

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)	Civic Trust Auckland (CTA)
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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?
	In the discussion document on page 11, we see that CREs have reported a median cost of \$250,000 - \$300,000 for their climate statements. In CTA's view, this is not a big expense for the entities currently required to produce climate-related disclosures, when compared to their total assets / equity securities and their other costs. The cost to New Zealand and the rest of the world of climate change is substantial and threatens the existence of human and other life forms.
	Despite our government declaring a climate change emergency on 2 December 2020, our country is making slow progress towards reducing emissions and minimising the problems for future generations.
	CTA would expect the 2025 climate statements to take less time and cost less than those produced in 2024, partly as a result of allocating periods of time throughout the current year to produce the required reports and records, and partly due to repeating some of the 2024 information. We suggest that if the climate records for a particular entity take more than the FMA's estimated 5 or so days to prepare, there exists a large amount of information that is important to disclose.
2	CTA is of the view that all of us need to play our part in addressing the problems of climate change.
	Do you consider that the listed issuer thresholds (and director liability settings) are a barrier to listing in New Zealand?
3	We do not think they should be a barrier because the information from the climate-related disclosures is increasingly being demanded by investors and other stakeholders, both in New Zealand and in other countries.
	When considering the listed issuer reporting threshold, which of the three options do you prefer, and why?
4	CTA prefers Option 1 because fewer entities reporting would mean less information available for investors and other stakeholders. We note too, from the discussion document, that the "stop start" approach in Option 3 "may be costly for climate reporting entities to pause and then re-start reporting, and it may be confusing for users of the reports if there is a gap in reporting" (page 19).
	It seems to us that there is already "a staged approach" in place for entities to learn how to produce their climate statements, with support from the FMA in terms of a published guide and examples.
5	If the XRB introduced differential reporting, would this impact on your choice of preferred option?
	No.
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?
	No.

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?
	Yes. Some entities already provided the information that is now required of the CREs (whether they are large entities or not), because they are responsible and/or because they consider that such disclosures are commercially worth their while.
7	What are the advantages and disadvantages of a listed issuer being in a regulated climate reporting regime?
	<u>Advantages:</u> (a) Business decisions are informed by climate change issues. (b) Entities demonstrate that they are responsible and sustainable, and this information is valuable for stakeholders. (c) These entities contribute to the important move to a low-emissions economy. (d) Climate-related disclosures should give these entities a competitive advantage. <u>Disadvantages:</u> There is some work and a cost involved, probably more so in the first reporting period.
8	Do you have information about the cost of reporting for investment scheme managers?
9	Do you have information about consumers being charged increased fees due to the cost of climate reporting?
10	When considering the reporting threshold for investment scheme managers, which of the three options do you prefer, and why?
	Option 1 because we would like to see climate-related information being made available as much as possible, and we think investment scheme managers should be well informed about their fund's climate-related risks and opportunities.
11	If the XRB introduced differential reporting, would this impact on your choice of preferred option?
	No.
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?
	No.
13	When considering the location of the thresholds, which Option do you prefer and why?
	Option 1 because it is currently located in the FMC Act.
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?
	CTA is of the view that consultation is always important.

15	When considering the director liability settings, which of the four options do you prefer, and why?
	Option 1. The FMA would use enforcement action only for serious misconduct.
16	Do you have another proposal to amend the director liability settings? If so, please provide details.
	No.
17	If the director liability settings are amended do you think that will impact on investor trust in the climate statements?
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?
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?
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 would here like to comment that there is already something of a safe harbour provision because the FMA has acknowledged that the CRD is challenging and that they have a “broadly educative and constructive approach” in the beginning (page 2 of the FMA’s Climate-related Disclosures Monitoring Plan 2023-2026).
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?
	Yes, but we do not know where these would be filed.
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?
	Yes, this sounds like a good option.
Final comments	
23	Please use this question to provide any further information you would like that has not been covered in the other questions.
	CTA has a strong concern about climate change and we have submitted to both central government and Auckland Council on climate change matters including: (a) 14 March 2014, on Auckland Council’s Proposed Low Carbon Strategic Action Plan (b) 30 September 2019, on Auckland Council’s Climate Change Framework (d) 28 March 2021, on the Climate Change Commission’s Draft Advice to Government (c) 24 November 2021, on the government’s Emissions Reduction Plan.

Our submissions have included the following statements:

“Climate change is a global emergency. Rapid reduction of all greenhouse gases is essential. The costs of inaction on climate change are very high.... we are concerned that the government is moving too slowly to introduce changes.... Climate change should inform every decision made at every government level, both local and central.... Aotearoa New Zealand should learn from other countries, especially those 16 countries that have already reduced their emissions.”

CTA is pleased that New Zealand was among the first countries in the world to introduce climate reporting and we want to see the disclosure regime meet the MBIE aim to support the allocation of capital towards activities that are consistent with a transition to a low-emissions climate-resilient future.