

27 September 2022

April Mackenzie
Chief Executive
External Reporting Board
PO Box 11250
Manners St Central
WELLINGTON 6142

Via email: climate@xrb.govt.nz

Dear April

Climate-related Disclosures Final Consultation

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to provide a submission on the above consultation. The accounting profession is ready and able to play a key role in ensuring transparency and appropriate disclosure of climate-related risks and opportunities, which will maintain and enhance financial stability.

CA ANZ continues to be an advocate for, and supporter of, appropriate climate-related financial disclosures and reporting for decision-making. Better disclosure will facilitate more informed decision making, while enabling market forces to drive efficient allocation of capital and support a smooth and just transition to a net zero greenhouse gas emissions economy.

We support the External Reporting Board (XRB) developing climate reporting standards for New Zealand, and its work to ensure that these standards align with international developments. We continue to support the principles-based and forward-looking approach that the XRB is taking in developing the standards. In particular, we support the close alignment to the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD), as well as the climate and sustainability-related disclosure standards that the International Sustainability Standards Board (ISSB) has recently consulted on.

Global capital markets will expect entities to provide disclosures in line with ISSB standards and therefore it will be critical that the standards being developed by the XRB meet this global baseline at a minimum. On this basis, we support and encourage the XRB's ongoing engagement with the ISSB.

Appendix A contains our detailed responses to the specific questions raised in the consultation document. Appendix B provides more information about CA ANZ. Should you have any questions about our submission or wish to discuss it with us, please contact Karen McWilliams via email at karen.mcwilliams@charteredaccountantsanz.com or phone +61 612 8078 5451.

Yours sincerely

Peter Vial FCA
New Zealand Country Head

Karen McWilliams FCA
Business Reform Leader
Advocacy & Professional Standing

Appendix A

- 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.**

Yes, we consider that the draft Standards will meet primary user needs. We continue to support the principles-based and forward-looking approach that the XRB is taking in developing the standards.

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

We do not have any particular views regarding the defined terms. We are pleased to see that the XRB has adopted the term ‘governance body’ rather than board.

- 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.**

We have practical concerns about the requirement to prepare and report on three scenarios. Additionally, we also have concerns with respect to certain scope 3 value chain emissions, other than those that are already relatively widely disclosed namely business travel, waste generated by operations, and some fuel and energy related activities. While we support these requirements in principle, we note that some sectors are not yet sufficiently mature to be able to make these disclosures appropriately and accurately. This lack of maturity may be due to a lack of credible data as well as internal capabilities, and this will have flow on effects for other sectors that may rely on disclosures by other entities.

We recommend that the obligation to prepare the third scenario should be reconsidered or deferred to allow for the internal capability building necessary to ensure that scenarios disclosed are credible and thorough. Whilst we understand initial disclosures will be high level and qualitative, we assume the intention is for deep dive scenarios that incorporate quantitative impacts in due course. With this in mind, we consider the mandatory requirement for three different scenarios to be unnecessarily burdensome. However, if the XRB do not foresee that scenario analysis disclosures would deepen and move from qualitative to quantitative, then this should be explicitly noted.

The deferral in the requirement to prepare and report on the third scenario could be balanced by removing the first-time adoption provisions for certain specific scope 3 value chain emissions disclosures (namely business travel, waste generated by operations, and some fuel and energy related activities as listed above). We consider that removing the first-time adoption provisions for these scope 3 value chain emissions could also support and potentially expedite the establishment of robust data collection processes, which are

needed to form the evidence base for disclosures that will subject to assurance in subsequent reporting periods.

- 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 appreciate that the XRB is seeking to set a mandatory minimum standard that will set the tone for the future but suggest that more consideration should be given to how long the first-time adoption provisions should be in effect for.

We consider that whilst certain scope 3 emissions disclosures should not be subject to first-time adoption provisions as noted in our response to question 3, we recommend that the remainder should be subject to a longer adoption period.

We have also received member feedback that one year may not be sufficient for climate reporting entities to collate the data necessary to subsequently disclose financial impact projections. This may also be made more challenging depending on the particular industry to which the climate reporting entity belongs to.

We recommend that the XRB considers extending the application of these first-time provisions from one year to two.

- 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?**

Yes, we consider the draft staff guidance documents will support climate reporting entities.

We suggest that the XRB considers including examples of reporting in practice (or alternatively a list of companies already making TCFD aligned disclosures in New Zealand). It would also be useful for the guidance to include a list of greenhouse gas (GHG) emissions measurement standards that could be used by climate reporting entities, as well as examples of disclosures of significant uncertainties (which may be present regarding the quantification of greenhouse gas (GHG) emissions, and as referred to in paragraph 25 of NZ CS 1 and paragraph 52 of NZ CS 3).

Moving forward, we also note that the XRB will need to determine the appropriate cadence for updating guidance as needed.

- 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?**

Yes, we broadly agree with the proposed location of disclosures.

Appendix B

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents 131,673 financial professionals, supporting them to make a difference to the businesses, organisations and communities in which they work and live. Chartered Accountants are known as Difference Makers. The depth and breadth of their expertise helps them to see the big picture and chart the best course of action.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with mentored practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard setters on behalf of members and the profession to advocate boldly in the public good. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations. We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 15 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.

We employ more than 500 talented people across Australia, New Zealand, Singapore, Malaysia, Hong Kong and the United Kingdom.