Reviewing voluntary reporting frameworks mentioned in 2018–2021 annual reports from NZSX-listed companies

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1.0 Introduction

1.1 Purpose

The initial aim of this research was to provide useful data and insights regarding the need to establish a mandatory (comply-or-explain) climate-related reporting regime in New Zealand. At the time of writing, the XRB's mandatory climate reporting standards are in their final stage of development and expected to be implemented later this year. The primary purpose of this research now is to record and benchmark movement within this area and, more generally, to contribute to the dialogue on how New Zealand might manage risks and maximise opportunities in transitioning toward a low-carbon economy.

This paper provides a quantitative assessment of the state of climate reporting in New Zealand through the lens of NZSX-listed companies that mention and/or report against recognised international reporting frameworks/instruments in their 2021 annual reports. The research has a specific interest in climate change and environmental reporting.

1.2 Purpose of Project ReportingNZ

This working paper forms part of Project *ReportingNZ*, which aims to contribute to a discussion on how to build an informed society, with particular regard to the important role that entities play within society. When entities operate efficiently and with similar values to the communities in which they operate, they add value through employment, taxation revenue and the support of community initiatives. However, entities can also present challenges if they do not reflect societal values or do not operate in a transparent manner. Project *ReportingNZ* looks specifically at the role of annual reports as a tool for improving the relationship between entities and the communities in which they operate. It also examines annual reports as one of the few mechanisms to collect readily available data on entities for use as an evidence base in policy development.

An underlying assumption of Project *ReportingNZ* is that New Zealand's reporting framework is no longer fit for purpose. Questions of what users of reports need to know, in what format and in what time frame, need to be explored and assessed regularly to ensure reports are timely, relevant, cost-effective and useful. The specific assumption underlying this working paper is that reporting on climate change is new, challenging and complex. As a result, all parties are required to work together to ensure that regulation, standards and guidelines work together to produce cost-effective, accessible, timely and comparable reports. The adage 'we manage what we measure' highlights that what is not measured is not managed. This working paper has been developed under the assumption that having a source of accessible, comparable and meaningful information gathered over an extended period of time creates a fundamental basis for informing public policy decisions.

2.0 Methodology

2.1 Method

This working paper provides a quantitative assessment of the state of environmental reporting in New Zealand by recording which voluntary frameworks entities mentioned in their 2021 annual reports. This same research has been performed over 2017, 2018, 2019 and 2020 annual reports. Benchmarking, updating and comparing data sets over time enable the institute to gain insights on any developing trends. Assessing the quality of the reporting information is outside of the scope of this research.

Step 1: Find a soft copy of each NZSX-listed entity's annual report

Annual reports were grouped by date. For example, a report that was dated 31 December 2021, but published in 2022, was grouped in the 2021 data set (see Table 1 below). Annual reports were found on the NZX website (under each entity). NZSX-listed company data sets are taken directly from the NZX Main Board website (NZSX). The Institute removed trusts and funds by only including companies with the term 'Limited' in their names.

Given that the NZSX changes over time as companies list and de-list, the data set is derived from the calendar year-end. For example, when looking at the 2021 annual reports of NZSX-listed companies, the list of companies was derived from the list of NZSX-listed companies as at 31 December 2021.

Further, if a company's annual report was not found, it was excluded from step 2.

This occurred in two cases in 2020; one company was in receivership and the other was only listed on the NZSX on 21 December 2020. This means in 2020, 130 annual reports went through to step 2.

We were unable to find six companies' annual reports; one company was in receivership (Smiths City Group Limited [SCY]), two were de-listed (DGL Group Limited [DGC] and QEX Logistics Limited [QEX]), and three only provided financial statements (Chatham Rock Phosphate Limited [CRP], Greenfern Industries Limited [GFI], Vulcan Steel Limited [VSL]). In 2021, 132 annual reports went through to step 2.

