

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

Your name and organisation

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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?
	McHugh & Shaw has information on the compliance/audit costs for CRE's
2	Do you consider that the listed issuer thresholds (and director liability settings) are a barrier to listing in New Zealand?
	If New Zealand has lower reporting thresholds (e.g. \$60 million compared to \$500 million) and accompanying director liability settings than Australia, this could potentially put NZ companies at a disadvantage compared to Australia to listing on the New Zealand exchange.
3	When considering the listed issuer reporting threshold, which of the three options do you prefer, and why?
	Option 1, Status Quo but with the introduction of differential reporting standards for different classes of entities, e.g. Smaller listed issuers have more time to submit climate related disclosures (>4 months), an extension on reporting only Scope 1 and 2, and reduced director liability. The reasons why this option is preferred include: • Avoids the disruption for Listed issuers with \$60 - \$550 million capitalisation to stop reporting for approx. 2 years and then start again. • For all options, the smaller listed issuers need to report until legislation changes (anticipated 2026) by changing the reporting standards this would provide earlier relief to high compliance costs, resource intensity etc. associated with the current CRD requirements. • Eliminates the risk that smaller listed issuers from \$60 to \$250 million stop considering their climate related risks and opportunities altogether (Option 2 and 3 set the threshold at \$250 million). • Can help reduce the compliance costs and disadvantages to smaller listed issuers, provided differential reporting standards are introduced. • Having differential reporting standards in place, provides an alternative way to address the competitive disadvantage/barrier to listing on the NZ exchange • Helps protect New Zealand's competitive advantage for exports to markets with mandatory ESG in force or proposed. • New Zealand can be viewed as a World Leader in climate reporting.
4	If the XRB introduced differential reporting, would this impact on your choice of preferred option?
	Yes, Option 1 would be the preferred approach as outlined above.
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?
	The reporting threshold of listed issuers with \$60 to \$250 million market capitalisation should also be considered in option 3 if this is the option selected, for the following reasons: • There was a good reason for setting the lowest threshold as \$60 million in the first place (based on maximum market capitalisation to join Catalist Markets Limited and being a realistic size to join the NZX). • This lower threshold aligns more closely with the lower threshold of Australia Group 3.

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. They will have their own reasons but will be linked to the advantages they see and the increased level of understanding from governance that ESG is a critical risk for all Boards and reporting is an important element of transparency for building trust and confidence in the market.
7	What are the advantages and disadvantages of a listed issuer being in a regulated climate reporting regime?
	Advantages: • Investor confidence, as climate related reporting demonstrates proven consideration of climate issues. • Encourages capital allocation towards low(er) emitting activities. • Demonstrates leadership in sustainability and climate risk management, which may lead to competitive advantage. • More resilience, as consideration has been given to climate risks that will impact current and future operations. • Aligns with international best practice, which supports access to global markets. • Supports consistency and comparability across CREs. • Promotes transparency which supports stakeholder trust. • Supports the identification of new business opportunities related to climate change and sustainability. Disadvantages: • Listed Issuers may limit their emission reduction ambitions through fear of litigation/liability which may result in a focus on compliance rather than positive and ambitious action. • Increased compliance costs. • Increased workload/work stress (pressure on resource allocation) to prepare climate statements within the required timeframe.
8	Do you have information about the cost of reporting for investment scheme managers?
	No formal information available. Only information from informal discussions such as the cost of consultants and reporting software. However, we are aware of assurance fees faced by reporters.
9	Do you have information about consumers being charged increased fees due to the cost of climate reporting?
	No.
10	When considering the reporting threshold for investment scheme managers, which of the three options do you prefer, and why?
	Option 2, as this threshold aligns more closely with Australia, but still ensures a high number of funds will still be required to consider climate related risks and opportunities. Or Option 1 with differential reporting for \$1 billion to <5 billion total assets under management.
11	If the XRB introduced differential reporting, would this impact on your choice of preferred option?
	Yes, then option 1 would be the preferred choice.

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?
	No, (we can't think of any, maybe thresholds for both per scheme and per total assets under management threshold, e.g. \$1 billion per scheme and \$5 billion per manager (total assets under management) so the climate risks and opportunities of reasonable sized individual funds are considered, which may fall outside the threshold if only based on total assets.
13	When considering the location of the thresholds, which Option do you prefer and why?
	Option 2, to enable more flexibility around changes to the thresholds.
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?
	If the thresholds are moved to secondary legislation, the following statutory criteria should be met: • Statutory obligation to consult. • Consider similar global thresholds.

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 4, this will allow maturity of the reporting regime and be similar to health and safety legislation where director liability was introduced after 2015.
16	Do you have another proposal to amend the director liability settings? If so, please provide details.
	Option 4, where there is a temporary provision for protection for the first six years of reporting.
17	If the director liability settings are amended do you think that will impact on investor trust in the climate statements?
	No, if director liability is not indefinite.
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?
	Option 3 is not supported and would seem to contradict the Fair Trading Act and Commerce Commission guidance on environmental claims.
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?
	A modified liability would be acceptable for scope 3 emissions and the transition plan.
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)
	It should be temporary (3-5 years) and just private litigants.

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? Yes.
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 also a good option.
Final comments	
23	Please use this question to provide any further information you would like that has not been covered in the other questions.
	Currently suitably qualified auditors can give assurance to Climate Related Disclosures in New Zealand. In Australia only financial auditors are legislated to give assurance. Continuing to allow suitably qualified auditors to provide assurance to CRD in New Zealand would help keep compliance costs low and help with the limited availability of qualified assurance practitioners.
	The 4 months timeframe is very short for preparation and assurance of Climate Statements, consideration could be given to extending this.