

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.
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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	Kate Gunthorp
Date	15 January 2025
Organisation (if applicable)	Submitted in my personal capacity
Contact details	Kate.gunthorp@gmail.com or 0221221420

Privacy and publication of responses

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☐ 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.

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Responses to discussion document questions

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

Chapter 2: Reporting Thresholds	
	Do you have any information about the cost of reporting for listed issuers?
1	Please note, I am making this submission in my personal capacity, but my professional background is relevant. Until very recently, I worked in a climate-related role at Westpac New Zealand and was a primary user of climate-related disclosure information. In February 2025, I will be taking up a leadership role in climate and ESG at another New Zealand bank. In this role I will be both involved in the bank's own climate disclosures, as well as establishing processes and systems for how the bank will assess and incorporate climate related risks into lending and credit decisions. While costs of the first year of mandatory disclosure have been high, most in the industry do expect their costs to flatten out and decrease as processes are streamlined, and companies learn more about climate change. Much of the cost in the first year has included standing up new teams and operating models, which will support CREs to be more resilient to climate-related risks in the future, and to leverage climate-related opportunities. The cost of disclosure should be balanced against the cost of climate risks. Failing to adequately prepare for climate-related risks is likely to be far more costly to businesses than the cost of the disclosure regime. Good quality climate disclosures also allow New Zealand companies to retain access to capital (at a reasonable cost) and retain access to international markets, which are increasingly mandating climate and sustainability disclosure regimes. Costs can be managed through alternative means, such as further extending the adoption provisions for scope 3 reporting and assurance, as per the recent XRB consultation, rather than simply by limiting the number of entities that the regime applies to.
	Do you consider that the listed issuer thresholds (and director liability settings) are a barrier to listing in New Zealand?
2	While the prospect of mandatory climate reporting may be daunting for any company considering listing on the NZX, this could be managed through, for example, a phased approach to disclosure (e.g. a two-year grace period on mandatory climate reporting following initial listing), or differential reporting requirements for companies of different sizes.
3	When considering the listed issuer reporting threshold, which of the three options do you prefer, and why?

As set out above, I am making this submission in my personal capacity. However, my professional context is relevant, so I have referenced information set out in Westpac's climate report: [Westpac Climate Report 2024](#).

In my role at Westpac, I established Westpac's Customer Transition Plan Framework (**Framework**). As set out in Westpac's Climate Report, the Framework was established alongside Westpac's Australian parent company to assess large, high emitting customers' 'transition maturity' across five key disclosure elements: Risks and opportunities, Implementation Strategy, Engagement Strategy, Metrics & Targets and Governance.

Assessing transition maturity of customers who are likely to be impacted by climate change helps banks to manage the risks associated with their lending. The results of the 2023 RBNZ climate stress testing exercise is evidence that climate change poses a financial stability risk to New Zealand banks.

Most of the main banks have disclosed some kind of process in their climate disclosures whereby they engage with or assess large, high-emissions or higher risk customers on their transition plans, climate targets and/or emissions reduction plans.

This is simply good risk management, and managing and pricing risk is what banks do. In order to do so, however, banks need good quality information on climate-related risks from their customers.

The processes of assessing customers' climate risks are still fairly nascent in banking, and so while many CREs will currently complain "no-one read my climate disclosures anyway", this is only due to resourcing constraints, and that systems and processes are still being built. In time, banks will become much more mature at incorporating climate-related risks and opportunities into core credit assessments.

When banks have established this maturity, it will have been beneficial for large entities to have been reporting for some time, and have established their own maturity in assessing and managing climate risk, and making the most of the opportunities that the transition poses. Those who fail to do so are likely to be disadvantaged when it comes to access to and/or pricing of capital.

From my own experience, while the Climate Standards are a disclosure regime, they ultimately result in businesses taking action. Once risks are identified, they get managed and mitigated. If risks are not identified, they won't get managed and mitigated and businesses will fail.

At the same time, I do appreciate that for smaller listed issuers, without full time or permanent staff who work in climate change or sustainability, this process has been particularly challenging and time consuming.

For the reasons set out above, I agree with Option 1. However, I would instead recommend that the XRB considers a differential reporting regime whereby the disclosure obligations on smaller listed issuers is less onerous.

This would ensure that large, listed companies manage climate-related risks properly, while reducing the burden of the regime.

Particularly important for all entities will be to continue to identify climate-related risks and opportunities, consider and implement management strategies for those risks and

	opportunities and start transition planning – transition planning is the core of the CRD regime and the part most likely to protect business resilience.
	If the XRB introduced differential reporting, would this impact on your choice of preferred option? As set out above, I recommend Option 1 (continuing with the \$60m threshold) but with differential reporting. I would not recommend setting differential reporting at the \$550m threshold suggested. This is too high, and results in a far too limited mandatory regime. A lower threshold should be considered for differential reporting which takes into account the differences in size between Australia and New Zealand's economies, and the structure of corporate New Zealand. New Zealand's GDP is significantly smaller than Australia's, with estimates suggesting that New Zealand's GDP per capita is around 25-30% lower than Australia's. Therefore, it doesn't make any sense to use the exact same reporting threshold as Australia. Australia's reporting threshold of \$550m market capitalisation captures thousands of companies vs the current ~200 companies captured by New Zealand's regime. In addition, corporate New Zealand is far more condensed than in Australia, with fewer companies overall. That means, those listed companies that we do have a far more strategically important to the New Zealand economy as a whole. As such, it is far more important that those companies adequately consider and manage climate-related risks. In addition, Australia's regime captures non-listed, private companies. New Zealand has a number of large private companies which are strategically important to the New Zealand economy, and who should be required to consider and manage climate-related risks. Differential reporting could be one way to ease private companies into mandatory climate reporting.
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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? Set out above.
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, I expect many listed issuers will continue to report, in part because investors and banks expect this.
7	What are the advantages and disadvantages of a listed issuer being in a regulated climate reporting regime? Overall, I do not see any material disadvantages in being in a regulated climate reporting regime. Mandatory reporting brings rigour and comparability. The only downside is the costs of disclosure, which as set out above should plateau, and will be small compared to the impact of unfolding climate risks themselves.
8	Do you have information about the cost of reporting for investment scheme managers? N/A
9	Do you have information about consumers being charged increased fees due to the cost of climate reporting?