The data sets found for each year are set out in Table 1:

Table 1: Data sets of NZSX-listed companies (excluding trusts and funds), 2017–2021

Data sets	2017		2018		2019		2020		2021	
	No. of entities	No. of available annual reports	No. of entities	No. of available annual reports	No. of entities	No. of available annual reports	No. of entities	No. of available annual reports	No. of entities	No. of available annual reports
NZSX-listed companies	129	126	124	123	132	130	132	130	138	132

Step 2: Use the search tool in Adobe Acrobat Pro to find key information

All annual reports found were searched for any mention of selected voluntary frameworks. The results of whether or not an entity had mentioned one or more of the above frameworks/instruments were recorded in an Excel spreadsheet, listing the entity name and the relevant page number/s in the annual report).

2.2 Types of voluntary reporting frameworks

The 22 different frameworks analysed are briefly described as follows:

1. **B Corp (B Corporations)**

   B Corp is a certification available to businesses that meet the highest standards of social and environmental performance, public transparency and legal accountability to balance profit and purpose.[1]

2. **CarboNZero**

   This certification assists entities with accurate measurement of greenhouse gas emissions and putting in place strategies to manage and reduce climate impacts.[2] The programme then helps entities offset their remaining emissions to achieve net zero.[3]

3. **CDP (formerly Carbon Disclosure Project)**

   CDP is a registered charity that runs a global disclosure system that enables companies, cities, states and regions to measure and manage their environmental impacts.[4] The initiative is also intended to help investors and policy-makers by providing a database for decision-making.[5]

4. **CDSB (Climate Disclosure Standards Board)**

   The CDSB is made up of businesses and NGOs working to provide decision-useful environmental information to markets via mainstream corporate reports.[6] They do this by providing a framework to preparers that allows them to report environmental information with the same rigour as financial information, with the ultimate goal of 'advancing and aligning the global mainstream corporate reporting model to equate natural capital with financial capital'.[7]

5. **CEMARS (Certified Emissions Measurement and Reduction Scheme)**

   This certification is linked to the carboNZero initiative. Similarly, it aims to enable accurate measurement of greenhouse gas emissions and help put in place strategies to manage and reduce climate impacts.[8]

6. **Ceres**

   Ceres is a sustainability not-for-profit that works with the most influential investors and companies to build leadership and drive solutions throughout the economy.[9] Their work centres around the 'business case for sustainability' and mostly involves forming networks and building leadership.[10]

7. **CSR (Corporate Social Responsibility)**

   Corporate social responsibility is related to the idea of 'corporate citizenship' and provides a 'self-regulating business model that helps a company be socially accountable to itself, its stakeholders, and the public'.[11]

8. **DJSI (Dow Jones Sustainability Indices)**

   This index family 'tracks the stock performance of the world's leading companies in terms of economic, environmental and social criteria'.[12]

9. **FTSE4GOOD (FTSE Russell Index Series)**

   This index family is 'designed to measure the performance of companies demonstrating specific Environmental, Social and Governance (ESG) practices'.[13] It mainly serves investors.

10. **GHG Protocol (Greenhouse Gas Protocol)**

    The GHG Protocol provides standards, guidance, tools and training for a range of public and private sector entities to measure and manage climate-warming emissions by establishing 'comprehensive global standardized frameworks'.[14]

11. **GLEC framework (Global Logistics Emissions Council)**

    This framework is targeted at 'shippers, carriers and logistics service providers' as a way of developing 'harmonized calculation and reporting of the logistics GHG footprint across the multi-modal supply chain'.[15] It is aligned with the GHG Protocol and CDP reporting.[16]

12. **GRI (Global Reporting Initiative)**

    The GRI has pioneered sustainability reporting since 1997. Their reporting standards are 'rooted in the public interest' and are intended to help 'businesses and governments worldwide understand and communicate their impact on critical sustainability issues such as climate change, human rights, governance and social well-being'.[17]

13. **IIRC (International Integrated Reporting Council)/International Framework**

    The IIRC, which administers the International Framework, is 'a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs' that promotes communication about value creation as the next step in the evolution of corporate reporting.[18] The process of integrated reporting is outlined in the International Framework, which broadly outlines the content of an integrated report, applying 'principles and concepts that are focused on bringing greater cohesion and efficiency to the reporting process, and adopting 'integrated thinking' as a way of breaking down internal silos and reducing duplication'.[19]

