



December 2024

Climate-related Disclosures: Insights from our reviews

The FMA is responsible for the independent monitoring and enforcement of the climate-related disclosures regime. The purpose of this report is to provide useful feedback for climate reporting entities to improve the disclosures in their climate statements.

This report is primarily intended for climate reporting entities, their directors and other interested parties, such as assurance practitioners and advisers. While not directly intended for primary users of climate statements, they may also find this report useful.

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Foreword

After two years preparing for climate-related disclosures, we present insights from our reviews of New Zealand's first mandatory climate statements. Our monitoring work started in May 2024 after the lodgement of the first statements.

Being one of the first countries to implement mandatory climate reporting comes with challenges for preparers, standard setters and regulators. Climate reporting entities have only had a short time to understand the requirements and to prepare their first mandatory climate statements.

Based on our reviews, we acknowledge that climate reporting entities have put in an enormous effort to ensure their first mandatory climate statements were prepared on time.

Although the quality of disclosure varied between the 70 climate statements we reviewed, overall they aligned with our expectations. For some climate reporting entities this was the first time they had prepared climate statements, while others had the benefit of previously preparing voluntary climate statements.

Our intention in publishing this report is to provide useful feedback for climate reporting entities and their directors going into the second year of reporting. This report forms an important benchmark to communicate areas for improvement, together with feedback letters and other engagement efforts from the FMA where we share our observations. We will continue to update [our website under climate reporting entities](#) with key observations from our monitoring work.

We acknowledge that some climate reporting entities have faced challenges obtaining reliable data, incurring higher-than-expected costs and

deciding how to make disclosures in the absence of guidance on certain topics. Recognising these issues, the XRB recently made changes to the Aotearoa New Zealand Climate Standards, allowing climate reporting entities additional time to comply with some disclosures. We are also considering a class exemption to complement the XRB's changes for assurance over scope 3 GHG emissions.

As climate reporting continues to develop around the world, it is important that we continue to engage with other jurisdictions in which climate reporting entities operate. This includes sharing learnings, and explaining our climate-related disclosures regime, the exemption options available to climate reporting entities and the level of regulatory oversight. These engagements should help to educate other jurisdictions to get a better understanding on how our reporting and oversight operates.

In the upcoming years, we will continue our broadly educative and constructive approach with the aim of raising the quality of reporting over time.



Jacco Moison
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Climate-related
Disclosures

Executive summary

This report provides key insights from our reviews of 70 climate statements prepared for reporting periods ended 31 December 2023, 31 January 2024 and 31 March 2024.

In our reviews we looked for compliance with the disclosure requirements in the External Reporting Board's (XRB) Aotearoa New Zealand Climate Standards (Climate Standards) and the legislative requirements in Part 7A of the Financial Markets Conduct Act 2013 (FMC Act). We also assessed whether climate-related disclosures were materially coherent and consistent with any other documents or statements published by climate reporting entities (CREs).

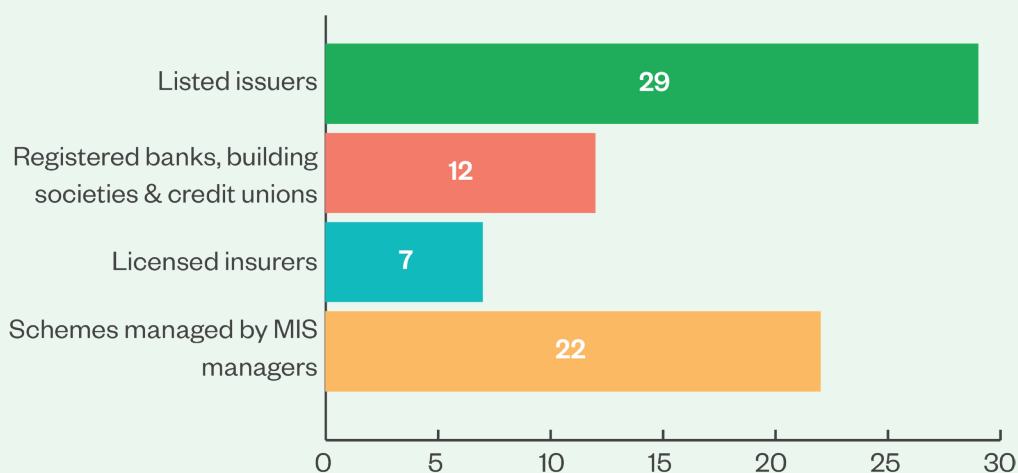
In line with our broadly educative and constructive regulatory approach in the early years of the climate-related disclosures regime (CRD regime), the purpose of this report is to provide useful feedback for CREs and their directors to improve disclosure in future periods.

Insights

Overall, we are pleased with the efforts that CREs have made to prepare and lodge their first set of mandatory climate statements that comply with the requirements of the CRD regime. We acknowledge the time and resources involved to understand these requirements and develop processes to prepare and lodge climate statements.

We identified areas for improvement across almost all climate statements reviewed. In most cases, we considered it appropriate to provide this feedback to CREs by way of this report. We also provided individual feedback to some CREs where we wanted to understand their approach, or where feedback needed to be communicated ahead of this report, the findings were material and not common across reviews, or a legislative requirement was not met.

Figure 1: Climate statements reviewed



We encourage CREs to assess which areas for improvement are most relevant to them, with the aim of enhancing the quality of their climate statements in the next reporting period.

The more significant areas for improvement we would like CREs to focus on in future reporting periods are set out below.

