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	Do you have any information about the cost of reporting for listed issuers?
2	Do you consider that the listed issuer thresholds (and director liability settings) are a barrier to listing in New Zealand?
3	When considering the listed issuer reporting threshold, which of the three options do you prefer, and why?
	From the options provided, our preference would be for **Option 1** to retain the status quo subject to introducing differential reporting for small issuers. We acknowledge the challenges and the burden placed on small issuers that may lack the resources to comply with the climate-related disclosure regulation and therefore support some relief in terms of adjustments to the reporting standards rather than amending the threshold according to the proposed options. We believe that much of the cost in producing these disclosures are incurred during the first year of reporting and since the regulation has already been introduced and captured those listed issuers with over $60m market capitalisation, these entities would not benefit as much from becoming excluded from the scope in future. This reflects the expectation that the marginal cost of producing these disclosures from the second year onwards will reduce over time as firms can build on its existing reports and improve the efficiency of its internal processes. However, if there were to be an amendment to the reporting threshold, we would prefer a more middle road option such as $250 million market capitalisation threshold from early 2026. Both options 2 and 3 involve a $550 million threshold (although only temporary for the latter) which we think is too high. We conducted our own analysis of the impact of this threshold change not only in terms of the number of entities captured but also other characteristics such as total emissions, sector and representation in a key market index. From our assessment, we have concluded that a $550 million threshold would not sufficiently capture some listed issuers that have high emitting operations or supply chains and/or feature in the S&P/NZX 50 Index which is a prevalent benchmark used by the asset management industry. Given asset managers are also captured as climate reporting entities, it is important that there is coverage of listed issuers that comprise major market indices especially those with significant climate risk exposure.
4	If the XRB introduced differential reporting, would this impact on your choice of preferred option?

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?
	Yes, as per the response above, we believe it would be beneficial to have an option that would increase the reporting threshold to $250 million market capitalisation from early 2026 rather than the staged reporting option that involves the $550 million threshold. The staged reporting approach would be more effective in our view had New Zealand's climate reporting regime not already commenced. Given that smaller issuers have already been required to produce climate-related disclosures, we do not perceive much benefit from not being obligated for a temporary period ex post. As mentioned, the marginal cost of reporting is likely to decrease each year and once started, companies may be incentivised to continue even if no longer obligated. We expect that changing the reporting threshold would be most beneficial for those small companies that are looking to become listed but are deterred by the current disclosure obligations under the existing reporting threshold. However, this is likely to be only a minority of companies compared to the wider listed market that are currently captured under the regime. In any case, we are supportive of differential reporting for small issuers to help strike the balance between encouraging climate disclosure from a broad section of the market whilst also not placing excessively onerous requirements for those entities that are less mature in their approach and those lacking sufficient resource.
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, even before the climate-related regime was introduced, there was growing pressure from stakeholders of listed issuers (particularly investors) to provide more climate information. Many of these companies voluntarily provided disclosure on this to varying degrees and the Taskforce on climate-related financial disclosures (TCFD) recommendations were typically adopted as the best practice framework to report this information. The climate standards that underpin the climate-related disclosure regime are largely based on this TCFD framework and given the mandatory nature of this regulation, we believe this will only exacerbate the trend towards voluntarily disclosure as well. From an investor perspective, there are a rising number of stewardship related initiatives that encourage engagement with investee companies on climate-related issues such as Climate Action 100 and the Net Zero Asset Managers Initiative. These focused discussions with listed issuers will usually involve promoting increased disclosure on climate issues as one of the engagement priorities. Therefore, regulation is not the only lever for achieving greater rates of climate information reported and businesses may be motivated by other reasons aside from stakeholder satisfaction such as the brand/reputation benefit or competitive advantage. In addition, given the NZ climate standards are now the benchmark framework for domestic issuers, this would mean that those entities that are not captured as a climate reporting entity would likely look to this framework as the primary format to provide its climate-related information even if it does not necessarily fulfil all the reporting requirements.
7	What are the advantages and disadvantages of a listed issuer being in a regulated climate reporting regime?

