Investor Group on Climate Change

CLIMATE DISCLOSURES

Lessons from Global Trends for Aotearoa New Zealand

About the Investor Group on Climate Change

The Investor Group on Climate Change (IGCC) is a collaboration of Australian and New Zealand institutional investors focused on the impact of climate change on investments. IGCC represents investors with total funds under management of over $2 trillion in Australia and New Zealand and $20 trillion around the world. IGCC members cover over 7.5 million people in Australia and Aotearoa New Zealand.

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1 EXECUTIVE SUMMARY

Background

The broad-scale private sector support of the recommendations of the Task Force for Climate-related Disclosures (TCFD) in 2017 has been extraordinary. It has perhaps been one of the most remarkable climate change developments in the financial sector since the Paris Agreement highlighted the role of aligning financial flows with the climate goals in its Article 2.1c. While the Paris Agreement focused on achieving the climate targets, the TCFD adopted a complementary risk-focused perspective on climate change. However, despite the growing uptake, the quality and consistency of disclosures under TCFD have to date not met the needs of investors, nor those of regulators charged with ensuring financial stability.

In response to this deficit in disclosure quality, a growing number of countries are developing climate risk disclosure requirements for voluntary or mandatory reporting regimes to elicit clearer, more credible and more consistent information from reporting entities. At the same time, the TCFD itself has sought to provide additional detail on what good disclosure looks like, and a litany of non-governmental organisations and industry bodies have also sought to fill these gaps with their own work.

In 2021 Aotearoa New Zealand (NZ) became one of the first jurisdictions to legislate mandatory climate risk disclosure for publicly-listed companies, insurers, investors, and banks. Unlisted companies and government entities, except for a handful explicitly named, are currently excluded from the regime.

With the legislation having passed in late-2021, NZ's External Reporting Board (XRB), the Crown Entity responsible for preparing and issuing NZ climate accounting standards, is proposing to develop a climate-related disclosures framework. The framework will comprise two climate disclosure standards and an authoritative notice containing key concepts to fit the disclosures into the general financial and sustainability-related reporting requirements in NZ. It will also provide sector-specific guidance on reporting against the standards.

The XRB intends to issue the final standards, along with accompanying documents, in December 2022. With the timeframes in mind, the entities captured under the framework will be required to disclose according to the standard for accounting periods that start on or after 1 January 2023.

Purpose of this report

The purpose of this report is to consider emerging global best practice for standards on climate risk disclosure regimes and how they might be adopted into the incoming mandatory regime in NZ.

It is critical for internationally exposed investors and the overall outcome of the regime that the standards developed by the XRB reflect global best practice, avoid market fracturing, and deliver the information required to properly address and price climate risk.

This report attempts to draw together a comprehensive picture of the international trends in climate risk disclosure standards and apply these to the NZ context, along with a series of recommendations.

Main points covered

Section 2 of the report, by way of introduction on global best practice in climate-related disclosures, considers the need for climate-related disclosures and acknowledges that to date, the quality and consistency of disclosures has not met user needs. It notes that a harmonisation of climate reporting frameworks and climate accounting standards provides considerable benefits to users. It also notes the potential for this harmonisation.

Section 3 seeks to identify a global best practice in climate-related disclosures but concludes that it is premature to describe the global developments in climate-related disclosures as best practice. However, a familiar climate disclosure landscape is appearing across jurisdictions mandating or proposing to mandate climate-related disclosures. Similar elements appear within each of the regimes, including:

- The approach to materiality
- The adoption of a common climate reporting framework
- Commonality in climate accounting standards

Section 4 looks beyond the commonality of the landscape to emerging disclosure trends. Some of the trends are set out in Table 1. While not exhaustive, these trends do indicate a move towards the establishment of a global best practice through the standardisation of the TCFD's principles of effective disclosure.

Table 1. Global trends in climate risk disclosure reporting regimes

TCFD aligned theme	Trend
Relevance	Financial statements are being linked with climate-related disclosure to further emphasise the implications of climate-related issues on the financial position and performance of an organisation
Completeness	An emphasis on quantifying the financial impacts of climate-related issues
	An emphasis on measurement and disclosure of Scope 3 emissions (value chain and financed)
	While the current focus is on enterprise value, there is potential that this could be extended
	Greater mandating of disclosure elements and a decreasing reliance on materiality thresholds
Understandability	Guidance issued with standards to support development and interpretation of those standards
Comparability	Standard setters are working together, and from a common framework, in the interest of global convergence and consistency
	A focus on what, and how, emissions targets have been set, the level of ambition, and evidence of progress against interim target milestones
	A trend towards the standardisation of metrics and disclosure to enable comparability
Reliability	A closer link with financial reporting and associated assurance requirements
	Structured data and digital taxonomies are seen as priorities in enabling ease of access to, and comparative analysis of, company results

Section 5 of the report then describes the NZ climate-disclosure regime and the development of NZ's climate reporting standards by the XRB. The section notes that historically NZ has adopted the International Financial Reporting Standards Foundation (IFRS) accounting standards and that this may be an indication of future alignment with, if not adoption of, international climate accounting standards. The section concludes that accounting standard setters, including the XRB, must work together to meet users' expectations and needs.

Section 6 then compares what little is known of the emerging NZ climate reporting standards and the global trends identified in section 4. Noting that only a part of one standard has yet been released for public consultation, there is an apparent alignment between the development of the XRB's climate reporting standards and that of its international counterparts.

Summary of conclusions

Section 7 presents the report's conclusions, summarised below.

Clear, concise, and effective disclosures enable investors and other primary users to make well-informed decisions. Appropriate climate accounting standards and climate reporting frameworks are fundamental to ensuring climate-related disclosures are clear and effective. This ability to make informed decisions is enabled and enhanced through harmonised climate accounting standards and climate reporting frameworks that support the principles of effective disclosures.

Accounting standard setters must coordinate their regimes and are indeed acknowledging this by adopting the TCFD framework. An emerging commonality in accounting standards will ensure systematic reporting against these frameworks and standards.

With its first draft standards only recently released, and then only in part, it is still too early to tell the extent to which NZ will harmonise its approach with that of other jurisdictions. Indications to date are that it will align the climate reporting standards with the TCFD reporting framework. Certainly, at this point there are no obvious departures, which indicates the XRB is cognisant of, and attuned to, the climate disclosure developments of other global standard setters.

Primary recommendations

Section 8 makes the recommendations summarised below:

- It is critical for internationally exposed investors and the overall outcome of the NZ regime that the standards developed by the XRB reflect global best practice
- The XRB should support the creation of one global overarching climate reporting regime, including a harmonised reporting framework, and set of climate accounting standards
- The climate reporting standards should cover the entire value chain including Scope 3 emissions
- The XRB should consider both types of materiality when preparing the standards
- The XRB should provide guidance on how to link financial statements with climate-related disclosure
- The XRB should give attention to the level of assurance necessary to support reliability and verifiability of the information being disclosed
- The XRB should ensure standards facilitate NZ's broader climate policy, particularly low emission reduction targets and the integration of mātauranga Māori (Māori knowledge).

2

INTRODUCTION

Investors want clear and credible information from reporting entities.

The transparent measurement and disclosure of climate performance is a fundamental part of effective risk management.[1] As such, the users (primary and secondary) of financial statements, in particular investors, need climate-related disclosures to assess their own potential exposure and the quantum of this climate risk. Users need information that shows the alignment between the organisation's reported sustainability and its financial performance. They need to see the linkage between an organisation's climate-related risks and opportunities, and the organisation's business, strategy, and financials. This information is utilised to make informed decisions about the risks and opportunities climate change presents to a particular organisation, and the economy as a whole, and therefore where to invest.

Users want current and future focused information in order to know how climate change is affecting and will affect their investment. Such climate-related disclosure information allows the user to consider how an investment is currently tracking, and how climate change is affecting an organisation's profit and its value. With a future focus in mind, users also want to know how an organisation is going to perform in a climate-impacted, carbon-constrained future. They want information that will help them to assess an organisation's prospects considering climate change issues.

Not only do users want information about how climate change is impacting an organisation now and looking forward, increasingly they want to understand the external impacts of an organisation. For example, the users want to know the financial implications, direct or indirect, of the organisation's footprint on society and the environment. They also want information that enables them to make a comparison when considering climate change impacts of an organisation's performance within, and beyond, the industry sector in which the organisation operates.[2]

The quality of disclosure related to organisations has, to date, not met the needs of users, including investors and regulators charged with ensuring financial stability.

For users to access climate information and make informed decisions, this information must first be disclosed by organisations. Not only must it be disclosed, but to be of use to users, the information needs to be relevant, specific, complete, clear, balanced and understandable, consistent, reliable, verifiable, and objective and timely. These attributes, according to the Task force on Climate-related Disclosures (TCFD), are the fundamental principles of effective disclosure.[3] To date, these attributes for disclosure information have not been achieved broadly across the disclosure landscape.

Creating alignment across standards and frameworks globally will enhance the quality and consistency of disclosures and provide the information users need.

A user's ability to make informed decisions is enabled and enhanced through harmonised accounting standards and reporting frameworks; standards and frameworks that support the principles of effective disclosure. That is:

- Climate reporting frameworks that apply across industries, sectors, and jurisdictions, with common procedures and that produce transparent, accurate, and comparable reporting;[4] and
- A common set of climate accounting standards that is credible, transparent, widely accepted and enhances comparability,[5]

can "improve access to international financial markets and improve the confidence and knowledge of investors".[6] Moreover, systematic reporting of climate issues by organisations against established frameworks and standards (in the absence of a common international accounting standard) will enable users to confidently assess the organisation’s performance and prospects considering climate change and make informed decisions. The mechanism for meeting these needs is potentially available via current and proposed climate reporting standards and frameworks (see **Appendix A).**

Harmonisation is coming in both frameworks and disclosure.

The act of mandating climate-related disclosures within jurisdictions is normalising the climate disclosure landscape, with common elements emerging. Across the globe, the TCFD framework is providing a foundation for a globally aligned reporting framework. Although a common climate accounting standard is yet to be adopted globally, sets of jurisdictionally specific climate accounting standards that support the TCFD’s principles of effective disclosure and which align with the TCFD framework are being developed. To date, however these accounting standards are only drafts and prototypes. In the absence of a common, or commonly aligned, set of global accounting standards, it is too early to say how close accounting standard setters are to establishing climate accounting best practice. However, early disclosure reporting trends are starting to emerge. The appearance of these trends may be the harbinger of global best practice.

Realistically, measuring and reporting on climate risk is still conceptually challenging.[7] Yet with the formation of a common landscape, the broad adoption of the TCFD recommendations by early starters, and the emergence of disclosure trends, a model approach for measuring and reporting is conceivable. This model, rooted in the Paris Agreement and aligned with the TCFD’s principles of effective disclosure, is manifesting in incipient prototypes and draft climate account standards, and is perhaps a signal that jurisdictions are attempting to harmonise their activities.

NZ is one of the early starters in the mandatory disclosure landscape, although disclosure practice in the industries that will need to comply under the legislation is lagging many other jurisdictions. NZ has a legislated mandatory climate disclosure regime that fits comfortably within this developing global landscape. For now, NZ has adopted the trend of aligning with the TCFD recommendations as its reporting framework. Although only part of the first of its proposed standards has been released for public consultation, to the extent of that release, the draft standards appear to be following the first sign of these global trends.

This next section takes a deeper dive into what is a developing global climate disclosure landscape.

3

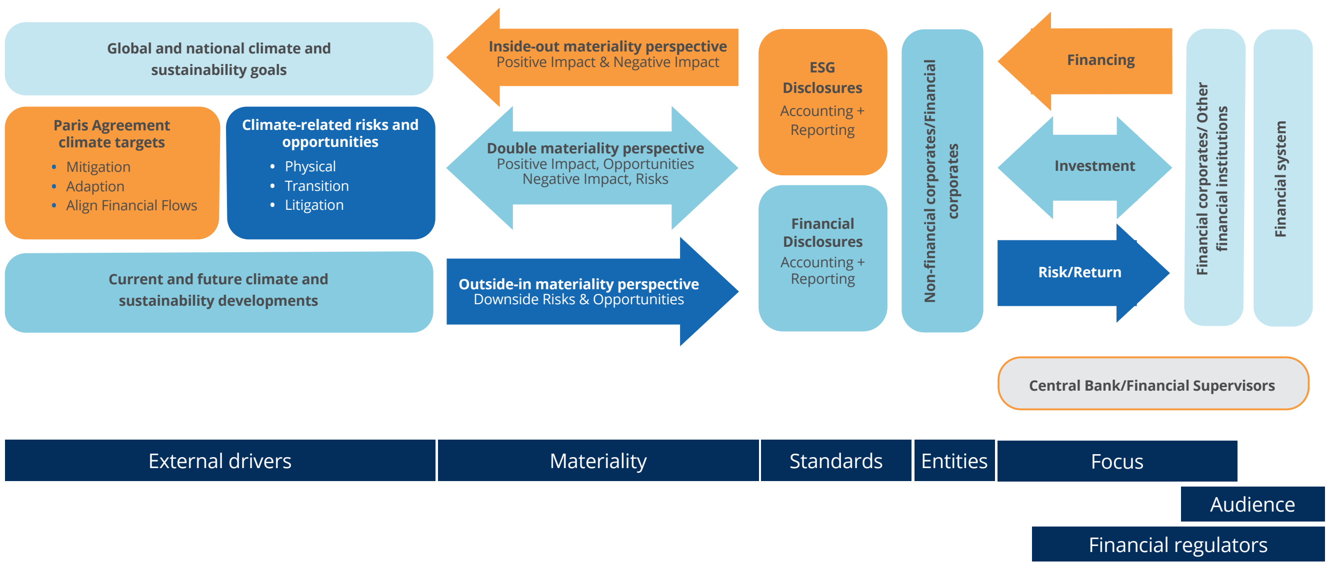
A GLOBAL CLIMATE DISCLOSURE LANDSCAPE

To meet the needs for investors, a growing list of countries are developing climate risk disclosure standards for voluntary or mandatory reporting regimes to illicit clearer, more credible, and more consistent information from reporting entities.

Ideally, reporting under mandatory climate disclosure regimes should be carried out against a common reporting framework, based on a common climate accounting standard. Such climate disclosure regimes can provide increased clarity and comparability, and decreased cost[8] for both reporting entities and users of the information being disclosed. They can also help achieve other goals, such as the broader public policy goal of encouraging the redirection of investment and transitioning to a net zero emissions economy and financing climate adaptation measures.

Climate disclosure regimes and their regulatory systems, with frameworks and standards, are comprised of a range of concepts, actors, and requirements. As climate change-related disclosure regimes develop internationally, and with the drive to mandatory reporting of climate-related issues, it is becoming apparent that these regimes are tending towards a similar and common structure and composition (see **Figure 1** below).

Figure 1. Typical climate disclosure landscape



Each of the following key elements of the climate disclosure landscape are identified at the base of Figure 1 (see **Appendix B** for details). Working from left to right the elements are:

External drivers

The main external drivers are climate-related developments and events, which impact a reporting entity as risks or opportunities. These risks and opportunities are categorised by the TCFD as transition risks (e.g., government emissions reduction targets and policy, technology disruptions and shifts in supply and demand trends) and physical risks from both acute and event driven and longer-term shifts in climate patterns (e.g., bushfires, droughts, sustained higher temperatures and sea level rise).

Materiality

Materiality is the concept whereby all material items should be reported in the financial statements. There are a number of perspectives on materiality which include, outside-in materiality, inside-out materiality, double or dual materiality and dynamic materiality.

The outside-in materiality perspective looks at the external impacts on the organisation's enterprise value creation and relates to past and potential downside risks and opportunities of developments outside the organisation. The inside-out materiality perspective considers the impacts of the organisation on the economy, environment and people, and their importance to its stakeholders.[9]

The double (or dual) materiality perspective considers that an organisation's impact on the environment might also affect the degree of exposure to risks arising from developments in the organisation's environment. Given the acceleration in climate-related transition/transformation, physical/adaptation, and litigation risks, this double materiality concept acknowledges the links between positive impact, and opportunities and negative impact and downside risks, and that one or both perspectives can inform the materiality of the information.

Lastly, dynamic materiality emphasises the pathway an issue follows to become financially material over time. This perspective is based on the concept that what appears financially immaterial today can quickly prove to be business-critical tomorrow.

Standards and frameworks

Fundamental to all the emerging climate-related disclosure regimes are the standards and frameworks that determine the specific implementation of the regimes. Many jurisdictions are now developing climate standards, with many integrating considerations of achieving global comparability of disclosed information.

Differentiating: Accounting standards and reporting frameworks are closely intertwined, and the boundary between them is often blurred. It is not always easy to distinguish between them when terminology tends to vary so much. For example, many climate standards are referred to as climate reporting standards but imply a certain degree of accounting standardisation as well.[10] It is useful however to appreciate the difference.

Reporting frameworks: Although complimentary to and supportive of accounting standards, reporting frameworks are standardised systems designed to provide consistent reporting. They usually deal with the way in which the quantitative, and any additional qualitative, information is reported to third parties.

Of all the developing climate disclosure regimes (refer **Appendix D)**, nine are aligned with the TCFD framework.[11][12] Investors identified the TCFD framework as the favoured framework for universal application of climate-related disclosure.

