Proposed 2025 Amendments to Climate and Assurance Standards

Survey response 96

Company Name

Tadpole Consulting

Should AP 4, AP 5, AP 7 and AP 8, which relate to the disclosure and assurance of scope 3 GHG emissions, be extended?

No

Please give a reason for your answer

Our view is that it should not be extended. At Tadpole, we consistently hear from clients that the main reasons they embark on their ESG journey are because their customers demand it and because maintaining a social licence is critical. Customers are the ultimate regulator. Respond well to them and revenue and profits can grow; at the very least, you avoid being excluded at the start gate. While other stakeholders—employees, banks, insurers and regulators—are important, customer expectations seem to win out. A core element of every client's ESG programme is greenhouse gas (GHG) emissions. As more large companies measure and report their emissions, we've seen value chain partners embarking on their own carbon and climate journeys. Many of these companies would not have begun measuring or setting targets if their customers hadn't asked for it. The biggest driver of supplier engagement has been the need for large companies to measure Scope 3 emissions. This has led to emissions data being written into contracts, raised in supplier reviews, and included in codes of conduct. Encouragingly, rather than demanding data, most of our clients take a collaborative approach—working alongside suppliers, supporting them, and helping them build capability. The momentum is real and growing. Companies in New Zealand and internationally have been measuring Scope 3 emissions for some time. It is neither novel nor rocket science—but it does require motivation. That said, progress isn't without challenges. Clients often find that while some suppliers have data, others—particularly medium and small companies—do not. The solution is to begin, engage suppliers, teach, and share experience. Others can follow the same path. The bottom line: get moving. It will cost money, but not an unmanageable amount. The worst possible outcome would be a delay in measurement and reporting requirements. In our experience, instead of slowing efforts, many CREs would simply stop altogether—a sentiment we've heard directly from CFOs and CEOs. And if customers stop asking, why would suppliers continue? Just as momentum is building towards genuine emissions reductions for New Zealand, we risk grinding to a halt. For companies exporting to, or operating in, Australia, the need remains. The customer is still the ultimate regulator—so do we really want to risk falling behind? In our view: 1. The complexity of measuring Scope 3 is not new; proven and evolving approaches already exist. 2. Stopping and starting is wasteful—those who have already invested will lose value if the process stalls. 3. Robust transition planning requires an understanding of Scope 3 emissions.

Should AP 2, which relates to anticipated financial impacts, be extended?

No

Please give a reason for your answer

Our view is that AP 2 should not be extended. Our clients have all prepared a transition plan under the Year 2 CRD requirements, and many have commenced their Year 3 transition plans. Based on this experience, it is clear that—similar to the challenges of Scope 3 metrics and targets—developing a robust transition plan is very difficult without a view of the anticipated financial impacts. Additionally, the process of developing anticipated financial impacts typically represents a new approach. While it builds on established finance and risk methodologies and leverages skills developed through climate-related risk and opportunity assessments, this work remains unique and warrants focused attention. We expect that several iterations will be needed to build confidence in the transition plan outputs. Inputs are also likely to evolve year-on-year, given the rapid development of climate science and the growing guidance from key users such as banks and insurers. We believe that: 1. Several emerging international approaches can now be repurposed for the Aotearoa New Zealand context. 2. Whatever the framework, anticipated financial impact projections will inevitably be imperfect—like climate scenarios, their purpose is directional and to support adaptation and capital allocation decisions. 3. The FMA's 'evolve and learn' approach to assessing CRDs in the first two to three years is particularly appropriate for anticipated financial impacts. 4. This approach requires disclosure, and primary users will continue to require clarity regarding anticipated financial impacts, alongside a transparent account of the assessment process and underlying assumptions used by CREs. 5. We propose that, instead of extending AP 2: a. The XRB and/or a working group should use emerging frameworks to develop guidelines for NZ CREs (consistent with scenario analysis, transition planning, and other existing guidelines). b. The onus on CREs should be clarified and, where appropriate, relaxed: i. Any assurance requirements should focus specifically on process rather than the output figures. ii. Director liability should be limited in respect of anticipated financial impacts. c. AP 2, or the Climate Standards more broadly, should be adapted to include: i. A requirement to disclose progress year-on-year. ii. A requirement to disclose key barriers (akin to AASB S2, which requires such disclosures for anticipated financial impacts). While the effort required is significant, delaying or omitting anticipated financial impact disclosures is unlikely to be beneficial. What may seem onerous today will soon be core to business—and negligent to ignore. In this light, the disclosure regime offers many benefits: • Ensuring meaningful effort is undertaken; • Providing transparency and encouraging collaboration; and • Underpinning the 'evolve and learn' approach.

Any other comments

Both anticipated financial impacts and Scope 3 emissions are the hardest part of climate-related disclosures – which is the very reason why they are under this consultation should not be extended. The regulator should combine further guidance and a relaxing of the barriers to disclosure where appropriate (i.e. assurance), rather than delay the requirement altogether. Anticipated financial impacts and Scope 3 are key to effective transition planning and to the provision of a 'full picture' to primary users. They are also – especially Scope 3 – a key mechanism to driving sector and value chain collaboration and change across the broader economy. We need to keep momentum up – we need to also avoid constant change to the standards and regulatory settings. Better to get on with it, warts and all, and improve as we go.