Submission template

Adjustments to the climate-related disclosures regime

Your name and organisation

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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?

	Yes – both qualitatively and quantitively. Several of the clients we have supported in the preparation of their Climate-Related Disclosure Reports are listed issuers. We are aware of the Turners Auction Group figure, which has been oft quoted and relied on as evidence in many forums. While we are aware that many of the larger Climate-Reporting Entities ('CREs') faced large costs in the preparation of their first-year's reports, we believe a) that this cost will decrease from this year on as capability and process increase within the Climate-Reporting Entities; and b) that the average cost for this first year was more like $30,000-$100,000. The million-dollar figure is used often anecdotally by those opposed to the reporting regime; along with an equally often-repeated assertion that "no-one reads" the reports; which is patently not the case, and lacks any substantiated evidence to support this assertion.
2	Do you consider that the listed issuer thresholds (and director liability settings) are a barrier to listing in New Zealand?
	We have not heard or seen any evidence to support this assertion.
3	When considering the listed issuer reporting threshold, which of the three options do you prefer, and why?
	Option 3 is illogical and contradictory to its objective; and would be unnecessarily onerous to implement. Option 3 does not provide a material benefit to entities with a market cap between $250m and $550m, given they would be a CRE again in the near future. Prefer option 1 (status quo) but with differentiated reporting.
4	If the XRB introduced differential reporting, would this impact on your choice of preferred option?
	As above, prefer option 1 (status quo) but with differentiated reporting. This option allows for a minimum reporting requirement even for smaller entities. This allows these entities to remain competitive, maintain market access, and attract capital.
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?
	We strongly recommend aligning with the AASB S2 standard as much as possible – this makes it easier for dual-listed entities, and streamlines reporting. Moreover the importance of aligning at an international level provides investors with comparability, in service of the ultimate objective of these reporting regimes.
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. Particularly those who are captured by the CSRD and AASB. This information is now crucial to access markets and meet international supplier and customer requirements.
7	What are the advantages and disadvantages of a listed issuer being in a regulated climate reporting regime?

	Advantages of a listed issuer being in a regulated climate reporting regime include enhanced transparency (boosting investor confidence and attracting ESG-focused capital) and alignment within the issuer cohort in managing climate-related risks and opportunities. Additionally, removing and amending the climate reporting regime could prevent access to international capital once a company has listed. It also allows investors to compare companies around the world on a like-for-like basis, meaning listed issuers can attract international capital. It is well-understood that a regulated climate reporting regime is a useful tool to limit greenwashing claims, and boosts both investor and consumer confidence. Disadvantages include costs associated with compliance, including investments in systems, specialised staff, and assurance requirements, creating an administrative burden. There are also legal risks if disclosures are inaccurate or insufficient, as well as the pressure to meet continually rising expectations from investors and stakeholders.
8	Do you have information about the cost of reporting for investment scheme managers?
	No
9	Do you have information about consumers being charged increased fees due to the cost of climate reporting?
	No. We are aware that for many CREs, the costs for undertaking CRDs are subsumed within BAU OPEX budgets, and are not creating a material flow-through cost.
10	When considering the reporting threshold for investment scheme managers, which of the three options do you prefer, and why?
11	If the XRB introduced differential reporting, would this impact on your choice of preferred option?
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?
13	When considering the location of the thresholds, which Option do you prefer and why?
	Option1. Option 2 is extremely risky and does not result in the necessary policy certainty for businesses. We highly recommend keeping threshold settings in primary legislation instead of secondary legislation. Consistency and stability in regulatory requirements are key for effective long-term planning and investment. Shifting thresholds to secondary legislation would create political uncertainty and could erode confidence in the regulatory framework. Global experience shows that stable regulatory environments are vital for fostering market confidence and encouraging the growth of strong reporting practices.
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?

Chapter 3: Climate reporting entity and director liability settings	
	When considering the director liability settings, which of the four options do you prefer, and why?
15	Option 4: safe harbour. We understand that the issue of director liability has caused much consternation in the Director community, and has to some extent led to a compliance-focused response to the new climate-reporting disclosure regime. However, we stress that any changes to liability settings must not undermine the robustness and effectiveness of the regime.
16	Do you have another proposal to amend the director liability settings? If so, please provide details.
	Any removal of civil liability settings should be replaced with corporate liability conditions. (Note the FMA would need to be sufficiently resourced to deal with breaches, however).
17	If the director liability settings are amended do you think that will impact on investor trust in the climate statements?
	Not if the liability is transferred to the entity; rather than to the Directors.
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?
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?
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)
Chapter 4: Encouraging reporting by subsidiaries of multinational companies	
	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?
21	Only if it was acceptable for those subsidiaries to do so, according to the requirements of the climate-reporting jurisdictions of the parent company. From an investor point of view, it doesn't provide any value to primary users, given the information is already published elsewhere. Yes, if parent company disclosure includes NZ-specific info that would be material to the users of the NZ climate disclosure.
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?

	As above.
Final comments	
	Please use this question to provide any further information you would like that has not been covered in the other questions.
23	It is imperative New Zealand does not get out of step with the rest of the world by stepping back from the progress that has been made so far. We recognise that some smaller CREs have struggled with the complexity and cost of the climate-reporting over the past year and have been disproportionately impacted. We are in-principle in support of differentiated reporting as a result, and can see the argument for a fairer reporting regime. However, it is entirely predictable that such a substantial change to the financial reporting requirements in New Zealand will take time to adjust to. It would be enormously disruptive and unhelpful for reporting entities to face further policy uncertainty that could not only add to their administrative burden, but see them getting out-of-step with their competitors and within their value chains. To risk a binary "for or against" approach to climate reporting would be in contravention of the global shift towards mandatory climate reporting to enable consistent, comparable and reliable sustainability and climate disclosures. The ultimate aim of Aotearoa New Zealand Climate Standards is **to support the allocation of capital towards activities that are consistent with a transition**. Risking undermining this objective would see New Zealand capital markets out of step with the rest of the world, and make trading with us even less appealing in an already-volatile global financial market.