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## **AUCKLAND ANGLICAN RESPONSE TO THE CLIMATE CRISIS (AARCC) GROUP**

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27 May 2021

### **Submission on the Financial Sector (Climate-Related Disclosures and Other Matters) Amendment Bill**

The Committee Secretariat,  
Economic Development, Science and Innovation Committee  
Parliament Buildings  
Wellington 6140  
E-mail: [edsi@parliament.govt.nz](mailto:edsi@parliament.govt.nz)

**From: The Auckland Anglican Response to the Climate Crisis (AARCC) Group of the Anglican Church in Aotearoa, New Zealand and Polynesia.**

We DO wish to speak to this Bill if the Select Committee comes to Auckland.

Contact Person: Vicky Mee,

**Our interest in this Bill is because:**

- a) we, as the Anglican Diocese of Auckland passed the following resolution at our Synod in November 2020:**

*"THAT this Synod, supports the proposal by the New Zealand Government, in accordance with international best practice, to require mandatory, publicly-available climate change risk disclosure by publicly-listed companies, banks, general insurers, asset owners and asset managers, finance firms, and large non-listed companies."*

- b) The Anglican Diocese of Auckland in 2019 deemed the following resolution on the Sustainable Development Goals to be a Standing Resolution:**

*"THAT this Synod supports the seventeen Sustainable Development Goals (SDGs) which are a global call to action to end poverty, protect the planet and ensure all people enjoy peace and prosperity by 2030."*

In particular SDG13: "Take urgent action to combat climate change and its impacts"

- c) **The Tikanga-Pakeha Diocese of Auckland, is committed to the five-fold Mission Statement of the Anglican Communion and in particular “strive to safeguard the integrity of creation & sustain & renew the life of the earth” and “seek to transform unjust structures of society” to protect vulnerable communities.**
- (i) To proclaim the good news of the Kingdom;
  - (ii) To teach, baptise and nurture new believers;
  - (iii) To respond to human needs by loving service;
  - (iv) To seek to transform unjust structures of society;**
  - (v) To strive to safeguard the integrity of creation & sustain & renew the life of the earth**

**Accordingly we, as a faith community, speak from the mandate of our 2020 Synod resolution, our 2019 Standing Resolution and our Mission Statement to work with urgency for a more sustainable low emissions economy in Aotearoa New Zealand as we consider the matters covered by the Bill and raise concerns about inclusion, thresholds and timing.**

## **1.0 General Comments in support of the Bill:**

The AARCC Group welcomes this Bill which will introduce mandatory climate change risk reporting for Aotearoa New Zealand. A standardised reporting system will be created which will require disclosure of clear, comparable and consistent information about the risks and opportunities, linked to climate change, for organisations. This will enable organisations and investors to identify, understand and price climate related risks, promoting a more efficient allocation of capital, and a transition to a sustainable and low-emissions economy.

We warmly support the changes proposed in this Bill and its recognition that there will be benefits to Business from quantifying such risks.

## **2.0 Concerns related to omissions in this Bill:**

We applaud the aims of this Bill to broaden non-financial reporting by requiring and supporting the making of climate-related disclosures by certain FMC reporting entities and the importance of this as one of the means of assisting Aotearoa New Zealand meet its target of zero carbon by 2050.

**However, following through on our commitment to work to combat climate change with urgency and knowing that this decade is critical for preventing permanent, catastrophic changes in the global climate we have concerns that this Bill, as it is currently drafted, does not require reporting from many large entities and there is no timetable put forward to include more entities in the risk disclosure regime. We are particularly concerned about:**

- **The non-inclusion of large privately owned businesses or those owned by multi-nationals.** We believe it is essential that these entities should be subject to the Bill and that a far wider range of entities should be compulsorily included. Large privately-owned businesses or those owned by multi-nationals, should be subject to the obligations in the Bill, not least because some of them are major emitters and/or complete with listed entities.

- **The non-inclusion of Crown financial institutions.** We believe that Crown financial institutions should be subject to the Bill, not just to a letter of Ministerial expectation. Crown financial institutions which invest in corporations overseas must ensure that the organisations they invest in are not adding to climate change and hence must seek information from those entities before making investments and divest of any entity that refuses to provide information.
- **The threshold of the Bill only applying to those with assets of a billion dollars or more, or, in the case of insurance companies, with revenue of more than \$250 million.** This limits the reach of the Bill to approximately 200 entities and we believe that this is not wide enough to create significant momentum to have sufficient impact on zero carbon targets. We would wish to see all entities that have a significant impact on the environment included.
- **There could be a need for a defined exemption period (eg five years) to allow smaller entities to transition to the mandatory regime.** We would hope to see the majority of New Zealand's companies and government departments working under the Bill in five year's time.
- **Appropriate resource and time be allowed for the wider implementation we recommend. Sufficient time will be required to allow for development of the standards, education and training of the enforcement work group.**

### 3.0 Stakeholder Engagement in developing reporting standards and guidance

We strongly support opportunities for stakeholder engagement and consultation, including organisations involved in climate change advocacy and mitigation, when the External Reporting Board (XRB) begins developing new standards and guidance material for producing climate-related financial disclosures in February 2022. It is important to take account of international developments and be guided by the thoughtful leadership of environmentalists. The reporting standards must go beyond pure financial information.

We understand that updating and issuing non-binding guidance material related to non-financial reporting requires ongoing input from a collaborative group with financial, valuation and environmental expertise.

### 4.0 Enforcement and penalties

We support the proposed penalties under the Bill and the distinction between low-level infringements (including failure to lodge climate statements within the prescribed timeframe) which will carry civil fines as opposed to criminal penalties of up to \$2.5 million for organisations that fail to comply with an applicable climate standard.

We also support civil fines of up to \$5 million (for organisations) or \$1 million for failures to keep proper records, to prepare and lodge climate statements and to obtain assurance for certain parts of climate statements.

### 5.0 Timing

For many Climate Reporting Entities, there is less than one year until the beginning of FY2023 (beginning 1 April 2022 for many New Zealand entities). As the XRB has indicated that it aims to have the mandatory climate-related reporting regime effective from 2023, there is a real chance that Climate Reporting Entities will be required to collect relevant climate-related data to enable them to meet their reporting obligations from early 2022.

As such, while Climate Reporting Entities' reporting obligations will not appear in their reporting as

a matter of regulatory compliance until the FY2023 reporting season, much of the information and data underlying the required climate-related disclosures may need to be collected from early 2022.

We would prefer to see a wider net established and if necessary delay the introduction of the reporting obligations by no more than one year to allow sufficient time for development of the standards, education around those standards and training of the enforcement work group.

## 6.0 Conclusion

Thank you for considering our submission. We appreciate the innovative nature of this Bill and that it is a world-first. We welcome the collaboration between business and government to achieve SDG13 and to lower financial risk for investors and fund-holders while contributing to alleviation of climate change and its impact on disadvantaged nations and individuals.

We believe that the range of entities included in this Bill needs broadening in order to make a significant and early impact on Aotearoa New Zealand's carbon emissions. Our recommendation is that the Bill encompasses the time-frame for wider implementation over a five year period. The Bill as it currently stands misses the opportunity to normalise the view that climate related risks are business risks for all Aotearoa New Zealand business entities.

We ask the members of the Economic Development, Science and Innovation Select Committee to strongly advocate for widening the range of entities (including Crown financial institutions, large privately owned businesses and those owned by multi-nationals) initially included and for introduction of an agreed transition period for mandatory inclusion of smaller entities to hasten uptake on a broad basis.

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