14 February 2025

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

By email: climaterelateddisclosures@mbie.govt.nz

Tēnā koe Corporate Governance and Intellectual Property Policy Team,

Securities Industry Association submission: Consultation document – Adjustments to the climate-related disclosures regime

The Securities Industry Association (**SIA**) thanks the Ministry of Business, Innovation and Employment (**MBIE**) for the opportunity to respond to the *"Adjustments to the climate-related disclosures regime* (December 2024)" consultation.

1. About SIA

1.1 SIA represents the shared interests of sharebroking, wealth management, and investment banking firms that are accredited NZX Trading and Advising Market Participants. SIA members employ more than 550 accredited NZX, NZDX, and NZX Derivatives Advisers and more than 540 Financial Advisers nationwide. Our members' combined businesses work with over 1 million New Zealand retail investors, with total investment assets exceeding $100 billion, including $90 billion held in custodial accounts. Members also work with local and global institutions that invest in New Zealand. More information about SIA can be found at www.securities org.nz.

2. Key submission points

2.1 **SIA support changes for proportionate and workable CRD regime settings**

2.1.1 SIA supports the review of the current climate-related disclosures (**CRD**) regime settings and acknowledges the intent to provide relief to climate reporting entities (**CREs**). We support the general direction of proposed changes for a more workable approach to the reporting framework. We know there have been difficulties for CREs with the current settings, including significant compliance reporting costs to companies, the challenges in obtaining accurate information to meet CRD obligations, and the discouraging nature of director settings.

2.1.2 Reporting is an important part of ensuring transparency; however, that process has become a burden in terms of time, cost, and skilled resources for CREs and their supply chains when businesses are also investing and actively playing their part in reducing carbon emissions. If addressing climate-related concerns and reducing emissions is the key outcome, then businesses should be empowered and encouraged to do this and not burdened by activities that detract from this.

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2.1.3 For this reporting regime to be relevant and meaningful, it needs to be proportionate and workable in terms of cost and input as well as benefit and outcomes. We must take a broad view of the ecosystem the regime impacts and ensure that its settings are reasonable, practical and meaningful to achieve the intended outcomes.

2.2 SIA supports a framework that encourages success and growth of NZX and listed companies and endorses NZX's submission

2.2.1 SIA supports the CRD regime's intent to ensure the effects of climate change are routinely considered in business and investment decisions for a sustainable future and recognises the transparency the regime intends to provide. Environmental, social, and governance (**ESG**) considerations can be important factors in retail and institutional clients' investment decisions.

2.2.2 As NZX Market Participants, sharebrokers, wealth managers and investment banks, our members use financial statements and reports as part of issuers' processes, company research and analysis. As managers of registered investment schemes, our members are also responsible for preparing disclosure documentation and other prescribed reports so that investors may make informed investment decisions. These reports and documentation are ineffective if data is incomplete or inaccurate or if there is low-quality, unverified information. Without robust and reliable data, there is no appropriate context, comparative analysis, or effective change that can be measured. If it is challenging to determine the degree to which the data can be relied upon, then there is no real value to the reports if little can be done with them due to the integrity of the data. We encourage settings that allow reporting entities to have reasonable timeframes to prepare for reporting and improve the quality of reported data and information.

2.2.3 As part of the capital markets ecosystem, SIA supports the New Zealand Exchange's (**NZX**) submission in response to this consultation. Our members all want New Zealand's capital markets to grow and thrive to benefit a sustainable and globally competitive New Zealand economy. Resilient and flourishing capital markets are a pathway to stable employment, creativity and innovation, robust infrastructure and economic growth and stability for current and future generations.

