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Climate-related Disclosures Regime: What you need to know



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD



Introduction

In 2021, the Government introduced a new regime making climate-related disclosures (CRD) mandatory for certain large entities known as climate reporting entities (CREs). These disclosures are in the form of annual climate statements, which are required to be lodged with the Registrar of Financial Service Providers (i.e. the Companies Office) on the [Climate-related Disclosures Register](#) (CRD Register).

Annual climate statements must comply with [Aotearoa New Zealand Climate Standards](#) (Climate Standards) issued by the External Reporting Board – Te Kāwai Ārahi Pūrongo Mōwaho (XRB).

The Financial Markets Authority – Te Mana Tātai Hokohoko (FMA) is responsible for the independent monitoring and enforcement of the CRD regime.¹

What is the purpose of this guide?

This document provides an overview of the CRD regime,² including:

- the purpose of disclosing climate-related information;
- key legislative requirements;

- key considerations and context about the information in climate statements; and
- the roles of the FMA, XRB and relevant government agencies.

Who is this guide for?

This document is intended for anyone interested in understanding the basics of the CRD regime, such as primary users of climate statements,³ and journalists and other intermediaries who use or communicate climate-related information.

If you are interested in a more detailed explanation of the information disclosed in climate statements and what you can learn from it, please refer to the joint FMA/XRB [Navigating climate statements](#) document.

You can also refer to other information about the CRD regime available on the XRB's [website](#) and the FMA's [CRD webpage](#).

This document is not guidance for CREs as preparers of climate statements. CREs should instead refer to the applicable legislation, the Climate Standards and guidance provided by the XRB and FMA. This document does not constitute legal advice. CREs or other persons should seek their own legal or other professional advice, if required.

1: See Section 4 of this document for detailed information about the XRB and FMA, and our roles in relation to the CRD regime.

2: The term 'CRD regime' refers to requirements provided for in primary legislation (such as the Financial Markets Conduct Act 2013 – especially Part 7A – the Financial Reporting Act 2013 and the Public Audit Act 2001), the Climate Standards issued by the XRB, and secondary legislation (such as the Financial Markets Conduct Regulations 2014 and exemptions granted by the FMA). See Section 2 for an outline of the legal requirements of the CRD regime.

3: 'Primary user' is defined in the Climate Standards as "existing and potential investors, lenders and other creditors".

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The climate reporting landscape

Why is it important to disclose climate-related information?

One of the essential functions of financial markets is to price risk to support informed, efficient capital-allocation decisions. For this, entities need to provide accurate, comparable and timely disclosure.

Many entities in New Zealand are already experiencing climate-related impacts. They also face significant climate-related risks and opportunities, which are expected to increase over time. These risks, opportunities and impacts stem from both the changes in climate conditions, and efforts to adapt to and mitigate climate change. If these risks and opportunities materialise, they could have a large financial impact on entities.

Without a common, regulated approach to disclosure, an information gap existed that drove an “ongoing and systemic overvaluation of emissions-intensive activities”,⁴ and potentially led to mispricing of assets and misallocation of capital. This in turn, along with the physical risks of climate change, could create macro-economic financial stability risks, and barriers to investment in climate-resilient and low-emissions economic

activities that are needed to meet New Zealand’s greenhouse gas (GHG) emissions reductions targets.⁵

To help address this information gap, New Zealand was one of the first countries in the world to pass legislation to make climate reporting mandatory for certain entities.⁶ These entities include our largest banks, credit unions, building societies, insurers, listed issuers, and fund managers.

What is happening internationally?

There has been a significant increase in global demand from stakeholders for climate-related information over the last decade. In 2015, the Task Force on Climate-related Financial Disclosures (TCFD) was established by the Financial Stability Board.⁷ In 2017, the TCFD developed its first disclosure recommendations, encouraging entities to provide information to investors, lenders and insurance underwriters about their climate-related risks and opportunities. The number of entities that have publicly declared their support for the TCFD

4: New Zealand Productivity Commission, Low-emissions economy – Final Report, August 2018.