With the mandating of climate disclosures in a growing number of jurisdictions, the information being disclosed must be complete and comprehensible for end users, and importantly, comparable (primarily across entities and sectors, but also potentially across jurisdictions). Reporting frameworks that ensure this are shaped by the principles of:

- Accessibility, such that disclosures are easy to find (e.g., set alongside financial filings in the annual reports). Reporting frameworks can also ensure accessibility via machine-readable data formatting requirements[13]
- Interpretability of information, where detailed reporting templates for qualitative and quantitative information can enable third parties to understand the modelling approaches and assumptions made in relation to climate-related metrics, especially with scenario-based forward-looking information
- Completeness, by requiring specific items to be disclosed across entities and sectors (e.g., by requiring the reporting of emissions in terms of Scope 1, Scope 2, and Scope 3); and
- Common to accounting standards, comparability of information, where, for example, organisation-specific climate targets are to be reported in relation to their alignment with national and international climate mitigation and adaptation targets.

Accounting standards: Accounting standards are the set of principles, standards, and procedures that define the basis of financial accounting policies and practices. They tend to be primarily focused on the way in which certain quantitative information is gathered, measured, and assessed before it is reported. Accounting standards are shaped by the principles of:

- Reliability of the disclosed information, for example, via assurance obligations for status quo and backward-looking data, and third-party verification requirements for emissions input data in forward-looking analyses; and
- Comparability, as they can define comparable accounting principles for status quo and historical climate-related metrics, and prescribe assessment principles for forward-looking metrics.

Achieving comparability across jurisdictions is difficult where jurisdictions have different business cultures, regulatory environments, financial reporting objectives, accounting standard resources, and legal systems, or unique cultural elements that need to be incorporated, like mātauranga Māori.

A single global standard: Where a jurisdiction's economic environment is significantly different from another, then the inability of a standard to address this difference offers an argument against the implementation of a single international standard.[14] The jurisdictions considered in this report may have unique features (e.g., mātauranga Māori NZ) but it is yet to be demonstrated that current accounting standards are unable to accommodate these features. The undeniable advantage of harmonised standards in an increasingly globalised world however, are obvious. It is not only that there is a lower cost, greater efficiency and comparative simplicity of complying with one set of standards, but also there is the increased ability to access international capital markets, the ability to apply expertise and take advantage of experience across jurisdictions,[15] and a smoothed global implementation of a net zero emissions transition.[16] The objectives, across jurisdictions, can best be achieved where climate accounting standard setters cooperate and communicate.[17] A review of the major climate accounting standards setters and the elements of standards across a selected number of jurisdictions shows that accounting standards bring uniformity. Importantly, they ensure that financial statements from organisations are comparable (refer **Appendix C**).

With the development of a common landscape for mandatory climate disclosure regimes, the foundation is set for the creation and implementation of a common climate reporting framework and common climate accounting standards. The TCFD recommendations already provide the basis for a common climate reporting framework. We now also see the emergence of potential global climate standards.

Targeted entities

Target entities are the specific types of organisations that need, or are required, to make disclosure.

Audience

The audience, who in most cases is comprised of the primary and secondary users of the disclosed information, includes investors and shareholders, and other third parties, which have a financial or societal interest in the disclosing organisation. The information may also feed into the supervision of the broader financial system, or for tracking progress against societal goals by policy makers and environmental, social, and governance (ESG) disclosure interest groups.

Regulators

Regulators may vary across voluntary and mandatory reporting regimes. For example, in voluntary reporting regimes, international organisations or national business councils and non-governmental organisations are often the ones who seek to maintain a specific disclosure regime. For mandatory reporting regimes and aspects of reporting related to financial risks, various regulating entities might be involved in the process of setting and supervising regulatory requirements.

4 A GLOBAL BEST PRACTICE

Emerging global best practice for standards on climate risk disclosure regimes and how they might be adopted into incoming mandatory regimes.

In November 2021, the IFRS released its first prototype climate-related disclosure standards for discussion.[18] At the same time, the NZ XRB released for consultation, a paper focusing on part of the first of its two climate reporting standards.[19] At the time of the report, 29 countries had implemented mandatory ESG disclosure,[20] and eleven jurisdictions[21] had either mandated, or were in the process of mandating, some form of climate-related financial disclosure regime. Of those, and as of late 2020, only NZ had announced the decision to mandate TCFD-aligned climate-related financial disclosures although it was quickly followed by Switzerland, the UK, China and others.[22]

In this environment, it is too early to determine what global best practice for climate reporting frameworks and accounting standards might look like. In the absence of a global best practice however, as climate accounting standards and reporting frameworks develop globally, and by looking for and observing trends within these burgeoning climate disclosure regimes, it is possible to ascertain whether the seeds of a global best practice have been laid. If trends are beginning to appear, then it is a likely indication of the growing harmonisation of accounting standards and reporting frameworks globally; a harmonisation necessary to ensure principles of effective disclosures, like comparability across jurisdictions, is achieved. This will enhance the quality of disclosure and production of the decision-useful information that primary users need.

In comparing the TCFD reporting framework and climate accounting standards developing in three of the major jurisdictions, some trends are indeed revealed. These trends indicate a move towards the establishment of a global best practice through the standardisation of the TCFD's principles of effective disclosure.

As an early mover NZ has a significant opportunity to help solidify and advance these trends and contribute to globally harmonised climate disclosures.

Standardisation of relevance

- **Financial statements are being linked with climate-related disclosures to further emphasise the implications of climate-related issues on the financial position and performance of an organisation**

  The linkage between the financial implications of climate-related issues is further supported by a trend towards integration of climate-related disclosure either directly within company financial reports or via some form of cross-referencing between specific climate-related and financial reports.

Standardisation of completeness

- **An emphasis on quantifying the financial impacts of climate-related issues**

  There is an explicit requirement within frameworks and standards to link climate-related impacts (both past and projected) with the impact on the entity's balance sheet, profit, and loss, and in some circumstances, cash flow.

- **An emphasis on measurement and disclosure of Scope 3 emissions (value chain and financed)**

  Reporting frameworks are recommending disclosure of Scope 3 emissions (both financed and value chain) where material. This is particularly the case where Scope 3 emissions account for more than 40 per cent of total emissions. Standard setters are also requiring the disclosure of Scope 3 emissions where, at a minimum, they are considered material. Recent guidance from the TCFD indicates a further trend towards Scope 3 disclosure regardless of materiality. The updated TCFD guidelines have removed the 'where appropriate/material' criterion and the disclosure of Scope 3 emissions is recommended for all institutions). It is also evident that a number of dominant emission methodologies (e.g., Partnership for Carbon Accounting Financials [PCAF] and the GHG Protocol) are being proposed for prescription.

- **While the current focus is on enterprise value, there is potential that this could be extended**

  There is a common focus on investors and other market participants as the primary audience for the climate-related information. As such, the scope of disclosure is tailored to capturing how the impacts on value chain participants and any other stakeholders, or other climate-related issues, could erode or create enterprise value. There is potential that at some stage, value may extend beyond the enterprise to that created and generated for the wider society, economy, and environment due to firm activity. This would be consistent with the double materiality perspective currently applied within in the Corporate Sustainability Reporting Directive (CSRD).

- **Greater mandating of disclosure elements and a decreasing reliance on materiality thresholds**

  While materiality still forms an important part of disclosure, mandatory reporting of certain elements, regardless of materiality, is becoming more common. In some circumstances, such as the CSRD, metrics are mandated in accordance with a comply or explain principle.

Standardisation of understandability

- **Guidance issued with standards to support development and interpretation of that standard**

  Frameworks call for a range of guidance for reporting entities, including implementation guidance. The International Sustainability Standards Board (ISSB), the European Commission (for the CSRD), and the European Supervisory Authorities (for the Sustainable Finance Disclosure Regulation [SFDR]) have issued, or intend to issue, additional interpretive guidance with their prototype and final climate-related disclosure standards.

Standardisation of comparability

- **Standard setters are working together, and from a common framework, in the interest of global convergence and consistency**

  Standard setters have expressed the importance of working together to ensure that disclosure requirements share a common, consistent base across all jurisdictions. All have identified the TCFD recommendations as the framework within which disclosure standards have, or will be, developed.

- **A focus on what, and how, emissions targets have been set, the level of ambition, and evidence of progress against interim target milestones**

  Reporting frameworks recommend transparency in transition plans and evidence is provided of progress in aligning with targets. This includes consistent metrics over time that provide both a baseline and convey progress against targets. Standard setters have either implemented, or are currently investigating, climate-related metrics (historic and forward-looking) that enable investors to understand the extent, and the degree, of progress that an organisation has made, or is beginning to make, in aligning its operations and strategies with emissions trajectory targets, adaptation goals, and further climate-related developments.

- **A trend towards the standardisation of metrics and disclosure to enable comparability**

  There is a common theme to establish, at a minimum, a standard set of cross-sector metrics and sector-specific metrics. This extends to investigation of the potential application of common categorisation taxonomies and structured data.

Standardisation of reliability

- **A closer link with financial reporting and associated assurance requirements**

  Although assurance is not currently required, incorporation of climate-related disclosure with financial disclosure implies there will be a common level of assurance at some stage in the future. Indeed, the International Organization of Securities Commissions (IOSCO) asserts that facilitation of assurance should be a priority for standard setters.

  The European Union (EU) has indicated it will introduce an assurance requirement in the CSRD, starting with 'limited assurance' on sustainability reporting as a first stage, progressing to 'reasonable assurance' over time, such that there is a similar level of assurance for both financial and sustainability reporting.[23] Singapore requires disclosure of sustainability-related information as a listing requirement, with assurance for all disclosure information encouraged. The Singapore Exchange has recently consulted on minimally requiring internal assurance of sustainability reports as an intermediate step while common assurance standards develop. It is also considering if certain aspects of sustainability reports should be subject to mandatory external assurance.

  Whilst not exhaustive, this observation of disclosure trends and themes indicates that globally, standards and frameworks are indeed developing to meet primary user expectations. In the next section the NZ regime is considered to see how it compares with developing global climate disclosure regimes.

- **Structured data and digital taxonomies are seen as priorities in enabling ease of access to, and comparative analysis of, company results**

  Standard setters are either in the process of developing, or are investigating, digital taxonomies. The EU aims to establish a joint Sustainability Data Hub, and the SASB released its Sustainability XBRL Taxonomy in May 2021.[24]

These examples of current trends, showing a commonality in approach by climate accounting standard setters, indicate the potential for establishment of a global best practice. Refer to **Appendix C** for a more detailed discussion of the key standard setters and the standards they create.

5 THE NZ CLIMATE DISCLOSURE LANDSCAPE

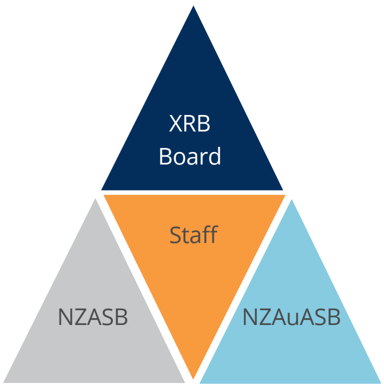
NZ became one of the first jurisdictions to seek to legislate mandatory climate risk disclosure for publicly listed companies, insurers, investors, and banks.

Having seen these trends developing globally, a closer look at the NZ regime reveals that it is developing in parallel with the other major accounting standards. NZ, like many jurisdictions, has its own disclosure regime nested within an overarching regulatory system. Underneath lies the same complex disclosure landscape. A recent addition to this disclosure landscape has been the reporting of climate-related issues.

NZ's actors, standards, and frameworks

The XRB is an independent Crown Entity responsible for accounting, auditing, and assurance standards in NZ. It consists of the XRB Board, the NZ Accounting Standards Board (NZASB), and the NZ Auditing and Assurance Standards Board (NZAuASB).

Figure 2. XRB organisational structure (adapted from XRB 2015 Annual Report)



The XRB Board is the governing body of the XRB. One of its roles is to establish and maintain NZ's financial reporting strategy. The NZASB has delegated authority from the XRB Board to develop and issue NZ's accounting standards, whereas the NZAuASB, has delegated authority from the XRB Board to develop or adopt, and issue auditing and assurance standards.

Under the Financial Reporting Act 2013[25] the XRB has now been provided with a mandate to prepare and issue climate standards. The drafting and consultation stages are currently underway, with XRB proposing to release two standards and a concept document, as follows:[26]

- Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (NZ CS 1)
- Aotearoa New Zealand Climate Standard 2: Adoption of Climate-related Disclosures (NZ CS 2)
- Aotearoa New Zealand Climate-related Disclosures Concepts (NZ CRDC)

In October 2021, the XRB released for consultation the first part of NZ CS 1.[27] This included the Governance and Risk Management sections of the draft NZ CS 1 (Draft NZ CS 1). The XRB has indicated it will release the second part, the Strategy, and the Targets and Metrics section of Draft NZ CS 1 for consultation in March 2022. A formal exposure draft of NZ CS 1 and accompanying documentation, such as the Adoption Standard (NZ CS 2), will be circulated for consultation in July 2022. The XRB intends to issue the full NZ CS 1 and accompanying documents by December 2022.

XRB integration of international standards

Under the Financial Reporting Act 2013, the XRB governing Act, one of the XRB's function is to liaise with international or national organisations that perform functions that correspond with, or are similar to, those conferred on the XRB.[28] This function is reiterated in the XRB's Statement of Intent.[29]

One of the XRB's principal responsibilities is to develop and implement strategies for the issue of standards. Under its current strategic plan, the XRB seeks to take international standards and make them relevant and applicable for a NZ context. The XRB acknowledges the importance of comparable information. As such, a part of its strategy is to adopt internationally recognised standards. In its role, the XRB can adopt accounting standards, including the adoption of international standards, and guidance material as long as the adopted standards are consistent with the XRB's financial reporting strategy.[30] This approach seeks to ensure that the XRB keeps pace with international practice but is still able to modify the international standards to reflect NZ's unique conditions.[31] The XRB also engages with international bodies at early stages in the development of standards.[32]

In line with this strategy, historically, the XRB has adopted the IFRS accounting standards via the NZ equivalent, the NZ IFRS. The aim is to provide a set of standards that allow profit entities for example, to be able to simultaneously claim compliance with IFRS and NZ's accepted accounting principles.[33] Domestic and foreign public companies whose securities are publicly traded in NZ, have been required to apply NZ IFRS since they were mandatorily adopted for periods beginning on or after 1 January 2007. Currently, the NZ IFRS is fully converged with IFRS accounting standards unless "extreme circumstances" exist, the XRB will continue to adopt the IFRS Standards.

NZ has a formal process for the endorsement or adoption of new or amended IFRS Standards. The NZASB follows this process to develop the NZ IFRS based on a strategy established by its parent body the XRB. The International Accounting Standards Board (IASB) is the independent, accounting standard-setting body of the IFRS Foundation. Its aim is to develop a single set of global accounting standards. This aim is based on the premise that to achieve the aim, it is essential that the IASB and other accounting standard setters work together.[34] In accordance with its process of endorsement and adoption, when the IASB issues a consultation document, the NZASB provides notice that the document has been issued and is available for comment. After comments have been received, the NZASB finalises the standard and approves it for issue. The XRB then certifies the new standard, notifies it, and a copy is presented to Parliament.

Considering the XRB's strategy to maintain NZ IFRS as a set of standards that are fully converged with IFRS Standards, unless extreme circumstances exist, the NZASB:

- Will adopt all IFRS accounting standards
- Will not amend IFRS recognition and measurement requirements; and
- Will not reduce IFRS disclosure requirements.

Given their anticipated adoption by the ISSB, it is expected, but not guaranteed, that the IFRS Foundation published prototype climate (Prototype Climate Standards) and general disclosure requirements (Prototype General Standards) (collectively the IFRS Prototype Standards), will also be adopted by the XRB. It is noteworthy that while the Governance and Risk Management sections of the Draft NZ CS 1 were released prior to the Prototype Climate Standards, alignment between Draft NZ CS 1 and the IFRS Prototype Standards is evident. Certainly, the XRB has noted that it is monitoring international standard developments, in particular the ISSB, for consideration in the XRB standard setting.[35]

Accounting standard setters must work together

The IASB assumes that the ultimate aim of standard setters is to develop, in the public interest, a single set of high quality, understandable and enforceable global standards. Such standards require high quality, transparent and comparable information in financial statements and other financial reporting. The aim of such standards is to help participants in the world's capital markets and other users make decisions and to bring about convergence of national accounting standards to high quality solutions.[36] To achieve this, accounting standard setters must work together.

To promote the use and rigorous application of its standards and to consider the needs, not only of primary users, but all potential users of the information being disclosed, accounting standard setters need to maintain strong communications with the users and be sensitive to their aims and expectations. This sensitivity to expectations also extends to the NZ Government's broader policy objective to transition NZ to a low emission economy.

Accounting standard setters' activities and outputs should be distributed, and feedback encouraged. Accounting standard setters should bear in mind the need for submitters to have enough time to prepare and deliver responses. Material to be provided by the accounting standard setters should be designed to stimulate debate. As such publications should be made widely available and on a timely basis. The activities of accounting standard setters should be regularly reported and updated in various media. Where resources are constrained, accounting standard setters should call on international bodies for assistance through round-table discussions and other forums.

Accounting standard setters should also communicate with one another, particularly when there is an issue of common interest, even formulating joint proposals. This can be beneficial when it results in critical analysis by peers and the public, and results in an open and transparent standard-setting process.

Financial reporting regulation in many jurisdictions is linked to other forms of regulation.[37] Accounting standard setters must therefore work with regulators. Accounting standard setters should keep their regulators informed of global initiatives and encourage them to support the international convergence efforts.

6

NZ GLOBAL ALIGNMENT

A comprehensive picture of the international trends in climate risk disclosure standards and application to the NZ context

Section 4 of this report included a compiled list of global disclosure trends. A comparison is now made between what can be gleaned from what is currently known of the proposed XRB climate-related standards and these global disclosure trends.

