

Submission template

Adjustments to the climate-related disclosures regime

This is the submission template for the discussion document, *Adjustments to the climate-related disclosures regime*. The Ministry of Business, Innovation and Employment (MBIE) seeks written submissions on the issues raised in the discussion document by **5pm on 14 February 2025**.

Please make your submission as follows:

1. Fill out your name, organisation and contact details in the table: “Your name and organisation”.
2. Fill out your responses to the consultation document questions in the table. Your submission may respond to any or all of the questions in the discussion document, as appropriate.
3. When sending your submission:
 - a. Delete this page of instructions.
 - b. Please clearly indicate in template if you do not wish for your name, or any other personal information, to be disclosed in any summary of submissions or external disclosures.
 - c. Note that submissions are subject to the Official Information Act 1982 and may, therefore, be released in part or full. The Privacy Act 2020 also applies.
 - d. Note that, except for material that may be defamatory, MBIE intends to upload PDF copies of submissions received to MBIE’s website. MBIE will consider you to have consented to uploading by making a submission, unless you clearly specify otherwise in your submission. If your submission contains any confidential information:
 - i. Please state this in the template, and set out clearly which parts you consider should be withheld and the grounds under the Official Information Act 1982 that you believe apply. MBIE will take such objections into account and will consult with submitters when responding to requests under the Official Information Act 1982.
 - ii. Indicate this on the front of your submission (e.g. the first page header may state “In Confidence”). Any confidential information should be clearly marked within the text of your submission (preferably as Microsoft Word comments).
4. Please send your submission (or any further questions):
 - as a Microsoft Word document to climaterelateddisclosures@mbie.govt.nz (preferred), or
 - by mailing your submission to:

*Corporate Governance and Intellectual Property Policy
Business, Resources and Markets
Ministry of Business, Innovation & Employment
PO Box 1473
Wellington 6140
New Zealand*

Submission on discussion document: Adjustments to the climate-related disclosures regime

Your name and organisation

Name	S9(2)(a)
Date	14 February 2025
Organisation (if applicable)	CDL Investments New Zealand Limited
Contact details	S9(2)(a)

Privacy and publication of responses

[To tick a box below, double click on check boxes, then select 'checked'.]

☒ The Privacy Act 2020 applies to submissions. Please check this box if you do not wish your name or other personal information to be included in any information about submissions that MBIE may publish.

☐ MBIE intends to upload submissions received to MBIE's website at www.mbie.govt.nz. If you do not want your submission to be placed on our website, please check the box and provide an explanation in the box below.

Please check if your submission contains confidential information

☒ I would like my submission (or identified parts of my submission) to be kept confidential, and **have stated below** my reasons and grounds under the Official Information Act that I believe apply, for consideration by MBIE.

S9(2)(b)(ii)

Responses to discussion document questions

Please enter your responses in the space provided below each question.

Chapter 2: Reporting Thresholds	
1	Do you have any information about the cost of reporting for listed issuers? S9(2)(b)(ii)
2	Do you consider that the listed issuer thresholds (and director liability settings) are a barrier to listing in New Zealand? For smaller entities, we believe that they will be seen as a barrier to listing. While we have no issue with the overall principle, the costs detailed above are not insignificant and will continue to be at similar levels as long as the regime remains in place. The imposition of criminal liability on directors is certainly a barrier to listing in New Zealand as New Zealand is the only country in the world to impose criminal liability on directors in this way.
3	When considering the listed issuer reporting threshold, which of the three options do you prefer, and why? Although we have invested considerable time and effort to ensure that we are compliant with the CRD regime, we believe that Option 3 is preferable out of the three options proposed for a company of our size. This would allow medium-sized companies time to make their processes and procedures sufficiently robust to conform with the disclosure regime. However, we would question whether it is advisable for a company who meets those thresholds and who are required to disclose now to effectively suspend their disclosures for up to three years only to resume around 2028. We do not think it would promote better sustainability disciplines in such cases (see paragraph 51 of the consultation paper).
4	If the XRB introduced differential reporting, would this impact on your choice of preferred option? This would not change our option preference, however differential reporting would be helpful to enable smaller entities to sufficiently complete disclosures.
5	Do you think that a different reporting threshold for listed issuers should be considered (i.e., not one of the options above) and, if so, why? We are agnostic on this issue. While we consider sustainability reporting and improvements to be a good and necessary thing, considering that the majority of companies in New Zealand are either small or medium sized enterprises, whatever the level of reporting, it comes with an additional financial burden. In addition revenue and/or FTE thresholds could also be considered similar to the Australian regime.
6	If Option 2 or 3 was preferred do you think that some listed issuers would still choose to voluntarily report (even if not required to do so by law)? And, if so, why?