8	Do you have information about the cost of reporting for investment scheme managers?
	Yes, Harbour has been captured as a climate reporting entity for multiple investment schemes (including the BNZ Investment Services schemes) that has involved providing disclosures for several investment funds spanning multiple asset classes. Given the regime was in its first year, the overall costs of complying with the regulation were higher than what we anticipate for future years since there were more setup related processes involved. Nonetheless, the regulation still represents a significant burden in terms of financial expense and internal resource compared to the status quo. Costs were associated with external data providers, law firms, consultants, auditors, designers as well as internal resources across the board, senior management, investment teams, operations, marketing and compliance. Anecdotally, estimates of the total cost within the industry are consistent with the ranges provided by the NZX listed companies in the discussion document.
9	Do you have information about consumers 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?
	Our preference would be to retain the reporting threshold of $1 billion total assets under management as per **Option 1**. We acknowledge that small investment scheme managers would benefit from some alleviation from the burden imposed by complying with the reporting regime, but this would be better addressed through differential reporting i.e. reforms to the reporting standards themselves. Differential reporting would provide some relief from the more onerous reporting requirements and better meet the capacity that these smaller managers are able to commit to the regime. It should be recognised that the climate standards are more tailored towards listed issuers where the climate exposure is direct (predominantly scope 1). For financial service providers such as managers of investment schemes, the vast majority of emissions sit within its value chain (scope 3) from its investments. Because of the indirect nature of this emissions exposure, this raises the complexity of measuring and collating climate information at the scheme level. This is further complicated by managing funds that have different types of securities where there may not be established standards and methodologies for accounting for the associated climate impacts (e.g. derivatives). We believe that the threshold for eligibility should be maintained at the total assets under management level rather than at the scheme level as per option 3. We think that it can cause unintended consequences such as the restructuring of schemes to fall below the threshold and that measuring at the total manager level is a better reflection of the resource available to fulfil the requirements of the regime. We also believe that the $5 billion per scheme option reduces the scope of captured managers too much which does not seem right sized for our funds management industry and needs to be differentiated from Australia in this case.
11	If the XRB introduced differential reporting, would this impact on your choice of preferred option?
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?
13	When considering the location of the thresholds, which Option do you prefer and why?
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?

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?
	We recognise that the current director liability settings can be considered overly stringent and potentially lead to unintended consequences such as excessive legal/consultancy costs and omission of useful information (typically forward-looking) that may be deemed risky to disclose due to various assumptions and limitations involved. Therefore, we do support reforming the liability settings in general to help address these issues and give directors greater comfort when undertaking their governance responsibilities for producing the climate-related disclosures. We do not think that the fourth option for reform is sufficient to fully solve the problem as although it does give temporary relief for directors from the penalties associated with the liabilities settings, it would not result in a structural change that we believe is needed to properly influence behaviour for better disclosure outcomes. **Our preference is subsequently for Option 2** to amend the FMC Act so that section 534 no longer applies to climate-related disclosures. As noted in the discussion, the biggest source of concern for directors is this section of the Act because this means that they are potentially liable irrespective of their level of involvement in the preparation of climate-related disclosures. We believe that removing this provision will provide the needed relief for directors to not take an overly risk-averse approach while also retaining sufficient accountability through the other liability provisions. We prefer this option over Option 3 since in our view directors should still be liable for aiding and abetting an unsubstantiated representation as this requires some positive action or being knowingly a party to a contravention. We therefore believe it is reasonable for directors to remain liable for these actions that are explicitly taken.
16	Do you have another proposal to amend the director liability settings? If so, please provide details.
17	If the director liability settings are amended do you think that will impact on investor trust in the climate statements?
	We believe that making the appropriate amendments to director liability settings should lead to a more honest reflection of the entity's approach to climate impacts and better-quality information for the end users. There are inherent difficulties when dealing with complex, uncertain information such as forecasting costs involved from extreme weather events, but we think that as long as entities are upfront about the assumptions and limitations then it is better to be transparent over this potentially useful information than to omit it due to legal concerns. We acknowledge that there still needs to be safeguards in place to prevent greenwashing and negligence from directors which is why we still support retaining some of the director liability settings, but they need to be properly calibrated to achieve the desired outcomes of the 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?

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?
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)
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?
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?
Final comments	
23	Please use this question to provide any further information you would like that has not been covered in the other questions.
	We have elected to only provide responses to the questions that we have a strong view on that we consider to be most impactful given our experience as both users and preparers of climate-related disclosure reports. Aside from these comments, we would like to promote the consideration of large private companies to be captured under the regime. We believe these companies also play a significant role in contributing to the country's emissions profile and investors in these private assets would benefit from more transparency over these risks. This inclusion of private companies is already prevalent for other mandatory climate reporting regimes such as in Australia and would therefore result in better alignment with international capital markets if this scope was extended here.