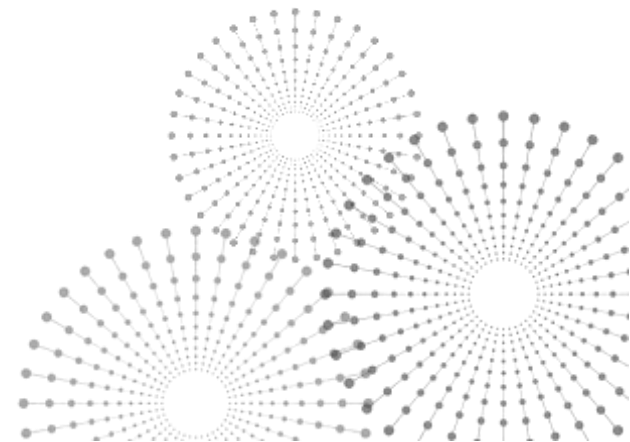


Comparison Table

XRB to TCFD

July 2022



Comparison of XRB Proposals to TCFD Recommendations

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The comparison tables and commentary have been prepared by XRB staff members and do not represent the views of the XRB Board.

How to read Tables 1 to 4 (proposed disclosures):

Column 1	XRB's ED NZ CS 1	These are the XRB proposed disclosures. All references in the comparison table are to the proposed disclosures in Exposure Draft NZ CS 1 <i>Climate-related Disclosures</i> unless we have specified that they are contained in Exposure Draft NZ CS 3 <i>General Requirements for Climate-related disclosures</i> .
Column 2	TCFD Recommendations	The content for this column comes from the updated TCFD Annex " <i>Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures</i> " issued in October 2021 (2021 Annex), which updates and supersedes the 2017 Annex. ¹ This column includes the TCFD recommendations, supporting recommended disclosures and Guidance for All Sectors. See 2021 Annex, pages 17 to 22. For the disclosures on scenario analysis, we have also included in this column TCFD content from the TCFD " <i>Guidance on Scenario Analysis for Non-Financial Companies</i> " issued in October 2020. ²
Column 4	XRB Staff Commentary	Commentary by XRB staff members on alignment between XRB proposed disclosures and TCFD Recommendations.

How to read Table 5 (proposed defined terms)

Column 1	XRB Defined term	This column contains the defined term.
Column 2	XRB's ED NZ CS 1	These are the XRB proposed defined terms from Appendix A of ED NZ CS 1. Also included are terms defined in <i>Aotearoa New Zealand Climate Standards</i> and used in ED NZ CS 1 with the same meaning. These defined terms are in italics the first time they appear in ED NZ CS 1.
Column 3	TCFD Recommendations	The content for this column comes from the glossaries of the various documents issued by the TCFD. In some cases, terms are defined/explained in TCFD guidance but not included in a glossary.
Column 5	XRB Staff Commentary	Commentary by XRB staff members on alignment and use of defined terms between XRB Proposals and TCFD recommendations.

¹ https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf

² https://assets.bbhub.io/company/sites/60/2020/09/2020-TCFD_Guidance-Scenario-Analysis-Guidance.pdf

Table 1 Comparison of Governance Disclosures – XRB Proposals to TCFD Recommendations

Governance		
XRB's ED NZ CS 1	TCFD Recommendations	XRB Staff Commentary
<p>Disclosure Objective</p> <p>To enable primary users to understand both the role an entity's <i>governance body</i> plays in overseeing climate-related risks and climate-related opportunities, and the role <i>management</i> plays in assessing and managing those climate-related risks and opportunities.</p> <p>[Paragraph 5]</p>	<p>Recommendation</p> <p>Disclose the organisation's governance around climate-related risks and opportunities</p>	<p>No substantive difference.</p>
<p>To achieve the disclosure objective in paragraph 5, an entity must disclose the following information:</p> <p>[Paragraph 6]</p> <p>the identity of the governance body responsible for oversight of climate-related risks and opportunities;</p> <p>[Paragraph 6(a)]</p>		<p>Following stakeholder feedback to use a more generic term such as 'governance body' versus 'board' (as used by TCFD), the XRB Board added this disclosure.</p> <p>See Basis for Conclusions on ED NZ CS 1 Governance section.</p>
<p>a description of the governance body's oversight of climate-related risks and opportunities (see paragraph 7); and</p> <p>[Paragraph 6(b)]</p>	<p>Recommended Disclosure a)</p> <p>Describe the board's oversight of climate-related risks and opportunities</p>	<p>Aligned.</p>
<p>a description of management's role in assessing and managing climate-related risks and opportunities (see paragraph 8).</p> <p>[Paragraph 6(c)]</p>	<p>Recommended Disclosure b)</p> <p>Describe management's role in assessing and managing climate-related risks and opportunities</p>	<p>Aligned.</p>
<p>Governance body oversight</p> <p>An entity must include the following information when describing the governance body's oversight of climate-related risks and opportunities (see paragraph Error! Reference source not found.(b)):</p> <p>the processes and frequency by which the governance body is informed about climate-related risks and opportunities;</p> <p>[Paragraph 7(a)]</p>	<p>Guidance for All Sectors Disclosure a)</p> <p>In describing the board's oversight of climate-related issues, organizations should consider including a discussion of the following</p> <p>Guidance for All Sectors Disclosure a)</p> <p>– processes and frequency by which the board and/ or board committees (e.g., audit, risk, or other committees) are informed about climate-related issues</p>	<p>Aligned.</p>
<p>how the governance body ensures that the appropriate skills and competencies are available to provide oversight of climate-related risks and opportunities;</p> <p>[Paragraph 7(b)]</p>		<p>Additional disclosure added by the XRB Board. See Basis for Conclusions on ED NZ CS 1 Governance section.</p>

Governance		
XRB's ED NZ CS 1	TCFD Recommendations	XRB Staff Commentary
<p>how the governance body considers climate-related risks and opportunities when developing and overseeing implementation of the entity's strategy; and [Paragraph 7(c)]</p>	<p>Guidance for All Sectors Disclosure a) – whether the board and/or board committees consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organization's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures</p>	<p>Following stakeholder feedback, the XRB Board amended this proposed disclosure to clarify that an important focus is on the role of the governance body in developing and overseeing an entity's strategy, rather than disclosures on how issues are merely incorporated into governance processes. See Basis for Conclusions on ED NZ CS 1 Governance section.</p>
<p>how the governance body sets, monitors progress against, and oversees achievement of metrics and targets for managing climate-related risks and opportunities, including whether and if so how, related performance metrics are incorporated into remuneration policies (see also paragraph 21(h)). [Paragraph 7(d)]</p>	<p>Guidance for All Sectors Disclosure a) – how the board monitors and oversees progress against goals and targets for addressing climate-related issues</p>	<p>Whether and if so how, related performance metrics are incorporated into remuneration policies is an additional disclosure added by the XRB Board. See Basis for Conclusions on ED NZ CS 1 Governance section.</p>
<p>Management's role An entity must include the following information when describing management's role in assessing and managing climate-related risks and opportunities (see paragraph Error! Reference source not found.(c)): how climate-related responsibilities are delegated to management-level positions or committees, and the process and frequency by which management-level positions or committees engage with the governance body; [Paragraph 8(a)]</p>	<p>Guidance for All Sectors Disclosure b) In describing management's role related to the assessment and management of climate-related issues, organizations should consider including the following information Guidance for All Sectors Disclosure b) – whether the organization has assigned climate-related responsibilities to management-level positions or committees; and, if so, whether such management positions or committees report to the board or a committee of the board and whether those responsibilities include assessing and/or managing climate-related issues.</p>	<p>No substantive difference. Following stakeholder feedback, the XRB's proposed disclosure uses 'engage' versus TCFD 'report to'. This is to highlight that the process should be a two-way dialogue between the governing body and management. See Basis for Conclusions on ED NZ CS 1 Governance section</p>
<p>the related organisational structure(s) showing where these management-level positions and committees lie; and [Paragraph 8(b)]</p>	<p>Guidance for All Sectors Disclosure b) – a description of the associated organizational structure(s)</p>	<p>Aligned.</p>
<p>the processes and frequency by which management is informed about, makes decisions on, and monitors, climate-related risks and opportunities. [Paragraph 8(c)]</p>	<p>Guidance for All Sectors Disclosure b) – processes by which management is informed about climate-related issues Guidance for All Sectors Disclosure b) – how management (through specific positions and/or management committees) monitors climate-related issues</p>	<p>Aligned.</p>

