

Submission template

Adjustments to the climate-related disclosures regime

This is the submission template for the discussion document, *Adjustments to the climate-related disclosures regime*. The Ministry of Business, Innovation and Employment (MBIE) seeks written submissions on the issues raised in the discussion document by **5pm on 14 February 2025**.

Please make your submission as follows:

1. Fill out your name, organisation and contact details in the table: “Your name and organisation”.
2. Fill out your responses to the consultation document questions in the table. Your submission may respond to any or all of the questions in the discussion document, as appropriate.
3. When sending your submission:
 - a. Delete this page of instructions.
 - b. Please clearly indicate in template if you do not wish for your name, or any other personal information, to be disclosed in any summary of submissions or external disclosures.
 - c. Note that submissions are subject to the Official Information Act 1982 and may, therefore, be released in part or full. The Privacy Act 2020 also applies.
 - d. Note that, except for material that may be defamatory, MBIE intends to upload PDF copies of submissions received to MBIE’s website. MBIE will consider you to have consented to uploading by making a submission, unless you clearly specify otherwise in your submission. If your submission contains any confidential information:
 - i. Please state this in the template, and set out clearly which parts you consider should be withheld and the grounds under the Official Information Act 1982 that you believe apply. MBIE will take such objections into account and will consult with submitters when responding to requests under the Official Information Act 1982.
 - ii. Indicate this on the front of your submission (e.g. the first page header may state “In Confidence”). Any confidential information should be clearly marked within the text of your submission (preferably as Microsoft Word comments).
4. Please send your submission (or any further questions):
 - as a Microsoft Word document to climaterelateddisclosures@mbie.govt.nz (preferred), or
 - by mailing your submission to:

*Corporate Governance and Intellectual Property Policy
Business, Resources and Markets
Ministry of Business, Innovation & Employment
PO Box 1473
Wellington 6140
New Zealand*

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

Your name and organisation

Name	s 9(2)(a)
Date	3 February 2025
Organisation (if applicable)	PMG Funds
Contact details	s 9(2)(a)

Privacy and publication of responses

[To tick a box below, double click on check boxes, then select 'checked'.]

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

☐ MBIE intends to upload submissions received to MBIE's website at www.mbie.govt.nz. If you do not want your submission to be placed on our website, please check the box and provide an explanation in the box below.

Please check if your submission contains confidential information

☐ 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.

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?
	n/a
2	Do you consider that the listed issuer thresholds (and director liability settings) are a barrier to listing in New Zealand?
	n/a
3	When considering the listed issuer reporting threshold, which of the three options do you prefer, and why?
	n/a
4	If the XRB introduced differential reporting, would this impact on your choice of preferred option?
	n/a
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?
	n/a
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?
	n/a
7	What are the advantages and disadvantages of a listed issuer being in a regulated climate reporting regime?
	n/a
8	Do you have information about the cost of reporting for investment scheme managers?
	We have not yet incurred any material costs as we haven't yet met the current reporting threshold. However, we anticipate significant one off and recurring expenditure will be required to ensure appropriate resources and advice is available to meet the reporting requirements including staff costs, legal and consultancy fees once the reporting threshold is exceeded.
9	Do you have information about consumers being charged increased fees due to the cost of climate reporting?
	Anecdotally, yes
10	When considering the reporting threshold for investment scheme managers, which of the three options do you prefer, and why?