5: Ministry for the Environment and Ministry for Business, Innovation and Employment, Climate-related Financial Disclosures – Regulatory Impact Assessment, July 2020.

6: Detailed information about the background and development of the CRD regime is available on the Ministry for Business, Innovation and Employment’s website.

7: The FSB is an international body that monitors and makes recommendations about the global financial system.

recommendations has grown from around 100 in 2017 to almost 5,000 in 2024.⁸

More recently, many standards have been (or are being) issued by individual countries or jurisdictions,⁹ and by international standard setters such as the International Sustainability Standards Board (ISSB) and the Global Reporting Initiative (GRI). While there are differences between each set of climate reporting standards, most standards are centred around similar principles based on the TCFD recommendations.

8: As of June 2024, published on [TCFD website](#).

9: As of June 2024, countries/jurisdictions that have (or are considering) issuing mandatory climate standards include, but are not limited to, Australia, New Zealand, Singapore, the European Union, the United Kingdom, and the United States of America.

Overview of the CRD regime

What are the key legal requirements?

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 introduced a requirement for 'large' entities, collectively known as climate reporting entities (CREs), to publish annual climate statements,¹⁰ in accordance with Climate Standards issued by the External Reporting Board (XRB). These entities include listed issuers, registered banks, licensed insurers, credit unions, building societies and managers of registered managed investment schemes (other than restricted schemes) (MIS managers).

The reporting obligations were introduced by inserting a new Part 7A into the Financial Markets Conduct Act 2013 (FMC Act). The Financial Reporting Act 2013 (FR Act) was also amended to provide the XRB with the climate standard setting function.

CREs are required to:

- prepare climate statements in accordance with the Climate Standards issued by the XRB:
 - Aotearoa New Zealand Climate Standard 1 – Climate-related Disclosures (NZ CS 1);
 - Aotearoa New Zealand Climate Standard 2 – Adoption of Aotearoa New Zealand Climate Standards (NZ CS 2); and

- Aotearoa New Zealand Climate Standard 3 – General Requirements for Climate-related Disclosures (NZ CS 3)

- lodge the climate statements on the Climate-related Disclosures Register (CRD Register)
- include a copy of, or link to, their climate statements in their annual report;¹¹
- obtain independent assurance of their greenhouse gas emissions disclosures;¹² and
- comply with record-keeping requirements.

What are the objectives of the CRD regime?

The FR Act states the purpose of Climate Standards is to provide for, or promote, climate-related disclosures (CRD), in order to:

- encourage entities to routinely consider the short-, medium-, and long-term risks and opportunities that climate change presents for the activities of the entity or the entity's group;
- enable entities to show how they are considering those risks and opportunities; and
- enable investors and other stakeholders to assess the merits of how entities are considering those risks and opportunities.

The Climate Standards themselves state the ultimate aim is to support the allocation of capital towards activities that are consistent with a

10: The term 'climate statements' used throughout this document refers to both 'climate statements' (i.e. from a standalone entity) and 'group climate statements', as defined in section 6 of the FMC Act and section 5 of the FR Act.

11: This requirement does not apply to MIS managers that qualify as CREs.

12: The requirement for assurance over the GHG emission disclosures comes into force for reporting periods that end on or after 27 October 2024.

transition to a low-emissions, climate-resilient future.¹³

We consider that this creates both:

- **internally focused objectives** aimed at providing information and analysis for the CRE itself to support more informed decision making; and
- **externally focused objectives** aimed at communicating to primary users a CRE's climate-related risks, opportunities and impacts, and the action(s) the CRE is taking, or not taking, to address these.

Who must prepare climate statements?

