

At a glance

Climate-related Disclosures

Aotearoa New Zealand Climate Standards

NZ CS 1, NZ CS 2, NZ CS 3



July 2022

Submissions due **26 September 2022**



Why report on climate change?

Legislative requirement

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 makes it mandatory for climate reporting entities to produce climate statements according to disclosure requirements in External Reporting Board (XRB) standards.

Better decision making

Reporting on climate change allows investors to make more informed decisions about the climate-related risks and opportunities facing the entities and sectors into which they invest.

Better strategy

Encourages entities to think about their strategic choices in light of the risks and opportunities of climate change, including the transition to a low-emissions future.

Who is required to report and when?



Large listed equity and debt issuers with a market capitalisation exceeding \$60 million



Large financial organisations, including banks, insurers and managers of investment schemes with total assets of more than \$1 billion

The reporting regime takes effect for accounting periods that start on or after the XRB issues the first climate standard. We anticipate issuing a standard by December 2022.



Timeline

The formal exposure draft is the third in a series of consultations run by the XRB to inform the development of Aotearoa New Zealand Climate Standards.

This round of consultation is on the formal exposure drafts of the three standards. Development of the exposure drafts has been informed through the feedback received over the previous two consultation rounds.

October 2021 Governance and Risk Management

This initial draft was released for a four-week consultation period.



March 2022 Strategy, and Metrics and Targets Level of assurance, Materiality

This initial draft was released for a six-week consultation period.



July 2022 Formal Exposure Draft

This formal exposure draft comprises the entire climate-related disclosure framework.





What are Aotearoa New Zealand Climate Standards?

Climate-related disclosure framework: Aotearoa New Zealand Climate Standards

Aotearoa New Zealand
Climate Standard 1:

Climate-related
Disclosures (NZ CS 1)

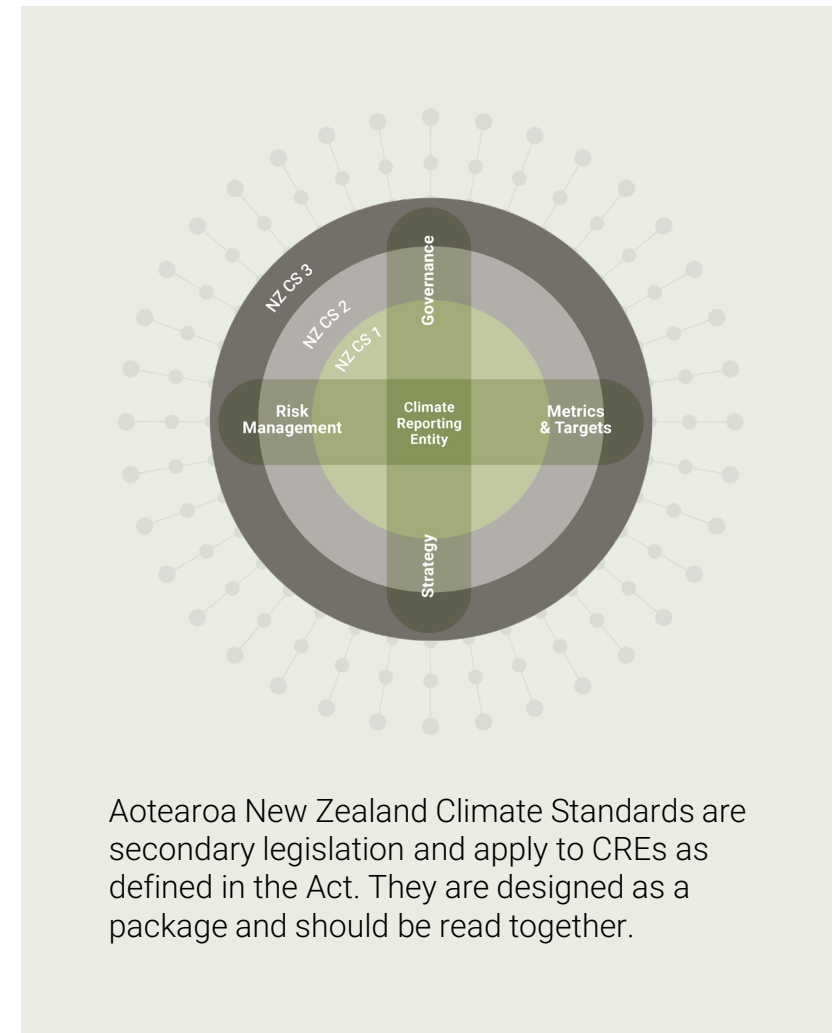
Aotearoa New Zealand
Climate Standard 2:

First-time Adoption of
Aotearoa New Zealand
Climate Standards
(NZ CS 2)

Aotearoa New Zealand
Climate Standard 3:

General Requirements
for Climate-related
Disclosures (NZ CS 3)

Figure 1: The climate-related disclosure framework





Draft NZ CS 1: Climate-related Disclosures



[Download the exposure draft of NZ CS 1](#)

Draft NZ CS 1 contains the disclosure requirements relating to the four thematic sections (Governance, Risk Management, Strategy, and Metrics and Targets) and the assurance requirements.

