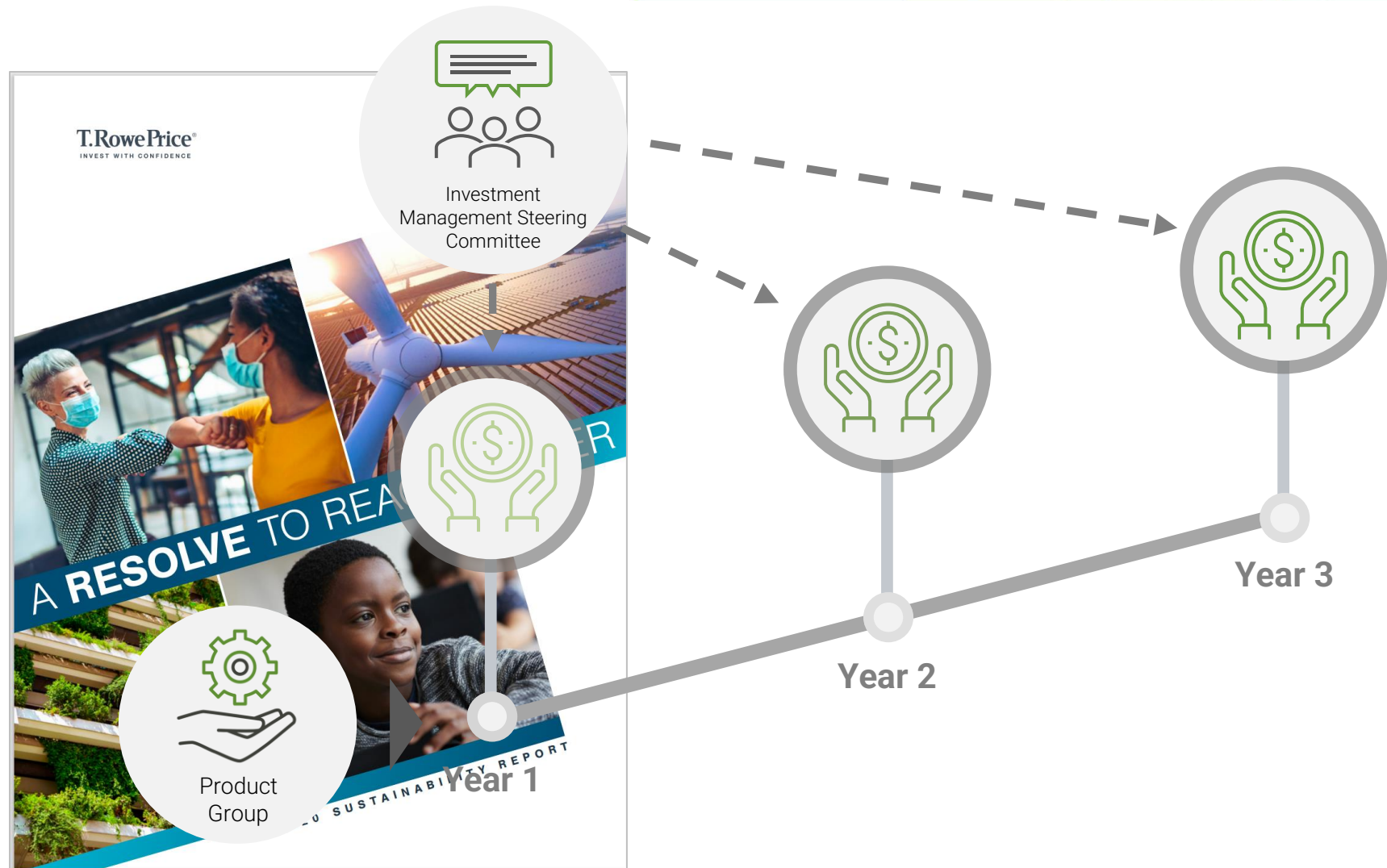
## MIS Manager examples

### T. Rowe Price 2020

“We take a comprehensive approach to identifying and assessing risks and opportunities—including climate change—at the company and asset levels through an enterprise risk management framework...Our approach to identifying Climate-related risks includes the consideration of extreme weather events, uncertainty surrounding regulation, reputational impacts, and our product range.” (p.24)