	We believe that this would be the case. From our experience as part of the global group with a deep commitment to sustainability over the past two decades, we could continue to publish voluntarily given the level of investment and commitment we ourselves have to climate related disclosures. The issue is of critical importance globally to our wider organisation and to our customers and stakeholders. We believe it is an expectation from some of our customers and stakeholders that we commit to sustainability targets and initiatives and these disclosures would be part of that. However, the type and level of detail disclosed would likely reduce if not required – e.g. we may choose not to obtain GHG inventory assurance or publish anticipated climate-related financial impacts.
7	What are the advantages and disadvantages of a listed issuer being in a regulated climate reporting regime? While there are some advantages such as more attention on integrating climate risk assessment into business strategy, CDI is a small listed issuer (under 10FTE) and the disadvantages of being in a regulated climate reporting regime is that there is no proportionality in respect of the work and the associated costs for doing so. Our direct emissions are small (i.e. 49tCO₂e in FY:2023) and unlikely to make a material impact on reducing overall emissions both in New Zealand and overseas. While we are committed to sustainable business practices as a matter of practice and principle, what concerns us is that other organisations who are not required to report or participate in the framework are not geared up to assist us with our reporting, specifically for Scope 3 emissions. Many of these emissions are not within our direct control and there is no flexibility within the framework to assist smaller entities (or their contractors), who are not sophisticated enough to record and track emissions. The impact of that will definitely be felt over the next few years.
8	Do you have information about the cost of reporting for investment scheme managers? We have no information to allow us to answer this question
9	Do you have information about consumers being charged increased fees due to the cost of climate reporting? Not to our knowledge. To date, we have managed to contain the increased costs as part of our operations. They do not currently impact on our profitability or financial performance. We have made no changes to the cost of our products and services, nor have we introduced customer fees, as a result of resourcing climate reporting.
10	When considering the reporting threshold for investment scheme managers, which of the three options do you prefer, and why? We are not in a position to comment on this question.
11	If the XRB introduced differential reporting, would this impact on your choice of preferred option? We believe that our answer to Q5 above would apply in this case.
12	Do you think that a different reporting threshold for investment scheme managers should be considered (i.e., not one of the options above) and, if so, why? We are not in a position to comment on this question.
13	When considering the location of the thresholds, which Option do you prefer and why?

