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

Your name and organisation

Name	David Bartle
Date	14/2/25
Organisation (if applicable)	**Nelson Tasman Climate Forum** You seek feedback particularly from climate "reporting entities". While the Forum is not one of these entities, we have a good understanding of how members of the public, including investors, respond to climate related information. The Forum is large, with several hundred people involved each year in its various activities, and it is apolitical. Many of our members are well informed about the Climate-Related Disclosures Regime, with some having a very detailed knowledge. This against a background of research[1] which has identified disclosing information on greenhouse gas emissions as one of six social "social tipping dynamics" in the worldwide transformation to carbon-neutral societies needed to achieve the goals of the Paris Climate Agreement. We provide you with the following evidence-based feedback drawing on our experience of working across all of our region. This submission has been compiled by the NTCF submissions group.
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Privacy and publication of responses

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[1] Otto et al. 2020. Social tipping dynamics for stabilizing Earth's climate by 2050. Proceedings of the National Academy of Sciences 117(5): 2354–2365. https://www.pnas.org/doi/pdf/10.1073/pnas.1900577117

☐ 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

Chapter 2: Reporting Thresholds	
1	Do you have any information about the cost of reporting for listed issuers?
	See 3 below
2	Do you consider that the listed issuer thresholds (and director liability settings) are a barrier to listing in New Zealand?
	No
3	When considering the listed issuer reporting threshold, which of the three options do you prefer, and why?

We recommend maintaining the status quo reporting threshold ($60m market capitalization). This recognises the comparatively large numbers of businesses near the threshold that we in NZ popularly regard as being *medium sized* and that we think should be required to report. Our four specific reasons for our recommendation are set out below

1. **Options 2 and 3 will weaken the overall effectiveness of the climate-related disclosure framework**

The strength of the framework lies in the production, sharing and use of information. The basic question is what an appropriate level of business response to the climate crisis is. Robust comparisons are useful here and this requires participation. It is helpful to have comparable businesses within sectors. Shortening the list of businesses that are required to report will constrain this quality of information. The discussion document implies that we should benchmark our climate risk management with Australian businesses. However, Australian environmental and economic conditions and energy sources are different from ours, so it is difficult to see how this would work, or how such sophisticated bilateral country analysis would be affordable to business. (Affordability is identified in the Discussion Document as being a possible issue with the current regime. However, the evidence appears anecdotal).

2. **Smaller businesses stand to benefit the most from the climate-related disclosures**

The governance requirements embedded in the climate-related disclosures regime are easier for smaller firms to implement and give them a first mover advantage. However, removing requirements of smaller firms to report reduces the ability of businesses to benchmark each other's progress and this will generally make it more difficult to share information.

3. **Market capitalization is only a partial indicator of the likely scale of climate risk to business and our economy**

Smaller businesses can have huge impacts. One local example is Nelson based NZ King Salmon which would be excluded by the planned change in threshold due to their modest market capitalization. However, this is not reflected in their export profile to more than 15 countries, nor the size of their workforce. Ideally NZ King Salmon and other major fishing, forestry and agriculture businesses in our region will make full use of climate-related disclosures. Significant changes in ocean temperatures and in the frequency of extreme weather events are already lapping at their doorsteps. NZ King Salmon is having to relocate much of its operations at considerable cost. Closure of such businesses would have a devastating effect both for local employment and communities. These issues go beyond shareholders such as the investors who recently closed their Winstone timber mills and who also have a stake in NZ King Salmon.

We recommend against allowing these $60m plus capitalisation businesses with major levels of activity to fall below the requirements for climate related disclosures. They are major players in our economy both locally and nationally.

Compliance costs are an affordable investment towards addressing climate change.

We consider that compliance costs identified as important in the consultation document may not remain an issue once reporting becomes routine. They are very much less than, for example, the administrative costs of small local NGOs in our region who rely on charitable funding.

Most of the reported compliance costs are essentially a business investment in establishing capability to manage climate change risk and to plan on how to achieve net-zero carbon emissions.

Indeed, we think the Government may be embarrassed to have these reported levels of compliance costs of the disclosure's regime presented as an issue at a time when it is seeking to attract major foreign investors here. Costs to business of analysing, managing and reporting climate impact and adaption risks are being normalised in many countries with whom we trade.[2]

4. The proposed changes may weaken our reputation in markets and in international fora

Aotearoa NZ was the first country in the world with a mandatory climate-related disclosures regime. Members of the European Union have looked to learn from our experience, and this was kept in mind as they agreed a free trade agreement with us. This reputation provides us with a certain mana that is worth treasuring as it takes time to build.

The value to our economy of widening our reputation for climate-savvy businesses is reflected in a quote in paragraph 52 of the Discussion Document

"As climate related disclosure regimes continue to bed-in and expand globally, we foresee that the ability to demonstrate an understanding of, and support, climate-related reporting will become a key competitive advantage for New Zealand businesses. New Zealand companies that have invested in upskilling will be well placed to seize opportunities and protect market access -Chapman Tripp

[2] For example, India is reported by its central bank as likely to spend an estimated $1.05 trillion by 2030 to adapt its various industries to be compliant with climate change norms. ***https://www.preventionweb.net/news/indias-cost-adapting-climate-change-needs-seen-1-trillion-2030-report-says***;

Regrettably, the proposed changes risk questioning and undermining confidence in the consistency of our approach, which should remain apolitical and enduring.

Many medium size companies which would fall well outside the proposed threshold changes are leaders in our food and fibre industries including in our region. For this reason alone, it's vital that they be retained in the climate related disclosures regime. (For example, listed food company T&G Global is controlled by major shareholder Germany-based BAYWA Ag, who may be disappointed by the proposed changes).

4	
5	If the XRB introduced differential reporting, would this impact on your choice of preferred option?
6	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?
7	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?
8	What are the advantages and disadvantages of a listed issuer being in a regulated climate reporting regime?
9	Do you have information about the cost of reporting for investment scheme managers?
10	Do you have information about consumers being charged increased fees due to the cost of climate reporting?
11	When considering the reporting threshold for investment scheme managers, which of the three options do you prefer, and why?
12	If the XRB introduced differential reporting, would this impact on your choice of preferred option?
13	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?

14	When considering the location of the thresholds, which Option do you prefer and why?
15	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?
Chapter 3: Climate reporting entity and director liability settings	
16	When considering the director liability settings, which of the four options do you prefer, and why?
17	Do you have another proposal to amend the director liability settings? If so, please provide details.
18	If the director liability settings are amended do you think that will impact on investor trust in the climate statements?
19	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?
20	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?
21	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)
Chapter 4: Encouraging reporting by subsidiaries of multinational companies	
22	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?
	We support this as a means of increasing climate reporting. In addition, we would like to see a move towards requiring large subsidiaries that operate in New Zealand to also report as this will further improve the quality of information on business responses to climate action in New Zealand. Several of these companies, such as ArborGen, are listed on NZX and are very important to NZ business so it is confusing to stakeholders that they are not required to report.

23	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?
	This would be unlikely to be credible to stakeholders as a robust source of information

Final comments

23	Please use this question to provide any further information you would like that has not been covered in the other questions.
	## Further review of thresholds As noted in paragraph 74 of the Discussion Document the climate reporting thresholds are included in the primary legislation of the Financial Markets Authority Act. The Discussion Document says that consideration is now being given instead to setting the thresholds through regulations which could be changed at any time by a select committee decision. We recommend maintaining the status quo, with reporting thresholds remaining in the FMCA Act. This best recognises the bipartisan approach to an important issue and the fact that its application has wide implications including directly affecting our economy.