A further comparison between the issuance of NZ's climate standards and other major jurisdictions that sets out the formation of a global baseline against which key actions and timings can be measured, is provided in **Appendix F**.

Standardisation of relevance

- **Financial statements being linked with climate-related disclosure to further emphasise the implications of climate-related issues on the financial position and performance of an organisation**

  The XRB is still in the process of developing presentation requirements, but it notes that at this point, it envisages, at a minimum, cross-referencing between a climate-related statement and relevant elements in the annual report. While inclusion of board oversight and setting of emissions reduction targets within the Draft NZ CS 1 release indicates consideration has been given to the actual and projected financial impacts of climate-related issues, more certainty will be provided upon the release of the second section of Draft NZ CS 1 and the subsequent formal exposure of NZ CS 1 and the accompanying documents in July 2022. At this point, and in line with other standard setters, Draft NZ CS 1 acknowledges the importance of integrating climate change throughout the reporting entity.

Standardisation of completeness

- **An emphasis on quantifying the financial impacts of climate-related issues**

  At the time of this report there was insufficient information as the strategy section of the XRB draft reporting standards had not been released.

- **An emphasis on measurement and disclosure of Scope 3 emissions (value chain and financed)**

  The extent of alignment here will be clearer once the metrics and targets section of the draft NZ CS 1 is released in March 2022 (which specifically addresses disclosure of Scope 3 emissions) and once assurance standards are produced.

  In its assurance engagements on greenhouse gas statements, the XRB noted that, "the inclusion of Scope 3 emissions is optional because it would be impracticable for nearly any entity to attempt to quantify the full extent of its indirect emissions as this includes all sources both up and down the entity's supply chain".[38] However, the XRB has since noted that the TCFD has determined that data and methodologies have matured sufficiently such that Scope 3 disclosure is appropriate for all financial and non-financial sectors. The XRB will no doubt take this into consideration, alongside consideration of adoption provisions, applicability to diverse types of climate reporting entities and questions of assurance.

- **While the current focus is on enterprise value, there is potential that this could be extended**

  Consistent with the TCFD and the IFRS Foundation approach, the XRB's disclosure framework is designed for primary users (i.e., investors, lenders, and insurance underwriters) for the purpose of assessing enterprise value. No indication has been given that this will be extended. There is only the acknowledgement that the standards may be useful to a wider group of stakeholders.

- **Greater mandating of disclosure elements and a decreasing reliance on materiality thresholds**

  It is unclear at this point as to how materiality will be treated. The XRB has stated that it is developing a definition for the concept of materiality but to date has only stated that "the nature of the information in the Governance and Risk Management sections of Draft NZ CS 1 would, by its nature, be material".[39]

Standardisation of understandability

- **Guidance issued with standards to support development and interpretation of that standard**

  In line with the major standards setters, the XRB has stated that it will issue a set of accompanying guidance documents which will "provide useful explanations and sources of further information, and examples of ways in which activities can occur and disclosures can be made".

  The XRB has taken a principle-based approach to drafting the climate standards, although it has acknowledged that this may not be optimal for some reporting entities. The Draft NZ CS 1 is non-sector specific, which is why the XRB has indicated it will provide sector specific guidance and on critical topics, in due course.[40] Taking a principle-based approach may seem contrary to the aim of achieving standardisation in reporting, but this can be managed by providing guidance that "is intended to lead to consistent application of the standard, and therefore result in useful and comparable information".[41]

  The XRB has stated that it intends to provide the guidance in an ongoing manner. The XRB is only required to consult on the standards, not the guidance, but it has indicated that it will consult on the guidance with relevant sectors.[42]

Standardisation of comparability

- **Standard setters are working together, and from a common framework, in the interest of global convergence and consistency**

  The XRB does not explicitly state that it is working with the major standard setters, but it is clearly aware of global developments. The recent draft NZ CS 1 consultation document indicates that the XRB is keeping a close eye on international developments in climate disclosures, such as that underway by the IFRS Foundation via the ISSB. The NZ CS 1 will also be based on the TCFD recommendations, including structuring it in accordance with the TCFD recommendations' four pillars: governance, strategy, risk management, and targets and metrics.

- **A focus on what and how emissions targets have been set, the level of ambition, and evidence of progress against interim target milestones**

  Under the Governance and Risk Management sections of the NZ CS 1, there is a requirement to disclose how the board monitors and sets targets and holds management accountable for progress against those targets. However, the sections on strategy and metrics and targets have not been released by the XRB for consultation. It is therefore unclear how prescriptive the standards will be on what, and how, emissions targets have been set and the corresponding interim targets.

- **A trend towards the standardisation of metrics and disclosure to enable comparability**

  The metrics and targets section of NZ CS 1 has yet to the released and the XRB has not indicated how the standards will address metrics. The degree to which the XRB adopts the enhanced scope and detail of metrics and target requirements evident among the major standard setters will not be apparent until the release of the Strategy section of the Draft NZ CS 1 in March 2022.

Standardisation of reliability

- **A closer link with financial reporting and associated assurance requirements**

  In respect of assurance, auditing beyond a regulatory requirement to assure greenhouse gas (GHG) emission calculations is not required under the legislation at this stage. There is no indication of the level of assurance that may be required beyond stipulation, in accordance with the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill, that GHG emissions be audited within three years of the Bill receiving Royal Assent. However, the XRB has indicated assurance requirements are under consideration and may evolve over time.[43] This may be included in due course, given the emphasis on metrics and targets under the proposed standards, which includes using the GHG Protocol.[44] Again, this aligns with the global trend.

- **Structured data and digital taxonomies are seen as priorities in enabling ease of access to, and comparative analysis of, company results**

  Information, structured around agreed taxonomies and available digitally, enables greater connectivity between reporting entities and primary users. It allows for information to be easily searched, filtered and aggregated, and integrated into end-user technologies.[45] However, there is no clear indication at this stage as to what approach the XRB will take to digital taxonomies. As for accessibility in reporting, under the Financial Markets Conduct Act 2013 (new section 461ZO), information about climate statements is to be made available in annual reports providing an integration of climate-related and financial reports and statements. However, this does not acknowledge the benefits of a digital reporting taxonomy.

7

CONCLUSIONS

Clear, concise, and effective disclosures enable investors and other primary users to make well-informed decisions. According to the NZ Financial Markets Authority, "well-informed investors are an essential part of healthy financial markets".[46] Effective disclosures aid, rather than hinder, investor decision making.[47] Appropriate climate accounting standards and climate reporting frameworks are fundamental to ensuring climate-related disclosures are clear and effective. Collectively, climate accounting standards and climate reporting frameworks provide the mechanism by which organisations can disclose the quality of climate-related information primary users need to inform investment and risk analysis.

This ability to make informed decisions is enabled and enhanced through harmonised climate accounting standards and climate reporting frameworks; standards and frameworks that support the principles of effective disclosures (relevant, specific, complete, clear, and understandable, etc). Although there is currently no one common international accounting standard, prototypes are being developed and released.

A commonality in accounting standards can ensure systematic reporting against established frameworks and standards. Systematic, ideally mandatory, reporting against a common standard can fill gaps, prevent cherry picking of information by preparers, and inform better pricing and capital allocation decisions across jurisdictions. Although the TCFD recommendations are being adopted as the most common choice of climate reporting framework it is still too early to see a common, or commonly-aligned, set of accounting standards.

Accounting standard setters must coordinate their standards and are indeed acknowledging this by adopting the TCFD framework. For now, it appears too soon to identify clear 'best practice' trends in climate disclosure standard setting. It will therefore be necessary to watch closely as disclosure trends emerge. Standard setters should ensure alignment with these trends as they develop into best practice. This way, standardisation in terms of comparability will occur as the leading standards setters implement and investigate the setting of emissions targets, ambition, and progress against interim target milestones, and as they develop cross-sector metrics and sector-specific metrics, and common levels of assurance.

Climate accounting standards can link financial statements with climate-related disclosures to emphasise the implications of climate-related issues on the financial position and performance of the organisation. But investors are beginning to look for more. They are expecting standard setters to produce standards that require disclosure of investor-oriented, industry-specific information on all three environmental, social, and governance categories. They want to see the linkage between an organisation's sustainability risks and opportunities and its business, strategy, and financials. There is potential that at some stage, value may extend beyond the enterprise to that created and generated for the wider society, economy and environment due to firm activity. This would be consistent with the double materiality perspective, although greater mandating of disclosure elements is seeing a decreasing reliance on materiality thresholds.

The mechanisms for meeting these expectations are appearing in the form of the various climate accounting prototypes being developed and the general adoption of a common climate reporting and framework. As these climate-related disclosure regimes mature, and with the drive to mandatory reporting of climate related issues, a similar and common structuring and composition of standards will emerge as well.

With its first draft standards only recently released, and then only in part, it is still too early to tell the extent to which NZ will harmonise its approach with that of other jurisdictions. NZ, like all jurisdictions, has a complex disclosure landscape, and like most jurisdictions so far, it seems to be seeking consistency with global counterparts. At this point there are no obvious departures, which indicates the XRB is cognisant of, and attuned to, the climate disclosure developments of other global standard setters. Importantly however, standard setters will need to be attuned to the expectations and needs of primary users of the information. This of itself will no doubt be one of the strongest drivers for harmonisation across landscapes and regimes, and their frameworks and standards.

It is too early to try to arrive at a determination as to the full extent to which the XRB's climate reporting standards will align with international trends. As subsequent drafts are released for consultation it will become clearer, but, at this point, it does appear that the XRB is seeking and achieving consistency with the current trends. It has certainly indicated that it will align the climate reporting standards with the TCFD reporting framework. The XRB has stated that NZ CS 1 will be based on the recommendations of the TCFD. The explanatory note to the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill states that this should be the case, although it is not explicit in the Bill itself. Aligning the standard with the TCFD framework nevertheless creates the expectation that the climate reporting standards will also align with international disclosure trends.

8 RECOMMENDATIONS

It is critical for internationally-exposed investors and the overall outcome of the NZ regime that the standards developed by the XRB reflect global best practice, therefore ...

Considering the above, the XRB should ensure that NZ's climate accounting standards produce disclosures that are transparent, widely accepted, enhance comparability, can improve access to international financial markets and can improve the confidence and knowledge of investors.

The XRB should support the creation of a global overarching climate accounting standard...

The XRB should support the creation of a global overarching climate accounting standard and should cooperate and communicate with global climate accounting standard setters. This would reduce the cost, and increase the efficiency and comparative simplicity of complying with one global set of standards.

In the absence of a common international accounting standard, the XRB should support the systematic reporting of climate issues by organisations against a common climate reporting framework and aligned climate accounting standards to enable primary users to confidently assess an organisation's performance and prospects considering climate change and make informed decisions.

Including a harmonised reporting framework ...

NZ's climate disclosure regime should incorporate a climate reporting framework that applies across industries, sectors, and jurisdictions, with common procedures and that produces transparent, accurate, and comparable reporting. It should harmonize with global reporting frameworks (such as the TCFD) and climate accounting standards that support the principles of effective disclosure and enable and enhance primary users' ability to make informed decisions.

And a harmonised set of climate accounting standards.

NZ climate accounting standards should align with internationally recognised accounting standards that bring transparency, accountability and efficiency to financial markets. They should meet and support the TCFD's principles of effective disclosure.

The XRB should ensure standards cover the entire value chain.

In respect to specific disclosures, NZ's climate accounting standards should cover an organisation's entire value chain, since major impacts of the activities carried out by a reporting entity may occur in the value chain or through products and services and include Scope 3 emissions.

Standardised metrics and targets should be set to ensure comparability, both in respect of the progress of the organisation itself, and with other organisations. These should be entity and sector specific, cross sector and sector agnostic. Common taxonomies should also be provided wherever practicable.

The XRB should consider both types of materiality.

Different materiality perspectives often determine the thresholds at which organisations report on certain matters. This reflects the two distinct trends in the approach to materiality, dictated by the disclosure focus and audience. The XRB should consider both approaches ("outside-in" and "inside-out") and their combination ("double materiality") are now being reflected in formal disclosure requirements in some jurisdictions. It should also consider that the information required to report from a 'double materiality' perspective may not be that much more extensive than that required under enterprise value-oriented standards.

The XRB should guide climate-related financial statements.

The XRB should expect that increasingly more primary users will want to see financial statements linked with climate-related disclosure. Guidance will need to be provided as to how this is to be done.

There are significant benefits to reporting that is both accessible and understandable. The XRB should ensure the NZ climate accounting standards produce structured data and allow for digital taxonomies to enable ease of access to and comparative analysis of disclosures.

The XRB should give attention to the level of assurance.

The issuance of assurance standards by the XRB is inevitable. The XRB should give specific attention to the level of assurance necessary to support reliability and verifiability. Consideration should be given as to whether the assurance applied to climate disclosure is the same as that applied to the management report.

The XRB should ensure standards facilitate NZ's emission reduction targets.

The XRB should also consider how NZ's climate reporting standards will meet NZ's broader climate policy to transition to a net zero emission economy by 2050. It should be conscious of the risk of greenwashing by reporting entities and how the standards will actively manage this.

XRB should also consider how it can ensure the timely updating of the NZ climate reporting standards as advances are made in global climate accounting standards or become necessary.

Attention should also be given as to how to integrate mātauranga Māori into the NZ climate disclosure regime.

9

GLOSSARY

Audience	The broad body of end users of the disclosed information, including primary users, government, NGOs, etc.
CDSB	The Climate Disclosure Standards Board is a non-profit organisation that provides information for investors and financial markets through the integration of climate change-related information into mainstream financial reporting.
Climate disclosure	The disclosure of data relating to an organisation's climate-related risk and opportunities, sometimes considered to be a response to accounting standards for reporting climate-related "E" metrics within ESG, but more focused on the financial impacts.
CSRD	Corporate Sustainability Reporting Directive, which will amend the existing Non-Financial Reporting Directive (NFRD), provides primary users with the information needed to consider ESG in investment decisions and meet the requirements under the Sustainable Finance Disclosure Regulation. It requires all large and listed EU companies to introduce mandatory sustainability reporting standards.
Decision-useful	Information about the reporting entity that is useful to existing and potential equity investors, lenders, and other creditors in making decisions in their capacity as capital providers.[48]
EFRAG	European Financial Reporting Advisory Group is a private association established to develop and promote European views in the field of financial reporting and ensuring that these views are considered in the IASB's standard-setting process and in related international debates.
ESG	Environmental, social and governance
ESG disclosure	The disclosure of data relating to an organisation's environmental, social and governance performance.
Greenhouse Gas (GHG) Protocol	Establishes global standardised frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions.
IASB	The International Accounting Standards Board is an independent, private-sector body that develops and approves International Financial Reporting Standards.
IFRS Climate Prototype	IFRS Foundation's Prototype Climate-related Disclosures Requirements
IFRS Foundation	The not-for-profit, public interest organisation established to develop a single set of high-quality, understandable, enforceable and globally-accepted accounting and sustainability disclosure standards—IFRS Standards—and to promote and facilitate adoption of the standards.
IFRS General Requirements Prototype	IFRS Foundation's Prototype General Requirements for Disclosure of Sustainability-related Financial Information
IFRS Prototype Standards	IFRS Foundation's Climate Prototype and General Requirements Prototype
IOSCO	The International Organization of Securities Commissions is an international body that develops, implements, and promotes adherence to internationally recognised standards for securities regulation.
ISSB	International Sustainability Standards Board a standard-setting board created by the IFRS Foundation to deliver a comprehensive global baseline of sustainability-related disclosure standards.
NDCs	Nationally Determined Contributions under the Paris Agreement
NFRD	Non-Financial Reporting Directive provides rules on disclosure of non-financial and diversity information by certain large companies
NZ	Aotearoa New Zealand
NZ Accounting Standards Framework (ASF)	Sets down a financial reporting strategy for NZ and establishes which suite of reporting standards and reporting tiers apply to which entities. It involves a multi-standard, multi-tiered approach.

NZ CS 1	Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures produced by the XRB
NZ CS 2	Aotearoa New Zealand Climate Standard 2: Adoption of Climate-related Disclosures to be produced by the XRB
NZ IFRS	IFRS Standards adopted via NZ's equivalents to International Financial Reporting Standards, which are fully converged with IFRS Standards.
NZASB	NZ Accounting Standards Board has delegated authority from the XRB Board to develop and issue NZ's accounting standards.
NZAuASB	NZ Auditing and Assurance Standards Board has delegated authority from the XRB Board to develop or adopt, and issue auditing and assurance standards, including professional and ethical standards for assurance practitioners.
Paris Agreement	The Paris Agreement is an international treaty signed in 2015 aiming to keep the rise in the global average temperature to well below 2°C above pre-industrial levels, ideally 1.5°C.
PCAF	Partnership for Carbon Accounting Financials is a global partnership of financial institutions that works to develop and implement a harmonised approach to assess and disclose the GHG emissions associated with their loans and investments.
PTF – ESRS	Project Task Force – European Sustainability Reporting Standards
SDR	Sustainability Disclosure Requirements, issued by the UK Financial Conduct Authority (FCA), under which real economy companies, including listed issuers, and asset managers and asset owners will be required to report on their sustainability risks, opportunities and impacts, and includes disclosure requirements relating to the forthcoming UK Green Taxonomy.
SFDR	Sustainable Finance Disclosure Regulation is a set of EU rules which aim to make the sustainability profile of funds more comparable and better understood by end-investors.
TCFD	Task Force on Climate-related Financial Disclosures established by the Financial Stability Board to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit and insurance underwriting decisions.
TCFD framework	Collectively the themes and recommendations developed by the TCFD to help companies and other organizations more effectively disclose climate-related risks and opportunities through their existing reporting processes.
TRWG	Technical Readiness Working Group was formed by the IFRS Foundation with the purpose of enabling the ISSB to build on long-standing international initiatives focused on enterprise value.
Primary users	User of the disclosed information including primary and secondary users of financial statements, such as existing and potential shareholders, investors, banks and other lenders, and insurance underwriters, creditors, regulators and government. A subset of the disclosure "audience".
VRF	Value Reporting Foundation is a non-profit organisation that offers a suite of resources designed to help businesses and investors develop a shared understanding of enterprise value.
WBCSD	World Business Council for Sustainable Development is CEO-led community of sustainable businesses working to accelerate the system transformations needed for a net zero, nature positive, and equitable future.
WRI	World Resources Institute is a research non-profit organisation whose activities are focused on seven areas: food, forests, water, energy, cities, climate and ocean.
XBRL formatting	XBRL (eXtensible Business Reporting Language) is a freely available and global framework for exchanging business information.
XBRL Taxonomies	The taxonomies are the reporting-area specific hierarchical dictionaries used by the XBRL community. They define the specific tags that are used for individual items of data (such as "net profit"), their attributes and their interrelationships.
XRB	The External Reporting Board, a NZ independent Crown Entity, charged with developing financial reporting strategy, preparing, and issuing accounting standards, and preparing and issuing auditing & assurance standards.
XRB Board	The governing body of the XRB.

