

DECEMBER 2024

# CRD records: Illustrative examples

Our [Guidance for keeping proper climate-related disclosure records](#) provides guidance for entities that have climate-related disclosure obligations under Part 7A of the Financial Markets Conduct Act 2013. It is intended to help climate reporting entities (CREs) meet their statutory requirement to keep proper climate-related disclosure records at all times.

This document provides illustrative examples to help CREs think about how their CRD records could substantiate their climate statements, along with practical and useful information to help CREs understand our expectations. It is split across the four thematic disclosure areas of NZ CS 1.

The guidance and illustrative examples focus on disclosures that need the most explanation, including disclosures that bring a higher risk of non-compliance.

As we monitor climate statements and examine underlying records, we will focus on whether the supporting records are transparent, and reflect and record the actual activities and circumstances of the CRE (or the entities about which the CRE is reporting).

**Managers of Managed Investment Schemes, including authorised bodies<sup>1</sup> (MIS Managers):** MIS Managers are CREs for the schemes they manage and, in most cases, are required to prepare climate statements for every fund within each scheme.<sup>2</sup> Some records relevant to a fund's climate statement may be scheme-level records. However, we expect MIS Managers to be able to readily produce records for each fund.

## Readers should note:

- The examples are **not** a minimum standard of record keeping.
- The examples are **not** a prescriptive list of the documents we expect to be produced and retained.
- The examples are provided as illustrative guidance only and should **not** be interpreted as requirements.
- Our choice of terminology is illustrative only. The particular terms or descriptions of governance structures or policies used are non-exhaustive examples and should not be interpreted as a recommendation or requirement, and do not necessarily reflect the approach we expect to be taken in every circumstance. The records that will best substantiate a climate statement will depend on (and reflect) the actual and particular circumstances of the CRE (or the entities about which the CRE is reporting).

<sup>1</sup> Authorised bodies are managers who sit under the licence of another manager if the combined assets of the licensee and each of the authorised bodies is greater than \$1 billion. In such circumstances, the licensed manager and each authorised body that sits under its licence are a CRE in their own right.

<sup>2</sup> In accordance with section 461ZC(2)(a) of the Financial Markets Conduct Act 2013.

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# Governance

The objective of the governance disclosures in Aotearoa New Zealand Climate Standard 1 (NZ CS 1) is to enable primary users to understand both the role an entity's governance body<sup>3</sup> plays in overseeing climate-related risks and opportunities, and the role management<sup>4</sup> plays in assessing and managing those climate-related risks and opportunities.<sup>5</sup>

## Governance body oversight

The table below details the types of records that CREs could retain to support the disclosures relating to the role a governance body plays in overseeing climate-related risks and opportunities.<sup>6</sup>

Description of how possible records could substantiate disclosure requirements	Examples
<p><b>The processes and frequency by which the governance body is informed about climate-related risks and opportunities.<sup>7</sup></b></p> <p><i>If the governance body is informed about climate-related risks and opportunities, records to support this disclosure could include documents that:</i></p>	

<sup>3</sup> The *governance body* is defined as “a board, investment committee or equivalent body charged with governance”.

<sup>4</sup> *Management* is defined as “executive or senior management positions that are generally separate from the governance body”.

<sup>5</sup> Paragraph 6, NZ CS 1.

<sup>6</sup> If a governance body does not play a role in overseeing climate-related risks and opportunities, the examples in the table are still relevant to illustrate ‘how’ specified records link to and substantiate disclosures (e.g. meeting minutes showing that the governance body is not informed about climate-related risks and opportunities).

<sup>7</sup> Paragraph 8(a), NZ CS 1.

Description of how possible records could substantiate disclosure requirements	Examples
Describe the processes of the governance body being informed (e.g. meetings, reporting) and verify the frequency.	<ul style="list-style-type: none"> <li>■ Quarterly governance body meeting minutes including discussion on a standing agenda item for management to inform the governance body of any new climate-related risks and opportunities.</li> <li>■ Report from a yearly governance internal strategy review describing the climate-related risks and opportunities in a revised long-term strategy.</li> </ul>
<p><b>How the governance body ensures that the appropriate skills and competencies are available to provide oversight of climate-related risks and opportunities.<sup>8</sup></b></p> <p><i>If the governance body has taken steps to ensure that the appropriate skills and competencies are available to provide oversight, records to support this disclosure could include documents that:</i></p>	
Describe the steps taken to evaluate whether the appropriate skills and competencies are available.	<ul style="list-style-type: none"> <li>■ Skills matrix and/or report reviewing the climate-related skills and competencies of the governance body with documentation of any gaps.</li> <li>■ Meeting minutes that describe a discussion of the governance body’s assessment of whether the appropriate skills and competencies are available.</li> <li>■ Evidence of an internal review document with the selection criteria for appointing new members to the governance body, which considers climate-related skills and competencies.</li> </ul>
Substantiate any disclosed actions taken to ensure those skills and competencies are available.	<ul style="list-style-type: none"> <li>■ Third-party provider signed contract for provision of expertise and training on an as-needed basis to the governance body.</li> <li>■ Certification or documented confirmation of climate-related training completed by the governance body.</li> </ul>
<p><b>How the governance body considers climate-related risks and opportunities when developing and overseeing implementation of the CRE’s strategy.<sup>9</sup></b></p>	

<sup>8</sup> Paragraph 8(b), NZ CS 1.

<sup>9</sup> Paragraph 8(c), NZ CS 1.

Description of how possible records could substantiate disclosure requirements	Examples
<p><i>If the governance body does consider climate-related risks and opportunities when developing and overseeing implementation of the CRE's strategy, records to support this disclosure could include documents that:</i></p>	
<p>Describe how the governance body considers climate-related risks and opportunities <u>in the development</u> of the CRE's strategy.</p>	<ul style="list-style-type: none"> <li>■ Minutes of a governance body's annual strategy development workshop where management presented on the findings from a climate-related scenario analysis undertaken internally and the governance body discussion on how the findings should be integrated into the changes to the CRE's long-term strategy.</li> <li>■ Third-party provider report describing climate risks and opportunities, with minutes from the board meeting where the governance body considered how they might affect the current strategy.</li> </ul>
<p>Describe the process of how the governance body considers climate-related risks and opportunities <u>while overseeing implementation</u> of the strategy.</p>	<ul style="list-style-type: none"> <li>■ Reports to the governance body on climate-related risks and opportunities metrics and targets that are aligned with the strategy, and performance to date against them.</li> <li>■ Biannual report prepared by management and provided to the governance body giving an update on progress of implementing the strategy, which contains sections on the risks and opportunities of the strategy, including those that are climate-related.</li> </ul>
<p><b>How the governance body sets, monitors progress against, and oversees achievement of metrics and targets for managing climate-related risks and opportunities, including whether, and if so how, related performance metrics are incorporated into remuneration policies.<sup>10</sup></b></p> <p><i>If the governance body has taken the steps described in the disclosure requirements to manage climate-related risks and opportunities, records to support disclosures could include documents that:</i></p>	
<p>Substantiate how the governance body <u>sets metrics and targets</u> for managing climate-related risks and opportunities.</p>	<ul style="list-style-type: none"> <li>■ A report on climate-related targets developed by an industry body or sector research organisation and used by the governance body to set targets, and meeting minutes that record how the report was considered when setting those targets.</li> </ul>

<sup>10</sup> Paragraph 8(d), NZ CS 1.

Description of how possible records could substantiate disclosure requirements	Examples
	<ul style="list-style-type: none"> <li>An internal review document that describes a recommended approach for developing metrics and targets for climate risks and opportunities that is approved by members of the governance body.</li> </ul>
Support how the governance body <u>monitors progress against</u> and <u>oversees</u> achievement of metrics and targets.	<ul style="list-style-type: none"> <li>Governance body reporting packs that include information on performance against metrics and targets that relate to the management of climate-related risks and opportunities, and a standing agenda item to discuss the results.</li> <li>Meeting minutes that verify the governance body discussed performance against the set metrics and targets.</li> </ul>
Substantiate how performance metrics for managing climate-related risks and opportunities are incorporated into remuneration policies.	<ul style="list-style-type: none"> <li>Remuneration policy that describes the performance metrics relevant to managing climate-related risks.</li> <li>Employment contracts that describe the performance metrics relevant to individual employees in managing climate-related risks and opportunities.</li> <li>Performance review reports that substantiate an employee's performance against their prescribed climate-related risks and opportunities.</li> </ul>

## Management's role

The following table details the types of records that CREs could retain to support the disclosures relating to the role management plays in assessing and managing climate-related risks and opportunities.<sup>11</sup>

Description of how possible records could substantiate disclosure requirements	Examples
<p><b>How climate-related responsibilities are assigned to management-level positions or committees, and the process and frequency by which management-level positions or committees engage with the governance body.<sup>12</sup></b></p>	

<sup>11</sup> If management does not play a role in assessing and managing climate-related risks and opportunities, the examples in the table are still relevant to illustrate 'how' specified records link to and substantiate disclosures (e.g. meeting minutes showing that management does not consider climate-related risks and opportunities).

<sup>12</sup> Paragraph 9(a), NZ CS 1.

Description of how possible records could substantiate disclosure requirements	Examples
<p><i>If climate-related responsibilities are assigned, and those who are assigned these responsibilities do engage with the governance body, records to support disclosures could include documents that:</i></p>	
<p>Describe how climate-related responsibilities are assigned.</p>	<ul style="list-style-type: none"> <li>■ Minutes from meetings in which the CEO created and assigned responsibility to a separate committee made up of managers across different business units with the mandate to identify and monitor climate-related risks and opportunities across its operations.</li> <li>■ Contracts and position descriptions of management-level positions that include the climate-related responsibilities that have been assigned.</li> <li>■ Minutes that approve recommendations from an internal review to revise the organisation structure to include more specific climate-related roles and amend existing roles to include climate-related responsibilities.</li> </ul>
<p>Describe the processes of engagement with the governance body and prove the frequency of engagement.</p>	<ul style="list-style-type: none"> <li>■ Minutes from biannual governance body meetings that document attendance and provide updates from a CEO-assigned management-level committee around progress on assessing and managing climate-related risks and opportunities.</li> <li>■ Biannual report prepared by management and provided to the governance body that outline plans for and progress on assessment and management of climate-related risks and opportunities.</li> </ul>
<p><b>The related organisational structure(s) showing where these management-level positions and committees lie.<sup>13</sup></b></p> <p><i>If climate-related responsibilities are assigned to management-level positions and committees, records to support disclosures could include documents that:</i></p>	
<p>Substantiate that the disclosed organisational structure(s) is correct.</p>	<ul style="list-style-type: none"> <li>■ Meeting minutes describing the decisions made around formation, structure and climate-related responsibilities of disclosed committees.</li> <li>■ Contracts of the individuals in the management-level positions to which the climate-related responsibilities have been assigned.</li> </ul>

<sup>13</sup> Paragraph 9(b), NZ CS 1.

