



Michele Embling, Chair  
External Reporting Board (XRB)  
Level 7, 50 Manners Street  
Wellington 6142  
New Zealand

27 September 2022

**Subject: PwC submission on the Aotearoa New Zealand Climate Standards  
Climate-related Disclosures Climate-related Disclosure Framework Consultation  
Document**

Dear Michele

**About us**

This submission is from PricewaterhouseCoopers New Zealand (PwC NZ). We are the New Zealand member of PwC's global network of firms. PwC NZ is the largest professional services firm in New Zealand, employing over 1,650 people.

This response is filed on behalf of PwC NZ. References to "PwC" and/or "we" refer to PwC NZ only. This submission is not made on behalf of the global network of member firms.

**Background**

We appreciate the opportunity to comment on the Aotearoa New Zealand Climate Standards (Standards). We are supportive of the upcoming legislation and the Standards. We commend the XRB on their development of these pioneering Standards. We also understand that how businesses respond to climate issues will play a critical role in protecting our economy, capital markets and more importantly our environment from the impact of climate change. We agree that to achieve its intended outcomes these Standards need to facilitate change rather than simply being a compliance exercise. These disclosures need to fully inform users of climate-related risks and opportunities so that users have appropriate information when making decisions on capital financing, lending or underwriting. We have reviewed the consultation documents with this purpose in mind.

We acknowledge the efforts of the XRB on their work in this consultation process. The documents are well laid out, articulate and material considerations have been taken into account.

In developing the views expressed in this submission, we have drawn on PwC's experience in understanding and applying accounting standards, reporting and assurance frameworks and requirements, and our experience of reporting entities who will be affected by this submission, their users and the assurance profession.



Set out below are our high level observations on Aotearoa New Zealand Climate Standards and supporting documents.

- **Alignment with the TCFD & ISSB:** We acknowledge that the XRB has aligned the Standards closely with the TCFD and ISSB where possible. We appreciate and support having comparison tables to understand where differences are present between the XRB, the Task Force on Climate-related Financial Disclosures (TCFD) and the International Sustainability Standards Board (ISSB). As these standards progress globally, continued acknowledgement of differences and potential changes to align will be critical to ensure consistency and comparability globally. Divergence from global standards should be limited only where it is logical to the application of reporting standards and specific outcomes we want in Aotearoa New Zealand.
- **Definitions:** We also support utilising the same definitions as the TCFD, the ISSB or the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), where applicable, to minimise the risk of misinterpretation and encourage alignment of New Zealand reporters to those internationally. The definitions from NZ IFRS, at times, provide a more comprehensive definition based on control, influence or the ability an agent has to direct activities that affect climate related issues/entity outcomes and reporting.

We have identified some terms we believe should be clearly defined to remove ambiguity and ensure consistent application of the Standard. We have included these in our answer to Question 2 below.

- **Overall consultation process:** We have kept our responses to the questions raised in the Climate-related Disclosure Framework Consultation Document succinct and have only elaborated our answers where necessary.

## PwC responses to XRB Questions

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1. **Do you think Aotearoa New Zealand Climate Standards will meet primary user needs?**
  - 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.**
  - 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?**
  - c. **Do you consider that draft Aotearoa New Zealand Climate Standards are comprehensive enough to achieve the right balance between prescriptiveness and principles-based disclosures? If not, what should be removed or added to achieve a better balance? Please consider your answer to question 5 when responding to this question.**

Yes, we believe the proposed Aotearoa New Zealand Climate Standards will meet primary user needs.

- a. Yes, the proposed disclosure requirements will provide information that is useful for the decision making of primary users.
- b. Yes, the draft Aotearoa New Zealand Climate Standards are clear and unambiguous. To further enhance clarity:
  - NZ CS 1, Page 8, Paragraph 14 (b): It is not clear if the anticipated financial impacts are pre-transition plan or post-transition plan. This should be clarified. We are of the belief that including, where possible, both pre-transition plan and post-transition plan anticipated financial impacts would be valuable to the user to understand how the transition plan

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impacts the business overall. Additionally, costs expected to be spent to transition is also valuable information for the reader to understand. For many entities, the transition itself could have a material effect on the entity's overall expenses.

