

**From:** [Holly Marshall](#)  
**To:** [XRB Climate Related Disclosures](#)  
**Subject:** Kiwi Wealth's (late - sorry) submission: XRB Climate Related Disclosures - Strategy and Metrics consultation  
**Date:** Wednesday, May 4, 2022 12:17:03 PM

---

Kia ora,

Kiwi Wealth is a manager of registered investment schemes (a large financial entity) and is grateful for the opportunity to submit feedback on the XRB's climate related disclosures (in addition to signatories on the BIG submission). We are signatories and supporters of the TCFD. We appreciated the comparison document and the opportunity to attend XRB-led conversations in March. We have also [reviewed TCFD example disclosures to form part of our feedback](#) and the 2021 TCFD Status report. We are committed to achieving a Net Zero portfolio by 2050.

We share Michele and April's enthusiasm in the establishment of the International Sustainability Standards Board (ISSB) and agree alignment with the now published IFRS Exposure Draft is crucial to the success of climate related reporting locally. If possible, we request a (public, open invite) call with the XRB now the ISSB draft has been released to understand the overlap (beyond comparison doc presented) and whether it would be helpful for Kiwi Wealth to submit feedback to the ISSB that supports consistency across standards (before the July submission deadline) if this differs from the XRB's expectations in the TRWG prototype used in the comparison document.

Summary: We think it is in the best interests of customers to have a report that is clear, concise, and comparable. We request specific scenario expectations (exact temperature increases), definitions for short, medium, and long-term investment horizons. We think carbon intensity in portfolios, as well as total carbon emissions per year is valuable information to customers (material financial risk as the price of carbon and regulation increases) and a clear plan to reduce carbon in line with the Paris Agreement should be an expectation of an NZ fund manager operating in a country that has had the government sign and commitment to the Paris Agreement goals (the private sector's actions must align with public, national commitments). We expect science-based targets to be mandatory as part of this regime by 2025 (not limited to SBTi or PCAF, but independent verification). We welcome a single-source data library to present metrics.

\*\*

Our submission is feedback based on the XRB Consultation Document published: <https://www.xrb.govt.nz/standards/climate-related-disclosures/consultation-and-engagement/>. We have two distinct audiences – our owners/shareholders, and our clients, for whom product-, investment strategy-, or client-specific disclosures are more relevant. Our submission focuses on clients (retail customers who require clear, concise information) and their needs from an investment perspective.

## Strategy

1. Do you think the proposed Strategy section of NZ CS 1 meets primary user needs?
  - a. Do you think that the information in this section of the standard will provide information that is useful to primary users for decision making? If not, please explain why not and identify any alternative proposals.

We are still confused to how and why opportunities on our financial position should be shared and have not seen a great example of this shared from TCFD. Could the XRB please share their expectations for this disclosure note (6c) for us to better understand implications? We think scenario analysis should be quantitative. Can the XRB make a decision to ensure consistency and comparability for report users in regard to time horizons and temperature targets and appropriate data sources (i.e. IPCC, IEA etc)?

- 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?

Reading the aims of the disclosure: (1) to ensure that the effects of climate change are routinely considered in business and investment decisions; > (2) reporting entities better

demonstrate responsibility and foresight in their consideration of climate-related risks and opportunities; and (3) to lead to a more informed market, a more efficient allocation of capital, and to smooth the transition to a more sustainable, low-emissions economy. The intention reads to be a low/zero emission economy, yet there is zero expectation on the fund managers to explicitly plan for low/zero emissions in their portfolio. Further prescription of this outcome should be stressed.

- c. Do you consider that this section of the standard is adequately comprehensive and achieves the right balance between prescriptiveness and principles-based disclosures? If not, what should be removed or added to achieve a better balance?

No specific comment – we are in support of clear and concise. If it's not of use to our customers (many retail Kiwi Saver members) we do not see value in producing.
2. Do you agree that a standalone disclosure describing the entity's business model and strategy is necessary? Why or why not?