Description of how possible records could substantiate disclosure requirements	Examples
<p><b>The processes and frequency by which management is informed about, makes decisions on, and monitors climate-related risks and opportunities.<sup>14</sup></b></p> <p><i>If management is informed about, makes decisions on, and monitors climate-related risks and opportunities, records to support disclosures could include documents that:</i></p>	
<p>Describe the processes and frequency of management <u>being informed</u> about climate-related risks and opportunities.</p>	<ul style="list-style-type: none"> <li>■ Biannual reports from division heads to management that provide information on climate risks and opportunities in each of the entity's divisions.</li> <li>■ Minutes from quarterly management meetings in which a separate committee responsible for supervising climate-related opportunities produces a progress report on management of climate-related risks and opportunities.</li> </ul>
<p>Describe the processes and frequency of management <u>making decisions</u> about climate-related risks and opportunities.</p>	<ul style="list-style-type: none"> <li>■ Minutes from a management meeting describing a recommendation to the CEO stating that a climate-related opportunity that was identified should be pursued and operationalised.</li> <li>■ Minutes from a risk management meeting where a climate-related risk that was escalated to high risk was discussed, along with the actions the management team confirmed are to be taken to mitigate the risk.</li> </ul>
<p>Describe the processes and frequency of management <u>monitoring</u> climate-related risks and opportunities.</p>	<ul style="list-style-type: none"> <li>■ Biannual reports from department heads to management that provide reporting on performance against targets used to manage climate-related risks and opportunities, along with meeting minutes that describe discussion of the results.</li> <li>■ Report from an internal review with recommendations to enhance climate-related risk management practices, including detail of the revised approach to monitoring risks going forward.</li> </ul>

<sup>14</sup> Paragraph 9(c), NZ CS 1.



# Strategy

*The objective of the strategy disclosures in Aotearoa New Zealand Climate Standard 1 (NZ CS 1) is to enable primary users to understand how climate change is currently impacting an entity and how it may do so in the future.<sup>15</sup>*

## Current impacts and financial impacts<sup>16</sup>

Description of how possible records could substantiate disclosure requirements	Examples
<b>Its current physical and transition impacts.<sup>17</sup></b>	
Documents that substantiate the processes undertaken to identify physical and transition impacts that have occurred in the current reporting period.	<ul style="list-style-type: none"><li>■ Results from an internal survey across all divisions to gather information about the physical and transition impacts incurred within the current reporting period.</li><li>■ Workpaper that documents:<ul style="list-style-type: none"><li>- previously identified climate risks (and opportunities) in a climate risk assessment to understand if they have eventuated in the current reporting period.</li><li>- the associated current impacts of those risks (and opportunities) that eventuated in the current period.</li><li>- how those impacts were identified.</li></ul></li><li>■ Monthly update report with the most recent regulatory changes relevant to a particular sector to identify climate-related risks and impacts in the current period.</li></ul>

<sup>15</sup> Paragraph 10, NZ CS 1.

<sup>16</sup> 'Impacts' are defined in Appendix A of NZ CS 1 as "the effects (also referred to as consequences or outcomes) of climate change occurring for an entity. These effects will, in turn, depend on the impacts of climate change on the broader socioeconomic and ecological systems an entity operates within (including an entity's value chain)".

<sup>17</sup> Paragraph 12(a), NZ CS 1.

Description of how possible records could substantiate disclosure requirements	Examples
	<ul style="list-style-type: none"> <li>■ Regulatory update bulletins used by a MIS Manager to identify recently enacted or upcoming legislative changes in markets in which its funds are invested.</li> </ul>
<p>Documents that substantiate how the current physical and transition impacts disclosed have impacted the current reporting period.</p>	<ul style="list-style-type: none"> <li>■ An internal report from the Research and Development Team that summarises progress to date in developing a more drought-tolerant horticultural product for a core market.</li> <li>■ A report assessing whether changes in customer demand over the past year in core markets were because of changes in consumer attitudes towards the climate.</li> <li>■ Research prepared or obtained by a MIS Manager assessing the impact of a new carbon border adjustment mechanism on sectors within affected countries that its fund is invested in.</li> <li>■ A report presented to the governance body that summarises an analysis of the impact of a recent severe weather event on an insurer and its policy holders.</li> </ul>
<p><b>The current financial impacts of its physical and transition impacts identified.<sup>18, 19</sup></b></p>	
<p>Documents that substantiate the processes undertaken for financially quantifying the current physical and transition impacts identified in the current reporting period.</p>	<ul style="list-style-type: none"> <li>■ Impairment analysis that reviews the assets to be written down because of a recent severe flooding event.</li> <li>■ Workpaper calculating the increase in insurance premiums charged to policy holders due to a reassessment of exposure to climate-related risks.</li> <li>■ Workpaper that sets out an analysis of the financial benefits of a recently introduced climate subsidy to a CRE in the electric and hydrogen-powered transport industry.</li> <li>■ Biannual review providing a comparison between actual and expected return on investment for funds under management, including an assessment of climate-related drivers that influenced any difference.</li> </ul>

<sup>18</sup> Paragraph 12(b), NZ CS 1.

<sup>19</sup> The principle of coherence with financial statements under NZ CS 3 is particularly relevant to this area due to its focus on the financial impacts in the current reporting period. As a result, we highlight that collaboration is likely needed with source records from internal Finance Teams (or equivalent).

Description of how possible records could substantiate disclosure requirements	Examples
Documents that provide relevant financial information about the current physical and transition impacts identified in the current reporting period.	<ul style="list-style-type: none"> <li>■ Agreement relating to the acquisition of a new consultancy business that is developing a technology to reduce the GHG emissions in a manufacturing process.</li> <li>■ MIS Manager report that estimates the impact on the performance of a fund's investments in European agriculture of drought-related damage.</li> <li>■ Insurance policy that sets out the payouts related to assets that have been destroyed because of a recent wildfire.</li> </ul>
Documents that substantiate that the current financial physical and transition impacts disclosed are recognised appropriately in the current year.	<ul style="list-style-type: none"> <li>■ Workpaper that calculates a year-end provision for an onerous contract that relates to a severe flooding event occurring near year end, with a key customer now being unable to fulfil their obligations.</li> <li>■ An email from legal counsel estimating the potential costs relating to a climate-related legal dispute that is ongoing at year end, with the outcome still uncertain. The financial statements also disclose the associated contingent liability.</li> </ul>
<b>If the entity is unable to disclose quantitative information, an explanation of why this is the case.<sup>20</sup></b>	
The required records will be dependent on the explanation disclosed in the climate statements, and entities will need to have sufficient evidence to support their rationale.	

<sup>20</sup> Paragraph 12(c), NZ CS 1.

## Scenario analysis

NZ CS 1 requires disclosure of a description of the scenario analysis undertaken:<sup>21</sup>

An entity must describe the *scenario analysis* it has undertaken to help identify its climate-related risks and opportunities and better understand the resilience of its business model and strategy. This must include a description of how an entity has analysed, at a minimum, a 1.5 degrees Celsius *climate-related scenario*, a 3 degrees Celsius or greater *climate related scenario* and a third *climate related scenario*.<sup>22</sup>

Guidance on the types of records that could be used to prove compliance with this disclosure are detailed below and have been split into records to support:

1. the scenario analysis process undertaken; and
2. the climate-related scenarios analysed.

### **Scenario analysis process undertaken**

The scenario analysis process includes the process undertaken to:

- construct climate-related scenarios; and
- analyse the climate-related scenarios to assess strategic resilience and help identify climate-related risks and opportunities.

The Aotearoa New Zealand Climate Standards do not prescribe a specified scenario analysis process. However, the process undertaken must be in accordance with the defined term 'scenario analysis' in Appendix A, NZ CS 1 and Appendix A, NZ CS 3:

A process for systematically exploring the effects of a range of plausible future events under conditions of uncertainty. Engaging in this process helps an entity to identify its climate-related risks and opportunities and develop a better understanding of the resilience of its business model and strategy.

Records should be retained that substantiate:

- the scenario analysis process disclosed; and
- that the process followed is in accordance with the definition of 'scenario analysis'.

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<sup>21</sup> Paragraph 11(b), NZ CS 1.

<sup>22</sup> Paragraph 13, NZ CS 1.

A process for conducting scenario analysis that could be adopted to meet the definition of scenario analysis is the six-step approach detailed in staff guidance on scenario analysis issued by the External Reporting Board (XRB).<sup>23</sup>

The examples below are based on the XRB-aligned six-step approach to illustrate the type of records that CREs could produce and retain to substantiate ‘a’ scenario analysis process as defined in the Aotearoa New Zealand Climate Standards. We acknowledge that the XRB approach is not mandated or defined within the Aotearoa New Zealand Climate Standards and is therefore **one** approach to scenario analysis that CREs could take. We have included it as a framework in this guidance to provide a practical demonstration of how record keeping requirements could be approached.

Key tasks and processes involved	Examples of records that could be retained to substantiate this process step was undertaken
<b>1. Engage stakeholders, plan scenario analysis process, and assess the external environment</b>	
<ul style="list-style-type: none"> <li>Identify participant roles and responsibilities, project objectives, planned steps, milestones and deliverables.</li> <li>Assess the climate context and external environment.</li> </ul>	<ul style="list-style-type: none"> <li>A project charter that documents project team members’ roles and responsibilities.</li> <li>A project plan that documents the planned project objectives, steps, milestones, and deliverables.</li> <li>A briefing paper that outlines the findings of an assessment of the climate context and external environment, or in the case of a MIS Manager, the context and external environment that the funds it manages are currently operating in.</li> </ul>
<b>2. Define the problem, boundaries and time horizon</b>	
<ul style="list-style-type: none"> <li>Define a focal question to constrain the scenario analysis to reach decision-relevant findings.</li> <li>Map the value chain to determine scenario boundaries.</li> <li>Define the time horizon of the analysis.</li> </ul>	<ul style="list-style-type: none"> <li>Minutes from a workshop where the focal question of the scenario analysis was defined as “how could climate change plausibly affect our business model and strategy, what should we do, and when?”.</li> <li>Mapping document outlining the boundaries of the scenario analysis including the upstream and downstream value chain.</li> <li>A project report that details that the scenarios will explore a time horizon of 2060 to ensure that exposure to higher levels of physical climate-related risks is sufficiently tested.</li> </ul>

<sup>23</sup> Refer to the External Reporting Board (XRB) website for their staff guidance.