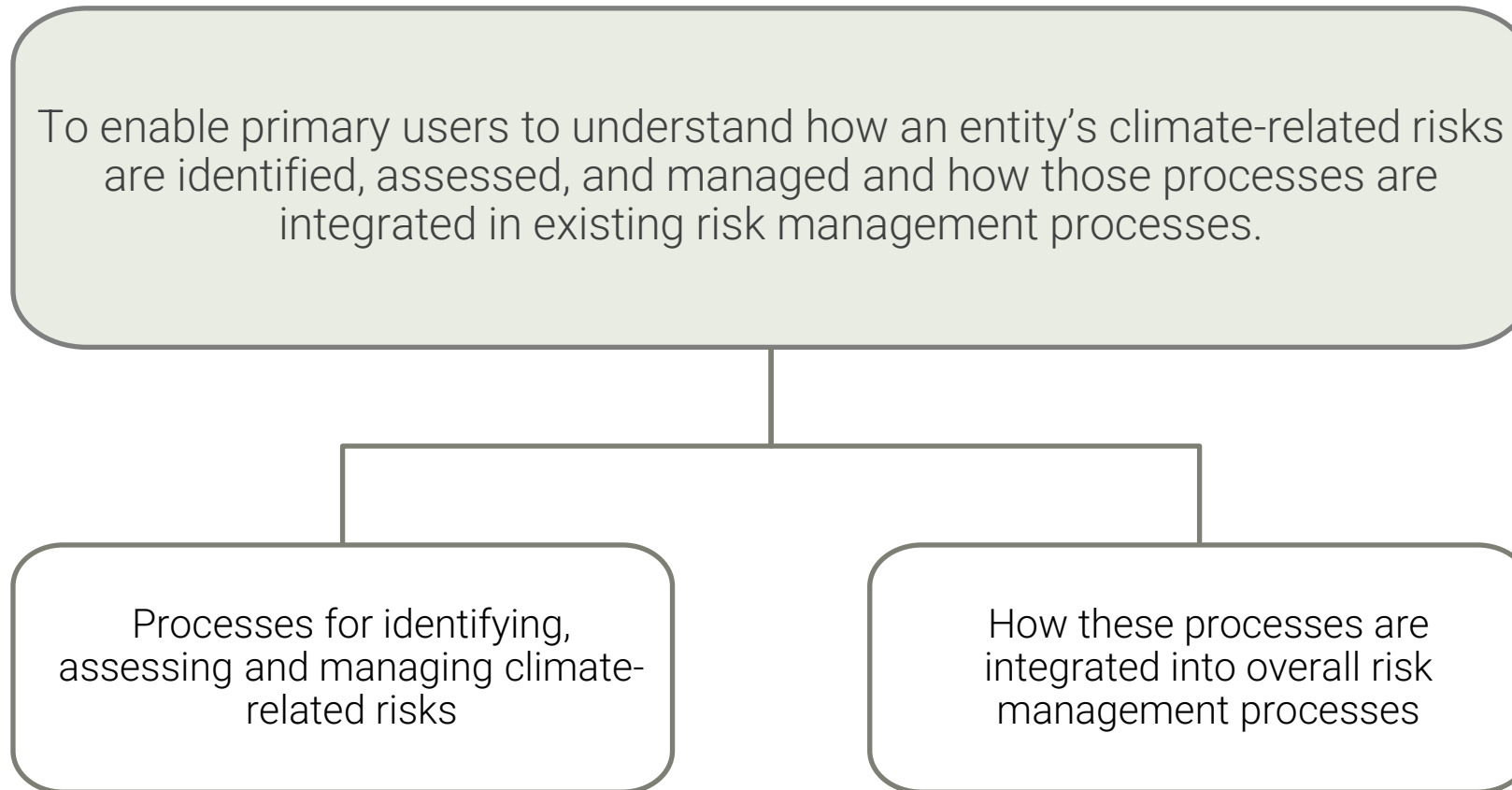
- Consider climate risks and opportunities across several areas of the firm.
- Keenly aware of reputational risks

Source: [T.Rowe Price 2020](#)



# Risk Management

## Summary of proposed section



# Risk Management

## MIS Manager examples

### BNY Mellon TCFD 2021

“Our business model requires taking on intelligent risk in a responsible and measured manner, and balancing risk relative to return to achieve our strategic objectives and business plans.

