

Sustainability Matters

Compiled and published by Ray Skinner, FCA

Business achieving a tomorrow for tomorrow's children

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IASB Chair on What Sustainability Reporting Can and Cannot Achieve

"The following is a summary of a speech given on Tuesday, 2nd April by Hans Hoogervorst, chair of the International Accounting Standards Board, at the Climate-Related Financial Reporting Conference in Cambridge, U.K.

"According to the *Financial Times*, there are at least 230 corporate sustainability standards initiatives across more than 80 sectors. In this plethora of sustainability initiatives, two main orientations can be distinguished.

"The first strand of sustainability reporting is embedded in corporate social responsibility (CSR) reporting. It seeks to promote behavioral change by requiring companies to demonstrate how they contribute to a better world by engaging in environmentally sustainable activities. This strand of sustainability reporting is oriented toward the public good and views society at large as the audience of reporting.

"Although this strand in sustainability reporting is perfectly legitimate, its scope is different from the scope of IFRS standards. Our standards do not seek to portray the contribution of a company to the public good, but to provide information that helps investors in their efforts to predict future cash flow of the company itself. So, CSR-like sustainability reporting does not meet the objectives of financial reporting, although there may be some overlap in practice.

"However, there is another, increasingly influential strand in sustainability reporting that is more focused on the impact of sustainability issues on the company itself, rather than on the public good. It seeks to provide investors with information on how sustainability issues might impact the company's future financial performance.

More: <http://www.cfo.com/sustainability/2019/04/climate-change-reporting-a-catalyst-for-change/> plus www.ifrs.org/news-and-events/2019/04/speech-iasb-chair-on-sustainability-reporting/

Source: CSEAR, 13th April and Karen McWilliams, LinkedIn share 5th April 2019

Editor: Accountants and others should read these in full; they are easily readable and take only a few minutes. Includes 'As my aviation example demonstrates, we are clearly far removed from this ideal world. This is the reason why many people see climate-change reporting, or more broadly sustainability reporting, as an important catalyst for change.'

EDS Conference, *Through New Eyes*

"NZ's distinctive land and seascapes provide deep cultural connections, physical and spiritual respite and havens for biodiversity. Despite their importance, many of our special places continue to be degraded. *Through New Eyes* will critically assess the existing framework for land and seascape protection. We will explore a 'third way' – a new, innovative approach to better protect highly valued, private land and assess the future of our conservation estate.

When/Where: 14th - 15th August, Auckland

More: www.edsconference.com/

Source: *Tieke: ECO Alerts & Events*, 10th April 2019.

Reporting <IR>

"Integrated reporting aims to give stakeholders a clear, concise and balanced view of how an organisation creates sustainable value.

"Integrated reporting <IR> will be the reporting norm in most jurisdictions by 2022 if the International Integrated Reporting Council (IIRC) achieves its goals. As the demand for clearer communication grows, <IR> can help organisations meet their reporting obligations and tell their value story to investors and other stakeholders in a more compelling way.

"An integrated report is a concise communication about how an organisation uses its scarce resources and key relationships through its governance and business model to implement strategy and create value over the short, medium and longer term. It can be a standalone report or included as part of another communication.

"The <IR > Framework, released in 2013, was developed in response to poor business practices that led to the global financial crisis (GFC).

"Five years on, we are seeing more listed companies and organisations applying <IR> principles to provide more balanced and transparent disclosures, ...

"At a time when those who prepare financial reports face an ever-increasing reporting burden, <IR> provides a framework to reconsider not only the organisation's flagship annual report, but also its broader reporting strategy.

"The key benefit for stakeholders is greater clarity about the information the board and management believe is most relevant to a better understanding of an organisation's performance in using scarce resources to deliver on strategic priorities in the current period, while setting itself up for future success – its value story.

"It's important accountants, especially those preparing annual reports and other communications, or involved in auditing data, get up to speed on the principles of <IR> and how to apply them as they prepare, present and assure their 2019 reporting suite.

More: <https://acuity.partica.online/acuity/acuity-april-2019/expertise/tell-the-value-story-through-integrated-reporting-ltirtg>

Source: *Acuity*, page 41, April-May 2019 edition.