Key tasks and processes involved	Examples of records that could be retained to substantiate this process step was undertaken
<b>3. Identify driving forces<sup>24</sup> and determine critical uncertainties<sup>25</sup></b>	
<ul style="list-style-type: none"> <li>Identify driving forces of change, prioritising them for their level of influence and uncertainty to determine critical uncertainties.</li> <li>Assess the interaction of critical uncertainties interact with the business model, strategy, and with each other, to influence future outcomes.</li> <li>Use axes of transition risk vs physical risk to develop a scenario matrix that provides scenario themes.</li> </ul>	<ul style="list-style-type: none"> <li>Minutes from a workshop where a brainstorming exercise was undertaken to identify and prioritise driving forces that could influence climate-related risks and opportunities, which includes an illustrative output of driving forces on axes of influence and uncertainty plotted least certain to most certain.</li> <li>A simple conceptual model developed from an Investment Committee meeting, (or minutes of that meeting) where critical uncertainties affecting asset classes, sectors and markets across a range of jurisdictions were discussed, assessed and collated.</li> <li>Scenario matrix output from a workshop, with documentation of chosen scenario themes.</li> </ul>
<b>4. Select temperature outcomes and pathways</b>	
<ul style="list-style-type: none"> <li>Select scenario temperature outcomes (beyond the mandatory 1.5 degrees Celsius climate-related scenario) for the 3 degrees Celsius or greater climate-related scenario and a third climate-related scenario.<sup>26</sup></li> <li>Select emission pathways that align to the temperature outcome in each climate-related scenario and place these pathways within the scenario themes or logics elicited in step 3.</li> </ul>	<ul style="list-style-type: none"> <li>Meeting minutes that document decisions and the rationale for choosing the temperature outcomes for the climate-related scenarios of 1.5 degrees Celsius, 3 degrees Celsius and 2 degrees Celsius, and the adoption of emission reduction pathways consistent with “orderly”, “disorderly” and “too little, too late” scenario themes.</li> </ul>

<sup>24</sup> Driving forces are external factors that persistently influence the events, trends and patterns that determine pathways and outcomes in a business environment. Driving forces are a core component of the definition of ‘climate-related scenario’. Guidance on records in respect of driving forces is detailed on page 22.

<sup>25</sup> Critical uncertainties are the driving forces that are the most influential and most uncertain.

<sup>26</sup> The temperature outcome refers to the increase in the average global temperatures by 2100 compared to pre-industrial levels.

Key tasks and processes involved	Examples of records that could be retained to substantiate this process step was undertaken
<b>5. Draft narratives and quantify</b>	
<ul style="list-style-type: none"> <li>Define scenario architecture using credible higher-level scenarios (e.g. IPCC, IEA, CCC).</li> <li>Draft scenario narratives that comply with the definition of 'climate-related scenario'.</li> <li>If deemed feasible and valuable, quantify or generate new specific data illustrating the implications of the scenarios for a business model and strategy.</li> </ul>	<p><i>Refer to the climate-related scenarios section on pages 19-23 that describes the relevant record keeping requirements.</i></p>
<b>6. Assess strategic resilience</b>	
<ul style="list-style-type: none"> <li>Document insights provided by the scenarios to assess the resilience and implications for the current business model and strategy.</li> <li>Investigate and prioritise options to address these implications.</li> <li>Monitor signals of change to identify trends, review, and plan to reiterate the process.</li> </ul>	<ul style="list-style-type: none"> <li>Minutes from a workshop that explored how resilient the current business model and strategy, or in the case of a MIS Manager, investment objectives and strategy, would be within each scenario.</li> <li>Internal reports or research prepared by a MIS Manager to investigate and evaluate potential hedging opportunities to maintain or improve the resilience of its investment strategies.</li> <li>Documentation of the signal monitoring process the entity will follow to evaluate its strategic choices.</li> </ul>

## Methods and assumptions

When disclosing the methods and assumptions underlying the scenario analysis process employed, CREs must disclose certain information in accordance with paragraph 51(b) of NZ CS 3. The table below details the types of records that CREs could retain to support these disclosures.

Description of how possible records could substantiate disclosure requirements	Examples
<p><b>Whether scenario analysis is a standalone analysis or integrated within the entity's strategy processes;<sup>27</sup></b></p> <p><i>If scenario analysis is integrated within strategy processes, records to support disclosures could include documents that:</i></p>	
<p>Outline and explain the processes, procedures and actions taken to integrate the scenario analysis within strategy processes.</p>	<ul style="list-style-type: none"> <li>■ Minutes from a governance body meeting where it was decided that the MIS Manager would update its SIPO at the conclusion of its scenario analysis process, considering the insights gained from the analysis.</li> <li>■ A report to the governance body evaluating the current strategic plan against the climate-related scenarios.</li> </ul>
<p><b>The governance process used to oversee and manage the scenario analysis process, including the role of the governance body and management;<sup>28</sup></b></p> <p><i>If governance processes are used to oversee and manage the process, records to support disclosures could include documents that:</i></p>	
<p>Define the governance processes used to oversee and manage the scenario analysis process.</p>	<ul style="list-style-type: none"> <li>■ A project charter that defines the set of rules, procedures and decision-making mechanisms employed to oversee and manage the scenario analysis process.</li> <li>■ A report that details the governance body's decision to delegate governance of the scenario analysis process to senior management.</li> </ul>

<sup>27</sup> Paragraph 51(b)(i), NZ CS 3. Note, 'strategy processes' refers to the various steps, activities, and decision-making procedures that entities undertake to develop, implement and evaluate their strategies.

<sup>28</sup> Paragraph 51(b)(ii), NZ CS 3.



Description of how possible records could substantiate disclosure requirements	Examples
Outline the role of the governance body <sup>29</sup> and management <sup>30</sup> .	<ul style="list-style-type: none"> <li>■ Minutes from a governance body meeting where it was agreed that the governance body would receive monthly reports on the status of the scenario analysis process.</li> <li>■ Minutes from a meeting in which the CEO created and granted a mandate to a management committee to lead the scenario analysis process.</li> </ul>
Substantiate that the governance processes to oversee and manage scenario analysis were followed.	<ul style="list-style-type: none"> <li>■ Monthly governance body reports detailing the status of the scenario analysis process.</li> <li>■ Minutes from scenario analysis leadership team meetings discussing the status of the project and the upcoming milestones.</li> <li>■ Investment Committee reports to the governance body of a MIS Manager discussing the outputs from the scenario analysis process.</li> </ul>
<b>If modelling has been undertaken, a clear description of what modelling was undertaken and why the model was chosen as the appropriate model;<sup>31</sup></b>	
Detail the model's methodology, including the scope, inputs (e.g. data sets, assumptions), variables, algorithms, calculations, formulae, estimations, uncertainties, constraints, limitations and exclusions.	<ul style="list-style-type: none"> <li>■ Model workpapers that detail the inputs, assumptions, formulae and calculations used in a model to quantify the impact of an increasing cost of carbon on production costs.</li> <li>■ A model methodology document or user manual from a third-party provider for a model used by a MIS Manager as part of its process for assessing how hard to abate industries would be impacted by an increased cost of carbon, that details the scope, inputs (e.g. data sets, assumptions), variables, calculations and outputs of the model, and describes any uncertainties, constraints, limitations or exclusions in the model.</li> </ul>

<sup>29</sup> 'Governance body' is defined in the Aotearoa New Zealand Climate Standards as "a board, investment committee or equivalent body charged with governance".

<sup>30</sup> 'Management' is defined in the Aotearoa New Zealand Climate Standards as "executive or senior management positions that are generally separate from the governance body".

<sup>31</sup> Paragraph 51(b)(iii), NZ CS 3. Note, this disclosure is specific to modelling undertaken to enhance an aspect of climate-related scenarios or quantify possible impacts of the scenarios on the business model and strategy. It does not refer to external data (that has been produced using a model) as an input to the parameters of climate-related scenarios (e.g. IPCC, NGFS, CCC data).

Description of how possible records could substantiate disclosure requirements	Examples
<p>Explain why the model was chosen as the appropriate model.</p>	<ul style="list-style-type: none"> <li>■ A report outlining rationale behind adopting a certain model to quantify potential exposure to the increase in severe weather events in a 3 degrees or greater climate-related scenario.</li> <li>■ Meeting minutes describing why, given the entity's characteristics and situation, a certain model was chosen to quantify the impact of an increasing cost of carbon on production costs.</li> <li>■ Procurement process records, such as product and company reviews or tender evaluations, detailing the assessment of three potential data providers by the team responsible for scenario analysis, outlining the basis for the choice of model based on the entity's requirements and objectives.</li> </ul>
<p><b>Which external partners and stakeholders are involved.</b><sup>32</sup></p> <p><i>If external partners and stakeholders have been involved in the process, records to support this disclosure could include documents that:</i></p>	
<p>Describe who the external partners and stakeholders were and prove the involvement they had in the scenario analysis process.</p>	<ul style="list-style-type: none"> <li>■ A project charter that includes a list of the names of any external partners and stakeholders (e.g. consultants, independent experts, government agencies), and workshop minutes describing how they were involved in developing the climate-related scenarios and/or analysing them.</li> <li>■ Letter of engagement/invoice and/or final report from an external consultant documenting minutes and outcomes of internal workshops run by the external consultant to facilitate the scenario analysis working group.</li> </ul>

<sup>32</sup> Paragraph 51(b)(iv) of NZ CS 3.

## Climate-related scenarios

Specific to the climate-related scenarios analysed, CREs are required to disclose a brief description of each scenario narrative.<sup>33</sup> The climate-related scenarios that are analysed and form the basis of the brief narratives disclosed must satisfy the following definition:<sup>34</sup>

A plausible, challenging description of how the future may develop based on a coherent and internally consistent set of assumptions about key driving forces and relationships covering both physical and transition risks in an integrated manner.