2.3 Reporting framework should not disadvantage or burden New Zealand companies

2.3.1 With the current CRD regime settings, New Zealand companies and managers of investment schemes are disadvantaged by a reporting burden that their foreign competitors and other jurisdictions do not have to bear. This burden is not good for encouraging companies to list on the NZX and disadvantages existing listed companies and registered schemes. New Zealand's regulatory settings should support its capital markets to flourish while encouraging and enabling listed companies to reduce their emissions. We do not believe that burdensome and costly reporting settings encourage or enable this to be achieved. We support changes to the regime that will empower New Zealand companies and registered schemes to make good headway as they tackle headwinds to bring about positive change with regard to emissions and enable them to be competitive globally.

2.4 Reporting thresholds

2.4.1 SIA supports option 2 to increase the reporting threshold for listed issuers to report to $550m market capitalisation in early 2026, as well as option 3 on the proviso that appropriate reporting standards are defined for listed issuers with a market capitalisation between $250m and $550m. SIA supports proportionate settings, which include ensuring a level playing field and that smaller issuers are not adversely impacted and unnecessarily burdened by the CRD reporting regime.

2.4.2 With regard to reporting thresholds for investment scheme managers, SIA supports option 3 with CRD to be set at $5 billion per scheme on par with Australia. SIA considers that the reporting threshold should be set at a level where investment scheme managers are more likely to have reached a degree of scale that can absorb the costs of additional reporting without changing their investment offering or passing costs on to members. In our view, $1 billion calculated across all schemes is insufficient for this – particularly for schemes that invest into other schemes also managed by the investment scheme manager.

2.5 Director liability settings

2.5.1 SIA supports option 3 to ensure reasonable and workable director liability settings by amending the FMC Act so that section 534 no longer applies and that directors can no longer be liable for aiding and abetting an unsubstantiated representation.

2.5.2 Currently, directors' personal criminal liability for disclosing climate-related data and information that is both difficult to measure and forecast is a deterrent to attracting quality and skilled directors for effective governance.

Our attached submission (page 4) responds directly to the consultation questions.

3. Further engagement welcome

3.1 Some SIA member firms may make individual submissions based on issues specific to their business. Those issues and views may not be reflected in this submission. No part of this submission is required to be kept confidential.

3.2 Please get in touch should you have any questions about this submission or require further information.

Nāku noa, nā

Bridget MacDonald
Executive Director
SECURITIES INDUSTRY ASSOCIATION
T: 021 345 973 | E: bridget@securities.org.nz | www.securities.org.nz

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

Name	Bridget MacDonald, Executive Director
Date	14 February 2025
Organisation (if applicable)	Securities Industry Association (SIA)
Contact details	Email: bridget@securities.org.nz Mobile: 021 345 973

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.

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Securities Industry Association responses to discussion document questions

1. The Securities Industry Association (**SIA**) thanks the Ministry of Business, Innovation and Employment (**MBIE**) for the opportunity to respond to the *"Adjustments to the climate-related disclosures regime (*December 2024)" consultation.

About the Securities Industry Association

2. The Securities Industry Association (**SIA**) represents the shared interests of sharebroking, wealth management, and investment banking firms that are accredited NZX Trading and Advising Market Participants. SIA members employ more than 550 accredited NZX, NZDX, and NZX Derivatives Advisers and more than 540 Financial Advisers nationwide. Our members' combined businesses work with over 1 million New Zealand retail investors, with total investment assets exceeding $100 billion, including $90 billion held in custodial accounts. Members also work with local and global institutions that invest in New Zealand. More information about SIA can be found at www.securities org.nz.

3. Some SIA member firms may make individual submissions based on issues specific to their business. Those issues and views may not be reflected in this submission. No part of this submission is required to be kept confidential.

Support for changes to reduce reporting burden for listed companies

4. SIA supports the intent of the climate-related disclosures (**CRD**) regime to ensure the effects of climate change are routinely considered in business and investment decisions for a sustainable future and recognises the transparency the regime intends to provide. Environmental, social and governance (**ESG**) considerations can be important factors in investment decisions for retail and institutional clients.

