

# Mandatory climate-related disclosures

The Government has passed legislation making climate-related disclosures mandatory for some large financial market participants. The requirement applies to large publicly listed companies, insurers, banks, non-bank deposit takers and investment managers.

Last updated: 18 January 2023

Climate change

## Consultation on changes to the climate-related disclosures scheme

- [Assurance over climate-related disclosures: occupational regulation and expanding the scope of assurance consultation](#)

We recently consulted on potential changes to the assurance requirement in the climate-related disclosures regime, along with the Ministry of Business, Innovation and Employment.

This consultation closed on February 10, 2023 and responses are being considered.

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The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 amended the Financial Markets Conduct Act 2013 (FMC Act), the Financial Reporting Act 2013, and the Public Audit Act 2001. The new law will require around 200 large financial institutions covered by the FMC Act to start making climate-related disclosures. Affected organisations are required to publish disclosures from financial years commencing on or after 1 January 2023, in accordance with climate standards published by the External Reporting Board (XRB).

[Find more information about the Financial Sector \(Climate-related Disclosures and Other Matters\) Amendment Act 2021](#) [Parliament website]

## Purpose of mandatory reporting

The majority of large New Zealand financial organisations provide limited to no information on what climate change might mean for them or are reporting in inconsistent ways.

This lack of information causes what the Productivity Commission termed in their Low Emissions Economy report “an ongoing and systemic overvaluation of emissions-intensive activities”.

The goal of mandatory climate-related disclosures is to:

- ensure that the effects of climate change are routinely considered in business, investment, lending and insurance underwriting decisions
- help climate reporting entities better demonstrate responsibility and foresight in their consideration of climate issues
- lead to more efficient allocation of capital, and help smooth the transition to a more sustainable, low emissions economy.

Mandatory climate-related disclosures will help New Zealand meet its international obligations and achieve its target of net zero carbon by 2050. By improving transparency and revealing climate-related information within financial markets, our financial system will become more resilient and climate change risks outlined in the National Climate Change Risk Assessment will be addressed.

[First national climate change risk assessment for New Zealand \(/news/first-national-climate-change-risk-assessment-for-new-zealand/\)](#)

## Organisations that have to make disclosures

Q. Around 200 entities in New Zealand are required to produce climate-related disclosures. These climate reporting entities include:

- All registered banks, credit unions, and building societies with total assets of more than \$1 billion.
- All managers of registered investment schemes (other than restricted schemes) with greater than \$1 billion in total assets under management.
- All licensed insurers with greater than \$1 billion in total assets or annual premium income greater than \$250 million.
- Listed issuers of quoted equity securities with a combined market price exceeding \$60 million.
- Listed issuers of quoted debt securities with a combined face value of quoted debt exceeding \$60 million.

Issuers listed on growth markets are excluded from the climate reporting entity definition.

Crown Financial Institutions with greater than \$1 billion in total assets under management are additionally required to produce climate-related disclosures.

Managers of registered investment schemes will be required to make disclosures on a fund-by-fund basis. This ensures investors receive the information needed to understand the impact of climate change on the future performance of their investment.

Overseas incorporated organisations will be required to make disclosures if their New Zealand business is over the thresholds outlined above. This will ensure their New Zealand stakeholders' needs are met.

The thresholds will be increased from time to time to reflect the movements in the consumers price index.

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## What reporting requires

- Q. Reporting is required against climate standards issued by the External Reporting Board (XRB). These climate standards are based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) after thorough public consultation.

[Aotearoa New Zealand climate standards](#) [XRB website]

The climate-related disclosure framework is structured around four thematic areas that represent core elements of how organisations operate.

They are:

- P. • governance
- strategy
  - risk management

- **metrics and targets.**

Aotearoa New Zealand Climate Standards have been developed with consideration of international best practice for climate-related financial reporting.

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## Phased implementation

The new disclosure regime will be gradually phased in.

Reporting against the new climate reporting standards is required from financial years beginning on or after 1 January 2023. In the second phase (accounting periods ending on or after 27 October 2024) elements of the disclosures relating to greenhouse gas emissions will be required to have independent assurance.

It may take time to develop the capability to produce high-quality climate-related disclosures and some disclosure requirements by their nature may require an initial exemption. Therefore, not all requirements in the Aotearoa New Zealand Climate Standards are mandatory immediately.

[NZ CS 2 Adoption of Aotearoa New Zealand Climate Standards](#) [XRB website]

The Financial Markets Authority (FMA) is responsible for independent monitoring, reporting and enforcement of the regime.

See FMA's initial implementation approach: [Climate-related Disclosures regime Implementation approach](#) (PDF, 1.2 MB) [FMA website]

## International guidance

Some international organisations have started producing good practice handbooks, case studies and guidance for reporting climate-related risks and opportunities using the TCFD recommendations.

- [Climate measurement standards initiative financial disclosure guidelines](#) [CMSI website]
- [Pilot project on implementing the TCFD recommendations for banks](#) [UNEP Finance Initiative website]
- [Understanding physical climate risks and opportunities](#) (PDF, 7.0 MB) [The Institutional Investors Group on Climate Change website]
- [Task force for climate-related financial disclosures knowledge hub](#) [TCFD Knowledge Hub website]