

Submission –Proposed transitional changes to NZ climate-reporting regime

30 October 2024

Overview

RIAA thanks the External Reporting Board (XRB) for the opportunity to provide feedback on the proposed amendments to climate and assurance standards (proposed amendments).¹ RIAA's response centres around its mission to promote, advocate for, and support approaches to responsible investment that align capital with achieving a healthy and sustainable society, environment, and economy.

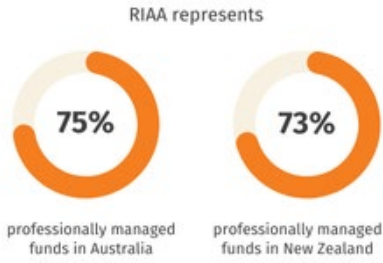
RIAA welcomes the XRB's continued engagement with the corporate and financial sector to ensure the success of the climate-related disclosure (CRD) regime. This regime will significantly improve the extent and accuracy of climate-related information in markets and enable investors and others to more accurately gauge the risks and value of companies, and to make better informed decisions. Disclosure of climate risk will be essential to achieving more accurate risk management and valuations. This should lead to faster, meaningful decarbonisation efforts as well as ensure New Zealand remains an attractive destination for global capital.

However, RIAA notes that, while the regulated disclosure produced by the CRD regime is important, this is not the only purpose of the regime. In preparing the required information under CRD, climate-reporting entities (CREs) will be able to better assess climate risk, upskill their workforce, and build business readiness. Through this process, the quality of climate risk assessment, mitigation and resilience will increase across the economy.

As such, the CRD regime functions as a vital lever within the New Zealand policy infrastructure to enhance not just information in the market but the quality of companies and businesses which are able to better operate in the current environment. In addition, the ability to attract global capital relies on certain information being provided; a degree of international interoperability and international alignment where major global economies have mandated similar disclosure. Where changes are made to the CRD regime, which was implemented before the global disclosure standards were released by the International Sustainability Standards Board (ISSB), all efforts should be made to increase the degree of alignment to the ISSB standards.

¹ [XRB-Consultation-document Proposed-2024-Amendments-to-Climate-and-Assurance-Standards-v2.pdf](#)

About RIAA



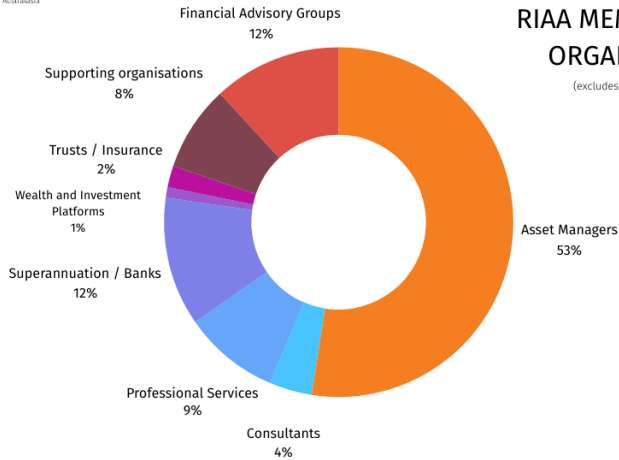
NZ\$
83
trillion
managed by our members in assets globally

10

largest super funds by members and asset under management in Australia are RIAA members

9 out of 10

largest KiwiSaver Funds by members are RIAA certified products



Our journey so far



CERTIFIED BY RIAA

World's longest running certification program for responsible investment products

340+ RIAA certified products

RIAA submissions

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?

RIAA **submits** that providing relief from the requirement to provide Scope 3 disclosure for an additional year may not be the most appropriate way to support CREs to be better prepared to make this disclosure.

RIAA is supportive of the XRB using its relief powers to address concerns of CREs. RIAA has heard and accepts the challenges reported by industry not only in establishing relationships with external data providers where necessary, but also in the implementation of internal systems to ensure effective and concise disclosure.

However, RIAA considers that a better approach would be to maintain the disclosure requirement for Scope 3 GHG emissions while providing assurance relief for the first year of disclosure (similar to that which is contemplated by Proposal 2) – see below.

