

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

Your name and organisation

Name	Brent Mealings
Date	23/01/2025
Organisation (if applicable)	Livestock Improvement Corporation Limited
Contact details	legal@lic.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.

N/A

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.

N/A

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?
	As disclosed in LIC's climate statements for the year ended 31 May 2024, LIC spent \$0.1m during that period. However, that does not include the value of LIC employee & director time, which we estimate would have been at least \$0.5m over the past year. Independent assurance costs will also be more expensive in future for LIC than our previous verification costs via Toitū, which do not qualify as independent for LIC as we also use their GHG calculator software.
2	Do you consider that the listed issuer thresholds (and director liability settings) are a barrier to listing in New Zealand?
	Yes. Listed issuer thresholds for reporting being set relatively low (compared to Australia) combined with current director liability settings will likely disincentivise listing (or be a factor in considering delisting) due to administrative burden, cost and responsibility. These factors will also have an impact on the directors who are willing to sit on boards of a company that qualifies as a reporting entity as this triggers additional director liability. This additional obligation on directors of listed companies may be a factor in driving director's fees upward. LIC is a non-standard issuer on the NZX – under LIC's cooperative structure only NZ dairy farmers can hold shares in LIC, as well as LIC employees to a smaller extent through an Employee Share Scheme. If LIC had not already been listed on the NZX, the climate disclosure regime would have been a barrier to listing.
3	When considering the listed issuer reporting threshold, which of the three options do you prefer, and why?
	Options 2. We consider that \$550 million market capitalisation is an appropriate level for reporting. It would be useful for any change made to clarify application of the reporting regime to partial periods, with the preference that an entity would only be required to report if the regime applied as at the entity's balance date.
4	If the XRB introduced differential reporting, would this impact on your choice of preferred option?
	No – voluntary reporting is LIC's preferred approach. However, if there was no change to the threshold, differential reporting could provide some relief. For example, the smaller an entity is, the more challenging it can be to obtain and drive down scope 3 GHG emissions. The value of independent assurance over this data for smaller organisations is also questionable. Focussing on scope 1 & 2 emissions that can be directly influenced may be more valuable for a reporting focus for smaller entities. Smaller entities also do not necessarily have the funds to invest early in novel technology and may be more likely to be "fast followers" as lower-emission options become more widely available and feasible (eg hydrogen powered vehicles and fuel stations). Putting the onus on NZ's largest companies to report and drive down emissions will provide more opportunities for smaller entities to subsequently leverage new technology. As these options become more available, the Government also has options to incentivise all individual and entities to transition, such as increased taxes on fossil fuels.
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?

	For cooperatives like LIC that have a non-standard NZX listing where shareholders are a restricted group, it would be useful if there was a climate disclosure exemption application option. LIC is in a position to help all dairy farmers reduce GHG emissions through herd improvement and research & development and our internal time would be best placed focussing on those goals. Dairy farmers are LIC's shareholders by virtue of purchasing LIC's products and services, so already understand climate risk and opportunities related to the sector. Climate disclosure reporting has taken up a significant amount of time for both the Board and management and dairy farmers are indirectly paying for the additional burden of climate reporting through their shareholding in LIC as well as through other cooperatives with a similar shareholding base that are required to report, such as Fonterra. LIC was previously already voluntarily reporting GHG emissions and reduction efforts through our annual Sustainability Report.
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, climate statements may still be required by overseas markets or material customers for some organisations. Reporting could also be through voluntary climate statements, sustainability reports or integrated reports. Disclosure on a voluntary basis also means an entity can choose to report the most useful material for stakeholders, which LIC would voluntarily do, rather than following prescriptive disclosure requirements and having to take a compliance-focussed approach.
7	What are the advantages and disadvantages of a listed issuer being in a regulated climate reporting regime? If reporting is required by overseas markets or material customers, reporting within a regulated regime may be seen as more credible, provided that the regime is relatively consistent with other regimes.
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? N/A
10	When considering the reporting threshold for investment scheme managers, which of the three options do you prefer, and why? N/A
11	If the XRB introduced differential reporting, would this impact on your choice of preferred option? N/A
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? N/A
13	When considering the location of the thresholds, which Option do you prefer and why? Option 2 – a more efficient process to adjust settings is preferred.
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 proposed increase in obligations should result in an obligation to consult.

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 2 or 3
	Section 534 of the FMC Act places a large obligation on directors in respect to future looking statements that can lead to overly conservative reporting. Directors may require sign-off by external legal advisors in respect of the s. 501 and s. 499 defences to receive a level of comfort that they are able to rely on the defences to the fair dealing provisions. Climate statements involve a high degree of subjectivity and unpredictability. The amendment of s.534 to no longer apply to climate statements would remove some of the uncertainty for directors and move to alleviate concerns as to what level of involvement a director should personally have in the preparation of climate statements to ensure the accuracy of the contents of the statements and what level of oversight they are expected to give.
	Amending the aiding and abetting unsubstantiated representations liability for directors is appropriate. The company would still rightfully be responsible for making any unsubstantiated representations meaning that management will still be required to take the care and steps required before making any statements.
	A director is unlikely to receive a sufficient level of comfort from the FMA's commitment to taking a pragmatic and educative approach with a high threshold for enforcement when on the face of the legislation the directors may be held personally liable. Being able to report GHG emissions targets without director obligations risk under a regulated regime may also support more a more aspirational approach to be taken.
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?
	Any claims made would still require substantiation so investor trust should not be impacted.
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?
	Leaving the liability at the climate reporting entity level should remain so that an investor is able to trust and rely on statements made.
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?
	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, ie., should it prevent actions by just private litigants, or should the framework cover the FMA as well? (Criminal actions would be excluded)
	N/A

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
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 is information that could be helpful to some investors, but should be on a voluntary basis only.
Final comments	
23	Please use this question to provide any further information you would like that has not been covered in the other questions.