Entities that qualify as CREs are required to prepare and lodge climate statements.¹⁴ CREs are defined in Part 7A of the FMC Act.¹⁵ They include:

- registered banks, credit unions, and building societies with total assets (including any subsidiaries) exceeding \$1 billion as at their two preceding year-end balance dates;
- MIS managers with greater than \$1 billion in total assets under management (by the manager and by other managers authorised under their market services licence) as at their two preceding year-end balance dates;
- licensed insurers with total assets (including any subsidiaries) exceeding \$1 billion as at their two preceding year-end balance

dates and/or annual gross premium revenue (including any subsidiaries) exceeding \$250 million in each of their two preceding accounting periods;

- listed issuers of quoted equity securities (that are not excluded listed issuers) that had (quoted or unquoted) equity securities with a total value, as implied by the market price or fair value (i.e. market capitalisation), exceeding \$60 million as at their two preceding year-end balance dates; and
- listed issuers of quoted debt securities (that are not excluded listed issuers) that had quoted debt securities with a total face value exceeding \$60 million at any time in their two preceding accounting periods.

Overseas incorporated entities that conduct business in New Zealand are required to make disclosures if their New Zealand business is over the thresholds outlined above. In most cases, their disclosures will only relate to their New Zealand business or investment operations as required under the FMC Act.

How does the CRD regime apply to MIS managers?

MIS managers that qualify as CREs are required to prepare climate-related disclosures in relation to each separate fund under management. This is different to other types of CREs, which are required to prepare climate-related disclosures in

13: NZ CS 1 - [paragraph 2](#), NZ CS 2 - [paragraph 2](#) and NZ CS 3 - [paragraph 2](#).

14: Certain Crown Financial Institutions (CFIs) may also prepare climate-related disclosures as requested by their relevant Minister in their enduring letter of expectations. However, climate-related disclosures prepared by CFIs are not subject to monitoring and enforcement by the FMA.

15: Financial Markets Conduct Act 2013, section 461O.

respect of their own business or operations.

While CRE MIS managers must prepare disclosures at a fund level, they are allowed to present common information at a scheme level, e.g. if the disclosures on governance and risk management contain common information for each fund within a scheme.

Climate statements prepared by MIS managers can be accessed on the [CRD Register](#) by searching either for a specific scheme or for the relevant MIS manager. All disclosures in relation to the funds within each scheme will be accessible on the [CRD Register](#) under the name of the relevant scheme.

When did the reporting requirements apply from?

CREs are required to prepare and lodge annual climate statements for reporting periods beginning on or after 1 January 2023.

When are climate statements filed?

CREs are required to prepare and lodge annual climate statements within four months of their balance date, or for CREs that are MIS managers, four months after the balance date(s) of the relevant registered scheme(s) the funds are managed under.

Where can I find climate statements?

CREs must lodge their climate statements on the [CRD Register](#), which is accessible to the public.

If a CRE is required to prepare an annual report, it must also either include a copy of the climate statements in its annual report or include in its annual report the address of or link to the Internet site where a copy of the climate statements can be accessed.

Entities may also publish their statements on other platforms, such as the NZX Market Announcement Platform or their own website.

Do the requirements mean CREs must take action to mitigate or adapt to the effects of climate change?

No. The CRD regime requires mandatory disclosure not mandatory action.

The regime does not mandate any actions that must be taken or processes that must be followed, such as improving climate resilience, reducing GHG emissions, pursuing climate-related opportunities, or governing or managing climate-related risks in a certain manner (if at all). However, the information disclosed in climate statements should enable users to make their own assessment about how CREs are considering climate-related risks and opportunities, and then make informed decisions based on these assessments.

What responsibilities do directors of CREs have?

Directors play a critical role in providing high-level strategic oversight of an entity's climate-related disclosures. The intent is that directors consider the regime in the wider context of their entity's purpose, strategy and operations, over the short, medium and long term.

The CRD regime imposes specific requirements in respect of directors of CREs. These include:

- the CRE preparing and lodging climate statements within four months after balance date;
- the CRE's climate statements being dated and signed by a director or directors on behalf of the CRE; and
- the CRE ensuring that the disclosures relating to GHG emissions in its climate statements are the subject of an assurance engagement.¹⁶

Directors are also subject to other laws and regulations (for example under the Companies Act 1993 and the Crimes Act 1961).

Please refer to the joint FMA/XRB [Director Preparation Guide](#) for more CRD information relevant to directors.

When are CREs required to obtain assurance over GHG emissions disclosures?