Strike the right balance on the amount of information disclosed

CREs need to apply judgement when deciding how much information to disclose. Disclosing too much may risk obscuring material information for primary users, while disclosing too little may result in material information being omitted. CREs should consider both the characteristics of their primary users, and their own unique facts and circumstances when making these assessments. We expect these judgements to improve over time as CREs become more familiar with the requirements and preparing climate-related disclosures, and as their internal processes become more embedded.

Fairly present disclosures

CREs must fairly present their disclosures. To achieve a fair presentation, CREs must apply the information and presentation principles. The application of these principles requires CREs to apply judgement when considering how to present information in the most useful manner for primary users. CREs should apply the underlying presentation and information principles holistically in conjunction with the concept of materiality.

Disclose all material information to explain underlying methods and assumptions, and data and estimation uncertainty

We would like to see all material information disclosed about the methods and assumptions, and data and estimation uncertainty underlying climate-related disclosures. These disclosures are essential to ensure primary users can understand how CREs have prepared their climate-related disclosures, and the associated assumptions and uncertainties. This includes the specific requirements for scenario analysis and greenhouse gas (GHG) emissions disclosures.

Describe or explain how processes are undertaken and, where required, the frequency of these processes

Certain disclosures across *Governance* and *Risk Management* thematic areas in the Climate Standards require CREs to describe or explain how climate-related processes are undertaken. It is important these disclosures go beyond solely disclosing that the process exists, and provide all material information to explain what is involved (i.e. how the process is undertaken). This helps to ensure primary users have all necessary information to make informed assessments about the appropriateness of these processes.

Where required by the Climate Standards, CREs must ensure primary users can understand the frequency climate-related processes occur. This may be best achieved by providing more specificity as to the actual frequency (e.g. “monthly” or “six times during the reporting period”).

Explain the connection between climate-related matters and other organisational activities

There are disclosures across the *Governance*, *Risk Management* and *Strategy* thematic areas that require CREs to explain how climate-related processes or matters are connected to other organisational activities. These disclosures must provide all material information to clearly explain the connection (if any), rather than solely disclosing that a connection exists. This provides primary users with information to understand the degree to which the consideration of climate-related risks and opportunities is embedded across an organisation.

Understand and apply the meaning of “current climate-related impact”

Current climate-related impacts are those which have been experienced by the CRE in the reporting period. In other words, something that has moved from being a risk or opportunity (both future looking) to something that has occurred – i.e. an impact.

These disclosures are also about providing information to primary users to explain how climate change is currently impacting a CRE, rather than solely identifying that a climate-related event occurred during the reporting period. For example, some CREs noted climate-related events, such as Cyclone Gabrielle, but did not explain whether and how they were impacted by these events.

Disclose all material information to explain climate-related risks and opportunities

CREs must disclose all material information to explain the climate-related risks and opportunities they have identified. This information will be more useful for primary users where the risks and opportunities are relevant and specific to the CRE, provide contextual information (e.g. severity,

exposure and vulnerability), and are allocated across the short-, medium- and long-term time horizons. CREs should also ensure the disclosure of risks and opportunities have been through a robust materiality assessment, and only disclose those risks and opportunities that are material for their primary users.

Disclose all material information to describe GHG emissions targets

CREs should provide detail about any of their GHG emissions targets for primary users to understand the underlying elements required by the Climate Standards, including ‘net zero’ targets. In particular, disclosures should be clear and transparent when describing the CRE’s view for why any GHG emissions targets are aligned with limiting warming to 1.5 degrees Celsius.

Areas of focus to enhance scenario analysis

Scenario analysis is one of the more challenging areas of disclosure. We would like CREs to focus on the following areas for improvement:

- Primary users are interested in both the process CREs have followed to construct their scenarios, and what they did to analyse them. CREs must ensure their disclosures provide all material information to describe how both aspects of scenario analysis were conducted.
- To ensure scenario narratives are meaningful and useful for primary users, narratives should include all material information to explain how the future develops in each scenario.
- The objective of scenario analysis to explore pathways with differing levels of transition and physical risks. To be useful, climate-related scenarios should be sufficiently distinct from each other and challenging to test the resilience

of the CRE's business model and strategy to a range of plausible future pathways.

- Disclose all material information required to explain the extent to which scenario archetypes (e.g. sector-level scenarios) have been used to inform the CRE's entity-level scenarios.

Disclosures should be consistent and coherent with other information

It is unlikely that primary users will be considering climate statements in isolation. Therefore, it is important that all material climate-related information published by CREs in other documents or statements is also disclosed in their climate statements. CREs should also ensure climate-related information is presented in a consistent and coherent manner across publications.

Next steps

We encourage all CREs to use the information in this report to improve their climate statements for subsequent reporting periods. Disclosures will change over time due to the nature of the regime. However, we expect a level of coherence and consistency from one reporting period to the next, along with clear explanations where there are material changes to required disclosures.

In future reviews, we will verify that CREs have lodged a copy of the independent assurance practitioner's report on the CRD Register and that it complies with the requirements of *NZ SAE 1 Assurance Engagements over GHG Emissions Disclosures*.

We will continue to review climate statements using our broadly educative and constructive regulatory approach. We will provide further feedback to CREs to support higher-quality disclosures through individual feedback and monitoring reports.

About our reviews

Purpose and scope of reviews

The purpose of our reviews was to assess compliance with the requirements of the CRD regime, identify areas for improvement, and provide useful feedback to CREs to enhance the quality of future disclosures.

