13 February 2025

Corporate Governance and Intellectual Property Policy
Business, Resources and Markets
Ministry of Business, Innovation & Employment
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New Zealand

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Adjustments to the climate-related disclosures regime

Mosaic Financial Services Consulting (FSI) is pleased to provide our submission in response to the adjustments proposed in the Discussion Document. Mosaic FSI is a financial services consulting firm with a dedicated Sustainability Service Line, where we assist our clients in undertaking Climate-related Disclosures and embedding sustainable practices. Our expertise spans across the financial services sector, enabling us to provide informed insights on the implementation and implications of the regime.

This submission reflects Mosaic FSI's participation as contributors to the overall Climate-related Disclosure regime. While it does not necessarily represent the views of all our clients, we have strived to balance a pragmatic approach with the need for an effective regime that delivers positive climate outcomes and fulfils New Zealand's climate change obligations.

Key points of our submission include:

- We believe existing thresholds should remain, with differential reporting standards developed by the XRB to support smaller entities by reducing reporting expectations.
- To better align the New Zealand regime with Australia (and market participants), there is merit for the inclusion of private companies under the regime.
- Director liability could be softened by repealing one clause in the FMC Act. This should allow the climate reporting entities, and therefore their climate statements, to be sufficiently ambitious, as forward-looking statements can be difficult to fully support.

We welcome continued discussions and engagement on these important issues S9(2)(a) [redacted]

S9(2)(a) [redacted]

Adjustments to the climate-related disclosures regime

Name	
Date	Friday 14 February 2025
Organisation (if applicable)	Mosaic FSI
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[Double click on check boxes, then select 'checked' if you wish to select any of the following.]

☒ The Privacy Act 2020 applies to submissions. Please check the box if you do not wish your name or other personal information to be included in any information about submissions that MBIE may publish.

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Chapter 2: Reporting Thresholds	
1	**Do you have any information about the cost of reporting for listed issuers?**
	Mosaic works primarily with financial institutions. From general discussions with others who work with listed issuers, the median cost reported by the AIRA from its survey seems reasonable in our experience. The cost in excess of $1m advised by Turners Automotive Group appears to be an outlier and may reflect the particular method (or persons/firm) selected to execute workstreams and deliver reporting.
2	**Do you consider that the listed issuer thresholds (and director liability settings) are a barrier to listing in New Zealand?**
	The issue of barriers to listing and the associated issue of attractiveness of listing in New Zealand or Australia are complex issues, with contributing factors that precede the introduction of the CRD regime. Mosaic considers that the listed issuer thresholds (and director liability settings) are relatively minor contributing factors to these issues when considered in the overall context. Therefore, making changes to the existing climate reporting regime is unlikely to have a material impact on companies contemplating an IPO or conversely delisting on the basis of CRD obligations.
3	**When considering the listed issuer reporting threshold, which of the three options do you prefer, and why?**
	Our view is that: • with listed companies already having made significant investments to build their climate reporting capability; • increasing climate reporting being an on-going requirement to do business internationally for some of NZ's listed companies; • the need for financial institutions to be able to access this information about their business customers to complete their own climate reporting; and • the need for listed companies to better understand their climate risks and opportunities so they can take action to improve their business models' climate resilience. We prefer Option 1 (status quo). However, having noted the key issues raised by MBIE, it is important to consider our response to the next question in tandem with this response.
4	**If the XRB introduced differential reporting, would this impact on your choice of preferred option?**

	Yes, our view is that if the XRB introduces appropriate differential reporting, which: • reduces but does not eliminate the reporting burden on smaller listed entities; and • applies similar thresholds to private companies to bring them into the climate reporting regime; that approach will preserve the most important elements of climate reporting for smaller listed entities and bring the largest private entities into the regime, supporting achievement of NZ's NDCs and removing a clear gap with the Australian regime.
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?
	Yes, please see our response above. We prefer a group thresholds approach (like those followed in Australia but adjusted to be appropriate for NZ) combined with differential reporting requirements for smaller listed entities and the extension of the regime to private companies. We feel that approach will: • support climate risk being appropriately priced into shares listed on the NZX; • strengthen NZ's ability to meet its future NDC targets (reducing the need to purchase expensive offsets); • reduce the reporting cost burden on smaller listed entities where it may currently be disproportionate; thereby enabling more proportionate regulation, and • extend a consistent approach across the NZ economy (level playing field) that better aligns with Australia's approach, acknowledging the significance of large private companies in NZ.
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?
	Based on the position prior to the XRB introducing mandatory reporting (very few NZX-listed entities reported under the voluntary TCFD framework), we feel that very few non-CRE listed issuers would still choose to voluntarily report if Option 2 or 3 was preferred. The position in NZ contrasts to some other jurisdictions (e.g., UK) where a more significant number of listed issuers reported voluntarily under the TCFD regime prior to the introduction of mandatory reporting.
7	What are the advantages and disadvantages of a listed issuer being in a regulated climate reporting regime?

