

Submission on proposed Environmental Reporting Bill
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Thank you for the opportunity to provide comments on the discussion document.

Attached are our responses to the discussion questions however we also provide the following comments.

We agree with the proposed preferred options of:

- giving the Parliamentary Commissioner for the Environment (PCE) an explicit role under the Environment Act 1986 by requiring reports on the state of the environment, and
- expanding regulation-making powers under section 360 of the RMA to improve the consistency of state of the environment monitoring statistics at the local level.

However we outline below what we believe is the imperative for “integrated reporting”.

Our view is that it is vital New Zealand entities enhance the quality of their reporting on environmental, social and economic well being, not only by Central and local government but also by other significant entities within New Zealand. We see this best occurring within a “integrated reporting” framework – a framework that takes into account both vertical and horizontal integration.

We recognise that the quality of underlying data may mean that this path towards comprehensive reporting may have to be incremental.

Integrated reporting

Internationally (and within New Zealand) we are seeing the spread of integrated reporting.

An integrated report is a single document which provides a clear assessment of an entity’s financial, social and environmental performance.

Various New Zealanders have been part of the work of the International Integrated Reporting Committee - established by Prince Charles's Accounting for Sustainability Project - which is tasked with developing a standardised global framework for integrated reporting.

In France, the recently passed Grenelles II legislation will require all companies, listed and private, with more than 500 employees to provide a form of integrated report from 2012. The legislation is part of a government-driven initiative to position France as a leader in sustainability, promoting sustainable energy use, carbon emissions reductions and other socially and environmentally sustainable practices.

Argentina and Denmark both require companies with more than 300 and 1000 employees respectively to report on their sustainability.

Since 2007 all companies listed on the Malaysian stock exchange are required to provide integrated reports, and South Africa introduced the same measure for the Johannesburg Stock Exchange in 2010.

In Sweden, since 2007 all state-owned companies have been required to provide sustainability reports.

We see clear advantages for New Zealand business, but also government in New Zealand, in adopting integrated reporting

The ties between New Zealand's environment and economic sustainability are undeniable with key industries such as agriculture, farming, wine and tourism.

The state of our forests, rivers, coastline and oceans is of great importance to all New Zealanders.

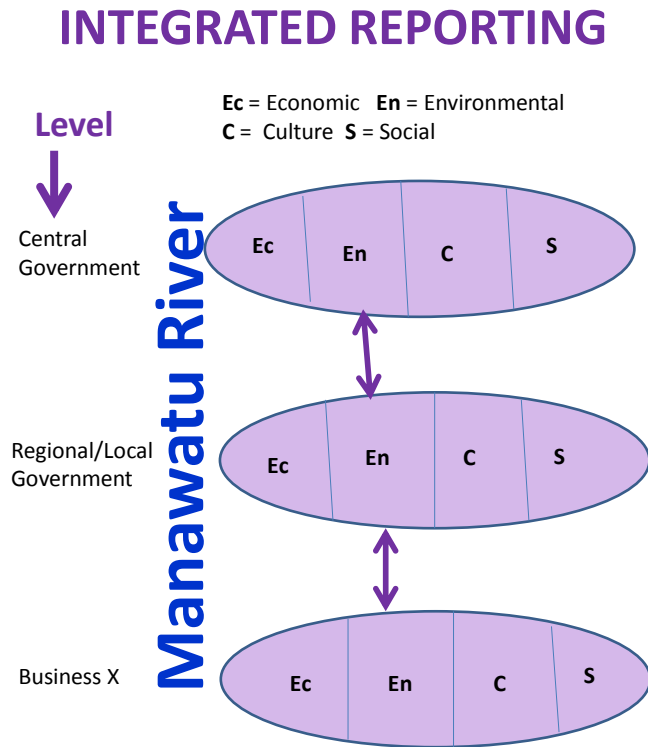
Integrated reporting establishes a clear and transparent platform for monitoring and disclosing the levels of sustainability achieved in our treatment of natural resources. It also offers a consistent, unifying framework, which can be adopted by organisations, government departments, local government agencies and so on.

This allows for better-informed planning, monitoring, and (importantly) greater accountability because a key principle underlying integrated reporting is that it reports on what has been, but equally, what has not been achieved. In a nutshell integrated reporting should be viewed as a reporting process that closes the loop on strategy.