In our reviews we looked for:

- Compliance with the disclosure requirements in the XRB's *Aotearoa New Zealand Climate Standards* (Climate Standards):
 - [Aotearoa New Zealand Climate Standard 3 – General Requirements for Climate-related Disclosures](#) (NZ CS 3).
 - [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).
- Compliance with the legislative requirements in Part 7A of the FMC Act.¹
- Whether disclosures were materially coherent and consistent with any other documents or statements published by the CRE, including annual reports, financial statements, sustainability reports (if prepared), market announcements, public statements and information on websites.

CRD records

Subpart 2 of Part 7A of the FMC Act requires CREs to keep proper CRD records to enable them to ensure their climate statements comply with the Climate Standards, and that any required assurance engagement can be readily and properly carried out.

We did *not* request or assess underlying CRD records for any CRE. This means the insights and observations in this report are limited to what CREs disclosed in their climate statements. We do not comment on whether the climate statements reviewed accurately reflect what CREs are doing in practice.

Regularly requesting and reviewing underlying CRD records will become a focus in future years as we move to undertaking more detailed reviews of a sample of climate statements. However, we may request CRD records in the early years if we need more information to understand a CRE's disclosures.

For more information about CRD records, please refer to our [Guidance for keeping proper climate-related disclosure records](#) (October 2023, updated December 2024) and the associated illustrative examples.

Number of reviews

We reviewed 70 climate statements prepared for reporting periods ended between 31 December 2023 and 31 March 2024². The total number of climate statements lodged for these reporting periods and the amount reviewed for each CRE type is detailed below in Figures 2 and 3.

1: This included assessing whether CREs have complied with conditions under any CRD exemption(s) they relied on.

2: This report does not include insights from reviews of letters lodged on the CRD Register by CREs that were exempt from all requirements in Part 7A of the FMC Act.

Climate statements prepared by large managed investment scheme (MIS) managers have been detailed separately in Figure 3, given they are required to prepare and lodge climate statements in relation to their funds/schemes under management. 21 large MIS managers lodged

climate statements relating to fund(s) in 106 registered schemes with reporting periods ended 31 March 2024. Of these scheme-level climate statements, we reviewed 22, prepared by 20 of those MIS managers.

Figure 2: Climate statements lodged by CREs (other than MIS managers) for reporting periods ended between 31 December 2023 and 31 March 2024

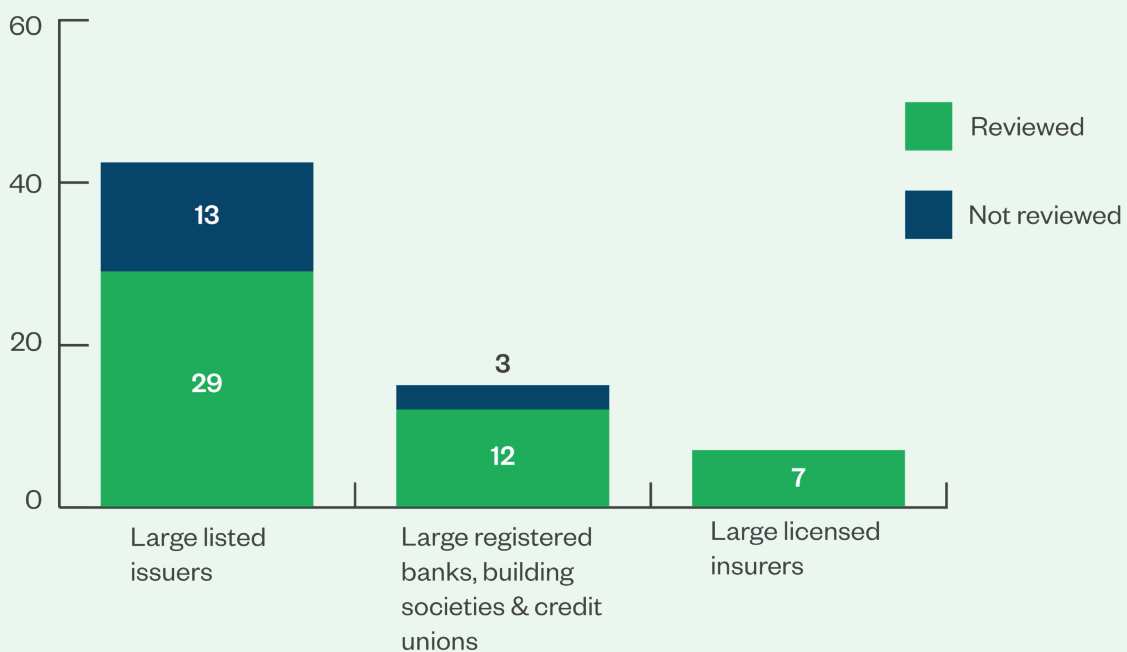
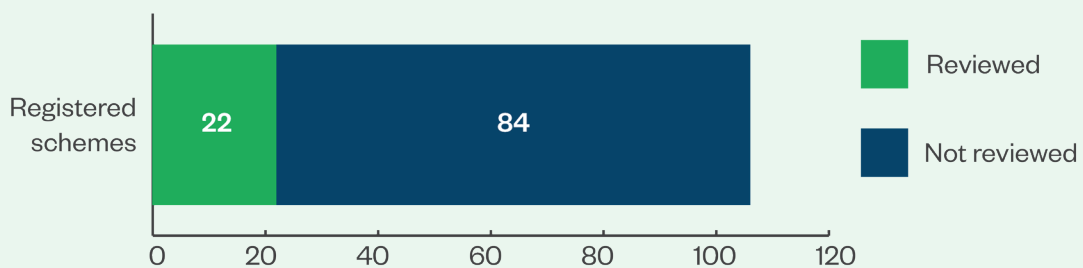


Figure 3: Climate statements lodged by large MIS managers in relation to funds in registered schemes with a reporting period ended 31 March 2024



Insights

Overall, we are pleased with the efforts that CREs have made to prepare and lodge their first set of climate statements. We acknowledge the time and resources involved to understand the requirements and develop processes to prepare and lodge climate statements.

