

The Colonial Motor Company Limited

29 October 2024

Dear Sir / Madam

Re: Submission on XRB's proposed 2024 amendments to the climate and assurance standards

The Colonial Motor Company Ltd (CMC) is a Climate Reporting Entity. Our Annual Report for the year ended 30 June 2024 contains our first climate statement. Prior to this, CMC did not voluntarily disclose against a climate or other sustainability standard.

Please see below our submission on the XRB's proposed 2024 amendments.

Proposal 1: to extend Adoption Provisions 4, 5, and 7 relating to reporting Scope 3 emissions

Scope 3 contains many assumptions which limits its usefulness in decision making. CMC's inability to influence Scope 3 emissions makes reporting those estimates of limited value. There are three reasons for this: CMC does not manufacture what it sells, our options to procure alternative goods is limited by longstanding franchise agreements, and we have limited influence on customer preferences. To our knowledge, we are the only CRE in our industry, so the high effort of developing Scope 3 data collection systems is falling solely on our business for what is perceived to be of little benefit to interested stakeholders.

While an extension would be welcomed, our firm preference is to exclude Scope 3 emissions from mandatory reporting.

Proposal 2: to create Adoption Provision 8 to delay assurance of Scope 3 emission reporting

As noted above, our preference is to exclude Scope 3 emissions from mandatory reporting. In the event that Scope 3 reporting is only delayed by one year, then we would agree to the proposal to also delay the assurance of Scope 3 by a year.

Proposal 3: to extend Adoption Provision 2 relating to anticipated financial impacts

In our opinion, it would be useful to place this disclosure on indefinite hold until clear guidance is available, or to remove the requirement. The reason for this is three-fold:

Firstly, CMC is cautious about providing forward-looking statements for any purpose, given the uncertainties of our market. Our experience is that providing a direction of travel or expression of intensity conveys the necessary information without quantifying it. Our investors are generally well informed about our business model and there is plenty of public reporting about the markets we operate in. Quantifying forward-looking statements for CRD purposes therefore requires a major shift in our overall reporting approach.

Secondly, it is difficult to robustly put a figure on the quantum of a future business change which is due to climate change. The simplistic response is therefore that everything could be related to climate change and therefore 100% of a future change could be linked to climate change. This approach, while defensible, does not provide additional clarity to an investor. A more nuanced approach implies a level of scientific knowledge of climate cause and effect which is unreasonable for a commercial enterprise.

Thirdly, forward-looking statements are fraught with risk from a director liability perspective. As a result any statement must first be reviewed by our legal team and likely well hedged. The result is likely to be disclosure of such a wide range of figures that it is no longer useful for its intended purpose of informing stakeholders.

Proposal 4: to extend Adoption Provision 3 related to transition planning

Agree but our preference is a two year extension. Good transition planning needs to be well socialised throughout the business and this takes time. For CMC this also means alignment with our international franchise partners who may be subject to their own regimes. It also requires a clear understanding of both the operating environment and the wider strategic environment. External disclosure of any future-facing plan must be carefully presented.

Further CMC suggestions on the CRD standards

1. Continue to require external assurance of only the emissions statement and do not extend this to the other disclosures.
2. Review the requirements around director liability and the climate statement with a view to limiting that liability.
3. In order to progress point 2, co-ordinate with the Financial Markets Authority (FMA) over the necessary amendments to Part 7A of the Financial Markets Conduct Act. While the XRB notes it cannot resolve director liability settings, co-ordinating with the FMA over this area will add comfort to director engagement with the CRD regime in general.

Any questions regarding this submission can be directed to:

June Gibbons
Group Manager: People, Process and Technology
The Colonial Motor Company Ltd
PO Box 6159 Wellington 6141
June.gibbons@colmotor.co.nz
(04) 384 9734