



Submission on proposed adjustments to the climate-related disclosures regime

To the Ministry of Business, Innovation and Employment (MBIE)

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Submitter details

This submission is from the Parliamentary Commissioner for the Environment, Simon Upton.

My contact details are:

Phone: 04 495 8350

Email: pce@pce.parliament.nz

Parliamentary Commissioner for the Environment

The Parliamentary Commissioner for the Environment was established under the Environment Act 1986. As an independent Officer of Parliament, the Commissioner has broad powers to investigate environmental concerns and is wholly independent of the government of the day. The current Parliamentary Commissioner for the Environment is Simon Upton.

Key points

- New Zealand's climate-related disclosure regime is an important tool to enable companies to measure and therefore manage the physical and transitional risks posed to them by climate change. The current Government has stressed that business must do more and not rely on Government support. Better measurement and management are consistent with that.
- Aligning climate-related disclosure regimes with those developed abroad is challenging given both differences in objectives and coverage. It is possible to be selective about which aspects might be incorporated, though this would depend on the rationale for international alignment.
- If harmonising New Zealand's standards with those developed in Australia is the policy objective, for consistency, I recommend:
 - private companies should be covered by our CRD regime, and
 - the thresholds should be progressively reduced over time to bring in what are known in Australia as 'Group 2 and Group 3' companies,
 - the stringency of standards, assurance requirements and adoption provisions should be examined to ensure uniformity.



Introduction

New Zealand was among the first countries globally to introduce a mandatory climate-related disclosures (CRD) regime. The policy rationale for the regime stemmed from a concern that climate change considerations were routinely omitted from investment decisions. There was concern that neglecting these considerations would impede companies' foresight, which in turn could undermine New Zealand's transition to a low-emissions economy. These concerns were not unfounded. It has been noted that uncertainty regarding the timing of specific climate change impacts leads to inertia, and supports a perception amongst companies that climate change is a long-term problem not currently relevant to decision making.¹ The current Minister for Climate Change has stressed that businesses must act now on climate change, as the Government was not prepared to be left alone "holding the tin"². This underscores the need for the CRD regime in New Zealand to operate effectively, to enable companies to measure and manage their climate risks and opportunities.

International CRD regimes

Since the development of the New Zealand CRD standards, other countries have introduced their own jurisdiction-specific standards. One of the risks of being an early mover is that our regime may need tweaking to align with our trading partners, if alignment is considered necessary. The question that needs to be asked – and hasn't been asked in this consultation – is if international alignment is required, which partners should we align with?

I note that the discussion document focuses on comparison with Australia. However, the United Kingdom and the European Union have also enacted CRD regimes. Obligations to act on climate change feature in the free trade agreements New Zealand has with both the UK and the EU. Aligning reporting standards with these jurisdictions could have important implications for trade in the future. China and the United States, New Zealand's largest trading partners ahead of Australia, now also have CRD regimes (albeit with the regime in the United States being in a state of flux given the new administration). Japan, Singapore and Brazil also have regimes. A recent report by The Aotearoa Circle and Chapman Tripp estimates that more than 80% of New Zealand's exports by value go to countries with mandatory climate and environmental, social and governance-related disclosures (proposed or enforced).³ International investors also increasingly expect climate disclosures as part of their due diligence.

Alignment of the CRD regime in New Zealand with those developed internationally is hampered by the current differences between regimes. Some regimes focus only on listed companies and are designed primarily for the benefit of investors⁴. Others include private companies and have ambitions to improve information provisioning for a wider array of stakeholders⁵. The size thresholds at which a company is considered large enough to qualify for reporting obligations also vary considerably between the jurisdictions that have CRD regimes. In Singapore, for example, all listed companies will have to prepare climate reports, with requirements for

¹ <https://environment.govt.nz/assets/publications/climate-change/FINAL-2017-TCFD-Report-11052018-2.pdf>

² <https://businessdesk.co.nz/article/climate-change/buying-overseas-carbon-credits-an-unrealistic-option-says-climate-change-minister-watts>

³ <https://www.theaotearoacircle.nz/reports-resources/protecting-new-zealands-competitive-advantage>

⁴ <https://www.sec.gov/files/rules/final/2024/33-11275.pdf>

⁵ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/105608/5/mandatory-climate-related-financial-disclosures-publicly-quoted-private-cos-llps.pdf



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certain large non-listed companies coming later.⁶ Meanwhile, in the UK, size thresholds for listed companies apply but focus on employee numbers rather than market capitalisation.⁷ Arguably, as the European Union's regime contains obligations for 'non-European parent companies with a strong presence in the EU' from the 2028 financial year, the content of standards developed here has greater domestic importance.⁸

In any case, a robust justification, which considers more than geographic proximity should be given for specifically choosing to mirror the Australian legislation. For example, a stronger argument for alignment would be the high proportion of NZX-listed companies dual-listed on the ASX, for whom compliance would be made easier if there was greater consistency between the regimes. It would be good to see detailed consideration given to this issue.

