

Submission on discussion document: 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	<p>Do you have any information about the cost of reporting for listed issuers?</p> <p>PGG Wrightson Limited (NZX: PGW) has recently completed first year climate reporting at an estimated cost of \$220,000 (ex GST) for the financial year end 30 June 2024. This estimate includes staff time involved in several activities including scenario analysis workshops, report writing and reviews. The estimate also includes costs that are only expected to be realised in the first year of reporting as systems are set up, with subsequent reporting years to be completed at a lower cost.</p>
2	<p>Do you consider that the listed issuer thresholds (and director liability settings) are a barrier to listing in New Zealand?</p> <p>Yes.</p> <p>The barrier to listing would be remedied if the New Zealand listed issuer thresholds were replaced with the large entity reporting thresholds from Australia in full. This would expand climate reporting to cover large unlisted entities and level the playing field, removing climate reporting as a barrier to listing. This change in thresholds would create consistency with Australian corporate reporting standards and remove any possibility of regulatory arbitrage between the two countries.</p>
3	<p>When considering the listed issuer reporting threshold, which of the three options do you prefer, and why?</p> <p>Option 1.</p> <p>Out of the options proposed under the discussions document option 1 is preferred, because it captures a notable number of New Zealand companies to give visibility on companies that are impacted by climate-related risks and opportunities.</p> <p>In fact, none of the options proposed in the consultation document are preferred. It is recommended that New Zealand adopt the Australian climate reporting thresholds, as it creates consistency in coverage of climate reporting. Harmonising the climate reporting regimes would remove any differentiation in reporting regimes and therefore any perceptions of regulatory arbitrage between countries.</p>
4	<p>If the XRB introduced differential reporting, would this impact on your choice of preferred option?</p> <p>No.</p> <p>Conceptually, differential reporting is supported. Smaller entities (threshold to be defined) could be provided with a lighter reporting structure by the XRB. A lighter structure could include making aspects of the Aotearoa New Zealand Climate Standards 'optional' – such as the requirement for a climate transition plan, the financial impacts (current and anticipated), scope 3 emissions disclosures and associated assurance.</p>
5	<p>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?</p>

Yes – New Zealand should adopt the Australian climate reporting thresholds for large entities in full. This would address the market alignment concerns between Australia and New Zealand, while also address a long-standing concern that the climate related disclosures regime does not apply to large unlisted entities.

Using the market capitalisation of companies is a very blunt instrument to determine whether a company should be required to report under the CRD. Market capitalisation alone does not reflect the size and scale of a company, or the exposure of the company to climate-related risks and opportunities

New Zealand would be better placed to use the thresholds under the Australian climate reporting regime. Aligning the reporting thresholds between the two countries would provide explicit alignment of climate reporting requirements. Currently the Australian climate reporting framework covers large unlisted entities – whereas the current New Zealand regime does not.

Further, it is noted that a third of listed issuers in New Zealand have a single shareholder controlling more than 30% of shares*, meaning that a third of all listed companies in New Zealand may have a market capitalisation value that does not reflect the company's intrinsic value (due to control premium) and therefore its size and scale. This is unique in the NZX and provides a further reason that the market capitalisation value is not an appropriate mechanism for determining reporting thresholds.

* *New Zealand Shareholder Association, Useful Data. Available at: [NZSA Useful Data](#), Accessed on: 16 December 2024.*

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.

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Some level of voluntary reporting will still occur by listed issuers; this is because the New Zealand climate reporting framework is based on the global best practice, specifically the Taskforce on Climate-related Financial Disclosures (TCFD). The TCFD provides a common reporting language for climate and sustainability reporting that complements many entities existing annual reporting suites – providing credibility and transparency to disclosures.

What are the advantages and disadvantages of a listed issuer being in a regulated climate reporting regime?