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?

RIAA agrees with Proposal 2 to allow CREs to have the benefit of assurance relief for Scope 3 GHG emissions for an additional accounting period where they do not opt-into the disclosure relief under Proposal 1 (i.e. they provide Scope 3 GHG emissions disclosure). This proposal incentivises providing disclosure, where the information does not need to be mandatorily assured disclosure, in circumstances where a CRE would otherwise opt-in to the disclosure relief through Proposal 1.

Scope 3 disclosure is material to both internal climate risk assessment and transition planning by companies as well as institutional investors' decision-making and assessment of a company's risk-management and governance. In addition, providing Scope 3 disclosure is consistent with reporting requirements in other jurisdictions and would ensure that the NZ market remains a competitive and attractive destination for global capital.

As such, RIAA **submits** that expanding Proposal 2 for all CREs, *without corresponding Proposal 1 relief*, would be most effective at both addressing investors' need for up-to-date information, whilst not placing CREs under undue regulatory burden to achieve assurance-level Scope 3 disclosure in its first year. This would also be consistent with the framework implemented by the CRD regime for Scope 1 and 2 emissions disclosure (i.e. disclosure in the first year with assurance to commence in the second year).

Considering the timeframe since mandatory climate disclosures were first announced in Aotearoa New Zealand, RIAA expects that, whilst CREs may not be ready to release assurance-level scope 3 GHG emissions disclosure, they should have preliminary data as they work toward this standard. Requiring Scope 3 disclosure also requires CREs to work towards business readiness to provide this disclosure. As such, when required to have Scope 3 disclosure assured, CREs will be more ready than if they had foregone disclosure for 2 reporting periods.

Rather than allowing CREs to opt out entirely from scope 3 GHG disclosure as contemplated by Proposal 1, RIAA **submits** the XRB should encourage CREs to publish GHG data, where available. To assist CREs in this additional 12 months to build capacity towards assured Scope 3 disclosure, the XRB should promptly provide guidance or a framework for CREs which informs the market and institutional investors of the preliminary nature of the disclosure and the rationale for the unassured information provided.

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?

N/A

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

RIAA considers that CREs with robust and effective governance and risk management systems should already be accounting for the anticipated financial impact of climate change. As such, CREs should largely already possess relevant data, and disclosure of anticipated financial impacts should not be overly burdensome for CREs to report.

Additionally, anticipated financial impacts disclosures are required by international climate reporting regimes, leading to an expectation that this information is readily available. Deferring disclosure would further impact the international interoperability and international alignment of the NZ CRD regime.

RIAA **submits** that if Proposal 3 is implemented, it would only benefit CREs with the provision of prompt, comprehensive guidance. This guidance should address the concerns from CREs and include regulatory guidance from the Financial Markets Authority (e.g. in relation to what is required when making forward-looking statements).

If Proposal 3 is implemented without the provision of comprehensive guidance, CREs (and likely the XRB) will likely face similar concerns and difficulties around financial impact disclosure guidance in a year's time. To resolve this, the XRB should work with industry to develop guidance that both upholds the underlying objectives of NZ CS 1 and the CRD regime more broadly, whilst addressing the regulatory and guidance concerns of industry.

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

RIAA **submits** that Proposal 4 should not be implemented to delay transition planning disclosures by extending relief in CS 2 from one year to two. The requirements in NZ CS 1² should already be under consideration by an entity with robust and effective governance. If a CRE does not have an adequate transition plan to disclose under the NZ CS 1 provisions, the absence of such a plan is itself important information for the market and investors' decision making.

If Proposal 4 is adopted, RIAA supports the continuation of the existing requirement for those employing Adoption Provision 3 to describe its process of development toward a transition plan. Any entity unable to disclose its transition planning should be required to explain the processes it is taking ahead of the next accounting period, to ensure the market and investors are best informed.

² i.e. to disclose the CRE's business strategies to address climate-related risks and opportunities and the alignment of its transition plan with its deployment of capital