Our business model requires taking on intelligent risk in a responsible and measured manner, and balancing risk relative to return to achieve our strategic objectives and business plans” (p.14)

→ Enterprise Risk Management Framework

Source: [BNY Mellon 2021](#)



### Risk management activities:

1 “Establishing Risk Appetite Statements at corporate, business line and legal entity levels.”

2 “Consideration of all six principal risk categories that form the enterprise risk taxonomy.”

3 “Employing enterprise and business line level risk assessments.”

4 “Utilizing stress testing and scenario analysis.”

### Integrating climate

→ Extending time horizons

→ Climate materiality screening

→ Incorporating climate as a risk driver across stress scenarios

# 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](#)

## 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.

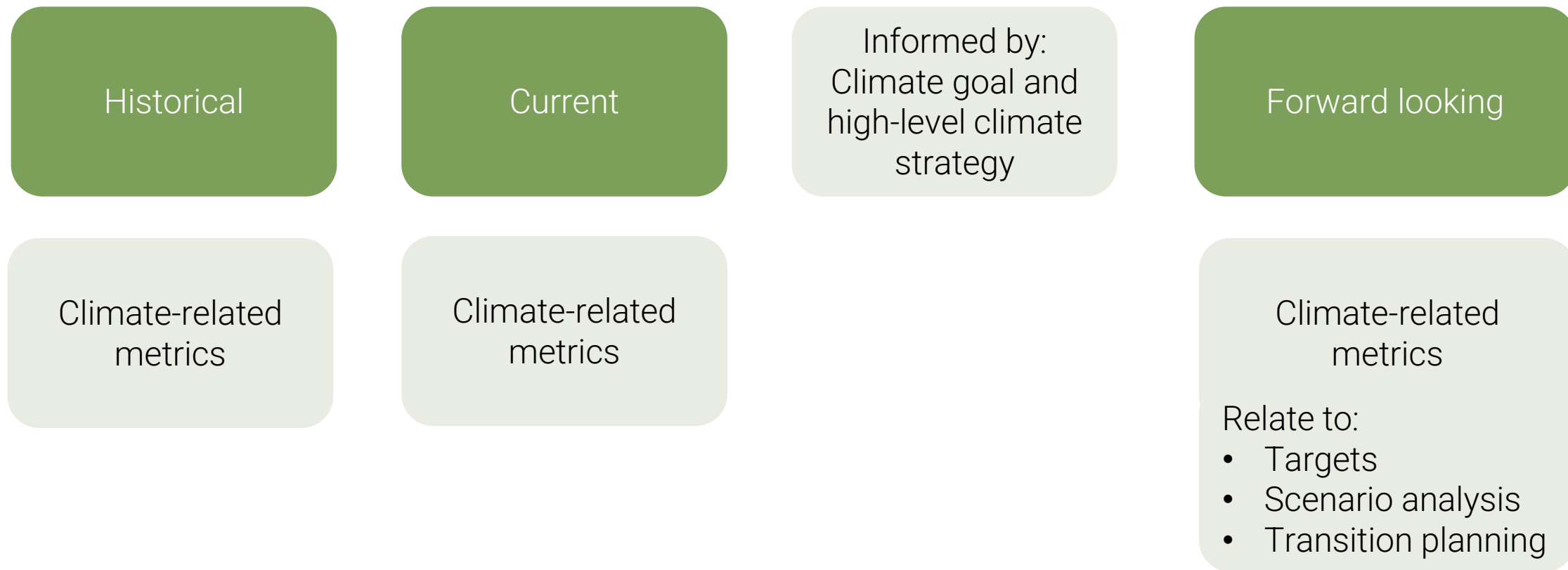
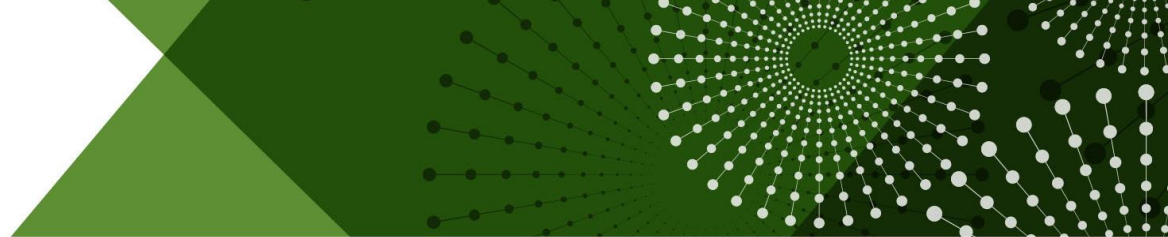
Cross-industry metric categories (including scopes 1, 2, and 3 greenhouse gas emissions)