For reporting periods ending on or after 27 October 2024,¹⁷ CREs are required to obtain at least limited assurance over their GHG emissions disclosures within their climate statements. This involves an independent and competent person (i.e. an 'assurance practitioner') assessing these disclosures, and carrying out sufficient procedures to express an assurance opinion.¹⁸ This assurance enhances the degree of confidence users can have in the CRE's GHG emissions disclosures.

Assurance practitioners are required to follow the [NZ SAE 1 Assurance Standard](#) for this engagement. This specifically includes assurance over:

- GHG emissions: gross emissions in metric tonnes of carbon dioxide equivalents (CO2e) classified as scope 1, scope 2, or scope 3;
- additional requirements¹⁹ for the disclosure of GHG emissions; and
- GHG emissions methods, assumptions, and estimation uncertainty.

¹⁶: The requirement for assurance over the GHG emission disclosures comes into force for reporting periods that end on or after 27 October 2024.

¹⁷: The provisions in the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 relating to assurance over GHG emissions apply from the third anniversary of royal assent of the Act – being 27 October 2024.

¹⁸: This is the assurance practitioner's professional view, which is supported by sufficient and appropriate evidence as to whether the GHG emissions disclosures are free from material misstatement and comply with the Climate Standards.

¹⁹: Relates to NZ CS 1 - [paragraph 24](#), including disclosing the GHG measurement standard(s) applied, the consolidation approach used, the source of emissions factors and global warming potential (GWP) rates used, and a summary of exclusions of sources.

CREs are not required to use their financial statement auditor for this engagement. The assurance standard allows for any competent and independent assurance practitioner to perform these services.

CREs are not required to obtain assurance over other parts of the climate statements. However, some CREs may do this voluntarily.

Refer to more detailed information about assurance over GHG disclosures on the [XRB webpage](#).

Will the CRD regime help reduce greenwashing?

The CRD regime may play a role in addressing and mitigating false and misleading claims about social or environmental benefits of climate action, i.e. greenwashing. This is because CREs are subject to regulation by the FMA under Part 7A of the FMC Act when they prepare and lodge climate statements. Failing to comply with the Climate Standards can result in the FMA taking enforcement action.

The Climate Standards include a requirement that CREs must fairly present their climate-related disclosures.²⁰ Fair presentation requires CREs to disclose information in accordance with the principles in the Climate Standards, which include (but are not limited to) climate-related disclosures being accurate, verifiable, balanced, complete and coherent. CREs must also keep records to substantiate the disclosures made in their climate statements. These records can be requested for inspection by the FMA.

²⁰: Refer to NZ CS 3 [paragraphs 6 to 9](#) for more information about Fair Presentation and the principles that underpin it.

The regulated nature of the CRD regime and the possibility of enforcement action provides a serious deterrent to CREs disclosing false or misleading statements about their climate-related performance or plans. Ultimately, this reduces the risk of investors' capital allocation decisions being based on false or misleading information.

There are other relevant legislation or mandates that could apply to climate-related disclosures, including fair dealing, and financial reporting and audit:

Fair dealing

Part 2 of FMC Act requires 'fair dealing' in relation to financial products and financial services. The fair dealing requirements are broad principles that prohibit:

- misleading or deceptive conduct, including conduct that is likely to mislead or deceive;
- false, misleading or unsubstantiated representations; and
- offers of financial products being made in the course of unsolicited meetings.

The fair dealing requirements may apply to formal and informal channels through which entities communicate with potential and existing customers in relation to financial products or services, such as formal disclosure documentation, marketing and advertising.

Fair dealing requirements may also apply to claims about a financial product being ethical, responsible, green, or in some way integrating climate-related risk or opportunities.

Refer to the following FMA guidance for further information on fair dealing in relation to 'green' claims:

- [Disclosure framework for integrated financial products](#) (December 2020)
- [Integrated financial products: Review of managed fund documentation](#) (July 2022)

A CRE may be subject to both the requirements of the CRD regime and fair dealing obligations. CRD regime requirements relate to preparing and lodging climate statements, whereas fair dealing relates to conduct, statements and representations generally in relation to financial products or services such as any claims, product labels, or advertising and marketing (regardless of whether it has a climate 'flavour').