	I haven't heard this. Even NZ ETS obligations are not fully passed on to consumers. I don't expect any CREs will have attempted to pass on CRD costs to consumers. NZ ETS costs are far more significant than CRD costs.
10	When considering the reporting threshold for investment scheme managers, which of the three options do you prefer, and why? I do not make a submission on this point.
11	If the XRB introduced differential reporting, would this impact on your choice of preferred option? As set out above. Option 1 is still preferred, but with differential reporting for listed issuers over a certain threshold. I submit that the threshold for differential reporting should be far lower than the \$550m proposed for the reasons set out above.
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? I do not make a submission on this point.
13	When considering the location of the thresholds, which Option do you prefer and why? I do not make a submission on this point.
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 change to the climate disclosure regime should require public consultation, and the public should be given adequate time to respond (more than the three-week timeframes on some recent consultations, which is far too short for many corporate entities to provide a response within given the internal approval requirements for submissions).
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?

	I recommend Option 4. From my engagements with many large CREs, I have seen first hand (in terms of length and breadth of disclosures), and heard anecdotally that director liability for climate-related disclosures has directly resulted in a lessening of ambition and/or a 'compliance only' mindset. Comparison can be made to the introduction of director liability for health & safety in 2015. As with health & safety, directors will become more comfortable with climate-related risks as businesses build new teams, processes and business models to deal with those risks. In the interim, it makes sense to have a safe harbour on similar terms to that available in Australia. In the short term, I expect a safe harbour will increase the quality, depth and breadth of climate disclosures as entities feel more comfortable being more fulsome in their disclosures. For some entities who have been reporting on a voluntary basis for some time, the regime becoming mandatory (and with it, director liability) has resulted in a material shortening of climate disclosures. This is a real loss, as often much of the value is in the non-mandatory statements and explanations that companies have provided in the past. In climate change, context is everything. I strongly do not recommend carving out liability for directors for climate-related disclosures on a permanent basis, as per Option 2 or 3. There is no reason that climate change should be singled out in this was from other public statements made by a company. An ongoing and permanent carve out of director liability could lead directors to be too lax, not take the regime seriously and result in poor quality disclosures, and worse, poor quality management of climate-related risks.
16	Do you have another proposal to amend the director liability settings? If so, please provide details. N/A
17	If the director liability settings are amended do you think that will impact on investor trust in the climate statements? Investors (and banks) will have sympathy with a short-term safe harbour which gives companies and directors time to get up to speed. A permanent or ongoing carve out for director liability (per Option 2 or 3) would not give the investment community trust and confidence in the regime.
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? N/A
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? We should look to align this with Australia's approach.

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 should look to align this with Australia's approach, to a maximum of two years from the introduction of the original New Zealand Climate Standards.
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? This should be considered on a case-by-case basis, and the FMA should have the power to grant exceptions, where requested. There will be examples in which it will make sense for an overseas parent's statements to be filed in lieu, and cases in which it will not. One example (from my own experience) is Westpac Banking Corporation, New Zealand Branch vs Westpac New Zealand Limited. Westpac Banking Corporation, New Zealand Branch performs relatively limited functions in New Zealand (e.g. financial markets) and it would make sense for it to be able to file Westpac Banking Corporation's climate statements in lieu of its own. Westpac New Zealand Limited, on the other hand, is a full-service bank from retail to Institutional, with its own policies, procedures, lending requirements etc etc – and with a very different customer base to its Australian parent, given the different focusses of our economies. It makes sense for Westpac New Zealand Limited to continue to file its own climate related disclosures, despite Westpac Banking Corporation filing climate disclosures in Australia. Otherwise, investors in Westpac New Zealand Limited would have very limited information about how Westpac New Zealand Limited is specifically dealing with climate change. Please note, again, this is my personal opinion based on my previous employment.
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 could be useful, but as above the obligation to report should apply to all existing CREs, but with an exemption process for companies to request that they file their parent's statements in lieu. This process could require companies to share comparative information between NZ's regime and the relevant overseas regime and provide reasons and justifications for why the overseas reporting should be accepted in lieu. The FMA should be the organisation to grant exemptions.
Final comments	
23	Please use this question to provide any further information you would like that has not been covered in the other questions. The climate disclosure regime is critical to ensuring the resilience of the New Zealand economy. Any changes which limit the applicability of the regime should be considered carefully, and in light of global trends towards mandatory disclosure, with 85% of New Zealand's trading partners now either having in force or contemplating mandatory

	climate/sustainability reporting regimes. We may have been an early mover, but we are now far from being alone in having such a regime.
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