Energy Equity: Bringing Solar Power to Low-Income Communities

"Reporter Maria Gallucci examines the growing number of 'community solar' projects across the United States which are helping to deliver renewable energy – and the cost-savings it can provide – to low-income households, from California to Minnesota to Massachusetts. A dozen states and the District of Columbia have developed a variety of mandates, financial incentives, and pilot programs to make it easier for low-income participants to join these shared solar projects, which can cut utility bills by as much as 50%.

More: <https://e360.yale.edu/features/energy-equity-bringing-solar-power-to-low-income-communities>

Source: *Yale Environment 360*, 5th April 2019.

<IR> Reporting – A 5-part Introduction


"This live 5-part webinar series is primarily designed for individuals who want to understand Integrated Reporting, including integrated thinking and the benefits it can bring to an organisation e.g. directors, senior executive and other managers who are interested in a high level overview of the what is happening in business reporting, the move towards integrated and strategic reporting and the benefits.

"Upon satisfactory completion of the series, you will be able to present the business case for the introduction to Integrated Reporting, including integrated thinking, to an organisation. You will also be able to explain the fundamental concepts of value creation, the capitals, and the value creation process to an organisation, as well as describing the requirements of International Framework. Finally, you'll be able to describe the factors that contribute to successful implementation of Integrated Reporting, within an organisation.

"If you can't make the live session, you will receive a copy of the recording within 1 hour of the live webinar taking place.

Where/When: Webinar. All at Noon-1:00pm AEST
One 9th May. Two 16th May. Three 23rd May.
Four 30th May. Five 6th June.

More: <https://store.charteredaccountantsanz.com/Introduction-to-Integrated-Reporting-2019>


Source: *Acuity*, page 41, April-May 2019 edition. 

As Mass Timber Takes Off, How Green is This New Building Material?

"Mass timber construction is on the rise, with tall wooden buildings being erected from Vancouver to London. This week at *Yale Environment 360*, our contributing writer Jim Robbins reports on this new building material, which its advocates say could revolutionise the construction industry and be part of a climate change solution. Mass timber is made of layers of wood glued or nailed together, and it is stronger than steel, lighter, and just as fireproof. But as Robbins reports, sawmills in the U.S. West are opening to keep pace with the new demand for wood, and some sustainability experts are questioning whether the logging and manufacturing required to produce this new material outweigh the benefits.

More: <https://e360.yale.edu/features/as-mass-timber-takes-off-how-green-is-this-new-building-material>

Source: *Yale Environment 360*, 12th April 2019

Editor: This article could be of considerable interest to NZ's foresters, timber manufacturers, carbon market investors, architects, raters and others. 

Pacific Central Bankers Prioritise Capital Flows and Climate Change

"At a meeting in Auckland yesterday [2nd April], the Governors of the nine central banks agreed a vision for the group to 'collaborate to promote the prosperity and economic wellbeing of our member nations'.

"The governors started a project to explore how to improve access to, and lower the cost of, capital flows and international payments and settlements within the Pacific region.

"The governors also agreed to involve the Network for Greening the Financial System (NGFS) in an event in November that will look at the impact of climate change on the Pacific's financial systems and our response to it. The NGFS is an international group of central banks co-ordinating work on climate change and fostering investment in green technology. The event will be held alongside the 34th Pacific Central Bank Governors' meeting in Sydney in November.

More: www.rbnz.govt.nz/news/2019/04/pacific-central-bankers-prioritise-capital-flows-and-climate-change

Source: *Carbon News*, 8th April 2019. 

Degrowth: A Call for Radical Abundance

"When orthodox economists first encounter the idea of degrowth, they often jump to the conclusion the objective is to reduce GDP. And because they see GDP as equivalent to social wealth, this makes them very upset.

More: www.filmsforaction.org/articles/degrowth-a-call-for-radical-abundance/

Source: Malcolm Rands, Facebook share 16th April 2019. 

Sustainable Finance Forum Takes Shape

"Eleven leaders from across New Zealand's finance and business sectors have met for the first time as the Sustainable Finance Forum Leadership Group.

"The forum is an initiative of The Aotearoa Circle – a unique partnership of public and private sector leaders who are committed to the pursuit of sustainable prosperity and reversing the decline of New Zealand's natural resources.

"The Leadership Group is comprised of:.....

"This group of leaders was selected because of their mix of leadership skills, their impressive depth of experience in the financial and business sectors and ability to have influence in their networks", said Karen Silk, Westpac.