10

APPENDICES

APPENDIX A

Summary of primary users' expectations of disclosed information

A report by the Board of the International Organization of Securities Commissions (IOSCO) from June 2021,[49] and one by the Task Force on Climate-related Financial Disclosures (TCFD) in October 2021,[50] have identified primary user observations and the expectations for reporting standards and frameworks.

The TCFD report focused on the establishment of decision-useful, forward-looking climate-related metrics. The IOSCO report applied a broader ESG mandate and sought to document gaps and shortcomings in information that investors seek to inform investment decisions.

Table 2 below takes the findings about primary users' expectations of disclosed information from the IOSCO and TCFD reports, and summarises them. It then compares these expectations with the relevant TCFD principles for effective disclosures. The aim is to understand whether climate accounting standards and reporting frameworks can assist in meeting these expectations.

This table indicates that the mechanism for meeting these expectations is potentially available via current and proposed climate reporting standards and frameworks.

Table 2. Investor expectations and observations of climate-related disclosures.

Primary user expectations and observations	Accounting standards provide:	Reporting frameworks provide:
Primary users seek complete, consistent, and comparable, sustainability-related reporting to inform investment and risk analysis. Hold a particular focus on the ability to assess companies' prospects, ESG or sustainable investment strategies, investor stewardship and onward disclosure. However, preparers and users: • Identified a lack of standardised industry metrics as a barrier to more decision-useful disclosure. This extended to digitisation and storage of information to support machine readability • Are looking for more clarity as to how to measure the impact of potential decarbonisation pathways and targets, assess portfolio alignment, and track progress over time • Noted the failure to include Scope 3 emissions information specific to organisations' value chains.	**Comparability:** • Standardised industry metrics • Guidance on risk and alignment assessment approaches.	**Completeness:** • Include value chain • Include emission Scopes 1-3 • Track progress over time. **Accessibility:** • Digitisation and machine-readability • Clear cross-industry and industry-specific metrics. **Interpretability:** • Clarity on risk and alignment assessment approaches • Developments and progress over time.
Primary users seek systematic reporting by investee companies against established frameworks and standards (in the absence of a common international accounting standard). Mandatory reporting against a common standard is considered ideal to ensure the level of sustainability-related information that is material to decision-making is provided.[51] Investors identified the TCFD as the favoured framework for universal application of climate-related disclosure.	**Comparability:** • Apply mandatory accounting principles and standards in approximately 144 jurisdictions.	**Completeness:** • Apply standards with (mandatory) disclosure items. **Accessibility:** • Via established frameworks (which are complementary but not singularly sufficient).

Primary user expectations and observations	Accounting standards provide:	Reporting frameworks provide:
Primary users value investor-oriented, industry-specific information on all three environmental, social, and governance (ESG) categories. Noting the importance of: • Information that enables comparison of an organisation's performance within, but also beyond the industry sector within which it operates • Focusing on financial implications that may arise directly or indirectly due to the organisation's external sustainability impacts on society and the environment.	**Comparability:** • Within industry • Beyond industry.	**Completeness:** • Double materiality perspective. **Accessibility:** • To industry-specific metrics.
Value a mix of narrative information and quantitative metrics, as a mix of narrative and quantitative information provides the context and detailed performance/impacts necessary for a report user to accurately interpret and apply information.	**Comparability:** • Within industry.	**Interpretability:** • Third-party understandability.
Want to see the linkage between an organisation's sustainability risks and opportunities and its business, strategy, and financials. Primary users seek information that shows an alignment in an organisation's reported financial and sustainability performance, and that is consistent in respect of: • Where it is located in reports • When it is presented in respect of timing; and • The application of audit and assurance.	**Completeness:** • Financial and climate risk linkage. **Reliability:** • Assurance.	**Accessibility:** • Report location and timing alignment.

APPENDIX B

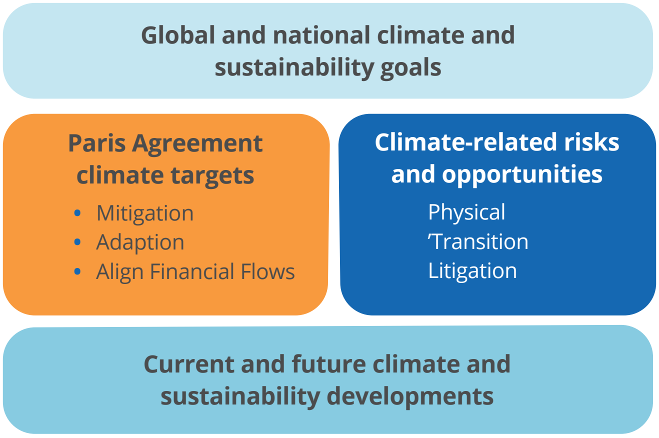
Elements of the disclosure landscape

Figure 1 Climate disclosure landscape in **section 3** identifies the following common elements of a climate disclosure regime:

- Main external drivers
- Underlying materiality perspective
- Specific accounting and reporting standards
- Targeted entity and other indirectly affected entities
- Disclosure focus and audience
- Regulating entity.

Each of these elements is described in detail below.

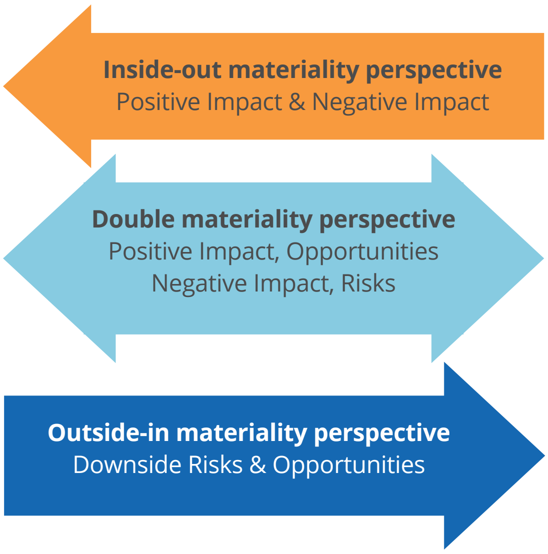
External drivers



There are external drivers that impact on a reporting entity. Based on the Paris Agreement climate targets, a jurisdiction will have its national climate adaptation and mitigation goals as specified in a country's Nationally Determined Contributions (NDCs) and additional climate-related policies. It will also have further specific climate targets, such as a net zero emissions goal for 2050. These targets and goals translate into climate-related risks and opportunities. The TCFD classified these into physical (climate change-related) and transition (policy, technology, market-related) developments. Litigation risks are often treated separately, whilst the TCFD allocates them to the transition risk category.

Collectively, all these developments, dynamics and events play on the entity's risk profile.

Materiality perspective



Materiality is an accounting concept whereby all material items should be reported in the financial statements.[52] Material items are those items whose inclusion or exclusion results in significant changes in the decision-making for the users of business information. In effect, this concept defines what information is decision-useful. But even in the move towards greater standardisation and establishment of a 'global baseline', including in considering the social and environmental impact of an entity, there is still not a single agreed approach to determining the 'materiality' of climate issues.

Initially, financial disclosures focused on the risks that external developments, or information, presents to the value and business performance of the organisation (i.e., risks to enterprise value). For example, potential financial implications arising from climate change (and other emerging risks) could be deemed material, and therefore would be included into the financial statements. They would be included in relation to: asset impairment, changes in the useful life of assets, changes in fair valuation of assets, increased costs and reduced demand for products and services, to name a few.[53] However, increasingly organisations have been required to report on the impact of their operations on society and the environment, reflecting that in some cases, impacts of the organisation on the climate (or any other dimension of sustainability) might be considered material (alongside other material climate-related impacts on the organisation).

The IFRS Foundation's recently published Prototype Climate-related Disclosures Requirements (IFRS Climate Prototype) and its Prototype General Requirements for Disclosure of Sustainability-related Financial Information (IFRS General Requirements Prototype) (collectively the IFRS Prototype Standards) deal with the issue of materiality differently but consistently. The IFRS Climate Prototype does not explicitly mention materiality, but the objective of the disclosure standards is to provide information about the entity's exposure to climate-related risks and opportunities (along with other information provided as part of an entity's general purpose financial reporting). Primary users can then assess the entity's future cash flows, their amounts, timing, and certainty, over the short, medium and long term, which represents the entity's enterprise value.[54] The IFRS General Requirements Prototype explicitly states that the standards do not provide a uniform quantitative threshold for materiality (or predetermine what would be material in a particular situation). Therefore, regardless of what is prescribed in a standard, the entity must make a judgement on materiality that has regard to the impact on its enterprise value. It therefore does not necessarily need to disclose information specifically required by the standard if it is not deemed to be material.

It may be that the more prescriptive and standardised ESG and climate disclosure standards become, the less they will tend to rely on an organisation-specific assessment of the materiality threshold. As standard setters provide greater specificity as to what information is decision-useful, in some instances, consideration of the materiality of the risk or impact becomes less necessary. Nevertheless, with climate-related disclosures, different materiality perspectives often determine the thresholds at which companies are obliged to report on certain matters. This reflects the two distinct trends in the approach to materiality, dictated by the disclosure focus and audience. Both approaches ("outside-in" and "inside-out") and their combination ("double materiality") are now reflected in formal disclosure requirements, for example in the European Union's (EU) Sustainable Finance Disclosure Regulation (SFDR) and the Corporate Sustainability Reporting Directive (CSRD).[55] These perspectives are explained next.

Outside-in perspective: The outside-in materiality perspective, that is, external impacts on the organisation, relates to past and potential downside risks and opportunities of developments outside the organisation, on the business and financial value of the organisation. For example, climate-related impacts on an organisation might be material because of the risk they pose, and therefore require disclosure. This key accounting concept of materiality of financial information has conveniently set the threshold for financial and business-related risk reporting. It is risk-based reporting that identifies risks tied to, or potentially impacting on, the organisation's business processes.

As noted above, the recently released IFRS Foundation's General Requirements Prototype provides specific guidance on applying the concept of materiality. Aligning with the IFRS Foundation's definition of materiality, it suggests that an entity's impacts on society and the environment could be considered material *if* those impacts could reasonably be expected to affect the entity's future cash flows, and events considered to have a low likelihood but a high potential impact on the entity's future cash flows.[56] This approach infers materiality is still entity-specific, and relies on the judgement of management to identify sustainability risks and opportunities, and the associated metrics deemed material to an entity's circumstances. This is reiterated by the direction that even where a specific disclosure is required by the IFRS Prototype Standards, if the information resulting from that disclosure is not material, it is not necessary to disclose it.

Inside-out perspective: The inside-out materiality perspective, which considers the impacts of the firm on the environment, i.e., impacts-based reporting, is usually associated with ESG disclosure regimes. It focuses on the positive or negative impact a firm might have on broader societal goals, like the climate targets or the sustainable development goals. For example, the European Financial Reporting Advisory Group (EFRAG) defines impact materiality as identifying sustainability matters that are material in terms of impacts of the reporting entity's own operations and its value chains. The impact is assessed on the severity and likelihood of actual and potential negative impacts on people and environment, the scale scope and likelihood of actual positive impacts on people and the environment connected to the organisation's operations and value chain, and the urgency derived from social or environmental public policy goals and planetary boundaries.[57]

Double (or dual) materiality: With an increasing understanding that an organisation's impact on the environment might also affect the degree of exposure to risks arising from developments in the firm's environment, the concept of double materiality has emerged to reconcile both conventional materiality perspectives. Given the increase in climate-related transition/transformation, physical/adaptation and litigation risks, this double materiality concept acknowledges the links between positive impact and opportunities and negative impact and downside risks, and that one or both perspectives can inform the materiality of the information.

Dynamic materiality: In contrast to double materiality, dynamic materiality emphasises the pathway an issue follows to become financially material over time. It also considers the triggers that can make this occur. This perspective is based on the concept that what appears financially immaterial today can quickly prove to be business-critical tomorrow.[58]

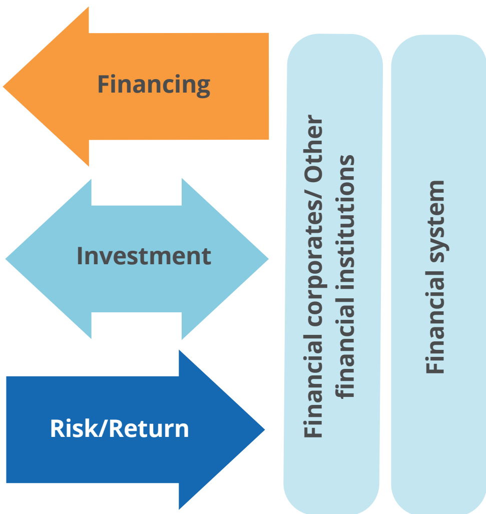
Reporting and accounting standards

The process for implementing disclosures has both accounting and reporting elements. Comprehensive disclosure requirements hence consist of accounting standards and reporting frameworks. For financial risk disclosures, these tend to be more complete and more comparable than the accounting and reporting approaches applied in voluntary ESG disclosure regimes. The content of disclosures can vary and need to be drawn out through the disclosure regimes' reporting frameworks and accounting standards.

Targeted entities

The external drivers usually determine the entities of interest. The materiality approach and regulator then determine the specific types of organisations that need to provide disclosures. Corporate disclosure requirements usually apply to financial and non-financial organisations and focus often on listed companies. Disclosure requirements arising from micro-financial supervision focus on financial institutions. However, these requirements usually also impact all other financial or non-financial institutions with which a particular organisation is financially involved.

Disclosure focus and audience



Reporting entities (financial and non-financial corporates) make disclosures for a particular audience. Depending on which external drivers are of interest, the primary disclosure focus and audience varies. The audience for financial disclosure requirements is usually investors and shareholders, supervisory authorities and other third parties, which have a financial interest in the disclosing firm. ESG disclosures are usually more targeted to a broader audience of various stakeholders, including investors but also societal interest groups. This audience makes decisions about public campaigning, financing, investment, and consideration of risk based on the information disclosed. The information also feeds into the broader financial system, which is overseen by regulators, such as central banks, and financial supervisors. The information may also be used by policy makers to assess progress towards policy goals that might not yet be publicly regulated (eg, to track progress against achieving Art. 2.1c of the Paris Agreement).

Regulating entity

Central Bank/Financial Supervisors

Overall, a distinction must be made between the regulators of voluntary and mandatory reporting regimes. For voluntary reporting regimes, international organisations or national business councils and non-governmental organisations are often the ones who seek to maintain a specific disclosure regime. Strictly speaking, they are not regulators. For mandatory reporting regimes and aspects of reporting related to financial risks, various regulating entities might be involved in the process of setting and supervising existing and new regulatory requirements.

For regimes that focus more on how an organisation's operations are supportive or detrimental to achieving international or national policy goals and targets, the regulating entity is usually located within the government and its agencies.

For disclosure regimes focusing on the risks that global developments might have on firms, financial supervisory authorities increasingly ask supervised institutions to make climate-related disclosures within their current mandates of micro-financial and macro-financial supervision. In addition, central banks might use climate-related information within their mandate to maintain economic welfare in their monetary policy operations.

APPENDIX C

Accounting standard setters and standards

As noted in **section 3**, accounting standards are the set of principles, standards and procedures that define the basis of financial accounting policies and practices. Accounting standards bring uniformity. They ensure that financial statements from organisations are comparable. Accounting standard setters create the accounting concepts, rules, and guidelines necessary to carry out those accounting practices. These rules define the basis of the financial accounting policies and practices.

Below is an overview of some of the key standard setters and the standards they create. **Table 3** at the end of this appendix provides a breakdown of the some of the main elements of accounting standards for a selection of jurisdictions. A comparative analysis of standard setter positions against disclosure elements is set out in **Appendix E**.