However, we did identify areas for improvement across almost all climate statements. In most cases, we have included feedback on these areas in this report.

We also provided individual feedback to some CREs where we wanted to understand the approach to or interpretation of certain requirements, or where our comments:

- needed to be communicated early to achieve a desired outcome;
- were material or significant and not common across other reviews;
- related to a legislative requirement having not been met or being interpreted incorrectly; or
- were specific to the individual CRE.

Insights and recommended improvements for CREs are detailed in the remainder of this report in blue call-out boxes.

Materiality

NZ CS 3 states that information required by the Climate Standards must be disclosed if it is material.

*'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that primary users make on the basis of an entity's climate-related disclosures.'*³

The application of the disclosure requirements in the Climate Standards is presumed to result in material information.⁴ However, if a CRE assesses that information is not material, it should not disclose this information.⁵ Assessing whether information could reasonably be expected to influence decisions made by primary users requires judgement. CREs should consider the characteristics of their primary users as well as their own unique facts and circumstances when making these assessments.⁶

CREs need to strike the right balance between disclosing too little and too much information (i.e. omitting versus obscuring material information). We expect these judgements to improve over time as CREs become more familiar with CRD requirements and processes. Consideration of the disclosure objective for each thematic area may also assist CREs with these judgements.

As part of our reviews, we did not request underlying CRD records to review CREs' materiality assessments. However, we have detailed below some insights related to materiality and judgements on the amount of information disclosed.

3: [Paragraph 28, NZ CS 3.](#)

4: [Paragraph 31, NZ CS 3.](#)

5: [Paragraph 31, NZ CS 3.](#)

6: [Paragraph 29, NZ CS 3.](#)

Avoid obscuring material information

Some CREs presented their climate statements in a way that may have obscured material information for their primary users. This included:

- providing substantial detail about specific analysis or processes;
- providing long lists of generic information;
- repeating the same information throughout the climate statements without a clear rationale; and
- placing significant emphasis on certain information that did not appear to be relevant to the CRE.

To avoid obscuring material information, CREs must undertake robust materiality assessments to ensure they only disclose material information in relation to each disclosure required by the Climate Standards.

When disclosing additional information, an entity must ensure that relevant information is not obscured by the inclusion of immaterial detail.

Ensure no material information is omitted

Some climate statements did not disclose any information required for some requirements in the Climate Standards. We discuss below reasons that may have led to disclosures not being made and what we would like CREs to consider in these situations.

1. CRE assessed the disclosures to be immaterial for its primary users

Although we consider these instances to be uncommon, CREs may have omitted disclosures where they assessed them to be immaterial.

When preparing materiality assessments that result in decisions not to disclose information required by the Climate Standards, it is important that CREs:

- undertake a robust process to assess whether the information is material for their primary users; and
- document and retain these assessments and decisions (including the rationale) in their underlying CRD records.

2. CRE was unable to comply with disclosure requirement(s)

We understand that complying with the disclosure requirements in the Climate Standards is challenging. In the early years there may be valid, but limited, reasons why CREs cannot comply (or can only partially comply) with certain disclosures.

If there are valid reasons why CREs are unable to currently comply with disclosure requirements in the early years, they should consider what they may need to disclose to achieve a fair presentation. In such cases, CREs should document the following in their underlying CRD records:

- that they were unable to comply (or fully comply) with the disclosure requirement;
- the reason why; and
- an explanation of their progress to enable compliance in the future.

As part of our future monitoring activities, we may request records to understand and validate the reasons why certain disclosures could not be complied with.

Fair presentation

NZ CS 3 requires CREs to fairly present their disclosures.⁷ To achieve a fair presentation, CREs must apply the information and presentation principles.⁸ The application of these principles requires CREs to apply judgement when considering how to present information in the most useful manner for primary users.

Detailed below are issues we saw in climate statements that may have undermined fair presentation. Given the relationship between materiality and fair presentation, these insights should also be considered in conjunction with those detailed on pages 11-12. Where relevant, we have also discussed fair presentation in relation to disclosures required by NZ CS 1 on pages 16-18.

Issue	Principles	Examples
Presenting information in a manner that may have over-emphasised positive news or impacts.	Balance Completeness Understandability Relevance	<ul style="list-style-type: none"> Prominently disclosing positive information at the start of climate statements or relevant sections, with limited emphasis on less-positive aspects. Using specific formatting (e.g. bold or larger text, colouring), graphics or graphs to emphasise positive information. Repeating information, often about positive news or impacts, throughout the climate statements without a clear rationale. Placing significance on the achievement of third-party certifications for certain targets, commitments or criteria, without clearly explaining why this is relevant and what it means. Emphasising climate-related targets of an international parent or group that do not appear to be applied by the New Zealand subsidiary or branch.
Presenting disclosures in a manner that may not have been understandable or complete.	Completeness Understandability	<ul style="list-style-type: none"> Omitting legends or axes to explain graphs, tables and/or infographics. Not defining terminology.

