

SBC, CLC, IoD and CSF consultation response to the External Reporting Board

30 October 2024

Proposed 2024 Amendments to Climate and Assurance Standards

On behalf of the Sustainable Business Council (SBC) and Climate Leaders Coalition (CLC), working alongside the Institute of Directors (IoD) and the Centre for Sustainable Finance (CSF), please find the below reflections on the consultation to amend Climate and Assurance standards.

We note the issues identified by the External Reporting Board (XRB): "*challenges with obtaining reliable data, high costs, and how to disclose in the absence of comprehensive guidance on certain topics. There are also concerns about obtaining assurance over scope 3 disclosures because of difficulties in obtaining sufficient reliable data from up and downstream entities.*"

SBC, CLC, IoD and CSF welcome the XRB's recognition of challenges faced by climate reporting entities

SBC, CLC, IoD and CSF commend the responsiveness to market concerns regarding the regulatory framework and the commitment to providing further guidance. This proactive approach is crucial in ensuring clarity and consistency as Aotearoa navigates these changes.

Importance of the CRD scheme

The CRD scheme remains a critical initiative for our members, enabling them to meet evolving climate and governance expectations. Its successful implementation is essential for maintaining credibility and ensuring compliance with global climate standards. The Climate Leaders Coalition's 2022 Statement of Ambition also requires signatories to assess their climate risks and opportunities (including in the value chain), to set objectives and targets to reduce these risks and maximise opportunities, and to publicly disclose them. The process of generating a climate disclosure is valuable; it facilitates internal discussions and decision making by companies.

Alignment or interoperability of disclosure regimes

Although New Zealand led globally on mandated reporting, numerous jurisdictions have since adopted similar regimes. We support a scheme that is internationally interoperable and that meets the information requirements businesses have, domestically or internationally.

For companies that need to disclose financial accounts in the jurisdiction where they are domiciled, it is burdensome to also need to disclose in other jurisdictions where they operate. Options to reduce this burden are welcome.

Consistency could foster a more cohesive framework for climate reporting, easing the burden for companies operating in multiple jurisdictions. This will only apply if any changes for alignment do not require a more onerous reporting burden; for example, we understand the Australian regime is built on ISSB.



The CRD scheme has encouraged climate reporting entities to meaningfully assess and address climate change strategically, sharing that progress with investors and stakeholders. Some SBC and CLC members have already disclosed Scope 3 greenhouse gas emissions and transition plans, while making progress towards disclosing anticipated financial impacts.

We expect SBC, CLC, IoD and CSF members may to continue work even if the adoption provisions regarding disclosure are extended.

Director liability

As part of our submission, we would also like to note our support of the concerns raised by Chapter Zero and the Institute of Directors members in their letter to the Climate Change and Commerce and Consumers Affairs Ministers in September. The concerns raised were regarding the liability burden placed on directors, resulting in due diligence processes and associated costs and duplication of processes.

Although we understand that this is outside the scope of the XRB consultation, we do believe the XRB consultation to be related. While we support the XRB proposed amendments to give more time to adapt to reporting requirements, we believe further consideration should be given to director liabilities to support organisations to take a less conservative and risk-averse approach to climate reporting. Guidance from the XRB may also help to address this liability concern. Options may include the introduction of 'safe harbour' provisions, which might allow for bolder disclosures.

Broad guidance information is not leading to best practice – it is instead incentivising lowest risk outcomes

Currently, the broad and high-level nature of the guidance is encouraging companies to take the path of least risk, rather than optimising for best practice. We do not consider this an ideal outcome. More detailed and specific guidance could not only streamline the reporting process, but also drive companies to adopt more ambitious and exemplary practices, reducing costs and improving report quality. We note that XRB and FMA may require time to evaluate the disclosures, provide feedback and identify best practices across the industry.

Maintaining a level playing field

To preserve fairness, it is important that any regulatory amendments are applied equally across the board, regardless of when companies are required to report. Giving effect to changes by Christmas would give businesses time to prepare while ensuring that no entity gains an undue advantage through earlier or later reporting cycles.

Stakeholder engagement in production of guidance

Timely guidance is critical, and we recommend involving businesses and industry stakeholders who have been closely engaged with their members throughout the CRD process. This collaboration will ensure that the guidance is practical, relevant, and efficiently implemented, reflecting the real-world challenges and needs of those most affected.

