

Good morning,

Thank you for the opportunity to submit on the draft Governance and Risk Management sections of the Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (NZ CS 1).

PFI is an NZX-listed property vehicle focused on the industrial sector. PFI's nationwide portfolio of almost 100 properties is valued at over \$2bn and is leased to around 150 tenants. PFI provided its first voluntary climate-related disclosures in its FY20 annual report, which is available on our [website](#).

PFI's responses to the XRB's questions in the consultation document are set out below:

1. **Primary users have been identified as existing and potential investors, lenders and insurance underwriters. Do you think that all of these users should be included in the primary user category?**

We are comfortable with this list of primary users.

2. **Do you think the proposed Governance section of NZ CS 1 meets primary user needs?**

- a) ***Do you think that the information provided under this section of NZ CS 1 will provide information that is useful for decision making to primary users (existing and potential investors, lenders and insurance underwriters)? If not, please explain why not and identify any alternative proposals.***

Yes. However, we suggest that a diagram or a description could be provided for disclosure 5(b) as a diagram may be clearer for readers (for example, for more complicated organisational structures).

- b) ***Do you consider that this section of the standard is clear and unambiguous in terms of the information to be disclosed? If not, how could clarity be improved?***

Some disclosures say "whether and how" whereas 4(e) says "whether and if so, how". We suggest that "whether and if so, how" is used throughout for consistency and clarity.

- c) ***Do you consider that this section of the standard is adequately comprehensive and achieves the right balance in terms of prescriptiveness and specificity? If not, what should be removed or added to achieve a better balance?***

Our view is that it is too prescriptive to ask how climate-related performance metrics are incorporated into remuneration policies. While it may be reasonable to ask *whether* climate-related performance is incorporated into remuneration policies, we suggest that asking *how* this is done isn't necessary. We note that detail on staff remuneration is private information and entities will likely be reluctant to disclose this information on that basis.

3. **Do you think the proposed Risk Management section of NZ CS 1 meets primary user needs?**

- a) ***Do you think that the information provided under this section of NZ CS 1 will provide information that is useful for decision making to primary users (existing and potential investors, lenders and insurance underwriters)? If not, please explain why not and identify any alternative proposals.***

Yes.

- b) ***Do you consider that this section of the standard is clear and unambiguous in terms of the information to be disclosed? If not, how could clarity be improved?***

We are unclear on the intended difference between 5(a) and 5(b) so suggest that this is reworded.

We also think disclosure 4(c) could be made clearer as outlined in our response to question 5(b) below.

- c) Do you consider that this section of the standard is adequately comprehensive and achieves the right balance in terms of prescriptiveness and specificity? If not, what should be removed or added to achieve a better balance?**

We propose two changes to disclosure 4(a):

- Allow for tools *and / or* methods to be used. The wording currently suggests that entities must use both which may not be necessary.
- Include likelihood (in addition to scope, size and impact) for assessment of the risk. Likelihood is a standard risk management assessment consideration.

- 4. The XRB has primarily drawn from the TCFD's definitions for its defined terms. Do you agree that we should align closely with the TCFD's definitions?**

Yes, as this provides comparability between TCFD reports prepared by entities that are required to report using the XRB standard, and entities that are voluntarily disclosing against the TCFD framework.

- 5. The XRB is particularly interested in feedback on the following defined terms as they are currently proposed: 'climate-related risk', 'climate-related opportunities', 'climate-related issues', 'physical risk', and 'transition risk'.**

- a) Do you consider that the XRB should align with the TCFD and use the terms 'climate-related opportunities' and 'climate-related issues', or should we only refer to 'climate-related risks'?**

Our view is that the XRB should align with the TCFD approach. This provides comparability between TCFD reports prepared by entities that are required to report using the XRB standard, and entities that are voluntarily disclosing. In addition, some users (for example, insurance underwriters) may not be based in New Zealand and may not have read our local standard, but should be familiar with the TCFD framework definitions. Finally, the ability to refer to opportunities as well as risks provides for a more balanced disclosure.

- b) Do you consider that the proposed definitions for these terms are accurate, sufficiently clear and well-explained? Do they need further detail or explanation? If so, should that detail be included in the defined terms or in guidance?**

We have two suggestions as follows:

- Definition of climate-related opportunities: This could be expanded to include positive reputational impacts. This could either go in the defined terms or guidance.
- Definition of value chain: In order to provide clear comparability, we suggest tightening up either the definition of value chain, or the wording of risk management disclosure 4(c), so that it narrows the value chain stages into three potential buckets like CDP does: Upstream, direct operations, and downstream. Entities would still have scope to go into more detail on what those activities are if it's relevant for them. However, as the definition is currently worded, this could lead to organisations providing lots of detail on each aspect of upstream and downstream activities, which may not be material to their business or risk profile.

- 6. Do you have any other views on the defined terms as they are currently proposed?**

No.

7. **The XRB is currently of the view that adoption provisions for some of the specific disclosures in NZ CS 1 will be required. However, the XRB does not believe it is necessary to provide any adoption provisions for entities in relation to the Governance and Risk Management disclosures. Do you agree with this view? Why or why not?**

PFI would be comfortable with this. However, we believe that those organisations that have not yet produced a TCFD report would be best placed to answer this question.

8. **The XRB currently intends NZ CS 1 to be concise and sector neutral, with sector specific requirements to be contained in guidance. Do you agree with this approach?**

Yes.

9. **Do you have any other comments?**

No.

If you have any questions regarding this submission, please feel free to contact me.

Kind regards



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