Climate-related scenarios are not intended to be probabilistic or predictive, or to identify the 'most likely' outcome(s) of climate change. They are intended to provide an opportunity for entities to develop their internal capacity to better understand and prepare for the uncertain future impacts of climate change.

The types of records that CREs could retain to prove that the climate-related scenarios analysed meet this definition are detailed below. CREs should keep in mind that the detailed climate-related scenarios constructed are in and of themselves records to support the brief narratives disclosed. Not all definitional elements of 'climate-related scenario' have been covered in this section. We have focused on the elements that are most relevant to record-keeping.

Description of how possible records could substantiate element/s of the definition of climate-related scenario	Examples of records that could be retained to substantiate that the definitional element is satisfied
<p><b>Plausible</b></p> <ul style="list-style-type: none"><li>• The definition of 'climate-related scenario' refers to scenarios being “a <b>plausible</b>, challenging description of how the future may develop...”.</li><li>• The term 'plausible' generally means something that is supported by credible information and logical reasoning, and is possible, believable and reasonable. To be plausible, climate-related scenarios, including the underlying assumptions and emission reduction pathways, should have these characteristics.</li></ul> <p><i>To support the plausibility of the climate-related scenarios, CREs could retain documents that:</i></p>	

<sup>33</sup> Paragraph 51(a)(i), NZ CS 3.

<sup>34</sup> 'Climate-related scenario' is defined in Appendix A of NZ CS 1 and Appendix A of NZ CS 3.

Description of how possible records could substantiate element/s of the definition of climate-related scenario	Examples of records that could be retained to substantiate that the definitional element is satisfied
<p>Where relevant, substantiate that the climate-related scenarios are based on credible<sup>35</sup> information.</p>	<ul style="list-style-type: none"> <li>■ A peer-reviewed article published in a reputable scientific journal that supports assumptions made about the development, timeline, and feasibility of low- or no-emissions technologies.</li> <li>■ A Crown Research Institute report that supports the plausibility of assumptions made about potential increases in average temperatures in New Zealand resulting from climate change.</li> <li>■ Publicly available scenarios or emission reduction pathways produced by reputable and widely recognised international bodies, government departments and Crown entities that support the plausibility of the climate-related scenario's parameters, architecture, and assumptions.</li> <li>■ Research published by a data services provider assessing potential long-term impacts on particular industrial sectors, jurisdictions or asset classes, used by a MIS Manager to inform its scenario analysis process.</li> </ul>
<p>Demonstrate consideration and understanding of the limitations and uncertainties of the core assumptions underlying the climate-related scenarios.</p>	<ul style="list-style-type: none"> <li>■ Training material prepared by a climate expert that the project team used to understand the limitations and uncertainties of publicly available scenarios and the conditions upon which the assumptions rely.</li> <li>■ Minutes from a workshop substantiating a presentation from an expert in electric aviation technologies that outlined the current state of play and explored reasonable assumptions about the feasibility and implementation of new technologies.</li> <li>■ An internal paper that explains the differences between the context, purpose and methodologies of the publicly available scenarios used, and the purpose of the entity's climate-related scenario development.</li> </ul>
<p>Demonstrate that the assumptions are possible within the hypothetical context constructed.</p>	<ul style="list-style-type: none"> <li>■ A publicly available scenario relating to a 1.5 degrees Celsius world that details an assumption about the availability of renewable energy that was relied on in a 1.5 degrees Celsius-aligned climate-related scenario.</li> <li>■ A Crown Research Institute report that details potential sea level rise in New Zealand in a 3 degrees Celsius world that was relied on for a 3 degrees Celsius-aligned climate-related scenario.</li> </ul>

<sup>35</sup> Evidence from reputable organisations and peer-reviewed research support credibility.

Description of how possible records could substantiate element/s of the definition of climate-related scenario	Examples of records that could be retained to substantiate that the definitional element is satisfied
<p>Demonstrate that the emission reduction pathways in each climate-related scenario are feasible.</p>	<ul style="list-style-type: none"> <li>■ Publicly available scenarios produced by reputable and widely recognised international bodies, government departments and Crown entities that support the feasibility of the speed and scale of emission reductions leading to a 1.5 degrees Celsius world that was relied on in a 1.5 degrees Celsius-aligned climate-related scenario.</li> <li>■ A peer-reviewed article published in a reputable scientific journal that supports the feasibility of technology assumptions about negative emissions technology that an emission reduction pathway relies on.</li> </ul>
<p><b>Coherent and internally consistent set of assumptions</b></p> <ul style="list-style-type: none"> <li>• The definition of ‘climate-related scenario’ refers to scenarios being “...based on a <b>coherent and internally consistent set of assumptions...</b>”.</li> <li>• This means the assumptions underlying each scenario should have a relationship or connection with each other, cannot be mutually exclusive and must relate to each other in a logical and consequential manner.</li> </ul> <p><i>Records to substantiate that this requirement has been satisfied could include those that:</i></p>	
<p>Demonstrate that the assumptions relate to each other in a logical and consequential manner</p>	<ul style="list-style-type: none"> <li>■ Minutes from a workshop discussing the relationships and connection between publicly available scenarios and emission reduction pathways used to form the parameters and architecture of the climate-related scenarios, and the degree to which assumptions can be pulled from different scenarios and pathways.</li> <li>■ A report detailing the results of a quality assessment of the climate-related scenarios undertaken to determine whether the series of assumptions made in each scenario could plausibly occur in combination, and within the same hypothetical context.</li> <li>■ Minutes from a workshop discussing how an assumption made about the Government gaining a mandate to increase the carbon price could support assumptions made about the increase in the uptake of electric vehicles, and related impacts on the financial performance of certain sectors.</li> </ul>

Description of how possible records could substantiate element/s of the definition of climate-related scenario	Examples of records that could be retained to substantiate that the definitional element is satisfied
<p><b>Key driving forces</b></p> <ul style="list-style-type: none"> <li>The definition of ‘climate-related scenario’ refers to scenarios being “...based on a coherent and internally consistent set of assumptions about <b>key driving forces</b>...”.</li> <li>Driving forces are external factors that persistently influence the events, trends and patterns that determine pathways and outcomes in a business environment. In the context of <i>climate related scenarios</i>, driving forces are those that will influence climate related risks and opportunities, and must be continuous over a period of time.</li> <li><i>Climate-related scenarios</i> should explore how events unfold over time in response to assumptions about key driving forces to comply with definition of ‘climate-related scenario’.</li> </ul> <p><i>Records to substantiate that this requirement has been satisfied could include those that:</i></p>	
<p>Outline the key driving forces and explain how they were identified.</p>	<ul style="list-style-type: none"> <li>Minutes from a workshop where a brainstorming exercise was undertaken to identify driving forces that could influence climate-related risks and opportunities.</li> <li>A sectoral scenario analysis report that documents the sector-level climate-related scenarios that were used to form entity-level climate-related scenarios, that includes detail about how sector-level driving forces were identified.</li> <li>Results from a survey where employees were asked to identify driving forces they considered would have the biggest influence on climate-related risks and opportunities.</li> </ul>
<p>Demonstrate that the climate-related scenarios explore how events unfold over time in response to assumptions about key driving forces.</p>	<ul style="list-style-type: none"> <li>Minutes from a workshop where the key driving forces identified were placed within the parameters and pathways of the climate-related scenario and a brainstorming exercise was undertaken to explore how the driving forces could influence a series of events in each scenario.</li> <li>A scenario analysis methodology document that documents the results of an impact-mapping exercise undertaken to systematically explore how the driving forces could cause a series of events to happen, and the connections between these events.</li> </ul>

Description of how possible records could substantiate element/s of the definition of climate-related scenario	Examples of records that could be retained to substantiate that the definitional element is satisfied
<p><b>Physical and transition risks in an integrated manner</b></p> <ul style="list-style-type: none"> <li>The definition of ‘climate-related scenario’ refers to scenarios “...covering both <b>physical and transition risks in an integrated manner</b>”.</li> <li>This means that the scenarios cannot be constructed to only consider either transition or physical risks in isolation. Instead, each climate-related scenario should explore both types of climate-related risks and include consideration of the interplay between each.</li> <li>CREs should retain records to substantiate both the transition and physical climate-related risks identified in their climate-related scenarios.</li> </ul> <p><i>Records to substantiate that this requirement has been satisfied could include those that:</i></p>	
<p>Support the transition climate-related risks explored in each climate-related scenario.</p>	<ul style="list-style-type: none"> <li>A research paper that supports assumptions made about reduced demand for high-emission products due to changing consumer preferences.</li> <li>A court-issued legal judgment in another jurisdiction where an entity in a similar industry was held to have violated its environmental obligations under national and international law, to support assumptions about climate-related litigation risk.</li> <li>Publicly available scenarios or emission reduction pathways produced by reputable and widely recognised international bodies, Government departments and Crown entities that support assumptions about transition climate-related risks.</li> </ul>
<p>Support the physical climate-related risks explored in each climate-related scenario.</p>	<ul style="list-style-type: none"> <li>A Crown Research Institute report that supports assumptions made about increases in average temperatures in New Zealand resulting from climate change.</li> <li>A research paper published in a reputable scientific journal that supports assumptions made about the potential increase in precipitation.</li> <li>Publicly available scenarios or emission reduction pathways produced by reputable and widely recognised international bodies, Government departments and Crown entities that support assumptions about physical climate-related risks.</li> </ul>

## Methods and assumptions

When disclosing methods and assumptions underlying the climate-related scenarios used, climate statements must disclose information in accordance with paragraph 51(a) of NZ CS 3. The table below details the types of records that could be retained to support these disclosures.

