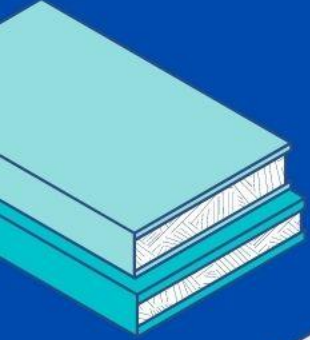


WELCOME TO

RiskNZ Lunchtime Seminar 2021



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APRIL
MACKENZIE



DR AMELIA
SHARMAN

Climate-related disclosures - Consultation on Governance and Risk Management

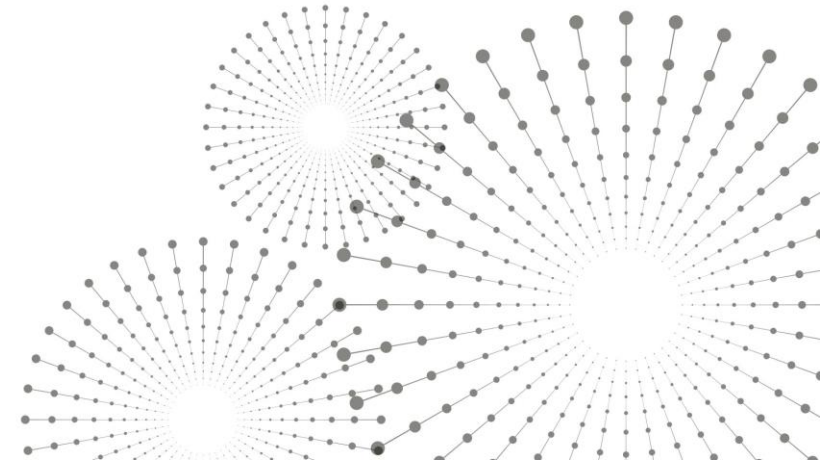
Climate-related Disclosures

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

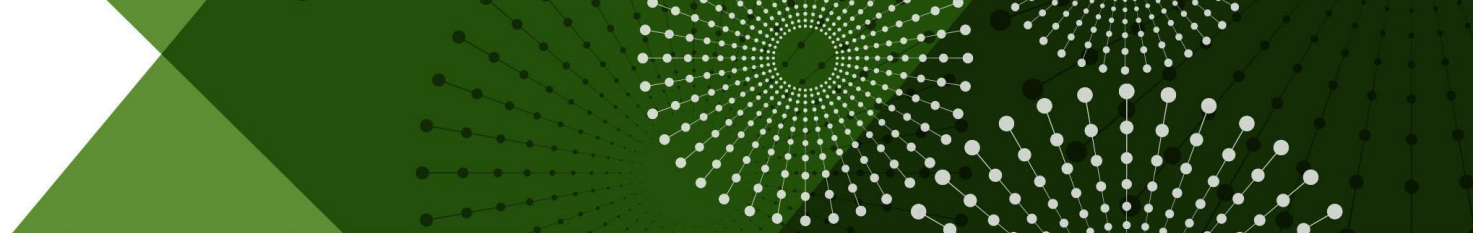
This consultation provides the formal exposure draft of NZ CS 1, and accompanying documents such as the draft adoption standard, for a three-month feedback period.

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

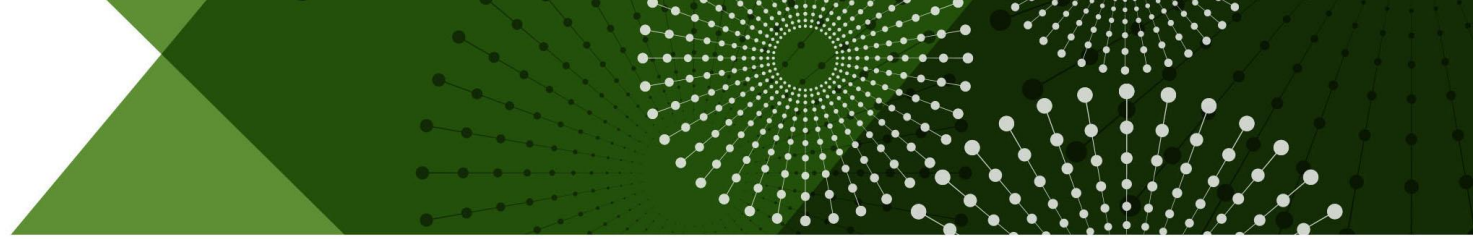
Some Crown
financial
institutions
(via letters of
expectation)

