

27 September 2022

External Reporting Board
PO Box 11250, Manners Street Central
Wellington 6142

By email: climate@xrb.govt.nz

Napier Port Holdings Limited submission on XRB's Exposure Draft on NZCS1, NZCS2, NZCS3 and Guidance Document

Introduction

Thank you for the opportunity to provide feedback on the final consultation by the XRB regarding the Climate-related Disclosure (CRD) framework.

Napier Port Holdings Limited (Napier Port) fully supports the development of these standards and is already well into its climate-related financial disclosures journey and is due to publish its second TCFD report in November 2022.

Napier Port expects to further develop and improve its climate change related disclosures as we gather more information and knowledge, and continue to deliver our sustainability goals and strategy.

Submission feedback

Napier Port would like to extend its appreciation to the XRB on their approach to develop these standards and the open and transparent consultation process that has culminated in a high quality Exposure Draft (ED). We are also encouraged by the current weighting of a 'principle' rather than a 'prescriptive' based approach to these draft standards. This will greatly assist CREs when they start reporting against this framework for the first time. It also reflects the reality that many CREs are at varying stages of their climate financial disclosures journey and it will take more than one reporting period to become fully compliant, particularly from a quantitative perspective.

Napier Port makes the following overall comments in respect of the draft climate standards and guidance:

- Apart from the specific feedback comments below the proposed disclosure requirements will be useful to primary users for decision making and the draft standards are clear and unambiguous in respect of the information to be disclosed
- The defined terms in the draft Aotearoa New Zealand climate standards are clear
- The proposed first-time adoption provisions are comprehensive enough and provide the right level of support to CREs when they look to report against the CRD framework for the first time
- Apart from the specific feedback comments below the draft guidance documents provide a useful knowledge resource for CREs to refer to help them better understand the requirements of the new framework and ultimately visualise what best practice looks like. In particular there are a good selection practical examples taken from entities who are already well advanced on their TCFD reporting journey.

However, Napier Port would like to raise two concerns in respect of the current draft climate standards:

1. The current draft ED now requires a CRE to analyse 3 climate risk scenarios under NZ CS 1. We are already reporting on 2 scenarios in line with the disclosure requirements of the TCFD (a 1.8 and a 3.7 degrees Celsius increase). We understand the 3rd scenario has been added as part of the feedback received earlier in the consultation process.

At this stage no guidance is provided on what the 3rd scenario needs to represent other than it needs to be a 'plausible future scenario'. In the absence of any clearer guidance it is most likely CREs will choose a scenario between the upper and lower bounds.

One other change we are seeking clarity on is setting the lower bound increase at 1.5 degrees Celsius. Napier Port's lower bound increase is currently reported at 1.8 degrees Celsius which is consistent with the TCFD's "2 degrees Celsius or lower scenario" and the Intergovernmental Panel on Climate Change's, Representative Concentrations Pathways 4.5 (IPCC RCP 4.5). Napier Port management believes the 0.3 degrees Celsius difference still aligns with the intention of NZ CS1 and the TCFD framework, upon which these draft climate standards are currently based.

However, through this consultation feedback process we are seeking confirmation from the XRB that:

1.8 degrees Celsius is an acceptable lower bound measure and there isn't a need to re-do the climate risk scenario work previously undertaken to reset the lower bound scenario from 1.8 to 1.5 degrees Celsius. This is on the basis 1.8 degrees Celsius is consistent with disclosure requirements of the TCFD (they recommend focussing on 2 degrees Celsius or lower when considering a transition to a lower-carbon economy) and IPCC RCP 4.5.

Re-working this scenario would be a time consuming exercise which we believe wouldn't add any extra value to the primary users – especially given there is already a reasonable range between the lower and upper bound scenarios (1.8 degrees Celsius v 3.7 degrees Celsius) and we also now need to include a 3rd plausible future scenario.

- The XRB specifically requires a CRE to disclose cross industry metrics relating to GHG emissions under NZ CS 1. However, our understanding is this not specifically required under the TCFD. To date management has not seen any New Zealand examples of cross industry metrics and it is not clear how to practically implement them without any specific guidance from the XRB. We also concur with the ICNZ submission point that there appears to be a lack of methodology available for specific sectors and emission sources.

Additionally, it is also not entirely clear what industry Napier Port would fall into using the current XRB industry classifications (see below from the XRB NZ CS1 deep dive slides). Our current assumption is we would likely fall under Ports or Supply Chain/Logistics industry categories, however these industries do not easily fit within the categories listed below.

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

In the absence of more clarity and guidance from the XRB, Napier Port sees limited value in creating these metrics when there is no perceived benefit around the information that will be produced i.e. there is a high risk that comparing the emission metrics of industries with completely different operating models and infrastructure requirements will result in confusing information for the primary users.

Accordingly, if cross industry metrics are to become a mandatory requirement we would appreciate further XRB guidance and support to help determine:

1. What industry Napier Port expected to report from and
2. How best to engage and apply cross industry metrics to ensure resulting climate information is of benefit to the end primary users

Conclusion

Thank you again for the opportunity to submit on the Climate Standards ED. I look forward to receiving your responses on our feedback points in due course.

Your faithfully,



Julian Stewart

Group Financial Controller

Napier Port Holdings Limited

Please confirm receipt of this notice by email.