7: Refer to paragraphs 6 – 9 of NZ CS 3 for more information about *Fair presentation*.

8: Refer to paragraphs 10 – 13 of NZ CS 3 for more information about the Information and Presentation principles.

Issue	Principles	Examples
Providing disclosures that were unclear or lacked relevant contextual information, which may have meant primary users received the information more favourably.	Completeness Understandability Balance Coherence	<ul style="list-style-type: none"> Where processes were described, it was unclear whether they had been followed in the current reporting period or would be deployed in future periods. Not providing enough context to understand the scope or nature of climate-related targets and how realistic or ambitious the targets are. Context that explained positive performance was due to external factors was presented in a different and less-prominent location, and was not clearly signposted to users.
Omitting information that primary users may have been expecting, or that would have been useful for comparing climate statements between different CREs.	Completeness Comparability	<ul style="list-style-type: none"> Not explaining 'anomalies' or unique results such as why scope 1 or 2 GHG emissions were zero, or unexpected movements in metrics. Not disclosing any information regarding certain disclosure requirements.
Using vague terms and descriptions when referring to services from or reliance on third-party opinions, methods, recommendations, or guidelines, which may have meant primary users received the information more favourably.	Understandability Completeness Balance	<ul style="list-style-type: none"> Using assurance-related terminology such as 'independence' and 'verification' when referring to services that were advisory rather than assurance. Being unclear about the extent to which disclosures have been validated or certified by a third party or prepared using third-party recommendations.

CREs must ensure they fairly present their disclosures in accordance with the requirements and principles detailed in [paragraphs 6 – 13 of NZ CS 3](#).

CREs should apply the presentation and information principles holistically, in conjunction with the concept of materiality.

The examples detailed above may be useful to guide CREs on what to avoid to fairly present their disclosures.

Methods, assumptions, and data and estimation uncertainty

The use of uncertain data, and reasonable estimates based upon them, is an essential part of preparing climate-related disclosures.

To ensure primary users can understand how a CRE's disclosures have been prepared and what the most material sources of uncertainty are, NZ CS 3 requires disclosure of the methods and assumptions used in the preparation of climate-related disclosures where they are not apparent, as well as the material sources and nature of data and estimation uncertainty.⁹ There are also specific requirements for the disclosure of the underlying methods and assumptions for scenario analysis and GHG emissions methods, assumptions and estimation uncertainty.¹⁰

These disclosures are vital to ensure primary users are provided with information to understand the context of an entity's climate-related disclosures.

In some cases we found that these disclosures were either limited or absent. This was primarily for the specific disclosures required for:

- the methods and assumptions underlying the climate-related scenarios used and the scenario analysis process employed; and
- the methods and assumptions used to calculate or estimate GHG emissions, the limitations of methods and the associated uncertainties.

There were also some disclosures where it was not apparent how the information had been produced (i.e. the methods and assumptions) and/or that did not identify whether data and estimation uncertainty was involved, e.g. for the disclosure of the amount or percentage of assets or business activities vulnerable to climate-related risks or aligned with climate-related opportunities.¹¹

CREs must disclose all material information in relation to underlying methods and assumptions, and data and estimation uncertainty, required by paragraphs 47 – 54 of NZ CS 3.

9: Paragraphs 47 – 50, NZ CS 3.

10: Refer to NZ CS 3 – specifically paragraph 51 for disclosures related to methods and assumptions for scenario analysis and paragraphs 52 – 54 for disclosures of methods, assumptions and estimation uncertainty for GHG emissions.

11: Refer to paragraphs 22(c) – (e), NZ CS 1.

Application of disclosure requirements

The requirements to disclose material information and achieve a fair presentation are applicable across all climate-related disclosures. Therefore, the insights detailed below should be considered in conjunction with those on *Materiality* and *Fair presentation* on pages 11-14.

Describe or explain how processes are undertaken

Disclosures across the *Governance* and *Risk Management* thematic areas require CREs to provide a description of processes or explain how processes are undertaken.¹²

Some CREs disclosed that a process had taken place without explaining details of the process (i.e. the 'how'). For instance, disclosing that the governance body monitored progress against targets but not describing how the governance body did this monitoring, e.g. through monthly board reporting and meetings.

Not disclosing how processes are undertaken does not comply with the specific disclosure requirements, and may also undermine fair presentation, particular the principles of *balance*, *completeness* and *understandability*.

CREs must provide all material information about how climate-related processes are undertaken, rather than solely identifying that these processes exist. This helps to ensure primary users have all necessary information to make informed assessments about the appropriateness of these processes.

Consider disclosing more detail about the frequency of processes

Disclosures across the *Governance* and *Risk Management* thematic areas require CREs to disclose the frequency by which processes occur.¹³

Some climate statements reviewed used non-prescriptive language to describe this frequency (e.g. "periodically" or "regularly"). CREs should reflect on how useful this type of disclosure is for primary users, including whether such non-specific descriptions may result in primary users viewing the information more favourably if they assume processes occur more frequently.

Where required by the Climate Standards, CREs must ensure primary users can understand the frequency of climate-related processes. This may be best achieved by providing more specificity about the actual frequency (e.g. "monthly" or "six times during the reporting period"). Where there is no regular frequency (i.e. a process occurs on an ad-hoc or as-required basis), this should be clearly and transparently disclosed.

