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 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:
      4. 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.
      i. 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).
5. 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	Rebekah Swan
Date	4 February 2025
Organisation (if applicable)	Fisher Funds Management Limited
Contact details	029 494 2197 Rebekah.swan@fisherfunds.co.nz

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.

S9(2)(b)(ii)

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)

Fisher Funds Management Limited and related entities (Fisher Funds) is one of New Zealand's largest specialist investment managers with approximately 500,000 Kiwis invested across our KiwiSaver, managed investment schemes and other products and services. Operating for over 25 years, Fisher Funds help Kiwis realise their ambitions through our Smart Active Investment Management approach to investing and delivery of our award-winning client services.

Overarching comments

We are interested in understanding how industry engagement with, and the overall accessibility and utilisation of, these documents will evolve. We recognise the legislative focus is tilted more to listed companies, as an active investment manager, we already incorporate climate change risk assessment into our investment management process, along with other risks. This legislative requirement, therefore, introduces a degree of duplication, as we are aggregating the companies that we invest in. Although we appreciate the intended outcome of facilitating a comparison for investor assessment of climate risk and fund comparison, we believe the current framework has not yet fully realised this objective. A more differentiated reporting structure would enhance efficiency and better serve the needs of investors.

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?
	Anecdotally we have heard that significant costs were incurred by listed issuers, primarily around consultancy, advice, assurance, project management, and management and directors' time.
2	Do you consider that the listed issuer thresholds (and director liability settings) are a barrier to listing in New Zealand?

Yes, Fisher Funds is of the view that listed issuer thresholds and director liability settings are a barrier to companies listing in New Zealand. They create additional compliance, reputational risks, and reporting is costly. This is likely to deter clients from listing, particularly smaller issuers that could face disproportionate compliance burdens.

The ongoing costs and compliance requirements associated with being listed, over and above what it costs to run the business, are among the first things advisors warn of when an entity is considering capital raising options. If listing on a public market is deemed valuable, there are jurisdictional options as to where to list (e.g. the ASX) and the extent of the regulatory compliance requirements, and the entities' ability to deal with them form part of the decision making. It is directors' duty to act in the best interests of the company, and owners of shares in the company adopt the view that investors will reduce the value they place on the company's shares in respect of the cost of such a compliance burden.

The $60m threshold is very low which means small companies with limited financial resources are captured by the rules. This means all things equal they would be better off remaining private or listing on an alternate exchange (e.g. the ASX).

The NZX has had a dearth of new listings in recent years in large part due to the incremental compliance costs of being a listed company. The CRD regime has added to this cost and is exacerbating this problem.

Having a listing and a company's market capitalisation is an inexact proxy for a company's financial resources. There are many small, listed companies that have low profitability and have listed on the NZX to access capital markets in large part for ongoing access to funding. For these companies, the requirements are a particularly onerous burden. Similarly, there are other large unlisted companies that fall outside the regulations by virtue of not having a listing. We note the Australian regime does not use a company's listing or market capitalisation as a qualifying factor.

By way of illustration, based on our analysis using Bloomberg data, there were 4 NZX-listed companies with market capitalisations between $60-100m as of 31 December 2024 (Arborgen, Asset Plus, IKE GPS, and Black Pearl). Only one had positive net profit on a trailing 12-month basis (Asset Plus and only $1.75m) and the average loss after tax of these four companies was $5.8m.

Even for small-to-medium sized companies in the NZX context, investors will capitalise the ongoing cost of CRD reporting into the valuation they are willing to attribute to the shares. This means that the expected valuation of NZX-listed valuation for mid-sized companies of $250-550m is diminished and the attractiveness of unlisted capital options is incrementally more attractive.

3	When considering the listed issuer reporting threshold, which of the three options do you prefer, and why?

Fisher Funds preference is Option 2. (We note that Option 2 broadly aligns to the S&P/NZX 50 index (54 issuers are referenced in the discussion document as having over $550m market capitalisation).

Generally, we observe a marked difference in corporate functions between companies within the NZX 50, let alone companies outside of the NZX 50. We increasingly see companies not list on the NZX in favour of having only an ASX listing. Option 2 (as opposed to Option 3) is a credible example where NZX could cultivate an advantage versus the ASX and may help attract or retain companies listing on the NZX.

We continue to think that disclosure will be valuable as customers, lenders, and investors are increasingly requiring companies to disclose transition planning. However, we believe the compliance costs of mandatory/prescribed disclosure could become problematic, particularly in an environment where global frameworks remain fluid.

As well as an active investment manager, Fisher Funds is the appointed investment manager for three NZX-listed investment companies (LICs): Kingfish, Barramundi, and Marlin.