- NZ CS 1, Page 10, Paragraph 21 (g): How the entity determined their internal emissions price should also be a required disclosure.
  - NZ CS 1, Page 10, Paragraph 23 (c): Greenhouse gas emissions exclusions should not only include a summary of exclusions, the justification, but also information on how the entity is looking to ensure the exclusions are included in the future.
  - NZ CS 3, Page 6, Paragraph 8: This paragraph discusses the decision to aggregate or disaggregate information in the climate-related disclosures, but it doesn't reference the importance of consistency in how information is disaggregated. In our view, the Standard should explicitly state that if an entity chooses to disaggregate information, they should also ensure this disaggregation is consistent across their disclosures.
  - NZ CS 3, Page 6, Paragraph 10: If an entity makes judgements on trade-offs between principles, the Standard, as currently drafted, doesn't require disclosure of why an entity made such judgements and any trade-offs. As always, transparency is key and thus, this should be explicitly stated in paragraph 10.
  - NZ CS 3, Page 7, Table 1, Principle: Balance - This principle should be included in Table 2. Balance and/or neutrality is also important when ensuring that the presentation of climate-related disclosures is useful.
  - NZ CS 3, Page 8, Table 1, Principle: Timeliness - This principle indicates that an entity "should" make their climate-related disclosures available at the same time as an entity's financial reporting. This is a requirement of the legislation and is noted as a requirement in other places in the Standards. "Should" will need to be changed to "must".
  - NZ CS 3, Page 10, Paragraph 21: It isn't entirely clear that if a CRE is also included in a Group of another CRE, if both entities need to separately report the climate-related disclosures. We recommend providing more explicit detail on this situation for clarity.
  - NZ CS 3, Page 13, Paragraph 50 (b) (iv): This paragraph indicates that an entity should disclose which external partners and stakeholders are involved in the scenario analysis process, but there is no disclosure on what role they played or input they had in the scenario analysis process. We recommend that this is added as understanding why other parties were involved is useful information for the primary users.
  - NZ CS 3, Page 13, Paragraph 51: This paragraph discusses that an entity must disclose a description of the methodologies and significant assumptions used to calculate or estimate GHG emissions. A key element is also the quality of the estimates or data used. For example, for financed emissions, the Partnership for Carbon Accounting Financials (PCAF) also requires the disclosure of a data quality score to help the reader understand the quality of the data. We suggest the XRB consider whether a data quality score or something similar should also be disclosed for greenhouse gas emission disclosures so as to provide more useful information to users.
- c. We believe that the draft Aotearoa New Zealand Climate Standards are adequately comprehensive and achieve the right balance between prescriptiveness and principles-based disclosures.
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**2. Do you have any views on the defined terms in draft Aotearoa New Zealand Climate Standards?**

The following terms can be enhanced for clarity.

- NZ CS 3, Page 7, Table 1, Principle: Balance - In NZ CS 1, Page 17, Paragraph BC5, balance is defined as neutral. We recommend using the same term for both Standards.
- NZ CS 3, Page 15, Appendix A, Defined Term: Interim Period - An interim period is defined as a reporting period shorter than a full year. If an entity changes their year end, this could mean their reporting period is shorter than a full calendar year. We recommend updating the definition to an interim period being “a reporting period shorter than a full financial period/annual period.”

We have no other views or comments on the defined terms as they are currently proposed.

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

*In responding to this question, please consider the proposed first-time adoption provisions in NZ CS 2 and your answer to question 4. Please also clearly explain what would make the specific disclosure unfeasible to disclose against either in the immediate term or longer term.*

It is more appropriate for CREs, as preparers, to provide comments on this question.

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

- a. Are there 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 to.**

We support the use of the first-time adoption provisions. The CREs will have a more informed view of the ability of preparers to meet the requirements of the Aotearoa New Zealand Climate Standards and whether additional provisions are necessary.

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5. 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?
- a. Do you think the guidance is under, adequately or overly specific and granular?
  - b. Do you consider that anything in the guidance should be elevated in the standard? Should anything be demoted from the standard into guidance?

We believe the use of staff guidance documents will support CREs with completing their disclosure requirements and assisting with consistency.

- a. For now, we think the guidance is adequately specific and granular. Over time, this could change and thus, the guidance document should be consistently reviewed and updated, where applicable.
- b. There is no guidance we consider should be elevated to the standard or content in the standard that should be demoted to guidance. Over time, this could change and thus, the Standards and guidance document should be formally reviewed on a scheduled basis.

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6. 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?

We agree with the proposed location of disclosure requirements as it allows an entity to integrate climate change and their climate-related risks and opportunities across their reporting. The flexibility of where the disclosures are placed will allow for the presentation of these disclosures in a way that is most meaningful for the entity’s users.

We understand that these disclosures may lie in an annual report, a standalone document or within another document. Paragraph 15 of NZ CS 3 states that cross reference could be “to an entity’s website”. We believe this part of the sentence should be removed as it may cause confusion that these disclosures could be part of an editable page on the entity’s website.

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Yours sincerely

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