Governance

- Identity of the governance body
- Governance body oversight of climate-related risks and opportunities
- Management's role in assessing and managing climate-related risks and opportunities

Strategy

- Identification of climate-related risks and opportunities
- Scenario analysis against a minimum of three climate-related scenarios
- Current climate-related impacts, and anticipated impacts of identified climate-related risks and opportunities
- How the entity will position itself in the transition to a low-emissions, climate-resilient future

Risk Management

- Processes for identifying, assessing and managing climate-related risks
- How these processes are integrated into overall risk management processes

Metrics and Targets

- Cross-industry metric categories (including scope 1, 2 and 3 greenhouse gas (GHG) emissions)
- Industry-based metrics
- Key performance indicators
- Targets, and performance against targets

Assurance

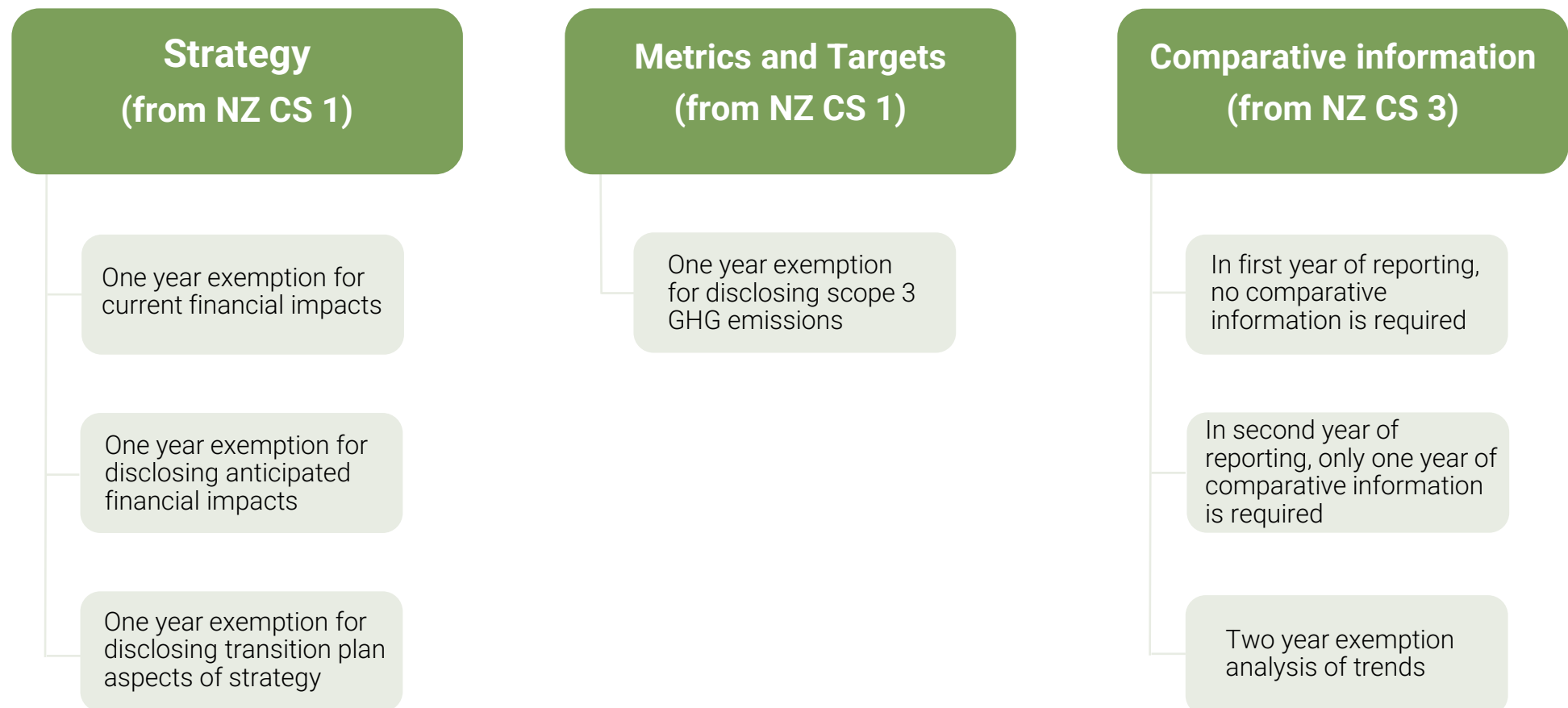
- GHG emissions disclosures are subject to limited assurance for any accounting period that ends on or after 27 October 2024