Description of how possible records could substantiate disclosure requirements	Examples
<p><b>A description of the various emissions reduction pathways in each scenario and the assumptions underlying pathway development over time, including the scope of operations covered, policy and socioeconomic assumptions, macroeconomic trends, energy pathways, carbon sequestration from afforestation and nature-based solutions and technology assumptions including negative emissions technology.<sup>36</sup></b></p>	
<p>Documents that corroborate that the emission reduction pathways and the assumptions underlying pathway development over time disclosed were used to construct each climate-related scenario.</p>	<ul style="list-style-type: none"> <li>■ A scenario analysis methodology document that details the emission reduction pathways used to construct each climate-related scenario.</li> <li>■ A copy of a publicly available emission reduction pathway detailing a disorderly transition that aligns with the high transition risk pathway in a chosen 1.5 degrees Celsius climate-related scenario.</li> </ul>
<p><b>An explanation of why the entity believes the chosen scenarios are relevant and appropriate to assessing the resilience of the entity's business model and strategy to climate-related risks and opportunities.<sup>37</sup></b></p>	
<p>Documents that substantiate why the climate-related scenarios used are relevant and appropriate to assess the resilience of the business model and strategy.</p>	<ul style="list-style-type: none"> <li>■ Minutes from a workshop where the scenario analysis team discussed that given a high degree of exposure to transition climate-related risks, it would construct two 1.5 degrees Celsius climate-related scenarios (along with its mandatory 3 degrees Celsius or greater scenario) to ensure the business model and strategy are adequately tested against two distinct scenarios with high transition risk and low physical risk attributes.</li> <li>■ A scenario analysis methodology document supporting the rationale of a MIS Manager's scheme and underlying funds, which predominantly invest in global equities, focusing its climate-related scenarios on exploring how climate-related risks and opportunities could impact macroeconomic conditions in each major geographic location.</li> </ul>

<sup>36</sup> Paragraph 51(a)(iii), NZ CS 3.

<sup>37</sup> Paragraph 51(a)(iv), NZ CS 3.



Description of how possible records could substantiate disclosure requirements	Examples
<b>The sources of data used to construct each scenario.<sup>38</sup></b>	
Documents that corroborate that the sources of data disclosed were used to construct each climate-related scenario.	<ul style="list-style-type: none"> <li>■ A data inventory report detailing a list and sources of all data used to construct climate-related scenarios.</li> <li>■ A data-sharing agreement for the provision of physical climate risk data that was used to further refine the impact of sea level rise in the 3 degrees Celsius climate-related scenario.</li> </ul>

## Climate-related risks and opportunities

The table below details the types of records that could be retained to support the disclosures relating to climate-related risks and opportunities.

Description of how possible records could substantiate disclosure requirements	Examples
<b>A description of the climate-related risks and opportunities it has identified over the short, medium, and long term.<sup>39</sup></b>	
Documents that substantiate the processes undertaken to identify climate-related risks and opportunities.	<i>Refer to the Risk Management section for examples of records that cover the processes undertaken to identify climate-related risks and opportunities.</i>
<b>How it defines short, medium and long term and how the definitions are linked to its strategic planning horizons and capital deployment plans;<sup>40</sup></b>	
Documents that substantiate how the short-, medium- and long-term time horizons have been	<ul style="list-style-type: none"> <li>■ Risk management framework and policies with strategic climate-related considerations being specifically integrated.</li> </ul>

<sup>38</sup> Paragraph 51(a)(v), NZ CS 3.

<sup>39</sup> Paragraph 11(c), NZ CS 1.

<sup>40</sup> Paragraph 14(a), NZ CS 1.

Description of how possible records could substantiate disclosure requirements	Examples
<p>defined and explain how the time horizons are linked (or not) to strategic planning horizons and capital deployment plans.</p>	<ul style="list-style-type: none"> <li>■ Minutes from a governance body meeting discussing how short-, medium- and long-term time horizons are defined in respect of climate-related risks and opportunities, or where it was decided that the time horizons would have no link to strategic planning horizons and capital deployment plans.</li> <li>■ A management report detailing how the time horizons in respect of climate-related risks and opportunities are aligned and integrated with strategic planning horizons and capital deployment plans.</li> <li>■ Investment Committee reports to the Board of a MIS Manager discussing climate-related risks and opportunities and any resulting adaptations made or proposed for portfolio strategies for the MIS Manager’s actively managed funds.</li> </ul>
<p><b>Whether the climate-related risks and opportunities identified are physical or transition risks or opportunities, including, where relevant, their sector and geography;<sup>41</sup></b></p>	
<p>Documents that explain how the climate-related risks and opportunities have been classified into physical or transition categories, including their sector and geography where relevant.</p>	<ul style="list-style-type: none"> <li>■ A risk register classifying the climate-related risks (and opportunities) identified into physical or transition risks, or sector and geography (if relevant).</li> <li>■ Risk management framework and policies that set out the classification criteria.</li> <li>■ A report prepared by risk and/or strategy functions that details how risks were classified.</li> <li>■ Minutes from a workshop where the risk function or Investment Committee discussed how the climate-related risks and opportunities should be classified (e.g. transition or physical risk, or by sector and geography).</li> </ul>
<p><b>How climate-related risks and opportunities serve as an input to its internal capital deployment and funding decision-making processes.<sup>42</sup></b></p> <p><i>If climate-related risks and opportunities serve as an input to capital deployment and funding decision-making process, records to substantiate this disclosure could include documents that:</i></p>	

<sup>41</sup> Paragraph 14(b), NZ CS 1.

<sup>42</sup> Paragraph 14(c), NZ CS 1.

Description of how possible records could substantiate disclosure requirements	Examples
<p>Explain how analysis of climate-related risks and opportunities is integrated within the wider strategic planning, capital deployment and funding processes.</p>	<ul style="list-style-type: none"> <li>■ Evidence that integration with strategic processes is included within the risk management framework and policies, e.g. internal requirements that relevant climate-related risks and opportunities are to be included in any business case put forward to the governance body for capital investment decisions.</li> <li>■ For a MIS Manager, internal policies applicable to the management of a fund describing positive or negative investment screening criteria, or comparable investment frameworks.</li> <li>■ Meeting minutes from a discussion indicating how reports highlighting climate-related risks and opportunities affecting products, key markets or assets were used as part of the strategic decision-making process.</li> </ul>

## Anticipated impacts and financial impacts

Description of how possible records could substantiate disclosure requirements	Examples
<p><b>The anticipated impacts of climate-related risks and opportunities reasonably expected by the entity.<sup>43</sup></b></p>	
<p>Documents that substantiate the processes or analysis undertaken to identify anticipated impacts of climate-related risks and opportunities reasonably expected by the entity.</p>	<ul style="list-style-type: none"> <li>■ Workpaper that documents all the risks (and opportunities) included in the risk register and analysis of how those risks and opportunities convert into anticipated impacts.</li> <li>■ An investment case put to the governance body for a lower-carbon variant of an existing product line, citing both internal and external market research.</li> <li>■ Governance body papers and related internal reporting from an in-house lawyer describing the anticipated impact of climate regulatory changes that will apply from 2025.</li> <li>■ Report describing analysis undertaken by or for a MIS Manager on the potential impacts of climate-related risks and opportunities on the main markets and indices in which the manager's funds are invested.</li> </ul>

<sup>43</sup> Paragraph 15(a), NZ CS 1.

Description of how possible records could substantiate disclosure requirements	Examples
<b>The anticipated financial impacts of climate-related risks and opportunities reasonably expected by an entity.<sup>44</sup></b>	
Documents that substantiate the processes or analysis undertaken for financially quantifying the anticipated financial impacts of climate-related risks and opportunities identified.	<ul style="list-style-type: none"> <li>■ Sensitivity analysis that calculates an estimated range of the decrease in the fair valuation of property assets in the medium to long term. This is based on assumptions from external and internal data about the expected physical climate risks in the medium and long term that the property assets are specifically exposed to and/or vulnerable to, and the associated economic conditions influencing the future discount rate and cash flows (e.g. rent revenue and insurance costs).</li> <li>■ Forecast that estimates a range of projected costs related to the implementation of converting a fleet of trucks with internal combustion engines to hydrogen over the next ten years. This is based on assumptions from internal and external data about increasing costs, based on rising international demand.</li> <li>■ Model that calculates an estimated range of increased revenue from developing a more drought-tolerant variant of its seeds to sell to key European and Asian markets over the medium to long term. This is based on assumptions from external research and sources about the climate in the medium to long term in Europe and Asia, and the associated forecasted demand and prices.</li> </ul>
Documents that provide relevant supporting financial information about the anticipated financial impacts of climate-related risks and opportunities identified.	<ul style="list-style-type: none"> <li>■ Market-based forecasts used for assumptions to support models such as foreign exchange, commodities (e.g. oil) and carbon prices.</li> <li>■ Industry publications forecasting future financial impacts (e.g. insurance premium increases), which could also help describe future uncertainties about these impacts.</li> <li>■ Central or local government policy information about future changes to climate regulation that could have a direct financial impact (e.g. future grants or funding).</li> </ul>
<b>A description of the time horizons over which the anticipated financial impacts of climate-related risks and opportunities could be reasonably expected to occur.<sup>45</sup></b>	

<sup>44</sup> Paragraph 15(b), NZ CS 1.

<sup>45</sup> Paragraph 15(c), NZ CS 1.

Description of how possible records could substantiate disclosure requirements	Examples
Documents that substantiate why the anticipated financial impacts are reasonably expected to occur from the time period disclosed.	<ul style="list-style-type: none"> <li>■ Sensitivity analysis, forecasts or models that have calculations and assumptions that cover the time period disclosed.</li> <li>■ Market-based forecasts used for assumptions such as foreign exchange, commodities and carbon prices, to support the time period disclosed.</li> <li>■ Industry publications or government policy information that include detail to support the time period disclosed.</li> </ul>
<p><b>If an entity is unable to disclose quantitative information [about the anticipated financial impacts of climate-related risks and opportunities], an explanation of why that is the case.<sup>46</sup></b></p>	
<p>The required records will be highly dependent on the explanation disclosed in the climate statements, and there will need to be sufficient evidence to support rationale. In some cases, there could be calculations attempting to quantify the anticipated financial impacts and/or evidence of preliminary research carried out to underly their explanation.</p>	

## Transition planning

The table below details the types of records that could be retained to support these disclosures.

Description of how possible records could substantiate disclosure requirements	Examples
<p><b>A description of its current business model and strategy.<sup>47</sup></b></p>	
Documents that outline the strategy and business model.	<ul style="list-style-type: none"> <li>■ Strategy documents that outline goals and objectives, and the strategies and mechanisms used to achieve them.</li> </ul>

<sup>46</sup> Paragraph 15(d), NZ CS 1.

<sup>47</sup> Paragraph 16(a) NZ CS 1.

