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## **FINAL EXPOSURE DRAFTS – VECTOR SUBMISSION TO THE EXTERNAL REPORTING BOARD**

### **Overview of submission**

- 1 Vector's FY2022 TCFD report is largely aligned with the mandatory reporting regime.
- 2 Vector is largely supportive of the climate-related disclosure framework and we encourage the continued alignment of TCFD with ISSB and other international standards such as the GHG Protocol and Corporate Value Chain Standard. In particular, we strongly support:
  - 2.1 The decision to include NZ CS1, 11(c) and 14(c), which recognise difficulties with access to data and allow entities to disclose a reason as to why quantitative data may not be provided.
  - 2.2 The XRB's approach of 'starting qualitatively and building quantification over time'.
  - 2.3 The inclusion of the ISSB's qualifier of anticipated impacts and financial impacts of climate-related risks and opportunities being those "*reasonably expected*" by an entity at NZ CS 1, 14(c). This pragmatic suggestion reduces the need to include anticipated financial impacts that might be more tangential.
  - 2.4 The removal of the requirement to disclose the proportion of revenue aligned with climate-related opportunities as a cross-industry metric to protect commercially sensitive information.
- 3 Vector has further suggested changes to the exposure drafts which we believe will either improve value for primary users, and/or reduce overhead costs for reporting entities. This will be referenced to each of the four pillars of TCFD reporting:

### **Governance**

- 4 There is some concern that NZ CS 1, 8(a) describing "*how climate-related responsibilities are **delegated** to management-level positions or committees...*" might suggest that reporting entities have delegated ultimate responsibility from the Board to management, rather than delegating certain tasks but retaining ultimate accountability. Amendments to clarify the wording intent would be helpful.

### **Risk Management**

- 5 Amended NZ CS 1, 18(c) requires disclosure as whether any parts of the value chain are *excluded*. The Guidance for all sectors currently states that "*where necessary, entities could provide a rationale for why a given value chain component has been excluded*". Vector seeks clarification that there is a materiality overlay to this disclosure – for example, if a certain part of the value chain has been excluded, but it is not considered material, it would not need to be separately identified as excluded.

- 5.1 Vector suggests a rewording to 'whether any **material** parts of the value chain are excluded'

### **Strategy**

- 6 Vector repeats its former submission seeking the removal of the requirement to report on business model and retaining instead the requirement to report on business strategy. This would cater for enterprises like Vector that have numerous businesses, including regulated businesses, where the business model is set by the Commerce Commission.
- 6.1 Vector acknowledges that this change was partially taken on-board in NZ CS1 BC29(g) "Remove reference to business model and strategy in some places and some definitions to make the disclosures more principles based and to further ensure they are workable for financial institutions, particularly MIS managers;"
- 6.2 However, Vector would like to see the removal of the words 'business model' in NZ CS1 15(a) and 15(b), while retaining the words 'business strategy'.
- 7 Vector has concerns about the lack of certainty involved with identifying and quantifying financial risks. Forecasting such information raises additional risk factors and the Guidance for All Sectors could provide recognition of the limited nature of reliance and liability to be associated with a quantification of long term and future risks and opportunities in climate statements. Vector notes that reporting entities are likely to be less conservative and more strategic if opportunity and risk accounting was (at least for initial years) clearly recognised to be an art and not a science with a range of factors that could result in change. The Guidance could, for example, give parties an indication as to the nature of disclaimers/limitations that are anticipated or would be useful to explain to users how such statements are prepared and can be utilised.

### **Metrics and Targets**

- 8 Vector repeats its former submission point seeking that the requirement at 22(e)(ii) to include information of "*whether the target is aligned with science-based targets, and if so, whether it has been validated by a third party*" be changed from "*validated by a third party*" to "*validated **or developed** by a third party*" to avoid unnecessary further validation of a target where the science-based target was already developed by a reputable third-party.
- 9 Vector notes the removal of the requirement to publish a Greenhouse Gas (GHG) Emissions Inventory Report. Vector nevertheless discloses a separate GHG Emissions Inventory Report to avoid overinflating the TCFD disclosure with GHG related assumptions, methods and standards which may not be of direct interest to our primary reader.
- 9.1 Vector notes the guidance on cross-referencing NZ CS3 15-18
- 9.2 Vector would suggest an explicit allowance of cross-referencing to the GHG Emissions Inventory Report to comply with NZ CS1 23.

### **Concluding Comment**

- 10 Vector thanks the External Reporting Board for the opportunity to submit on this final exposure standard and welcomes the opportunity to engage further by way of oral submission if useful.

Yours sincerely

For and on behalf of Vector Limited



**Mark Toner**

Chief Public Policy and Regulatory Officer