	As a smaller listed entity, we believe that Option 2 (move to secondary legislation) makes more sense but with a caveat. There need to be safeguards to ensure that all entities who are affected by the secondary legislation are given fair warning of any changes. A regime such as the Customs and Excise regime is heavily prescribed and predictable in that market participants are aware when new charges are going to apply although the amounts are not yet set. For climate matters, secondary legislation could allow tweaks to the framework to improve reporting in line with the framework but as changes are dependent on the availability of climate and climate-related information and due to the time required to study and review such information, the timing of when such changes come into effect should be signalled well in advance and transparently. Thus, any changes need to be science-based, refer to the latest available information and should not be a knee-jerk reaction to a forecast or projection without some level of review.
14	For Option 2 (move thresholds to secondary legislation) what statutory criteria do you think should be met before a change may be made, e.g., a statutory obligation to consult. What should the Minister consider or do before making a change? CDI: While we are not expert in this area, we have had regard to the workings of frameworks involving secondary legislation. A regime such as the Customs and Excise regime is heavily prescribed and predictable in that market participants are aware when new charges are going to apply although the amounts are not yet set. For climate matters, secondary legislation could allow tweaks to the framework to improve reporting in line with the framework but as changes are dependent on the availability of climate and climate-related information and due to the time required to study and review such information, the timing of when such changes come into effect should be publicly consulted on and signalled well in advance and transparently. Thus, any changes need to be science-based, refer to the latest available information and should not be a knee-jerk reaction to a forecast or projection without some level of review.
Chapter 3: Climate reporting entity and director liability settings	
15	When considering the director liability settings, which of the four options do you prefer, and why? Our preference is for Option 2 or 4. Directors and their companies should be given as much encouragement (and resource) to make and improve disclosures in this area. While we understand the need to ensure that disclosures are true and correct, as many of the disclosures are future-focused or speculative to a degree, civil much less criminal penalties will not improve compliance in this area beyond what mandatory matters are required to be disclosed. We take the point highlighted at paragraph 118 that without the possibility of deemed liability, Options 2 and 4 may help encourage directors to make fulsome climate disclosures in line with the intended objective but speaking generally, this area requires a whole new skillset and knowledge which will take time for directors to be fully across (and perhaps could be filled by specifically skilled, rather than all, directors).
16	Do you have another proposal to amend the director liability settings? If so, please provide details. We do not have another proposal which differs from the options presented in the consultation paper.
17	If the director liability settings are amended do you think that will impact on investor trust in the climate statements? Based on some limited feedback received, there may be some reaction from institutional investors whose mandates have a climate-related component, but we do not expect massive pushback from retail investors at this stage.

18	If you support Option 3, should this be extended so that section 23 is disapplied for both climate reporting entities and directors? If so, why? As our preference is not for Option 3, we do not comment on this question.
19	If you support Option 4 (introduce a modified liability framework, similar to Australia) what representations should be covered by the modified liability, i.e., should it cover statements about scope 3 emissions, scenario analysis or a transition plan, and/or other things? Without going into detail, we believe that the safe harbour should cover matters which directors are not reasonably expected to have knowledge about. Representations that are more speculative, external data driven or those outside of the entities span of control such as scope 3 emissions, scenario analysis and <u>anticipated climate and financial impacts</u> could be covered by modified director liability.
20	If you support the introduction of a modified liability framework, how long should the modified liability last for? And who should be covered, ie., should it prevent actions by just private litigants, or should the framework cover the FMA as well? (Criminal actions would be excluded) We do not have a definitive view on the length of the modified liability given the length of time covered by the scenario analysis. As an initial guide, we would have thought that the standard civil limitation period would be sufficient.
Chapter 4: Encouraging reporting by subsidiaries of multinational companies	
21	Do you think that there would be value in encouraging New Zealand subsidiaries of multinational companies to file their parent company climate statements in New Zealand? No, we do not. What we have learned through the process is that climate scenarios are heavily dependent on localised / particularised information related to the reporting entity. While there is of course usefulness in looking and comparing global information against what is relevant for New Zealand, adopting standards and methodologies or publishing information reported under such different standards, which may have no relevance to New Zealand is not meaningful and may be misleading for investor. Parent company climate statements will be published online and accessible to investors in any case.
22	Do you think that, alternatively, there would be value in MBIE creating a webpage where subsidiaries of multinational companies could provide links to their parent company climate statements? Such a site might allow additional transparency and accessibility of information and enable some useful comparatives to be made. We believe that focussing on New Zealand-related information makes more sense. That said, multinational companies should be strongly encouraged to publish their New Zealand climate statements.
Final comments	
23	Please use this question to provide any further information you would like that has not been covered in the other questions.