

Submission to the External Reporting Board

Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures

Governance and Risk Management consultation

Questions for consideration:

1. Primary users have been identified as existing and potential investors, lenders and insurance underwriters. Do you think that all of these users should be included in the primary user category?

We believe that the risks and opportunities of climate change faced by a reporting entity are increasingly material to broad groups of stakeholders, including employees, media, suppliers and civil society.

We agree with the definition of primary users. We recommend that XRB guidance includes ensuring preparation of disclosures that are easily understood and accessible by secondary users.

Objective: The objective of these disclosures is to enable primary users to understand both the role an entity's board plays in overseeing climate-related issues, and the role management plays in assessing and managing those issues. Such information supports evaluations by primary users of whether climate-related issues receive appropriate board and management attention.

Do you think the proposed Governance section of NZ CS 1 meets primary user needs?

From 2023 all UK financial institutions and listed companies will have to report plans for their transition to align with the UK's net zero by 2050 targets. In line with these developments, we believe New Zealand reporting entities should be required to disclose around transition plans and also the process by which the entity develops its transition plans.

Recommendation: Broaden the objective of the disclosures to include enabling primary users to understand:

1. the role an entity's board plays in overseeing climate-related issues
2. the process the board has taken to engage stakeholders in planning for the transition to net zero carbon emissions by no later than 2050 and management of climate-related issues
3. the role management and stakeholders play in assessing those issues
4. the role management play in assessing and managing those issues

a) Do you think that the information provided under this section of NZ CS 1 will provide information that is useful for decision making to primary users (existing and potential investors, lenders and insurance underwriters)? If not, please explain why not and identify any alternative proposals.

b) Do you consider that this section of the standard is clear and unambiguous in terms of the information to be disclosed? If not, how could clarity be improved?

c) Do you consider that this section of the standard is adequately comprehensive and achieves the right balance in terms of prescriptiveness and specificity? If not, what should be removed or added to achieve a better balance?

With the requirement for disclosure of transition plans, users need to understand both the impacts on the business of climate change and the impacts of the business on climate change (double materiality).

Recommendation: Change section 4b

From:

4b. how the board sets and monitors progress against goals and targets for addressing climate-related issues;

To:

4b. how the board sets and monitors goals, plans and targets for transitioning to zero carbon emissions by no later than 2050 and addressing climate-related issues;

Toitū Tahua: The Centre for Sustainable Finance – www.sustainablefinance.nz

Launched in July this year to implement the Sustainable Finance Forum’s roadmap to a sustainable financial system by 2030, Toitū Tahua is supported by New Zealand banks, insurance companies, industry, Māori businesses and iwi, professional services, civil society, academia, and Government agencies.

The Sustainable Finance Forum’s roadmap provides actionable pathways to transform the financial system into one that enables an inclusive, fair society that operates within planetary boundaries. A key component for this transformation is the mainstream incorporation of environmental, social and economic considerations in financial decisions.

For enquiries or clarification please contact Jo Kelly, CEO – jo@sustainablefinance.nz