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

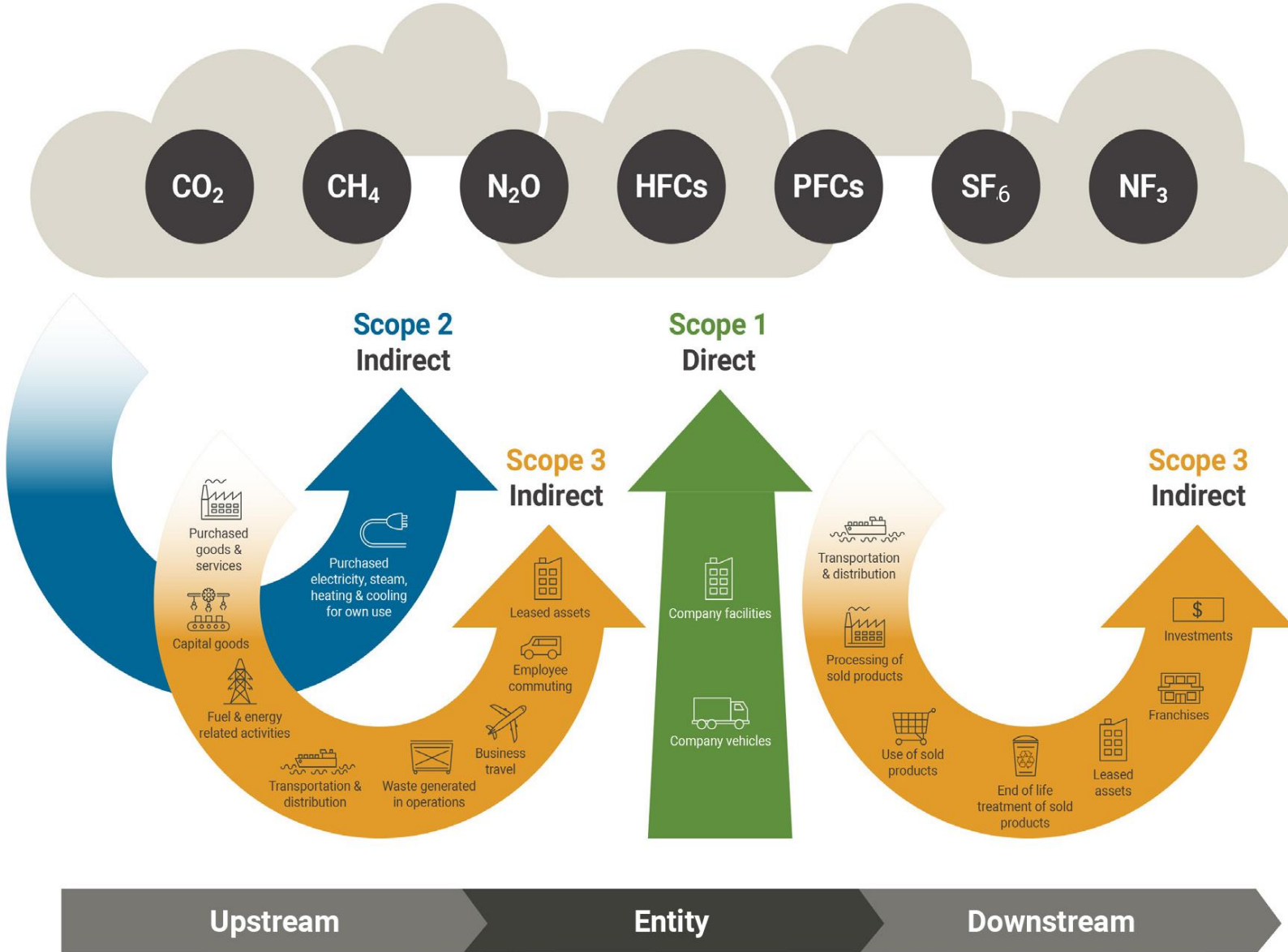
Greenhouse gas (GHG) emissions: gross emissions in metric tonnes of CO<sub>2</sub>e classified as: scope 1, scope 2 and scope 3

- 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 - Blackrock

WACI of index funds reflect the carbon intensity of the underlying markets in which those funds invest. For illustrative purposes, Exhibit 14 provides examples of the WACI of several representative index portfolios