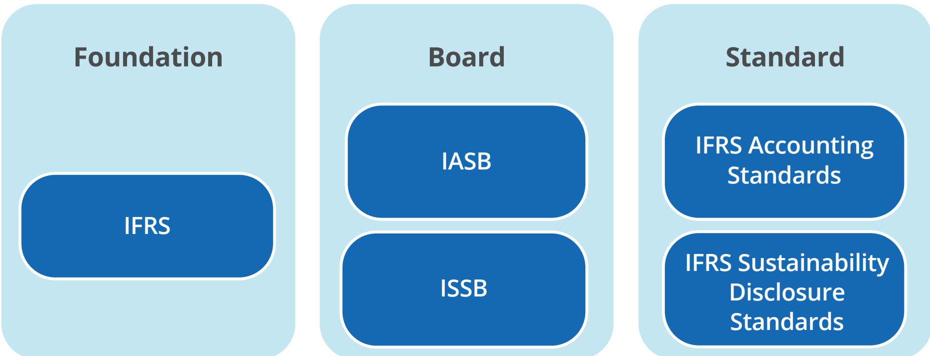
IFRS, IASB & ISSB

The International Financial Reporting Standards (IFRS) Foundation is 'not-for-profit, public interest organisation established to develop a single set of high-quality, understandable, enforceable and globally accepted accounting and sustainability disclosure standards (i.e., the IFRS Prototype Standards) and to promote and facilitate adoption of the standards'.[59] The International Accounting Standards Board (IASB), which sits under the IFRS Foundation, is an independent group of experts responsible for the development and publication of the IFRS accounting standards. IFRS accounting standards are accounting rules for the financial statements of public companies.

There is dedicated support internationally for a single set of high-quality global accounting standards and the IFRS accounting standards are increasingly being seen as potentially fulfilling that function. The standards have been adopted across the G20.[60] Many other jurisdictions, including NZ, have made a public commitment to IFRS Standards as the single set of global accounting standards. For example, the NZ Accounting Standards Framework uses IFRS for for-profit entities that have a statutory requirement to prepare financial statements.[61]

The IFRS Foundation, under which the IASB sits, announced in November 2021 the formation of the International Sustainability Standards Board (ISSB). The ISSB was established to develop baseline sustainability disclosure standards. The ISSB will sit alongside and work closely with the IASB to ensure connectivity and compatibility between the existing IFRS Accounting Standards and the (to be developed) IFRS Sustainability Disclosure Standards. For ease of explanation, we refer to these as the IASB Standards and ISSB Standards (once finalised and adopted) in reflection of the boards that ultimately produce them, noting they are also referred to as the IFRS Accounting/Sustainability Disclosure Standards in IFRS documentation, as shown in **Figure 3** below.

Figure 3 IFRS Foundation Structure (adapted from BDO Creation of ISSB and COP26 update - Structure)



As noted in **section 3**, also in November 2021, the IFRS Foundation published the Climate Prototype and the General Requirements Prototype, developed by a Technical Readiness Working Group (TRWG) over six months. The TRWG was formed by the IFRS Foundation Trustees to undertake preparatory work for the ISSB and consists of representatives from the IASB, World Economic Forum, TCFD and the major sustainability standard setters, namely the Climate Disclosures Standards Board (CDSB) and the Value Reporting Foundation (VRF).[62]

Given the development of the IFRS Prototype Standards and the expectation that the TRWG will develop accompanying disclosure guidance and templates, a number of jurisdictions subject to IFRS may hold off developing their own precise disclosure templates for now. This holds for both risk (TCFD) and impact (ESG)-related disclosure requirements, given the rapid progression of amalgamating standards (as represented by the IFRS Prototype Standards) and the parallel and interconnected development of the UK Sustainability Disclosure Requirements (SDRs) and EU CSRD (which draws off the broader GRI framework).

The IFRS may steer organisations towards bodies such as the GHG Protocol to adhere with the specific accounting standards required under the IFRS Climate Prototype (such as accounting of GHG emissions for Scope 1, 2 and 3, which will need to be disclosed in accordance with the GHG Protocol). Jurisdictions may also provide additional accounting guidelines (such as for example highlighted in the EU Taxonomy) above what is indicated in the IFRS Prototype Standards 'global baseline' and might define specific disclosure templates for those elements that go beyond the IFRS and risk-focused element.

GHG Protocol

The Greenhouse Gas (GHG) Protocol was established through collaboration between the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) alongside corporate partners, on recognition of the need for standardised measurements of GHG emissions.[63] The GHG Protocol 'provides standards, guidance, tools and training for business and government to measure and manage climate-warming emissions'.[64]

For context, the first edition of the GHG Protocol's Corporate Accounting and Reporting Standard[65] was published in 2001 and been regularly updated with additional guidance, revised editions and context specific standards, alongside developing a range of calculation tools. The GHG Protocol supplies the world's most widely used greenhouse gas emission standards, with the Corporate Accounting and Reporting Standard providing the accounting standard for every corporate GHG reporting program in the world.[66]

The GHG Protocol was developed and implemented to provide a pathway for any company, country or industry to track GHG emissions. It provides comprehensive standards depending on the application, including specifically for companies and organisations (such as the Corporate Standard, Corporate Value Chain [Scope 3] Standard and Product Standard), for countries, cities and communities (such as the Policy and Action Standard, Mitigation Goal Standard and GHG Protocol for Cities, or specific projects at a company, country or city level [i.e. the Project Protocol]). It also has developed a number of calculation tools that are country or specific, and have recently launched a beta version of a cross-sector calculation tool for testing.

The PCAF's Global GHG Accounting and Reporting Standard

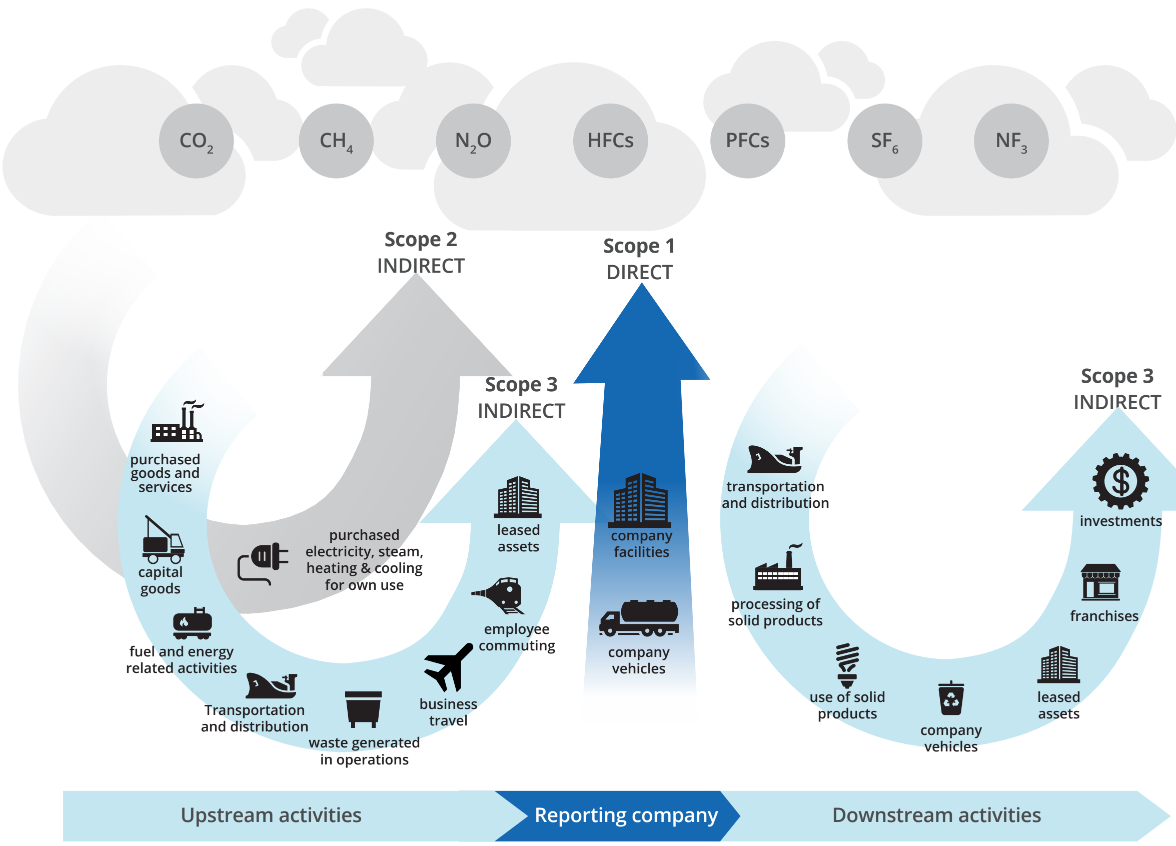
The Global GHG Accounting and Reporting Standard was established by the Partnership for Carbon Accounting Financials (PCAF) as an industry-led initiative enabling financial institutions to measure and disclose GHG emissions of loans and investments.

The PCAF were founded in 2015 by fourteen Dutch financial institutions. It was launched via a Dutch Carbon Pledge calling for negotiators at the Paris Climate Summit in 2015 to take ambitious steps, to be matched by the ambition of financial institutions to start measuring and disclosing the GHG emissions of their loans and investments. It expanded globally in 2019 and launched the Global GHG Accounting and Reporting Standard for the Financial Industry in 2020.

It is designed for commercial banks, investment banks, development banks, asset owners and managers, and insurance companies, with GHG emissions resulting from a reporting company's loans and investments falling under Scope 3 downstream emissions. As such, this standard is based on the GHG Protocol Corporate accounting and Reporting Standard and the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. It follows the GHG Protocol five core principles and provides for additional requirements that are specifically relevant for financial institutions. This includes additional requirements such as requiring organisations to use the operational or financial control approach in defining the inventory boundary, measure and report financed emissions for each asset class based on the methodology established and covering the seven GHGs required under the Kyoto Protocol. All methodologies must apply the same general attribution principles,[67] and an emphasis on disclosure, including requirements on how to report the methodology, information, calculations, timeframes, and data quality.

PCAF's Global GHG Accounting and Reporting Standard is developed as a methodological guidance to measure and disclose GHG emissions based on six different asset classes,[68] with the standard providing guidance on data quality scoring per asset class. It provides recommendations and requirements for disclosures, with a minimum disclosure threshold and flexibility to report beyond this. Where requirements are not fulfilled, an explanation is required. This accounting approach distinguishes between reporting on generated emissions (which can be Scope 1, 2 or 3) and reporting on emission removals and avoided emissions.[69] **Figure 4** below sets out an overview of the 15 asset classes. [70]

Figure 4 Overview of asset classes (source WRI and WBCSD, 2011)



The Global GHG Accounting and Reporting Standard is implemented through financial institutions following the guidance to select the appropriate asset class method for estimating and/or measuring the financed emissions of their portfolio. Each asset class method currently only covers financial products on the balance sheet at fiscal year-end, and therefore does not capture financed emissions from products such as bridge loans, revolving credit facilities and letters of credit, along with assts held for short durations. More guidance is expected on this in later editions of the standard.

Table 3 below provides a breakdown of some elements of accounting standards by a select number of jurisdictions. **Appendix D** further expands on reporting regimes by jurisdiction.

Table 3. Accounting standards for select jurisdictions

Jurisdiction	Template owner	Who needs to apply (Scope)	Risk or impact focus	Mandatory items	Voluntary items	Framework alignment	Relevant links
EU **Once adopted by EC, to apply from January 2022**	European Supervisory Authorities (ESAs)[71] EFRAG[72]	Large-listed companies, banks, and insurance companies[73] with over 500 employees[74]	Both (double material-ity)	Under the PASIS[75] core indicators for investments in investee companies include greenhouse gas emissions;[76] biodiversity; water, waste; social employee matters.[77] Investments in sovereigns and supranationals include: GHG intensity, investee countries subject to social violations; exposure to fossil fuels and energy efficiency. Investments in real estate assets include fossil fuels and energy efficiency.	Opt-in indicators include emissions;[78] energy performance; water, waste, and material emissions;[79] green securities; social and employee matters, human rights, and anti-corruption and anti-bribery.	ESG, aspects of TCFD but far broader.	Final Report on draft Regulatory Technical Standards Mandated by EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR)[80]
Brazil **Enters into force on 1 December, 2022**	Banco Central do Brasil (BCB)	Financial institutions and other institutions licensed by BCB and allocated as Segment 1 – 4.[81]	Risk	Governance of risk management (including duties and responsibilities of decision-making instances for social, environmental and climate-related risk by board and senior management), real and potential impacts of the risks, and processes for management of risks. Must use templates provided (extent depending on status as segments).[82]	Quantitative indicators used in management of risks, business opportunities associated with social, environmental and climate related issues, considering the transition to a low-carbon economy and reduction of impacts caused by frequent and severe weather events or by long-term environmental changes (if disclosed must adhere to prescript templates).	Generally aligned with TCFD but expanded to include broader social and environmental issues.	Regulation and templates Resolution empowering financial regulation

Jurisdiction	Template owner	Who needs to apply (Scope)	Risk or impact focus	Mandatory items	Voluntary items	Framework alignment	Relevant links
India **To commence 2022/2023**	Securities and Exchange Board of India (SEBI)	Top 1000 listed entities (by market capitalisation)[83]		NGBRCs Essential indicators: business conducted ethically; goods and services produced sustainably and safely; employee wellbeing; stakeholder engagement; environmental protection (resource use, air emissions [Scope 1 & 2], & waste management); anti-corruption; consumer protection.	NGBRCs Leadership indicators: extend each of the mandatory sections (in left column), including extending environmental protection to include energy consumption, water discharge, Scope 3 GHG emissions and impact on biodiversity. [84]Usually relates to extension of value chain of reporting entities.	BRSR based on National Guidelines on Responsible Business Conduct (India) nine Principles, reflecting the SDGs (social & environmental) and updated with input from GRI and SASB.	Annexure 1: BRSR Format document Annexure 2: Guidance note for business responsibility and sustainability reporting format PR No,18.2021 SEBI issued Circular on “Business Responsibility and Sustainability Reporting by listed entities.[85]
NZ **Applicable from FY23**	External Reporting Board (XRB)86	FMC Reporting entities87 (large listed companies with market capitalisation over $60mil, large registered banks, licensed insurers, credit unions, building societies, managers of investment schemes (over $1 billion in assets) and some Crown financial institutions).	Risk	NZ CS 1 – climate-related risk, focused on governance, risk management (drafted already), strategy and metrics & targets (to come).		Based on TCFD recommendations, and some additional disclosure requirements	Presentation to be prescribed by XRB (indicated to be similar to Table 1 in the Aotearoa New Zealand Climate Standard 1: Climate-related Disclosure Consultation Document. Standards mandated by Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021

Jurisdiction	Template owner	Who needs to apply (Scope)	Risk or impact focus	Mandatory items	Voluntary items	Framework alignment	Relevant links
Singapore	Singapore Exchange (SGX)	All listed companies	Risk	Describe material ESG factors, policies, practices and performance, targets, the reporting framework, and board statement.	List of 27 proposed ESG metrics (currently being consulted on) may be used by issuers in conjunction with sustainability reporting.[88]	ESG requirements	SGX Rulebook 711A & 711B
	Monetary Authority of Singapore (MAS)	Banks, insurers and financial institutions[89]	Impact	[Only guidance at this stage – tbc mandatory implementation]	Environmental risk across five pillars: [90]Governance & strategy, research and portfolio construction, portfolio risk management, stewardship, and disclosure.	Generally aligned with TCFD but expands in some areas.[91]	Guidance specific to asset management, insurers, and banks.
Hong Kong	Hong Kong Exchanges and Clearing Limited (HKEX)[92]	Listed companies	Risk	Part B sets out mandatory disclosure of governance structure (including board's oversight of ESG issues, board's management approach & strategy and how the board reviews progress against ESG related goals & targets). Description of reporting principles and reporting boundary.[93] This complements ESG discussions required in the Business Review section of the Directors Report.	Part C sets out 'comply or explain' provisions, providing general disclosures and key performance indicators (KPIs).[94] In addition, the HKEX encourages issues to identify and disclosure additional ESG issues & KPIs relevant to the issuers impacts etc.		Listing rules specific to ESG in HKEX4476_3841_VER20

Jurisdiction	Template owner	Who needs to apply (Scope)	Risk or impact focus	Mandatory items	Voluntary items	Framework alignment	Relevant links
Indonesia	Indonesia Financial Services Authority (OJK)	Issuers & financial service providers[95] (depends on issuer as to extent of disclosure).[96]		Sustainability Report must elaborate on sustainability strategy, summary of sustainability aspects (economic, social, and environmental) and its performance, sustainability governance, brief profile of FSI, issuer or publicly-listed company and description of Board of Directors, note any written verification and feedback capacity. Financial service providers must also submit a Sustainable Finance Action Plan.	Unclear as to specific examples or parameters for effort to be 'sustainable', but all financial services providers must implement sustainable finance, even if they are not required to prepare and submit a Sustainable Finance Action Plan.	Quite specific to Indonesia and its focus on sustainable finance, based on principles of responsible investment, sustainable business strategy and practices, social and environmental risk management, good governance, informative communication, inclusiveness, development of leading priority sectors, coordination, and collaboration.	Regulation No. 51/POJK.03/2017 Schedule 1: Sustainable Finance Action Plan Schedule 2: Sustainable Report format.

