

26 September 2022

External Reporting Board  
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Dear Sir/Madam,

**Exposure drafts Aotearoa New Zealand Climate Standards – Final consultation.**

CPA Australia welcomes the opportunity to further respond to Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (NZ CS 1) (the “Consultation Paper”).

CPA Australia represents the diverse interests of more than 170,000 members, including over 2,700 members in New Zealand, working in over a 100 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.

We commend the XRB for its work on drafting the Aotearoa New Zealand Climate Standards. We also applaud the transparency shown by the XRB to include and revise its work based on the comments from various stakeholders expressed in the previous two consultation rounds.

We believe the standards will provide much needed clarity and robust and comparable reporting that we believe will enable assurance to be obtained on that reporting.

We note the XRB’s alignment of the Exposure Drafts to both the TCFD and the International Sustainability Standards Board (ISSB) exposure drafts. The latter is of particular importance to ensure cohesion between the requirements of the Climate Standard and what Australia may ultimately determine is its preferred way forward. We believe that this will be vital to safeguarding the spirit of the Trans-Tasman agreement.

CPA Australia also suggests maintaining the close working relationship between the XRB and professional bodies. This will allow for educational content to be aligned with the requirements of the Consultation Paper and to ensure that our members are provided with contemporary skills to address this critical piece of work.

As in previous submissions, our recommendations have been drafted with a view towards the practical issues that preparers, assurers, and users of NZ CS1 may face, and we trust that this will add value to the consultation process.

Please see attached answers to the questions included in the Consultation Paper.

If you require further information, or elaboration of the views expressed in this submission, please contact Patrick Viljoen, Senior Manager ESG, on [patrick.viljoen@cpaaustralia.com.au](mailto:patrick.viljoen@cpaaustralia.com.au)

Your sincerely

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Executive General Manager  
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- 1) **Do you think draft Aotearoa New Zealand Climate Standards will meet primary user needs?**
- a) **Do you think that the proposed disclosure requirements will provide information that is useful to primary users for decision making? If not, please explain why not and identify any alternative proposals.**
  - b) **Do you consider that draft Aotearoa New Zealand Climate Standards are clear and unambiguous in terms of the information to be disclosed? If not, how could clarity be improved?**
  - c) **Do you consider that draft Aotearoa New Zealand Climate Standards are comprehensive enough and achieve the right balance between prescriptiveness and principles-based disclosures? If not, what should be removed or added to achieve a better balance? *Please consider your answer to question 5 when responding to this question.***

We believe that the draft Aotearoa New Zealand Climate Standards will meet primary users' needs. We note the evolutionary trajectory that this project has taken and are delighted to see the commentary from respondents being included in the final iteration of the draft standard.

We have concerns about the intent of NZ CS3 and its broader applicability for sustainability-related considerations beyond climate. We expand on these considerations in our response to Question 5.

We believe that the standard balances prescriptiveness with the need for a principles-based approach.

- 2) **Do you have any views on the defined terms in draft Aotearoa New Zealand Climate Standards?**

We note that the wording for the first and second reporting periods contains the wording: "... by an explicit and **unreserved statement of compliance**...". We note that NZ CS2 subsequently then provides certain first time adoption relief. We therefore suggest a footnote be included for the wording highlighted: "Subject to first time adoption provisions provided in NZ CS1"

- 3) **Do you have any practical concerns about the feasibility of preparing the required disclosures in draft Aotearoa New Zealand Climate Standards? *In responding to this question, please consider the proposed first-time adoption provisions in NZ CS 2 and your answer to question 4. Please also clearly explain what would make the specific disclosure unfeasible to disclose against either in the immediate term or the longer term.***

Please refer to our responses to Question 6 in this regard.

- 4) **Do you agree with the proposed first-time adoption provisions in NZ CS 2? Why or why not?**
- a) **Are any additional first-time adoption provisions required? If so, please provide specific details regarding the adoption provision and the disclosure requirement to which it would apply, and the period of time it would apply for.**

We note the retention of wording that provides for no adoption provisions for the governance and risk management dimensions of the Standard. This aligns with our original submission to that part of the consultation process.