**Exhibit 14: Illustrative Examples of WACI for Representative Index Portfolios**

Index Portfolio Description	WACI (tCO <sub>2</sub> e/US \$ million sales)	Data Coverage
Developed Market Equities (ex. US/Canada) – Large/Mid Cap	133.52	98.7%
Developed Market Equities (ex. US/Canada) – Growth	62.11	98.8%
Developed Market Equities (ex. US/Canada) – Value	211.19	98.6%
Developed Market Equities (ex. US) - Dividend	495.77	97.4%
Emerging Markets Equities	265.93	98.0%
European Equities – All Cap	136.25	98.6%
Pacific Basin (ex Japan) Equities – Large Cap	231.43	99.1%
US Equities – Large Cap	148.95	99.5%
US Equities - Large/Mid Cap Growth	30.71	98.9%
US Equities – Momentum Factor	64.45	98.9%
US Equities – Value Factor	168.03	98.8%
US Equities – High Dividend	465.72	99.7%
US Equities – Quality Factor	118.72	99.6%

Source: [Blackrock 2020 TCFD Report](#)

As of Sept. 30, 2020. For disclosures of WACI for additional funds managed by BlackRock, please visit [www.iShares.com](http://www.iShares.com). The WACI measure used for these portfolios is attributable to MSCI. iShares anticipates that the carbon emission numbers seen here will change over time. Updates will be reflected on [www.ishares.com](http://www.ishares.com).

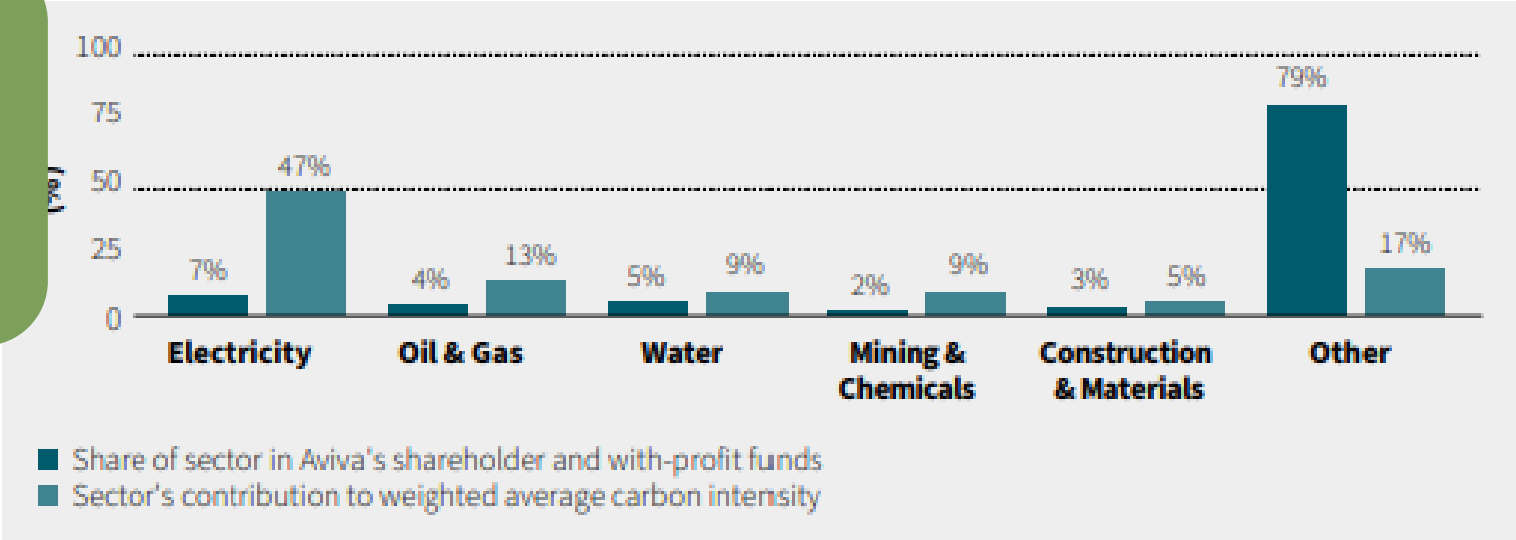




# Example transition risks metric – Aviva

Figure 19: Aviva’s exposure to carbon intensive sectors in shareholder and with-profit funds (credit and equities) as at 31/12/2021. Source: Aviva/ MSCI<sup>3</sup>.