Jurisdiction	Template owner	Who needs to apply (Scope)	Risk or impact focus	Mandatory items	Voluntary items	Framework alignment	Relevant links
France		Listed companies, banks and credit providers and institutional investors	Risk	Depends on entity, disclosure on a comply or explain basis: Financial risks relating to effects of climate change, measures adopted to reduce them and consequences of climate change on company's activities, risk of excessive leverage (exposed by regular stress tests) and information on how ESG criteria are considered in investment decisions and how policies align with the national strategy or energy and ecological transition.	Smaller investors are exempt from detailed reporting but must provide a general overview of how they integrate ESG factors.	Some alignment with TCFD – currently attempting to align more.[97]	Requirements for presentation of information not prescript, investors can report in manner that suits their portfolio.[98] Energy Transition for Green Growth Law 2015 (Article 173)[99]
UK	Financial Conduct Authority (FCA)	Commercial companies with a UK premium listing, subsequently other listed issuers.	Risk (But will soon become double impact as SDRs are issued and the UK Green Taxonomy is devel-oped)	Statement in annual financial report consis-tent with TCFD recommen-dations and recommended disclosures.		Based on TCFD recommenda-tions	Policy Statement 20/17 introduc-ing new rule in LR 9.8 Appendix 2: Technical Note clarifying existing disclosure obli-gations

Jurisdiction	Template owner	Who needs to apply (Scope)	Risk or impact focus	Mandatory items	Voluntary items	Framework alignment	Relevant links
China	China Securities Regulatory Commission (CSRC)	All listed companies (and specific requirements for "key polluting entities").	Risk (and for some entities – Impact)	2021 rules: Relevant environmental information and pollution or waste (including any administrative penalties due to environmental issues) or state sufficient reasons for non-disclosure. A "key polluting entity" must disclose specific information regarding pollution (in Article 41). 2021 rules also update corporate governance disclosure rules, i.e., any shares with special voting rights, independence of company from controlling shareholder and any potential conflicts of interest etc.	Including information relating to promotion of environmental protection, prevention and control of pollution, measures taken to reduce carbon emissions during the reporting period and effects of stated measures, fulfilment of social responsibilities (i.e., protection of rights and interests of shareholders, creditors, employees, suppliers, customers and consumers, sustainable development, social welfare and public relations), and relating to actions taken to strengthen attempts of poverty alleviation and development in rural areas.	ESG	Refer to CSRC website announcement or policy[100]

APPENDIX D

Selected reporting regimes by jurisdiction

The European Union (EU)

Within the EU, two major initiatives drive the sustainability reporting agenda: The CSRD and the Sustainable Finance Disclosure Regulation (SFDR).

The EU adopted a proposal for the CSRD in April 2021.[101] This amends the existing reporting requirements of the Non-Financial Reporting Directive (NFRD) and includes extending the scope to all large companies listed on a regulated EU market and large companies not listed (based on balance sheet criteria)[102] from 11,600 to approximately 49,000 entities (including foreign subsidiaries). The CSRD proposal also includes the introduction of more detailed reporting requirements according to mandatory EU sustainability reporting standards, the auditing of reported information,[103] and for companies to digitally 'tag' the reported information for ease of access. This proposal now envisages the development of draft EU sustainability reporting standards,[104] to be developed by the European Financial Reporting Advisory Group (EFRAG) and build on international standardisation initiatives. The EFRAG recently published its first draft working paper on the climate standard prototype, which is now further discussed with members of its Project Task Force – European Sustainability Reporting Standards (PTF – ESRS) working group.[105] It is proposed that the first set of standards be adopted by October 2022.[106]

The SFDR primarily targets the financial services sector. It is directed at Financial Market Participants (FMPs), including firms who oversee financial transactions (i.e., fund managers or pension providers) or advise on investment strategy (i.e., banks and investment firms) and their products (such as investment and mutual funds, insurance-based investment products and advice, and pensions) in the European Union. The key disclosure requirements under SFDR (i.e., the Level 1 text) have applied in the EU since 10 March 2021 and are principle-based as previously stated by the European Commission.[107]

The European Supervisory Authorities (ESAs) have been mandated to draft the Regulatory Technical Standards (RTSs) to implement the SFDR. These RTSs are also designed to support the ESAs to fulfil their supervisory mandate, i.e., in banking (EBA), insurance (EIOPA) and financial markets (ESMA). The ESAs suggested a number of mandatory disclosure templates. Referred to as the Principle Adverse Sustainability Impacts Statement, the ESAs templates distinguish between two types of indicators: Universal mandatory indicators (where the manager has no discretion but to consider how these indicators will have a negative impact on the sustainability factors) and additional indicators (where it is at the manager's discretion). The mandatory indicators range from GHG emissions (and a number of sub-indicators) to biodiversity, water, waste, and social and employee matters. This extends beyond the TCFD recommendations oriented around climate-related risk and reflects a joint focus on risk and impact to and by the reporting entity. The draft Regulatory Technical Standards are expected to apply once approved and adopted by the European Commission (expected by 1 January 2022).

The United States of America (US)

President Joe Biden's May 2021 Executive Order on Climate-Related Financial Risk[108] sought the issuance of a report identifying actions to reduce climate change risks to financial stability from the Treasury and Financial Stability Oversight Council (including the SEC Chair). This is expected by 16 November 2021, but it may be early 2022 before the rule is released to the public.

The Securities and Exchange Commission (US SEC) meanwhile established a Task Force on Climate and ESG issues in March 2021 and responded to President Biden's government-wide mandate to advance climate policy with various activities, focusing on climate-related disclosures. This will in part be built off the public input sought by Acting SEC Chair Allison Herren Lee. Lee raised 15 questions about the potential form and content of the disclosure, the feasibility of quantification and measurement of climate risks (including Scope 1, 2 and 3 GHG emissions), benefits of establishing industry specific requirements, and the advantages and disadvantages of drawing on existing voluntary reporting frameworks.[109] Based on the submissions received[110] and the Chair Gary Gensler's comments,[111] three of every four submissions supported mandatory climate disclosure rules, a number recommended reliance on the TCFD recommendations (including BlackRock, Chevron, Uber and Walmart) or made reference to the Sustainability Accounting Standards Board standards, and the IFRS Foundation in establishing the ISSB.[112]

The United Kingdom (UK)

The United Kingdom is progressing multiple workstreams in its attempt to end UK's contribution to climate change and drive a green industrial revolution. The latest roadmap, released on 18 October 2021,[113] indicates a three-phase approach to 'greening the financial system'. Three initiatives which will form the basis of Phase 1 are: Implementation of Sustainability Disclosure Requirements (SDRs), developing and delivering a UK Green Taxonomy and articulating clear government expectations on the stewardship of capital.

The SCR is a reporting framework built on the UK's TCFD implementation to date and will cover three types of disclosure: corporate disclosure, asset manager and asset owner disclosure, and investment product disclosure. The government has indicated that once the IFRS Climate-related standards (and subsequent sustainability-related standards) have been developed, it will form a core component of the SDR framework. Importantly, while the SDR will be based off an investor focused disclosure regime (TCFD and IFRS), it will go broader in two key areas:

- Asset managers/owners and investment products will be required to substantiate the ESG claims they make in a way that is comparable between products and accessible to consumers, and explain how they take ESG matters into account in governance, investment policies and strategies; and
- the UK's Green Taxonomy will require sustainable investments to satisfy minimum safeguards relating to basic good governance practices, and the SDR will require disclosure against these minimum safeguards.

Importantly, the SDR intends to use the same framework and metrics across the economy and distinguish based on three types of disclosure: Corporate disclosure, asset manager and asset owner disclosure, and investment product disclosure.

While the UK remains aligned with the TCFD and IFRS investor-led approach, it also clearly aligned with the EU's more holistic approach to reporting, by developing its own UK Green Taxonomy such that it feeds into the SDR reporting requirements and the broader investor product disclosure. It is clearly grounded in its dual purpose, to ensure investors and consumers have accurate information to make investment decisions that drive positive social impact and ensure clarity as to the role businesses and private finance will in the transition to a green and sustainable future.

In response to the growing number of financial products marketed as supporting climate or environmental objectives, there is an increased demand for clarity over common definitions of which economic activities count as environmentally sustainable. In response to this, the government is also implementing the UK Green Taxonomy, which will set out clear criteria which specific economic activities must meet to be considered environmentally sustainable and therefore "Taxonomy-aligned". Reporting against this Taxonomy will become part of the SDR at the right time, with certain companies expected to be required to disclose which proportion of their activities are Taxonomy-aligned.

The UK Government has set out a number of FCA Discussion Papers for consultation on the types of disclosure (November 2021), with 2022 focused on developing further detail on bringing ESG data and ratings firm into the Scope of the FCA authorisation and regulation, consultation on the SDR framework for corporates, and the first year of implementation of TCFD reporting for certain companies.[114] It is envisaged:

- In the 1-2 years following royal assent of primary legislation on reporting, mandatory disclosure requirements in annual reports for the "most economically significant" UK-registered companies incorporating the UK Green Taxonomy and IFRS Climate-related (and subsequent sustainability-related) Standards, with voluntary disclosure for other companies. Consultation will continue on mandatory sustainability-related disclosure for asset managers/owners and potentially mandatory reporting on elements of investment products and investment advisers.
- In the 2-3 years following royal assent of primary legislation, mandatory disclosure requirements in annual reports on UK Green Taxonomy and the IFRS Standards will extend to other companies, with a range of mandatory or potentially mandatory requirements implemented in respect of asset managers and owners, and investment products (subject to the consultation previously).

The roadmap is expected to be updated in the Green Finance Strategy 2022, going beyond the short-term roadmap timescales and setting out an indicative sectoral transition pathway out to 2050 to align the financial system with the UK's net zero commitment.

Brazil

Brazil's Central Bank (Banco Central do Brasil, BCB) passed a resolution in September 2021, prescribing the disclosure of information in the Report on Social, Environmental and Climate-related Risks and Opportunities (GRSAC Report) which must be provided within item specific templates. Managed by the BCB, financial institutions and other institutions licensed by BCB are allocated based on segments relating to size comparative to GDP or international activity, which corresponds with the extent of their disclosure requirements.[115]
All entities must provide a GRSAC Report and include information on three aspects: governance of risk management related to duties and responsibilities of decision-making for social, environmental and climate-related risk; the exploration of real and potential impacts of these risks in the short, medium and long-term under different scenarios; and processes for management of the said risks.[116] Disclosure of quantitative indicators regarding the risks, business opportunities in relation to social, environmental or climate-related risks (including the transition to a low-carbon economy etc) are optional, but if undertaken must be disclosed using the relevant templates. This disclosure template is based off the TCFD recommendations but expanded to include the terms social and environmental risk, without providing any further specification in the templates as to what this should include (in contrast to the ESA RTA).

India

The Securities and Exchange Board of India (SEBI) requires the top 1,000 listed entities (by market capitalisation) to provide a Business Responsibility and Sustainability Report (BRSR). The BRSR reporting is based on the nine principles outlined in the National Guidelines on Responsible Business Conduct (NGRBCs),[117] with indicators within each principle categorised as 'essential' (and must be disclosed by every entity mandated to file a report) or as 'leadership' (which are voluntarily disclosed). The NGRBCs range from business ethics, whether goods and services have been produced sustainably and safety, to employee wellbeing, stakeholder engagement, environmental protection, waste management, anti-corruption and consumer protection. The BRSR was recently updated with input from GRI and Sustainability Accounting Standards Board (SASB), and focused on matters beyond the TCFD recommendations.

Singapore

The Monetary Authority of Singapore (MAS) has indicated it will expand on climate-related risk to include loss of biodiversity, pollution, and changes to land use, and include reputational risk (alongside assessment of transitional and physical risk). While there is no regulation-related mandatory disclosure, MAS is encouraging disclosure and providing guidance.

Summary

Detailed reporting templates are still in infancy. There is an expectation of more detailed reporting templates as countries advance domestic regulation, with various disclosure standardisation approaches dictated in part on whether it is TCFD recommendation specific (or a variation such as the IFRS Climate-related disclosures prototype)[118] and focuses predominantly on climate-related financial risk, or whether it takes an expanded view (as to other social and environment risks, or more broadly to include impact of entities on the environment and social indicators).

APPENDIX E

Comparative analysis between TCFD and the major standard setters' positions, against disclosure elements

Disclosure element	TCFD[119]	IFRS (and Alliance)[120]	European Union EFRAG[121]	US SEC[122]
Specific disclosure items Insights: • A focus on what and how emissions targets have been set, the level of ambition, and evidence of progress against interim target milestones • An emphasis on measurement and disclosure of Scope 3 emissions (value chain and financed) • An emphasis on quantifying the financial impacts of climate-related issues.				
Emissions targets and transition plans	Requirement to provide transparency of details of transition plan and evidence of progress aligned to below 2°C targets. This includes how the plan is managed and governed, underlying initiatives and plans that support that effective implementation, and a set of consistent metrics over time that both baseline and convey progress against targets.	The TRWG prototype requires that entities disclose their "climate-related targets". Targets include those related to mitigation and science-based initiatives (paragraph 15). Paragraph 12 stipulates that an entity should provide information that enables with targets set by management to mitigate climate-related risks and other key performance indicators used by the board or management to measure progress towards.	Incorporated as part of key transparency goal of standard, to report plans and capacity of the reporting entity to adapt its business model and operations in line with transition to a sustainable economy and limiting global warming to 1.5°C (paragraph 9). Requirement to adopt conceptual guidelines on policies, targets, action plans, goal alignment and related impact central for "retrospective and forward-looking information" concept (paragraphs 12 and 22). Prototype requires significant details of targets and evidence of progress towards. Note that beyond reductions, the prototype prescribes metrics such as targets on energy intensity and requires a waterfall graph that displays emission reduction modelling. Intermediate targets from 2025, 2030 and every 5 years thereafter are prescribed (page 29).	The SEC is investigating data and metrics that companies could use to inform investors about details of net zero pledges and progress towards. A focus of this investigation is on fund managers to ensure fund assertions (and name) are supported by relevant investment behaviour.[123]

Disclosure element	TCFD[119]	IFRS (and Alliance)[120]	European Union EFRAG[121]	US SEC[122]
Scope 3 emissions and value chain impacts	Disclosure of Scope 3 emissions (both financed and value chain) where material. This is particularly the case where Scope 3 emissions account for more than 40 per cent of total emissions. Update supplemental guidance to clarify disclosure of financed emissions by asset owners, managers and banks in accordance with PCAF's methodology and WACI or comparable methodology.	The TRWG prototype explicitly requires disclosure of Scope 1, 2 and 3 emissions measured in accordance with the Greenhouse Gas Protocol (paragraph 13[a]). Further information is required that provides an explanation of the activities that give rise to the Scope 3 emissions (paragraph 14).	One of the principles upon which the Standards are founded asserts that "the value chain should also be covered since major impacts of the activities carried out by a reporting entity may occur in the value chain or through products and services" (paragraph 13). Proposal 21 recognises "the urgent need to improve reporting on the most severe impacts and significant dependencies connected to a reporting entity's operations and value chains, regardless of its level of control or influence over them" (page 23). Scope 3 emissions forms one of five foundations of performance measurement in prototype (page 10).	Some commentators consider, that given complexity Scope 3 emissions that any initial rule making may only address Scopes 1 and 2 emissions (eg see Latham & Watkins (2021)[124]). Chair Gensler has asked staff to investigate how companies might disclose Scope 3 emissions given investor interest.[125] The FSOC recommends (3.4) that members consider requirement for climate-related disclosure to include financed emissions.[126]
Financial impact	Profit and Loss (pnl) and Balance Sheet (bal sht) impacts of material climate-related risks and opportunities. Not prescriptive per se but relationship with cross-sector metrics drawn.	The TRWG prototype (paragraph 9) requires that an entity provide details of how climate-related issues impact the "financial position, financial performance and cash flows at the reporting period end, and the anticipated effects over the short, medium and long term".	Detailed financial effects of both past and projected transition and physical impacts/risks required as part of prototype (e.g., see page 53).	A sample letter issued by US SEC in 2021 explicitly requests information concerning "consequences" and "material effects" of transition and physical effects including: the financial implications of climate-related issues, including past and expected capital expenditure for climate-related projects (point 5) and compliance costs (point 8).[127]

Disclosure element	TCFD[119]	IFRS (and Alliance)[120]	European Union EFRAG[121]	US SEC[122]
Conceptual disclosure elements Insights: • A trend towards the standardisation of metrics and disclosure to enable comparability • Guidance issued with standards to support development and interpretation of that standard • While the current focus is on enterprise value there is potential that this could be extended.				
Standardisation	A set of seven discrete, cross-industry, climate-related metrics that: • All organisations should disclose • Are not meant to supplant or replace other information • Form a set of minimum metrics that provides a base of comparability • Are potentially excluded from a materiality test and mandated with comply or explain. Application of common taxonomies wherever practicable. Consideration of a common set of scenarios but note that may impede assessment and increase concentration risk.	The TRWG prototype stipulates a set of seven cross sector metrics (paragraph 13) in addition to industry-specific metrics. Specific industry metrics are summarised in Appendix B of the prototype and listed in detail for a multitude of industries in 11 sectors in the prototype's accompanying disclosure supplement.[128] An example of an industry is "coal operations" within the "extractive & minerals processing" sector. IOSCO recommend that the Alliance prototype be enhanced to "provide granular guidance on quantitative metrics, including use of globally accepted and consistent labels, definitions and measurement methodologies" (page 49).[129] No direct inclusion of taxonomies although the Alliance's Statement of Intent notes the importance of taxonomies for sharing and enabling comparability of data and information (page 3).[130]	Architecture premised on prescription of three levels of metrics (paragraphs 19-20): Sector agnostic: cross-sector metrics relevant to all industries Sector specific: metrics relevant to given sector Entity-specific: enables additional entity-specific information that best depicts its unique situation. Sector agnostic and sector specific disclosures applied on a comply or justify basis (para 15). Importance of taxonomies and other classifications to ensure standardisation and comparability, Explicitly: • EU Taxonomy to differentiate activity and capital spend (page25) • Sector classification (e.g., NACE) with threshold criteria where sector mixed (page 27) • EU taxonomy for sustainable activity forms one of five foundations of performance measurement in prototype (page 10).	SEC Chair, Gary Gensler noted in a speech in July 2021[131] prescribed metrics are under thoughtful consideration: E.g., "believes that "prescribed disclosure strengthens comparability" and has asked SEC staff to consider "a variety of qualitative and quantitative information". Notes that SEC investigating whether specific metrics required for specific industries (e.g., banks, transportation). The SEC's Asset Management Advisory Committee have recommended that "the SEC should suggest best practices to enhance ESG investment product disclosure, including alignment with the taxonomy developed by the Investment Company Institute ("ICI") ESG Working Group".[132]