Yes, necessary to help customers understand their fund manager. This shouldn't be time-intensive or punitive as the fund manager will already have published/recorded this information.
3. Do you agree that we should not prescribe which global mean temperature increase scenario(s) should be used to explore higher physical risk scenarios (such as 2.7°C and/or 3.3°C or by using Representative Concentration Pathways (RCP) such as RCP4.5 or 6), but rather leave this more open by requiring a 'greater than 2°C scenario'? Why or why not?

We encourage prescription in scenarios, and trust the XRB to apply the right (but specific) number above 2°C. As an aside we think 2.7 sounds reasonable for the first reporting period and could be reviewed in 2-5 years.
4. We do not require transition plans to be tied to any particular target such as net zero and/or 1.5°C, but that entities will be free to disclose this if they have done so. Do you agree? Why or why not?

We disagree and think prescription makes sense for the end user – for customers to read, review and compare reports/strategies of fund managers. NZ's government has committed to the Paris Agreement, and we feel every fund manager operating in this country should have a transition plan tied to the key aspects of the agreement.
5. Do you have any views on the defined terms as they are currently proposed?

No views, definitions seem accurate – we do see benefit in fund managers having access and applying the same GHG emissions data set. If possible internal emissions price should be consistent, base year should be defined (we suggest 2015) and time horizons should be set. This will help customers compare and help us educate and explain our targets and metrics publicly.
6. The XRB has identified adoption provisions for some of the specific disclosures in NZ CS 1:
  - a. Do you agree with the proposed first-time adoption provisions? Why or why not?

No, we find this contradictory and confusing and adoption will be best pursued with two consistent standards. We think it would be best if the XRB provided feedback to individual fund managers not meeting expectations in 2024 and apply discretion in non-compliance for the first year rather than expect people to change patterns once set.
  - b. In your view, is first-time adoption relief needed for any of the other disclosure requirements? Please specify the disclosure and provide a reason. (c) If you are requesting further first-time adoption relief, what information would you be able to provide in the interim?

No, we do not request first-time adoption relief and feel the timeline and existing TCFD reports, collective and collaborative approach by the XRB should ensure entities are prepared for accurate reporting.

## Metrics and Targets

7. Do you think the proposed Metrics and Targets section of NZ CS 1 meets primary user needs?
  - a. Do you think that the information in this section of the standard will provide information that is useful to primary users for decision making? If not, please explain why not and identify

any alternative proposals.

We recommend the XRB is **more** prescriptive in the metrics and targets they expect fund managers to report financial, climate-related figures and time periods on.

We see benefit in producing metrics on outcomes from engagement. While sticking to a strategy that ignores vast swathes of the investment universe that is carbon intensive may look good in a report, it would be more valuable to customers (and shareholders/owners) to understand the ability of a fund manager to ensure the transition to a low-carbon economy is realised.

- 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 see little benefit for customers if risks and opportunities are referenced in broad terms (i.e. not disclosing competitively sensitive strategies) and prefer metrics aligned with the 2020 TCFD Implementing guide which recommends “taking into consideration the useful life of the organization’s asset or infrastructure) which would help customers identify whether stranded assets / hard-to-abate sectors were present in their fund (for example).

- c. Do you consider that this section of the standard is adequately comprehensive and achieves the right balance between prescriptiveness and principles-based disclosures? If not, what should be removed or added to achieve a better balance?

Engagement outcomes, reference to climate mitigation strategies/scenarios and specific definitions for short, medium and long term outlook would be welcome additions.

8. We have not specified industry-specific metrics. The guidance will direct preparers where to look for industry-specific metrics. Do you believe this is reasonable or do you believe we should include a list of required metrics by industry? If so, do you believe we should use the TCFD recommendations or follow the TRWG prototype?