Table 2: Comparison of Strategy Disclosures – XRB Proposals to TCFD Recommendations

Strategy		
XRB's ED NZ CS 1	TCFD Recommendations	XRB Staff Commentary
<p>Disclosure objective</p> <p>To enable primary users to understand how climate change is currently impacting an entity and how it may do so in the future. This includes the <i>scenario analysis</i> it has undertaken, the climate-related risks and opportunities an entity has identified, the anticipated <i>impacts</i> and <i>financial impacts</i> of these, and how it will position itself as the global and domestic economy transitions towards a low-emissions, climate-resilient future state.</p> <p>[Paragraph 9]</p>	<p>Recommendation ^[footnote]</p> <p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.</p> <p>Guidance for All Sectors</p> <p>Investors and other stakeholders need to understand how climate-related issues may affect an organization's businesses, strategy, and financial planning over the short, medium, and long term. Such information is used to inform expectations about the future performance of an organization.</p> <p><small>[Footnote] The Task Force's Guidance on Metrics, Targets, and Transition Plans may be useful to organizations in disclosing information under this recommendation</small></p>	<p>Our proposed disclosure objective is broader than the TCFD to ensure that there is an understanding of the breadth of the strategy section.</p>
<p>Disclosures</p> <p>To achieve the disclosure objective in paragraph 9, an entity must disclose:</p> <p>[Paragraph 10]</p> <p>a description of its current climate-related impacts (see paragraph 11);</p> <p>[Paragraph 10(a)]</p> <p>a description of the scenario analysis it has undertaken (see paragraph 12);</p> <p>[Paragraph 10(b)]</p> <p>a description of the climate-related risks and opportunities it has identified over the short, medium, and long term (see paragraph 13);</p> <p>[Paragraph 10(c)]</p> <p>a description of the anticipated impacts of climate-related risks and opportunities (see paragraph 14); and</p> <p>[Paragraph 10(d)]</p>	<p>Recommended Disclosure a)</p> <p>Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</p> <p>Recommended Disclosure b)</p> <p>Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</p> <p>Recommended Disclosure c)</p> <p>Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>The structure of the strategy section now aligns more closely with the ISSB's proposals than the TCFD recommendations. This means there are more high-level disclosures than three as outlined by the TCFD.</p> <p>In ED NZ CS 1:</p> <ul style="list-style-type: none"> - the TCFD's recommended disclosure b) is now captured in both paragraph 10(a) (current) and 10(d) (anticipated); and - the TCFD's recommended disclosure a) is now captured in paragraph 10(c) and TCFD recommended disclosure c) is now captured in 10(b), and 10(e). <p>We have reordered them on the basis of the time horizons involved and how entities tend to approach the underlying analysis.</p> <p>See ED NZ CS 1 Basis for Conclusions Strategy section.</p>

Strategy		
XRB's ED NZ CS 1	TCFD Recommendations	XRB Staff Commentary
a description of how it will position itself as the global and domestic economy transitions towards a low-emissions, climate-resilient future state (see paragraph 15). [Paragraph 10(e)]		
<p>Current impacts and financial impacts</p> <p>An entity must include the following information when describing its current climate-related impacts (see paragraph 10(a)):</p> <p>[Paragraph 11]</p> <p>its current physical and transition impacts;</p> <p>[Paragraph 11(a)]</p>	<p>Guidance for All Sectors Disclosure b)</p> <p>Building on recommended disclosure (a), organizations should discuss how identified climate-related issues have affected their businesses, strategy, and financial planning.</p> <p>Guidance for All Sectors Disclosure b)</p> <p>Organizations should consider including the impact on their businesses and strategy, and financial planning in the following areas:</p> <ul style="list-style-type: none"> • Products and services • Supply chain and/or value chain • Adaptation and mitigation activities • Investment in research and development • Operations (including types of operations and location of facilities) • Acquisitions or divestments • Access to capital 	We have included the detail from the TCFD Guidance for All Sectors b) in the accompanying working draft of XRB staff guidance.
<p>the current financial impacts of its physical and transition impacts identified in paragraph 11(a); and</p> <p>[Paragraph 11(b)]</p> <p>Financial impacts is defined in ED NZ CS 1 as the translation of impacts into current or anticipated impacts on financial performance, financial position, and cash flows.</p>	<p>Guidance for All Sectors Disclosure b)</p> <p>Organizations should describe the impact of climate-related issues on their financial performance (e.g., revenues, costs) and financial position (e.g., assets, liabilities).^[Footnote]</p> <p>^[Footnote] These impacts may be described in qualitative, quantitative, or a combination of both qualitative and quantitative terms. The Task Force encourages organizations to include quantitative information, where data and methodologies allow.</p>	We have made a high-level distinction of current and anticipated financial impacts. The TCFD include both in recommended disclosure b).
<p>if the entity is unable to disclose quantitative information for paragraph 11(b), an explanation of why that is the case.</p> <p>[Paragraph 11(c)]</p>		<p>Following stakeholder feedback regarding the ability to quantify all impacts, the XRB Board decided to add this proposed disclosure. This also aligns with the ISSB's proposals.</p> <p>See ED NZ CS 1 Basis for Conclusions Strategy section.</p>