14. **International Organization for standardization (ISO) 14000 family – Environmental management)**

    This family of standards provides practical tools for companies and organisations of all kinds to manage their environmental responsibilities.[20] The standards are as follows:

    a. ISO 14001 Environmental management systems – Requirements with guidance for use

    b. ISO 14004 Environmental management systems – General guidelines on implementation

    c. ISO 14006 Environmental management systems – Guidelines for incorporating eco-design

    d. ISO 14015 Environmental management – Environmental assessment of sites and organisations

    e. ISO 14020 to 14025 Environmental labels and declarations

    f. ISO/NP 14030 Green bonds – Environmental performance of nominated projects and assets; discusses post-production environmental assessment

    g. ISO 14031 Environmental management – Environmental performance evaluation - Guidelines

    h. ISO 14040 to 14049 Environmental management – Life cycle assessment; discusses pre-production planning and environment goal setting

    i. ISO 14050 Environmental management – Vocabulary; terms and definitions

    j. ISO/TR 14062 Environmental management – Integrating environmental aspects into product design and development

    k. ISO 14063 Environmental management – Environmental communication; Guidelines and examples

    l. ISO 14064 Greenhouse gases – measuring, quantifying, and reducing greenhouse gas emissions

15. **Measuring Emissions: A Guide for Organisations**

    This guide sets out how to quantify and report GHG emissions and provides methods to apply emission factors to produce a GHG inventory.[21]

16. **NGER (National Greenhouse and Energy Reporting scheme)**

    The NGER provides a single national framework in Australia for 'reporting and disseminating company information about greenhouse gas emissions, energy production, energy consumption and other information'.[22]

17. **PRI (Principles of Responsible Investment)**

    The United Nations PRI is the world's leading proponent of responsible investment. It 'encourages investors to use responsible investment to enhance returns and better manage risks, but does not operate for its own profit; it engages with global policymakers but is not associated with any government'.[23]

18. **SASB (Sustainability Accounting Standards Board)**

    The SASB standards 'guide the disclosure of financially material sustainability information by companies to their investors'.[24]

19. **TCFD (Task Force on Climate-related Financial Disclosures)**

    The TCFD develops 'consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders'.[25] The TCFD Secretariat is based in New York in Michael Bloomberg's offices. The operational arm of TCFD is likely to be led by a combination of CDSB and SASB (both organisations have had funding from Bloomberg in the past). TCFD Good practice 1 Handbook has been jointly launched by both organisations in New York in September 2019.[26]

20. **UN SDGs (United Nations Sustainable Development Goals)**

    The Sustainable Development Goals are intended to help 'achieve a better and more sustainable future for all'.[27] They address global challenges, including those related to 'poverty, inequality, climate change, environmental degradation, and peace and justice'.[28]

21. **UNGC (United Nations Global Compact)**

    The United Nations Global Compact is a "strategic initiative that supports global companies that are

committed to responsible business practices in the areas of human rights, labor, the environment, and corruption. This UN-led initiative promotes activities that contribute to sustainable development goals to create a better world."[29]

22. UNFCCC (United Nations Framework Convention on Climate Change)

The UNFCCC is a convention adopted at the Rio Earth Summit that now has near-universal membership (198 countries).[30] The ultimate aim of the convention is to prevent "'dangerous' human interference with the climate system".[31]

3.0 Results

3.1 NZSX-listed companies [138]

Figure 1 illustrates the full data set of NZSX-listed companies.

