



22/11/2021

External Reporting Board
PO Box 11250, Manners St Central,
Wellington 6142.

Dear External Reporting Board Submission Review Committee,

Thank you for the opportunity to consider and respond to the submissions on the Governance and Risk Management sections of the XRB's Climate-related Disclosures.

Wellington Airport will be subject to the Climate-related Disclosure Standards as an issuer of debt, though it is not a listed company nor a financial service provider such as a bank or insurer. We note this is not always immediately clear from the communication material put out to date, which tends to use the shorthand of "listed entities, banks and insurers, and managers of investment schemes". It may therefore be surprising to some that non-listed entities such as Wellington Airport are included.

We welcome the introduction of a consistent approach to ensure robust governance and risk management in the reporting of climate related disclosures. Climate risks and associated management structures are inherently unique to each organisation. Specific impacts are heavily influenced by an organisation's industry, geography and operating environment. However, the introduction of globally recognised rigor through the adoption of the TCFD framework will help ensure that best practice is followed, while allowing for a benchmark understanding to be maintained among organisations' unique climate related risk management approaches.

Understanding of climate-related risk is underdeveloped in New Zealand. In our experience, disclosure processes are a useful trigger which provoke a chain of actions requiring a business to methodically consider risk. Wellington Airport commenced its own journey toward TCFD-style disclosures in the FY21 financial year. Despite not being legally mandated to do so, this has been increasingly demanded by other processes such as GRESB ESG benchmarking. We have found this a useful process to identify underlying risks and ensure they are addressed, and that understanding of risk underpins our strategic direction as a business.

We strongly agree with basing New Zealand's standards on the TCFD framework, which is the most well-developed and understood framework globally for disclosure of climate-related risks. In our view, the standards should be aligned with TCFD terms "climate-related opportunities" and "climate-related risks". It is important to recognise where climate adaptation can contribute to a business's resilience and forward strategy; a focus only on risk is unduly negative. In our view the Governance requirements of the Climate Related Disclosures are sufficiently prescriptive and provide clarity into what is required. Wellington Airport establishes Board and Executive level line-of-sight through regular board publications and dedicated executive-level meetings. However, the criteria set by the disclosure requirements will help enshrine the parameters of this responsibility. The disclosures' general temporal, oversight and organisational-related expectations are clearly stipulated. However, there is a degree of ambiguity in the more open-ended criteria. This is exemplified in Governance disclosure 4e, which queries incorporation of climate related issues into governance processes without alluding to the nature or degree of considerations being sought. This could be improved by providing some examples of what the XRB is seeking.

We agree with the proposal to exclude specific reporting of board members' specific climate knowledge. The necessary skills and processes required to establish meaningful information will be sufficiently procured through the processes and artifacts required by the risk management section

of the disclosures. Board members ought to have sufficiently diverse relevant knowledge, skills, experience and background to govern these risks irrespective of whether reporting is required.

The Disclosures' Risk Management Section establishes clarity and consistency in the processes and components that ought to be included within risk profile development. In particular, the dual inclusion of risk analysis and risk management criteria increases the utility of this reporting to primary users, as it allows users to monitor and inform progress in the minimisation of risk and the maximisation of opportunity.

Physical and transitional climate related risks and opportunities are both actively managed across organisational levels at Wellington Airport. This is a product of the airport's unique operating environment, reliance on sea wall infrastructure to maintain runway integrity, historical reliance on jet fuelled operations and increasing transitional risk posed by adversity to this reliance.

The airport has adopted a risk structure that integrates climate-related risk identification and management with the same processes used to consider financial and operational risks. The wider rollout of TCFD-based Risk Management guidelines will provide a solid reference to ensure that a coordinated and comprehensive approach to climate risk management continues to be enshrined and maintained.

Further detail around the considerations that the disclosures are seeking around value chain stages would be beneficial. Additionally, a guide around time horizon periods/ durations would be highly beneficial. The existing guideline requires that 'short, medium and long term horizons' ought to be considered without providing any further detail. These timeframes are very subjective and therefore guidance around this would ensure greater validity and relevance of timeframes within organisational reporting.

Overall, Wellington Airport welcomes the approaches to governance and risk management that NZ CS 1 stipulates in relation to Climate risk disclosures. We anticipate that the requirements that stem from these sections will establish clarity and consistency. However, it will be critical to secure increased clarity within subjective terms and requirements to minimise the risk of misinterpretation when reporting necessity come into force.

The consideration and addressing of climate related risks is already active across many industries within New Zealand, not least across aviation industry bodies. The introduction of a standardised approach and set of criteria will help cement best practice across all types of industry players within New Zealand. In turn this will allow for a collective understanding of climate related risks to be increasingly Improved.

Please feel free to contact me if you wish to discuss any aspect of this submission.

Kind regards,

Chris Vidal
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