Disclosure element	TCFD[119]	IFRS (and Alliance)[120]	European Union EFRAG[121]	US SEC[122]
Clarity	The TCFD guidance framework is premised on four components (page 56): • Recommendations • Recommended disclosures • Guidance for all sectors • Supplemental guidance for certain sectors. In this regard the TCFD have released a raft of guidance and emerging practice to help disclosers prepare and users interpret TCFD recommendations. These include: • Implementation guidance • Scenario development and analysis guidance • Best practice examples (via periodic status reports).	The General Requirements document released with the TRWG prototype provides conceptual guidance and requirements around issues such as materiality for climate-related and sustainability disclosure preparation.[133] The TRWG has been tasked with consideration of the development of a sustainability focused conceptual framework. The trustees of the IFRS Foundation note that this "will be critical for the new board to conceptually underpin its standard-setting".[134]	Sustainability topic standards (such as climate change) are supported by a set of conceptual and cross-cutting standards that provide guidance on interpreting and applying topic standards. Examples of conceptual standards are double materiality and quality of information. Examples of cross-cutting standards include reporting areas, reporting structure and entity-specific materiality assessment (paragraphs 31, 32).	No evidence identified.
Impact boundary	It is clear from the definition of primary users as investors, lenders and insurance underwriters in addition to other organisations such as rating agencies that impact boundary does not extend beyond the enterprise (see definition on page 96). Not clear however whether the TCFD's recommended boundary extends beyond an entity's value chain to other sustainability/ climate-related matters that impact enterprise value.	A focus in the first instance on enterprise value creation in that "trustees suggest that the new board should focus on an investor target audience and be tasked with setting standards on sustainability matters that 'create or erode enterprise value'.[135] IOSCO recommends that any standard focus on enterprise however notes that "the gap between the information disclosed using enterprise value-oriented standards and those that adopt a 'double materiality' perspective may therefore not necessarily be that large" (page 30).[136]	Applies concept of double materiality where disclosure requirements extend climate change (and broader sustainability) impacts on enterprise value creation to incorporation of entity impact on climate change (and broader sustainability) (paragraph 14).	The FSOC "believes that its members should consider the extent to which disclosures can help inform the decision-making of investors and other market participants".[137] Strong focus in Gensler speech on required information to be decision-usefulness for investors.[138]

Disclosure element	TCFD[119]	IFRS (and Alliance)[120]	European Union EFRAG[121]	US SEC[122]
Foundational disclosure elements **Insights:** • Standard setters are working together and from a consistent base in the interest of global convergence and consistency.				
TCFD foundation	Not applicable.	The IFRS Foundation notes that the TCFD structure and recommendations are adopted as foundation of standard (page 3).[139] The General Requirements document applies all four TCFD pillars across all sustainability topics.[140]	One of four guiding principles applied to development of the initial set of standards (paragraph 30).	The FSOC recommends (recommendation 3.2) that any disclosure rule builds on the four key pillars of the TCFD.[141]
Consistency	"The Task Force is also engaging with a number of ongoing initiatives focused on climate-related metrics, including efforts of the European Commission, the Group of Five, IOSCO, and the IFRS Foundation, in order to develop guidance that would be supportive of, and aligned with, these efforts" (page 6).	The ISSB standards will form a baseline "developed to facilitate compatibility with requirements that are jurisdiction specific or aimed at a wider group of stakeholders".[142] IFRS Trustees explicitly acknowledge the importance of convergence efforts and recognise that the EU and US are key to wide-spread adoption.[143]	Co-constructive approach with relevant other international initiatives, based on a two-way exchange of experience, expertise, tools, and content, feeding one another with the goal of fostering coherence and consistency between EU and global sustainability reporting (paragraph 37).	The FSOC recommends that members coordinate with regulatory counterparts, bilaterally and through international bodies, and supports the work of the IFRS.[144] This includes working with international bodies to identify and fill data gaps, address data issues, and develop definitions, data standards, metrics, and tools.

Disclosure element	TCFD[119]	IFRS (and Alliance)[120]	European Union EFRAG[121]	US SEC[122]
Administrative disclosure elements Insights: • Greater mandating of disclosure elements and a decreasing reliance on materiality thresholds • A closer link with financial reporting and associated assurance requirements • Financial statements are being linked with climate-related disclosure to further emphasise the implications of climate-related issues on the financial position and performance of an organisation • Structured data and digital taxonomies are seen as priorities in enabling ease of access to and comparative analysis of company results.				
Mandated adoption	Particularly carbon-exposed entities with greater than $US1 billion in annual revenues are encouraged to disclose climate-related information even when judged immaterial (page 11). Scope 1 and 2 emissions adopted as mandatory disclosure regardless of materiality.[145]	Information is to be disclosed only where material. The General Requirements document states that: "an entity need not provide a specific disclosure required by an IFRS Sustainability Disclosure Standard if the information resulting from that disclosure is not material. Even if the IFRS Sustainability Disclosure Standards set out a list of specific requirements or minimum requirements, if the information that results from applying the requirements is not material, the entity need not disclose it".[146]	Disclosure is mandated in accordance with a "comply or justify" principle whereby the "principle enables a reporting entity to determine and duly justify when a mandatory disclosure is not relevant and not applicable in its specific circumstances. It should not be perceived as a way to avoid mandatory disclosures" (paragraph 15).	Common acknowledgement that mandatory disclosure required.[147][148] In a speech Commissioner Herren Lee has asserted that the relevant provisions of the Securities and Exchange Acts give the SEC "full rulemaking authority to require disclosures in the public interest and for the protection of investors," without reference to materiality.[149] Kirkland & Ellis note that departure from a materiality test may require congressional approval and a cost-benefit analysis the results of which are likely to be intensely scrutinised following issuance of any proposed rule.[150]
Financial and climate report linkage	Not explicit, although, as noted below recommendation to integrate material climate-related information into mainstream financial filings.	IFRS Foundation (2021, page 32) notes that the IFRS Trustees "would welcome efforts by the new board to conceptually explore how its standard-setting could be linked to the work of the IASB".[151]	Proposal 27 asserts that "appropriate guidelines methodologies and processes enabling connectivity (direct and indirect) and reconciliations between financial reporting, under IFRS or local GAAP, and sustainability reporting" (paragraph 24).	SEC investigating whether disclosures should be filed with Form 10-K (i.e., annual report).[152]

Disclosure element	TCFD[119]	IFRS (and Alliance)[120]	European Union EFRAG[121]	US SEC[122]
Report location	Encourages submission of climate-related information with mainstream financial filings.	The General Requirements document stipulates that material climate-related information should form part of an entity's general purpose financial reporting.[153] Several options are considered including within the entity's management commentary or cross-referenced from another report.	Separate section in management report to avoid information fragmentation (paragraphs 412, 414, 415). Cross-referenced to financial report via anchors (paragraph 170). Proposal 40 raises consideration of translation of classification and segmentation of disclosures into a digital taxonomy (paragraph 26).	Per above looking at filing with 10-K form.[154]
Accessibility and readability	No evidence identified.	The IFRS Foundation asserts importance of that a digital taxonomy form part of standard setter's mandate. They note that this should be comparable to the "IASB's work on the IFRS Taxonomy".[155] In their statement of intent to work together, the importance of data structured around agreed taxonomies to enable "greater connectivity between producers and users. It allows for information to be easily searched, filtered and aggregated, and integrated into end-user technologies" (page 16).[156]	Significant attention to benefits and rationale for digitisation of reports including (for example) recommendation that the standard setter consider digitisation to "provide for easy access to sustainability information under a digital format through machine reading and the use of artificial intelligence, without undue risks of misinterpretation" (paragraph 241).	The FSOC recommends that members (including SEC) evaluate standardising data format such as structured data or complimentary protocols.[157]
Assurance	No requirement per se although characteristics of effective climate-related metrics support reliable, objective and verifiable metrics that support internal controls for the purposes of data verification and assurance (page 12).	The IFRS Foundation believes that standard setters should work with the audit profession and IASB to achieve standards that are subject to third party assurance (page 30).[158] The IOSCO Board has identified that a priority for standard setters should be to facilitate independent assurance of sustainability standards.[159]	Specific attention should be given to level of assurance (reasonable or limited) to be applied to support reliability/verifiability (paragraph 243). A particularly promising view would be consistent assurance applied to sustainability information as that applied to the management report (paragraph 417).	No indication although inclusion in 10-K filings may infer assurance required.[160]

APPENDIX F

Comparison across selected jurisdictions and the development of the 'global baseline' IFRS Prototype Standard

	NZ	IFRS	European Union	United Kingdom	United States
Standard chosen	• NZ CS 1 – main disclosure standard (based on TCFD). • NZ CS 2 - adoption standard. • NZ CRDC - authoritative notice with key concepts (e.g., materiality).	• IFRS Climate-related Disclosure Prototype (IFRS Prototype Standard). • IFRS Sustainability-related Disclosure Prototype (to be consulted on after the climate-related prototype).	• Corporate Sustainability Reporting Directive (CSRD).	• Sustainability Disclosure Requirements (SDR).[161]	• Unclear – currently under consideration.
International linkage	• IFRS – International Reporting Standards.	• IFRS – International Reporting Standards.	• IFRS – International Reporting Standards.	• IFRS – International Reporting Standards.	• US GAAP – Generally accepted accounting principles.

	NZ	IFRS	European Union	United Kingdom	United States
Key actions	• Climate-related disclosures legislation gives the XRB mandate to develop disclosure framework based on TCFD. • Capturing large-listed companies, large-registered banks, licensed insurers, credit unions, building societies and managers of investment schemes, and some Crown financial institutions. • Consultation on framework underway.	• Establishment of the International Sustainability Standards Board (ISSB). • Circulation of two prototypes for consultation: a climate-related prototype and broader sustainability-related prototype. • Amalgamation of core international standard-setters under the IFRS Foundation (bar Global Reporting Initiative [GRI]). • Establishment of due process for consultation on prototypes globally in 2022.	• Observing the former Non-Financial Reporting Directive (NFRD) as insufficient, EU has introduced CSRD to be developed by EFRAG. • TCFD will be used as a benchmark, but the EU intends to build its own reporting standards (integrating NFRD, the GRI framework and TCFD). • The proposed CSRD will need to pass the scrutiny of the European Parliament and Council. • The proposed CSRD will be based on double materiality and require reporting information to be consistent with EU regulations, including the EU taxonomy, and a focus on easy, accessible application via digital technologies.	• Published the Green Finance Strategy in 2019. • Chancellor announced new Sustainability Disclosure Requirements (SDR) in July 2021, which will create an integrated framework. • Green Finance Strategy Roadmap 2021 sets out the three phases for action and three core focuses: SDRs, UK Green Taxonomy and Investor stewardship expectations. • FCA Discussion paper 21/04 indicating expectations the ISSB-issued Standards will form a core component of SDR regime. Also intends to create a mechanism to adopt and endorse ISSB-issued standard for use in the UK.	• Executive Order by President Biden directing development of mandatory disclosure. • Announcement by US SEC Chairman Gary Gensler that the SEC is moving towards making certain items of climate disclosure mandatory.

	NZ	IFRS	European Union	United Kingdom	United States
Timing & rationale	• Government introduces legislation to make climate-related financial reporting mandatory in May 2021, which passes in October 2021. • The XRB provided with remit to develop climate-related reporting standards. Releases Governance and Risk Management section of NZ CS 1 for consultation in October 2021. • XRB expected to release Strategy, and Targets and Metrics section of NZ CS 1 in March 2022. • XRB expected to issue the first climate standard by December 2022. • Application of NZ CS 1 and accompanying documentation to commence in accounting periods starting 1 January 2023.	• Statement of Intent to Work Together by CDP, CDSB, GRI, IIRC and SASB released in September 2020.[1621] • First prototype climate-related financial disclosure standard in December 2020.[2] • Formal commitment by CDSB, SASB and IIRC (already merged into VRF) into the IFRS Foundation, formation of ISSB and publication of prototype climate and general disclosure requirements at COP 26 in November 2021. • IFRS Prototypes will be consulted on globally in 2022. The framework for consultation (for both prototypes) has not been released yet.	• Adoption of NFRD in 2014 • Updated NFRD to integrate TCFD Recommendations and issued ECB guidelines.[3] • Proposed CSRD in April 2021 to create rules to bring sustainability reporting on par with financial reporting. • EFRAG drafting reporting standards (integrating TCFD recommendations and key existing international initiatives). • Roadmap developed expecting draft standards by mid-2022. • The EC is aiming to adopt a first set of sustainability reporting standards by 31 October 2022. • The 27 EU member states will be expected to transpose the new CSRD directive into national law by 31 December 2022, with companies that fall within the Scope of the directive will need to comply beginning on or after 1 January 2023. • SMEs will start reporting under the CSRD from 1 January 2026.	• Published the Green Finance Strategy in 2019. • Financial Conduct Authority (FCA) finalised TCFD-aligned rules for UK premium companies in December 2020. • Chancellor announced new Sustainability Disclosure Requirements (SDR) in July 2021, which will create an integrated framework (alongside development of UK Taxonomy & investor stewardship expectations. • Published updated Green Finance Strategy Roadmap 2021,[4] setting out the three phases for action. • The Green Finance Strategy 2022 will provide a long-term view of the existing "Roadmap" and set out an indicative sectoral transition pathway out to 2050. • UK intends to make TCFD-aligned disclosures fully mandatory across the UK economy by 2025.	• President Biden announced Executive Order on climate-related financial risk which directs the US Treasury to work with the US Financial Stability Oversight Council (FSOC) on climate-related reporting requirements in May 2021. • Consultation by US SEC opened in May 2021, seeking feedback on the SEC disclosure rules and how they can evolve (including reference to TCFD). • A mandatory climate risk disclosure rule proposal for consideration by the SEC is expected by the end of 2021.

ENDNOTES

1 Statement-of-Intent-to-Work-Together-Towards-Comprehensive-Corporate-Reporting.pdf (netdna-ssl.com)

2 For more detail on what primary users want, refer to the summary of the findings set out in Table 2 of Appendix A to this report.

3 E18 - Fundamental principles.pdf (tcfdhub.org)

4 ADOPTION OF THE PARIS AGREEMENT - Paris Agreement text English (unfccc.int)

5 IFIs - Harmonization of Standards for GHG accounting | UNFCCC

6 Need for Harmonisation as a Reason for International Differences in Financial Reporting (research-methodology.net)

7 Accounting for Climate Change (hbr.org)

8 From the Chairman's Desk (fasb.org)

9 Statement-of-Intent-to-Work-Together-Towards-Comprehensive-Corporate-Reporting.pdf (netdna-ssl.com)

10 For example, the NZ Financial Reporting Act 2013 refers to financial accounting standards as 'financial reporting standards', and climate accounting standards as 'climate standards'. Financial Reporting Act 2013 No 101 (as of 28 October 2021), Public Act 12 Functions of Board – New Zealand Legislation

11 In June 2017, the TCFD released its recommendations on climate-related financial disclosures. It adopted a risk-based perspective in contrast to most sustainability-related disclosure requirements that existed until that date and expanded the scope of most reporting approaches that focused on metrics and strategies to four linked categories (governance, strategy, risk management, metrics, and targets) with 11 supporting recommendations detailing the information requirements for each of the four categories. As of October 2021, over 2,600 entities, including 1,069 financial institutions have pledged support for the TCFD recommendations (TCFD, 2021a). Initially established as a set of principle-based recommendations to be applied on a voluntary basis, a failure of entities to disclose in accordance with the recommendations, lack of completeness, comparability and understandability has induced a shift towards jurisdictional mandatory climate disclosure requirements, based on the TCFD recommendations. The 2017 TCFD recommendations were enhanced in 2021 to reflect these developments and to incorporate developments in measurement methodologies and investor expectations (see TCFD (2021c) and TCFD (2021b)).

12 Appendix C and Appendix D provide more detail on the reporting frameworks in various selected jurisdictions, and over key international accounting standard setters. A comparative analysis with NZ's approach is made in Section 4 of this report.

13 The eXtensible Business Reporting Language (XLRB) formatting and associated targeted XLRB Taxonomies have been key in the past to ensure accessibility of financial information.

14 Need for Harmonisation as a Reason for International Differences in Financial Reporting (research-methodology.net)

15 What Are the Benefits of International Accounting Standards? (chron.com)

16 This assumes that this policy objective, to reduce emissions, is linked to the aims of the standards.

17 From the Chairman's Desk (fasb.org)

18 IFRS - Technical Readiness Working Group

19 Climate-related Disclosures » XRB

20 The Effects of Mandatory ESG Disclosure Around the World by Philipp Krueger, Zacharias Sautner, Dragon Yongjun Tang, Rui Zhong :: SSRN

21 These are: Brazil, Canada, China, France, Hong Kong, India, Japan, Singapore, Switzerland, United Kingdom, and the United States.

