



23 September 2022

Climate-related Disclosure Framework Consultation  
External Reporting Board

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

### **Climate-related Disclosure Framework**

Meridian welcomes the opportunity to comment on the Climate-related Disclosure Framework (CRDF) consultation document for, *Aotearoa New Zealand Climate Standards*. Responses to the XRB's specific consultation questions are included in Appendix A of this submission.

#### **Meridian broadly supports the proposed Climate-Related Disclosure Framework**

Meridian considers the Exposure Draft (ED) Aotearoa New Zealand Climate Standards 1, 2 and 3 to be generally concise and clear, setting clear expectations. The comparison tables provided to illustrate the any differences between the potential NZ CRDF, the International Sustainability Standards Board (ISSB) proposals and the Task Force on Climate-related Financial Disclosures (TCFD) guidance are helpful to concisely highlight any differences, and the rationale for that.

#### **We acknowledge the materiality approach proposed and suggest there is room for NZX 'material information disclosure' alignment**

Meridian previously submitted that it would be helpful to have a definition of material information that aligned with NZX requirements on 'material information disclosure'. NZX continuous disclosure rules require listed companies to publicly report material information that "*a reasonable person would expect, if it were generally available to the market, to have a material effect on the price of quoted financial products of the listed issuer...*". We note the

XRB is proposing that *“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users make...”*. A better aligned definition would be that *“Information is material if a reasonable person would expect that omitting, misstating or obscuring it would have a material effect on the decisions of primary users ...”* The effect may be broadly the same in either case. However, alignment will help to streamline implementation for businesses that are familiar with NZX continuous disclosure obligations and will mean that NZX guidance on interpretation of materiality may be of use. Meridian asks the XRB to reconsider its description of materiality.

### **We suggest some further clarification on scenarios**

Meridian supports the inclusion of specific 1.5 and >3 deg C scenarios. We acknowledge the XRB's rationale to *“add a requirement to explore a third scenario to avoid two scenarios being seen as opposites or ‘good and bad’”*, but don't share the concern that there is a need for further mitigation on 'good or bad' interpretations. If the definition of a scenario, and its purpose, is clear, we believe this should be sufficient. Our concern relates to the nature of an undefined 'other' scenario, in that it might not aid with comparability across industry. If a third scenario is required for a definite purpose, we believe there could be value to define the parameters of that. For example, a “no change / BAU” scenario could be used to measure the potential depth of changes, or a “>4.5 deg C” scenario to explore the impacts of catastrophic climate change impacts. We believe some further clarity on what defined purpose a third scenario is intended to serve, would aid with the principle of comparability.

### **Any integration of anticipated climate-related impacts into financial statements will require care noting the uncertainty prevalent in longer term anticipated impacts**

Meridian is supportive of the requirement to disclose anticipated financial impacts of climate-related risks and opportunities reasonably expected, balanced with disclosure also on sources and degrees of uncertainty with longer term anticipated impacts. Meridian notes the XRB's intent to provide guidance on the integration of financial impacts with financial statements and would welcome the opportunity to engage with the XRB in the development of any guidance. The representation of more certain, short-term information, typically included in financial statements, with a potential expectation that significantly more uncertain and longer-term anticipated financial impacts be integrated – will be a matter to work through with care to ensure primary users have clear and concise information available.

## **Conclusion**

Meridian is highly supportive of mandatory Climate-Related Disclosures and looks forward to aligning our processes and future disclosures with the final *Aotearoa New Zealand Climate Standards*. We would like to commend the XRB for leading this consultation in a clear and engaged manner.

Nāku noa, nā

A handwritten signature in black ink, appearing to read 'Tina Frew', with a stylized, cursive script.

Tina Frew

**Head of Sustainability**

## Appendix A: Responses to consultation questions

	Question	Response
1	Do you think draft Aotearoa New Zealand Climate Standards will <b>meet primary user needs</b> ?	Yes
	a. Do you think that the proposed disclosure requirements will <b>provide information that is useful to primary users for decision making</b> ? If not, please explain why not and identify any alternative proposals.	We expect it will take time for maturity and consistency in the application of the CRDF to be established, and therefore, the degree to which the information is useful for primary users' decision making, will also increase over time. In service of 'start by starting', Meridian supports the draft Aotearoa New Zealand Climate Standards.
	b. Do you consider that draft Aotearoa New Zealand Climate Standards are <b>clear and unambiguous</b> in terms of the information to be disclosed? If not, how could clarity be improved?	<p>Overall, yes.</p> <p>Some feedback on NZ CS 3 principles:</p> <ul style="list-style-type: none"> <li>• Table 1 - Accuracy - the qualification that "...<i>in this context, accuracy does not mean certainty of outcome. Estimates should be presented with a clear emphasis on their possible limitation and related uncertainty</i>". Given the inherent, and potentially significant degree of uncertainty that is possible in the potential financial impact of climate-related risks and opportunities for example, Meridian strongly supports inclusion of the <i>accuracy</i> principle's explanation in the context of CRD.</li> <li>• Table 1 - Consistency – Meridian agrees that consistency in approach or method across reporting periods would be useful to a primary user. There are possible scenarios where sound logic exists to evolve and/or change methodologies. For the metrics and targets used to track and assess climate-related risks and opportunities could evolved significantly over time. It could be pragmatic to include an additional note in the 'explanation in the context of CRD' that "<i>However, in this context consistency does not mean new approaches or methods cannot be adopted where emerging best practice supports change, and that rationale is disclosed</i>".</li> <li>• Table 2 – Consistency - Meridian also sees a case to potentially rename the 'consistency' principle in table 2, to mitigate potential confusion with the same principle title in table 1, acknowledging the two different descriptions of intent and context. A possible option would be to change the Presentation principal of 'consistency' to '<i>Format consistency</i>'.</li> </ul>