For consistency and to ensure customers can compare we think it would make sense to follow TCFD metrics, but support TRWG as well (although we are less familiar with these personally and this may require more education, but if XRB feels TRWG will be adopted globally, broadly in investment decisions we trust XRB guidance).

9. We will require disclosure of scope 3 value chain emissions as part of this standard. Are there areas (particularly in your scope 3 value chain) where there are impediments to measuring at present? If so, what are these areas and when do you think it might be possible to measure these areas?

Could the XRB consider providing a consistent approach to scope 3 by providing or organizing group sub to CDP or equivalent data (or speak with other government entities in case a ghg data library is being built)?

10. Paragraphs 8, 9 and 10 contain specific requirements relating to the disclosure of GHG emissions to facilitate the conduct of assurance engagements in line with the requirement of section 461ZH of the Financial Markets Conduct Act. Do you have any observations or concerns about these proposed requirements?

We are in support of disclosure of GHG emissions, both total produced by funds and intensity. This would also help quell greenwashing concerns by customers if combined with decarbonization investor engagement outcomes (both qual and quantitative).

11. Do you have any views on the defined terms as they are currently proposed?

No views. We note there is no reference to stranded assets, oil reserves or mitigation strategies, we don't want to overcomplicate the disclosures, but feel these are materially relevant factors to customers deciding where to invest their money.

12. The XRB has proposed not providing first-time adoption provisions for the Metrics and Targets section of NZ CS 1. Do you agree? Why or why not?

We agree, provisions are unnecessary and counter-intuitive to clear, concise and consistent

13. The XRB proposes that the minimum level of assurance for GHG emissions be set at limited

assurance. Do you agree?

We appreciate the XRB noting the concerns raised on scope 3 emissions. We request the XRB considers sourcing quality scope 3 emissions data that all fund managers were able to use in their reporting – a payment or subscription to this data could be made, but expecting every entity to spend tens of thousands extra each year on data is prohibitive to smaller funds. Does the XRB or Climate Commission plan to build a central data repository or provide access to the Carbon Disclosure Project for example?

14. The XRB has proposed a definition of material (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 across all time horizons, including the long term). Do you agree with this definition? Why or why not?

Agree, but apprehensive this will be applied consistency by fund managers (and their portfolio managers who assess the materiality of environmental and climate risks differently in investment decisions). Again stressing We are not convinced in the accuracy, and thus benefit to customers, in reporting Scope 3 emissions in 2022 due to inconsistent guesswork in obtaining figures, but acknowledge this data will improve in accuracy by 2024.

15. Do you have any other comments on the proposed materiality section?

Internal emissions price: Could a price (ETS or equivalent) be applied to help users understand data and compare?

At least one in five preparers that responded to the Task Force's consultation disclose financial impact, with disclosure of impact on financial performance more common than impact on financial position – it would be helpful for the XRB to share best practice ahead of report preparation either from the TCFD example disclosure page or elsewhere ([https://www.fsb-tcf.org/example-disclosures/?utm\\_source=Email&utm\\_campaign=625331&utm\\_medium=Nurture&utm\\_content=TCFDExampleDisclosureLaunch&tactic=625331](https://www.fsb-tcf.org/example-disclosures/?utm_source=Email&utm_campaign=625331&utm_medium=Nurture&utm_content=TCFDExampleDisclosureLaunch&tactic=625331))

Thanks, Holly

**Holly Marshall | Responsible Investment Strategist**

Kiwi Wealth

+64 21 272 4700

[kiwiwealth.co.nz](http://kiwiwealth.co.nz)



Kiwi Wealth includes Kiwi Wealth Limited, Kiwi Wealth Investments Limited Partnership and Kiwi Investment Management Limited.

This email, including any attachments, is confidential. If you are not the intended recipient, any use, distribution or copying of this email or the information contained in it is prohibited. If you have received this email in error, please notify us immediately and delete it. Please consider the environment before printing this email.