Refer to Part 2 of the FMC Act or the information available on the FMA's [website](#) for more detail.

Financial reporting and audit

The FMA monitors compliance with financial reporting standards for a range of entities, including all CREs. If a CRE includes climate information in its financial statements, this information will be subject to the requirements set out in financial reporting standards.

In October 2022, the FMA published [Climate risks and the impact on financial statement audits](#), which provides guidance on expectations for auditors, and notes which areas of financial statements could be impacted by climate-related risks. The XRB also issued [staff guidance](#) that covers climate-related matters in financial statements.

About climate statements

What information do climate statements include?

The Climate Standards require CREs to disclose information across four thematic areas:

Governance

The governance disclosures should provide users with information about the role the CRE's governance body (e.g. its board of directors) plays (if any) in overseeing climate-related risks and opportunities, and the role management plays (if any) in assessing and managing those climate-related risks and opportunities.

Strategy

The strategy disclosures should provide users with information about how climate change is currently impacting the CRE and how it may do so in the future. This includes:

- the climate-related impacts the CRE is currently experiencing;
- the scenario analysis the CRE has undertaken to understand how the future may plausibly develop and what this could be mean for its business model and strategy;
- the climate-related risks and opportunities the CRE has identified;
- the anticipated climate-related impacts the CRE may face in the future; and
- how a CRE will position itself as the global and domestic economy transitions towards a low-emissions, climate-resilient future.

Risk management

The risk management disclosures should provide users with information about the CRE's processes (if any) for identifying, assessing and managing climate-related risks, and whether those processes are integrated into the CRE's existing risk management framework.

Metrics and targets

The metrics and targets disclosed should provide users with information about how the CRE measures and manages its climate-related risks and opportunities. This includes a CRE's scope 1, 2 and 3 GHG emissions.

Read the [Aotearoa New Zealand Climate Standards](#) for detailed information about the disclosure requirements.

The Climate Standards are principles based, what does this mean?

All standards are principles based and require judgement in application. However, standards can be more or less prescriptive in their disclosure requirements.

Less prescriptive approaches focus the disclosure requirements on topics to address, aspects to describe, or processes to explain. More prescriptive approaches can be highly specific on the exact information or the level of detail required to be disclosed. In all cases, the entity must think about how to apply the disclosure requirements to their own facts and circumstances, and how to provide that

information in a way that it considers is useful for the decision making of its primary users.

Less prescriptive approaches mean that disclosures may be different from one entity to another. This is because there is less prescription in how disclosures must be made, allowing for a variety of approaches, rather than direct comparability, which is the focus of more prescriptive approaches to standard-setting.

The XRB took a less prescriptive approach to the development of the Climate Standards. The rationale was to:

- encourage preparers to consider the purpose of the disclosures;
- try to avoid a 'box-ticking' or 'form filling' approach;
- provide flexibility in determining how to comply with the disclosure requirements, to facilitate innovation in business models, products, strategies and internal processes; and
- help future proof the standards and reduce the possible need for constant amendment in this rapidly evolving field.

CREs must also make materiality judgements as to what relevant and decision-useful information is provided to primary users in the context of the disclosures required.

This means that climate statements will look different and may not contain exactly the same information from one entity to another. All climate statements must be compliant with the Climate Standards and should enable primary users to assess the merits of how an entity is considering climate-related risks and climate-related opportunities, and then make decisions based on those assessments.

Read the General Requirements for Climate-related Disclosures (NZ CS 3) [paragraphs 27 to 39](#) for more information about materiality.

Will a CRE's climate statements be available as a separate document?

Not necessarily. CREs are free to present their climate statements as a standalone document or within another document or documents. However, where CREs (other than those that are MIS managers) are also required to prepare an annual report, this report must include either a copy of their climate statements or the address of or link to the Internet site where a copy of their climate statements can be accessed.

Where a CRE chooses to incorporate its climate statements in another document, it must include a table that clearly identifies the location of the disclosures required by the Climate Standards.