5. As NZX Market Participants, sharebrokers, wealth managers and investment banks, our members use financial statements and reports as part of issuers' processes, company research and analysis. As managers of registered investment schemes, our members are also responsible for preparing disclosure documentation and other prescribed reports so that investors may make informed investment decisions. These reports and documentation are ineffective if data is incomplete or inaccurate or if there is low-quality, unverified information. Without robust and reliable data, there is no appropriate context, comparative analysis, or effective change that can be measured. If it is challenging to determine the degree to which the data can be relied upon, then there is no real value to the reports if little can be done with them due to the integrity of the data. We encourage settings that allow reporting entities to have reasonable timeframes to prepare for reporting and improve the quality of reported data and information.

6. With the current CRD regime settings, New Zealand companies are disadvantaged by a reporting burden that their foreign competitors and other jurisdictions do not have to bear. This burden is not good for encouraging companies to list on the NZX and disadvantages existing listed companies. New Zealand's regulatory settings should support its capital markets to flourish while encouraging and enabling listed companies to reduce their emissions. We do not believe that burdensome and costly reporting settings encourage or enable this to be achieved and that thresholds need to be adjusted accordingly. For this reporting regime to be relevant and meaningful, it needs to be proportionate and workable in terms of cost and input as well as benefit and outcomes. We must take a broad view of the ecosystem the regime impacts and ensure that its settings are reasonable, practical and meaningful to achieve the intended outcomes.

7. As part of the capital markets ecosystem, SIA supports the points made in the New Zealand Exchange's (**NZX**) submission in response to this consultation. Our members want New Zealand's capital markets to grow and thrive to benefit a sustainable and globally competitive New Zealand economy. Resilient and flourishing capital markets are a pathway to stable employment, creativity and innovation, robust infrastructure, and economic growth and stability, and better outcomes for current and future generations.

Chapter 2: Reporting Thresholds	
1	Do you have any information about the cost of reporting for listed issuers?
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2	Do you consider that the listed issuer thresholds (and director liability settings) are a barrier to listing in New Zealand?
	Yes, the SIA considers that the listed issuer thresholds and director liability settings create barriers to companies listing in New Zealand. Some SIA members are directly involved in supporting companies listing in New Zealand and facilitating investment into those companies. We are aware of the financial, technical, and management challenges that the current issuer thresholds and director liability settings present to companies considering listing on the NZX. This is not conducive to encouraging our local capital markets to grow, diversify, or flourish. It also limits the opportunity for New Zealanders to invest in local companies. SIA strongly believes that for the NZX to be an attractive and viable pathway for capital, New Zealand's CRD regime needs to at least align closely with the Australian regime to ensure a level playing field, if not provide a more competitive venue, for current listed companies and potential issuers.
3	When considering the listed issuer reporting threshold, which of the three options do you prefer, and why?
	SIA supports option 2 to increase the reporting threshold for listed issuers to report to $550m market capitalisation in early 2026, as well as option 3 on the proviso that appropriate reporting standards are defined for listed issuers with a market capitalisation between $250m and $550m. SIA supports settings that are proportionate, which includes ensuring a level playing field and that smaller issuers are not adversely impacted and unnecessarily burdened by the CRD reporting regime. SIA considers that financial resources and human capacity and capability are better directed at activities that actually mitigate, reduce, or manage climate-related emissions.
4	If the XRB introduced differential reporting, would this impact on your choice of preferred option?
	No.