<i>Strategy</i>		
XRB's ED NZ CS 1	TCFD Recommendations	XRB Staff Commentary
<p>Scenario analysis undertaken</p> <p>An entity must describe the scenario analysis it has undertaken to help identify its climate-related risks and opportunities and better understand the resilience of its business model and strategy. This must include a description of how it has analysed, at a minimum, a 1.5 degrees Celsius <i>climate-related scenario</i>, a 3 degrees Celsius or greater climate-related scenario, and a third climate-related scenario (see paragraph 10(b)).</p> <p>[Paragraph 12]</p>	<p>Guidance for All Sectors Disclosure c)</p> <p>Organizations should describe how resilient their strategies are to climate-related risks and opportunities, taking into consideration a transition to a lower-carbon economy consistent with a 2°C or lower scenario and, where relevant to the organization, scenarios consistent with increased physical climate-related risks. ^[Footnote]</p> <p>^[Footnote] In interpreting the phrase “2°C or lower,” organizations should consider aligning their scenario analysis with Article Two of the 2015 Paris Agreement which commits parties to “holding the increasing in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.”]</p>	<p>We have made more specific reference to temperature outcomes, in order to better ensure consistency and comparability.</p> <p>Rather than referring to ‘scenarios consistent with increased physical climate-related risks’ we refer specifically to a ‘3 degrees Celsius or greater’ scenario’, to ensure that appropriately challenging scenarios are considered.</p> <p>We have also required disclosure against a third climate-related scenario, in line with emerging practice in this area and to ensure that two scenarios are not encouraged which could lead to them being seen as ‘good and bad’.</p> <p>See ED NZ CS 1 Basis for Conclusions Strategy section.</p>
<p>Climate-related risks and opportunities</p> <p>An entity must include the following information when describing the climate-related risks and opportunities it has identified (see paragraph 10(c)):</p> <p>[Paragraph 13]</p>	<p>Guidance for All Sectors Disclosure a)</p> <p>a description of the specific climate-related issues potentially arising in each time horizon (short, medium, and long term) that could have a material financial impact on the organization, and</p> <p>Guidance for All Sectors Disclosure a)</p> <p>a description of the process(es) used to determine which risks and opportunities could have a material financial impact on the organization.</p>	<p>We did not include the description of processes because we consider this is largely covered by our proposed disclosures in the Risk Management section.</p>
<p>how it defines short, medium and long term and how the definitions are linked to its strategic planning horizons and capital deployment plans;</p> <p>[Paragraph 13(a)]</p>	<p>Guidance for All Sectors Disclosure a)</p> <p>Organizations should provide the following information:</p> <p>a description of what they consider to be the relevant short-, medium-, and long-term time horizons, taking into consideration the useful life of the organization’s assets or infrastructure and the fact that climate-related issues often manifest themselves over the medium and longer terms,</p>	<p>No substantive differences.</p>
<p>whether the risks and opportunities identified are physical or transition risks or opportunities and, where relevant, their sector and/or geography; and</p> <p>[Paragraph 13(c)]</p>	<p>Guidance for All Sectors Disclosure a)</p> <p>Organizations should consider providing a description of their risks and opportunities by sector and/or geography, as appropriate. In describing climate-related issues, organizations should refer to Tables A1.1 and A1.2 (pp. 75–76).</p>	<p>No substantive differences.</p>

Strategy		
XRB's ED NZ CS 1	TCFD Recommendations	XRB Staff Commentary
<p>how climate-related risks and opportunities serve as an input to its financial planning processes, including for capital deployment and funding.</p> <p>[Paragraph 13(d)]</p>	<p>Guidance for All Sectors Disclosure b)</p> <p>Organizations should describe how climate-related issues serve as an input to their financial planning process, the time period(s) used, and how these risks and opportunities are prioritized.</p>	<p>No substantive differences.</p>
<p>Anticipated impacts and financial impacts</p> <p>An entity must include the following information when describing the anticipated impacts of the climate-related risks and opportunities it has identified (see paragraph 10(d)):</p> <p>[Paragraph 14]</p> <p>the anticipated impacts of climate-related risks and opportunities reasonably expected by the entity;</p> <p>[Paragraph 14(a)]</p>	<p>Guidance for All Sectors Disclosure c)</p> <p>Organizations should consider discussing:</p> <p>where they believe their strategies may be affected by climate-related risks and opportunities;</p>	<p>No substantive differences.</p> <p>Following stakeholder feedback, we added the terms 'reasonably expected'. This also aligns with ISSB's proposals.</p>
<p>the anticipated financial impacts of climate-related risks and opportunities reasonably expected by the entity; and</p> <p>[Paragraph 14(b)]</p>	<p>Guidance for All Sectors Disclosure c)</p> <p>the potential impact of climate-related issues on financial performance (e.g., revenues, costs) and financial position (e.g., assets, liabilities); ^{Footnote}</p> <p>[Footnote]: These impacts may be described in qualitative, quantitative, or a combination of both qualitative and quantitative terms. The Task Force encourages organizations to include quantitative information, where data and methodologies allow</p>	<p>No substantive differences.</p> <p>Following stakeholder feedback, we added the terms 'reasonably expected'. This also aligns with ISSB's proposals.</p>
<p>if the entity is unable to disclose quantitative information for paragraph 14(b), an explanation of why that is the case.</p> <p>[Paragraph 14(c)]</p>		<p>Following stakeholder feedback regarding the ability to quantify all impacts, the XRB Board decided to add this proposed disclosure. This also aligns with the ISSB's proposals.</p> <p>See ED NZ CS 1 Basis for Conclusions Strategy section.</p>
<p>Transition plan aspects of its strategy</p> <p>An entity must include the following information when describing how it will position itself as the global and domestic economy transitions towards a low-emissions, climate-resilient future state (see paragraph 10(e)):</p> <p>[Paragraph 15]</p>		-
<p>a description of its current business model and strategy;</p> <p>[Paragraph 15(a)]</p>		<p>The XRB Board decided to add this proposed paragraph to ensure subsequent disclosures can be understood.</p> <p>See ED NZ CS 1 Basis for Conclusions Strategy section.</p>

Strategy		
XRB's ED NZ CS 1	TCFD Recommendations	XRB Staff Commentary
<p>the <i>transition plan</i> aspects of its strategy, including how its business model and strategy might change to address its climate-related risks and opportunities; and [Paragraph 15(b)]</p>	<p>Guidance for All Sectors Disclosure b) Organizations that have made GHG emissions reduction commitments, operate in jurisdictions that have made such commitments, or have agreed to meet investor expectations regarding GHG emissions reductions should describe their plans for transitioning to a low-carbon economy, which could include GHG emissions targets and specific activities intended to reduce GHG emissions in their operations and value chain or to otherwise support the transition. ^[Footnote]</p> <p>^[Footnote] Organizations may agree to meet investor expectations regarding GHG emissions reductions for various reasons, including concerns about access to or the cost of capital if they fail to do so.]</p> <p>Guidance for All Sectors Disclosure c) how their strategies might change to address such potential risks and opportunities;</p>	<p>We have required disclosure of transition plans because:</p> <ul style="list-style-type: none"> - New Zealand is a jurisdiction with net zero commitments; - of the increasing prevalence of net zero emissions reduction targets by individual entities; and - the demand from primary users for this information. <p>Note ED NZ CS 1 defines transition plans to include information relating to how the entity is adapting to climate change. The TCFD drafted its material on transition plans expecting there to be separate disclosure of adaptation plans. See ED NZ CS 1 Basis for Conclusions Strategy section.</p>
<p>the extent to which transition plan aspects of its strategy are aligned with its financial planning processes, including for capital deployment and funding. [Paragraph 15(c)]</p>	<p>Guidance on Metrics, Targets and Transition Plans³ The transition plan describes the supporting financial plans, budgets, and related financial targets (e.g., amount of capital and other expenditures supporting decarbonization strategy) .[Page 42, Table E1]</p>	<p>No substantive differences.</p>
<p>Scenario analysis methodologies and assumptions An entity must disclose the methodologies and assumptions underlying the climate-related scenarios used, and the scenario analysis process employed. The following information must be included when describing the methodologies and assumptions underlying the climate-related scenarios used, and the scenario analysis process employed: [Paragraph 50 of NZ CS 3]</p>		<p>-</p>
<p>the climate-related scenarios it has used, including: [Paragraph 50(a) of NZ CS 3]</p>	<p>Guidance for All Sectors Disclosure b) If climate-related scenarios were used to inform the organization's strategy and financial planning, such scenarios should be described.</p>	<p>No substantive differences.</p>

