

Submission

to the

External Reporting Board

on the

Consultation: *Proposed 2024 Amendments to Climate and Assurance Standards*

30 October 2024



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:
 - ANZ Bank New Zealand Limited
 - ASB Bank Limited
 - Bank of China (NZ) Limited
 - Bank of New Zealand
 - China Construction Bank (New Zealand) Limited
 - Citibank N.A.
 - The Co-operative Bank Limited
 - Heartland Bank Limited
 - The Hongkong and Shanghai Banking Corporation Limited
 - Industrial and Commercial Bank of China (New Zealand) Limited
 - JPMorgan Chase Bank N.A.
 - KB Kookmin Bank Auckland Branch
 - Kiwibank Limited
 - MUFG Bank Ltd
 - Rabobank New Zealand Limited
 - SBS Bank
 - TSB Bank Limited
 - Westpac New Zealand Limited

Contact details

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

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Introduction

4. NZBA welcomes the opportunity to provide feedback to the External Reporting Board (**XRB**) on the Consultation: *Proposed 2024 Amendments to Climate and Assurance Standards (Consultation Paper)*. NZBA commends the work that has gone into developing the Consultation Paper.
5. NZBA generally supports the extensions proposed in the Consultation Paper. For our members, accessing customer data is particularly difficult and time is also required to develop maturity in reporting.
6. Together, these extensions will support a more orderly and comprehensive compilation of relevant data. For Australian-owned members, these extensions will also make it easier for them to align the timing of their disclosures with their Australian parents and to Australian standards.
7. This will not stop or slow down any work our members are currently undertaking in relation to the disclosures subject to the proposed extensions, but it does alleviate pressure on some of the more challenging aspects. This enables a “best efforts” approach as opposed to trying to complete everything within the current, challenging timeframes. The proposed extensions will:
 - 7.1. enable banks to develop better methodologies that lead to high quality disclosures; and
 - 7.2. allow meaningful engagement at a governance level, enabling executives and boards to be across complex data sets, uncertainties and critical insights.
8. While we acknowledge that the proposed extensions will relieve pressure, we would like to emphasise that many of our members are primary users of the information to be disclosed. Scope 3 greenhouse gas (**GHG**) emissions disclosures, potential financial impacts and transition planning are all valuable when assessing risk. Transition planning, in particular, is likely to improve business decision-making and capital allocation.
9. In our view, the proposed extensions generally strike the right balance, giving climate reporting entities (**CREs**) an appropriate amount of time to develop better quality disclosures without providing longer extensions than are necessary.
10. Our responses to specific questions in the Consultation Paper are set out below.



Question 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?

11. Yes, we support this proposal.

Question 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?

12. While NZBA supports the proposal to provide relief in relation to assurance over scope 3 GHG emissions, our members have concerns about whether an Adoption Provision would be an effective way of achieving this. We consider it may be more appropriate for this relief to be provided through a class exemption under the FMA's exemption powers.
13. The requirement for assurance is imposed by section 461ZH of the FMCA (as will be in force from 27 October 2024), which requires that climate reports "are, to the extent that those statements are required to disclose greenhouse gas emissions, the subject of an assurance engagement." While paragraphs 25 and 26 of NZCS 1 refer to assurance, this appears to only reiterate and provide guidance on the requirements of section 461ZH, rather than to impose obligations in its own right.
14. The XRB's power to set Aotearoa New Zealand Climate Standards and assurance standards does not appear to provide any authority to vary or disapply requirements in the FMCA. As such, it is not clear that an Adoption Provision providing relief from paragraphs 25 and 26 of NZCS 1 would have the effect of altering CREs' obligations under section 461ZH.
15. We are concerned that, by allowing CREs who have not relied on Adoption Provision 4 to exclude scope 3 GHG emissions from its assurance engagement, the proposed Adoption Provision 8 is inconsistent with the FMCA and therefore ineffective.

Question 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?

16. NZBA supports a delay for scope 3 GHG emissions assurance. This would provide more time:
- 16.1. to work through challenges related to third party data; and
- 16.2. for better quality data to develop through the natural evolution of more CREs reporting actual emissions, allowing models to be refined.



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

17. We welcome the extension to Adoption Provision 2, which allows CREs an appropriate period of time to develop better quality disclosures.
18. The XRB has noted that it intends to provide guidance on anticipated financial impacts in 2025. This means the guidance will not be available until after the beginning of the reporting period for which CREs will be required to report anticipated financial impacts. We encourage the XRB to be mindful of this, and to:
 - 18.1. aim to release the guidance as soon as possible, to allow CREs time to digest, understand and implement it in relation to their climate-related disclosures the third reporting year; and
 - 18.2. ensure that the guidance relates purely to disclosure, and could not create de facto requirements (such as requirements to record data in a particular manner) that CREs would need to implement during the third reporting period.
19. We encourage the XRB to provide further guidance on the connection (or disconnection) between the entity-level climate scenarios and any quantification of anticipated financial impacts, particularly in light of the FMA's comment in its Information Sheet on scenario analysis, originally published in July 2023 and updated in October 2023, that there is no direct link between the scenario analysis process and the anticipated impacts and financial impacts disclosures.