

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

Your name and organisation

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Responses to consultation document questions

Objective	
1.	<p>Do you agree that we have set the right objective for considering Issues 1 and 2?</p> <p>We agree that the primary objective for considering assurance of climate-related disclosures is to find the best approach for enhancing the trust and confidence that <i>primary users</i> have in the information that is disclosed. Please note our emphasis on primary users as opposed to “readers” having trust and confidence.</p> <p>We agree that if the information is trusted, it is more likely to be useful and relied upon by primary users (not readers generally) of the disclosures when making decisions about capital allocation. We agree that trust in the information will help support the aim of ensuring routine consideration of the effects of climate change when making commercial decisions, driving smarter, more efficient allocation of capital to support a smooth transition to a more sustainable, low-emissions economy.</p>
Occupational licensing for CRD assurance practitioners	
2.	<p>Have we described the status quo and problem definition correctly? If not, why not?</p> <p>We think the status quo is well described.</p> <p>The problem definition appropriately captures some but not all key problems. Others could be added to the definition. It is critical that climate-related disclosures provide information to primary users (investors) that is comparable and consistent. If anyone can provide assurance regardless of skill it undermines those objectives. It is noteworthy that the financial advice regime requires licensing and minimum standards presumably to enable the public to have trust and confidence in the regime. For consistency and for the same reasons, the same should apply to those providing assurances.</p> <p>The problem about deterring highly qualified assurers because lower cost entrants could provide the service is the weakest element of the problem definition. It would be better to frame the problem positively, such as, licensing is needed to attract motivated, skilled practitioners who will be attracted to provide services under a well-regulated regime that sets appropriate standards. Practitioners should still compete aggressively on price.</p>
3.	<p>Do you have any comments about how we have described the co-regulatory model under the Auditor Regulation Act?</p> <p>We have no comment to make leaving such comment for professional bodies accredited under the Audit Regulation Act to respond.</p>
4.	<p>If co-regulation is the preferred option should we depart from any of the Auditor Regulation Act requirements? If so, which ones and why?</p> <p>We have no comment to make leaving that for professional bodies accredited under the Audit Regulation Act to respond.</p>

5.	If direct regulation is the preferred option do you agree that the FMA should be the regulator? If not, why not and who else should it be?
	Yes, we support the FMA being the regulator. The rationale is consistency since the FMA is the regulator of the XRB's standards. To have a separate regulator will cause confusion and complexity and raise the likelihood of inconsistency of approach. Not to go with the FMA will add to costs and inefficiencies in administering the whole regime. Further, if there is any consideration to widening the scope of assurance, then this would only lead to overlap and duplication.
6.	Do you agree that the hybrid model is not viable? Why/why not?
	Yes, for the three reasons given.
7.	Do you agree with our proposal that the FMA will set the minimum standards for CRD assurance practitioners? Why/why not?
	Yes, for the reasons we have given to Q5.
8.	Do you agree that we should only regulate the CRD assurance practitioner who takes overall responsibility for the assurance engagement? Why/why not?
	Yes, the regime needs one point of accountability and responsibility for assurance and this needs to be consistent with the approach taken under the Audit Regulation Act.
9.	Have we considered the best options (continuing with the status quo, co-regulation and direct regulation) to assess? If not, what other options should we consider?
	We believe the three options that have been considered, including the hybrid, are the best options to have considered.
10.	Do you agree with the criteria we are using to assess the options? Do you consider that the effectiveness criterion should have the most weight or should they all have equal weight?
	We do not disagree with the inclusion of any of those criteria. As noted earlier in our submission, trust and confidence in the regime will depend on the ability of primary users (investors) to be assured of the comparability and consistent quality of the reporting. This goes to the heart of effectiveness and why greater weight should be given to criterion 1.
11.	What level of trust and confidence do you think users will have in the climate statements under the status quo?

	We believe the level of trust and confidence under the status quo will largely come down to how investment analysts view the integrity or the reporting entity and its data. It will only take one poor assurance by an unskilled assurer to undermine confidence in the regime though, so this is why it is important to set high standards from the outset.
12.	Do you agree with our assessment of the effectiveness criterion? If not, why not?
	Yes, as we have noted in Q10 trust and confidence in the regime will depend on the ability of primary users (investors) to be assured of the comparability and consistent quality of the reporting.
13.	Do you agree with our analysis of the flexibility criterion? If not, why not?
	Yes.
14.	Do you agree with our analysis of the competitive neutrality criterion? If not, why not?
	Yes.
15.	Do you have any information about set-up and ongoing costs for new professional bodies to obtain the regulatory infrastructure required by the Auditor Regulation Act?
	No.
16.	Do you agree that new professional bodies will incur much higher costs than professional bodies already accredited under the Auditor Regulation Act to become accredited under a new co-regulatory model for CRD assurance practitioners?
	We do not know. Initial set-up costs need to be assessed in the context of the long-term value that is provided, so a short-term cost assessment should be secondary to other criterion, particularly effectiveness, unless it is overly expensive.
17.	Do you agree with our analysis of the efficiency criterion? If not, why not?
	Yes.
18.	Do you agree with our assessment of the three options? If not, why not?
	Yes
19.	Which option do you prefer and why?
	Assurance practitioners to be regulated by the FMA.

Expanding the scope of assurance	
20.	Have we described the status quo and problem definition correctly? If not, why not?
	Yes, noting our earlier comments about problem definition in Q2.
21.	Do you have any suggestions for non-regulatory options government should support?
	No.
22.	What comments do you have on the proposal to require full assurance of the climate statement for accounting periods ending on or after October 2028?
	This is an appropriate time period with the XRB being able to stagger assurance requirements from 2025.
23.	Do you agree with the criteria we are using to assess the options? Do you consider that the effectiveness criterion should have the most weight or should they all have equal weight?
	Yes and yes.
24.	What level of trust and confidence do you think users will have in the climate statements under the status quo?
	This is an odd question absent conducting a survey of primary users (investors). Our view is that it would have the highest risk of not obtaining sufficient trust and confidence and should be avoided.
25.	Do you agree with our assessment of the effectiveness criterion? If not, why not?
	Yes
26.	Do you agree with our analysis of the flexibility criterion? If not, why not?
	Yes
27.	Do you have any estimates of cost for obtaining full assurance over a Task Force on Climate-related Financial Disclosures based report?
	No.
28.	Do you have any estimates of cost for obtaining assurance over GHG emissions only?

	No.
29.	Do you agree with our analysis of the efficiency criterion? If not, why not?
	Yes.
30.	Do you have any comments on potential cost impacts of the preferred option and who would be impacted?
	No
31.	Do you agree with our assessment of the four options? If not, why not?
	Yes
32.	Should there be mandatory assurance requirements in relation to the whole climate statement?
	Yes, though this will require further consultation as clearly some aspects of reporting may fall outside the skillset and experience of assessors and fall more appropriately to auditors. This may have implications for auditors and the possibility of having obligations to more than one regulatory body.
33.	What are your views about a staggered implementation of assurance requirements prior to assurance in relation to the whole climate statement?
	We support a staggered implementation.
34.	Should the XRB be empowered to stagger assurance requirements?
	Yes, subject to full consultation.
Other Comments	