	We support Option 2. Our rationale is summarised below: • Cost efficiency and reduced compliance burden – the higher threshold addresses the high cost of reporting which disproportionately impacts smaller schemes and their investors relative to the level of benefits derived from the disclosures. • International alignment – aligning closer to the Australian regime helps ensure consistency and reduces the risk of negative competitive impacts on NZ based managers and potential regulatory arbitrage. • Materiality – focusing the reporting regime on the most significant managers that have the greatest potential to affect capital allocation decisions is more appropriate to highlight the most important information for users. This also enables more concentrated and effective regulatory oversight • Option 3 isn't preferred given the ability to structure schemes to avoid the threshold.
11	If the XRB introduced differential reporting, would this impact on your choice of preferred option? No - while differential reporting could alleviate some compliance pressures for smaller entities, it does not fully address the underlying issue of high fixed compliance costs being passed on to investors. A higher threshold remains necessary to ensure that only those fund managers with a significant market presence and sufficient capacity incur the full compliance burden. Therefore, we see differential reporting as complementing rather than replacing the benefits of a higher threshold.
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 – asset size remains the most objective and reliable metric for determining materiality and systemic risk. Alternative measures could introduce unnecessary complexity and reduce clarity for preparers and users.
13	When considering the location of the thresholds, which Option do you prefer and why? We remain comfortable with the reporting thresholds remaining in the FMC Act (Option One). If Option 2 would allow the flexibility to make frequent amendments, this in itself could create ambiguity and additional cost for businesses like ours.
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? If the location of the thresholds <i>was</i> to be moved to secondary legislation, then we would recommend any changes should be subject to robust statutory criteria, mandatory consultation and impact assessments. The risks in ambiguity and market uncertainty could be at least partially mitigated if objective measures were applied with limited changes e.g. indexation of threshold to economic measures such as CPI and requiring any changes to be subject to minimum periodic review periods.
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? Option 4 in the first instance however Option 2 or 3 also as a longer term solution [lower costs, leads to more candid and meaningful disclosures, aligns with international practice given the inherent uncertainty and forward looking judgements). Option 4 recognises the early stages of the CRD regime in NZ and reinforces a pragmatic and educative approach in the early years, as opposed to a punitive one.

16	Do you have another proposal to amend the director liability settings? If so, please provide details.
	No
17	If the director liability settings are amended do you think that will impact on investor trust in the climate statements?
	Not necessarily. In our view, an investor can obtain a level of comfort from other due diligence avenues available to them. If a business fails to build trust through proactive measures to support their climate statements, then this will serve to disadvantage them so there is a modicum of self-responsibility already in place. Independent assurance, where relevant, will also help provide Investors with confidence in process, internal controls and the integrity of the reported information in scope of assurance. Further, potential impacts on investor trust should be considered against the likely positive impacts of reducing over-cautious reporting and encouraging proactive disclosures.
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?
	n/a
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 would support that the protection should relate primarily to Scope 3 emissions in the first instance. OR The modified liability framework under Option 4 should primarily offer safe harbour protection for forward-looking, judgment-based disclosures where inherent uncertainty is high (provided disclosures are made in good faith using reasonable assumptions). In our view, the safe harbour should cover: • Scenario Analysis - these forecasts rely on assumptions about uncertain future conditions (e.g., regulatory changes or market shifts) • Transition plans - given that these plans are inherently forward-looking and subject to evolving circumstances • Scope 3 emissions - Scope 3 emissions involve indirect and often difficult-to-measure factors (such as emissions from suppliers or customers) therefore representations in this area typically involve significant estimation and judgment.
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 would suggest the modified liability applies to businesses and the stage of their CRD journey rather than a blanket timeframe that applies to all. For example, if an entity was reporting for a third time, then at this point the modified liability could lift.
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?

	Requiring subsidiaries to file separate climate statements prepared under a different jurisdiction's standards could increase compliance burdens without an equivalent gain in useful information. It might be more efficient to have a flexible, voluntary approach and allow multinationals to provide links to their parent company disclosures, ensuring that investors can access this information without creating a parallel regulatory reporting requirement.
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? Yes – this would likely be a clearer and more useful approach to give investors access to information without causing confusion.
Final comments	
23	Please use this question to provide any further information you would like that has not been covered in the other questions. While we support increasing the reporting threshold given the significant cost and misalignment with international thresholds, we expect climate-related reporting will evolve with investors' expectations, regardless of any adjustments to thresholds. We will continue to voluntarily report key material climate information and will consider alignment with CRD requirements where appropriate to meet investor demands for material information. We see this as an important and necessary step to maintain investor trust and competitiveness in the market. A flexible approach for smaller entities will contribute to overall enhancement of CRD reporting in NZ without creating a costly burden of requiring full compliance at the lower thresholds that exist currently.