Horizontal and vertical integration

Our vision for integrated reporting in New Zealand is that such reporting occurs at the various levels eg central government, local government, and at the business entity level – but that there are clear linkages between these levels with ownership for common outcomes being sought, shared objectives and underlying data. Local authority legislation also embodies a cultural element.

We have visualised this in the following diagram:



An example of how this would all work is as follows – we provide the following hypothetical example.

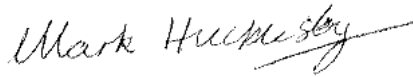
- The shared outcome is improving the quality of water quality in the Manawatu River.
- This is identified as a national issue but with local implications. So this would appear in the Central Government national integrated report.
- Local government has a role with this issue so the same matter would appear in their integrated reports.
- Business X that operates on the banks of the river and makes discharges into the river would then pick up the outcome, any intermediate outcomes and objectives plus the associated measures in their integrated report.
 - Integrated reporting for this business becomes easier because collectively government (central and local) and local businesses have identified the issue for the area.

- Also the issue of reliable data collection becomes easier for the business as they will be able to source nationally collected data.

So we end up with vertical and horizontal integration on sustainability efforts in New Zealand and greater consistency and reliability on integrated reporting.

Please do not hesitate to contact either of us on any aspect of this submission.

Yours sincerely



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APPENDIX ONE - Grant Thornton response to discussion questions

1. Do you agree with the issues identified above? Have the main issues been defined accurately?

Yes to both questions. It is important for New Zealand's credibility that there is an agency tasked with this for which there are no independence perception issues.

2. Are there any other issues that have not been considered?

We are not aware of any.

3. What is the scale of the problem? Which is the bigger issue: the lack of statutory obligation requiring regular independent state of the environment reporting or inconsistent state of the environment monitoring?

Other people or groups are probably in a better position to assess the scale of the problem.

It would appear that the inconsistent state of the environment monitoring is likely to be the bigger issue although this is probably partly linked to the lack of a statutory obligation requiring regular independent state of the environment reporting.

4. Do you agree with these objectives? Please give reasons

We fully support the objectives. Addressing both of these issues is important for the longer term interests of New Zealand.

5. Do you agree with the assessment criteria? Please give reasons.

The assessment criteria seem quite reasonable.

6. Do you agree with the preferred options? Please give reasons.

We agree with the preferred options.

7. Is there an alternative option that has not been considered?

The preferred options seem appropriate so we offer no alternative options.

8. To what extent do the options address the identified problems?

The options appear to be the logical next steps. Once these changes are made, if there are still issues then new options would need to be considered.

9. Are you aware of any other costs and benefits of the options?

We have no comments to make on this.

10. Do you have any comment about which option would deliver the highest level of net benefit?

We have no comments to make.

11. What are the pros and cons of the proposed Environment Act amendment?

We support the changes so we have no further comments to make on the proposed changes.

12. Is five-yearly reporting an appropriate reporting timeframe? If not, what time period would you recommend?

While we can appreciate some of the reasons for setting a five yearly cycle, as outlined in the discussion paper, we still believe that there should still be an annual integrated report for New Zealand. This integrated report would reflect latest annual information on environment information and include commentary on progress towards longer term targets.

13. What do you think about the proposed environmental domains that the PCE should report on in the state of the environment report? What topic areas or requirements (if any) would you suggest?

We agree with the list of proposed environmental domains that PCE would report on.

14. Outline any problems you perceive with the proposed RMA amendment?

We are not aware of any problems.

15. Which environmental domains (eg, fresh water, land, oceans) do you think should be prioritised for improvements in consistency?

It may be that the issue is not which domains but which parts of each domain are the biggest issues. For example (using hypothetical examples), there may be a combination - water quality for the Manawatu River or the Rotorua lakes but also land erosion for the East Coast.

16. Have we accurately reflected the high-level costs and benefits arising from the proposals for an Environmental Reporting Bill? Please give reasons.

We have no comments to make on this.

17. Can you identify any other high-level costs and benefits?

Failing to make sufficient progress in this area and the broader integrated reporting may affect our position as a nature in the international arena.

18. Do you have any information you would like to see included in the final cost-benefit analysis which will be carried out after the submissions are received and analysed?

We do not have anything to add at this stage.