³ https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf

Strategy		
XRB's ED NZ CS 1	TCFD Recommendations	XRB Staff Commentary
a brief description of each scenario narrative; [Paragraph 50(a)(i) of NZ CS 3]	Guidance on Scenario Analysis for Non-Financial Companies a brief description of each scenario narrative, [page 47]	No substantive differences.
the time horizons considered, including endpoints and whether the endpoints are determined by a year or a temperature target; [Paragraph 50(a)(ii) of NZ CS 3]	Guidance for All Sectors Disclosure c) the climate-related scenarios and associated time horizon(s) considered. Refer to Section D in the Task Force's report for information on applying scenarios to forward-looking analysis. Guidance on Scenario Analysis for Non-Financial Companies time horizon, and endpoints used by the company [page 47]	No substantive differences.
a description of the various emissions reduction pathways in each scenario and the key assumptions underlying pathway development over time, including the scope of operations covered, policy and socioeconomic assumptions, macroeconomic trends, energy pathways, carbon sequestration from afforestation and nature-based solutions and technology assumptions including negative emissions technology; [Paragraph 50(a)(iii) of NZ CS 3]	Guidance on Scenario Analysis for Non-Financial Companies a description of the various pathways in each scenario and the key assumptions underlying pathway development over time in response to the forces and drivers; [page 47]	No substantive differences.
an explanation of why the entity believes the chosen scenarios are relevant and appropriate to assessing the resilience of the entity's business model and strategy to climate-related risks and opportunities; and [Paragraph 50(a)(iv) of NZ CS 3]	Guidance on Scenario Analysis for Non-Financial Companies a discussion of why the company believes the range of scenarios used covers its plausible risks and uncertainties [page 47]	No substantive differences.
the sources of data used to construct each scenario; [Paragraph 50(a)(v) of NZ CS 3]	Guidance on Scenario Analysis for Non-Financial Companies whether a company's scenarios were developed internally or externally and the methodology used the key forces and drivers taken into consideration in each scenario and why they are important/relevant to the company key inputs and constraints of the scenarios	No substantive differences.

<i>Strategy</i>		
XRB's ED NZ CS 1	TCFD Recommendations	XRB Staff Commentary
	[page 47]	
<p>how the scenario analysis process has been conducted, including: [Paragraph 50(b) of NZ CS 3]</p> <p>whether scenario analysis is a standalone analysis or integrated within the entity's strategy processes; [Paragraph 50(b)(i) of NZ CS 3]</p> <p>the governance process used to oversee and manage the scenario analysis process, including the role of the governance body and management; [Paragraph 50(b)(ii) of NZ CS 3]</p>	<p>Guidance on Scenario Analysis for Non-Financial Companies Describe processes used for scenario analysis; the range and assumptions of scenarios used; key findings [page 45]</p> <p>whether it is a standalone analysis or integrated with company's risk management and strategy processes [page 45]</p> <p>Guidance on Scenario Analysis for Non-Financial Companies A company may also wish to describe the governance process it used to oversee and manage the scenario process, including the role of the board and senior management [page 47]</p>	No substantive differences.
<p>if modelling has been undertaken, a clear description of what modelling was undertaken and why the model/s were chosen as the appropriate model/s; and [Paragraph 50(b)(iii) of NZ CS 3]</p>		The XRB Board decided to add this proposed disclosure requirement to provide primary users with information on why models were deemed to be necessary and the most appropriate.
<p>which external partners and stakeholders are involved. [Paragraph 50(b)(vi) of NZ CS 3]</p>	<p>Guidance on Scenario Analysis for Non-Financial Companies engagement of internal and external stakeholders, and use of external experts. [page 47]</p>	No substantive differences.

Table 3 Comparison of Risk Management Disclosures – XRB Proposals to TCFD Recommendations

Risk Management		
XRB's ED NZ CS 1	TCFD Recommendations	XRB Staff Commentary
<p>Disclosure Objective</p> <p>To enable primary users to understand how an entity's climate-related risks are identified, assessed, and managed and how those processes are integrated in existing risk management processes.</p> <p>[Paragraph 16]</p>	<p>Recommendation</p> <p>Disclose how the organization identifies, assesses, and manages climate-related risks.</p> <p>Recommended Disclosure c)</p> <p>Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</p>	<p>No substantive differences.</p>
<p>Disclosures</p> <p>To achieve the disclosure objective in paragraph 16, an entity must disclose the following information for both <i>transition risks</i> and <i>physical risks</i>:</p> <p>[Paragraph 17]</p> <p>a description of its processes for identifying, assessing and managing climate-related risks (see paragraph 18); and</p> <p>[Paragraph 17(a)]</p>	<p>Guidance for All Sectors Disclosure b)</p> <p>In describing their processes for managing climate-related risks, organizations should address the risks included in Tables A1.1 and A1.2 (pp. 75-76), as appropriate.</p> <p>Recommended Disclosure a)</p> <p>Describe the organization's processes for identifying and assessing climate-related risks</p> <p>Recommended Disclosure b)</p> <p>Describe the organization's processes for managing climate-related risks.</p>	<p>No substantive differences.</p> <p>Examples of climate-related risks and opportunities are provided in the accompanying working draft of XRB staff guidance.</p>
<p>a description of how its processes for identifying, assessing, and managing climate-related risks are integrated into its overall risk management processes.</p> <p>[Paragraph 17(b)]</p>	<p>Recommended Disclosure c)</p> <p>Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</p>	<p>No substantive differences.</p>
<p>An entity must include the following information when describing its processes for identifying, assessing and managing climate-related risks (see paragraph 17(a)):</p> <p>[Paragraph 18]</p>		<p>-</p>
<p>the tools and methods used to identify, and to assess the scope, size, and impact of, its identified climate-related risks;</p> <p>[Paragraph 18(a)]</p>	<p>Guidance for All Sectors Disclosure a)</p> <p>processes for assessing the potential size and scope of identified climate-related risks and</p>	<p>Tools and methods used is an additional XRB disclosure, see Basis for Conclusions on ED NZ CS 1 Risk Management section.</p>
<p>the short-, medium-, and long-term time horizons considered, including specifying the duration of each of these time horizons;</p> <p>[Paragraph 18(b)]</p>		<p>Additional XRB disclosure, see Basis for Conclusions on ED NZ CS 1 Risk Management section.</p>
<p>whether any parts of the <i>value chain</i> are excluded;</p> <p>[Paragraph 18(c)]</p>		<p>Additional XRB disclosure, see Basis for Conclusions on ED NZ CS 1 Risk Management section.</p>

Risk Management		
XRB's ED NZ CS 1	TCFD Recommendations	XRB Staff Commentary
the frequency of assessment; and [Paragraph 18(d)]		Additional XRB disclosure, see Basis for Conclusions on ED NZ CS 1 Risk Management Section.
how it prioritises climate-related risks relative to other types of risks. [Paragraph 18(e)]	<p>Guidance for All Sectors Disclosure a) Organizations should describe their risk management processes for identifying and assessing climate-related risks. An important aspect of this description is how organizations determine the relative significance of climate-related risks in relation to other risks</p> <p>Guidance for All Sectors Disclosure b) In addition, organizations should describe their processes for prioritizing climate-related risks, including how materiality determinations are made within their organizations.</p>	Following stakeholder feedback, the XRB Board combined disclosure requirements relating to the processes for prioritising risk, see Basis for Conclusions on ED NZ CS 1 Risk Management Section
	<p>Guidance for All Sectors Disclosure c) Organizations should describe whether they consider existing and emerging regulatory requirements related to climate change (e.g., limits on emissions) as well as other relevant factors considered.</p>	The XRB Board did not include this level of detail in ED NZ CS 1, instead this is included in the accompanying working draft of XRB staff guidance.
	<p>Guidance for All Sectors Disclosure a) definitions of risk terminology used or references to existing risk classification frameworks used.</p>	The XRB Board did not include this detailed disclosure, noting that references to existing risk classification frameworks is intended to be disclosed under proposed paragraph 18(a) of ED NZ CS 1.
	<p>Guidance for All Sectors Disclosure b) Organizations should describe their processes for managing climate-related risks, including how they make decisions to mitigate, transfer, accept, or control those risks</p>	The XRB Board removed this proposed disclosure as the proposed strategy disclosure includes a requirement for an entity to disclose the transition plan aspects of its strategy, see Basis for Conclusions on ED NZ CS 1 Risk Management Section.

