



KPMG Centre
18 Viaduct Harbour Ave
PO Box 1584
Auckland 1140
New Zealand
T: +64 9 367 5800

Ministry of Business, Innovation & Employment
Corporate Governance and Intellectual Property Policy
Business, Resources and Markets
Ministry of Business, Innovation & Employment
PO Box 1473

via email: climaterelateddisclosures@mbie.govt.nz

14 February 2025

Response to consultation on adjustments to the climate-related disclosures regime

KPMG's purpose is to fuel the prosperity of Aotearoa New Zealand for the benefit of all New Zealanders – Titokona tō tātou tōnuitanga, mō Aotearoa, mō Tātou.

We believe that reporting regimes can change outcomes for the better. Reporting enables entities to communicate how they are governed and be transparent on their performance in issues of interest to their stakeholders. Reliable reporting is the foundation of our capital markets system and enables stakeholders to make informed decisions. It is also a less interventionist and lower cost option in the toolkit of government to encourage desired behaviours and enable entities to leverage off information they are already collecting, versus requiring entities undertake specific action.

Climate reporting, while emergent, should aim for the same quality and rigour as the financial reporting it sits alongside that allows us to have trust in our public interest entities. Climate change is one of the most significant issues of our time and stakeholders should have confidence in information being provided by New Zealand entities. That is why KPMG voluntarily reports in line with the External Reporting Board's (XRB) Climate Standards and is looking to obtain independent assurance of this reporting. The risks and the opportunities arising from climate change are not going away and climate statements are critical pieces of information that need to be explored and shared with stakeholders for an accurate view of an entity's long-term strategy and resilience.

We welcome the opportunity to provide our response to the consultation on adjustments to the climate-related disclosures regime.

In summary:

1. We do not agree changes are required to the reporting thresholds. In our view the issues raised could be more effectively and efficiently dealt with through standard-setting and in particular through the implementation of a differential reporting framework.
2. We do not agree changes are required to the director liability settings. Our view is that climate reporting liability should be equivalent to financial reporting liability. The Financial

Markets Authority, as the regulator, has also expressed that it will exercise discretion to allow for a learning curve and adopt a more gentle enforcement program in the early years in the regime.

3. We do not see value in encouraging subsidiaries of multinationals to file their parent company climate statement in New Zealand. In our experience, the parent company reports generally provide no or very limited information about their New Zealand operations.

The rationale for our response is described below with the content replicated in the appendix against the submission questions we have chosen to answer for ease of submission analysis.

Reporting thresholds

We do not believe that changes are required to the reporting thresholds. As the discussion document notes (paragraph 46), reducing the number of entities reporting under the regime reduces the likelihood that the regime will achieve its aims. As such, any adjustment that reduces the number of entities reporting does not seem like a move in the right direction. The XRB's consultation on differential reporting will be a more useful exercise that addresses concerns while not diminishing the aims of the regime.

We recognise that climate reporting entities have faced cost and complexity in their first year of reporting. It has been a steep learning curve for many. However, further uncertainty will not benefit entities. We also note that in some cases entities have incurred additional costs that were not warranted for this type of report, which may be linked to the perception of the liability position. We understand that some entities have undergone additional checks and reviews that they would not for financial reporting and believe that this has inflated the costs associated with the climate reporting regime.

KPMG also does not consider the listed issuer thresholds or the director liability settings to be barriers to listing in New Zealand. In reality it is quite the opposite; with similar reporting regimes becoming effective in the ASPAC region (including Australia) and globally, New Zealand entities may be put at a disadvantage if our regime is considered less rigorous. As noted in the discussion document (paragraph 54), over 80% of New Zealand's exports by value are going to markets with mandatory reporting proposed or in force.

When choosing to list and access capital, entities are required to meet more substantive reporting requirements across many aspects of their business as a higher level of transparency is expected by investors. We are aware that some perceive it to be unfair that large unlisted entities in New Zealand are not captured by the regime. Therefore, the solution is not to reduce the requirements for listed entities and thereby reducing the information made available. The Australian regime considers this and therefore captures all entities that exceed the mandated size thresholds.

Additionally, just as KPMG has chosen to voluntarily report in line with the Climate Standards, many entities acknowledge that a wide range of stakeholders either expect or require some level

of climate disclosure. In order to access international markets and remain competitive, many entities would have to undertake climate reporting even if no longer captured by the New Zealand regime. These international regimes can be more onerous and make domestic comparability difficult.

