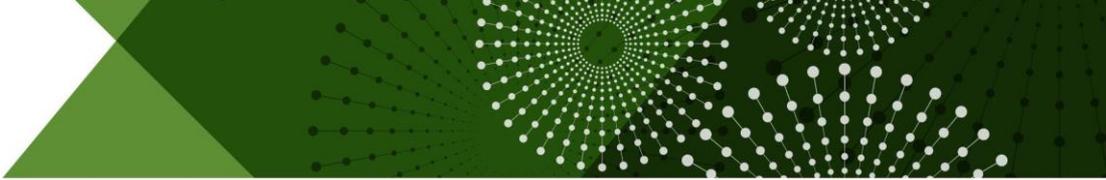


Climate-related Disclosures

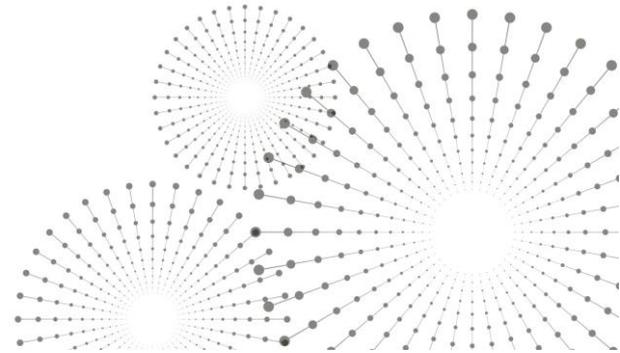
Aotearoa New Zealand Climate Standard 1

NZ CS 1

Our vision



New Zealand prospers through effective decision making informed by high-quality, credible, integrated reporting.



Climate-related disclosures legislation

Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill

Government Bill

As reported from the Economic Development, Science and Innovation Committee

Commentary

Recommendation

The Economic Development, Science and Innovation Committee has examined the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill and recommends, by majority, that the amendments shown be adopted, and recommends unanimously that the bill be passed.

Introduction

This bill is an omnibus bill that seeks to amend the Financial Markets Conduct Act 2013 (FMC Act), the Financial Reporting Act 2013, and the Public Audit Act 2001. The bill would broaden the non-financial reporting requirements of some large entities covered by the FMC Act to include climate-related disclosures.

FMC reporting entities under the FMC Act (for example, registered banks and listed issuers) are required to publish annual audited financial statements. This financial reporting promotes confidence and informed participation in the financial markets by investors.

In 2018, the Intergovernmental Panel on Climate Change noted that human activities have already caused global warming of 1°C above pre-industrial conditions, and are on track to cause at least 1.5°C of warming between 2030 and 2052.

The bill is based on the idea that financial markets will help contribute to the economic transformation that is needed to shift investment away from emission-intensive activities, towards those that are more resilient and produce lower emissions. One way of helping to achieve this is by requiring large entities to disclose information about climate-related risks and opportunities to potential investors.

Governance

Strategy

Risk Management

Metrics and Targets

Timeline

20 October 2021

This consultation provides proposed sections of NZ CS 1 on Governance and Risk Management for a four-week feedback period, closing 22 November 2021.

March 2022

This consultation provides proposed sections of NZ CS 1 on Strategy, and Metrics and Targets, for a four-week feedback period.

July 2022

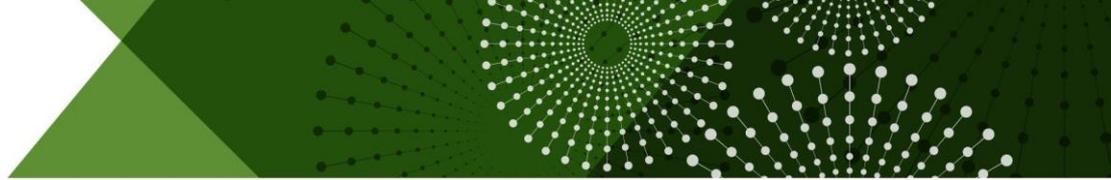
This consultation provides the formal exposure draft of NZ CS 1, and accompanying documents such as the draft adoption standard, for a three-month feedback period.

December 2022

The XRB expects to issue NZ CS 1 and accompanying documents.



Who is required to report and by when?



Large* listed issuers

Large** financial organisations

Large listed issuers
(of quoted equity or debt securities)

Registered banks

Licensed insurers

Credit unions

Building societies

Managers of investment schemes

Some Crown financial institutions
(via letters of expectation)

Climate reporting entities must exceed the threshold of 'large' for the previous two accounting periods to be considered climate reporting entities.

