

Consultation document  
At a glance

# Climate-related Disclosures

Aotearoa New Zealand Climate Standard 1

NZ CS 1

**Embargoed until 1PM 16 March 2022**



March 2022



**The granting of Royal Assent to the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 is a significant milestone in Aotearoa New Zealand's progress towards establishing a mandatory climate-related disclosure framework. The Act makes it mandatory for climate reporting entities to produce climate statements according to disclosure requirements in External Reporting Board (XRB) standards.**

**The XRB is basing the framework on the four thematic areas of the Task Force on Climate-related Financial Disclosures, while also having an eye to other international developments such as the establishment of a new International Sustainability Standards Board. We are now consulting on the Strategy and Metrics and Targets sections of the disclosures. We are also proposing a materiality definition and a minimum level of assurance for GHG emissions.**

## **The climate-related disclosure framework**

We have progressed our thinking about the make-up of the climate-related disclosure framework. We now propose for it to comprise three mandatory standards: the disclosures in NZ CS 1, the first-time adoption provisions in NZ CS 2, and general requirements in NZ CS 3. We will also provide non-mandatory guidance to accompany NZ CS 1.

**In February we published a feedback document on submissions received on our Governance and Risk Management consultation. We are currently working through suggestions received on those sections of the disclosures.**



## Who is required to report and by when?

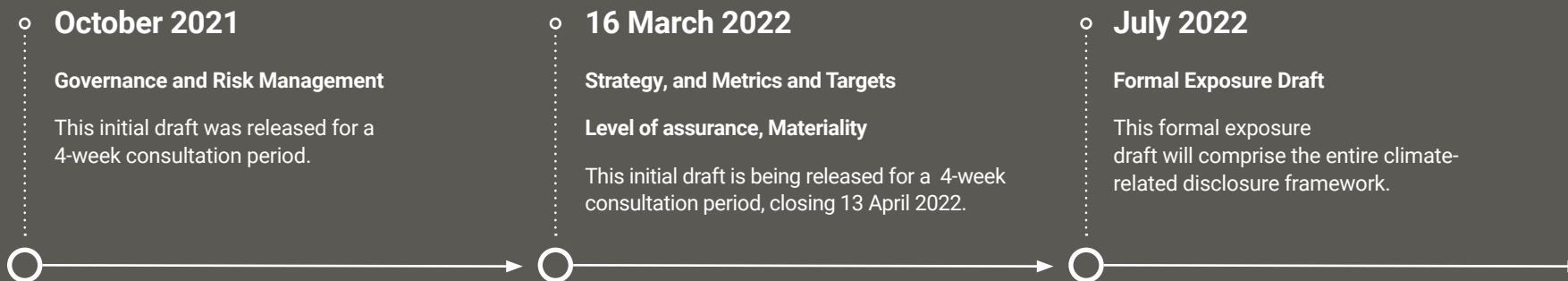


Large listed equity and debt issuers with a market capitalisation exceeding \$60 million



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. Currently we are anticipating issuing a standard by December 2022.

