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

Your name and organisation

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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?
	-
2	Do you consider that the listed issuer thresholds (and director liability settings) are a barrier to listing in New Zealand?
	Lower reporting thresholds mean that more companies, including smaller and potential issuers, are required to disclose their climate risk exposures. This can improve overall market transparency and investor confidence. Even if it introduces additional compliance costs, over the long term, the benefits of gathering climate risk information outweigh potential concerns about compliance burden.
3	When considering the listed issuer reporting threshold, which of the three options do you prefer, and why?
	We prefer option 1. A lower threshold ensures that even relatively smaller issuers provide detailed climate-related disclosures. As climate change continues to gain significance, these companies will inevitably face growing expectations to disclose such information, making it beneficial to establish transparency early on.
4	If the XRB introduced differential reporting, would this impact on your choice of preferred option?
	No. Differential reporting could allow tailored requirements for companies of various sizes, but even then, we still favour a lower base threshold. This would ensure that most listed issuers are brought into the disclosure regime, while still allowing flexibility in the level of detail based on company size and risk profile.
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?
	Yes. A lower threshold would include a larger segment of the market, ensuring that the climate risks of smaller and mid-sized companies are not overlooked. This broader inclusion would contribute to a more complete and transparent picture of climate risks and better support investor protection. Also, as mentioned above, establishing transparency early on would be beneficial.
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. Even with a lower mandatory threshold, listed companies would still choose to voluntarily report additional details. Smaller size issuers could see voluntary disclosure as a way to enhance their reputation for transparency and sustainability, thereby building greater investor trust and customer base. In a study of the valuation and short-term performance of Initial Public Offerings (IPOs) in New Zealand, Dang (2023, p. 26) conducted univariate analyses of IPO prospectus non-financial disclosures and *forecasted* financial metrics (available in the prospectus).[1] She found that IPOs that are transparent and report their environment-focused activities in the prospectus are associated with statistically stronger expected *operating cash flows/total assets,* statistically higher forecasted *equity* values, and statistically greater anticipated profitability ratios such as *EBITDA margin* and/or *net profit after tax margin.* The above findings suggest that IPOs in New Zealand, typically small firms, that meet the increasing pressure and expectations of socially responsible investors and clients enjoy greater market valuation, stronger cash flow, and higher profitability forecasts. Reference: Dang, H. D. (2023). IPOs in New Zealand: Nonfinancial disclosure, valuation and short-term performance. *Global Finance Journal* 56, 100737. http://dx.doi.org/10.1016/j.gfj.2022.100737
7	What are the advantages and disadvantages of a listed issuer being in a regulated climate reporting regime?
	Advantages: – Encourage proactive climate risk mitigation, help companies adapt to future regulatory and market expectations. – Enhance transparency and comparability for investors – Improve risk management and ensure more informed capital allocation - Reduce the information asymmetries among various stakeholders and lower the costs of capital – Improve alignment with international reporting standards **Disadvantages:** – Increase compliance costs for smaller issuers, which may reduce profitability – Create potential administrative burdens on small companies that have less capacity
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?

[1] Dang (2023, p. 26) stated that the limitations of a small sample size, insufficient forecast data, and missing key variables prevented her from conducting robust and reliable multivariate channel analyses. As a result, she opted for multiple univariate analyses instead.