CREs may also incorporate disclosures required by the Climate Standards within their climate statements by cross reference. Where this is done, CREs must ensure:

- the specific disclosures included by cross reference do not make the climate-related disclosures less understandable, complete or coherent;
- the cross-referenced disclosures are freely available at the same time as the main climate-related disclosures; and
- the location of the cross-referenced disclosures is directly and precisely identified, and the main climate-related disclosures explain how to access the cross-referenced disclosures.

Are CREs required to follow a prescribed template?

No. The Climate Standards do not require CREs to follow a prescribed template and instead allow CREs to use their judgement on how they present their climate-related disclosures. However, CREs are required to fairly present their disclosures and apply the principles under the Climate Standards, such as understandability, completeness and coherence, when preparing and presenting their CRD.²¹

How do the climate statements help users understand data and estimation uncertainty?

The preparation of some disclosures required by the Climate Standards inherently involves inputs that have varying degrees of 'uncertainty', and then making reasonable judgements and estimations based on these 'uncertain' inputs. For example, uncertain inputs will be used in preparing the disclosures related to scenario analysis and GHG emissions.

The usefulness of the information disclosed is not undermined if data and estimation uncertainty is accurately and transparently described and explained.

CREs are required to disclose a description of the methods, assumptions and limitations of information used in preparing their climate-

related disclosures. CREs must also identify aspects of their disclosures that involve data and estimation uncertainty, and explain the sources and nature of such uncertainties. This promotes transparency and understanding in the evaluation of climate-related information.

Will all information required by the Climate Standards be disclosed in a CRE's first reporting period?

Not necessarily. [NZ CS 2](#) provides a limited number of adoption provisions available in the first, second and third reporting periods that provide temporary relief from complying with certain disclosure requirements. Some adoption provisions exempt CREs from disclosing specific information, while others require alternative information to be disclosed.

The adoption provisions include providing relief from disclosing:

- current and anticipated financial impacts in the first reporting period;
- transition plan aspects of strategy and the extent to which transition plan aspects of strategy are aligned with internal capital deployment and funding decision making processes in the first reporting period;
- scope 3 GHG emissions in the first reporting period; and
- comparatives for metrics and analysis of trends in the first two reporting periods.

21: Refer to NZ CS 3 [paragraphs 6 to 9](#) for more information about Fair Presentation and the principles that underpin it.

CREs have flexibility to use none, some or all of the adoption provisions. A CRE must disclose any adoption provisions it has used.

Look at the CRE's statement of compliance to determine if it has elected to use any of the adoption provisions.

Climate statements of similar CREs look different, does that mean some CREs did not comply?

Not necessarily. Where certain information is not included in one climate statement but does appear in others, it does not always mean that climate statement is non-compliant. This may be due to the following reasons:

- The CRE may have elected to use adoption provisions,²² which allow it to not disclose certain information in the early years of reporting, e.g. scope 3 GHG emissions do not need to be disclosed in a CRE's first reporting period.
- The CRE may have taken a different approach to applying the principles of the Climate Standards.
- Judgement is required when preparing climate-related disclosures. What is considered material for one CRE may not be considered material for another, even in similar circumstances. Therefore disclosures may not be the same.
- The CRE may have chosen to include other sustainability-related information in its climate statements. In this case, the entity should have

included a table within the document clearly identifying the location of the disclosures required by the Climate Standards.

How are mandatory climate statements different from climate-related information other entities may disclose?

Climate statements prepared by CREs must comply with the Climate Standards set by the XRB. CREs are required to include an explicit and unreserved statement of compliance. All disclosure requirements must be complied with for a CRE to state compliance with the Climate Standards.

Entities that do not qualify as CREs may voluntarily prepare climate statements using the Climate Standards as a basis for preparation. These entities are encouraged to include a statement of compliance affirming their voluntary climate statements are compliant with the Climate Standards. However, these statements will not be subject to FMA oversight and enforcement action for non-compliance with the CRD regime.

Only climate statements prepared by CREs:

- will be lodged and made publicly available on the CRD Register
- are subject to FMA oversight and enforcement action for non-compliance with the CRD regime.

