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(Clark, D. & Shaw, J., 2021)

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21 OCTOBER 2021

NZ passes world-first climate reporting legislation



HON DR DAVID CLARK(/MINISTER/HON-DR-DAVID-CLARK)



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

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New Zealand has become the first country in the world to pass a law that will ensure financial organisations disclose and ultimately act on climate-related risks and opportunities, Commerce and Consumer Affairs Minister Dr David Clark and Climate Change Minister James Shaw today announced today.

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill has now passed its third reading. Once in effect, it is expected to make a significant contribution to New Zealand achieving carbon neutrality by 2050.

“Financial services and markets play an important role in New Zealand’s transition to a clean, green and carbon-neutral future,” David Clark said.

“This Bill will require around 200 of the largest financial market participants in New Zealand to disclose clear, comparable and consistent information about the risks, and opportunities, climate change presents to their business. In doing so, it will promote business certainty, raise expectations, accelerate progress and create a level playing field,” David Clark said.

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James Shaw said the legislation was one of a number of actions the Government is taking to meet its international obligations and achieve the 2050 emissions targets required by the Climate Change Response Act 2002.

“Climate-related disclosures will bring climate risks and resilience into the heart of financial and business decision making. It will encourage entities to become more sustainable by factoring the short, medium, and long-term effects of climate change into their business decisions,” James Shaw said.

P. “New Zealand is a world-leader in this area and the first country in the world to introduce mandatory
Q. climate-related reporting for the financial sector. We have an opportunity to pave the way for other countries to make climate-related disclosures mandatory,” James Shaw said.

Once passed, disclosures will be required for financial years beginning in 2023, subject to the publication of climate standards from New Zealand’s independent accounting standard setter, the External Reporting Board (XRB).

The XRB’s climate standards will be based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) on Governance, Risk Management, Strategy, and Metrics and Targets. The recommendations are widely acknowledged as international best practice.

The XRB released its first consultation document focussing on Governance and Risk Management for the proposed climate-related disclosure reporting standards on 20 October 2021. Consultation on standards for the Strategy, and Metrics and Targets will follow.

“We encourage reporting entities to actively engage with the XRB in the consultation process. Your feedback, be they concerns or suggestions, will help contribute to the development of climate standards that are fit for Aotearoa New Zealand,” David Clark said.

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[Home \(/\)](#)

[Releases \(/releases\)](#)

[Speeches \(/speeches\)](#)

[Features \(/features\)](#)