"The Sustainable Finance Forum is The Aotearoa Circle's first project. The Forum is tasked with designing a roadmap to help New Zealand shift to a financial system which supports economic, social and environmental outcomes. The forum will identify opportunities and make recommendations to help align New Zealand's financial system with 21st century sustainability challenges such as meeting New Zealand's Paris commitments around reducing our emissions and achieving the UN Sustainable Development Goals.

"The leaders involved recognise the need to realign the financial system and to ultimately ensure that the long-term consequences of financial practices contribute to, and do not undermine, sustainable development. They have chosen to dedicate their time and expertise to make it happen, commencing in early March.


"New Zealand's sustainable finance agenda is running in parallel with Australia's. Both countries, however, trail Canada, the European Union and the United Kingdom, which, among other international peers, have begun designing and implementing roadmaps to sustainable financial systems. The work of global organisation the United Nations Environment Program Finance Initiative, has been critical, laying out a framework for how countries can approach this systemic issue.

"The Sustainable Finance Forum has an ambitious work programme, including a significant period of engagement and deliberation over the next 6 months before delivering an interim report towards the end of 2019, a final report in early 2020, followed by a roadmap for implementation.

"Paul Goodwin, Managing Director, Institutional at ANZ and member of the Leadership Group says 'Sustainable finance is a critical part of the transition to a low emissions economy, but also in tackling other crucial environmental and social issues like water and poverty that we all care about. Banks, investors and insurers play a vital role in facilitating the flow of capital to the projects, innovative technology and business strategies needed to address the significant sustainability challenges facing our country. We know a lot of good work has already been done which we can draw on to accelerate change and we plan to do just that.' ...

"A stakeholder group of interested stakeholders is also being established which you can join via info@theaotearoacircle.nz

More: www.theaotearoacircle.nz/the-articles/2019/3/31/new-zealands-sustainable-finance-forum-takes-shape-1 plus www.theaotearoacircle.nz/about-us

Source: *SBC Weekly Pānui*, 4th April 2019. 

EMBARC: Achieving Low Emissions Together

Registrations are now open for the first EMBARK event on 24th July in Auckland.

Embark will enable attendees to take positive action to reduce emissions in their organisations.


Attendees will hear from businesses who have signed up to the Climate Leaders Coalition about how they measure and report their emissions, set a public emissions reduction target, and implement projects to reduce emissions.

There will also be practical 'how to' advice on setting meaningful targets, writing transition plans, financing and offsetting.

Businesses will also share the quick wins and why doing this work has been beneficial to their bottom line, brand and reputation.

The event will directly connect businesses with solutions providers – so you'll leave knowing what your next steps are, and who can help you take them

More: www.embark2019.nz/home

Source: *SBC Weekly Pānui*, 28th March. 

Kiwis Incentivised to Build Healthy Homes

A new deal offered by ANZ will offer a one-year home loan rate of 3.75% – but there's a catch.

The bank's new Healthy Home Loan package is available only to Kiwis who build or upgrade their houses to the level of a six-star Homestar rating.

It offers a 0.7% discount off the bank's standard fixed home loan rate, 1% off the standard floating and flexible home loan rates, and fee waivers across a range of accounts.

Homestar is an independent tool rating the health, warmth and efficiency of New Zealand houses on a scale of 6 to 10.

Most existing New Zealand homes only achieve a two or three rating, and new homes – even though they're built to the Building Code – will only achieve three or four', ...

The idea of building sustainably is not mainstream here yet. It's viewed as an expensive luxury, rather than the basic standard it should be.

Our housing market will gradually catch up with international standards, but we don't want to wait for that – we want to create better homes now.


The New Zealand Green Building Council has calculated it costs about 1.5% more to build a three-bedroom house meeting the six Homestar rating compared to a similar house built to code, but about \$500 less a year to run.

A Healthy Home Loan package on the average home will save a customer another \$500 a year or so in interest costs.

More:

www.indianweekender.co.nz/Pages/ArticleDetails/7/10540/New-Zealand/ANZ-announces-a-Healthy-Home-Loan-package-to-help-Kiwis-into-homes-with-sustain-plus-stuff.co.nz/business/money/111978434/anz-cuts-mortgage-rate-but-theres-a-catch

Source: NZGBC, 12th April 2019


Editor: An initiative which I've been keen to see for more than 15 years – a welcome start. 

How a Small Community in India Became the Country's First Green Village

Khonoma village in the Northeastern Indian state of Nagaland is spearheading community-led conservation in the nation, writes Anne Pinto-Rodrigues.