* Large = market capitalisation of over \$60 million

** Large = NZ \$1 billion assets/total assets under management (or for insurers NZ \$250 million annual gross premium revenue)

The climate-related disclosure framework

NZ CS 1: Climate-related Disclosures

Consultation October 2021-July 2022

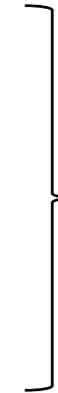
NZ CS 2: Adoption of Climate-related Disclosures

Consultation July 2022

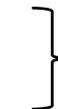
NZ CRDC: Climate-related Disclosures Concepts

Consultation July 2022

Guidance



Mandatory



Non-Mandatory

Design principles

Qualitative characteristics of information that is useful for decision making:

- Faithful representation
- Comparability
- Verifiability
- Timeliness
- Understandability

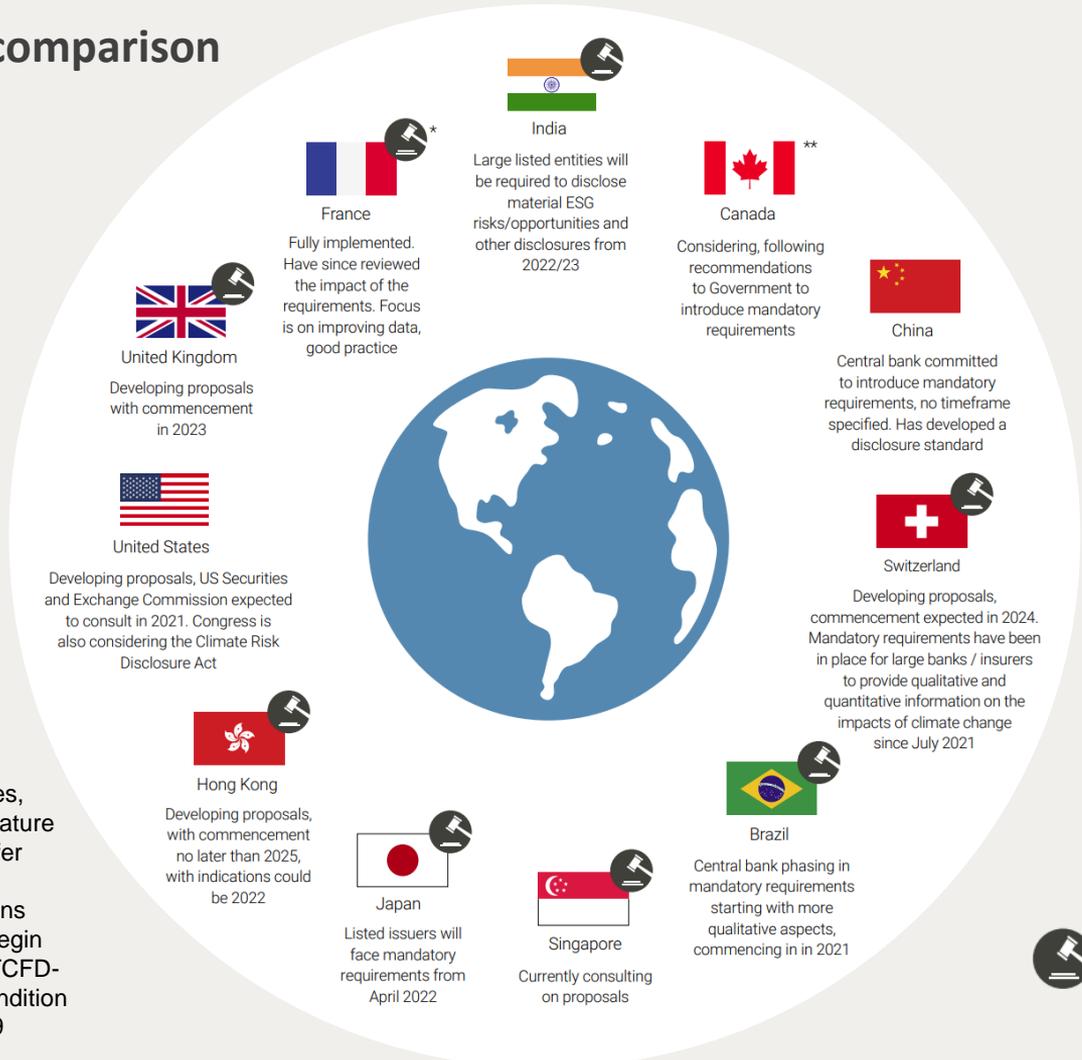
Principles-based

Based on TCFD recommendations

User needs focus

Understanding of Te Ao Māori at a framework level across the XRB

An international comparison



India

Large listed entities will be required to disclose material ESG risks/opportunities and other disclosures from 2022/23