Figure 1: Mention of 22 voluntary reporting frameworks in the annual reports of NZSX-listed companies from 2017 to 2021
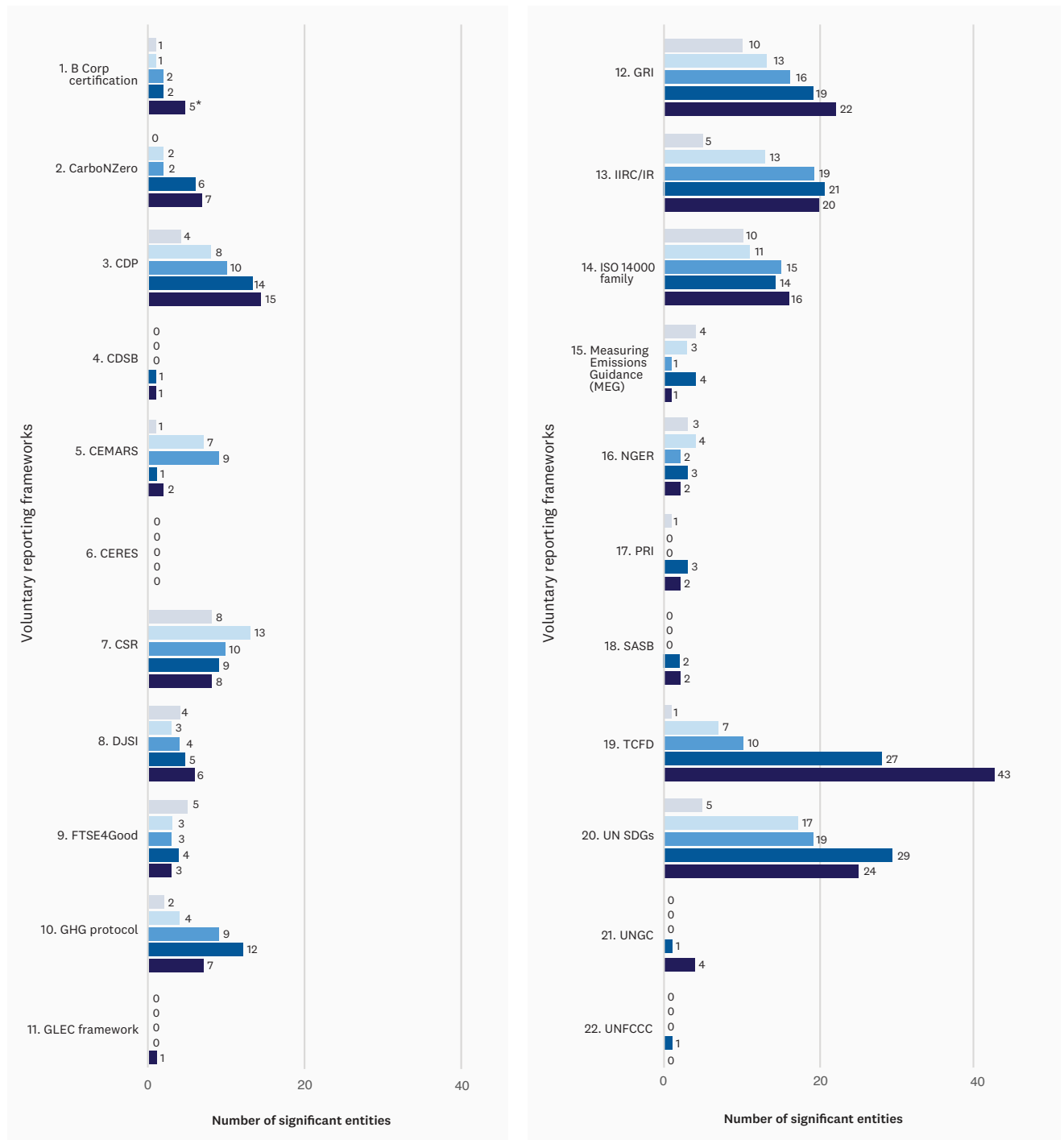
* The Institute is aware of another NZSX-listed company (Greenfern Industries Limited) that is a B Corp Certified company.[32]
  As Greenfern Industries Limited did not publish an annual report, the total remains 5.