Advantages:

- Provides a level of structure and integrity to the framework used by entities in annual reporting processes.
- Provides a standardised set of disclosures to potential investors, specifically covering climate change – which is likely to be the most disruptive to business operations (and by extension, profitability) in the years ahead.
- Encourages entities to strategically plan for potential climate impacts and promotes improvement to internal risk assessment processes.
- Provides a level of reliance and integrity to disclosures, allowing customers, staff, local community and broader stakeholders to rely on the information provided.

Disadvantages:

- Increased compliance costs in providing resourcing for expanded reporting activities than would otherwise be completed.
- Potential exposure of strategic vulnerabilities or greater level of commercially sensitive disclosures.

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	Do you have information about the cost of reporting for investment scheme managers?
8	No.
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?
	No opinion.
11	If the XRB introduced differential reporting, would this impact on your choice of preferred option?
	No opinion.
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 opinion.
	When considering the location of the thresholds, which Option do you prefer and why?
13	<p>Option 1.</p> <p>Keeping the thresholds in the <i>Financial Markets Conduct Act 2013</i> provides certainty to climate reporting entities, meaning they can make investment and recruitment decisions for the longer term. Keeping the thresholds in the act provides a level of certainty to companies regarding their reporting obligations, ensuring a level of warning ahead of changes and appropriate time to adjust.</p>
14	<p>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?</p> <p>If thresholds were moved to secondary legislation any changes should be formally considered by the Regulations Review Committee and include a statutory obligation to consult publicly, this would allow a range of views to be considered before a change is made, but it would also improve the awareness for businesses that may be impacted by a future change in thresholds.</p> <p>The rationale for the requirement of a statutory obligation to consult is that changes to reporting obligations can cause substantial changes for businesses, including impacts to employees within reporting entities and those in ancillary service providers. Consultation processes deliberately provide a window for individuals and businesses to provide input into potential threshold changes, but also for businesses to respond to these changes with adequate notice.</p>
	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?

	<p>Option 3.</p> <p>Option 3 is preferred as it removes director liability for reporting. Most New Zealand directors will inevitably have a level of reliance on the subject matter experts within their business, or on contracted external parties in drafting climate statements on behalf of the business. The existing director liability seems likely to lead to an overly litigious outcome, driven by the rational response to ensure individual directors are not exposed through a defective disclosure or contravention. Furthermore, it could be seen to create an additional revenue stream for ancillary service providers that would otherwise not exist, acting as a drag on business productivity.</p> <p>The existing liability serves no consequential purpose to the substance of the disclosures and in some cases may serve to dissuade a greater level of disclosure by some entities to ensure compliance. On this basis climate statement director liability should be removed.</p>
16	<p>Do you have another proposal to amend the director liability settings? If so, please provide details.</p> <p>No.</p>
17	<p>If the director liability settings are amended do you think that will impact on investor trust in the climate statements?</p> <p>No. There would be no impact on investor trust, as there would continue to be liability at the entity level for failing to prepare a climate statement in accordance with the standards. The climate reporting entity liability alone provides enough confidence in the disclosures being true and correct, particularly as the documents are publicly available.</p>
18	<p>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?</p> <p>Not entirely. Section 23 should be disapplied for directors (as per the rationale under questions 15 & 17), but liability for unsubstantiated representations should continue to apply for climate reporting entities.</p>
19	<p>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?</p> <p>Not applicable.</p>
20	<p>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)</p> <p>Not applicable.</p>
<p>Chapter 4: Encouraging reporting by subsidiaries of multinational companies</p>	
21	<p>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?</p> <p>Yes, but this should be done in a way that prioritises low compliance costs for the subsidiary. A recommendation could be for the XRB to provide a list of recognised international climate reporting frameworks where the substantive reporting content is comparable (examples being where a reporting framework based off TCFD principles). XRB could undertake semi-regular comparative legislative analysis to determine the alignment between New Zealand climate reporting and other countries – for example a large subsidiary of an Australian operating in New Zealand may be able to submit an Australian ‘Sustainability Report’ under the Corporations Act 2001 (Australia).</p>

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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?

No opinion.

Final comments

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Please use this question to provide any further information you would like that has not been covered in the other questions.