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October 30, 2024	<p><b>Submission to consultation on the Proposed 2024 Amendments to Climate and Assurance Standards</b></p> <p>To whom it may concern,</p> <p>I am Donovan Burton, Director of Informed.City, a climate change consultancy that provides strategic climate risk and governance advice to both Aotearoa New Zealand (NZ) and Australian organisations. I write this submission on behalf of my company and as a concerned NZ citizen.</p> <p>I will note that I initially filled in the XRB online survey, which was a brief response. However, due to the nature of my concerns and the risks that NZ are facing I have opted for this detailed formal submission to represent my, and my company's views on the proposed amendments.</p> <p><b>My background</b></p> <p>Over the past 19 years, I have consulted on hundreds of climate change projects, focusing on diverse areas including climate governance, climate-related risk and opportunity assessments, financial quantification of climate risks, targets, metrics, and integrated climate scenarios. I work with numerous NZ organisations in climate-related issues, including supporting entities to navigate the climate disclosure regime.</p> <p>I am an internationally recognised expert in my field. I serve on the UNFCCC Expert Group for the Global Goal on Adaptation (GGA), where I contribute to the development of indicators that cover transition risks, complex risks, and other critical adaptation metrics. Also, I am an expert technical advisor on the UN World Adaptation Science Program (WASP), where my work helps guide global understanding and strategies related to climate adaptation and resilience.</p> <p>My company, Informed.City, works with NZ and international entities, helping them to understand and respond to climate change. We have recently developed an innovative platform that analyses climate statements in line with disclosure principles, such as those outlined in NZ</p> <p><a href="tel:+61435041385">+(61) 435 041 385</a> <a href="mailto:donovan@informed.city">donovan@informed.city</a></p>
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CS 3. This platform is designed to support organisations in ensuring that climate-related disclosures are comprehensive, transparent, and aligned with best practices in reporting. It also supports an overarching view of key sectors and helps to identify and rank the level of sophistication of responses captured in the mandatory disclosure regime.

### **Time is of the essence**

Simply put, the world is facing an existential risk. The extent of that risk will be revealed over the coming years, depending on the collective actions of the international community. The pace at which emissions are reduced is crucial and directly correlates with the risk we face. The UNFCCC has recently warned that current global efforts are insufficient to meet the 1.5°C target, largely due to delays in decarbonisation. This means that the rate of reduction required will be steep; and “each year of delay also compounds climate impacts, some of which are irreversible” (United Nations Environment Programme, 2024, p. 32).

New Zealand is not immune to these risks, and its response will heavily depend on gathering comprehensive information to inform effective actions. New Zealand’s disclosure regime serves as a critical enabler of information sharing, which can support a well-coordinated response. Delays in sharing this information hinder action, extend exposure, and elevate transition risks. The information captured in disclosures, therefore, plays a supportive role in reducing uncertainties and facilitating a smoother transition to a low-carbon economy.

### **Concerns in regard to the proposed amendments**

I am writing to convey my concerns and provide insights about the Proposed 2024 Amendments to Climate and Assurance Standards. Instead of addressing each change individually, I believe it is important to unpack my key concerns about the overall nature of the XRB proposed amendments. My key concerns and insights are as follows:

#### **1 Contradiction to core objectives of the Standard**

The proposed amendments to the Standards undermine the fundamental aim of climate-related disclosures as outlined in NZ CS 1, 2, and 3, which is “to support the allocation of capital toward activities that are consistent with a transition to a low-emissions, climate-resilient future.”(XRB, 2022, p. 6). The amendments appear to contradict this objective by potentially allowing some organisations to delay necessary action. This will in turn delay key information that could be presented and considered by regulators and policy writers. At this critical juncture, where every year counts in meeting the 1.5°C or well-below 2°C targets set by the Paris Agreement, the risk is that this deferral may encourage complacency,

allowing entities to delay addressing climate risks and opportunities rather than acting urgently. The proposed changes will mean that financial organisations and investors will not be able to allocate capital that are consistent with a transition to a low-emissions, climate-resilient future, as they will not have access to the information provided in the discourse in a timely fashion.

## **2 Data availability as a barrier**

Data challenges should not be used as a justification for delaying disclosures. While data availability can be a legitimate concern, particularly given the systemic risks posed by climate change, in many cases it appears to be more of an excuse for entities not investing adequately in understanding and addressing climate risks. Organisations must learn to operate within the inherent uncertainties of climate-related data by developing dynamic strategies that acknowledge the complexity of the risks involved. Providing relief could discourage the investment needed to enhance climate risk analysis and management capabilities. The existing Standards allow for recognition of data/information gaps, via the general principles of disclosure.

## **3 Exacerbating NZ's transition risk**

The proposed changes to the Standards could exacerbate NZ's transition risks, especially as the demand for climate-related expertise intensifies globally. Australia will subject over 500 organisations to climate-related disclosures from 2025, increasing to 6,000 by 2028, while California's 2026 rollout will affect around 10,000 entities. Any delay in NZ's climate reporting obligations may put the country at a disadvantage, reducing its current competitive edge in addressing climate-related issues at the entity, sector, and economy-wide levels. This dilution of leadership could make it harder for NZ to secure the skills and expertise needed to navigate the transition.