4.0 Observations

Most commonly mentioned or applied frameworks/instruments among analysed 2021 annual reports

- TCFD (Task Force on Climate-related Financial Disclosures) [43]
- UN SDGs (United Nations Sustainable Development Goals) [24]
- GRI (Global Reporting Initiative) [22]
- IIRC/IR (International Integrated Reporting Council) [20]
- ISO14000 family [16]
- CDP [15]

Least commonly mentioned or applied frameworks/instruments among analysed 2021 annual reports

- FTSE4Good [3]
- CEMARS [2]
- NGER [2]
- PRI [2]
- SASB (Sustainability Accounting Standards Board) [2]
- CDSB (Climate Disclosure Standards Board) [1]
- GLEC framework (Global Logistics Emissions Council) [1]
- Measuring Emissions Guidance (MEG) [1]

Frameworks/instruments with no mentions among analysed 2021 annual reports

- CERES [0]
- UNFCCC [0]

Comparison of mentions/applications of frameworks between 2020 and 2021 annual reports

- 10 frameworks had increased mentions: B Corp certification, CarboNZero, CDP, CEMARS, DJSI, GLEC framework, GRI, ISO14000 family, TCFD and UNGC.
- 9 frameworks had decreased mentions: CSR, FTSE4Good, GHG protocol, IR, MEG, NGER, PRI, UN SDGs, UNFCCC.
- 3 frameworks had consistent mentions: CDSB, CERES and SASB.
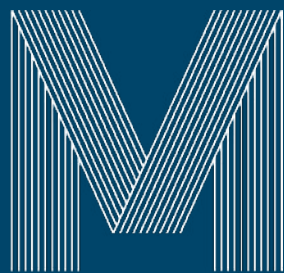
Multiple frameworks

A number of NZSX-listed companies mentioned more than one framework within their annual reports. The highest numbers of different frameworks/instruments were mentioned by Fisher & Paykel Healthcare Limited [9], SkyCity Limited [8], T&G Global Limited [8], Sanford Limited [7], Westpac Banking Corporation [7] and Warehouse Group Limited [7].

Endnotes

1   See B Lab. (2022). About B Lab. Retrieved 21 June 2019 from https://www.bcorporation.net/en-us/movement/about-b-lab

2   See Toitū Envirocare. (n.d.). Carbon Programmes & Certification. Retrieved 25 November 2021 from https://www.toitu.co.nz/what-we-offer/carbon-management

3   See Toitū Envirocare. (n.d.). Carbon Programmes & Certification. Retrieved 25 November 2021 from https://www.toitu.co.nz/what-we-offer/carbon-management

4   See CDP. (2021). Who we are. Retrieved 25 November 2021 from https://www.cdp.net/en/info/about-us

5   See CDP. (2021). Who we are. Retrieved 25 November 2021 from https://www.cdp.net/en/info/about-us

6   See Climate Disclosure Standards Board (CDSB). (2021). About the Climate Disclosure Standards Board. Retrieved 25 November 2021 from https://www.cdsb.net/our-story

7   See Climate Disclosure Standards Board (CDSB). (2021). About the Climate Disclosure Standards Board. Retrieved 25 November 2021 from https://www.cdsb.net/our-story

8   See Toitū Envirocare. (n.d.). Carbon Programmes & Certification. Retrieved 25 November 2021 from https://www.toitu.co.nz/what-we-offer/carbon-management

9   See Ceres. (2018). About us. Retrieved 21 June 2019 from https://www.ceres.org/about-us

10   See Ceres. (2018). About us. Retrieved 21 June 2019 from https://www.ceres.org/about-us

11   See Fernando, J. (2021). Corporate Social Responsibility (CSR). Investopedia. Retrieved 25 November 2021 from https://www.investopedia.com/terms/c/corp-social-responsibility.asp

12   See ING. (n.d.). ING included in Dow Jones Sustainability Indices. Retrieved 7 December 2022 from https://www.ing.com/Newsroom/News/Features/Features-old/ING-included-in-Dow-Jones-Sustainability-Indices.htm

13   See FTSE Russell. (2021). FTSE4Good Index Series. Retrieved 25 November 2021 from https://www.ftserussell.com/products/indices/ftse4good