Our overarching view is that the time and resource required to implement and then interpret legislative change will create more uncertainty and further stress while losing the benefit of experience with the current regime reporters have gained in the last year. Entities would still be required to report in the meantime, making it likely that they would incur further costs overall.

Our understanding of the original Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 was that the XRB's Climate Standards would be the primary mechanism for adapting reporting requirements as learnings emerged. The XRB has already indicated its intention to consult on differential reporting, leveraging its ability to apply standards to specified classes of climate reporting entities, which would address the issue with significantly less process.

The Financial Markets Authority, as the regulator, has also expressed that it will exercise discretion to allow for a learning curve and adopt a more gentle enforcement program in the early years in the regime. In KPMG's view, these are still the most practical and effective levers for adjusting the regime to support reliable, informative reporting.

Finally, we believe that alignment with the Australian regime is a sensible aim but are concerned that the current consultation focuses on select sections rather than the regime more holistically. Changes could therefore result in uncertainty while still not aligning meaningfully with Australia. One example of this is the inclusion of both listed and non-listed entities under the Australian regime's thresholds, unlike New Zealand's existing or proposed options.

We are in agreement that a review of the regime and alignment with Australia would be beneficial over time. However, we support a fulsome and proper review of both the New Zealand and Australian regimes to achieve harmonisation that incorporates learnings from implementation and considers both approaches holistically. Adjustments in the form outlined in the discussion document are, by contrast, piecemeal.

Climate reporting entity and director liability settings

We do not believe that changes are required to the director liability settings. We ask: if directors do not have liability for their climate statements, who does? And if they do not have the appropriate accountability for ensuring the information is accurate (and consequences if it is not), who would be willing to provide assurance over that information?

Our view is that climate reporting liability should be equivalent to financial reporting liability. Both cover external information that directors are responsible for and that stakeholders rely on.

To address the issue presented in the consultation document (paragraph 104), we believe that – while important – the extent of assurance required is something of a diversion from the issue of director liability and involvement. It is not the responsibility of external practitioners and auditors to provide directors with comfort in the information disclosed in their climate statements. Assurance provides external stakeholders, indirectly, with comfort and trust in the information prepared by an entity, including its directors who govern the processes and procedures to prepare that information. Directors hold the obligation to ensure information is appropriate in the first instance.

The regime and the XRB's Climate Standards set out climate reporting as a strategic issue. Understanding the risks and opportunities to the business model and strategy and making decisions around how to respond are absolutely areas we would expect directors to be very involved. To change liability settings to differentiate from financial reporting sends the wrong message. While climate reporting does include uncertainty, this is not new; financial reporting includes estimations of certainty and other similar disclosures around materiality and reliability of data. The key, in our view, is being transparent and disclosing any limitations, such as data reliability or availability, and having a regulator that understands these limitations.

Climate reporting can be challenging and put additional pressure on directors - but this is no different to financial reporting. The regime requires a response at a strategic level and so it stands to reason that directors of an entity should be informed, involved, and engaged.

Reporting by subsidiaries of multinationals

We do not see value in encouraging subsidiaries of multinationals to file their parent company climate statement in New Zealand, particularly if it would replace reporting by the New Zealand entity or business. In our experience, the parent company reports generally provides no or very limited information about their New Zealand operations.

In the same way this is not considered appropriate for financial reporting, a parent company climate statement would not provide the relevant information or support the achievement of the New Zealand Government's aims to decarbonise the New Zealand economy. It also presents a greenwashing risk; reporting an offshore parent company's performance could mislead New Zealand stakeholders about the New Zealand entity's performance.

A register of parent company climate statements would also be expensive. In the current economic environment, we do not see sufficient value to warrant this.

Conclusion

New Zealand entities have faced challenges with climate reporting, not least because it is new, complex, and important. As early adopters, there have been first-mover challenges where the usual level of precedent for reporters to follow in preparing their reports does not exist. But legislation that makes tweaks without considering the current and ideal future regimes in full and in depth will not help lessen the load. We have tools through the XRB and FMA to make



adjustments as we learn. We can also benefit from observing our neighbours and global reporting adoption, therefore taking adequate time to develop consistent, complementary regimes.

We implore the Ministry to concentrate efforts on supporting the XRB with the implementation of differential reporting in 2025 and to encourage entities to build on their first year of reporting this vital information.