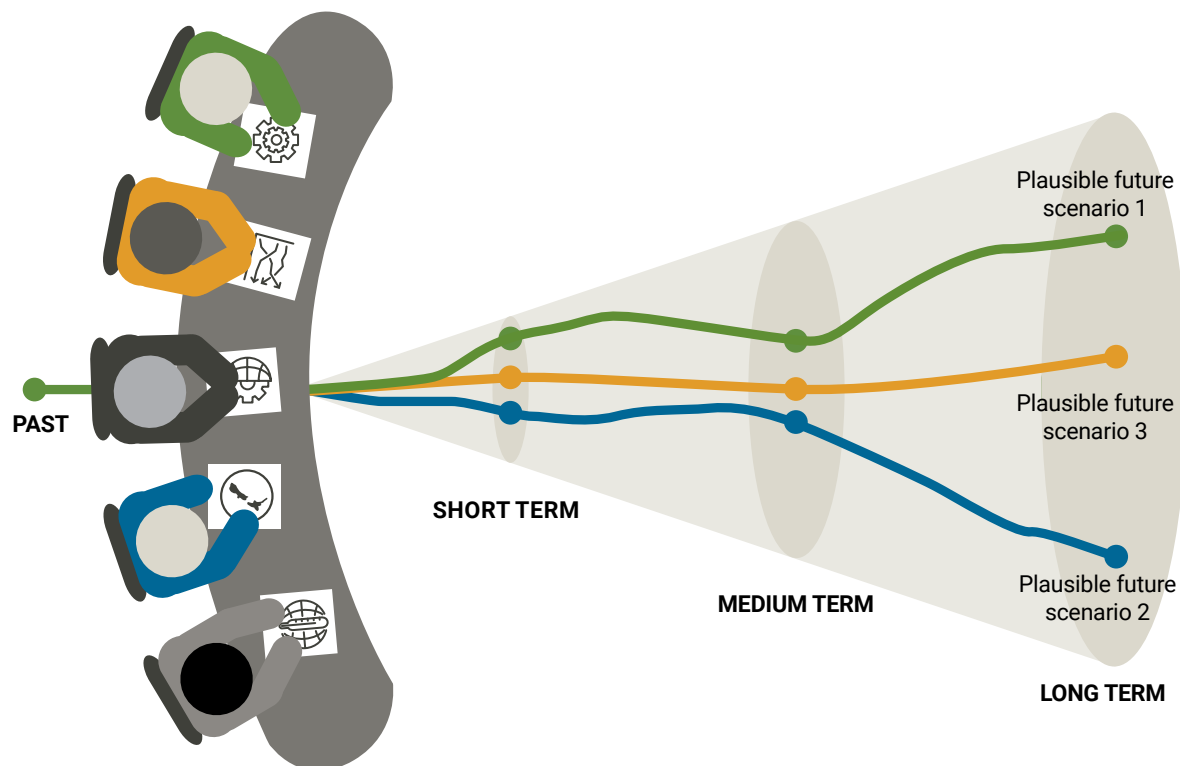




## Proposed section: **Strategy**

The disclosure objective is to enable primary users to understand the impacts of climate-related risks and opportunities on an entity's business model, strategy and financial planning over the short, medium, and long term, including actual and potential financial impacts.

### Scenario Analysis



### Disclosures\*

To achieve the disclosure objective, an entity must disclose the:

- climate-related risks and opportunities it has identified over the short, medium, and long term;
- impact of climate-related risks and opportunities on its business model, strategy and financial planning;
- resilience of its business model and strategy to different climate-related scenarios; and
- methodologies and assumptions underlying the climate-related scenarios used, and the scenario analysis process employed.

