

Aotearoa New Zealand Climate Standard 1

# Climate-related Disclosures

Governance and Risk Management Consultation Document

NZ CS 1

*External Reporting Board. 2021. Aotearoa New Zealand Climate Standard 1 (NZ CS 1) – Governance and Risk Management consultation document. External Reporting Board: Wellington, New Zealand.*

## Mainfreight Submission

Climate Related Disclosures:  
NZCS 1

17 November 2021



# XRB Summary of questions

- 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?

Agree

- 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.

Agree

- 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?

Agree

- 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?

Neutral with consideration:

Climate risks are a category of business risk, albeit a very important one with longer more uncertain timeframes. There are elements to the Governance Disclosures in paragraph 4 that are quite specific, while we don't disagree with any individual element there is a risk that rather than leveraging mature existing risk governance mechanisms in organisations we end up creating separate approach for different risk categories.

- 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.

Agree

- 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?

Agree

- 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?

Neutral with suggestions

Disclosures paragraph 4c requires information describing processes for identifying and assessing climate-related risks as they relate to “the value chain stage(s) covered” reference should also be made either here and/or elsewhere to value chain stages not covered and why. Processes for identification and assessment of risks could be misleading where they relate only to a narrow aspect of the CRE’s value chain.

Disclosures paragraph 5 is important to establish whether an appropriate system is maintained by the CRE to quantify, prioritise and react to climate issues. However there is some ambiguity as to the degree of detail expected within this disclosure requirement. Significance and prioritisation may require detailed scenario and financial modelling that might be both commercially sensitive and information overload for primary users.

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?

Agree

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’?

The distinction between ‘climate-related opportunities’ and ‘climate-related risks’ we believe is useful from both a presentation standpoint as well as for comprehensibility and comparability with the existing TCFD reporting community. The separate terms will also make it easier for Strategy elements to frame different activities to respond to risks (reduce negative) and to opportunities (increase positive) the balance of which might provide useful insights into the risk profile of that CRE.

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?

Agree except as discussed for question 5.a

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?

Neutral

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?

Agree



## 9) Do you have any other comments?

- In the message from the Chair and Chief Executive it is noted that *"The Bill allows for the XRB to issue guidance on environmental, social and governance (ESG) matters"*. This is a potentially significant expansion on the scope of climate-related disclosures and more detail should be provided around what time and shape such guidance might take in relation to mandatory climate reporting requirements. That said, some elements of ESG reporting might be more practically addressed alongside climate reporting than following on from it.
- Value chain emissions make up the largest portion of most organisational GHG inventories. Historically reporting entities have been allowed considerable leniency for exclusion of Scope 3 emissions (ISO 14064-1:2018 Categories 3-6). Value Chain emissions should receive a high degree of scrutiny and exclusions should only be allowed on the basis of materiality (we would agree TCFD determination outlined in section 10.2).
- Given value chain emissions will require details from outside the CRE, maturity will need to be developed in emissions reporting from non-reporting organisations to support accurate value chain risk management.
- Section 10.5 refers the concept of 'Materiality' as still a work in progress. Consideration should be given to the interpretation of materiality in different settings. For instance GHG reporting requires the inclusion of 'material' emissions sources that might be on the basis of quite a specific criteria like where that emission sources is expected to equate to greater than 1% of total organisational emissions.
- We would support the ISO 14064-1:2018 standard over the GHG Protocol standard for emissions reporting as providing a better presentation of the breakdown of emissions for that entity.

## Submission Preparation:

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