France

Fully implemented. Have since reviewed the impact of the requirements. Focus is on improving data, good practice



Canada

Considering, following recommendations to Government to introduce mandatory requirements



China

Central bank committed to introduce mandatory requirements, no timeframe specified. Has developed a disclosure standard



Switzerland

Developing proposals, commencement expected in 2024. Mandatory requirements have been in place for large banks / insurers to provide qualitative and quantitative information on the impacts of climate change since July 2021



Brazil

Central bank phasing in mandatory requirements starting with more qualitative aspects, commencing in in 2021



Singapore

Currently consulting on proposals



Japan

Listed issuers will face mandatory requirements from April 2022



Hong Kong

Developing proposals, with commencement no later than 2025, with indications could be 2022



United States

Developing proposals, US Securities and Exchange Commission expected to consult in 2021. Congress is also considering the Climate Risk Disclosure Act



United Kingdom

Developing proposals with commencement in 2023



Have mandatory requirements

Please note the coverage of entities, relevant regulatory body and the nature of the mandatory requirements differ across jurisdictions.

* Pre-dated TCFD recommendations

** Large Crown corporations will begin disclosure from 2022 and filing a TCFD-aligned disclosure was made a condition for those entities seeking Covid-19 bailout funding

Proposed structure of NZ CS 1

Heading	Content
Disclosure objective(s)	<p>Explains the disclosure objectives for each of the four sections, i.e., Governance, Strategy, Risk Management, and Metrics and Targets. The purpose of the disclosure objective(s) is to describe why the information disclosed is useful to primary users. The disclosure objective(s) assists entities when making materiality judgements so that relevant material information is provided to primary users.</p>
Explanatory paragraph	<p>Reminds entities to apply judgement when applying the disclosure requirements and not to obscure relevant information by the inclusion of insignificant detail.</p>
Disclosures	<p>Information to be disclosed by an entity that is expected to enable the entity to meet the disclosure objective(s). The 11 TCFD recommended disclosures form the basis for the disclosures in NZ CS 1.</p> <p>The disclosures should not be used as a checklist; rather entities will need to apply judgement to determine what information is material and whether the information provided satisfies the disclosure objective.</p>

Proposed section:

Governance

Objective

To enable users to understand Board oversight and Management assessment of climate-related issues.

Disclosures

Board oversight of climate-related issues focuses on how boards:

- are informed
- set and monitor progress against goals and targets
- hold management accountable (including remuneration policies)
- access expertise
- incorporate climate-related issues into governance processes and decision-making

Management assessment focuses on:

- whether management has been assigned responsibility for climate-related issues
- reporting lines back to the board (including a description of the related organisational structure)
- processes by which management is informed about, makes decisions on, and monitors climate-related issues

Proposed section:

Risk Management

Objective

To enable users to understand how climate-related risks are identified, assessed and managed, and how these processes are integrated into existing risk management processes.

Disclosures

For identifying and assessing both transition and physical risks, entities must describe:

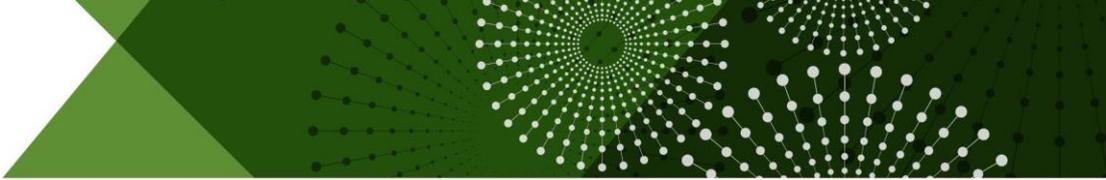
- tools and methods to identify and assess size, scope and impact
- short-, medium- and long-term time horizons considered
- value chain stages covered
- frequency of the assessment

For managing both transition and physical risks, entities must describe:

- how the significance of identified climate-related risks is determined, including their significance in relation to other risks
- how it makes decisions to mitigate, transfer, accept or control those risks

A description of how its climate risk processes are integrated into its overall risk management processes

Issues under consideration



**Scenario
analysis**

**GHG
emissions**

Assurance

**Presentation
requirements**

**Defined
terms**

Materiality

Tell us what you think

- Do the proposed sections meet user needs?
- Are they clear and unambiguous?
- Are they comprehensive and achieve the right balance between prescriptiveness and specificity?



Additional questions are included in the consultation document

Email us

climate@xrb.govt.nz

Use the
submission
form




Make a
comment