I recommend greater consideration is given to which international regime, if any, New Zealand should be aligned with.

Alignment with Australia

If New Zealand were to adjust the coverage of the CRD regime to better align with Australia, as the discussion document recommends, it is important that this alignment is done consistently. For example, if thresholds for market capitalisation are adjusted under the third option proposed in table three, the new thresholds should apply to private companies and non-financial institutions as well as NZX-listed issuers. This would be in keeping with the Australian regime and alleviate concerns that tying disclosure obligations to NZX listing is discouraging companies from listing on the NZX.

I also note that Australia's system increases coverage by bringing smaller companies into the scheme over time. This is another important feature that should be reflected in changes to the New Zealand regime. As noted below, this needs to be done in conjunction with the XRB's exploration of differential reporting.

If the policy objective is alignment with Australia, a selective approach to incorporating aspects of their regime will not achieve that objective. I recommend that alignment be explored in full and any proposed divergences properly justified.

It is also worth noting that the Australian and New Zealand regimes vary significantly in the content of their standards, their assurance requirements and the adoption provisions put in place to ease companies' transition into reporting:

- The Australian standards are more prescriptive. For example, denoting the methods by which GHG emissions must be measured, specifying timelines for resilience

⁶ <https://www.mof.gov.sg/news-publications/speeches/fy2024-mof-committee-of-supply-debate-speech-by-second-minister-for-finance-mr-chee-hong-tat>

⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/105608/5/mandatory-climate-related-financial-disclosures-publicly-quoted-private-cos-llps.pdf Large private companies and LLPs are also covered, these have additional size requirements.

⁸ https://www.jonesday.com/en/insights/2025/01/understanding-the-corporate-sustainability-reporting-directive-csr-and-its-climate-disclosure-requirements?utm_source=mondaq&utm_medium=syndication&utm_content=articleoriginal&utm_campaign=article



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assessments and outlining narrow conditions for the omission of quantitative information. In contrast, the New Zealand standards are more permissive of reporting entities, relying on qualitative information and building in quantification over time. There is no requirement to assess resilience, and timelines for scenario analyses are not prescribed. Under the New Zealand CRD regime entities may select their method for measuring GHG emissions.

- Assurance requirements are more stringent in Australia. By 2030 reasonable assurance will be required across all elements of all entities' climate-related disclosures. In contrast, only limited assurance for GHG emissions and associated methods and data will be required in New Zealand. These differences will impact on the costs of compliance within the two regimes.
- Finally, New Zealand currently has eight adoption provisions which together postpone the date by which entities are required to disclose information on scope 3 GHG emissions, current and future financial impacts, transition plan aspects, and key trends. In contrast, the Australian standards have fewer adoption provisions, focused on delaying disclosure obligations for scope 3 GHG emissions.

It is currently unclear if these aspects will be harmonised. **If aspects of the CRD regime's coverage are to be altered to be more consistent with Australia, I recommend that the standards reporting entities must adhere to should be similarly matched.**

I note the XRB is currently working on potential changes to the CRD reporting model. The key change currently proposed by the XRB is the adoption of differential reporting requirements based on company size. This makes sense and would be in better alignment with the staggered timing by which different sized companies must report in Australia, as discussed above. However, if the goal is alignment with Australia, other aspects of the standards such as governance, strategy, risk management, metrics and assurance should also adhere to similar levels of stringency between the two regimes. Greater clarity of the policy objective, in relation to alignment, would ensure that the XRB considers those as part of its review.

Finally, I agree with the changes to liability. I note that any requirements should continue to clearly identify where responsibility lies, to ensure compliance with the regime, and its effectiveness.

Rt Hon Simon Upton
Parliamentary Commissioner for the Environment
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