

Bank of New Zealand's submission on the
"Aotearoa New Zealand Climate Standards -
Climate-related Disclosures – Climate-related
Disclosure Framework Consultation Document"

27 September 2022

1 Introduction

- 1.1 Bank of New Zealand ('BNZ') has prepared this submission in response to "Aotearoa New Zealand Climate Standards - Climate-related Disclosures – Climate-related Disclosure Framework" ('Consultation Document').
- 1.2 BNZ fully supports the climate-related disclosure framework and the introduction of the standards to enable existing and potential investors, lenders, and other creditors to understand the potential impacts of climate change on reporting entities. BNZ is committed to transparently disclosing how it is managing exposure to climate change and issued its voluntary reporting in the form of a Climate Risk Disclosure Statement for the year ended 30 September 2021 - see [Climate-Risk-Disclosure-Statement-2021.pdf](#) (bnz.co.nz). BNZ's commitment to the role it has to play in addressing climate change is reflected in its membership of the Net Zero Banking Alliance, we are the first New Zealand based bank to have joined.
- 1.3 BNZ supports the changes that have been made since the last round of consultation. BNZ considers that the new structure of NZ CS 1, 2 and 3 is clearer. The new guidance is also welcome. This submission provides feedback on the remaining areas that BNZ considers will be challenging, in particular, where there are data constraints.
- 1.4 As we have noted in previous submissions, BNZ considers that for the disclosure regime to be effective, users should be able to make comparisons between different reporting entities. In order to do so, BNZ's view is that the latest climate projections data should be made available on an open-source basis, and free of charge, to avoid inequities and to enable all New Zealand reporting entities (and the wider business and community sectors) to access it. We are aware that the Government's National Adaptation Plan proposes to provide access to national climate projection datasets after these have been produced and we would welcome this being made freely available to support this disclosure regime. In addition, BNZ considers that the Government could support the disclosure regime by mandating the public release of emissions data held by government agencies, regulated sectors and other public sector entities. This is of particular relevance to the banking sector to enable the effective reporting of financed emissions in the early stages of this disclosure regime.
- 1.5 BNZ supports the New Zealand Bankers' Association's detailed submission on this consultation. BNZ has provided further high-level submissions below on specific key issues in the consultation.

2 Responses to Consultation Document questions

Q1: Do you think the draft Aotearoa New Zealand Climate Standards will meet primary user needs?

Q1(a): Do you think that the proposed disclosure requirements will provide information that is useful to primary users for decision making? If not, please explain why not and identify any alternative proposals.

- 2.1 BNZ suggests that XRB considers including a data quality score (potentially on the PCAF scale) as a disclosure requirement in NZ CS 1 or amending the requirements in NZ CS 3 regarding GHG emissions methodologies assumptions and estimation uncertainty to include specific reference to data limitations (including as to assumptions and availability of data). BNZ supports the NZBA suggested amendment to paragraph 47 of NZ CS 3 to read:

*An entity must provide a description of the methodologies and significant assumptions used to calculate or estimate amounts where they are not apparent, including the limitations of those methods, **and sources of, and any constraints in relation to, data.***

This would assist primary users by making them aware that data quality on a particular metric might be lower than on other metrics.

Q1(b): Do you consider that draft Aotearoa New Zealand Climate Standards are clear and unambiguous in terms of the information to be disclosed? If not, how could clarity be improved?

- 2.2 Paragraph 21 of NZ CS 1 states that an entity “must” disclose certain metrics including at (a) gross emissions and (b) GHG emissions intensity. BNZ considers that this should be “or” rather than being required to disclose both. Both gross and intensity metrics will be available for some sectors but not for all.

Q1(c): Do you consider that Aotearoa New Zealand Climate Standards are comprehensive enough and achieve the right balance between prescriptiveness and principles-based disclosures? If not, what should be removed or added to achieve better balance?

- 2.3 BNZ considers that there are still likely to be issues with comparability across organisations. For example, in the guidance, CREs can choose to use “point estimates” or “ranges” for metrics. The primary user is unlikely to be able to make comparisons where these metrics are disclosed on a different basis by multiple CREs.

Q2: Do you have any views on the defined terms in draft Aotearoa New Zealand Climate Standards?

- 2.4 BNZ does not have any further feedback on the defined terms.

Q3: Do you have any practical concerns about the feasibility of preparing the required disclosures in draft Aotearoa New Zealand Climate Standards?

- 2.5 BNZ will endeavour to disclose its scope 3 financed emissions as soon as possible, noting that a first-time adoption provision will be available for this disclosure. However, we note, as submitted previously, that there are constraints beyond our control in obtaining some of the data required to report scope 3 financed emissions accurately. BNZ still considers there is a role for the Government in supporting solutions for the provision of this data – for example, from regulated industries such as the energy sector in relation to emissions from residential housing energy use. BNZ supports a high-quality data approach rather than reliance on proxies with assumptions.

2.6 BNZ considers that the standard should make it clear that CREs should disclose what they are not able to disclose and the reasons for the inability to disclose this information.

Q4: Do you agree with the proposed first-time adoption provisions in NZ CS 2? Why or why not?

2.7 BNZ agrees with the first-time adoption provisions in NZ CS 2. In particular we support the adoption provision for scope 3 emissions reporting.

Q4(a): Are any additional first-time adoption provisions required? If so, please provide specific details regarding the adoption provision and the disclosure requirement to which it would apply, and the period of time it would apply for.

2.8 BNZ does not consider that any additional first-time adoption provisions are required.

Q5: Do you think the draft staff guidance documents will support CREs when making their disclosures and support consistent application of the disclosure requirements? Why or why not?

Q5(a): Do you think the guidance is under, adequately or overly specific and granular?

2.9 In general, BNZ considers that the guidance is easy to follow and will support CREs in making their disclosures and support consistent application of the disclosure requirements. However, the guidance refers to other documents. This could make it difficult to use. BNZ's preference is for standalone guidance.

Q5(b): Do you consider that anything in the guidance should be elevated to the standard? Should anything be demoted from the standard into guidance?

2.10 BNZ does not consider that any elements of the guidance should be elevated to the standard or demoted from the standard into guidance.

Q6: Paragraphs 13 to 19 of draft NZ CS 3 are the proposed location of disclosures requirements. Paragraphs BC14 to BC20 of the basis for conclusions on draft NZ CS 3 explain the XRB Board's intent regarding these proposed requirements. Do you agree with the proposed location of disclosures requirements? Why or why not?

2.11 BNZ does not have any further feedback on the location of disclosures requirements.

Should the XRB have any questions in relation to this submission, please contact:

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