“carbon intensive sectors represent 21% of credit and equities in Aviva’s shareholder and with-profit funds but contribute 83% of the weighted average carbon intensity.”



1 Scope 1 and Scope 2 emissions. Scope 3 is excluded at present due to data credibility and availability. As per the TCFD consultation, we support the inclusion of scope 3 and will move to include it as soon as the data permits  
 2 Where the carbon intensity score for an investee company is not available, where possible we have used an exposure-weighted carbon intensity score of the constituent companies that are part of the investee company's ultimate parent  
 3 Certain information ©2021. MSCI ESG Research LLC. Reproduced by permission  
 4 Independent reasonable assurance has been provided only over 2021 data marked with . PwC's assurance statement and a link to Aviva's Reporting Criteria can be found in this document.

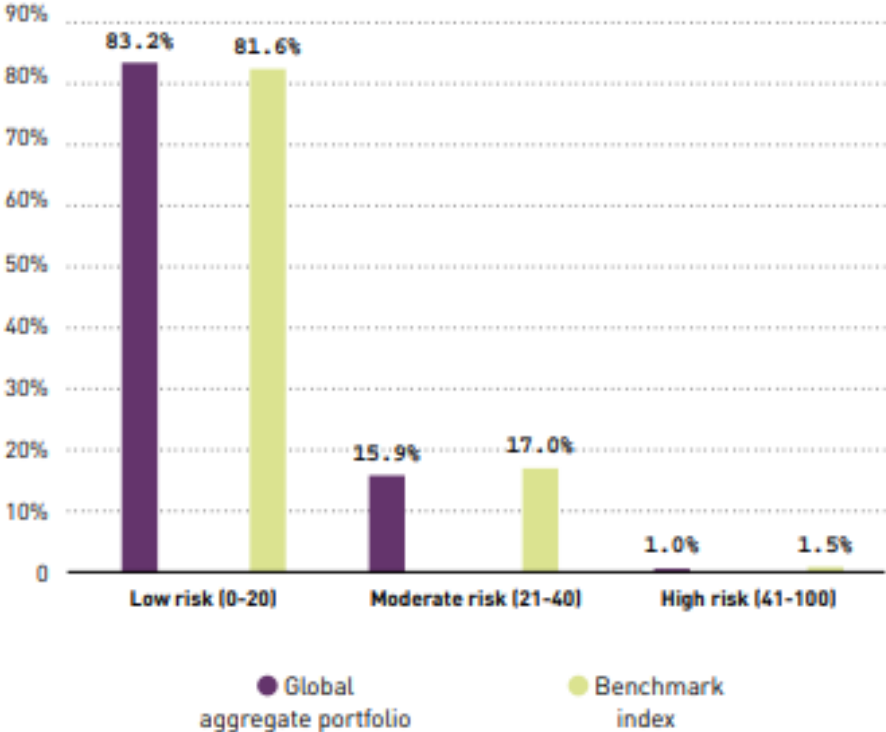


# Example physical risks metric – ERAFP

“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 – Macquarie Group

### FY2022 energy sector exposures

\$A6.40 invested in renewable energy for every \$A1 invested in conventional energy as at 31 March 2022.<sup>(12)</sup>

In supporting clients and economies through a managed transition, we note that significantly increased investment is required in renewables for the world to reduce its reliance on fossil fuels. Macquarie has played a leading role in increased deployment of the wider decarbonisation of the global economy.

Particular focus was placed on trying to address the various challenges that remain to full transition including energy storage, land use, the need for a greater number of investible projects and greater levels of investment in adaptation and resilience projects. In FY2022 these efforts continued globally, see pages 52 to 59 of this Annual Report.

“\$A6.40 invested in renewable energy for every \$A1 invested in conventional energy”

### Asset and loan portfolio exposures to the oil, gas, coal and renewables sectors as at 31 March:<sup>(13)</sup>

	FY21				FY22			
	Equity investments <sup>(12)</sup>			Total \$Ab	Equity investments <sup>(12)</sup>			Total \$Ab
	Loan assets <sup>(14)</sup> \$Ab	Non-consolidated \$Ab	Consolidated \$Ab		Loan assets <sup>(14)</sup> \$Ab	Non-consolidated \$Ab	Consolidated \$Ab	
Oil	0.3	0.1	<0.1	0.1	0.2	0.1	<0.1	0.1
Gas	0.2	<0.1	0.1	0.1	0.2	<0.1	0.2	0.2
Coal	0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1
Renewable energy	<0.1	0.6	0.7	1.3	<0.1	0.9	0.7	1.6

## 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 – HSBC Holdings

– We include an environment measure in the scorecards of our executive Directors and Group Managing Directors. The long-term incentive scorecards of our executive Directors (three-year performance period to the end of December 2023) have a 25% weighting for targets aligned to our climate ambitions.