22: Refer to [NZ CS 2](#) for detail about the adoption provisions.

Some entities that do not qualify as CREs may also prepare climate-related information, either voluntarily or mandatorily, using another climate reporting standard or framework as a basis. As a result, there could be differences in the disclosures between entities. Users should check what climate standard has been used as the basis for preparation of an entity's climate-related information, to ensure they understand the different requirements and whether useful comparisons between entities can be made.

How are mandatory climate statements different from sustainability-related information entities may disclose?

The Climate Standards require CREs to disclose information related to their climate-related risks and opportunities, and what they are (or are not) doing to address them.

Sustainability-related disclosures, sometimes referred to as environmental, social and governance (ESG) disclosures, include information about an entity's impact on both natural and human capital. While sustainability-related disclosures may include climate-related information, they are typically broader and include information about an entity's wider environmental and social impacts.

For example, information about an entity's:

- commitment towards gender equality or its impact on biodiversity are sustainability-related disclosures but not climate-related disclosures; and
- GHG emissions could be categorised as both

a sustainability-related and climate-related disclosure.

Internationally there are sustainability-related disclosure standards or frameworks that entities can use as a basis for preparation. However, currently there is no mandatory reporting of sustainability-related disclosures in New Zealand, other than climate-related disclosures required by CREs under the Climate Standards.

Sustainability-related disclosures made by CREs are not subject to FMA oversight and enforcement action in respect of the CRD regime unless they are required by the Climate Standards. Sustainability- or climate-related disclosures made voluntarily by non-CREs are also not subject to FMA oversight in respect of the CRD regime.

Section 4:

Who is involved in the CRD regime

Financial Markets Authority

Who is the Financial Markets Authority?

The Financial Markets Authority (FMA) is an independent Crown entity. Its overarching statutory purpose is to promote and facilitate the development of fair, efficient and transparent financial markets.

As New Zealand's principal conduct regulator of financial markets, the FMA is focused on protecting investors, customers and the integrity of markets through influencing how participants behave towards their customers, investors and each other. Its activities include policy and guidance, providing information and resources, licensing, monitoring and supervision, and investigations and enforcement.

What is the FMA's role in the CRD regime?

The FMA is responsible for independent monitoring and enforcement of the CRD regime. Its role is to monitor whether climate statements comply with Part 7A of the FMC Act and the XRB's Climate Standards. This means users can have more confidence in the information published in climate statements, enhancing the integrity of the CRD regime.

Examples of the FMA's monitoring activities include:

- reviewing published climate statements to assess compliance with the Climate Standards, including that the climate-related disclosures are fairly presented; and
- taking regulatory action where it considers

that information in climate statements is non-compliant and/or false or misleading.

The FMA also produces guidance and information sheets that set out its regulatory expectations, and will publish monitoring reports based on its findings.

The FMA's monitoring activities do not include:

- setting the rules (this is done by Parliament for primary legislation, and the XRB, which is the standard setter, for the Climate Standards);
- enforcing or making judgements on 'good' environmental practices or performance;
- requiring CREs to make strategic choices or act on climate change;
- directing capital or stating a preference for where capital should be allocated; or
- reviewing climate statements before they are published.

While the FMA is taking a broadly educative and constructive approach in the early years of the CRD regime, serious misconduct may attract enforcement action.

Read the FMA's [CRD Monitoring Plan](#) for more detailed information about its monitoring approach.

Will the FMA review every statement in detail and verify all claims?

No. The FMA takes a risk-based, outcomes-focused approach to regulation. While it will focus on reviewing as many climate statements as possible in the early years of the regime, with the aim of providing feedback to improve disclosures, it will not review every climate statement and underlying records in detail.

Matters that could warrant a more detailed review of underlying records include specific claims identified as potentially misleading or incorrect during the FMA's initial disclosure review.

As the regime matures, the FMA will develop a proactive risk-based sampling approach and employ more detailed review procedures, including regularly examining underlying records from a sample of CREs. While these reviews will be more detailed, they will only capture a limited number of CREs in each review period and will not be undertaken for every climate statement.

