

Submission

to the

Ministry of Business, Innovation and
Employment and the Ministry for the
Environment

on the

Assurance over climate-related
disclosures: occupational regulation
and expanding the scope of
assurance

10 February 2023



About NZBA

1. The New Zealand Banking Association – Te Rangapū Pēke (**NZBA**) is the voice of the banking industry. We work with our member banks on non-competitive issues to tell the industry's story and develop and promote policy outcomes that deliver for New Zealanders.

2. The following eighteen registered banks in New Zealand are members of NZBA:
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Contact details

3. If you would like to discuss any aspect of this submission, please contact:

Antony Buick-Constable
Deputy Chief Executive & General Counsel
antony.buick-constable@nzba.org.nz

Brittany Reddington
Associate Director, Policy & Legal Counsel
brittany.reddington@nzba.org.nz



Introduction

NZBA welcomes the opportunity to provide feedback to the Ministry of Business, Innovation and Employment (**MBIE**) and the Ministry for the Environment (**MfE**) on the Assurance over climate-related disclosures: occupational regulation and expanding the scope of assurance Consultation Document (**Consultation Document**). NZBA commends the work that has gone into developing the Consultation Document.

NZBA's members are committed to the successful development of the new climate-related disclosures regime (**CRD**) in New Zealand. We agree with MBIE and MfE that it is important to find the best approach for enhancing trust and confidence in the information that will be disclosed in the climate statements.

Our full comments are set out below, but in summary:

- We support MBIE and MfE's recommendation for option 3 in relation to developing a licensing regime for assurance practitioners.
- We consider that it is too early to determine a timetable for bringing in full assurance. In our view, it is preferable to wait until the first GHG assured climate statements have been produced before setting a time table for further assurance.

Developing a licensing regime for assurance practitioners

NZBA supports MBIE and MfE's recommendation for option 3 (direct regulation of CRD assurance practitioners by the FMA). We are comfortable with the assessment provided in the consultation document as to why the FMA is the appropriate regulatory body for CRD assurance practitioner licensing. We do not support setting up a new regulator to do this. We consider that any licensing regime should be simple and not unduly burdensome.

We do not support option 2 (co-regulation). We are concerned that co-regulation may potentially favour accounting professionals and larger incumbents. We think it important that the assurance licensing regime supports a competitively neutral environment and therefore also provides those assurance providers who have specialised in climate and sustainability reporting with the opportunity to provide assurance on the full climate statement. This is particularly important when you consider that this consultation paper also recommends expanding the assurance requirement to the full climate statement, which will require a broad skillset.

We do not support the suggestion of option 1 (continuing with the status quo) as we believe this will impact the credibility of the regime and of climate statements. We agree that this would not support the consultation's stated primary objective of enhancing trust and confidence in the information disclosed in climate statements.

Expanding the scope of assurance

We are concerned that it may be too early and too uncertain to determine a timetable for bringing in full assurance as proposed by options 3 and 4.



We would propose, instead, that it may be better to wait until the first GHG assured climate statements have been produced (i.e., in 2025) before deciding on and setting a timetable for further assurance. That way any learning from that initial implementation can be factored into deciding the most appropriate timeframe for further assurance. It also gives issuers and assurance providers time to build capability. We would also support an educative approach in that interim period.

As to the concerns we have about setting a timetable now, we note that reporting in compliance with climate related disclosures both domestically and internationally is an evolving discipline and one in which there is still a lack of capability and capacity in New Zealand. Any solution to the problem statement needs to consider this context.

In addition, GHG assurance is a well-developed discipline, with a number of international auditing standards already in existence. But there is no such standard for the international frameworks that the Climate-Related Disclosures have been based off. The full Climate-Related Disclosures contain much more qualitative and narrative style information that will require a different approach to auditing than financial statements and GHG emissions.

If MBIE/ MfE do decide to proceed now with introducing full assurance requirements from October 2028 then we think that the timetable currently proposed should not be shortened. We do not agree with the statement on page 26 of the consultation that the timetable proposed for option 3 is overly cautious, considering that the climate standards published by the XRB on 15 December 2022 are newly developed, and therefore may evolve in line with the international context.

We also encourage MBIE to work closely with the FMA, XRB, climate reporting entities and others to understand what, if any, future sustainability reporting requirements might be introduced alongside the CRD requirements. As noted in the consultation paper, the international context is changing rapidly for sustainability reporting broadly and the XRB themselves are exploring what reporting guidance may be necessary.