

30 October 2024

External Reporting Board
Level 6, 154 Featherston Street
Wellington 6140

By email: climate@xrb.govt.nz

Tēnā koe External Reporting Board,

Securities Industry Association submission: Consultation document – Proposed Amendments to Climate and Assurance Standards

I am attaching the submission prepared by the Securities Industry Association (**SIA**) in response to the External Reporting Board (**XRB**) Consultation document – *Proposed Amendments to Climate and Assurance Standards* (October 2024). We thank the XRB for the opportunity to participate in this consultation.

About SIA

SIA represents the shared interests of sharebroking, wealth management and investment banking firms that are accredited NZX Market Participants. SIA members employ more than 500 accredited NZX, NZDX, and NZX Derivatives Advisers and more than 400 Financial Advisers nationwide. Our members' combined businesses work with over 300,000 New Zealand retail investors, with total investment assets exceeding \$90 billion, including \$40 billion held in custodial accounts. Members also work with local and global institutions that invest in New Zealand.

Key submission points

- i. In principle, SIA supports the intent of the climate-related disclosures (**CRD**) regime to ensure the effects of climate change are routinely considered in business and investment decisions and recognises the transparency the regime intends to provide. Environmental, social and governance (**ESG**) considerations are becoming increasingly important factors for retail and institutional clients' investment decisions. However, any reporting regime needs to be proportionate in terms of cost/input and benefit/outcomes.
- ii. We support the need for amendments to the CRD regime and acknowledge the intent of the XRB to provide relief to climate reporting entities (**CREs**). We know there are difficulties for CREs with the current settings, including significant compliance reporting costs to companies and the challenges in obtaining accurate information to meet CRD obligations. Reporting is an important part of ensuring transparency; however, that process has already become a burden in terms of time, cost, and skilled resources for CREs and their supply chains when businesses are also investing and actively playing their part in reducing carbon emissions.
- iii. While the scheme has only recently been introduced, we believe it would be logical to provide relief to CREs and introduce a more phased approach to ensure they can build the capacity and capability to report effectively and publish accurate and meaningful data to a world-class standard. This would provide CREs with clear benchmarks from which to report in the future. This would also empower and enable firms to make good headway as they tackle headwinds to bring about positive change.

- iv. As NZX Market Participants, wealth managers and investment banks, our members are users of financial statements and reports as part of issuers' processes, company research and analysis. Reports and data are ineffective if data is incomplete or inaccurate or if there is low-quality, unverified information. Without robust and reliable scope 3 data, there is no appropriate context, comparative analysis, or effective change that can be measured. It would also be challenging to determine the degree to which the data can be relied upon. In this case, there is no real value to the reports if little can be done with them due to the integrity of the data.
- v. Currently, we are disadvantaging New Zealand companies with a reporting burden that their foreign competitors and other jurisdictions do not have to bear. This burden is not good for encouraging companies to list on the NZX and disadvantages existing listed companies. Our regulatory settings should support our capital markets flourishing while supporting its listed companies to reduce their emissions.
- vi. SIA endorses the NZX's submission in response to this consultation. We must take a broad view of the ecosystem the regime impacts and ensure that its settings are reasonable, workable and meaningful to achieve the intended outcomes. We support NZX's view that relief to CREs should be extended for a further two-year period to financial years ending on 31 December 2026. This would allow New Zealand's regime to align with the Australian CRD regime where scope 3 Green House Gas (GHG) reporting will only be required for financial years commencing on 1 January 2026. We support the point that many scope 3 reports are not going to be available until 30 June 2027; therefore, aligning the reporting timeframes will enable better quality data and the building of more meaningful datasets to assist CREs with their scope 3 reporting.

Our attached submission (page 3) responds directly to the consultation questions.

While director liability issues are not part of the XRB's review or remit, we would support the Ministry of Business, Innovation and Employment reviewing the legislation and settings to bring about improvements that would positively impact business, capital markets and the economy.

Some SIA member firms may make individual submissions based on issues specific to their business. Those issues and views may not be reflected in this submission. No part of this submission is required to be kept confidential.

Please get in touch should you have any questions about this submission or require further information.

Nāku noa, nā



Bridget MacDonald
Executive Director

SECURITIES INDUSTRY ASSOCIATION

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**SECURITIES INDUSTRY ASSOCIATION (SIA) RESPONSE TO THE EXTERNAL REPORTING BOARD (XRB)
CONSULTATION: PROPOSED AMENDMENTS TO CLIMATE AND ASSURANCE STANDARDS (OCT 2024)**

Question 1: Do you agree with Proposal 1 to extend Adoption Provisions 4, 5 and 7 for scope 3 GHG emissions disclosures from one accounting period to two accounting periods?

1. SIA agrees with providing additional relief to extend Adoption Provisions 4, 5 and 7 in relation to scope 3 GHG emissions disclosures and assurance.
2. We support NZX's view that listed CREs would benefit from extending Adoption Provisions 3 emissions to a two-year accounting period.
3. This will support CREs in developing effective data capture and reporting systems and processes, including obtaining better quality data from external sources, therefore increasing the accuracy of scope 3 emissions disclosures to ensure reporting is meaningful and based on robust data.

Question 2: Do you agree with Proposal 2 to add a new Adoption Provision 8 that gives relief of one accounting period before scope 3 GHG emissions assurance is mandatory?

4. SIA supports the proposal to introduce Adoption Provision 8 for a CRE to choose not to take advantage of the scope GHG emissions disclosure relief under Proposal 1 but can choose to delay assurance over that disclosure for an additional counting period.
5. We support the NZX's proposal that there should be at least a two-year delay before mandatory assurance to ensure adequate access to assurance professionals to undertake this work, and this work can be undertaken in reasonable timeframes for reasonable costs.

Question 3: Do you agree that a one-year delay for scope 3 GHG emissions assurance is sufficient to enable systems to mature to support the availability of sufficient reliable data and to enable increased consistency across the assurance market?

6. SIA supports introducing a delay for scope 3 GHG emissions assurance; however, we agree with NZX's proposal for a longer transitional duration than one year to enable CREs to have sufficient time to develop appropriate and robust data and reporting processes and systems to support their disclosure obligations.

Question 4: Do you agree with Proposal 3 to extend Adoption Provision 2 for anticipated financial impacts from one accounting period to two accounting periods?

7. SIA supports that proposal to provide relief by extending the availability of Adoption Provision 2 for anticipated financial impacts. We support a transition period longer than one year to enable CREs to have sufficient time to develop appropriate and robust data and reporting processes and systems to support their disclosure obligations.

Question 5: Do you agree with Proposal 4 to extend Adoption Provision 3 for transition planning from one accounting period to two accounting periods?

8. SIA supports the proposal to extend the availability of Adoption Provision 3 from one to two accounting periods to enable CREs to adequately identify climate-related risks and opportunities and sufficiently develop strategic processes to inform their disclosures. We support NZX's suggestion to align with the Australian regime for Group 1 CREs and an extension to the availability of the adoption provision for an additional accounting period.

Thank you for the opportunity to provide comments on this consultation. Should you have any questions about this submission or require further information, please contact:

Bridget MacDonald, Executive Director

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