Table 4: Comparison of Metrics and Targets Disclosures – XRB Proposals to TCFD Recommendations

Metrics and Targets		
XRB's ED NZ CS 1	TCFD Recommendations	XRB Staff Commentary
<p>Disclosure objective</p> <p>To enable primary users to understand how an entity measures and manages its climate-related risks and opportunities. <i>Metrics</i> and <i>targets</i> also provide a basis upon which primary users can compare entities within a sector or industry.</p> <p>[Paragraph 19]</p>	<p>Recommendation^[Footnote]</p> <p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p> <p>Section introduction</p> <p>Investors and other stakeholders need to understand how an organization measures and monitors its climate-related risks and opportunities. Access to the metrics and targets used by an organization allows investors and other stakeholders to better assess the organization's potential risk-adjusted returns, ability to meet financial obligations, general exposure to climate-related issues, and progress in managing or adapting to those issues.</p> <p>^[Footnote] The Task Force's Guidance on Metrics, Targets, and Transition Plans should be reviewed by organizations disclosing information under this recommendation</p>	<p>We have provided information similar to TCFD Guidance for All Sectors in the accompanying working draft of XRB staff guidance</p>
<p>To achieve the disclosure objective in paragraph 19, an entity must disclose:</p> <p>[Paragraph 20]</p> <p>the cross-industry metrics, which are relevant to entities regardless of industry and business model; (see paragraph 21)</p> <p>[Paragraph 20(a)]</p> <p>industry-based metrics relevant to its industry or business model used to measure and manage climate-related risks and opportunities;</p> <p>[Paragraph 20(b)]</p> <p>any other key performance indicators used to measure and manage climate-related risks and opportunities; and</p> <p>[Paragraph 20(c)]</p>	<p>Recommended Disclosure a)</p> <p>Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</p> <p>Guidance for All Sectors Disclosure a)</p> <p>Where appropriate, organizations should consider providing forward-looking metrics for the cross-industry, climate-related metric categories described in Table A2.1 (p. 79), consistent with their business or strategic planning time horizons.</p>	<p>The TCFD has a high-level recommendation.</p> <p>The XRB Board has split the proposed disclosure requirements into cross-industry, industry-based and other metrics. We have not been explicit about providing forward-looking metrics in ED NZ CS 1, we have covered this in the accompanying working draft of XRB staff guidance.</p>

Metrics and Targets		
XRB's ED NZ CS 1	TCFD Recommendations	XRB Staff Commentary
the cross-industry metrics, which are relevant to entities regardless of industry and business model; (see paragraph 21) [Paragraph 20(a)]	Guidance for All Sectors Disclosure a) Organizations should provide the key metrics used to measure and manage climate related risks and opportunities, as described in Tables A1.1 and A1.2 (pp. 75–76), as well as metrics consistent with the cross-industry, climate-related metric categories described in Table A2.1 (p. 79). ^[Footnote] ^[Footnote] Financial organizations may find it more difficult to quantify exposure to climate-related risks because of challenges related to portfolio aggregation and data availability. The Task Force suggests financial organizations provide qualitative and quantitative information, where data and methodologies allow.	See below for commentary on the alignment between proposed cross-industry metrics of TCFD and XRB.
industry-based metrics relevant to its industry or business model used to measure and manage climate-related risks and opportunities; [Paragraph 20(b)]	Guidance for All Sectors Disclosure a) Organizations should consider including metrics on climate-related risks associated with water, energy, land use, and waste management where relevant and applicable.	We expect that metrics on climate-related risks associated with water, energy, land use and waste management would be covered by industry-based metrics where relevant and applicable.
any other key performance indicators used to measure and manage climate-related risks and opportunities; [Paragraph 20(c)]	Guidance for All Sectors Disclosure a) Organizations should provide the key metrics used to measure and manage climate related risks and opportunities, as described in Tables A1.1 and A1.2 (pp. 75–76), as well as metrics consistent with the cross-industry, climate-related metric categories described in Table A2.1 (p. 79). ^[Footnote] ^[Footnote] Financial organizations may find it more difficult to quantify exposure to climate-related risks because of challenges related to portfolio aggregation and data availability. The Task Force suggests financial organizations provide qualitative and quantitative information, where data and methodologies allow.	No substantive differences. Our proposed disclosure requirement includes any other key performance indicators which have not been covered under cross-industry or industry-based disclosures above.
the targets used to manage climate-related risks and opportunities and performance against targets (see paragraph 22) [Paragraph 20(d)]	Recommended Disclosure c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	No substantive differences.
An entity must disclose cross-industry metrics for each of the categories below (see paragraph 20(a)): [Paragraph 21] <i>greenhouse gas</i> (GHG) emissions: <i>gross emissions</i> in metric tonnes of <i>carbon dioxide equivalent</i> (CO ₂ e) classified as; (see paragraph 23)	Table A2.1 GHG Emissions Absolute Scope 1, Scope 2, and Scope 3; emissions intensity MT of CO ₂ e	We have used gross rather than absolute. See ED NZ CS 1 Basis for Conclusions Metrics and Targets section. We have GHG intensity as a separate proposed disclosure (see proposed paragraph 21(b) below). It is not clear what would be required to disclosed as part of the 'related risks' in the TCFD recommendations that would