The call for relief from some climate-reporting entities (CREs) highlights a broader transition risk for NZ. It reflects a lack of understanding or willingness to confront the systemic and existential risks posed by climate change. If these risks were fully comprehended, organisations would be embracing the challenge of climate-related disclosures rather than viewing them as a burden. Many entities see these disclosures as merely a cost rather than a valuable catalyst for building resilience and positioning for future opportunities.

## **4 Increased policy uncertainty**

The proposed changes to the Standards, combined with this rapid consultation process, adds unnecessary uncertainty to NZ's climate policy landscape. Primary users, including investors, need clear and stable policy signals to assess climate-related risks and opportunities effectively. Any

suggestion of delay undermines confidence in the direction of climate policy and hinders long-term planning. This surprising, and unplanned proposed changes to the Standards opens the door to future unplanned amendments.

## **5 Lack of preparedness**

It seems that some entities requesting relief are not adequately investing in improving their understanding of climate-related risks. It is also possible that they are concerned with reputational and legal risks associated with their responses in their climate statements. These concerns could be mitigated if organisations:

- a) invested in understanding how climate change may affect their business model; and
- b) adhered to the principles of fair and transparent disclosure as set out in NZ CS 3.

Unfortunately, the proposed amendments send a signal that it is acceptable to delay necessary preparations. This could result in longer-term negative consequences for these businesses (and the broader economy).

## **6 Global attention on NZ**

The international community is closely watching NZ's progress on climate disclosures. Any delay or weakening of the standards could set a negative precedent and potentially influence the global discourse on climate action and transparency. As a country that has taken early steps in addressing climate-related financial risks, NZ must avoid sending mixed signals about its commitment to climate governance and leadership.

## **7 Review mechanisms already exist**

The XRB and the Financial Markets Authority (FMA) have openly highlighted the post-implementation review period. The fact that this consultation for amendments has come about as a surprise, and before the first year of disclosures exists, highlights my concerns about potential political and/or organisational interference in the process. The NZ community need to feel confident that our climate-related standards are robust, and are, and will always be free from interference.

## **Concluding remarks**

In my professional opinion, the proposed amendments will lead to delays in NZ's climate change response, thereby exacerbating transition risk. These changes are particularly significant given the limited time NZ has to align its economy with the targets set in the Paris Agreement.

Delays in disclosing critical information will have cascading effects, particularly for policy writers who will not have timely access to data from key entities, especially in the financial and insurance sectors. This will hinder their ability to develop informed policies based on up-to-date insights. Collecting information from climate-related entities can act as a barometer about NZ's extent of transition risk. The aggregated insights will enable government and policy writers to respond in a measured and targeted way. Specific and aggregated insights will also facilitate the movement of capital toward activities that are consistent with a transition to a low-emissions, climate-resilient future, which is the aim of the NZ Climate Standards.

The current NZ Climate Standards are well thought out, and while organisations may face implementation challenges, these obstacles are manageable with a well-structured approach. Additional targeted guidance from the XRB or FMA would be more effective in addressing these challenges than the proposed amendments.

## **Recommendations**

The following are recommendations that we urge XRB and the relevant regulators to consider are:

- That no relief be given (that is the Proposed 2024 Amendments to Climate and Assurance Standards be scrapped), and that the disclosure regime maintain its status quo;
- That requisite resourcing be provided to support further guidance for organisations that are struggling to meet the disclosure requirements; and
- That XRB carry out a full regulatory impact assessment of the proposed changes to this secondary legislation, before they come into force. We believe that these proposed changes will delay action and increase the information gap. In turn this gap may have a profound impact on NZ meeting its international obligations and expose its economy to climate-related transition risk. A climate change impact assessment will help inform the extent of these proposed changes.

## **Additional requests**

Given the potential impact of the changes to climate-related disclosures may have on NZ transition risk and future climate-related policy, we also seek the following information:

- That the XRB publicly disclose all correspondence from individuals, organisations, government entities and politicians that have

resulted in the proposed amendments being tabled before the formal post-implementation review; and

- That the XRB disclose any climate change (and other regulatory) impact assessment or climate-related considerations (especially in related to transition risk) that it has carried out or considered in relation to the proposed amendments.

Thank you for your consideration of this submission and I am happy to answer any questions or provide further context as required.

Sincerely,



**Donovan Burton**

Director

Informed.City

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### References

United Nations Environment Programme (2024) Emissions Gap Report 2024: No more hot air ... please! With a massive gap between rhetoric and reality, countries draft new climate commitments. Available at:

<https://wedocs.unep.org/bitstream/handle/20.500.11822/46404/EGR2024.pdf?sequence=3&isAllowed=y> (Accessed: 14 October 2024).

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<https://www.xrb.govt.nz/dmsdocument/4764/> (Accessed: 11 September 2024).