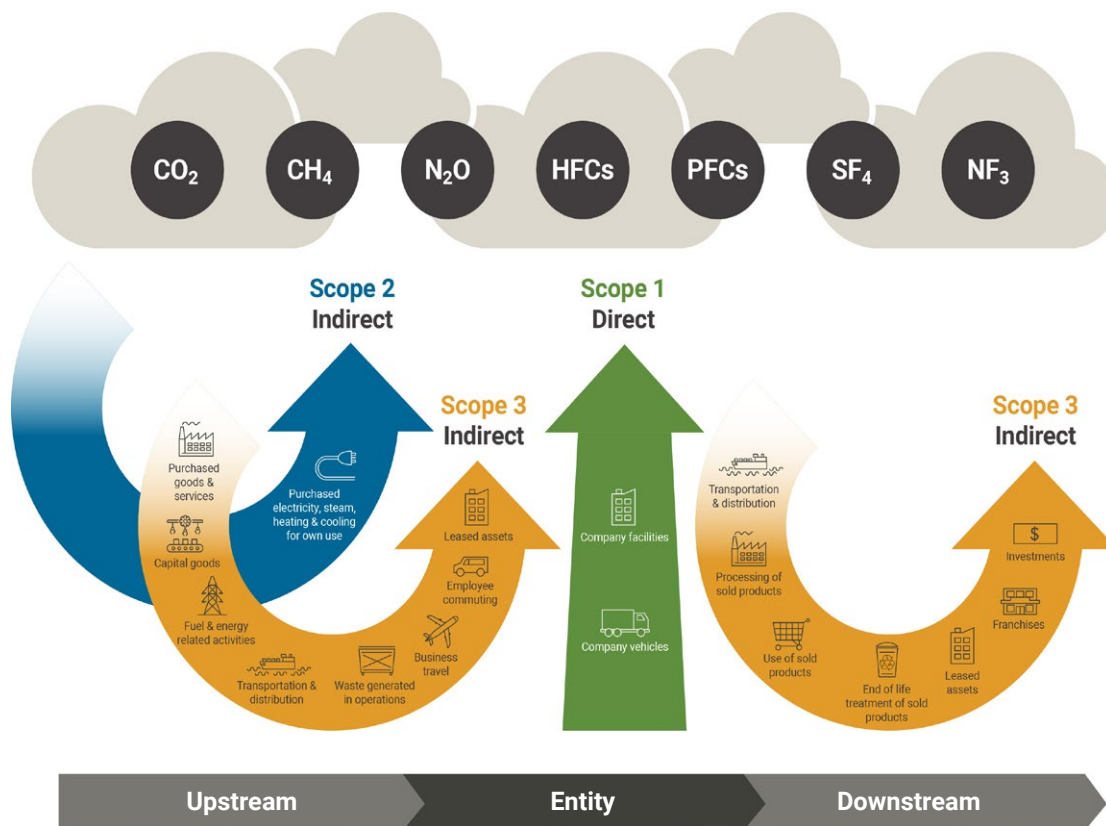
When disclosing a description of the scenario analysis undertaken, we propose that entities should use a range of climate-related scenarios including, at a minimum, a 1.5°C scenario and a greater than 2°C scenario. We also require disclosure of the transition and adaptation plan aspects of an entity's strategy, including the extent to which financial plans are aligned with these plans.

\* Please see the consultation document for the full text of the proposed disclosures.



## Proposed section: Metrics and Targets

The disclosure objective is to enable primary users to understand how an entity measures and manages its climate-related risks and opportunities.



### Disclosures\*

To achieve the disclosure objective, an entity must disclose the:

- (a) metrics used to measure and manage climate-related risks and opportunities in line with its strategy and risk management processes;
- (b) targets used to manage climate-related risks and opportunities and performance against targets; and
- (c) methodologies and assumptions used to calculate its metrics and targets.

We propose to not specify any industry-specific metrics. Rather, we consider that entities should report those metrics which they actually use for the management of climate-related risks and opportunities. We also require the disclosure of scope 3 value chain emissions, as, for more climate reporting entities, this is where the most significant emissions risks and opportunities lie.

\* Please see the consultation document for the full text of the proposed disclosures.



## Proposed materiality definition

### Definition

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 across all time horizons, including the long term.

The full proposed materiality section (which includes this specific definition) is part of the consultation document. Materiality is one of the proposed sections of NZ CS 3 (General requirements).

## Proposed minimum level of assurance

### Scope of the assurance engagement

The intended scope of the assurance engagement is:


- Scope 1, 2 and 3 GHG emissions
- Additional requirements for the disclosure of GHG emissions
- The requirement to prepare a GHG emissions report and provide a link or cross reference to this report
- Confirmation that GHG disclosures have been drawn from the GHG emissions report


### Minimum level of assurance


**The proposed minimum level of assurance is limited assurance. Assurance over other disclosures beyond GHG emissions may be voluntarily obtained by reporting entities, and entities may also choose to obtain reasonable assurance over any disclosures.**




## Key questions

-  Do you think the proposed **Strategy and Metrics and Targets** sections of NZ CS 1 meet primary user needs?  

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-  Do you think that the information provided under these sections of the standard will provide information that is useful to primary users for decision making?  

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-  Do you consider that these sections of the standard are clear and unambiguous in terms of the information to be disclosed? If not, how could clarity be improved?  

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-  Do you consider that these sections of the standard are adequately comprehensive and achieve the right balance in terms of prescriptiveness and principles-based disclosure? If not, what should be removed or added to achieve a better balance?

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-and-engagement/strategy-and-targets-and-metrics>

To help you wrap your head around the information in this consultation document, we're hosting a series of Deep Dive events between 28 March – 1 April. Register to attend [here](#)

**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 13 April 2022**