Thank you again for the opportunity to provide a submission on this discussion document. Please do not hesitate to contact us should you wish to discuss our submission further.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Sanel Tomlinson'.

Sanel Tomlinson
Partner

A handwritten signature in blue ink, appearing to read 'Ian Proudfoot'.

Ian Proudfoot
Partner

Appendix

KPMG response against select submission template questions:

In the table below, we have replicated our comments above in response to some of the specific questions raised for ease of submission analysis.

1. Do you have any information about the cost of reporting for listed issuers? We recognise that climate reporting entities have faced cost and complexity in their first year of reporting. It has been a steep learning curve for many. However, further uncertainty will not benefit entities. We also note that in some cases entities have incurred additional costs that were not warranted for this type of report, which may be linked to the perception of the liability position. We understand that some entities have undergone additional checks and reviews that they would not for financial reporting and believe that this has inflated the costs associated with the climate reporting regime.
2. Do you consider that the listed issuer thresholds (and director liability settings) are a barrier to listing in New Zealand? KPMG also does not consider the listed issuer thresholds or the director liability settings to be barriers to listing in New Zealand. In reality it is quite the opposite; with similar reporting regimes becoming effective in the ASPAC region (including Australia) and globally, New Zealand entities may be put at a disadvantage if our regime is considered less rigorous. As noted in the discussion document (paragraph 54), over 80% of New Zealand's exports by value are going to markets with mandatory reporting proposed or in force. When choosing to list and access capital, entities are required to meet more substantive reporting requirements across many aspects of their business as a higher level of transparency is expected by investors. We are aware that some perceive it to be unfair that large unlisted entities in New Zealand are not captured by the regime. Therefore, the solution is not to reduce the requirements for listed entities and thereby reducing the information made available. The Australian regime considers this and therefore captures all entities that exceed the mandated size thresholds. Additionally, just as KPMG has chosen to voluntarily report in line with the Climate Standards, many entities acknowledge that a wide range of stakeholders either expect or require some level of climate disclosure. In order to access international markets and remain competitive, many entities would have to undertake climate reporting even if no longer captured by the New Zealand regime.
3. When considering the listed issuer reporting threshold, which of the three options do you prefer, and why? We support Option 1: Status Quo. We do not believe that changes are required to the reporting thresholds. As the discussion document notes (paragraph 46), reducing the number of entities reporting under the regime reduces the likelihood that the regime will achieve its aims. As such, any adjustment that reduces the number of entities reporting does not seem

like a move in the right direction. The XRB's consultation on differential reporting will be a more useful exercise that addresses concerns while not diminishing the aims of the regime.
4. If the XRB introduced differential reporting, would this impact on your choice of preferred option?
No. The XRB has already indicated its intention to consult on differential reporting, leveraging its ability to apply standards to specified classes of climate reporting entities, which would address the issue with significantly less process.
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. Just as KPMG has chosen to voluntarily report in line with the Climate Standards, many entities acknowledge that a wide range of stakeholders either expect or require some level of climate disclosure. In order to access international markets and remain competitive, many entities would have to undertake climate reporting even if no longer captured by the New Zealand regime. These international regimes can be more onerous and make domestic comparability difficult.
10. When considering the reporting threshold for investment scheme managers, which of the three options do you prefer, and why?
We support Option 1: Status Quo for the same reasons as outlined above. We do not believe that changes are required to the reporting thresholds and that this would only hinder the aim of the regime.
11. If the XRB introduced differential reporting, would this impact on your choice of preferred option?
No. As above, the XRB has already indicated its intention to consult on differential reporting, leveraging its ability to apply standards to specified classes of climate reporting entities, which would address the issue with significantly less process.
15. When considering the director liability settings, which of the four options do you prefer, and why?
We support Option 1: Status Quo. We do not believe that changes are required to the director liability settings. We ask: if directors do not have liability for their climate statements, who does? And if they do not have the appropriate accountability for ensuring the information is accurate (and consequences if it is not), who would be willing to provide assurance over that information? Our view is that climate reporting liability should be equivalent to financial reporting liability. Both cover external information that directors are responsible for and that stakeholders rely on. Climate reporting can be challenging and put additional pressure on directors - but this is no different to financial reporting. The regime requires a response at a strategic level and so it stands to reason that directors of an entity should be informed, involved, and engaged.