## **Strategy**

NZ CS2 currently notes that if an entity does elect to make use of the adoption provision in paragraph 8, the entity would also not be required to state why it has not been able to do so (paragraph 9). Primary users would presumably be aware of the adoption provisions which would justifiably make the statement required in paragraph 11(c) of [draft] NZ CS1 a moot point.

We are, however, concerned that this may provide a tempting opt-out for CREs without the need to evidence commitment to providing an impact assessment at the conclusion of the successive reporting year. We would prefer that an indication be provided of the steps envisaged to enable provision in the next year.

We agree with the adoption provision provided in paragraph 12–14. This agrees with the adoption provisions provided in paragraph 7–9. It logically flows that if an entity cannot quantify its current impacts, it would be very challenging to expect an extrapolated view of future impacts.

First-time adoption provision 4 (paragraphs 15–17) seeks to allow first time adopters to not disclose their transition plans in the first year of reporting. We agree with this exemption, in recognition of the differing levels of maturity that exist amongst preparers. It also recognises that not all reporters possess a similar level of previous thought, development or execution of transition plans.

We also note that paragraph 17 reflects wording similar to the UN, and its views of net zero commitments. The UN defines the second 'P' in its list of four meta-criteria as a 12-month period from the initial pledge to move towards net zero. This alignment of terminology and intent has potential synergies as the thinking that would underpin both would be similar.

## **Metrics and Targets.**

We note the provision for adoption relief around scope 3 GHG reporting for first time reporters. As we noted previously, this should not be read by entities that do avail themselves of such relief as a consideration that can be left for a later date. We would therefore echo the XRB's sentiments (BC 16), with respect to the ongoing conversations around the complexities of reporting scope 3 emissions and which points entities to the importance of early consideration to best navigate this complex reporting dimension (BC 14).

- 5) Do you think the draft staff guidance documents will support CREs when making their disclosures and support consistent application of the disclosure requirements? Why or why not?**
- a) Do you think the guidance is under, adequately or overly specific and granular?**
  - b) Do you consider that anything in the guidance should be elevated into the standard? Should anything be demoted from the standard into guidance?**

We do not advocate for the elevation of the guidance into the standard, as this would detract from the brevity of the standard, which is part of its appeal. We believe that guidance and standards should be kept separate, and that guidance should only seek to amplify and clarify, where needed, the underlying standard.

We note that the level of guidance provided is very thorough, and links to various international standards outside of the specifications of Aotearoa New Zealand Climate Standard. We note in this instance that the XRB would need to partner with professional bodies and the broader profession. This is in recognition of

the need for ongoing training and explanation that would be required. It is our belief that professional bodies would be best placed to work in a collaborative fashion with the XRB.

With the above in mind, we have reservations on the intended use of NZ CS3, which is currently worded in a manner that would span across considerations broader than just climate. We question the broader use of NZ C3 for sustainability-related considerations, and therefore whether it may need to potentially be decoupled from the current suite of standards. It could potentially serve as an overarching conceptual framework.

**6) Paragraphs 13 to 19 of draft NZ CS 3 are the proposed location of disclosures requirements. Paragraphs BC14 to BC20 of the basis for conclusions on draft NZ CS 3 explain the XRB Board's intent regarding these proposed requirements. Do you agree with the proposed location of disclosures requirements? Why or why not?**

We agree with paragraphs 13-19 providing reporters with flexibility in terms of the location of their climate related reporting. However, we note that some preparers already report on sustainability-related considerations apart from climate. This may take the form of a dedicated standalone sustainability report or is woven into an annual reporting suite and accompanying financial reports, through, for example, Integrated Reporting.

We are mindful of the increased reporting burden that could potentially arise if reporting entities are effectively be required to strip out a single sustainability-related component (in this instance climate) from existing reporting to comply with the rules of the Aotearoa New Zealand Climate Standard. We note, however, that for those entities that are starting their journey, the provisions of the Aotearoa Climate Standard would provide a robust, definitive and comprehensive starting point.