

Climate Change Risk Reporting

Climate Related Risk and ESG in Valuation

Introduction by

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CLIMATE CHANGE

A challenge for valuers

This article looks at the role of valuers in the fast-moving area of climate change and its effects.

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Climate Related Risk:

Part 1

An emerging opportunity for the valuation profession

- Climate-related risk reporting is a **hot - often controversial - topic**
- ... but also, an **emerging** area for valuers
- This part of session just an **introduction** to topics covering:
 - NZ climate risk legislation
 - physical risks of climate change and impact on agriculture, insurance and lending services
 - transition risks and energy efficiency
 - opportunities for valuers will also be discussed
- A mix of financial and scientific information will be presented to help valuers digest and implement this knowledge
- More information available post webinar

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International Emerging Trends

ESG in Valuation

Part 2

- **Environmental, Social, and Governance (ESG)** are criteria increasingly used to assess the **impact** of the environmental, social and ethical practices of companies
- Affects their operations, financial performance and attractiveness to investors.
- This **next session** will provide an **international perspective** and **overview** of ESG and how it relates to **valuation and the use of ESG** in valuation globally
- How **ESG can be quantified** within valuations of real estate assets

Why do valuers need to be concerned?

- almost every country on earth is now working to tackle climate change
- The world of real estate is adapting
- The property market is responding
- But – how might the property market look in the future?
 - recent Knight Frank report following the 2021 United Nations COP26 Climate Change Conference

Climate change – where we at?

- Swiftly emerging issues in the main supported by scientific evidence
- Increasingly commanding the attention of regulators, the media, environmentalists and the general public
- Equally - an evolving matter demanding earnest consideration by all New Zealand businesses
- Evidence: **New Zealand first country in the world which passed climate-related disclosures law**

NZ climate-related disclosures law

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021

- Requires mandatory reporting for some 200 or so large financial institutions covered by Financial Markets Conduct Act 2013, to start making climate-related disclosures (**CRD's**).
- **Climate Reporting Entities (CREs)** required to publish disclosures from financial years commencing in 2023, subject to the publication of climate standards from the External Reporting Board
- New regulations can create a domino effect with regard to all the other financial market participants (CRE or not).
- Some businesses, voluntarily engaging in the process regardless of any mandatory requirement that might apply just to “big business”.
- Therefore, the opportunity for the involvement of Valuers is already there

The Challenge for valuers

- The chaos and devastation of climate change (whatever the cause or reason) being experienced in many parts of the world, including New Zealand, is both saddening and very sobering.
- However, the positive news is that **the valuation profession is in an excellent position to help in the assessment of risk and impact,**
- Valuers can assist property stakeholders in the mitigation of its potential impact.
- Forward-thinking risk averse valuers may be appropriately challenged to think about ways they could become involved in **climate risk reporting**
 - a potentially new, exciting avenue (with new economic opportunities) for their business into the future

More information to come...

- NZIV compiling list of resources for valuers relating to climate change risk reporting
- information and resources will be progressively provided
- Constantly under review: guidance papers coming available through the Property Valuation and Standards Board

Finish

Introduction

