

30 October 2024

External Reporting Board
Climate-Related Disclosures
Level 6, 154 Featherston Street
Wellington

Tēnā koutou,

Re: Proposed 2024 Amendments to Climate and Assurance Standards

1. Lawyers for Climate Action NZ Inc. thanks the External Reporting Board (**XR**B) for the opportunity to make this submission on Proposed 2024 Amendments to Climate and Assurance Standards.
2. The proposed amendments include extending the adoption provisions for scope 3 greenhouse gas emissions disclosures, anticipated financial impacts, and transition planning, and establishing a new adoption provision for the assurance of scope 3 emissions to provide an extra year before assurance over scope 3 emissions disclosures is required (together, the **Proposed Amendments**).
3. We understand that the main driver behind the Proposed Amendments is feedback from Climate-Reporting Entities (**CRE**s) that many are facing challenges with obtaining reliable data, the costs of compliance, and a lack of appropriate guidance on issues such as transition planning. This is reflected in the proportion of CREs who have used adoption relief for the disclosure of scope 3 emissions, anticipated financial impacts, and transition planning already.
4. While we appreciate the inherent uncertainties and compliance burden on CREs of a new regime, we encourage the XR B to not let perfection get in the way of progress. This is particularly given the well-understood importance of Climate-Related Disclosures (**CR**Ds) in the midst of the urgently closing window to address the global climate crisis, and the fact that the Proposed Amendments relate to critically important components of the CRD regime.
5. In general, we encourage the XR B to consider making changes on a “comply or explain” basis, rather than extending the adoption provisions as suggested by the Proposed Amendments. Particularly given the FMA intends to take a more supportive and light-touch approach to enforcement while the CRD regime is in its early days, we consider that a “comply or explain” regime could strike a better balance between ensuring high-quality disclosures and giving CREs some relief and flexibility in the short-term.
6. As the XR B notes in its Consultation Document, guidance and practice globally around climate-related disclosures is rapidly developing. But so too is the context in which CREs are operating. The earlier CREs engage in issues such as transition planning, analysing anticipated financial impacts, and understanding their scope 3 emissions, the better chance

they have to effectively transition to a low-emissions model and compete in the global market. We are also concerned about the signal these changes could send internationally, given New Zealand was the first mover in adopting a CRD regime.

7. In terms of specific comments:

- a. **Proposal 1** proposes delaying mandatory scope 3 emissions disclosure. Scope 3 emissions are by far the largest source of greenhouse gas emissions for most CREs. CREs constitute many of New Zealand's largest publicly listed companies, insurers, banks, and investment managers and are the entities best placed to identify, measure, and monitor their scope 3 emissions, and also the entities whose scope 3 emissions are particularly important for New Zealand's emissions profile. Greater understanding and transparency around scope 3 emissions is critical for the CRD regime to work effectively. A "comply or explain" provision would set an expectation that CREs try and estimate scope 3 emissions in the first instance, but provide a rationale where they cannot reliably estimate or assess emissions or emissions categories.
- b. **Proposal 2** delays the requirement for CREs to seek scope 3 GHG emissions assurance. Recognising the current maturity and size of the assurance market in New Zealand, we understand the rationale for Proposal 2, but would encourage the XRB to consider adopting it on a similar "comply or explain" basis. In addition, we support the XRB's, and other stakeholders', ongoing work to publish guidance on assurance and upskill and increase the number of assurance professionals in New Zealand.
- c. **Proposal 3** proposes allowing CREs to delay the disclosure of anticipated financial impacts. There is clearly a need for greater support on the nature of analysis required by CREs of anticipated financial impacts, and acknowledge that the XRB intends to publish guidance on this in 2025. We note, however, that the anticipated financial impacts of climate change are among the most important aspects of the CRD regime. The sooner CREs engage in the most "accurate" and "complete" financial assessments possible, the greater the payoff for CREs will be in terms of leveraging this analysis before the end of the decade.
- d. **Proposal 4** proposes delaying the transition planning disclosures. Again, it is clear there is a need for greater support and clarity around what is required from CREs in terms of transition planning, and support the XRB providing additional guidance on this. But again, we are cautious of delaying implementation.

8. We are happy to discuss any of the points raised in this submission with you further.

Yours faithfully,



Jessica Palaret

Executive Director, Lawyers for Climate Action NZ