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External Reporting Board
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By email: climate@xrb.govt.nz

Chorus submission on the Aotearoa New Zealand Climate Standards

Background

1. Thank you for the opportunity to comment on the External Reporting Board's (**XR**B) consultation paper dated July 2022 on the proposed Aotearoa New Zealand Climate Related Disclosure Framework (**Consultation Paper**).
2. Chorus is supportive of the continued development of a climate-related reporting framework for Aotearoa New Zealand. We acknowledge the significant efforts the XRB has made in developing the new climate-related disclosure regime.
3. We thank the XRB for the opportunity to make this submission. Nothing in this submission is confidential.

Response to consultation

4. We set out below, our responses to the questions contained in the consultation materials. We have omitted questions where we do not have submission feedback.

QUESTION 1(b) - Do you consider that draft Aotearoa New Zealand Climate Standards are clear and unambiguous in terms of the information that is to be disclosed? If not, how could clarity be improved?

National datasets for consistent reporting

5. In preparing the scenario analyses (including the sources of data used to construct each scenario), we consider that up-to-date national datasets would help reporting entities develop consistent and comparable reporting under the new climate standards by allowing the reporting entities to work from the same basic assumptions. As an example, the last update to the National Climate Change Risk Assessment was in 2020.

6. XRB has outlined reporting principles in NZ CS3 that include verifiability, comparability and consistency. These qualitative principles are designed to ensure reporting entities provide disclosures that can be traced back to source and allow investors to track performance over time. XRB has noted that climate-related disclosures are more comparable when they provide points of reference (eg targets, a baseline, or an industry benchmark). If reporting entities are expected to build their own datasets, they will have to spend time and resources (i.e. increased compliance cost calling on a limited pool of expertise) producing scenarios that may or may not allow an investor to compare disclosures across different reporting entities.

QUESTION 3 - Do you have any practical concerns about the feasibility of preparing the required disclosures in draft Aotearoa New Zealand Climate Standards?

7. Under NZ CS3, an entity whose climate-related disclosures comply with Aotearoa New Zealand Climate Standards must include 'an explicit and unreserved statement of compliance'. We have concerns that reporting entities are required to make this statement while the new regime beds in and reporting entities scale up their expertise and capacity. The uncertainty around the materiality threshold alone makes it difficult to give an unreserved statement about compliance.
8. The current materiality definition sets out that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users make on the basis of their assessments of an entity's enterprise value. We agree with XRB's use of the enterprise value as the baseline metric for materiality. However NZ CS3 goes on to note that entities need to take a broad view of materiality when assessing whether providing or withholding information is likely to influence primary users' decision making. While we appreciate that each reporting entity is different and must apply the disclosure requirements to its own specific facts and circumstances, without clear examples of where the materiality threshold bites, it's likely that many entities will take a conservative approach and over-report immaterial details in an effort to meet their compliance obligations.
9. We suggest that the requirement for an 'explicit and unreserved statement of compliance' should be included in the transition provisions so that it is only required from reporting period three, once entities have had an opportunity to build their expertise and test compliance with the new regime.

Consistent international approach

10. As XRB has noted, the International Sustainability Standards Board (**ISSB**) is developing IFRS Sustainability Disclosure Standards to form a comprehensive global baseline of sustainability disclosures. We support XRB's coordinated approach to the development of climate-related disclosure standards so that the New Zealand standards can provide consistent and comparable concepts, terminologies, and metrics on which disclosure requirements are built and ensure that the New Zealand regime is not out of step against international standards.
11. We would be happy to discuss any of the matters raised in this submission with you. Please contact Hannah Taylor on Hannah.Taylor@chorus.co.nz or Matt Kelleher on Matt.Kelleher@chorus.co.nz if you have any questions.