*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

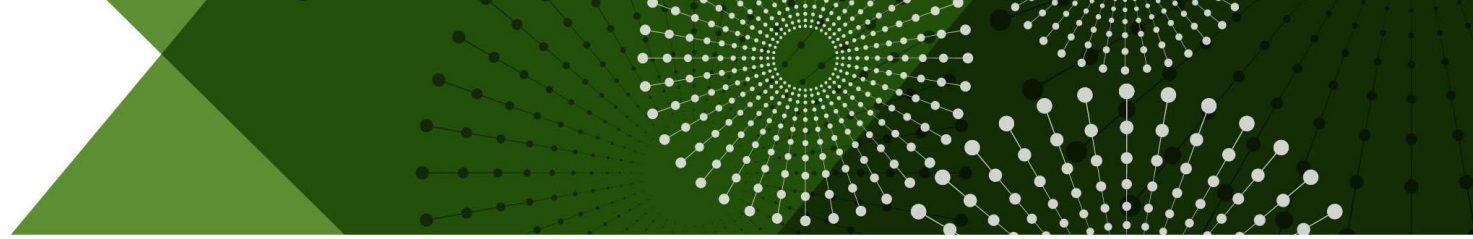
Consultation July 2022

Guidance

} Mandatory

} Non-Mandatory

Design principles



Qualitative characteristics of information that is useful for decision making:

- Faithful representation
- Comparability
- Verifiability
- Timeliness
- Understandability

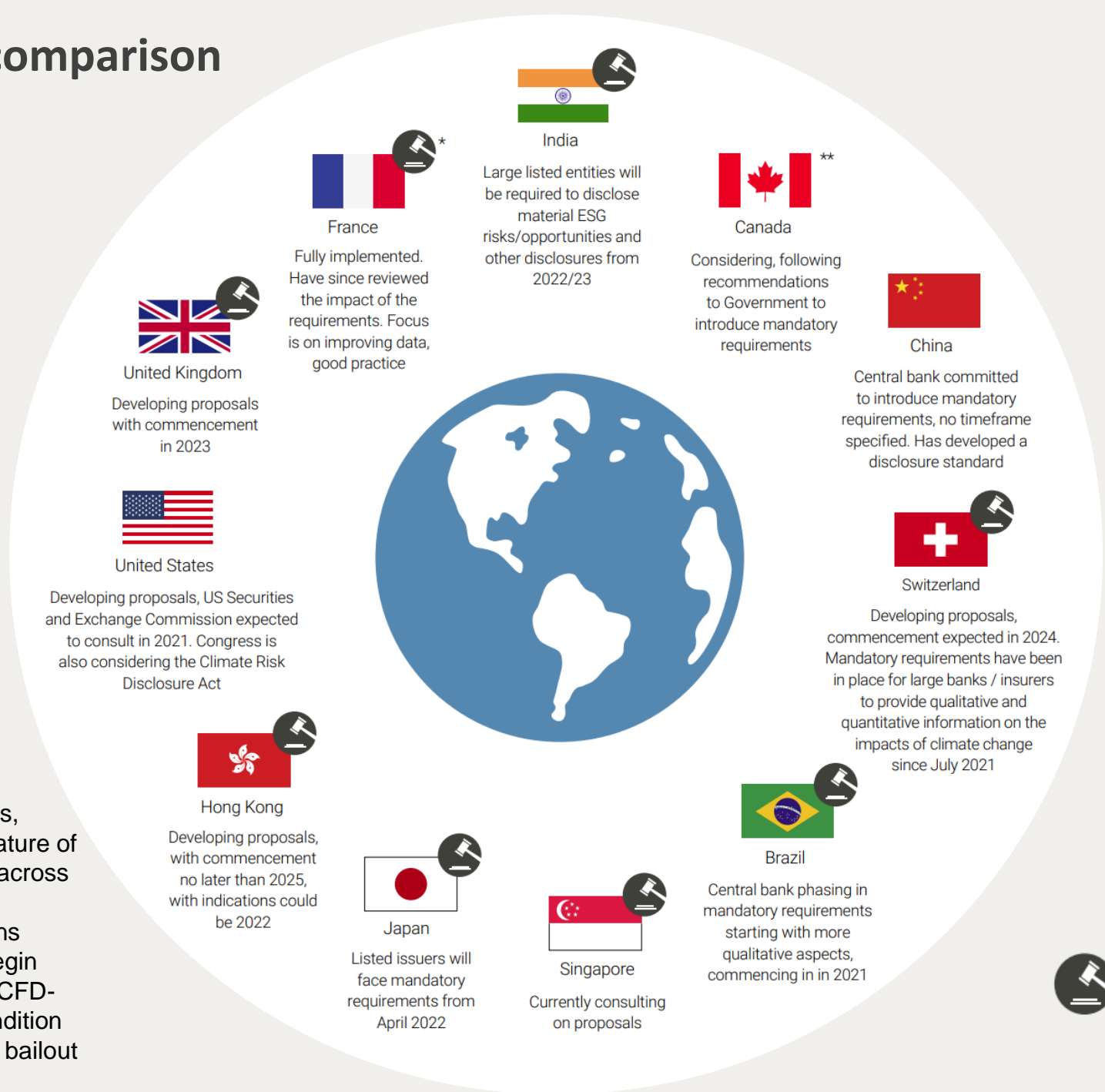
Principles-based

Based on TCFD recommendations

User needs focus

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

An international comparison



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

 Have mandatory requirements

Proposed structure of NZ CS 1

Heading	Content
Disclosure objective(s)	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.
Explanatory paragraph	Reminds entities to apply judgement when applying the disclosure requirements and not to obscure relevant information by the inclusion of insignificant detail.
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

To achieve the disclosure objective, an entity must disclose the following information for both transition risks and physical risks:

- (a) a description of its processes for **identifying and assessing climate-related risks**;
- (b) a description of its processes for **managing climate-related risks**; and
- (c) a description of how its processes for identifying, assessing, and managing climate-related risks are integrated into its **overall risk management**.

