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

Your name and organisation

Name	S9(2)(a)
Date	14 February 2025
Organisation (if applicable)	n/a
Contact details	S9(2)(a)

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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. I have worked for professional services providers for most of the last two decades and make this submission in my personal capacity. Costs of reporting by climate reporting entities will vary by entity and kind. But reports of spending half a million or more are likely the result of entities not being educated enough on which external services are needed and which costs and fees are reasonable. Costs will also be higher for any entity choosing to outsource more of what should largely be an in-house project with some external support. Costs of reporting would best be ameliorated by the External Reporting Board issuing differential reporting standards, not by changing the listing issuer thresholds though time consuming and uncertainty-causing legislative amendment.
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?**
	I prefer maintaining the status quo. If costs of reporting are the problem, then those would best be ameliorated by the XRB issuing differential reporting standards, not by changing the listing issuer thresholds through a time consuming legislative process. Changing course now would lead to disruptive course corrections later for newly sub-threshold climate reporting entities, which would only be temporarily forgoing inevitable climate-related disclosure obligations. As Australia, the European Union, and other countries catch up, changing the reporting thresholds would be inconsistent with the information-sharing expectations of New Zealand's largest participants in our financial sector and of investors, reinsurers, and large banks participating in the global financial system.
4	**If the XRB introduced differential reporting, would this impact on your choice of preferred option?**
	No. I choose maintaining the status quo, regardless of whether the XRB issues differential reporting standards.
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?**

	No. I recommend maintaining the status quo, regardless of whether the XRB issues differential reporting standards. Changing the reporting thresholds would be inconsistent with other countries' climate-related disclosure regimes – including Australia's – which will likely phase-in reporting to include entities with even lower market caps than New Zealand's current $60m reporting threshold. What's more, insurers, lenders, and investors will continue to seek the information that would otherwise be included in entities' climate-related disclosures. In other words: changing the reporting thresholds would be inconsistent with the information-sharing expectations of New Zealand's largest participants in our financial sector and in the global financial system.
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, voluntary reporting will continue, because the climate-related disclosure process has inherent strategic value. Also, insurers, lenders, and investors will continue to seek information in climate-related disclosures to manage their own climate change-related risks. Voluntary disclosure will soon become voluntary in name only. That said, voluntary reporting is much more likely than mandatory reporting to be insufficiently resourced, insufficiently transparent to primary users, and insufficiently robust in its climate scenario analysis, risk and opportunity assessment, and transition planning.
7	What are the advantages and disadvantages of a listed issuer being in a regulated climate reporting regime?
	The first advantage of a listed issuer being a regulated climate entity is the inherent strategic value of a process advocated by financial leaders like Mark Carney (former Bank of England Governor) and Michael Bloomberg. Even more, being a regulated entity increases consistency with the expectations of New Zealand's lenders, insurers, and investors seeking to manage their own exposure to climate change-related risks. The only disadvantage is compliance costs in the short term. But those short-term costs will be less than the cost needed to later re-establish capabilities and capacity to prepare climate-related disclosures, which will be expected of entities interacting with New Zealand's financial sector and the global financial system. Short-term compliance costs also pale in comparison to anticipated – or even current – climate change-related business and financial impacts. Short-term costs can also be ameliorated through any or all of: differential reporting standards from the XRB; education about which external services are needed and what costs and fees are reasonable; and entities internalising more of what is intended to be a largely in-house process.
8	Do you have information about the cost of reporting for investment scheme managers?

	Yes. I have worked for professional services providers for most of the last two decades and make this submission in my personal capacity. Costs of reporting by scheme managers will vary by entity and kind. But reports of spending half a million or more are likely the result of entities not being educated enough on which external services are needed and which costs and fees are reasonable. Costs will also be higher for any entity choosing to outsource more of what should largely be an in-house project with some external support. Costs of reporting would best be ameliorated by the External Reporting Board issuing differential reporting standards, not by changing the listing issuer thresholds though time consuming and uncertainty-causing legislative amendment.
9	Do you have information about consumers being charged increased fees due to the cost of climate reporting?
	No, and I would be very sceptical of assertions made, without clear evidence, that consumers are being charged increased fees due to the cost of climate reporting.
10	When considering the reporting threshold for investment scheme managers, which of the three options do you prefer, and why?
	I prefer maintaining the status quo. If costs of reporting are the problem, then those would best be ameliorated by the XRB issuing differential reporting standards, not by changing scheme managers' thresholds through a time consuming legislative process. Changing the reporting thresholds would be inconsistent with other countries' climate-related disclosure regimes – including Australia's – which will likely phase-in reporting to include entities with even lower market caps than New Zealand's current $60m reporting threshold. What's more, insurers, lenders, and investors will continue to seek the information that would otherwise be included in entities' climate-related disclosures. Again: changing course now would lead to disruptive course corrections later for newly sub-threshold climate reporting entities, which would only be temporarily forgoing inevitable climate-related disclosure obligations. As Australia, the European Union, and other countries catch up, changing the reporting thresholds would be inconsistent with the information-sharing expectations of New Zealand's largest participants in our financial sector and of investors, reinsurers, and large banks participating in the global financial system.
11	If the XRB introduced differential reporting, would this impact on your choice of preferred option?
	No. I recommend maintaining the status quo, regardless of whether the XRB issues differential reporting standards.
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. I recommend maintaining the status quo, regardless of whether the XRB issues differential reporting standards. See my answer to question 10 for the 'why'.
13	When considering the location of the thresholds, which Option do you prefer and why?
	I prefer that reporting thresholds remain in the FMC Act. Climate change-related risk is financial risk. Including climate-related disclosure obligations in the FMC Act reinforces that.

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?
	N/A
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?
	I prefer the status quo. Climate change-related risk is financial risk. I would encourage the External Reporting Board and FMA, as well as non-governmental entities like the Institute of Directors and Sustainable Business Council, to continue educating directors about climate change-related risks and opportunities.
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?
	Yes.
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?
	n/a
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)
	n/a
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?
	Yes.
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?
	MBIE creating a webpage where subsidiaries of multinational companies could provide links to their parent company climate statements is less preferable than encouraging New Zealand subsidiaries of multinational companies to file their parent company climate statements in New Zealand.

Final comments	
23	Please use this question to provide any further information you would like that has not been covered in the other questions.
	n/a