Questions raised at Victoria University Webinar – 12 May 2021

No.	Question	Answer
1	New Zealand in the past has adopted international standards with limited modifications. Will the approach for the new climate standards be any different? Or are we expecting to adapt the Task Force on Climate-related Financial Disclosure ('TCFD') guidance with limited modifications?	In short, the answer is "yes, we are taking a different approach". The climate standards will be tailormade for the New Zealand environment, but at the same time will have to be relevant in the international arena. It should be noted that the TCFD framework is a set of recommendations, not international standards. In addition, these recommendations were first issued in 2017 and this is a fast-moving subject with a lot of progress being made internationally to develop 'standards'. We remain committed to the objective to have New Zealand climate standards that align with the direction of international climate standards. Therefore, our starting point is the TCFD recommendations and we don't expect the basic principles to change. However, we are taking account of work being done by other standard setters that will complement and enhance the basic principles. We will also modify requirements to ensure the standards will be fit for purpose in the New Zealand environment.
2	The current Bill provides for an exemption when an entity determines that it will not be materially impacted by climate change. That determination will have to be assured by an independent CRD assurance practitioner. Will this assurance engagement be required on an annual basis until the circumstances indicate otherwise or will it be a "one-off" engagement?	Although the Bill is not explicit on this point, it would seem from other requirements (e.g. annual filing) that the determination will have to be made on an annual basis. The determination is not complete without the assurance report, which seems to indicate an annual assurance engagement will be required.
3	What is the expectation and timing around an increase in the scope of those entities required to comply with the new legislation? Or is it expected to be kept to high profile entities?	At this point, we are not aware of any announcements that have been made by Government around whether and/or when the scope of the legislation will be expanded. However, we noted that several large companies have indicated that they will require their suppliers to provide information about the impact of climate change on their operations. Therefore, we expect that many entities will comply voluntarily with the (aspects of) the new climate standards.

4	It seems the main focus for the required disclosures is about how climate change might affect the reporting entity. However, the greenhouse gas (‘GHG’) disclosure seems to ask for information about how the reporting entity affects the climate. Is this right?	Yes. The objective of the climate related disclosures based on TCFD are mainly about how the changing climate will impact your business. This is distinct from other ‘sustainability reporting’ approaches which ask a business to explain and describe mitigation of their impact on the environment. The GHG disclosure asks an entity to disclose its Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks. These disclosures are based on the GHG protocol.
5	Will the standards be a 'one size fits all' approach?	We understand the diversity of businesses caught by this pending legislative requirement. We also know that different sectors will be impacted differently by climate change. We expect that a base level of requirements will apply to all entities, but no decisions have been made around differential reporting or sector specific requirements. We will be consulting with all interested parties over the next 12-18 months to determine how the standards will deal with different entities/circumstances.
6	Where would companies be required to make these new disclosures - in documents separate from financial statements for example?	The Bill requires the disclosures to be made in a ‘climate statement’ that is separate from the entity’s annual report. However, it does not seem to prohibit an entity from including the climate statement in its annual report. The Bill also includes a requirement for the annual report to provide a cross reference to where the climate statement can be found.
7	Will the assurance engagement be a separate engagement from the annual audit of the financial statements?	The Bill requires the assurance engagement to be undertaken by a CRD assurance practitioner. Also, the scope of work is different. So, one would expect that there would be at least two separate engagements. However, depending on the qualifications of the financial statement auditor, the engagements could potentially be led by the same engagement partner and may be undertaken during the same timeframe.
8	Do the disclosure requirements only relate to GHGs or also other sustainability disclosures?	The disclosure requirements focus on the impact of ‘climate change’ and go beyond GHG disclosures – i.e. GHG disclosures are a subset of the required disclosures. However, the disclosures do not go beyond the ‘climate change’ topic so will not include requirements relating to the broader environmental, social, etc aspects.

9	Will the standards also be applicable to crown financial institutions and local authorities or are there separate standards being developed for them? There is no mention of these types of entities being captured in the Bill...	The legislation sets out the entities that are 'by law' in the scope of the new climate reporting regime. However, other entities may be required through other means to comply with the standards. The letters of expectation issued to Crown financial institutions on 12 March 2021 require these entities to report on climate risk in line with TCFD. As far as we are aware, no similar instruction has been issued to local authorities.
10	What kind of effort, time and resources will be required? What challenges are you expecting from entities caught by the disclosure?	There is no 'one size fits all' answer to the first question. It would very much depend on the circumstances of each entity. We anticipate it will take time for organisations to get to the maturity where they can completely meet all requirements. Access to the right resources at the right time may therefore be a challenge for entities that view this as a compliance exercise. However, entities that embrace climate-related reporting will be well positioned to take advantage of the commercial opportunities presented by the transition to a more sustainable, low-emissions economy.
11	Assurance practitioners need to focus on GHG emissions reported as quantification of emissions is complex and varies between industries. In Australia the Clean Energy Regulator has developed a range of methodologies for reporting under NGERS and ERF. Can we expect the XRB to develop similar methodologies to provide the detailed reporting framework needed by reporters and assurance providers to report on and assure emissions? Or will this be left to the FMA?	The Bill requires standards developed and issued by the XRB to be used in both the reporting and the assurance of GHG emissions.
12	Will the company report be judged entirely on presenting information and strategy in an accessible way: or will assumptions in it be tested against received wisdom/information?	The judging of companies' disclosures is up to the users of the reports. However, we know that investors, consumers, and governments are increasingly demanding businesses demonstrate how they take responsibility and apply foresight when considering climate issues. We also

		know that investors are interested in these disclosures and becoming more sophisticated in their expectations and use of analytics to compare entities.
13	Are fund managers with funds under management of less than NZ$1 bn subject to the new requirements?	The definition of a "large manager" included in the Bill is not straightforward. The following example taken directly from the Bill illustrates the application of the definition:
	Example Company A holds a licence that covers acting as a manager of registered schemes. A's subsidiaries, B and C, also provide this service under A's licence (as authorised bodies). The assets of the schemes for which A is manager total $700 million on the balance date of each of A's 2 preceding accounting periods (the **relevant balance dates**). The assets of the schemes managed by B total a further $300 million, and the assets of the schemes managed by C total $200 million, on each of the relevant balance dates. The total assets therefore exceed $1 billion. A is a large manager. B and C are also large managers.	