

New Zealand companies lag behind others in their reporting on climate change, and that's a risk to their reputation

September 24 2020, by Jagadish Thaker



Credit: Anton Atanasov from Pexels

New Zealand's top 30 corporations do a poor job reporting on climate change compared with similar Australian and Fortune Global 500

companies, according to [our research](#).

The fact that most big businesses in New Zealand provide limited or no information on climate change was one of the drivers for a proposed policy to introduce [mandatory reporting of climate risk](#) across the financial system.

The policy's focus on large financial institutions will have knock-on effects on the private business sector as banks and insurers will require companies to assess their own climate risk and improve reporting.

This will create a more accurate, consistent and transparent climate change reporting infrastructure.

Corporations ignore climate change

Top businesses in New Zealand, Australia and those in the Fortune Global 500 group generally don't report well on climate change. Our study shows a [minority report](#) on observed or future patterns of greenhouse gas emissions (17%), business greenhouse gas contributions (25%) or business responsibility to respond to climate change (32%) and whether their emission reduction targets are aligned with science (14%).

We studied New Zealand's top 30 corporations—including Fonterra, Air New Zealand, The Warehouse, Fletcher Building—and found they use key terms such as climate change, carbon, greenhouse gas and global warming 13 times on average, compared with an average of 48 times by Australian and Fortune Global 500 companies. The low frequency is an indication that climate change is not a priority for New Zealand businesses.

A previous [study](#) also shows only 5–16% of the 200 largest corporations in New Zealand report climate risks, emission-reduction targets or

climate-related initiatives in their annual reports or financial statements.

This suggests a gap between the [scientific evidence](#) and business planning and a lack of strategic alignment between corporations' pledges and performance.

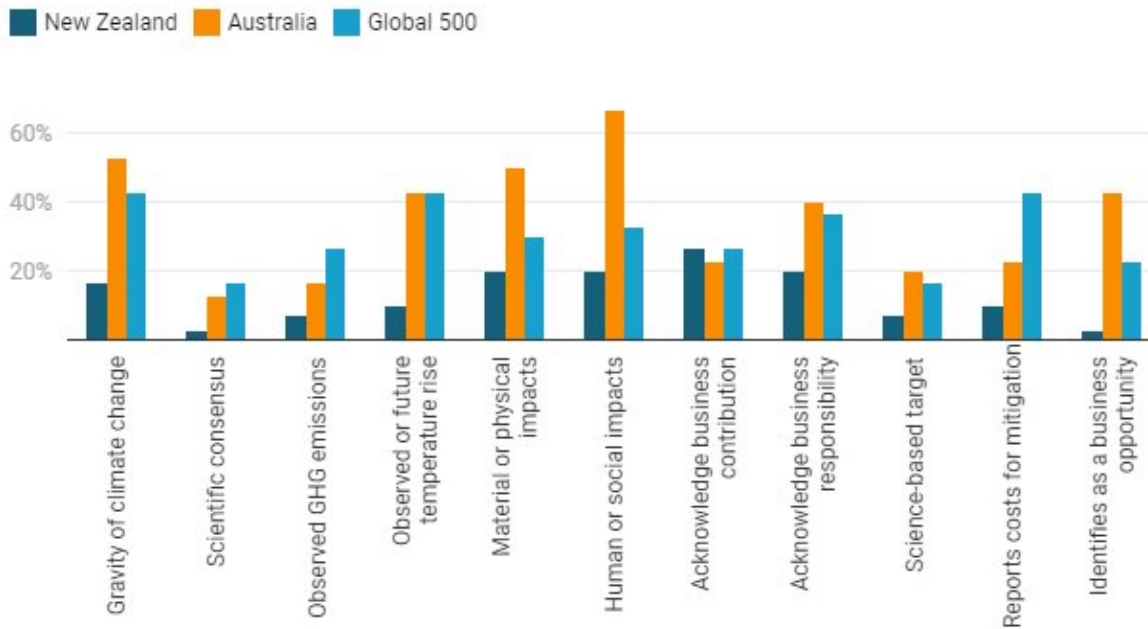
One of the most important factors that shapes corporate action on climate change is [regulatory uncertainty](#). Chief executives who want to introduce measures to reduce emissions are discouraged because their efforts are [not rewarded](#) internally or by external stakeholders.

What's in it for businesses

Last month, New Zealand's first [national climate change risk assessment](#) identified ten areas that need urgent action.

The risk assessment provides an [overview](#) of how New Zealand may be [affected by climate change hazards](#). The three risk areas most significant to the business sector are:

Reporting on climate change among corporations



Credit: The Conversation

- risks to the financial system from instability caused by extreme weather events and ongoing, gradual changes
- risks to governments from economic costs associated with lost productivity, disaster relief expenditure and unfunded contingent liabilities
- risks of maladaptation due to practices, processes and tools that do not account for uncertainty and change over long time frames.

We rightly focus on physical and transitional risks associated with climate change for businesses, but reputational risks are equally important.

Consumer activism on climate change is [on the rise](#), particularly among a [new generation](#) of consumers and investors.

[Litigation risks](#) associated with inaction are likely to become more prominent in the future.

Public support for climate action

Our recent [national survey](#) shows most New Zealanders support a green COVID-19 economic recovery. More than 70% agree industries receiving substantial emergency financial assistance should be required to lower their carbon emissions.

More than half of New Zealanders say they are likely to shift to more environmentally friendly behaviors in the next 12 months, even if it costs more or is inconvenient. A majority also say they are confident people like them, working together, can affect business and government action on climate change.

Another [survey](#) conducted by the IAG insurance company shows most New Zealanders want businesses to talk about risks climate change poses to their [business](#) and customers. Many believe corporations are responsible for climate action.

Only ten out of 90 top corporations we analyzed reported on the scientific consensus about climate change. Of the New Zealand corporations, only 3% did so, compared to 13% of Australian companies and 17% of those among the Fortune Global 500.

This lack of acknowledgement is a missed opportunity to instill public confidence, manage stakeholder expectations and institutionalize corporate social responsibility.

Communicating the fact that experts agree on climate change [increases public support for mitigation policies](#). Businesses can reinforce this message to increase consumer support for ambitious, even costly, climate actions.

Reporting on climate risks is important but not sufficient. Traditionally, businesses have highlighted [climate](#) risks more than their responsibilities, thereby portraying themselves as victims fighting to protect the economy.

Between 1990 and 2018, New Zealand's net emissions [increased by 57%](#). The [Zero Carbon Act](#) aims to reduce net emissions from all greenhouse gasses to zero by 2050, except for methane from animals, which it aims to reduce by 24-47% (below 2017 levels).

Communication is a commitment to act. New Zealand corporations have a long road ahead to match the "clean" image of the country with their own communication on [climate change](#).

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