Description of how possible records could substantiate disclosure requirements	Examples
	<ul style="list-style-type: none"> <li>■ For a MIS Manager, source records such as meeting notes, papers related to the development of a new fund, or market research reports used to develop a fund's SIPO (that details the investment governance and portfolio management framework, philosophy, strategies and objectives of the fund).</li> </ul>
<p><b>The transition plan aspects of its strategy, including how its business model and strategy might change to address its climate-related risks and opportunities.<sup>48</sup></b></p>	
<p>Documents that outline the transition plan aspects of a strategy.</p>	<ul style="list-style-type: none"> <li>■ Documents that substantiate the intent and actions to transition activities in order to remain resilient and continue to generate value in response to climate-related risks and opportunities, and the strategies and mechanisms the entity will use (or has used) to achieve this.</li> <li>■ Data produced or obtained to identify and measure emissions sources throughout the value chain, used as an input into the development of a transition plan.</li> <li>■ Documents evidencing risk analysis processes undertaken by management, such as risk assessments undertaken for an entity's sites, production processes or key suppliers.</li> <li>■ Reports prepared for an entity's governance body outlining the potential costs and benefits associated with alternative options for moving the organisation towards a lower exposure to transition risks.</li> </ul>
<p>Documents that explain how transition planning is integrated with wider strategy.</p>	<ul style="list-style-type: none"> <li>■ A performance dashboard provided to the governing body that includes reporting against transition plan metrics in an integrated format alongside other strategic goals.</li> <li>■ Documents that describe how performance against targets set out in the transition plan is a factor in determining the remuneration levels of management staff.</li> <li>■ Minutes from a meeting at which the governance body reviewed a report on the entity's most significant risks (including but not limited to climate-related risks).</li> </ul>

<sup>48</sup> Paragraph 16(b) NZ CS 1.

Description of how possible records could substantiate disclosure requirements	Examples
<p><b>The extent to which transition plan aspects of its strategy are aligned with its internal capital deployment and funding decision-making processes.<sup>49</sup></b></p>	
<p>Documents that explain how transition planning is aligned with internal capital deployment and funding processes.</p>	<ul style="list-style-type: none"> <li>■ The results of a skills and capabilities audit performed by the governance body to assess whether there is sufficient expertise to fulfil the transition strategy, and documents describing follow-up actions, such as the recruitment of staff with skills and experience relevant to the needs identified in the entity's transition plan.</li> <li>■ A MIS Manager's records indicating how investments by a fund in certain asset classes, sectors, jurisdictions or activities, or its voting or investor engagement practices, have been affected by changes in the fund's investment policies linked to the fund's transition plan.</li> <li>■ A request for tender issued in relation to a significant capital investment project that demonstrates the adoption of supplier screening policies and assessment of wider value chain impacts in its procurement processes.</li> <li>■ Budgeting, capital investment plans or project approval records illustrating commitments to fund initiatives identified in the transition plan.</li> </ul>
<p><b>A description of its progress towards developing the transition plan aspects of its strategy.<sup>50</sup></b></p> <p><i>If the transition plan is in the process of being developed, records to support disclosures could include documents that:</i></p>	
<p>Describe the process for the development of the transition plan aspects of the strategy.</p>	<ul style="list-style-type: none"> <li>■ Internal scoping documents or terms of reference given to the team(s) responsible for developing a transition plan, based on the risks and opportunities previously identified.</li> <li>■ Minutes from meetings where key decisions were made by management or the governance body in relation to the development of the transition plan.</li> <li>■ Investment Committee (or equivalent) reports to the governance body of a MIS Manager outlining the results of a review of strategy and portfolio management approach for a managed fund.</li> </ul>

<sup>49</sup> Paragraph 16(c) NZ CS 1.

<sup>50</sup> Paragraph 16, NZ CS 2.

Description of how possible records could substantiate disclosure requirements	Examples
<p>Demonstrate the progress made towards developing the transition plan aspects of the strategy.</p>	<ul style="list-style-type: none"> <li>■ An internal report prepared for and reviewed by the governance body describing the results of the climate risk assessment and/or scenario analysis processes and potential implications for addressing physical and transition risks and pursuing opportunities.</li> <li>■ Minutes from a governance body meeting at which draft versions of the transition plan were discussed, and feedback was provided by the governance body.</li> <li>■ Reports prepared by a MIS Manager for investors, detailing the performance and composition of individual funds, with related commentary on the MIS Manager’s transition strategy and approach to climate-related risks and opportunities.</li> </ul>

## Methods and assumptions, and data and estimation uncertainty

NZ CS 3 requires disclosures about methods and assumptions, and data and estimation uncertainty, to ensure primary users are provided with information to understand the context of the climate statements.<sup>51</sup>

This requirement applies across all disclosures. However, in terms of the strategy disclosures discussed in this section, where relevant, records should be retained to substantiate how methods and assumptions, and data and estimation uncertainty are considered in respect of strategy disclosures. The following areas should be addressed within records to support this:

- an appropriate level of detail to support any calculations that underly the disclosures (e.g. step-by-step calculation spreadsheets where the parameters, justification for methodologies, assumptions, uncertainties, and limitations have been considered and documented);
- any specific additional work (e.g. third party or quality control) related to the compilation or review of calculations and models underlying the strategy disclosures (if applicable);
- internal policies and procedures that document the processes, methods and approaches; and
- analysis of the quality of the underlying data, including uncertainty assessments.

<sup>51</sup> Paragraph 49, NZ CS 3.



# Risk management

The objective of the risk management disclosures in Aotearoa New Zealand Climate Standard 1 (NZ CS 1) is to enable primary users to understand how climate-related risks are identified, assessed, and managed and how those processes are integrated into existing risk management<sup>52</sup> processes.<sup>53</sup>

## Risk management disclosures

The table below details the types of records that CREs could retain to support the disclosures relating to risk management<sup>54</sup> of both transition risks<sup>55</sup> and physical risks.<sup>56</sup>

Description of how possible records could substantiate disclosure requirements	Examples
<p><b>A description of its processes for identifying, assessing, and managing climate-related risks.<sup>57</sup></b></p> <p><i>If processes are in place for identifying, assessing, and managing climate-related risks, records to support this disclosure could include documents that:</i></p>	

<sup>52</sup> ‘Risk management’ is defined in NZ CS 1 as “a set of processes that are carried out by an entity’s governance body and management to support the achievement of an entity’s objectives by addressing its risks and managing the combined potential impact of those risks”.

<sup>53</sup> Paragraph 17, NZ CS 1.

<sup>54</sup> If a climate-related risks are not managed, the examples in the tables are still relevant to illustrate *how* specified records link to and substantiate disclosures (e.g. meeting minutes showing that management is not informed about climate-related risks).

<sup>55</sup> “Transition risks” are defined in NZ CS 1 as “risks related to the transition to a low-emissions, climate-resilient global and domestic economy, such as policy, legal, technology, market and reputation changes associated with the mitigation and adaptation requirements relating to climate change”.

<sup>56</sup> “Physical risks” are defined in NZ CS 1 as “risks related to the physical impacts of climate change. Physical risks emanating from climate change can be event-driven (acute), such as increased severity of extreme weather events. They can also relate to longer-term shifts (chronic) in precipitation and temperature, and increased variability in weather patterns, such as sea level rise”.

<sup>57</sup> Paragraph 18(a), NZ CS 1.

Description of how possible records could substantiate disclosure requirements	Examples
Substantiate the processes used to <u>identify</u> climate-related risks.	<ul style="list-style-type: none"> <li>■ A climate risk assessment, which has been integrated into the organisation's wider risk management framework and policies. All risks (and opportunities) identified have been recorded in a risk register, along with other relevant information such as alignment of the risks and opportunities with the time horizon and ratings (e.g. by likelihood and consequence).</li> <li>■ An analysis of climate-related scenario analysis and physical climate data analysis (with supporting data included in an appendix) to identify a list of possible climate-related risks and opportunities, which have been considered and updated in the risk register (if required).</li> <li>■ Minutes documenting the discussions from annual workshops held with key representatives across the business to refresh the climate risk assessment (and risk register) and identify any new climate-related risks and opportunities.</li> <li>■ Periodic research reports commissioned or requested on markets, asset classes, specific sectors or entities used by a MIS Manager to identify climate-related risks, covering exposure in its funds and/or its chosen market indices, to emissions pricing or legislation-linked transition risks.</li> </ul>
Substantiate the processes used to <u>assess</u> climate-related risks.	<ul style="list-style-type: none"> <li>■ Risk matrix with the criteria, such as likelihood and consequence, used to assess climate-related risks (and opportunities), which has been aligned with the organisation's wider risk management framework and policies.</li> <li>■ Risk register that evidences the assessment of all risks identified in accordance with the risk matrix or criteria set out within the risk management framework.</li> <li>■ Minutes of a biannual workshop where key representatives across the business assessed climate-related risks (and opportunities) in accordance with the risk matrix.</li> <li>■ Thematic data or reports prepared or commissioned by a MIS Manager from external parties and used to assess potential climate-related risks, such as impacts on agricultural productivity or energy costs.</li> </ul>
Substantiate the processes used to <u>manage</u> climate-related risks.	<ul style="list-style-type: none"> <li>■ Risk register updates documenting internal workshop decisions on whether identified and assessed climate-related risks are being appropriately managed, showing updated action items if any changes to the management of those risks are required.</li> <li>■ Governance body charter that sets out the governance process for managing climate-related risks, and associated minutes evidencing the process and decision making.</li> </ul>

Description of how possible records could substantiate disclosure requirements	Examples
	<ul style="list-style-type: none"> <li>■ Business planning yearly reports (or equivalent) for internal business unit managers that include management of climate-related risks (that are relevant to them).</li> <li>■ Minutes of Investment Committee (or equivalent) meetings covering discussion of climate-related risks (among others) for an actively managed fund, and associated implications for portfolio strategy.</li> </ul>
<p><b>A description of how its processes for identifying, assessing, and managing climate-related risks are integrated into its overall risk management processes.<sup>58</sup></b></p> <p><i>If processes for identifying, assessing and managing climate-related risks are integrated into the overall risk management processes, records to support this disclosure could include documents that:</i></p>	
Substantiate how those processes are integrated.	<ul style="list-style-type: none"> <li>■ Risk management framework and policies setting out how climate-related risk is specifically integrated (or not integrated), and the risk register that substantiates the level of integration.</li> <li>■ Top ten risks report that includes consideration of climate-related risks (as well as other business risks), included in the board pack and reviewed monthly by the relevant governing body, with evidence of review and discussion about the report in the associated governing body minutes,</li> <li>■ Report of a MIS Manager’s Investment Committee to the MIS Manager’s board summarising climate-related risks and other risks, together with portfolio impact assessments and mitigation measures adopted as a result.</li> <li>■ Minutes of a governance body meeting where there was discussion around managing risk by adjusting the risk appetite, now that consideration had been given to the addition of climate-related risks (either by identifying standalone climate risks or intensifying existing business risks due to the additional consideration of climate risks), which are now considered in conjunction with all other business risks.</li> </ul>

<sup>58</sup> Paragraphs 18(b), NZ CS 1.