Metrics and Targets		
XRB's ED NZ CS 1	TCFD Recommendations	XRB Staff Commentary
<p>[Paragraph 21(a)] scope 1;</p> <p>[Paragraph 21(a)(i)] scope 2;</p> <p>[Paragraph 21(a)(ii)] scope 3.</p> <p>[Paragraph 21(a)(iii)]</p>	<p>Recommended Disclosure b)</p> <p>Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p> <p>Guidance for All Sectors Disclosure b)</p> <p>Organizations should provide their Scope 1 and Scope 2 GHG emissions independent of a materiality assessment, and, if appropriate, Scope 3 GHG emissions and the related risks.^[Footnote] All organizations should consider disclosing Scope 3 GHG emissions.^[Footnotes]</p> <p>^[Footnote] Emissions are a prime driver of rising global temperatures and, as such, are a key focal point of policy, regulatory, market, and technology responses to limit climate change. As a result, organizations with significant emissions are likely to be impacted more significantly by transition risk than other organizations. In addition, current or future constraints on emissions, either directly by emission restrictions or indirectly through carbon budgets, may impact organizations financially.</p> <p>^[Footnote] The Task Force strongly encourages all organizations to disclose Scope 3 GHG emissions. While the Task Force recognizes the data and methodological challenges associated with calculating Scope 3 GHG emissions, it believes such emissions are an important metric reflecting an organization's exposure to climate-related risks and opportunities. For guidance on reporting Scope 3 GHG emissions, see the GHG Protocol's The Corporate Value Chain (Scope 3) Accounting and Reporting Standard</p> <p>^[Footnote] When considering whether to disclose Scope 3 GHG emissions, organizations should consider whether such emissions are a significant portion of their total GHG emissions. For example, see discussion of 40% threshold in the Science Based Targets initiative's (SBTi's) paper SBTi Criteria and Recommendations, Version 4.2, April 2021, Section V, p. 10.</p> <p>Guidance for All Sectors Disclosure b)</p> <p>GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organizations and jurisdictions.^[Footnote]</p> <p>^[Footnote] While challenges remain, the GHG Protocol methodology is the most widely recognized and used international standard for</p>	<p>not already be included in the strategy disclosures. This has not been included in ED NZ CS 1.</p> <p>The accompanying working draft of XRB staff guidance directs preparers to the GHG Protocol suite of documents or ISO 14064-1 as the primary standards. The Partnership for Carbon Accounting Financials is referenced for financial entities. The GHG Protocol will not be referenced in ED NZ CS 1. See ED NZ CS 1 Basis for Conclusions Metrics and Targets section.</p>

Metrics and Targets		
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	calculating GHG emissions. Organizations may use national reporting methodologies if they are consistent with the GHG Protocol methodology.	
GHG <i>emissions intensity</i> ; [Paragraph 21(b)]	<p>Table A2.1 GHG Emissions Absolute Scope 1, Scope 2, and Scope 3; emissions intensity MT of CO₂e</p> <p>Guidance for All Sectors Disclosure b) As appropriate, organizations should consider providing related, generally accepted industry-specific GHG efficiency ratios. ^[Footnote]</p> <p>^[Footnote] For industries with high energy consumption, metrics related to emission intensity are important to provide. For example, emissions per unit of economic output (e.g., unit of production, number of employees, or value-added) is widely used.</p>	XRB proposed requirements are split into two separate disclosures for assurance purposes.
transition risks: amount or percentage of assets or business activities vulnerable to transition risks [Paragraph 21(c)]	<p>Table A2.1 Transition Risks Amount and extent of assets or business activities vulnerable to transition risks Amount or percentage</p>	We have used 'or' rather than 'and'. TCFD use 'amount and extent' in their metric category description in tables A2.1. The suggested metric states 'amount or percentage'. In rationale they use 'amount and extent' for transition risks and 'amount or extent' for physical risks. The XRB Board believes that 'or' allows some flexibility for entities.
physical risks: amount or percentage of assets or business activities vulnerable to physical risks [Paragraph 21(d)]	<p>Table A2.1 Physical Risks Amount and extent of assets or business activities vulnerable to physical risks* Amount or percentage</p> <p><i>*Transition and Physical Risks: Due to challenges related to portfolio aggregation and sourcing data from companies or third-party fund managers, financial organizations may find it more difficult to quantify exposure to climate-related risks. The Task Force suggests that financial organizations provide qualitative and quantitative information, when available</i></p>	We have used 'or' rather than 'and'. TCFD use 'amount and extent' in their metric category description in tables A2.1. The suggested metric states 'amount or percentage'. In rationale they use 'amount and extent' for transition risks and 'amount or extent' for physical risks. The XRB Board believes that 'or' allows some flexibility for entities.

Metrics and Targets		
XRB's ED NZ CS 1	TCFD Recommendations	XRB Staff Commentary
<p>climate-related opportunities: amount or percentage of assets, or business activities aligned with climate-related opportunities. [Paragraph 21(e)]</p>	<p>Table A2.1 Climate-Related Opportunities Proportion of revenue, assets, or other business activities aligned with climate-related opportunities Amount or percentage</p> <p>Guidance for All Sectors Disclosure a) Where relevant, organizations should provide their internal carbon prices as well as climate-related opportunity metrics such as revenue from products and services designed for a low-carbon economy.</p>	<p>We have used 'or' rather than 'and' for consistency with transition risks and physical risks disclosures.</p>
<p>capital deployment: amount of capital expenditure, financing, or investment deployed toward climate-related risks and opportunities. [Paragraph 21(f)]</p>	<p>Table A2.1 Capital Deployment Amount of capital expenditure, financing, or investment deployed toward climate-related risks and opportunities Reporting currency</p>	<p>No substantive differences.</p>
<p><i>internal emissions price</i>: price per metric tonne of CO₂e used internally by an entity [Paragraph 21(g)]</p>	<p>Table A2.1 Internal Carbon Prices Price on each ton of GHG emissions used internally by an organization Price in reporting currency, per MT of CO₂e</p> <p>Guidance for All Sectors Disclosure a) Where relevant, organizations should provide their internal carbon prices as well as climate-related opportunity metrics such as revenue from products and services designed for a low-carbon economy.</p>	<p>We have used emissions rather than carbon throughout ED NZ CS 1. This reflects that methane is also an important component of New Zealand's emissions.</p>
<p>remuneration: management remuneration linked to climate-related risks and opportunities in the current period (see paragraph 7(d)), expressed as a percentage, weighting, description or amount. [Paragraph 21(h)]</p>	<p>Table A2.1 Remuneration Proportion of executive management remuneration linked to climate considerations** Percentage, weighting, description, or amount in reporting currency</p>	<p>We have used climate-related risks and opportunities to be consistent with the rest of our standard. The XRB Board believes descriptive language on remuneration policies and practices is included in the disclosure in ED NZ CS 1 paragraph 7(d).</p>

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<p>The XRB proposes the following disclosure in the Governance section:</p> <p>how the governance body sets, monitors progress against, and oversees achievement of metrics and targets for managing climate-related risks and opportunities, including whether and if so how, related performance metrics are incorporated into remuneration policies</p> <p>[Paragraph 7(d)]</p>	<p>**Remuneration: While the Task Force encourages quantitative disclosure, organizations may include descriptive language on remuneration policies and practices, such as how climate change issues are included in balanced scorecards for executive remuneration.</p> <p>Guidance for All Sectors Disclosure a)</p> <p>Where climate-related issues are material, organizations should consider describing whether and how related performance metrics are incorporated into remuneration policies.</p>	
<p>An entity must include the following information when describing the targets used to manage climate-related risks and opportunities, and performance against those targets (see paragraph 20(d))</p> <p>[Paragraph 22]</p>	<p>Guidance for All Sectors Disclosure c)</p> <p>Organizations should describe their key climate-related targets such as those related to GHG emissions, water usage, energy usage, etc., in line with the cross-industry, climate related metric categories in Table A2.1 (p. 79), where relevant, and in line with anticipated regulatory requirements or market constraints or other goals. Other goals may include efficiency or financial goals, financial loss tolerances, avoided GHG emissions through the entire product life cycle, or net revenue goals for products and services designed for a low-carbon economy.</p>	<p>The accompanying working draft of XRB staff guidance includes the detail included in the TCFD recommendations.</p>
<p>the time frame over which the target applies</p> <p>[Paragraph 22(a)]</p>	<p>Guidance for All Sectors Disclosure c)</p> <p>– time frames over which the target applies;</p>	<p>No substantive differences.</p>
<p>the associated <i>interim targets</i></p> <p>[Paragraph 22(b)]</p>	<p>Guidance for All Sectors Disclosure c)</p> <p>Organizations disclosing medium-term or long-term targets should also disclose associated interim targets in aggregate or by business line, where available.</p>	<p>No substantive differences</p>
<p>the <i>base year</i> from which progress is measured</p> <p>[Paragraph 22(c)]</p>	<p>Guidance for All Sectors Disclosure c)</p> <p>– base year from which progress is measured; and</p>	<p>No substantive differences.</p>
<p>a description of performance against targets</p> <p>[Paragraph 22(d)]</p>		<p>The XRB Board decided to include this proposed disclosure as it believes that a description of performance against targets is important information for primary users.</p>