These LICs are listed companies that invests into New Zealand, Australian and Global Equities, respectively. These are professionally managed diversified funds of the respective markets that they invest in.

As such, they are very different from operating businesses listed on the NZX that have employees, assets, and physical operations.

Given these nuances, the application of the group thresholds under the Australian regime with a requirement to meet 2 or the 3 criteria, revenue, total assets, and FTE employees under group 1, 2, or 3 is more appropriate.

Given the nature of the LICs, we would like to explore a differential reporting for these entities on the basis they are listed professionally managed diversified funds. This is covered under question 4.

The stop-start approach means these companies may have to produce mandatory reports for 2025 and 2026, then potentially pause, creating anomalies. Despite the drawbacks, this pause could give these companies time to develop their internal climate-related infrastructure, systems, and expertise. Many might even choose to continue voluntary disclosures during the pause.

Given this the FMA could consider a class exemption for these companies for 2025. Without this exemption, they would need to be fully compliant (except for anticipated financial impacts and assurance) in 2025, which represents a significant compliance and investment cost.

This also allows the FMA to develop and solidify its enforcement approach. Simultaneously, it gives the reporting companies time to learn and adapt, especially given the FMA's initial focus on education. The passage highlights a tricky balance: giving mid-sized companies time to prepare for CRD requirements while also ensuring consistent and timely reporting. The proposed class exemption is one potential way to address this challenge.

4	If the XRB introduced differential reporting, would this impact on your choice of preferred option?

	We consider that a regime with different parameters could be more appropriate, if it appropriately balances the cost/benefit of CRD reporting. However, this must be balanced against creating additional complexity because of ‘moving the goalposts. For example, we think differential reporting for smaller companies (under $550m) and LICs would be beneficial.
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?
	Fisher Funds thinks a different reporting threshold for listed issuers should be considered to: (1) prevent NZX-listed issuers effectively being penalised relative to unlisted issuers or issuers listed on other exchanges; (2) prevent companies with small-to-medium market capitalisations from being included in the 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?
	Yes (traditional listed companies not listed diversified funds), we expect some listed issuers would choose to report voluntarily. Prior to the regime coming into effect, some of these companies have been reporting on a volunteer basis. Companies may weigh up pros and cons and judge that it is beneficial to release (non-mandatory) climate reporting, if they decide this is valuable to their customers, investors, and other stakeholders and in grows their customer base and reduces their cost of capital. Directors are still required to consider managing climate related risks as part of their broader risk framework, so many companies have specifically incorporated climate risk management as a subset of this.
7	What are the advantages and disadvantages of a listed issuer being in a regulated climate reporting regime?

This very much depends upon the business that you are, your objectives, strategy, location, and client base.

Advantages:
Climate change is no longer just an environmental concern. It is now a fundamental part of doing business, impacting everything from risk management to strategic planning.

Some companies operate in multiple jurisdictions, each with its own climate-related regulations and reporting requirements. This adds complexity but also underscores the need for a comprehensive and consistent approach to climate disclosure.

Investors are increasingly incorporating climate risk into their decision-making. Companies that demonstrate strong climate risk management and transparent disclosure are more likely to attract investment. Conversely, those that fail to address climate change may face difficulties in accessing capital longer term.

Disadvantages
Compliance costs, initial setup (e.g., implementing new systems, training staff, conducting initial assessments) and ongoing compliance (e.g., annual reporting, data collection, assurance) can be expensive. This burden can be especially heavy for smaller businesses.

Inaccurate or incomplete disclosures can lead to legal challenges and reputational damage. Companies may face lawsuits from investors or other stakeholders if their climate-related statements are deemed misleading. This risk creates pressure to be overly cautious, potentially hindering innovation.

Collecting and managing the necessary data (without talking about reliability or consistency) is complex and time-consuming. Approaches and best practice are still evolving, creating a moving target for businesses. Keeping up to date with these changes requires ongoing effort and investment. As reporting standards evolve and data collection methods improve, companies may need to restate previous disclosures, creating uncertainty which may undermine confidence in the reported information. The constantly evolving landscape makes it difficult for businesses to plan long-term.

A highly prescriptive regime can stifle innovation and create a "tick-box" mentality. Companies may focus on simply complying with the rules rather than genuinely integrating climate considerations into their core business strategy.

The costs of compliance, including consultants, audits, and legal advice, can be disproportionately high for smaller businesses, placing a greater financial strain on them compared to larger companies.

The emphasis on compliance can lead companies to prioritize meeting regulatory requirements over addressing climate-related risks and opportunities. This can result in a superficial approach to climate action, where companies focus on "looking good" rather than "doing good
“ and taking substantive climate action Thus a practical balance required to ensure transparency, accountability without placing burdens on companies, especially smaller ones.