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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 believe the CRD regime should be extended to private or unlisted entities to ensure a level playing field between public and private companies regarding emissions reporting and transparency. This would also align New Zealand's regime more closely to the reporting environment in Australia.
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?
	It is possible some listed issuers may continue to report their climate risks and opportunities voluntarily. We note that environmental, social, and governance (**ESG**) considerations can be important factors in retail and institutional clients' investment decisions. Companies that have adopted the NZ Stewardship Code will likely be reporting on ESG factors, and for some companies, this information may also present a competitive advantage.
7	What are the advantages and disadvantages of a listed issuer being in a regulated climate reporting regime?
	SIA believes that listed issuers and their respective directors are disadvantaged by the current reporting requirements. In particular, directors' personal criminal liability over disclosing climate-related data and information that is both difficult to measure and forecast and of no direct control is a deterrent to attracting quality and skilled directors for effective governance. A further disadvantage is the significant cost burden imposed on firms to prepare reports, such as legal and assurance costs. These costs become even more disadvantageous when comparing New Zealand-based listed issues to private companies in New Zealand or listed companies in Australia. Advantages will come from refreshing the regime so that reporting requirements are proportionate, workable and meaningful.
8	Do you have information about the cost of reporting for investment scheme managers?
	These costs are likely to be commensurate with financial reporting costs.
9	Do you have information about consumers being charged increased fees due to the cost of climate reporting?
	SIA is not aware of any specific instance of increased fees being charged to members due to the cost of climate reporting. However, it is still early days for the new reporting regime, and therefore, managers are probably still considering these issues and how additional and increasing costs would be managed.
10	When considering the reporting threshold for investment scheme managers, which of the three options do you prefer, and why?

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	SIA supports option 3 with CRD reporting thresholds for investment scheme managers to be set at $5 billion per scheme on par with Australia. SIA considers that the reporting threshold should be set at a level where investment scheme managers are more likely to have reached a degree of scale that can absorb the costs of additional reporting without having to change their investment offering or pass costs on to members. In our view, $1 billion calculated across all schemes is insufficient for this – particularly for schemes that invest into other schemes also managed by the investment scheme manager.
11	If the XRB introduced differential reporting, would this impact on your choice of preferred option?
	No.
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?
	SIA supports the proposals in the consultation paper.
13	When considering the location of the thresholds, which Option do you prefer and why?
	SIA considers secondary legislation (with appropriate controls) to be preferable to primary legislation because it gives flexibility to review settings more easily. This would need to be balanced with appropriate controls to take into account the significance of the reporting burden and liability settings for climate reporting entities (even if the proposals to alter the liability settings contained in the consultation paper are effected).
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?
	SIA considers that in the event the reporting thresholds are moved to secondary legislation, there should be a statutory obligation to consult on the changes to ensure that they are workable and meaningful and that the legislation achieves its intended outcomes.
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?
	SIA supports option 3, which would ensure reasonable and workable director liability settings by amending the FMC Act so that section 534 no longer applies and that directors can no longer be liable for aiding and abetting an unsubstantiated representation.
16	Do you have another proposal to amend the director liability settings? If so, please provide details.
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17	If the director liability settings are amended do you think that will impact on investor trust in the climate statements?	
	SIA does not consider the proposed amendments will negatively affect investor trust in the climate statements. As noted in the consultation document, the broader liability framework would remain. The CRD regime's reporting and director liability settings must be workable and meaningful to ensure it has credibility and is trusted by government, businesses and investors. In the context of managers of registered managed investment schemes, investors ought to also take confidence from the involvement of the Statutory Supervisor in monitoring compliance by the manager of their licensee obligations (which include compliance with the law and any requirements around climate related disclosures). Whilst there is no requirement for the Supervisor to be involved in creating these documents, it is likely that they will closely review climate-related disclosures of the entities they supervise, particularly during the bedding of the new regime.	
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?	
	SIA supports section 23 being disapplied both for climate reporting entities and directors. This is an appropriate approach given the type of information required in climate statements, which is predictive rather than certain.	
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?	
	SIA does not support Option 4 to introduce a modified liability framework and submits that settings need to reflect the local environment in this regard.	
20	If you support the introduction of a modified liability framework, how long should the modified liability last for? And who should be covered, i.e., should it prevent actions by just private litigants, or should the framework cover the FMA as well? (Criminal actions would be excluded)	
	See response to 19 above.	
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?	

	SIA considers that the reporting process should be as simple as possible and not create confusion for investors.

The SIA thanks MBIE for the opportunity to respond to this consultation. Please get in touch should you have any questions about this submission or require further information.