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<p>for each GHG emission target: [Paragraph 22(e)] whether the target is <i>absolute target</i> or <i>intensity target</i>; [Paragraph 22(e)(i)] whether the target is aligned with science, and if so, whether it has been validated by a third party; [Paragraph 22(e)(ii)] the extent to which the target relies on offsets, whether the offsets are verified or certified, and if so, under which scheme or schemes. [Paragraph 22(e)(iii)]</p>	<p>Guidance for All Sectors Disclosure c) In describing their targets, organizations should consider including the following: – whether the target is absolute or intensity based;</p>	<p>Aligned with TCFD for absolute or intensity targets. Following stakeholder feedback, the XRB Board decided to add proposed paragraph 22(e)(ii) on whether the target is aligned with science and proposed paragraph 22(e)(iii) on whether the target relies on offsets. See ED NZ CS 1 Basis for Conclusions Metrics and Targets section.</p>
<p>An entity must disclose the following in relation to its GHG emissions: [Paragraph 23] a statement describing the recognised standard or standards that the entity's GHG emissions have been measured in accordance with; [Paragraph 23(a)] the GHG emissions consolidation approach: whether equity share, financial control, or operational control; [Paragraph 23(b)] a summary of specific exclusions of sources, facilities and/or operations with a justification of their exclusion. [Paragraph 23(c)]</p>		<p>These proposed requirements are additional to TCFD. The XRB Board added these proposals as they are important to provided transparency to primary users. See ED NZ CS 1 Basis for Conclusions Metrics and Targets section.</p>
<p>The use of reasonable estimates is an essential part of preparing climate-related disclosures and does not undermine the usefulness of the information if the estimates are accurately described and explained. Disclosures about methodologies, significant assumptions and significant estimation uncertainty are essential to ensure primary users are provided with information to understand the amounts in an entity's climate-related disclosures. [ED NZ CS 3 Paragraph 46] An entity must provide a description of the methodologies and significant assumptions used to calculate or estimate amounts</p>	<p>Guidance for All Sectors Disclosure a) Where not apparent, organizations should provide a description of the methodologies used to calculate or estimate climate-related metrics. Guidance for All Sectors Disclosure b) Where not apparent, organizations should provide a description of the methodologies used to calculate or estimate the metrics.</p>	<p>The XRB Board decided to include more detailed disclosures around methodologies and assumptions. These are key for primary users to be able to understand metrics and other disclosures. See ED NZ CS 1 Basis for Conclusions Metrics and Targets section.</p>

<i>Metrics and Targets</i>		
XRB's ED NZ CS 1	TCFD Recommendations	XRB Staff Commentary
<p>where they are not apparent including the limitations of those methods. [ED NZ CS 3 Paragraph 47]</p> <p>When deciding how much information to disclose in accordance with paragraphs 46 and 47, an entity focuses on those significant assumptions and other sources of significant estimation uncertainty that require an entity's most difficult, subjective or complex judgements. [ED NZ CS 3 Paragraph 49]</p>	<p>Guidance for All Sectors Disclosure c)</p> <p>Where not apparent, organizations should provide a description of the methodologies used to calculate targets and measures.</p>	

Table 5 Comparison of Defined Terms – XRB Proposals to TCFD Recommendations

Defined term	XRB's ED NZ CS 1	TCFD definition	XRB Staff Commentary
absolute target	A target defined by a change in absolute GHG emissions over time. For example, reducing scope 1 GHG emissions by 50% by 2030 from a 2019 base year.	Not defined	-
Aotearoa New Zealand Climate Standards	Standards issued by the External Reporting Board which comprise the climate-related disclosure framework.	Not defined	-
base year	An historic datum (a specific year or an average over multiple years) against which an entity's emissions are tracked over time.	Not defined	XRB proposed definition sourced from GHG Protocol.
climate statements	For the purposes of this [draft] Standard has the same meaning as 'climate statements' as defined in the Financial Reporting Act 2013.	Not defined.	-
climate-related disclosures	Disclosures about climate-related risks and opportunities that are useful to primary users when they assess, and make decisions about, an entity's enterprise value, including information about its governance, strategy and risk management, and related metrics and targets.	Not defined.	-
climate-related disclosure framework	For the purposes of this [draft] Standard, climate-related disclosure framework has the same meaning as 'climate-related disclosure framework' as defined in the Financial Reporting Act 2013.	Not defined.	-
climate-related opportunities	The potentially positive climate-related outcomes for an entity. Efforts to mitigate and adapt to climate change can produce opportunities for entities, such as through resource efficiency and cost savings, the adoption and utilisation of low-emissions energy sources, the development of new products and services, and building resilience along the value chain.	The potential positive impacts related to climate change on an organization. Efforts to mitigate and adapt to climate change can produce opportunities for organizations, such as through resource efficiency and cost savings, the adoption and utilization of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organization operates.	No substantive differences.

Defined term	XRB's ED NZ CS 1	TCFD definition	XRB Staff Commentary
climate-related risks	The potential negative impacts of climate change on an entity. See also the definitions of physical risks and transition risks.	The potential negative impacts of climate change on an organization. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations.	XRB has split out proposed definitions of physical risks and transition risks.
climate-related scenario	A plausible, challenging description of how the future may develop based on a coherent and internally consistent set of assumptions about key driving forces and relationships covering both physical and transition risks in an integrated manner. Climate-related scenarios are not intended to be probabilistic or predictive, or to identify the 'most likely' outcome(s) of climate change. They are intended to provide an opportunity for entities to develop their internal capacity to better understand and prepare for the uncertain future impacts of climate change.	Not defined.	-
carbon dioxide equivalent (CO ₂ e)	The universal unit of measurement to indicate the global warming potential of each of the seven GHGs, expressed in terms of the global warming potential of one unit of carbon dioxide for 100 years. It is used to evaluate releasing (or avoiding releasing) any GHGs against a common basis.	Not defined.	-

Defined term	XRB's ED NZ CS 1	TCFD definition	XRB Staff Commentary
emissions intensity	Intensity ratios express GHG emissions impact per unit of physical activity or unit of economic output. A physical intensity ratio is suitable when aggregating or comparing across that have similar products. An economic intensity ratio is suitable when aggregating or comparing across businesses that produce different products. A declining intensity ratio reflects a positive performance improvement. Intensity ratios are also often called normalised environmental impact data. Examples of intensity ratios include product emission intensity (for example, tonnes of GHG emissions per electricity generated); service intensity (for example, GHG emissions per function or service); and sales intensity (for example, emissions per sales).		Sourced from GHG Protocol.
financial impacts	The translation of impacts into current or anticipated impacts on financial performance, financial position and cash flows.	Not defined in a TCFD appendix. Guidance on Metrics, Targets and Transition Plans There is a summary of financial impacts in Box F1 on page 47.	-
governance body	A board, investment committee or equivalent body charged with governance.	Not defined.	-
greenhouse gases (GHG)	The seven greenhouse gases listed in the Kyoto Protocol: carbon dioxide (CO ₂); methane (CH ₄); nitrous oxide (N ₂ O); hydrofluorocarbons (HFCs); nitrogen trifluoride (NF ₃); perfluorocarbons (PFCs); and sulphur hexafluoride (SF ₆).	Not defined	-
group climate statements	For the purposes of this [draft] Standard has the same meaning as 'group climate statements' as defined in the Financial Reporting Act 2013.	Not defined.	-
gross emissions	Emissions are the release of GHGs into the atmosphere. Gross emissions are total GHG emissions excluding any purchase, sale or transfer of GHG emission offsets or allowances. Gross scope 2 emissions must be calculated using the location-based methodology. Removals should be reported separately.	Not defined	Informed by GRI Standards.