Explain the connection between climate-related matters and other activities

Disclosure requirements across the *Governance*, *Strategy* and *Risk Management* thematic areas require CREs to explain how climate-related processes or matters are connected to other organisational activities.¹⁴

12: This includes disclosures required by paragraphs 8(a), 8(b), 8(d), 9(a), 9(c), 18(a) and 19(e) of NZ CS 1.

13: This includes disclosures required by 8(a), 9(c) and 19(d) of NZ CS 1.

14: This includes disclosures required by paragraphs 8(c), 8(d) 14(a), 14(c), and 18(b) of NZ CS 1.

We saw instances where CREs disclosed that a process or climate-related matter was connected to other organisational activities without explaining the nature and extent of that connection. For example, disclosing that the governance body considers climate-related risks and opportunities when developing and overseeing implementation of the CRE's strategy, without providing any further detail as to what is involved in that consideration. This type of disclosure may also undermine fair presentation, particularly the principle of *Balance*.

CREs must ensure all material information is fairly presented to ensure primary users understand the connection (if any) between climate-related processes or matters and other organisational activities. Primary users need this information to understand the degree to which the consideration of climate-related risks and opportunities is embedded across an organisation.

Understand and apply the meaning of “current climate-related impact”

CREs are required to disclose a description of their current climate-related impacts.¹⁵ Current climate-related impacts are those which have been experienced by the CRE in the reporting period. In other words, something that has moved from being a risk or opportunity (both future-looking) to something that has occurred, i.e. an impact.

We saw instances where climate-related events (e.g. Cyclone Gabrielle) were disclosed as current climate-related impacts without an explanation of how these events affected the CRE (if at all). Additionally, some disclosures that were described

as “current climate-related impacts” were instead short-term climate-related risks that could potentially affect the CRE (but had not eventuated).

CREs must apply the definition of “impacts” under NZ CS 1 and disclose how they have been impacted by climate-related events during the current reporting period.

If a CRE has not been affected by climate-related impacts during the reporting period, they should consider if this is material information that requires disclosure.

Disclose all material information to explain climate-related risks and opportunities

CREs are required to disclose the climate-related risks and opportunities identified over the short, medium and long term.¹⁶ We identified some climate-related risk and opportunity disclosures that may have been too generic to be useful to primary users. Examples included:

- disclosing long lists of industry or sector climate-related risks and opportunities without clearly explaining how these are relevant and material to the CRE itself
- disclosing broad descriptions of climate-related risks (i.e. risk of flooding events) without providing contextual information (e.g. severity, frequency, exposure and vulnerability)
- not identifying the relevant time horizons (i.e. short, medium or long term) over which the climate-related risks and opportunities might materialise.

¹⁵: Specifically paragraphs 11(a) and 12 of NZ CS 1.

¹⁶: Refer to paragraph 11(c) of the NZ CS 1.

CREs should disclose climate-related risks and opportunities that are relevant and material to the CRE itself. To ensure these disclosures are useful for primary users, CREs could disclose additional contextual information (e.g. this could include severity, frequency, exposure and vulnerability) and identify over what time horizons they might materialise. CREs should also ensure the disclosure of risks and opportunities has been through a robust materiality assessment, and only disclose those risks and opportunities that are material for their primary users.

Disclose all material information to describe GHG emissions targets

CREs are required to disclose specific information when describing any GHG emissions targets.¹⁷

There were some cases where disclosures describing GHG emissions targets did not provide any detail required by the Climate Standards, including 'net zero' targets. For example, omitting:

- the scope of the underlying gross GHG emissions included (e.g. whether scope 3 GHG emissions were included);
- the extent to which the target relies on offsets; and/or
- information about whether offsets are verified or certified, and if so, under which scheme(s) (if applicable).

The Climate Standards also require CREs to disclose the basis to support their view as to how their GHG emissions target contributes to limiting global warming to 1.5 degrees Celsius, including any reliance on the opinion or methods provided by third parties.¹⁸ In some cases, statements such as “grounded in science”, “science based,” or “alignment” with third-party methodologies were included in disclosures, which may not have provided sufficient context for primary users to understand the basis for the CRE’s view.

CREs must ensure their disclosures for any GHG emissions targets include all material information for primary users to understand the underlying elements required by [paragraph 23\(e\) of the NZ CS1](#).

CREs must also consider how best to fairly present the disclosures supporting any GHG emissions targets to provide primary users with sufficient context to understand them.

¹⁷: Refer to [paragraph 23\(e\) of NZ CS1](#).

¹⁸: Refer to [paragraph 23\(e\)\(iii\) of NZ CS1](#).

Scenario analysis

Disclose the process undertaken to analyse climate-related scenarios

The Climate Standards require CREs to disclose the scenario analysis they have undertaken.¹⁹ This includes the process to both construct or develop climate-related scenarios, and to analyse them to assess strategic resilience and help identify climate-related risks and opportunities.

Some climate statements we reviewed focused on what the CRE did to construct or develop their climate-related scenarios, with limited disclosure about the subsequent process followed to place their organisation within these scenarios to help identify climate-related risks and opportunities, and assess strategic resilience.

Primary users are interested in both the process CREs followed to construct their scenarios and what they did to analyse them. CREs must ensure their disclosures provide all material information to describe how both aspects of scenario analysis were conducted.

Disclose scenario narratives that explain how the future may develop

CREs are required to disclose a brief description of each scenario narrative.²⁰ These narratives should explain how the future develops in each scenario by detailing a series of events unfolding over time with a cause-and-effect relationship.