[Download the exposure draft of NZ CS 2](#)

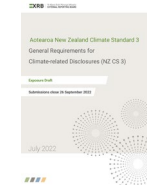
Draft NZ CS 2: First-time Adoption of Aotearoa New Zealand Climate Standards

Draft NZ CS 2 contains adoption provisions available to entities the first time that they are required to disclose.





Draft NZ CS 3: General Requirements for Climate-related Disclosures



[Download the exposure draft of NZ CS 3](#)

Draft NZ CS 3 contains the general requirements and principles for preparers to follow when making disclosures under Aotearoa New Zealand Climate Standards.

Overarching principle of fair presentation

Principles: Information

- Relevance
- Comparability
- Balance
- Consistency
- Accuracy
- Timeliness
- Verifiability

Principles: Presentation

- Understandability
- Consistency
- Completeness
- Coherence

General Requirements

Location of disclosures: An entity may provide its climate-related disclosures in a standalone document or within another document (e.g., an annual report).

Reporting entity and reporting period: An entity must prepare its climate-related disclosures for the same reporting entity and reporting period as its financial statements.

Value chain: An entity must consider the exposure of its value chain when considering its exposure to climate-related risks and opportunities.

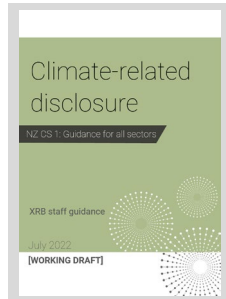
Materiality: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users make on the basis of their assessments of an entity's enterprise value. Material information could include, but is not limited to, information about an entity's impacts on the climate if those impacts could reasonably be expected to affect the entity's enterprise value.

Comparative information: Two years of comparative information is required for each metric, and an entity must disclose an analysis of main trends.

Methodologies, assumptions and estimation uncertainty: An entity must disclose methodologies, significant assumptions and significant estimation uncertainty, including on scenario analysis and GHG emissions.



Draft staff guidance



Two draft staff guidance documents are being issued to support entities when making climate-related disclosures against NZ CS 1 (and for MIS Managers, also against NZ CS 3). These documents are intended to be practical and accessible, and use existing Taskforce on Climate-related Financial Disclosure (TCFD) guidance as the primary source material.

Guidance seeks to illustrate 'a' rather than 'the' way of approaching the required disclosures in NZ CS 1, and aims to foster consistency through clarity of understanding, rather than through rules or templates.

→ Draft Guidance for All Sectors

→ Draft Guidance for MIS Managers (managers of registered managed investment schemes)

Comparison tables

Two comparison tables are being issued to provide a comparison between draft NZ CS 1 and:



→ The Task Force on Climate-related Financial Disclosures (TCFD) recommendations and guidance

→ The International Sustainability Standards Board (ISSB) draft climate standard (IFRS S2 Climate-related Disclosures)

Basis for conclusions

Each standard is accompanied by a basis for conclusions. The basis is intended to provide useful explanations of the XRB's decision-making process during the standards' development.



Key questions



Will draft Aotearoa New Zealand Climate Standards meet primary user needs?



Do you have any practical concerns about the feasibility of preparing the required disclosures in draft Aotearoa New Zealand Climate Standards?



Do you agree with the proposed first-time adoption provisions in NZ CS 2?



Do you think the draft staff guidance documents will support climate reporting entities when making their disclosures and support consistent application of the disclosure requirements?

More questions on other aspects are included in the consultation document.



Over to you...

We are keen to hear your feedback and this can be provided formally and informally.

The full consultation document can be found here:

<https://www.xrb.govt.nz/standards/climate-related-disclosures/consultation/>

To help you wrap your head around the information in this consultation document, we're hosting a series of Deep Dive events in August. Register to attend at www.xrb.govt.nz/events/

To provide feedback you can:

Email us
Climate@xrb.govt.nz

Submit via
www.xrb.govt.nz

Comment on our
LinkedIn page

The consultation closes 26 September 2022. Late submissions will not be able to inform the development of the final standards.