22 G7 nations agree on mandatory climate-related disclosure - Green Central Banking

23 See State and Trends of ESB disclosure policy measures across IPSF jurisdictions, Brazil and the US by the International Platform on Sustainable Finance, released November 2021 at page 19.

24 https://www.sasb.org/blog/sasb-standards-xbrl-taxonomy-now-available-for-public-use/

25 Financial Reporting Act 2013 No 101 (as at 28 October 2021), Public Act 12 Functions of Board – New Zealand Legislation

26 Climate-related Disclosures » XRB

27 https://www.xrb.govt.nz/dmsdocument/4182

28 Financial Reporting Act 2013 No 101 (as at 28 October 2021), Public Act 12 Functions of Board – New Zealand Legislation

29 https://www.xrb.govt.nz/dmsdocument/2275

30 https://www.xrb.govt.nz/dmsdocument/2087

31 https://www.xrb.govt.nz/reporting-requirements/financial-reporting-strategy/#:~:text=Our%20reporting%20strategy%20sets%20down,an%20Auditing%20%26%20Assurance%20Standards%20Framework

32 https://www.xrb.govt.nz/reporting-requirements/financial-reporting-strategy/#:~:text=Our%20reporting%20strategy%20sets%20down,an%20Auditing%20%26%20Assurance%20Standards%20Framework

33 PDF File - Converting to international accounting standards - Chartered Accountants Journal of New Zealand - July 2005 - The Treasury

34 Microsoft Word - SOBP February 2006 final.doc (iasplus.com)

35 As noted in XRB FAQs at page 1 here.

36 Microsoft Word - SOBP February 2006 final.doc (iasplus.com)

37 Microsoft Word - SOBP February 2006 final.doc (iasplus.com)

38 https://www.xrb.govt.nz/dmsdocument/3730

39 https://www.xrb.govt.nz/dmsdocument/4182

40 https://www.xrb.govt.nz/dmsdocument/4182; CrD Consultation Doc 20 Oct.pdf. The IFRS Prototype includes industry-specific guidance for metrics, which XRB will be considering in advance of releasing the second half of the Draft NZ CS 1 Standard in March 2022.

41 https://www.xrb.govt.nz/dmsdocument/4182

42 Cf, s 22, Financial Reporting Act 201, consultation on standards.

43 See XRB Consultation document at 10.3 on assurance.

44 IFRS Climate-related Prototype Standard.

45 Statement-of-Intent-to-Work-Together-Towards-Comprehensive-Corporate-Reporting.pdf (netdna-ssl.com)

46 Investor capability - How we regulate | FMA

47 131030-clear-concise-and-effective-disclosure.pdf (fma.govt.nz)

48 Article_16_Decision_Usefulness_and_Financial_Reporting.pdf (hrmars.com)

49 FR04/2021 Report on Sustainability-related Issuer Disclosures (iosco.org)

50 2021-Metrics_Targets_Guidance-1.pdf (bbhub.io)

51 On the basis that it prevents cherry picking of information by preparers, and informs better pricing and capital allocation decisions across jurisdictions and supports time series analysis and digitisation and storage of sustainability-related information (per the IOSCO report at page 17).

52 The IFRS Standard states that 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity', updated in October 2018 and found Project Summary and Feedback Statement: Definition of Material (Amendments to IAS 1 and IAS 8) (ifrs.org). The AASB 101/IAS also notes an assessment is made on basis of size (quantitative) and nature (qualitative factors), or a combination of both (see AASB_AUASB_Joint_Bulletin_Finished.pdf).

53 Other reporting considerations could also include potential provisions and contingent liabilities arising from fines and penalties, and changes in expected credit losses for loans and other financial assets. These are set out in the AASB Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB/IASB Practice Statement 2 (April 2010), along with examples of application under relevant accounting standards, AASB_AUASB_Joint_Bulletin_Finished.pdf.

54 Similarly, the XRB consider that the information required to be disclosed under its prototype would, but its very nature, be material. https://www.xrb.govt.nz/extended-external-reporting/climate-related-disclosures/consultation-and-engagement/governance-and-risk-management-consultation-document/

55 Disclosures at the financial product level are an additional field of activities. However, these are not discussed in detail in the present report, since the New Zealand approach targets institutions, and not financial products.

56 See Prototype at page 10. It is worth noting that at this stage, there is no mention of materiality in the IFRS climate prototype.

57 As set out by EFRAG in Proposals for a Relevant and Dynamic EU Sustainability Reporting Standard-Setting, February 2021 at page 8.

58 SASB Article, Double and Dynamic: Understanding the Changing Perspectives on Materiality, 1 September 2020.

59 IFRS - Who we are

60 See https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/#analysis-of-the-166-profiles

61 IFRS - Who uses IFRS Standards?

62 The Value Reporting Foundation is merger of the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) https://www.integratedreporting.org/

63 Greenhouse Gas Protocol, About Us section found here.

64 About Us | Greenhouse Gas Protocol (ghgprotocol.org)

65 Corporate Standard | Greenhouse Gas Protocol (ghgprotocol.org)

66 GHG website. 92% of Fortune 500 companies responding to CDP use GHG Protocol directly or indirectly through a program based on GHG Protocol.

67 Set out at page 38

68 Noted here The Global GHG Accounting and Reporting Standard for the Financial Industry | PCAF (carbonaccountingfinancials.com) and includes listed equity and corporate bonds, business loans and unlisted equity, project finance, commercial real estate, mortgages, and motor vehicle loans.

69 Ibid, noted on page 22 of standard.

70 Source noted – but referenced form (and in context to) Global GHG Accounting and Reporting Standard p 19 – 20, link https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf.

71 Established and delegated power by Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010 of the European Parliament. Power is delegated to the Commission to supplement this Regulation (2019/2088) by adopting the

regulatory technical standards referred to in paragraph 1 of this Article in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010

72 EU sustainability reporting standards (collaboration between EFRAG & IFRS Foundation)

73 Financial market participant defined in Article 2(1) as insurance provider, investment firm with portfolio management, pension funds (or manufacturer of pension products), alternative investment fund manager, venture capital fun, social entrepreneurship fund or credit institution (see article for more detail).

74 Article 4(3) of the RTS.

75 Principal Adverse Sustainability Impacts Statement

76 Including Scope 1 and 2 GHG emission, and Scope 3 GHG emissions from 2023, carbon footprint, GHG intensity of investee companies, exposure to companies active in the fossil fuel industry, share of non-renewable energy consumption and production, energy consumption intensity per high impact climate sector

77 Including violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises; unadjusted gender pay gap; board gender diversity; exposure to controversial weapons.

78 Including emissions of inorganic pollutants, air pollutants, ozone depletion substances and investments in companies without carbon emission reduction initiatives.

79 Including breakdown of energy consumption by type of non-renewable source of energy, water usage and recycling, investments in companies without water management policies, exposure to areas of high water stress, investments in companies producing chemicals, land degradation, desertification and soil sealing, investments in companies without sustainable land/agriculture practices or sustainable ocean/seas practices, non-recycled waste ratio, natural species and protected areas and deforestation.

80 Specifically, Articles 2a, 4(6) and (7), 8(3), 9(5), 10(2) and 11(4)

81 Criteria for institutions that are included are set out in Resolution CMN n 4,553 on January 30, 2017 and are size-oriented (i.e. institutions that are between 1 per cent and 0.1 per cent of GDP are Segment 3, below 0.1 per cent of GDP is Segment 4 etc.

82 See Chapter III, Article 8 and 9 regarding extent of disclosure required by segment.

83 On a voluntary basis for FY2021-22 and mandatory basis FY2022-23.

84 Helpful explanation of India's shift from BRR to BRSR from SEBI Chairman SEBI | Chairman's speech dated November 10, 2021 at FICCI's event on "Driving Climate Action through Disclosures: BRSR as Bedrock for ESG Action in India"

85 BRSR reporting regulations replacing existing BRR ESG parameters, via amendment to regulation 34(2)(f) of LODR Regulations vide Gazette notification no. SEBI/LAD-NRO/GN/2021/22 dated May 05, 2021. See SEBI notice on May 10 2021 SEBI | Business responsibility and sustainability reporting by listed entities.

86 Who we are » XRB

87 As defined by the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021, specifically s461O and ss461P.

88 Per SGX press release: https://www.sgx.com/media-centre/20210826-sgx-regco-charts-way-forward-mandatory-climate-reporting-wants-board

89 Guidelines apply to fund management companies registered in Singapore, as well as the holders of a capital markets licence for fund management and real estate investment trust management in Singapore. Asset managers that do not have discretionary authority over the investments of the funds/mandates they are managing are not covered. CMS licence holders for fund management (LFMC) and REIT management, and registered fund management companies (RFMC) are in Scope.

90 Depending on actors (banks, insurers, or asset managers). Helpful summary referred to here: https://www.ogier.com/media/publications/ogier-global-SI-singapore-mas-guidelines.pdf

91 Expands on climate-related risk to environmental risk to include loss of biodiversity, pollution, and changes in land use, and includes reputational risk (alongside physical & transitional risk).

92 Set out in Appendix 27 Environmental, Social and Governance Reporting Guide | Rulebook (hkex.com.hk)

93 HKEX Rules Article 27, Part B, s 12 – 15.

94 See HKEX4476_3841_VER20.pdf Part C.

95 Specified in regulation https://www.ifc.org/wps/wcm/connect/bab66a7c-9dc2-412f-81f6-f83f94d79660/Indonesia+OJK+Sustainable+Finance+Regulation_English.pdf?MOD=AJPERES&CVID=lVXU.Oy with Section IV, Article 10(6) specifying provider, level and date of disclosure.

96 Helpful summary article from IFLR Indonesia can consider strengthening ESG policies amid calls for a standardised global framework | International Financial Law Review (iflr.com)

97 See direct comparisons of provisions between TCFD recommendations and Article 173 in https://www.unpri.org/download?ac=4308.

98 Per PRI-FrenchEnergyTransitionLaw.pdf (unepfi.org) notes under implementation decree on page 7.

99 Further public policy announcements regarding this law noted Loi de transition énergétique pour la croissance verte | Ministère de la Transition écologique (ecologie.gouv.fr).

100 Numerous sources cite the China Securities Regulatory Commission publishing updated versions of informational disclosure rules in the Securities Law and the Administrative Measures for the Information Disclosure by Listed Companies. 2021 Rules – standalone Section 5 (articles 41 – 43). Referenced Herbert Smith Freehills link 2021/07/30 - China ESG e-bulletin | China refines ESG disclosure rules for listed companies (vuturevx.com).

101 This replaces the existing reporting requirements of the Non-Financial Reporting Directive (NFRD) established by Directive 2014/95/EU, which established rules of disclosure of non-financial and diversity information by certain large companies (public interest companies with more than 500 employees). Corporate sustainability reporting | European Commission (europa.eu)

102 Large companies that exceed at least two of the following three size criteria at the balance sheet date: balance sheet total over 20 million euros, net revenue over €20 million and over 250 employees on average over a financial year. Helpful summary of changes found in https://www.iasplus.com/en/news/2021/04/csrd.

103 Although the proposed CSRD mandatory audit and mandatory digital reporting in ESEF format (with corresponding labelling of sustainability information using a taxonomy) is yet to be developed.

104 EFRAG 'Climate standard prototype' Working paper for reference https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2FEFRAG%2520PTF-ESRS%2520Climate%2520standard%2520prototype%2520working%2520paper.pdf .

105 https://www.efrag.org/Activities/2105191406363055/Sustainability-reporting-standards-interim-draft#

106 See European Commission announcement on the Proposal for a Corporate Sustainability Reporting Directive (CSRD) Corporate sustainability reporting | European Commission (europa.eu).

107 Application of Regulation (EU) 2019/2088 on the sustainability-related disclosures in the financial services sector, Letter from the European Commission to the ESAs, 20 October 2020 (See https://www.esma.europa.eu/sites/default/files/library/eba_bs_2020_633_letter_to_the_esas_on_sfdr.pdf).

108 https://www.whitehouse.gov/briefing-room/presidential-actions/2021/05/20/executive-order-on-climate-related-financial-risk/

109 See SEC public statement and questions here.

110 See https://www.sec.gov/comments/climate-disclosure/cll12.htm

111 See https://www.sec.gov/news/speech/gensler-pri-2021-07-28

112 Helpful summary document by Kirklands with further detail The SEC's Recent and Planned Activity on Climate Change Disclosures: What Companies Can Do To Prepare | Publications | Kirkland & Ellis LLP.

113 Found Greening Finance: A Roadmap to Sustainable Investing (publishing.service.gov.uk). Further helpful discussion on the SDR Discussion Paper by Linklaters can also be found FCA publishes Discussion Paper on UK SDR and investment labels - similar aims but very different approach to EU SFDR, Raza Naeem, Benjamin Maconick, Victoria Hickman (linklaters.com).

114 Including premium and standard listed issuers, asset managers/owners, occupational pension schemes and investment products and TCFD reporting extended to certain UK-registered financial services firms in the UK.

115 Criteria for institutions that are included are set out in Resolution CMN n 4,553 on January 30, 2017 and are size-oriented (i.e., institutions that are between 1 per cent and 0.1 per cent of GDP are Segment 3, below 0.1 per cent of GDP is Segment 4 etc.

116 Chapter II, Article 3, I-III.

117 Business responsibility and sustainability reporting by listed entitiesAnnexure1_p.PDF (sebi.gov.in)

118 Developed by the Technical Readiness Working Group for consideration by the International Sustainability Standards Board (ISSB) as a climate-related disclosure standard, released November 2021 and found Prototype Climate-related Disclosures Requirements (Climate Prototype) (ifrs.org).

119 2021-Metrics_Targets_Guidance-1.pdf (bbhub.io) unless otherwise noted

120 Prototype Climate-related Disclosures Requirements (Climate Prototype) (ifrs.org) unless otherwise noted

121 Proposals for a relevant and dynamic eu sustainability reporting standard setting (europa.eu) unless otherwise noted

122 The Securities and Exchange Commission (SEC)

123 SEC.gov | Prepared Remarks Before the Principles for Responsible Investment "Climate and Global Financial Markets" Webinar

124 Climate Disclosures and the SEC (lw.com)

125 SEC.gov | Prepared Remarks Before the Principles for Responsible Investment "Climate and Global Financial Markets" Webinar

126 FSOC Report on Climate-Related Financial Risk (treasury.gov)

127 SEC.gov | Sample Letter to Companies Regarding Climate Change Disclosures[1]

128 Prototype Climate-related Disclosures Requirements (Climate Prototype) (ifrs.org)

129 FR04/2021 Report on Sustainability-related Issuer Disclosures (iosco.org)

130 Statement of Intent to Work Together Towards Comprehensive Corporate Reporting | Integrated Reporting

131 SEC.gov | Prepared Remarks Before the Principles for Responsible Investment "Climate and Global Financial Markets" Webinar

132 Recommendations for ESG Subcommittee (sec.gov)

133 Prototype General Requirements for Disclosure of Sustainability-related Financial Information (General Requirements Prototype) (ifrs.org)

134 Feedback Statement on the Consultation Paper on Sustainability Reporting (ifrs.org)

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136 FR04/2021 Report on Sustainability-related Issuer Disclosures (iosco.org)

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140 Prototype General Requirements for Disclosure of Sustainability-related Financial Information (General Requirements

Prototype) (ifrs.org)

141 FSOC Report on Climate-Related Financial Risk (treasury.gov)

142 Prototype General Requirements for Disclosure of Sustainability-related Financial Information (General Requirements Prototype) (ifrs.org)

143 Feedback Statement on the Consultation Paper on Sustainability Reporting (ifrs.org)

144 FSOC Report on Climate-Related Financial Risk (treasury.gov)

145 https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf

146 Prototype General Requirements for Disclosure of Sustainability-related Financial Information (General Requirements Prototype) (ifrs.org)

147 FSOC Report on Climate-Related Financial Risk (treasury.gov)

148 SEC.gov | Prepared Remarks Before the Principles for Responsible Investment “Climate and Global Financial Markets” Webinar

149 SEC.gov | Living in a Material World: Myths and Misconceptions about “Materiality”

150 The SEC’s Recent and Planned Activity on Climate Change Disclosures: What Companies Can Do To Prepare | Publications | Kirkland & Ellis LLP

151 Feedback Statement on the Consultation Paper on Sustainability Reporting (ifrs.org)

152 SEC.gov | Prepared Remarks Before the Principles for Responsible Investment “Climate and Global Financial Markets” Webinar

153 Prototype General Requirements for Disclosure of Sustainability-related Financial Information (General Requirements Prototype) (ifrs.org)

154 SEC.gov | Prepared Remarks Before the Principles for Responsible Investment “Climate and Global Financial Markets” Webinar

155 Prototype General Requirements for Disclosure of Sustainability-related Financial Information (General Requirements Prototype) (ifrs.org)

156 Statement of Intent to Work Together Towards Comprehensive Corporate Reporting | Integrated Reporting

157 FSOC Report on Climate-Related Financial Risk (treasury.gov)

158 Feedback Statement on the Consultation Paper on Sustainability Reporting (ifrs.org)

159 IOSCO sees an urgent need for globally consistent, comparable, and reliable sustainability disclosure standards and announces its priorities and vision for a Sustainability Standards Board under the IFRS Foundation

160 SEC.gov | Prepared Remarks Before the Principles for Responsible Investment “Climate and Global Financial Markets” Webinar

161 There are several tracks requiring reporting that is aligned with TCFD recommendations, detailed further in the United Kingdom’s Roadmap towards mandatory TCFD-aligned disclosure. For the most recent Green Finance Strategy see Greening Finance: A Roadmap to Sustainable Investing (publishing.service.gov.uk).