



Friday, 10 February 2023

Corporate Governance and Intellectual Property Policy
Building, Resources and Markets
Ministry of Business, Innovation & Employment
PO Box 1473
Wellington 6140

By email: climateassurance@mbie.govt.nz

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

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to provide a submission to the Ministry of Business, Innovation and Employment (MBIE) and the Ministry for the Environment (MfE) on the above consultation document that presents possible options for two important issues:

- Issue 1: Developing a licensing regime for climate-related disclosures (CRD) assurance practitioners
- Issue 2: Extending the scope of the climate statement assurance engagement

We would also like to take this opportunity to thank you for engaging with us during the development of this consultation and allowing us to help shape these proposals through the professional bodies workshop on 5 April 2022.

CA ANZ continues to be an advocate for, and supporter of, a just transition to a net zero economy. There is a critical role for independent external assurance to provide credibility to climate statements which would help drive a reallocation of capital for a just transition to a more sustainable, low-emissions economy.

Key points

- The status quo is not a viable option
- The regime must be future proofed to go beyond climate to broader sustainability-related reporting
- We support the direct regulation of CRD assurance practitioners by the FMA
- We recommend public consultation on the draft amendment Bill containing the proposed CRD assurance practitioner licensing regime
- We support extending the scope of the assurance engagement from greenhouse gas (GHG) emissions disclosures to the whole climate statement, but no earlier than October 2028
- The CRD assurance practitioner licensing regime should be established as soon as possible, and definitely before the scope of the climate statement assurance engagement is extended
- We do not support staggering the introduction of mandatory assurance requirements
- We recommend a cost benefit analysis is undertaken to inform decision-making so that user need is appropriately balanced with preparer cost

Issue 1: Developing a licensing regime for CRD assurance practitioners

Options:

1. Continuing with the status quo i.e., no occupational licensing for CRD assurance practitioners
2. Co-regulation modelled on the Auditor Regulation Act 2011 (Auditor Regulation Act)
3. Direct regulation by the FMA.

We support Option 3 – the direct regulation of CRD assurance practitioners by the FMA. We believe the FMA is best placed to take on this regulatory function given its existing role in regulating both Climate Reporting Entities (CREs) under the Financial Markets Conduct Act 2013 (FMC Act), and assurance practitioners under the Auditor Regulation Act. The FMA would need to be adequately funded and resourced to reflect both its expanded regulatory remit and the growing complexity of that remit.

We recommend public consultation is undertaken on a draft amendment Bill that contains the particulars of how the licensing regime is proposed to work in practice. Our preference is for the Auditor Regulation Act to be amended to incorporate the CRD assurance practitioner licensing regime, so that similar legislation is in the same place. Also, the CRD assurance practitioner licensing regime needs to be sufficiently flexible to enable an expansion of the assurance from CRD to broader sustainability-related reporting in the future.

The status quo, having no licensing regime (Option 1), is not a viable option. Achieving integrity, robustness, and comparability in assurance of CRD requires that the prescribed requirements for CRD assurance practitioners and regulatory oversight are set at an appropriate bar that is equivalent for all practitioners. A baseline is needed for there to be trust and confidence in climate statements and to avoid confusion or misunderstanding amongst investors and other stakeholders. Option 1 does not provide this. This is also consistent with the New Zealand Shareholders' Association (NZSA) expectation that, in time, environmental sustainability disclosures will be subject to "investment-grade assurance".¹

We prefer direct regulation (Option 3) over a co-regulatory model (Option 2) for the CRD assurance practitioner regime for the reasons discussed in the paper. There may also be overseas CRD assurance practitioners, who would like to become licensed, which does not appear to have been considered under Option 2.

We note that the FMC Act currently requires assurance over the GHG emissions disclosures in CRE climate statements for reporting periods ending on or after 27 October 2024. The paper proposes the CRD assurance practitioner licensing regime will begin in 2027, hence there will be a period where there is no CRD assurance practitioner licensing regime in place. This is contrary to the objective to enhance the trust and confidence users place in the information disclosed in the climate statements. Therefore, we recommend this timeframe be expedited as much as possible.

We agree that the CRD assurance practitioner licensing regime (Issue 1) should be established before the scope of the climate statement assurance engagement is extended (Issue 2).

¹ [Policy #22: Environmental Sustainability](#), Par. 3.9(b)

2: Extending the scope of the climate statement assurance engagement

Options

1. Continuing with the status quo
2. A non-regulatory approach
3. Extending the assurance requirement to cover the whole climate statement from October 2028
4. Extending the assurance requirement to cover the whole climate statement from October 2028 and empowering the XRB to stagger the introduction of assurance requirements prior to this date.

We support extending the scope of the assurance engagement from GHG emissions disclosures to the whole climate statement (Option 3). It is imperative that the scope of assurance appropriately balances user need and preparer cost and therefore we recommend a cost benefit analysis is undertaken to inform decision-making. In our view, the scope of the climate statement assurance engagement should not be extended before October 2028 because there are several other aspects that need to occur first:

- Establishment of the CRD assurance practitioner licensing regime (Issue 1).
- Development of reporting systems and processes for CRD – not just within CREs but in the whole supply chain e.g., to provide scope 3 GHG emissions data to CREs. Data quality is vital for it to be assurable, otherwise assurance reports will be modified which would undermine trust and credibility in climate statements.
- Post-implementation review by the External Reporting Board (XRB) of the New Zealand Climate Standards, anticipated to begin in December 2025, which will also consider the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards due to be issued by mid-2023.
- Capacity and capability building amongst all parties.

Option 3 is also consistent with the New Zealand Shareholders' Association (NZSA) expectation that environmental sustainability disclosures are included within the scope of the annual financial statement audit.²

We do not support staggering the introduction of mandatory assurance requirements (Option 4) for two reasons:

- CREs and CRD assurance practitioners would like certainty from the outset; there needs to be a clear pathway from the start, and
- There is a risk that assurance reports may be confusing for users to understand which parts of the climate statement have been assured.

² [Policy #22: Environmental Sustainability](#), Par. 1.23

One opportunity to bring about a transitional arrangement is through the level of assurance (i.e., limited or reasonable), which the law is currently silent on. Further consultation would be needed to consider this.

In the meantime, we support encouraging CREs to extend the scope of the climate statement assurance engagement (Option 2) voluntarily. One approach could be the XRB permitting early adoption of any new subject matter specific assurance standards when they are issued but not effective.

The Appendix provides more information about CA ANZ. Should you have any questions about the matters raised in this submission or wish to discuss them further, please contact Zowie Pateman, Deputy Leader – Reporting and Assurance, at Zowie.Pateman@charteredaccountantsanz.com

Yours sincerely

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Appendix

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents over 134,000 financial professionals, supporting them to make a difference to the businesses, organisations and communities in which they work and live. Chartered Accountants are known as Difference Makers. The depth and breadth of their expertise helps them to see the big picture and chart the best course of action.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with mentored practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard setters on behalf of members and the profession to advocate boldly in the public good. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations. We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 15 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.

We employ more than 500 talented people across Australia, New Zealand, Singapore, Malaysia, Hong Kong and the United Kingdom.