# 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

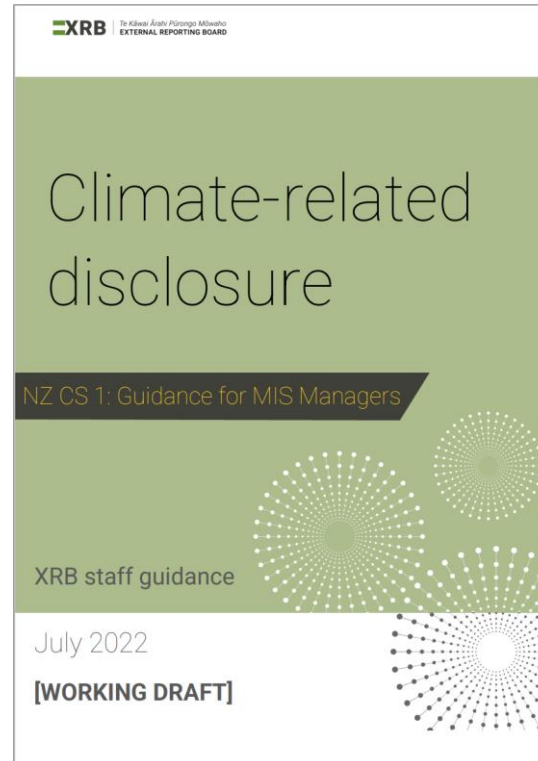
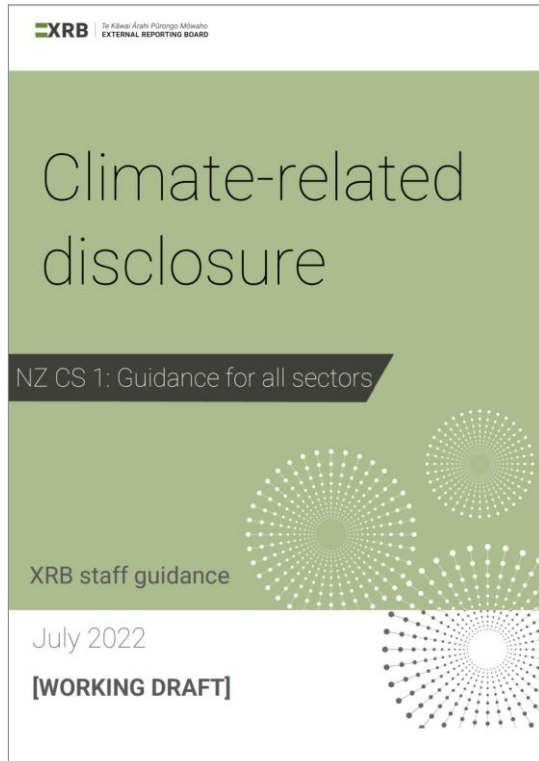
Download from: [Climate-related Disclosures Final Consultation » XRB](#)

## 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

[climate@xrb.govt.nz](mailto:climate@xrb.govt.nz)

# Our approach to the guidance



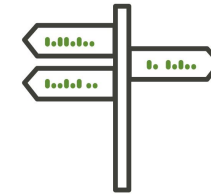
## 1. Deepen understanding

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

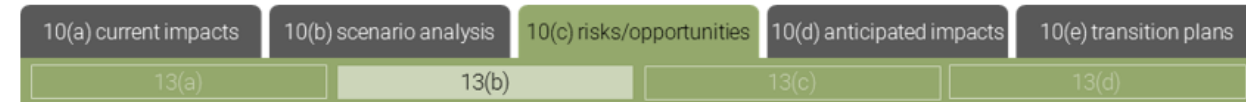
We want to build consistency among disclosures through a shared understanding of what should be disclosed and transparency about how disclosures have been arrived at.

# 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



# 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.