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New Zealand first in the world to require climate risk reporting



HON JAMES SHAW(/MINISTER/HON-JAMES-SHAW)

Climate Change (/portfolio/labour-led-government-2017-2020/climate-change)

New Zealand will be the first country in the world to require the financial sector to report on climate risks, the Minister for Climate Change James Shaw announced today.

The changes build on the huge progress this Government has made to tackle the climate crisis.

“Today is another step on the journey this Government is taking towards a low carbon future for Aotearoa New Zealand and a cleaner, safer planet for future generations.

Many large businesses in New Zealand do not currently have a good understanding of how climate change will impact on what they do.

“The changes I am announcing today will bring climate risks and resilience into the heart of financial and business decision making. It will ensure the disclosure of climate risk is clear, comprehensive and mainstream,” James Shaw said.

The new regime will be on a comply-or-explain basis, based on the Task Force on Climate-related Financial Disclosures (TCFD) framework, which is widely acknowledged as international best practice.

Businesses covered by the requirements will have to make annual disclosures, covering governance arrangements, risk management and strategies for mitigating any climate change impacts. If businesses are unable to disclose, they must explain why.

In total, around 200 organisations will be required to disclose their exposure to climate risk. This includes large Crown Financial Institutions, such as ACC and the NZ Super Fund.

“What gets measured, gets managed – and if businesses know how climate change will impact them in the future they can change and adopt low carbon strategies. COVID-19 has highlighted how important it is that we plan for and manage systemic economic shocks – and there is no greater risk than climate change,” James Shaw said.

New Zealand will be the first country to introduce a mandatory climate-related financial disclosure regime.

“Australia, Canada, UK, France, Japan, and the European Union are all working towards some form of climate risk reporting for companies, but New Zealand is moving ahead of them by making disclosures about climate risk mandatory across the financial system,” James Shaw said.

Over the last three years the Government has put in place some of the world’s most ambitious climate targets, and made policy and institutional changes to help bend the curve of New Zealand’s emissions downward.

“I often tell the story of the Chief Executive who said to me during the passage of our Government’s Zero Carbon Bill that his young daughter had told him one evening that she no longer wanted to have children because of the climate crisis. “What do I say to her?” he asked me.

“Today I am pleased I can say to him that businesses up and down the country will now play their part in making this world cleaner and safer – a world I am sure he is hoping will one day be home to his grandchildren,” James Shaw said.

Further information

The new climate reporting requirements will apply to:

- All registered banks, credit unions, and building societies with total assets of more than \$1 billion
- All managers of registered investment schemes with greater than \$1 billion in total assets under management
- All licensed insurers with greater than \$1 billion in total assets under management or annual premium income greater than \$250 million
- All equity and debt issuers listed on the NZX
- Crown financial institutions with greater than \$1 billion in total assets under management, such as ACC and the NZ Super Fund

Overseas incorporated organisations would also be required to disclose in their New Zealand annual reporting.

The \$1 billion threshold will make sure about 90 per cent of assets under management in New Zealand are included within the disclosure system.

The External Reporting Board (XRB) will develop one or more reporting standards, which entities may either comply with, or if they do not comply, explain why not.

The Financial Markets Authority will be responsible for independent monitoring, reporting and enforcement.

If approved by Parliament, financial entities could be required to make disclosures in 2023 at the earliest.



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