14   See Greenhouse Gas Protocol (GHG Protocol). (n.d.). What is GHG Protocol?. Retrieved 21 June 2019 from https://ghgprotocol.org/about-us

15   See Smart Freight Centre. (n.d.). The global method for calculation and reporting of logistics emissions. Retrieved 21 June 2019 from https://www.smartfreightcentre.org/en/how-to-implement-items/what-is-glecframework/58

16   See Smart Freight Centre. (n.d.). The global method for calculation and reporting of logistics emissions. Retrieved 21 June 2019 from https://www.smartfreightcentre.org/en/how-to-implement-items/ what-is-glecframework/58

17   See World Benchmarking Alliance. (n.d.). Global Reporting Initiative (GRI). Retrieved 28 October 2022 from https://www.worldbenchmarkingalliance.org/wba-allies/global-reporting-initiative-gri/

18   See IFRS Reporting. (2022). Council. Retrieved 28 October 2022 from https://www.integratedreporting.org/the-iirc-2/council/

19   See IFRS Reporting. (2022). SASB and IIRC Announce Memorandum of Understanding. Retrieved 28 October 2022 from https://www.integratedreporting.org/news/sasb-and-iirc-announce-memorandum-of-understanding/

20   See International Organization for Standardization (ISO). (n.d.). ISO 14000 family – Environmental management. Retrieved 21 June 2019 from https://www.iso.org/iso-14001-environmental-management.html

21   See Ministry for the Environment (MfE). (2020). *Measuring Emissions: Detailed Guide 2020. 2020 Quick Guide*, p. 10. Wellington: Ministry for the Environment. Retrieved 2 December 2021 from https://environment.govt.nz/publications/measuring-emissions-detailed-guide-2020/

22   See Australian Government Clean Energy Regulator. (2019). About the National Greenhouse and Energy Reporting scheme. Retrieved 25 November 2021 from http://www.cleanenergyregulator.gov.au/NGER/About-the-National-Greenhouse-and-Energy-Reporting-scheme

23   See Principles of Responsible Investment (PRI). (n.d.). About the PRI. Retrieved 1 August 2019 from https://www.unpri.org/about-us/about-the-pri

24   See Sustainability Accounting Standards Board (SASB). (2021). About Us. Retrieved 25 November 2021 from https://www.sasb.org/about

25   See Task Force on Climate-related Financial Disclosures (TCFD). (n.d.). TCFD – Task Force on Climate-related Financial Disclosures. Retrieved 1 November 2022 from from https://www.unepfi.org/climate-change/tcfd

26   See Task Force on Climate-related Financial Disclosures (TCFD). (2019). TCFD Good Practice Handbook. Retrieved 25 November 2021 from https://www.cdsb.net/sites/default/files/tcfd_good_practice_handbook_web_a4.pdf

27   See United Nations (UN). (n.d.). Take Action for the Sustainable Development Goals. Retrieved 25 November 2021 from https://www.un.org/sustainabledevelopment/sustainable-development-goals

28   See United Nations (UN). (n.d.). Take Action for the Sustainable Development Goals. Retrieved 25 November 2021 from https://www.un.org/sustainabledevelopment/sustainable-development-goals

29   See Kenton, W. (2022). United Nations Global Compact (UNGC). *Investopedia*. Retrieved 26 October 2022 from https://www.investopedia.com/terms/u/un-global-compact.asp

30   See United Nations Framework Convention on Climate Change (UNFCCC). (2020). What is the United Nations Framework Convention on Climate Change?. Retrieved 23 June 2020 from https://unfccc.int/process-and-meetings/what-is-the-united-nations-framework-convention-on-climate-change

31   See United Nations Framework Convention on Climate Change (UNFCCC). (2020). What is the United Nations Framework Convention on Climate Change?. Retrieved 23 June 2020 from https://unfccc.int/process-and-meetings/what-is-the-united-nations-framework-convention-on-climate-change

32   See Greenfern Industries. (2022). Greenfern Industries. Retrieved 26 October 2022 from https://www.bcorporation.net/en-us/find-a-b-corp/company/greenfern-industries