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Financial Markets Authority
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Submission on climate-related disclosures timing challenge

The Institute of Directors (IoD) appreciates the opportunity to comment on the timing challenge and proposed exemption related to the climate-related disclosures (CRD).

Many of our members are climate-related entities that are directly affected by the introduction of the climate-related disclosures regime. The IoD is also proud to be the host of [Chapter Zero New Zealand](#), the national chapter of the Climate Governance Initiative. The mission of Chapter Zero New Zealand is to mobilise, connect, educate and equip directors and boards to make climate-smart governance decisions, thereby creating long term value for both shareholders and stakeholders.

Key points

- **We support the introduction of a two-year exemption for all climate-related entities (CREs) from the requirement to include a copy of or a link to their climate statements in their annual report** due to the timing and resourcing challenges, but also due to the immaturity of the disclosure regime. The timing of disclosures also needs to take into consideration further changes to the reporting regime including the introduction of greenhouse gas (GHG) emissions assurance requirements from October 2024. Additionally, if the proposed scope extension of the assurance requirements and assurance occupational licensing regime are introduced, then either further exemptions may need to be considered or reconsideration of the timeframes altogether.
- **We recommend that the timeframe for the preparation and assurance of climate statements, should be considered as part of the XRB post-implementation review of NZ Climate Standards 1 to 3.** Developing the capability and capacity of the newly-formed CRD assurance

About the Institute of Directors

The Institute of Directors (IoD) is New Zealand's pre-eminent organisation for directors, and is at the heart of the governance community. We have over 10,500 members connected through our regional branch network and national headquarters. We believe in the power of governance to create a strong, fair and sustainable future for New Zealand.

Our role is to drive excellence and high standards in governance. We support and equip our members who lead a range of organisations from listed companies, large private organisations, state and public sector entities, small and medium enterprises, not-for-profit organisations and charities.

Our Chartered Membership pathway aims to raise the bar for director professionalism in New Zealand, including through continuing professional development to support good governance.

practitioner sector will have a significant impact on the ability of CREs to meet the GHG emission assurance requirements and the proposed scope extension to the full climate statements. The review should consider the timing of climate-related disclosures and whether there should be an extension of the exemption powers or a timing change in the regime.

Previous submissions

The IoD has identified climate change as one of our Top Five Issues for Directors each year since 2018. Directors clearly see climate action as a key leadership theme, which is evidenced by director member feedback in a range of surveys, including our annual Director Sentiment Survey and the Global Network of Director Institutes biennial survey. With this focus, boards have a very real opportunity to be a powerful force in taking action on climate-related issues and reducing the environmental impact of their organisations. Climate-related disclosures support that direction.

To this end, we made submissions on the amendment bill, as well as the three rounds of consultation by the External Reporting Board (XRB) on the disclosure standards, and the Ministry of Business, Innovation and Employment's (MBIE) consultation on their assurance proposals.

- Amendment Bill: [Submission on the Financial Sector \(Climate-related Disclosures and Other Matters\) Amendment Bill](#)
- XRB Consultation Round 1: [Submission on Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures](#)
- XRB Consultation Round 2: [Submission on Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures \(Strategy and Metrics and Targets\)](#)
- XRB Consultation Round 3: [Submission on Climate-related Disclosure Standards Exposure draft](#)
- MBIE Consultation: [Submission on Assurance over Climate-related Disclosures](#)

Introduction of two-year timing exemptions

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 (CRD Act) introduced a new climate-related disclosures regime in New Zealand. In our original submission on the Bill (28 May 2021) we proposed the timeframe for preparation and lodgement of climate statements should be extended to five to six months.

In our MBIE submission on the proposal to extend the scope of assurance to the full climate statement (9 February 2023), we again reinforced timing challenges and suggested six months. We also noted concerns over maturity of the assurance sector and their ability to meet timing requirements.

These concerns remain.

Exemption process

We fully support the use of exemption powers for at least two years, however, the process of gaining an exemption needs to be commensurate with the fact that the extension request is for only one month, and is not an extension to the date the climate statement is lodged. Further, the process should not require undue reporting or accountability, as this could defeat the purpose of the exemption.

Review of exemption powers

We suggest that there should be a review of the exemption powers once the requirements of Part 7A regarding assurances of GHG emissions disclosures in climate statements take effect (October 2024), as the proposed two-year exemption may not be sufficient. Instead of a separate process, it is noted that a post-implementation review is already provided for by the XRB; anticipated to begin December 2025. The exemption powers could be in place until learnings from the post-implementation review of NZ Climate Standards 1 to 3 are available as the review findings could be critical in informing exemption powers and any other timing challenges/exemption requirements.

Potential scope expansion

It is acknowledged that the FMA is focusing on an educative and supportive approach to their compliance and we applaud this, but as the scheme expands and adds further players, it also adds extra time and potential complications. If the scope of the assurance requirements were to expand, we recommend that the disclosure requirements should be extended to six months. As the expansion requires new legislation, proposed for enactment in 2025, the change to the deadline for lodging of climate statements could be undertaken as part of this.

Assurance sector

There needs to be sufficient capability and capacity within the CRD assurance practitioner sector to meet demand and reporting regime requirements. It is essential that capability in climate-related reporting and assurance is developed and supported to enable an effective reporting regime and to build public trust. These impacts won't be realised until the GHG emissions assurance is implemented, and then once/if the assurance scope is expanded. As outlined in our submission on the assurance regime proposals, to support confidence in the new regime, it is recommended that no additional assurance requirements are introduced until at least after the XRB have undertaken their post-implementation review of NZ Climate Standards 1 to 3 (anticipated to begin December 2025).

Conclusion

We consider that the ability to grant exemptions is a prudent response to the timing challenges. However, the challenges may continue beyond the two-year timeframe proposed as assurance requirements change, and in particular if the scope of assurance requirements extends.

Ngā mihi nui



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