The table below details the types of records that could be retained to support the additional disclosures relating to processes for identifying, assessing and managing climate-related risks.<sup>59</sup>

Description of how possible records could substantiate disclosure requirements	Examples
<b>Tools and methods used to identify, and to assess the scope, size, and impact of, its identified climate-related risks.<sup>60</sup></b>	
Substantiate the tools and methods used to identify and assess the scope, size and impact of its identified climate-related risks.	<ul style="list-style-type: none"> <li>■ A risk matrix with the criteria, such as likelihood and consequence, used to assess climate-related risks (and opportunities), which has been aligned with the organisation's wider risk management framework and policies.</li> <li>■ Sensitivity analysis, forecasts and analysis used to assess the impact of climate-related risks (refer to the anticipated financial impacts examples in the Strategy section).</li> <li>■ Analytics tools or systems that specifically track and measure climate-related risks and opportunities, e.g. measuring credit risk to loans specifically tagged as having a higher exposure to climate-related risk.</li> </ul>

<sup>59</sup> Note that only section (a) of paragraph 19 of NZ CS 1 has been explained in this guidance. Sections (b) to (e) have not been included.

<sup>60</sup> Paragraph 19(a), NZ CS 1.

# Metrics and targets

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The objective of the metrics and targets disclosures in Aotearoa New Zealand Climate Standard 1 (NZ CS 1) is to enable primary users to understand how an entity measures and manages its climate-related risks and opportunities. Metrics and targets also provide a basis for primary users to compare entities within a sector or industry.<sup>61</sup>

## Greenhouse gas emissions metrics

The following quantitative information about GHG emissions must be disclosed:

An entity must disclose metrics for greenhouse gas (GHG) emissions: gross emissions in metric tonnes of carbon dioxide equivalent (CO<sub>2</sub>e) classified as<sup>62</sup>:

- (i) scope 1
- (ii) scope 2 (calculated using the location-based method)
- (iii) scope 3

These disclosures are referred to as the “GHG metrics”. This section sets out the elements that should be considered to support disclosures on GHG metrics and provides examples that demonstrate the types of records that could be retained.

The order of the following sections is based on the logic often applied to identify and then calculate GHG emissions. It does not describe the process for measuring emissions or associated accounting methodologies. Entities should refer back to the measurement standard or standards they apply for further guidance.

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<sup>61</sup> Paragraph 20, NZ CS 1.

<sup>62</sup> Paragraph 22 (a), NZ CS 1.

Description of how possible records could substantiate disclosure requirements	Examples
<p><b>Identification of reporting boundaries<sup>63</sup></b></p> <p><b>An entity's reporting boundaries should be identified and assessed based on its legal obligations under the FMC Act and the chosen consolidation approach.</b></p> <p><i>To support the identification of reporting boundaries, examples of records that could be retained include documents that:</i></p>	
<p>Substantiate and explain the complete legal structure (e.g. funds, subsidiaries, associates, joint ventures).</p>	<ul style="list-style-type: none"> <li>■ An organisational chart that describes the legal structure, including joint ventures, subsidiaries, and associates.</li> <li>■ Listing(s) of all registered schemes and associated funds related to a MIS Manager.</li> <li>■ Joint venture agreements, company constitution, governing document (e.g. trust deed) and/or operating licence documents that verify the legal structure.</li> </ul>
<p>Substantiate the reporting boundaries based on legal obligations and the chosen consolidation approach.</p>	<ul style="list-style-type: none"> <li>■ A memorandum that sets out the assessment of all the elements in the entity's legal structure (e.g. subsidiaries and joint ventures). This concludes on whether it included (or excluded) each element within its reporting boundaries with appropriate justification. This considers both the legal obligations under the FMC Act and the consolidation approach (e.g. whether it has operational control based on the underlying legal documents for each subsidiary and joint venture).</li> <li>■ The consolidation policy (e.g. equity share consolidation policy).</li> <li>■ Any other relevant documents (e.g. operational licence or associate audited financial statements).</li> </ul>

<sup>63</sup> This is often referred to as setting 'organisational boundaries' in measurement standards.

Description of how possible records could substantiate disclosure requirements	Examples
<p><b>Identification of GHG emissions sources<sup>64</sup></b></p> <p><b>All GHG emissions sources within the defined reporting boundaries should be identified and assessed. The analysis that underlies this process, and supports the fact that it has been undertaken appropriately, is often referred to as the ‘GHG screening’ analysis (or equivalent).</b></p> <p><i>To support the identification of GHG emission sources, examples of records that could be retained include documents that:</i></p>	
<p>Substantiate the process of identification of all scope 1 and 2 GHG emissions sources.</p>	<ul style="list-style-type: none"> <li>■ Detailed expense listing from the financial general ledger with the source and date of general ledger extraction documented, identifying GHG emissions sources by highlighting the expense lines (e.g. electricity and fuel).</li> <li>■ Asset listing with source and date of extraction documented, identifying GHG emissions sources by highlighting or referencing (e.g. boiler, turbine, chemical processing equipment).</li> <li>■ File note describing interviews with operational staff at different sites to identify further emission sources (e.g. refrigerant or methane leaks).</li> </ul>
<p>Substantiate the process of identifying all scope 3 GHG emissions sources<sup>65</sup> related to the value chain.</p>	<ul style="list-style-type: none"> <li>■ Value chain<sup>66</sup> organisational process maps and procedures to identify upstream and downstream emission sources (with guidance from the categories in the measurement standard).</li> <li>■ Information provided by suppliers to identify GHG emissions sources that relate to the goods and services they provide. Information includes the supplier details, contact information, and the date the data was received (e.g. information relating to the extraction of raw materials used in products, such as wool, minerals or food ingredients).</li> <li>■ Expense and activity listings or reports to identify upstream and downstream GHG emissions sources, with the source and date of extraction documented.</li> <li>■ Listing of all underlying investments in a fund (e.g. full portfolio holdings report).</li> </ul>

<sup>64</sup> This is often referred to as setting ‘operational boundaries’ in measurement standards.

<sup>65</sup> Assessment of indirect scope 3 GHG emissions requires an additional process to identify and assess further indirect GHG emissions sources within the scope 3 reporting boundaries.

<sup>66</sup> NZ CS1 states that a value chain is “the full range of activities, resources and relationships related to an entity’s business model and the external environment in which it operates. A value chain encompasses the activities, resources and relationships an entity uses and relies on to create its products and services from conception to delivery, consumption and end of life”.

Description of how possible records could substantiate disclosure requirements	Examples
Classify the GHG emissions sources.	<ul style="list-style-type: none"> <li>■ GHG management system extract classifying GHG emission sources into scope 1, scope 2 or scope 3. This document could take the form of an Excel file or other software extract.</li> </ul>
The rationale to support any exclusions with consideration for materiality.	<ul style="list-style-type: none"> <li>■ Document describing GHG emission sources identified in the GHG screening analysis that have been assessed to be immaterial to its users and excluded from GHG measurement. The document describes the rationale for the exclusion, considering materiality.</li> </ul>
<p><b>Calculation of GHG emissions</b></p> <p><b>GHG emissions should be calculated based on the emissions sources identified.</b></p> <p><i>To support the calculation of GHG emission sources, records that could be retained include documents that:</i></p>	
Substantiate the activity data <sup>67</sup> relating to the GHG emission source identified.	<ul style="list-style-type: none"> <li>■ Monthly invoices from energy retailers that include information on electricity consumed (kWh).</li> <li>■ Monthly invoices issued by vendors that contain the litres (L) of fuel consumed and fuel type.</li> <li>■ Third-party confirmation from maintenance service providers used to top up refrigerant volumes (kg) and verify leakage.</li> </ul>
Substantiate emissions factors and the associated sources. <sup>68</sup>	<ul style="list-style-type: none"> <li>■ Copies of source documents retained (e.g. extracts from the International Energy Agency database, Ministry for the Environment (MfE) Emissions Factors Workbook, or a PDF copy of the International Panel for Climate Change AR 6 Report).</li> <li>■ Report of the emissions factors applied to GHG emissions calculations generated from emissions management software.</li> </ul>

<sup>67</sup> A quantitative measure of activity that results in a GHG emission (or GHG removal) (ISO 14064-1 definition). For example, data showing litres of fuel consumed, number of livestock heads or kWh of electricity purchased.

<sup>68</sup> The underlying documentation relating to the emissions factor source should be retained as a record (e.g. if this information is extracted from a database or publication, then this must be saved and retained).