Proposed section:

Risk Management

Processes for identifying and assessing climate-related risks

Disclosures

Focuses on:

- tools and methods used
- the short-, medium-, and long-term time horizons considered
- the value chain stages covered
- the frequency of assessment

Proposed section:

Risk Management

Processes for managing climate-related risks

Disclosures

Focuses on how:

- it determines the relative significance of identified climate-related risks
- it determines the relative significance of climate-related risks in relation to other risks
- it makes decisions to mitigate, transfer, accept, or control those climate-related risks

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

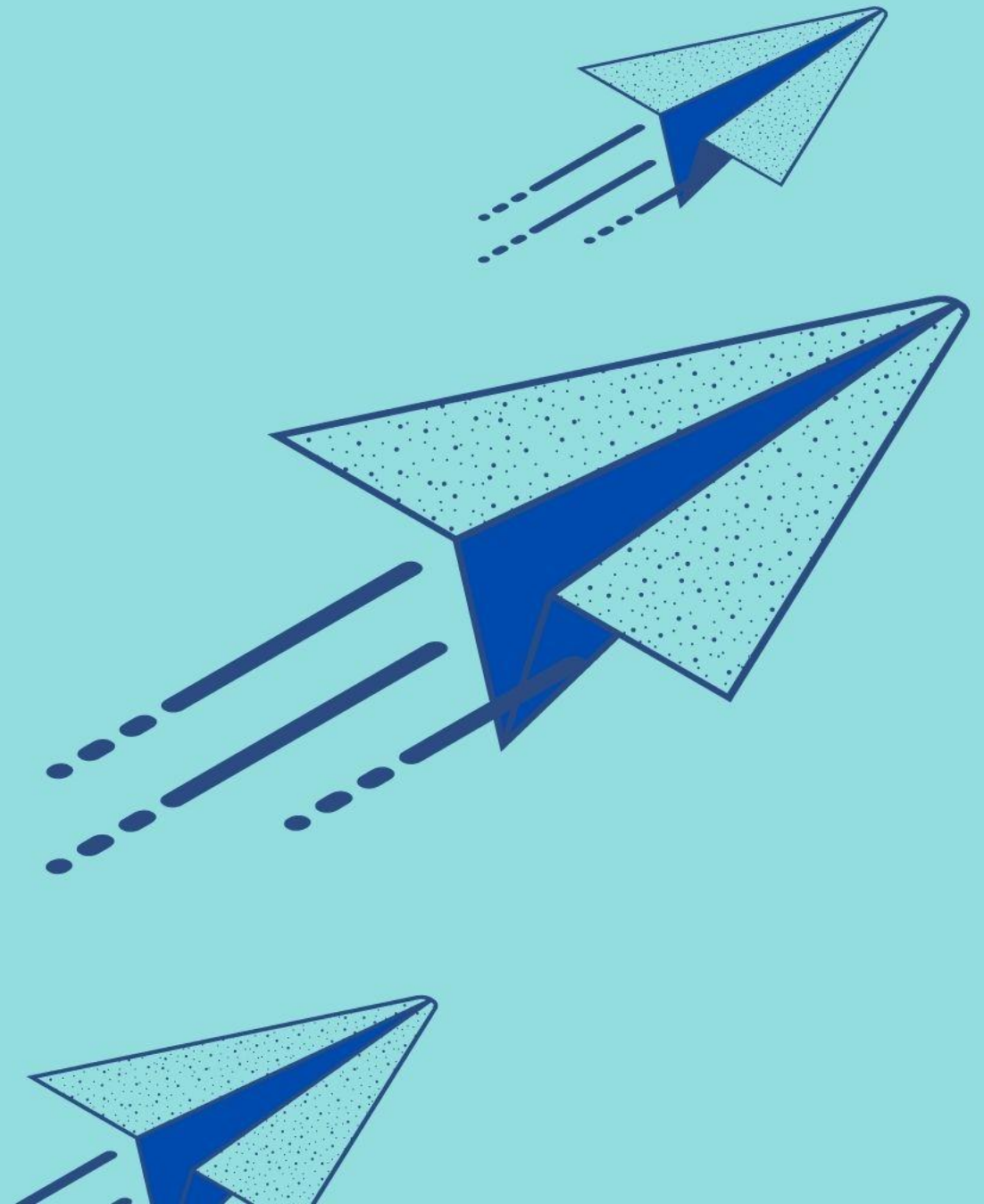



Make a
comment



Do you have any questions?

Type them into the Q&A platform





RiskNZ

Thank you for joining us today