How does the CRD regime align with the FMA's outcomes-focused approach to regulation?

The desired outcomes for the CRD regime are prescribed in legislation and the Climate Standards themselves,²³ and the FMA's focus on outcomes is to ensure that CREs provide information that meets the requirements of the CRD regime so it can be relied upon and enable users to make informed decisions.

In the early years of the CRD regime, the outcomes of our reviews will be communicated to CREs in alignment with our broadly educative and constructive approach, which focuses on supporting and encouraging compliance with the Climate Standards.

What regulatory tools can the FMA use?

For substantial matters relating to non-compliance (such as failing to meet reporting requirements or making false or misleading claims) the FMA can use a range of regulatory tools, from minor (for example issuing a warning letter) to serious (for example court action).

Read the FMA's [Regulatory Response Guidelines](#) for more detailed information about our approach to using regulatory tools.

Can you make a complaint if you consider a climate statement is non-compliant?

If you consider a CRE's climate statement is not compliant with the CRD regime, you can make a complaint to the FMA. More information about how to make a complaint is available on the FMA's [website](#).

External Reporting Board

Who is the External Reporting Board?

The External Reporting Board (XRB) is an independent Crown entity. It develops and issues financial reporting, auditing and assurance, and climate standards for for-profit, not-for-profit and public sector entities. The XRB's mandate also enables it to issue guidance that relates to non-financial reporting.

²³: Information about the objectives of the CRD regime is detailed in Section 2 of this document.

What is the XRB's role in relation to the CRD regime?

The XRB is responsible for developing and issuing Climate Standards. It also prepares guidance to support CREs required to prepare climate-related disclosures in accordance with the Climate Standards.

See the [resources section](#) of the XRB website for guidance for preparation of climate-related disclosures.

As part of the due process for developing standards, the XRB Board has a statutory obligation to consult with stakeholders before issuing a standard. It consulted early and widely so that the Climate Standards developed were appropriate in a New Zealand context. This process included:

- consultation on the proposed Governance and Risk Management sections of the Climate Standards in October 2021;
- consultation on the other two main sections of the Climate Standards: Strategy, and Metrics and Targets in March 2022; and
- the final consultation occurred in July 2022 on the exposure drafts of the Climate Standards.²⁴

Will the Climate Standards be reviewed at some point?

A post-implementation review (PIR) is a tool used by standard setters to look back at how well a standard is performing in practice after it has been in use for some time. PIRs allow standard setters to look at several things, including:

- Have the standard's objectives been achieved?

- Are the requirements on the most difficult or contentious issues performing as intended?
- Have new issues emerged since the standard was issued?
- Are the compliance costs consistent with expectations?

The PIR of the Climate Standards will begin by December 2025. Before beginning the PIR, the XRB will continue to engage with CREs to develop material, to promote awareness and support adoption of the Climate Standards and address any emerging issues arising in practice. As part of the PIR, the XRB will determine whether there is any need to modify the Climate Standards to further align with any existing or forthcoming requirements adopted by other relevant jurisdictions.

How will you know if the Climate Standards are achieving their purpose?

The aim of the Climate Standards is to support the allocation of capital towards activities that are consistent with a transition to a low-emissions, climate-resilient future. Understanding whether the Climate Standards are contributing to primary user and CRE decision making is fundamental to delivering on that aim. To assess the effectiveness of the climate-related disclosure framework, the XRB has appointed the University of Otago to undertake a multi-year research project between 2023 and 2025.

²⁴: [NZ CS 1 paragraphs BC13 to BC16](#) contain further details of the consultation.

Public sector agencies

Government departments

The Ministry of Business, Innovation and Employment (MBIE) is responsible for administering the FMC Act and the FR Act. MBIE and the Ministry for the Environment provide advice to the Government on climate-related disclosure policy. This includes which entities are required to produce climate statements, what parts of the climate statements must be assured, and which individuals can undertake assurance engagements.

Companies Office

The Companies Office is responsible for maintaining the [CRD Register](#), and collects the related fees and levies.

External Reporting Board

www.xrb.govt.nz

Financial Markets Authority

www.fma.govt.nz