17. If the director liability settings are amended do you think that will impact on investor trust in the climate statements?

Yes. Reliable reporting is the foundation of our capital markets system and enables stakeholders to make informed decisions. Climate reporting, while emergent, should aim for the same quality and rigour as the financial reporting it sits alongside that allows us to have trust in our public interest entities. The regime requires a response at a strategic level and so it stands to reason that directors of an entity should be informed, involved, and engaged.

To address the issue presented in the consultation document (paragraph 104), we believe that – while important – the extent of assurance required is something of a diversion from the issue of director liability and involvement. It is not the responsibility of external practitioners and auditors to provide directors with comfort in the information disclosed in their climate statements. Assurance provides external stakeholders, indirectly, with comfort and trust in the information prepared by an entity, including its directors who govern the processes and procedures to prepare that information. Directors hold the obligation to ensure information is appropriate in the first instance.

The regime and the XRB's Climate Standards set out climate reporting as a strategic issue. Understanding the risks and opportunities to the business model and strategy and making decisions around how to respond are absolutely areas we would expect directors to be very involved. To change liability settings to differentiate from financial reporting sends the wrong message. While climate reporting does include uncertainty, this is not new; financial reporting includes estimations of certainty and other similar disclosures around materiality and reliability of data. The key, in our view, is being transparent and disclosing any limitations, such as data reliability or availability, and having a regulator that understands these limitations.

The Financial Markets Authority, as the regulator, has also expressed that it will exercise discretion to allow for a learning curve and adopt a more gentle enforcement program in the early years in the regime. In KPMG's view, these are still the most practical and effective levers for adjusting the regime to support reliable, informative reporting.

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. We do not see value in encouraging subsidiaries of multinationals to file their parent company climate statement in New Zealand, particularly if it would replace reporting by the New Zealand entity or business. In our experience, the parent company reports generally provides no or very limited information about their New Zealand operations.

In the same way this is not considered appropriate for financial reporting, a parent company climate statement would not provide the relevant information or support the achievement of the New Zealand Government's aims to decarbonise the New Zealand economy. It also presents a

greenwashing risk; reporting an offshore parent company's performance could mislead New Zealand stakeholders about the New Zealand entity's performance.

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. A register of parent company climate statements would also be expensive. In the current economic environment, we do not see sufficient value to warrant this.

23. Any other comments

Increased pressure on reporting entities through piecemeal and continuing changes to legislation

New Zealand entities have faced challenges with climate reporting, not least because it is new, complex, and important. As early adopters, there have been first-mover challenges where the usual level of precedent for reporters to follow in preparing their reports does not exist. But legislation that makes tweaks without considering the current and ideal future regimes in full and in depth will not help lessen the load.

The time and resource required to implement and then interpret legislative change will create more uncertainty and further stress while losing the benefit of experience with the current regime reporters have gained in the last year. Entities would still be required to report in the meantime, making it likely that they would incur further costs overall.

We have tools through the XRB and FMA to make adjustments as we learn. We can also benefit from observing our neighbours and global reporting adoption, therefore taking adequate time to develop consistent, complementary regimes.

We are in agreement that a review of the regime and alignment with Australia would be beneficial over time. However, we support a fulsome and proper review of both the New Zealand and Australian regimes to achieve harmonisation that incorporates learnings from implementation and considers both approaches holistically. Adjustments in the form outlined in the discussion document are, by contrast, piecemeal.

Concentrate efforts on supporting a differential reporting regime

We believe that reporting regimes can change outcomes for the better. Reporting enables entities to communicate how they are governed and be transparent on their performance in issues of interest to their stakeholders. Reliable reporting is the foundation of our capital markets system and enables stakeholders to make informed decisions. It is also a less interventionist and lower cost option in the toolkit of government to encourage desired



behaviours and enable entities to leverage off information they are already collecting, versus requiring entities undertake specific action.

Our understanding of the original Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 was that the XRB's Climate Standards would be the primary mechanism for adapting reporting requirements as learnings emerged. The XRB has already indicated its intention to consult on differential reporting, leveraging its ability to apply standards to specified classes of climate reporting entities, which would address the issue with significantly less process.

We implore the Ministry to concentrate efforts on supporting the XRB with the implementation of differential reporting in 2025 and to encourage entities to build on their first year of reporting this vital information.