	Key advantages • A regulated reporting regime provides a level of reliability to the reported information that does not exist with a voluntary regime. We would expect this to continue to improve as reporting maturity increases and regulatory monitoring intensifies. • Supports the listed issuer to appropriately consider the short-, medium-, and long-term risks and opportunities that climate change presents for its activities. Given the nature of such risks and opportunities, including the uncertainty associated with them, standard risk management approaches may not support their identification and the subsequent step of the issuer taking appropriate activity to manage them, moving it towards a more climate-resilient future; • When associated with action on climate change, regulated reporting makes the issuer a more attractive proposition for the growing amounts of capital that are allocated to entities working on decarbonisation; and • Allows the listed issuer to demonstrate its climate related activities to other stakeholders such as customers, suppliers and employees, including to meet customer reporting requirements that in some cases are a stage gate to doing business (i.e., embedded in their procurement / selection processes). • Provides transparency to employees and potential employees who consider climate-related and environment-related actions performed by companies. Listed issuers who integrate climate into their strategy and operations well will be more attractive for these individuals. Key disadvantages • Costs involved in building climate reporting capability and maintaining that capability. Costs in the initial periods are more significant as organisations develop systems and frameworks to meet the requirements. We would however expect these costs to reduce over time as practices are embedded into an organisations standard operating rhythm. Costs may be exacerbated by evolving assurance requirements. • Liability • Time (opportunity cost). While linked to cost, there is an opportunity cost attributed to the time spent on mandatory reporting for entities that are reporting but are not otherwise committed to climate goals (i.e., the time and effort of mandatory reporting on matters not deemed to be of material importance to the entity).
8	Do you have information about the cost of reporting for investment scheme managers?
	The cost of reporting for investment scheme managers, in our experience, is similar to the surveyed figure mentioned above. The main differences with other CREs are that operational emissions will be immaterial compared to their financed emissions, and that they will often be considering global climate risk drivers, as investments will be spread across different geographies, sectors and asset classes, instead of a concentration in New Zealand.
9	Do you have information about consumers being charged increased fees due to the cost of climate reporting?
	No – this is not something we have heard of previously and have not seen costs passed through in our engagements.

10	When considering the reporting threshold for investment scheme managers, which of the three options do you prefer, and why?
	Our view is that: • with investment scheme managers having made significant investments to build their climate reporting capability; • the desire from retail investors to be able to access this information about their investments; and • the need for investment scheme managers to better understand their funds' climate risks and opportunities so they can take appropriate action to improve climate resilience; we prefer Option 1 (status quo). However, having noted the key issues raised by MBIE, it is important to consider our response to the next question in tandem with this response.
11	If the XRB introduced differential reporting, would this impact on your choice of preferred option?
	Yes, our view is that if the XRB introduces appropriate differential reporting, which reduces but does not eliminate the reporting burden on smaller investment scheme managers, that approach will preserve the most important elements of climate reporting and reduce costs for smaller managers.
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?
	Yes, please see our response above. We prefer differential reporting requirements for smaller investment scheme managers. We feel that approach will: • preserve many of the benefits of the existing regime; and • reduce the reporting burden on smaller investment scheme managers where the current costs may be disproportionately high; and • provide more succinct material which still enables users to make informed decisions
13	When considering the location of the thresholds, which Option do you prefer and why?
	Our preference is Option 2 - moving to secondary legislation will give more flexibility to adjust over time, while still retaining the obligation.
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?
	Our view is that laws and regulations serve society, and hence before a change is made to a threshold, a statutory obligation to consult should be put in place.
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 2 because it offers some alleviation of the issues noted on director liability, by removing deemed liability for directors, without affecting other liability (which is affected under the proposed Option 3) which may undermine the climate reporting regime more significantly. Whilst Option 4 has merit, the fact that it would only be temporary makes it less attractive in our view.
16	Do you have another proposal to amend the director liability settings? If so, please provide details.
	No, we feel that Option 2 is suitable.
17	If the director liability settings are amended do you think that will impact on investor trust in the climate statements?
	We do not think that changing the liability settings would impact investor trust on climate statements as there is generally low awareness of the liability regime to users.
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?
	We do not support Option 3.
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 do not support Option 4.
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 do not support Option 4.
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, this could be combined with an incoming differential reporting regime for large private companies, permitting those local New Zealand subsidiaries who are required to report under that regime to instead file their parent company climate statements in New Zealand.

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?
	Our view is that the better option is a regime that makes this a requirement for New Zealand subsidiaries of multinational companies who are captured by an incoming differential reporting regime for large private companies. In filing their parent company climate statements, these entities will fulfil the New Zealand reporting requirements.

Other comments

None noted.