

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?
	I remind the Ministry and Minister that the money spent by listed issuers in the first year is expected to be significantly higher than that to be spent in subsequent years. If the cost of reporting is a primary reason to reassess the regime, then it would be prudent to wait for at least one more year to get a more accurate estimate of the actual year-on-year reporting costs. Additionally, these costs are not money down the drain. Turners Automotive Group, the example listed in the consultation document, has themselves noted that a large portion of the high first-year costs were spent on upgrading IT infrastructure to allow for more detailed tracking of stock. This is an investment in an asset that they now own, not a pure cost.
2	Do you consider that the listed issuer thresholds (and director liability settings) are a barrier to listing in New Zealand?
	Any additional reporting requirements will increase the costs associated with listing. Whether this represents such a significant additional burden that it becomes the determining factor between choosing to list or not for a significant number of companies is not a simple assessment. Counting the number of “yes” answers to this question does not give you that. Instead, targeted interviews with a reasonable number of companies preparing to list or who have recently listed should be conducted.
3	When considering the listed issuer reporting threshold, which of the three options do you prefer, and why?
	Option 1. If the aim is to better align with Australia, then Option 2 is a very bad option because the vast majority of listed issuers would no longer require reporting of any kind, whereas in Australia, all current listed issuers would require reporting of some kind. Similarly, Option 3 would result in similar outcomes to Option 2 in the short term, and the timing of the reporting requirements for Group 2 companies would be misaligned with Australian equivalents. Further, companies with market capitalisation between \$50 million and \$250 million would have no reporting requirements, a misalignment with the Australian regime. Having no reporting requirements for companies below a certain market capitalisation does not remove the barrier to listing, it simply moves it. If we accept the idea that the reporting is a barrier to listing, then a higher reporting threshold becomes a barrier to growth, disincentivising companies from growing larger. This is not a desired outcome.
4	If the XRB introduced differential reporting, would this impact on your choice of preferred option?
	I would still prefer Option 1, but I am supportive of differential reporting in concept. I would prefer to have a system that is actually aligned with the Australian Groupings and requires at least minimal reporting for all issuers than either Options 2 or 3. Options 2 and 3 mean companies either require full reporting or none at all. Having at least minimal reporting requirements for all listed companies (such as the statements required for Australian Group 3 companies) is helpful because these companies would still conduct much of the useful risk assessment that the standard requires, without some of the legal and assurance costs.
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?

	If the intent is to better align with Australia, then I would suggest a modified Option 1, where companies with market capitalisation between \$50 million and \$250 million have reduced reporting requirements, in line with Australian Group 3 companies. This would align our standard with Australia's approximately 1 year before theirs.
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, due to the advantages listed below. However, the point of a mandatory scheme is to encourage better practices across all companies, especially those that are blinkered in their thinking and dismissive of long-term risks. These are the ones that would likely not choose to report.
7	What are the advantages and disadvantages of a listed issuer being in a regulated climate reporting regime? Advantages: - Improve internal understanding of risks, particularly in the long term - Improve strategic resilience to left-field threats like COVID-19 and Cyclone Gabrielle - Gain visibility over the full scope of the company's emissions profile, presenting new opportunities to save emissions and associated costs - Have all peers subject to the same requirements, presenting opportunities for knowledge sharing, improving internal practices, and removing any competitive disadvantage from voluntary disclosure - Providing investors with confidence in business practices and long-term resilience - Improving access to funding, particularly from environment-focussed funds - Massively simplifying the ease of providing emissions and other ESG information to banks, investment schemes, and insurance companies when they request it for their own reporting - Reducing New Zealand's emissions, making it easier to achieve our Net Zero goals and NDC under the Paris Agreement. Disadvantages: - Upfront cost in upskilling staff, setting up reporting templates, and acquiring required information (note that this is now a sunk cost after the first year of reporting) - Ongoing reporting costs (expected to decline over time) - Disclosure of information is disadvantageous to companies that are performing worse than their peers.
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. I dispute the claim that Option 3 would be better aligned with Australia than Option 1. A per-scheme threshold is entirely misaligned with the Australian approach. While the threshold number is the same, having it apply per scheme would massively reduce the number of reporting entities relative to Australia. NZ having a lower reporting threshold than Australia is entirely appropriate given our smaller population and economy.
11	If the XRB introduced differential reporting, would this impact on your choice of preferred option?

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?
13	When considering the location of the thresholds, which Option do you prefer and why?
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?
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? Option 1. Directors have insurance. They're going to be fine regardless. As noted in the discussion document, to access this insurance, "a high level of involvement by all directors in the preparation of the climate statements and surrounding due diligence process is required". This is entirely the point. Achieving the aims of the Act, to direct capital to facilitate the transition to a low-emissions economy, requires those with the power to decide where and how capital is allocated to get onboard.
16	Do you have another proposal to amend the director liability settings? If so, please provide details.
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)

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?
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?
Final comments	
23	Please use this question to provide any further information you would like that has not been covered in the other questions. Please note that while much of the feedback about the regime received by the Minister (“Stakeholders are telling me...”) is negative, this is an entirely expected result from any change and is not an indication that the regime is performing poorly or that the settings are wrong. With any change, there will be people that like it and those that dislike it. Only those that dislike the change are incentivised to speak up about it. (I ask the Minister to consider how often he is contacted by constituents to say that everything is fine and nothing should be changed.) This is called selection bias, and it should be taken into account. A first step before getting to the point of this consultation should have been to survey all listed issuers to get an actually representative indication of how they feel about the regime. A good-faith assessment of the regime may have actually found that some respondents desire more stringent reporting requirements. Given that none of the options presented in this consultation are in this direction, it makes me doubt the impartiality of the process. Hopefully, this submission process can provide some of that necessary feedback, but the responses are still likely to skew more negative than is representative. Please do better in future at attempting to run consultations in an impartial manner with more full information of affected parties’ views before starting.