8	Do you have information about the cost of reporting for investment scheme managers?

	S9(2)(b)(ii) [redacted]
9	Do you have information about consumers being charged increased fees due to the cost of climate reporting?
	For costs that are permitted under the trust deed of the funds these have been charged to (paid by) the Funds.
10	When considering the reporting threshold for investment scheme managers, which of the three options do you prefer, and why?
	Fisher Funds prefers option 3. This wouldn't significantly reduce the AUM captured and would cover the bulk of the retail managed investment scheme universe, reducing the burden for smaller managers and schemes. Fisher Funds has 12 climate statements to disclose (9 investment schemes and 3 LICs). The output of the climate statements is not a fair representation of the work and analysis that is done to complete the reports. Our largest scheme has $5.4bn assets under management and represents the key asset classes. So, this scheme it is a good representation to clients as to how the Funds may be impacted by potential risks and opportunities. We have two RI team members and 75% of their time last year was spent on climate reporting which meant that they were unable to work on value-add work "doing good" for example, engagement with companies on thematic issues. The timeliness of the reporting and backwards looking nature of the data is also prohibitive to meaningful insights and the lengthy disclosures making it difficult for clients and end users to process and make meaningful comparisons. While option 3, could be beneficial in other ways, it could create significant operational and legal complexities for large fund managers, leading to inconsistent treatment of investors and potential issues related to director liability. These complexities could undermine the goal of consistent and comparable climate-related information across the market. Therefore, careful consideration and clarification of these issues are crucial before implementation.
11	If the XRB introduced differential reporting, would this impact on your choice of preferred option?

	Yes, there is a need for differentiated reporting. Firstly, there is a difference between a CRE and a MIS manager. A MIS manager may have multiple CREs, for example Fisher Funds. It would be more meaningful to have a separate standard for MIS managers versus other CREs. This would enable the requirements for MIS managers to be simplified. This also allows for some NZCS 1 items that are not relevant for MIS managers, for example forming a view on what is material to a primary user. Reducing the prescriptive nature of reporting requirements would allow for simplified disclosures. For example, having a one-page fact sheet, like the Fund Fact sheets provided under the FMCA Act, which were populated with prescribed data, text, and metrics so that clients "or end users" are truly able to compare on a like for like basis in an easy simple way. Static pillar (Governance, Risk, Strategy) information could be housed on the CRE's website and the disclose website, to be updated annually. Fisher Funds' climate statements per scheme have been clicked on between 5 – 80 times. Many of these clicks have been internal team members going there to ensure they have looked at the 'published' version and industry peers that have looked. We have had very few queries from clients on our climate statements.

Scheme name	No. of clicks on website
Fisher Funds KiwiSaver Scheme	80
Fisher Funds KiwiSaver Plan	20
Fisher Funds TWO KiwiSaver Scheme	13
Fisher Funds Managed Funds	40
Fisher Funds Premium Scheme	11
Fisher Funds Investment Funds	10
Fisher Funds Lifesaver Plan	4
Fisher Funds Investment Series	11
Fisher Funds Future Plan	5
Kingfish	Unavailable
Barramundi	Unavailable
Marlin	Unavailable

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?
	A simplified NZ Climate standards would lead to a better outcome, greater participation, with the focus shifting to outcomes, key metrics, and disclosures rather than focussing on 'potential' impacts, simplification could raise the bar in terms of quality for the end user.
13	When considering the location of the thresholds, which Option do you prefer and why?
	Option 2, as this gives more flexibility. Although not at the expense of more updates occurring and ensuring appropriate process for this being done to give the industry certainty.
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?

	The obligations should be to consult, considering costs and overall impact. *J001281-MfE-Climate-strategy-brochure-FF_webV2.pdf*
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 3, repealing section 534(1)(cb). This eliminates deemed liability for directors regarding climate reporting entity contraventions of disclosure obligations.
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?
	No, it is unlikely that clients are aware of these settings, and it is unlikely that trust will be impacted. The liability for the CRE will remain unchanged.
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 a view we necessarily share. Entities should have enough knowledge and resource at the time of making representations to ensure the representations made are supported on reasonable grounds.
19	If you support Option 4 (introduce a modified liability framework, like 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?
	N/A
20	If you support the introduction of a modified liability framework, how long should the modified liability last for? And who should be covered, i.e.., should it prevent actions by just private litigants, or should the framework cover the FMA as well? (Criminal actions would be excluded)
	A minimum of 3 years.
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, in most instances it would be referenced in the report if it were relevant not withstanding potential different reporting periods.
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?
	No.
Final comments	
23	Please use this question to provide any further information you would like that has not been covered in the other questions.

S9(2)(b)(ii)