Description of how possible records could substantiate disclosure requirements	Examples
Substantiate GWP rates and the associated source.	<ul style="list-style-type: none"> <li>■ GWP<sub>100</sub> rates from the IPCC Assessment Report AR6 retained as a downloaded PDF copy for records.</li> <li>■ GWP<sup>100</sup> rates from MfE's guide for measuring emissions, retained as a downloaded PDF copy for records</li> </ul>
Substantiate any other adjustments.	<ul style="list-style-type: none"> <li>■ Conversion of units (e.g. US gallons to litres).</li> <li>■ Calculations of GHG emissions by activity or source (e.g. 3,785 litres of petrol * 2.46 emissions factor = 9,311 kgCO<sub>2e</sub>).</li> <li>■ Conversion of the six GHGs to CO<sub>2</sub> equivalents using GWP rates (e.g. CH<sub>4</sub> to CO<sub>2e</sub>).</li> <li>■ Calculations to obtain the metric tonnes of CO<sub>2</sub> equivalents (e.g. 9,311 kgCO<sub>2e</sub> / 1000 = 9.31 tCO<sub>2e</sub>).</li> </ul>
Substantiate the final calculation of GHG emissions by each emissions source or activity.	<ul style="list-style-type: none"> <li>■ GHG management system extract or Excel spreadsheet that includes the final summary of GHG emissions in metric tonnes of CO<sub>2</sub> equivalents by activity or source (e.g. a separate line for petrol consumed from company vehicles is 9.31 tCO<sub>2e</sub>), categorised into the appropriate scope.</li> </ul>
Substantiate the consolidation of GHG emissions.	<ul style="list-style-type: none"> <li>■ A workpaper that consolidates the GHG emissions for each element within the reporting boundaries (e.g. subsidiary, joint venture, associate) to determine the 'final' GHG metrics for its disclosure. This should be based on the reporting boundary and chosen consolidation approach.</li> </ul>

The table below details the types of records that could be retained to support the additional disclosures relating to GHG emissions disclosures:

Description of how possible records could substantiate disclosure requirements	Examples
<p><b>A description of the methods and assumptions used to calculate or estimate GHG emissions, and the limitations of those methods, must be provided. When choices between different methods are allowed, or entity-specific methods are used, the methods used and the rationale for doing so must be disclosed.<sup>69</sup></b></p>	
<p>Documents that substantiate the disclosed GHG emission methods, assumptions and limitations.</p>	<ul style="list-style-type: none"> <li>■ Excel workpaper that retains the formulas and input data in cells to evidence the approach taken, as well as text (or references) to describe methods, assumptions, and limitations where appropriate.</li> <li>■ Minutes of discussions on methodologies and/or models and why the selection is appropriate.</li> <li>■ Third-party or quality control outputs (e.g. reports) related to compiling or reviewing GHG emissions calculations and/or models.</li> <li>■ Methodology documents that include relevant information (e.g. an investment manager engaging a third-party provider to model its scope 3 financed emissions for its investment portfolio fund. The investment manager retains the detailed report that includes the information on the data, methodology, assumptions, and model applied to support the disclosure).</li> </ul>
<p><b>Entities must describe uncertainties relevant to the entity’s quantification of GHG emissions, including the effects of these uncertainties on the GHG emissions disclosures.<sup>70</sup></b></p>	
<p>Documents that substantiate the disclosed uncertainties and effects on the GHG emission disclosures.</p>	<ul style="list-style-type: none"> <li>■ GHG management system that tracks and documents the characteristics and quality of each underlying data source used for GHG emissions calculations, including assessing data uncertainty for each source.</li> <li>■ File note that describes the uncertainty assessment for data sources, with material uncertainties.</li> <li>■ Internal policies and procedures that document data quality processes, or the approach to data or estimation uncertainty (e.g. data management plan, relevant policies, and internal quality assurance procedures).</li> </ul>

<sup>69</sup> Paragraph 52, NZ CS 3.

<sup>70</sup> Paragraph 53, NZ CS 3.

**An entity must provide an explanation for the base year GHG emissions restatements.<sup>71</sup>**

<p>Documents that substantiate the explanation for a base year restatement.</p>	<ul style="list-style-type: none"> <li>■ Base year restatement policy.</li> <li>■ Spreadsheet/Excel workpaper that calculates and quantifies a potential restatement, with rationale documented.</li> <li>■ File note that assesses the impact of a potential restatement (e.g. more accurate source of GHG emissions information being sourced), and the conclusion on whether a base year restatement is required in the disclosure, with consideration for the impact of GHG metrics, base year recalculation policy and materiality assessment.</li> </ul>
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## Targets

When disclosing targets in climate statements, the following should be considered:

- the defined term of ‘target’<sup>72</sup> in NZ CS 1; and
- the disclosure objective that the targets disclosed are those that are “used to manage climate-related risks and opportunities.”<sup>73</sup>

The table below details the types of records that could be retained to support that targets disclosed meet these disclosure requirements:

Description of how possible records could substantiate disclosure requirements	Examples
<p>Documents that substantiate that disclosed target/s:</p> <ul style="list-style-type: none"> <li>- Contribute to achieving the overall climate-related ambition and strategy.</li> </ul>	<ul style="list-style-type: none"> <li>■ Outputs such as workpapers, a report, presentation slides or meeting minutes of an internal review on developing targets, which consider the climate-related strategy, risks and opportunities, and the coverage of associated aligned targets.</li> <li>■ Report from a third-party expert engaged to assist with developing targets, including interim targets. As part of the scope of this work, the expert recommended targets that cover the climate-related strategy commitments, and climate risk and opportunity assessment with consideration for benchmark industry standards.</li> </ul>

<sup>71</sup> Paragraph 54, NZ CS 3.

<sup>72</sup> NZ CS 1 defines ‘target’ as “a specific level, threshold, or quantity of a metric that an entity wishes to meet over a defined time horizon in order to achieve an entity’s overall climate-related ambition and strategy”.

<sup>73</sup> Paragraph 21 (d), NZ CS 1.

Description of how possible records could substantiate disclosure requirements	Examples
<ul style="list-style-type: none"> <li>- Correlate with climate-related risks and opportunities.</li> </ul> <p>Documents that substantiate the description of the target/s.</p>	<ul style="list-style-type: none"> <li>■ A MIS Manager’s Statement of Investment Policy and Objectives for a fund that it manages, that is updated to include exclusionary screens to fossil fuel activities to its investments, to align with the newly approved portfolio decarbonisation strategy (which is aligned with industry good practice).</li> <li>■ Calculation workings and methodologies that relate to the measurement and scope of the target/s.</li> </ul>

The table below details the types of records that could be retained to support additional disclosures relating to targets:

Description of how possible records could substantiate disclosure requirements	Examples
<p><b>A description of performance against the targets.<sup>74</sup></b></p>	
<p>Documents that support how progress is tracked against targets.</p>	<ul style="list-style-type: none"> <li>■ An asset report extracted from the asset management system showing progress toward electrifying a fleet of vehicles. The report tracks the vehicles owned, and the underlying energy sources (e.g. electric, petrol or diesel) over time, which can be verified against underlying source documents such as invoices or disposal records.</li> <li>■ Consumption data comparing the base year and current year performance (e.g. water consumption or electricity usage) that could be verified against other source records (e.g. water measurement or meter readings).</li> <li>■ Listing that tracks individual assets that are vulnerable to climate-related risks over time, which can be verified against other information sources (e.g. independent flood asset review, regulatory changes in relation to fossil fuels, media searches or litigation documents).</li> </ul>

<sup>74</sup> Paragraph 23 (d), NZ CS 1.

Description of how possible records could substantiate disclosure requirements	Examples
	<ul style="list-style-type: none"> <li>■ The GHG metrics disclosures in the current and historical climate statements, and the associated supporting GHG records, which are consistent with the performance descriptions about how GHG emissions levels (e.g. scope 1, 2 and 3) are tracking over time against targets.</li> </ul>
Documents that support the underlying data, calculations and methodologies used to measure progress against targets.	<ul style="list-style-type: none"> <li>■ Report from a third-party provider that has reviewed the data or information (e.g. a report that includes the results of their work, their methodology applied, and how they considered and checked the data quality).</li> <li>■ Evidence of a QC process over other internally generated data or calculations (e.g. QC review of data and calculations against further independent source data, which could be provided and re-performed if necessary).</li> <li>■ Minutes that approve changes to management remuneration reported in the climate statements that is linked to climate-related risks and opportunities, with underlying HR records (e.g. employment contracts) available to support any calculations if required.</li> <li>■ Internal report that reviews and recommends the internal emissions price to be set, and an associated target based on established sector methodologies and other economic factors (e.g. anticipated policy changes).</li> </ul>
<b>Whether the target is an absolute target<sup>75</sup> or an intensity target.<sup>76</sup></b>	
Documents that substantiate the type of target disclosed (i.e. absolute or intensity).	<ul style="list-style-type: none"> <li>■ Calculation workings and methodologies.</li> </ul>

<sup>75</sup> NZ CS 1 defines this as “a target defined by a change in absolute GHG emissions over time. For example, reducing Scope 1 GHG emissions by 50% by 2030 from a 2019 base year”.

<sup>76</sup> NZ CS 1 defines this as “a target defined by a change in the ratio of emissions to a metric over time. For example, reducing tonnes CO<sub>2</sub>e per dollar revenue by 48% by 2025 from a 2018 base year”.

Description of how possible records could substantiate disclosure requirements	Examples
<p><b>The entity's basis for the view expressed in (e) (ii), including any reliance on the opinion or methods provided by third parties<sup>77</sup></b></p> <p><i>If a view is disclosed in (e) (ii), and the view is that the disclosed target does contribute to limiting global warming to 1.5 degrees, the following could be retained:</i></p>	
<p>Documents that substantiate the view that the target contributes to limiting global warming to 1.5 degrees Celsius.</p>	<ul style="list-style-type: none"> <li>■ Third-party certification including the associated methodology and calculation documents, evidencing alignment to a 1.5 degrees Celsius pathway.</li> <li>■ Reports, workings and/or minutes from science-based experts or using scientific data (e.g. from the AR6 IPCC Report) in developing the targets that contribute to limiting global warming to 1.5 degrees.</li> <li>■ Industry publication that provides a comprehensive analysis of the climate-related risks, opportunities and potential scenarios for a specific sector, which helps inform the development of targets that contribute to limiting global warming to 1.5 degrees.</li> </ul>
<p><b>The extent to which the target relies on offsets, whether the offsets are verified or certified, and if so, under which scheme or schemes<sup>78</sup>.</b></p> <p><i>If a disclosed target relies on offsets, the following could be retained:</i></p>	
<p>Documents that substantiate the extent to which the target relies on offsets.</p>	<ul style="list-style-type: none"> <li>■ GHG emissions calculation, which tracks current and projected future performance, including the projected residual emissions that require offsetting, used to inform the target-setting process (e.g. to achieve net zero for scope 1, 2 and 3 emissions by 2050).</li> <li>■ Third-party methodology document that describes the process used to develop emissions reduction targets for a specific decarbonisation pathway, including the associated residual GHG emissions to be offset in order to achieve this pathway.</li> <li>■ Industry body publication evidencing the lack of current technology available to mitigate GHG emissions in specific operational areas, which is used to inform on the extent to which the offsets will be required.</li> </ul>

<sup>77</sup> Paragraph 23 (e)(iii), NZ CS 1.

<sup>78</sup> Paragraph 23 (e)(iv), NZ CS 1.