Some climate statements we reviewed did not include disclosure of any scenario narratives, or

the narratives were very limited (i.e. one or two sentences). Other scenario narratives described a series of assumptions about a future state, rather than a description of how the future may develop.

To ensure scenario narratives are meaningful and useful for primary users, CREs must disclose all material information to explain how the future develops in each scenario.

Consider whether scenarios are plausible and challenging

From our reviews, it appeared some CREs may have conceptualised the 1.5 degrees Celsius scenario as being 'lower risk', the 3 degrees Celsius scenario as 'higher risk' and the third scenario as somewhere in between. This approach can result in CREs creating scenarios which, depending on the given pathway and temperature outcome, understate the level of transition and/or physical risk. This may limit CREs' ability to assess their strategic resilience against a series of hypothetical but plausible and challenging futures.

The objective of scenario analysis is to explore pathways with differing levels of transition and physical risks and opportunities. To be useful, climate-related scenarios should be distinct from each other and sufficiently challenging to provide a robust basis for testing the resilience of the CRE's business model and strategy to a range of plausible future pathways

19: Refer to paragraph 13 of NZ CS 1.

20: Refer to paragraph 51(a)(i) of NZ CS 3.

Clearly disclose the extent to which scenario archetypes have been used

Most climate statements we reviewed indicated the use of reference scenarios, pathways and projections done by others at a global or national level (i.e. 'scenario archetypes') and New Zealand sector-level scenario analysis.

However, in some climate statements it was not clear to what extent scenario archetypes or sector analysis had been used and whether additions, modifications or adaptations were made to make them more relevant and specific to the CRE's business model and strategy. Some climate statements indicated the CRE had made changes to the sector-level scenarios but did not explain what these changes were. The choice of archetypes or sector-level scenarios used, and the nature of any adaptation applied, may be material information for primary users.

CREs should clearly disclose all material information required to explain the extent to which scenario archetypes or sector-level scenario analysis have been used to inform their entity-level scenarios. This is important information for primary users, especially when comparing scenario analysis disclosures across CREs.

Scenario archetypes – factors to keep in mind

While scenario archetypes can provide useful building blocks for developing entity-level scenarios, it is important that CREs understand for each archetype used:

- why it was created (i.e. its purpose);
- the scope of coverage; and
- the inherent limitations and assumptions.

Taking these factors into account, CREs should consider how relevant the archetype is to its specific business model and strategy, and whether the archetype can provide the basis for a challenging and plausible entity-level scenario.

Noting that there are multiple different pathways to a given temperature outcome, CREs should also consider whether the archetypes are consistent with the nature or character of each pathway (e.g. level of international coordination, degree of emissions reductions, or rate of technological change) they want to explore. This will help to determine the archetype(s) CREs could use, and the degree to which additions and/or modifications are required.

Other disclosure matters

Location of climate-related disclosures

Standalone or integrated reporting

Where CREs *fully integrated disclosures throughout another document*, almost all included a table that identified the location of the disclosures required by NZ CS 1.²¹ However, most of these tables did not identify the location of disclosures required by NZ CS 2 or NZ CS 3. Namely, paragraph 23 of NZ CS 2 requires disclosure of the use of adoption provisions, and paragraphs 40 – 56 of NZ CS 3 require disclosure of comparative of metrics, methods and assumptions, and data and estimation uncertainty, and a statement of compliance.

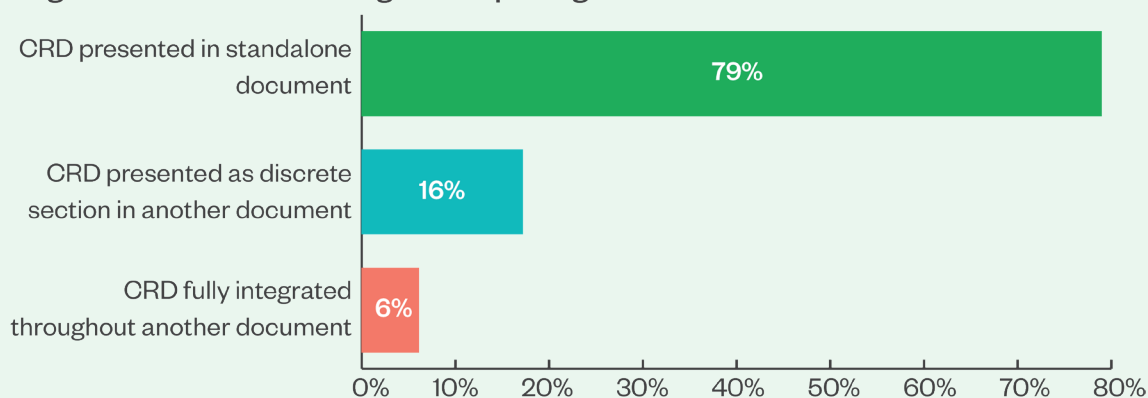
Where CREs fully integrate their climate-related disclosures into another document, the table included within that document must clearly identify the location of *all* disclosures required by the Climate Standards (including those required by NZ CS 2 and NZ CS 3) to enable primary users to easily identify these.

Where CREs *presented all or most of their climate-related disclosures in a discrete section* in another document, they appeared to rely on the table of contents at the start of the document to comply with the requirement to include a table to identify the location of climate-related disclosures. However, some CREs repeated climate-related information or provided additional climate-related information in other parts of the document but did not include this in the table.