		<p>It is also useful that different acceptable options have been highlighted in the standards for the avoidance of doubt i.e., NZ CS 3 paragraph 13 “<i>An entity may provide its climate-related disclosures in a standalone document or within another document</i>”.</p> <p>Regarding NZ CS 1, cross-industry metric categories – it could be useful to add a qualifier in sub paragraphs 21 (c) - (f) that the amount / percent to references apply to ‘identified’ or ‘disclosed’ (climate-related) risks and opportunities.</p>
	<p>c. Do you consider that draft Aotearoa New Zealand Climate Standards are <b>comprehensive enough and achieve the right balance between prescriptiveness and principles-based disclosures</b>? If not, what should be removed or added to achieve a better balance? Please consider your answer to question 5 when responding to this question.</p>	<p>Largely, yes.</p> <p>As outlined in our covering letter, Meridian supports the inclusion of specific 1.5 and &gt;3 deg C scenario. We acknowledge the XRBs rationale to “<i>add a requirement to explore a third scenario to avoid two scenarios being seen as opposites or ‘good and bad’</i>”, but don’t share the concern that there is a need for further mitigation on ‘good or bad’ interpretations. If the definition of a scenario, and its purpose, is clear, we believe this should be sufficient.</p> <p>If a third scenario is mandated, we believe there could be value to define the parameters of that. For example, a “no change / BAU” scenario could be used to measure the potential depth of changes, or a “&gt;4.5 deg C” scenario to explore the impacts of catastrophic climate change impacts. We believe some further clarity on a third scenario, would aid with the principle of comparability.</p>
2	<p>Do you have any views on the <b>defined terms</b> in draft Aotearoa New Zealand Climate Standards?</p>	<p>Generally supportive of the terms as defined. However, Meridian considers there to be some merit in reconsidering the description of material information as outlined in our cover letter here.</p>
3	<p>Do you have any <b>practical concerns about the feasibility of preparing</b> the required disclosures in draft Aotearoa New Zealand Climate Standards? In responding to this question, please consider the proposed first-time adoption provisions in NZ CS 2 and your answer to question 4. Please also clearly explain what would make the specific disclosure unfeasible to disclose against either in the immediate term or the longer term.</p>	<p>Meridian has no concerns about the feasibility of preparing the required disclosures and notes the pragmatic expectation that there will be learnings and transition time needed for many reporting entities to grow capability over time, and that this in turn, will have some short-medium term impact on the usefulness of information for primary users as this capability establishes itself more broadly in the market.</p>

4	Do you agree with the proposed <b>first-time adoption provisions</b> in NZ CS 2? Why or why not?	<p>Meridian has no material concerns with the first-time adoption provisions outlined in the NZ CS 2 ED and in general, is supportive of allowing CREs time to scale capability and grow CRD maturity over a defined time period.</p> <p>Some minor feedback - we believe there are reasonable grounds to remove first-time adoption provision 2 'Time horizons associated with financial impacts. Arguably, the time horizon over which an impact is most likely to occur (whether actual, or anticipated), could be disclosed ahead of going through a financial quantification exercise (per provision 1 and 3).</p> <p>Of note, we strongly support the inclusion of paragraph 17 under the provision that at a minimum '<i>....a description of its progress towards developing the transition aspects of its strategy....</i>'.</p>
	a. Are <b>any additional first-time adoption provisions required</b> ? If so, please provide specific details regarding the adoption provision and the disclosure requirement to which it would apply, and the period of time it would apply for.	None that we have considered.
5	Do you think the <b>draft staff guidance documents will support CREs</b> when making their disclosures and support consistent application of the disclosure requirements? Why or why not?	<p>Yes – the inclusion of practical examples and specific references to other guidance materials etc, is useful. The guidance document is relatively lengthy, and in service of avoiding 'analysis paralysis', we would support the concept that the final guidance retains information useful to aid in the practical application of the standards but avoids unnecessary narrative / explanation.</p> <p>It was noted during the XRB consultation webinars that there is an intention for the XRB to publish guidance next year on the integration of climate-related current and anticipated financial impacts with financial statements. Meridian in principle supports guidance being prepared to aid CREs in navigating this new frontier, however, believes the concept of transition/adoption provisions could be useful to ensure longer term and potentially more uncertain financial impacts can be integrated in a useful way for primary users. Meridian welcomes the opportunity of engaging with the XRB as this guidance is developed.</p>
	a. Do you think the guidance is <b>under, adequately or overly specific</b> and granular?	Noting the comment above – practical examples in the draft staff guidance documents are helpful, and we support the concept that the final guidance retains helpful detail like this but avoids unnecessary narrative / explanation.

	<p>b. Do you consider that <b>anything in the guidance should be elevated into the standard</b>? Should anything be demoted from the standard into guidance?</p>	<p>No.</p>
<p>6</p>	<p>Paragraphs 13 to 19 of draft NZ CS 3 are the proposed location of disclosures requirements. Paragraphs BC14 to BC20 of the basis for conclusions on draft NZ CS 3 explain the XRB Board’s intent regarding these proposed requirements. <b>Do you agree with the proposed location of disclosures requirements?</b> Why or why not?</p>	<p>Meridian agrees with the proposed location of disclosures.</p> <p>One minor feedback point – potential NZ CS 3 sub paragraph 17 (c) could be overly prescriptive with the inclusion of “...<i>explain how to access it...</i>”, as it could be that a hyperlink to a publicly available document of webpage is sufficient, and the point made in 17 (d) already emphasises that cross referencing must be “<i>direct and precise</i>”.</p>