Defined term	XRB's ED NZ CS 1	TCFD definition	XRB Staff Commentary
impacts	The effects (also referred to as consequences or outcomes) of climate change occurring for an entity. These effects will, in turn, depend on the impacts of climate change on the broader socioeconomic and ecological systems an entity operates within (including an entity's value chain).	(Consequences, Outcomes) are the effects on natural and human systems. In this report, the term "impact" is used primarily to refer to the effects on natural and human systems of extreme weather and climate events and of climate change. Impacts generally refer to effects on lives, livelihoods, health, ecosystems, economies, societies, cultures, services, and infrastructure due to the interaction of climate changes or hazardous climate events occurring within a specific time period, and the vulnerability of an exposed society or system. Impacts are also referred to as consequences and outcomes. The impacts of climate change on geophysical systems, including floods, droughts, and sea level rise, are a subset of impacts called physical impacts.	XRB definition based on TCFD definition, ensuring the focus is specific to the entity while retaining broader contextual relationships which TCFD drew from the IPCC definition.
intensity target	A target defined by a change in the ratio of emissions to a metric over time. For example, reducing tonnes CO ₂ e per \$ revenue by 48% by 2025 from a 2018 base year.	Not defined.	-
interim period	A reporting period shorter than a full year.	Not defined.	-
interim target	A short-term milestone between an entity's medium-term or long-term target and the current period.	A short-term milestone between the organization's medium- or long-term target and current period.	Aligned.
internal emissions price	A monetary value on GHG emissions an entity uses internally to guide its decision-making process in relation to climate change impacts, risks and opportunities.	A monetary value on GHG emissions an entity uses internally to guide its decision-making process in relation to climate change impacts, risks and opportunities	Aligned Note, TCFD use internal carbon price rather than internal emissions price.
management	Executive or senior management positions that are generally separate from the governance body.	Those positions an organization views as executive or senior management positions and that are generally separate from the board	No substantive differences.
metric(s)	A quantity indicative of the level of historical, current, and forward-looking climate-related risks and opportunities for a given entity. These indicators are used to track climate-related risks and opportunities and can also be used to measure progress against targets over the duration of the period for which a target is set.	Not defined	-

Defined term	XRB's ED NZ CS 1	TCFD definition	XRB Staff Commentary
physical risks	Risks related to the physical impacts of climate change. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events. They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns, such as sea level rise.	See climate-related risks	XRB separated out physical risks and transition risks.
primary users	Existing and potential investors, lenders and other creditors.	Not defined.	TCFD refers to primary users as investors, lenders and insurance underwriters.
risk management	A set of processes that are carried out by an entity's governance body and management to support the achievement of an entity's objectives by addressing its risks and managing the combined potential impact of those risks.	A set of processes that are carried out by an organization's board and management to support the achievement of the organization's objectives by addressing its risks and managing the combined potential impact of those risks	Aligned.
scenario analysis	A process for systematically exploring the effects of a range of plausible future events under conditions of uncertainty. Engaging in this process helps an entity to identify its climate-related risks and opportunities and develop a better understanding of the resilience of its business model and strategy.	A process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, for example, scenarios allow an organization to explore and develop an understanding of how the physical and transition risks of climate change may impact its businesses, strategies, and financial performance over time.	We have emphasised the need to systematically consider both physical and transition risks in any given scenario. This is consistent with TCFD guidance, given the need to create plausible and internally consistent worlds to explore the resilience of strategy. Approaching risks and opportunities in an integrated way from the outset will help to ensure entities avoid seeing them as divergent future worlds, which is important because all futures faced by all entities globally will involve some combination of physical and transition risks and opportunities.
scope 1	Direct GHG emissions from sources owned or controlled by the entity.	All direct GHG emissions.	No substantive differences.
scope 2	Indirect GHG emissions from consumption of purchased electricity, heat, or steam.	Indirect GHG emissions from consumption of purchased electricity, heat, or steam.	No substantive differences.
scope 3	Other indirect GHG emissions not covered in scope 2 that occur in the value chain of the reporting entity, including upstream and downstream GHG emissions. Scope 3 categories are purchased goods and services, capital goods, fuel-related and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel,	Other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting entity, including both upstream and downstream emissions. Scope 3 emissions include: the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related	No substantive differences. We have included all the GHG Protocol scope 3 categories in definition.

Defined term	XRB's ED NZ CS 1	TCFD definition	XRB Staff Commentary
	employee commuting, upstream leased assets, downstream transportation and distribution, processing of sold products, use of sold products, end-of-life treatment of sold products, downstream leased assets, franchises, and investments.	activities (e.g., transmission and distribution losses), outsourced activities, and waste disposal.	
target(s)	A specific level, threshold, or quantity of a metric that an entity wishes to meet over a defined time horizon in order to achieve an entity's overall climate-related ambition and strategy.	Not defined	-
transition plan	An aspect of an entity's overall strategy that lays out a set of targets and actions supporting its transition toward a low-emissions, economy, including actions such as reducing its GHG emissions.	An aspect of an organization's overall business strategy that lays out a set of targets and actions supporting its transition toward a low-carbon economy, including actions such as reducing its GHG emissions.	We considered other terms more commonly used in New Zealand at present but consider international alignment is important and the term works adequately in our context. The scope of the transition plan definition and its important link into the overall strategy is important for entities to understand and consider.
transition risks	Risks related to the transition to a low-emissions, climate-resilient global and domestic economy, such as policy, legal, technology, market and reputation changes associated with the mitigation and adaptation requirements relating to climate change.	See climate-related risks	XRB separated out physical risks and transition risks. We also made more explicit reference to adaptation and the transition to a climate-resilient global and domestic economy.
value chain	The full range of activities, resources and relationships related to an entity's business model and the external environment in which it operates. A value chain encompasses the activities, resources and relationships an entity uses and relies on to create its products or services from conception to delivery, consumption and end of life. Relevant activities, resources and relationships include those in an entity's operations, such as human resource; those along its supply, marketing and distribution channels, such as materials and service sourcing and product and service sale and delivery; and the financing, geographical, geopolitical and regulatory environments in which an entity operates.	The upstream and downstream life cycle of a product, process, or service, including material sourcing, production, consumption, and disposal/recycling. Upstream activities include operations that relate to the initial stages of producing a good or service (e.g., material sourcing, material processing, supplier activities). Downstream activities include operations that relate to processing the materials into a finished product and delivering it to the end user (e.g., transportation, distribution, and consumption).	XRB definition is broader.