More: www.eco-business.com/opinion/how-a-small-community-in-the-northeastern-corner-of-india-became-the-countrys-first-green-village/

Source: eco-Business.com, 3rd April 2019

Editor: A fascinating story about obtaining community buy-in to looking after a community's most valuable assets. 

Sustainable Business Network Awards

Join us as we kick off the 2019 Awards season!


You are invited to join us on 1st May for the launch of the 2019 NZI Sustainable Business Network Awards;

- Get insight into the award categories
- Hear about the benefits of entering from past winners
- Learn how to create a winning entry with insider tips from a judge
- Connect with like-minded businesses

Timetable:

- Awards Launch event: 1st May, 5.30pm
- Awards Entries open: 1st May – 14th June
- Finalists announced: mid-August
- Awards night: 28th November

More: <https://sustainable.org.nz/sustainable-business-events/2019-nzi-sustainable-business-network-awards-launch/>

Source: SBN, 4th April 2019. 

CDP Environmental Disclosure Workshop

After a successful lunch of their Regional Environmental Disclosure Report earlier this year, the CDP team [Carbon Disclosure Project] is back in New Zealand to run a free workshop to help you better navigate the CDP reporting process [<https://www.cdp.net/en>].


This practical workshop will cover:

- Updates to CDP questionnaires, scoring methodology, guidance documents and online reporting system
- Demonstration of the online platform
- Tips for completing your CDP response
- An overview of Science-Based Targets

If your organisation currently responding to CDP or is considering responding, this workshop is for you.

To register: eMail marketing@enviro-mark.com.


When/Where: 6th May, Royal NZ Yacht Squadron, Auckland

Source: Ashish Kundalkar, Enviro-Mark Solutions, 12th Apr. 

Message from Mike

Last year brought alarming new evidence of the risks we face from climate change. Droughts, wildfires and powerful storms claimed lives and caused billions of dollars in damages. We urgently need to do more to confront this growing crisis. Bloomberg is committed to helping lead the way. ...

More: www.bloomberg.com/impact/message-from-mike/

Source: *ReportAlert*, 11th April 2019. 

"Life versus the Machine"


'It is okay to be confused. It is okay to be small. It is okay not to know what to do. Really, the only thing that is not okay is turning away.'

Paul Kingsnorth's latest essay argues the collapse of the industrial economy might be the only way left to prevent the mass destruction of life on Earth.

More: <https://orionmagazine.org/article/life-versus-the-machine/>

Source: *Orion Magazine*, 5th April 2019


Editor: A lengthy eloquent thought-piece in which the author seeks 'realistic proposals' and to which there are some responses. He finishes with;

- How much more will we burn?
- Sometimes doing nothing is better than doing something. Sometimes it is the other way around.
- Sometimes a wrench must be thrown into the gears with as much accuracy and determination as you can muster, even if it may mean you are thrown out of a moving vehicle.
- Root your feet down now, in the earth where you are. Stop talking. You don't know anything, and none of your words matter.
- Pay attention. Give love. Give shelter.
- Dig out your wrenches.
- Do your work. 

Is Palm Oil in Your Hot Cross Bun?

"Hot cross buns are a classic Easter treat. However, at some supermarket bakeries it's impossible to tell from the label if your buns contain palm oil or not.

Source: www.consumer.org.nz/articles/is-palm-oil-in-your-hot-cross-bun

More: *Consumer*, 13th April 2019. 

Australian Regulators Call for a Shift in Treatment of Climate-related Risks

"The last twelve months has seen a major shift in the way Australian regulators view the impacts of climate change and the risks to the economy. The Australian Prudential Regulatory Authority (APRA), the Australian Securities and Investments Commission (ASIC) and the Reserve Bank of Australia (RBA) have all publicly issued statements illustrating the risks, the concerns and the opportunities.

"The recent Bureau of Meteorology (BoM) and CSIRO report, *State of the Climate*, notes Australia's climate has warmed by just over 1^oC since 1910 with this small rise has already had a significant effect with the frequency of extreme heat events increasing from 2% to 12.5%, and it is expected there will be further warming over the next decade.