	We favour option 1. Lower thresholds mean that more investment schemes, including smaller ones, are required to report, which improves the overall visibility of climate risks across the industry and helps safeguard consumer interests.
11	If the XRB introduced differential reporting, would this impact on your choice of preferred option?
	Even with differential reporting, we maintain that a lower threshold is preferable. It ensures that a greater proportion of investment schemes provide information on climate risk exposures and climate-related opportunities, which is essential for a complete assessment of climate risks.
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?
	Yes. I believe a lower reporting threshold for investment scheme managers would be appropriate because it encompasses a wider array of schemes and ensures that even smaller funds contribute to the collective understanding of climate risks. To achieve this, for example, instead of requiring costly third-party vendors, the Financial Market Authority (FMA) could provide a centralized database listing all companies and their [typically self-reported] CO2 emissions. Even better, the FMA could offer online templates where investment managers can upload the respective fund with its list of constituents, including their share in the fund, and receive an automatically generated, standardized climate risk report. This approach allows a convenient estimate of climate risk metrics at the fund level, for example, a fund's emissions can be automatically derived from the fund's holdings and constituents' emissions.
13	When considering the location of the thresholds, which Option do you prefer and why?
	We prefer that thresholds at a lower level remain embedded in primary legislation. Keeping lower thresholds within primary legislation provides a stable and clear framework that applies uniformly, ensuring that all eligible issuers are subject to robust disclosure requirements.
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?
	Any move to adjust thresholds via secondary legislation should involve a mandatory consultation process, regular market reviews, and a clear cost–benefit analysis. The Minister must ensure that any reduction in the disclosure threshold, for example, lowering it from $1 billion to $500 million for investment schemes, does not come at the expense of disclosure quality. If any changes result in lower disclosure standards, they must be supported by empirical evidence demonstrating that the benefits outweigh the quality reduction.
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?
	We prefer option 4, the introduction of a modified liability framework similar to the framework used in Australia. This option mitigates excessive personal risk for Directors while preserving accountability, encouraging comprehensive disclosures even from companies subject to lower thresholds.
16	Do you have another proposal to amend the director liability settings? If so, please provide details.

	An alternative could be a scaled liability approach that adjusts based on the materiality (importance) of the disclosure content. This would allow Directors in companies, especially those affected by lower thresholds, to exercise reasonable caution without being deterred from providing meaningful information.
17	If the director liability settings are amended do you think that will impact on investor trust in the climate statements?
	Yes. A balanced amendment that protects Directors from disproportionate liability while ensuring accurate disclosures should enhance investor trust by reducing overly conservative reporting practices that can arise from fear of litigation.
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?
	This is not our preferred option. If option 3 (a safe-harbour approach) were adopted, extending it to both entities and Directors could create consistency in reducing risk aversion. However, careful calibration is needed to ensure accountability is maintained even for those operating under lower thresholds.
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?
	The modified liability should cover *forward-looking* disclosures including scope 3 emissions, scenario analysis, and transition plans. This approach ensures that, even when a lower threshold brings in a wider set of companies, the key forward-looking data is robust and credible.
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)
	A transitional period of three years would be appropriate, giving companies and Directors time to adapt. The framework should primarily shield Directors from private litigation while not limiting the FMA's ability to enforce against deliberate misrepresentation, thereby maintaining overall market integrity.
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. Including parent company statements through local filing would enhance the completeness of New Zealand's disclosure regime. Even for subsidiaries subject to lower thresholds, having access to the full climate risk profile of their multinational companies is beneficial for socially responsible investors.
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. A centralized website would be a low-burden way to improve access to comprehensive climate risk information. This would complement the lower threshold regime by ensuring that stakeholders can easily locate and compare the climate risk disclosures of multinational groups.
Final comments	

	Please use this question to provide any further information you would like that has not been covered in the other questions.
23	We recommend that the MBIE continue to engage with stakeholders and regularly review the effectiveness of lower thresholds. Capturing a broader segment of the market will help identify risks early and drive more meaningful improvements in corporate climate governance. A dynamic review process, informed by ongoing market data and international best practices, is essential to balance transparency with the operational challenges of smaller issuers. Currently, accessing climate-related data for investment schemes is both costly and time-consuming, making compliance challenging, especially for smaller investment managers. Furthermore, different data providers report slightly varying emissions figures (Papadopoulos, 2022), leading to inconsistencies and making comparisons difficult. If the government were to provide a centralized climate-related data service, it would significantly reduce costs for investment managers without imposing additional financial burdens. Investors, in turn, would benefit from standardized and comparable emissions data to support informed investment decisions. One way to achieve this would be for the FMA to establish a centralized database listing all companies and their CO2 emissions. An even more effective solution would be an online platform where investment managers could upload a fund's list of holdings, including the share of each constituent, and receive an automatically generated, standardized climate risk report. This would provide a convenient and efficient way to estimate climate risk metrics at the fund level. Such a system would streamline climate reporting, enhance data consistency, and make it easier for all investment managers, especially smaller ones, to comply with regulations while improving transparency for investors. Reference: Papadopoulos, G. (2022). Discrepancies in Corporate GHG Emissions Data and Their Impact on Firm Performance Assessment. SSRN Electronic Journal. https://doi.org/10.2139/ssrn.4197950