"In his recent speech the Deputy Governor of the Reserve Bank of Australia noted 'The policy environment has a key effect as well as the climatic environment. It is worth noting the effect on the Australian economy is not just a function of the domestic political environment, but also of other countries, most notably our trading partners.' He also stated 'Financial stability is also a core part of the Reserve Bank's mandate. Challenges for financial stability may arise from both physical and transition risks of climate change.'

"Debele then explains the RBA has taken steps by talking to businesses ... and climate modellers to translate the effect of climate change into economic models and frameworks which inform Australia's monetary policy decision-making. In 2018, the RBA also joined the Network for Greening the Financial System (NGFS), a group of central banks that are examining climate issues. [NZ's Reserve Bank has also joined.]


"Findings from ASIC's recent report 593 demonstrate many Australian listed companies have provided voluntary climate risk and climate-changed-related disclosure to the market. However ASIC found many disclosures were too general and not comprehensive enough to be useful to investors. The findings also state Directors and officers of listed companies need to understand and continually reassess existing and emerging risks (including climate risk) that may affect the company's business. This extends to both short-term and long-term risks.

"In a joint bulletin issued in December 2018, the AUASB and the AASB address climate-related and other emerging risk disclosures in the context of financial statement materiality. The bulletin, *'Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB Practice Statement 2'* puts entities operating in industries impacted by climate-related risks on notice stating 'your financial reporting considerations have now changed as a result of your investors publicly stating that their decisions are being impacted by climate-related risks.'

"Although the guide is not mandatory, the two bodies have warned it represents the IASB's best practice interpretation of materiality and entities in Australia are already being subject to law suits regarding lack of disclosure. The bulletin states: ... the impact of the materiality definition and *AASB Practice Statement 2 Making Materiality Judgements* is entities can no longer treat climate-related risks as merely a matter of corporate social responsibility and should consider them also in the context of their financial statements.'

"Kris Peach, chair of AASB recently commented 'It's been very important we help companies, and particularly directors and CEOs, start to think about the impact of climate risk and other emerging risks in their financial statements. That's the real purpose for us – you need to have a very broad conversation when you're starting to think about these risks.'

More: www.charteredaccountantsanz.com/news-and-analysis/news/australian-regulators-call-for-a-shift-in-treatment-of-climate-related-risks

Source: Karen McWilliams, CA ANZ, 27th March 2019. 

Indicators Aotearoa New Zealand – Ngā Tūtohu Aotearoa

"Indicators Aotearoa New Zealand is being developed by Stats NZ as a source of measures for New Zealand's wellbeing. The set of indicators will go beyond economic measures, such as gross domestic product (GDP), to include wellbeing and sustainable development.

"The wellbeing indicators will build on international best practice, and will be tailored to New Zealand.

"This work supports many cross-government initiatives and international reporting requirements, including the Treasury's Living Standards Framework and the United Nations' Sustainable Development Goals (SDGs).

"Indicators Aotearoa New Zealand will be delivered by Stats NZ and will support the government's ambition to use a wellbeing approach to strategic decision-making.

"Indicators for which we have information will be populated with data when we release our website in late June 2019.

"We have now decided the indicators we will be reporting on from June 2019.

"The indicators cover New Zealand's current wellbeing, future wellbeing (what we are leaving behind for future generations), and the impact New Zealand is having on the rest of the world. Under these dimensions are a list of topics and indicators developed to measure wellbeing.

"Indicators Aotearoa New Zealand seeks to understand the most important aspects of wellbeing for New Zealanders. Therefore, the selection of indicators was not driven by the availability of data. The initial set of indicators includes gaps in data, ranging from a complete absence of data to limitations on the ability to break information down to useful and meaningful levels for different communities.

"Stats NZ is working with stakeholders to prioritise understanding data gaps and how they can be addressed. We're feeding this information back to Government for their consideration.

"The following set of indicators (sorted by topic) has been signed off by the Government Statistician:

- Current wellbeing
- Future wellbeing
- Impact on rest of the world (transboundary)
- Contextual indicators
- Download the suite of indicators
- Next steps
- Indicator selection process

"Indicators Aotearoa New Zealand – Ngā Tūtohu Aotearoa: Key findings from consultation and engagement, outline details behind each of the selected indicators and their availability/non-availability

More: www.stats.govt.nz/reports/indicators-aotearoa-new-zealand-nga-tutohu-aotearoa-key-findings-from-consultation-and-engagement 67 pages, 1.25Mb

Accompanied by a spreadsheet with more insights

Source: David Living, 10th April 2019. 