Where CREs present their disclosures as a discrete section within another document, they should ensure it is clear for primary users where all disclosures required by the Climate Standards are located.

If any climate-related information is presented outside of the discrete section, CREs must include a table identifying the location of that climate-related information.

Figure 4: Standalone or integrated reporting



21: Where the climate-related disclosures are provided within another document, [paragraph 15 of NZ CS 3](#) requires CREs to include a table within that other document, clearly identifying the location of the disclosures required by the Climate Standards.

Cross referencing

Most CREs included links to other documents (e.g. the global group's sustainability report, sector-level scenario analysis, product disclosure statements, or statements of investment policies and objectives) in their climate statements. In some cases, particularly when referring to sector-level scenario analysis, it was not clear from the disclosures whether these links were intended to direct primary users to:

- material information required by the Climate Standards, i.e. including disclosures by cross reference; or
- additional background or further information that is not material in relation to the disclosures required by the Climate Standards.

Where material information required to be disclosed by the Climate Standards is incorporated by cross reference, CREs must:

- Comply with the cross-referencing requirements in [paragraphs 17 – 19 of NZ CS 3](#).
- Deliver that cross-referenced information to the CRD Register for lodgement along with the document(s) containing the rest of their disclosures.²²

If links to other documents are included in climate statements, we recommend CREs provide clarity about what primary users can understand from that information and whether it is material in relation to the disclosures required by the Climate Standards.

Uptake of adoption provisions

Most climate statements included the use of one or more of the adoption provisions available in NZ CS 2. The uptake of the adoption provisions in climate statements reviewed is detailed in Figure 5 below.²³

Disclosing the use of adoption provisions

We identified some instances where CREs did not fully comply with the requirement to include a description of the adoption provisions used in conjunction with their statement of compliance with the Climate Standards.²⁴ Common shortcomings were:

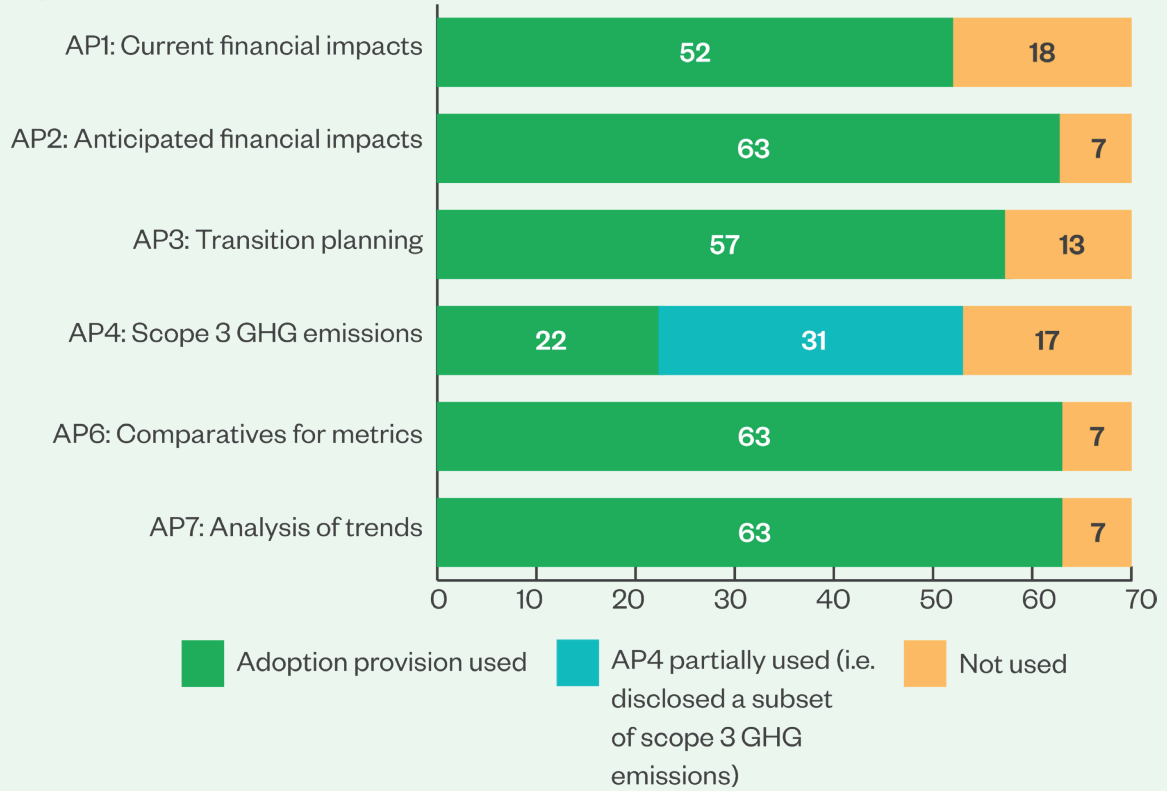
- providing an incomplete or inaccurate list of adoption provisions used
- not including the use of adoption provisions in conjunction with the statement of compliance.

CREs should clearly disclose a complete list of adoption provisions used in conjunction with their statement of compliance. This information is important for primary users to understand why certain disclosures are omitted in one CRE's climate statement but not in another.

22: CREs must deliver a copy of their "climate statements" to the CRD Register for lodgement. "Climate statements" means, in relation to a reporting entity and a balance date, "the climate-related disclosures for the entity as at the balance date, or in relation to the accounting period ending at the balance date, that are required to be prepared in respect of the entity by an applicable climate standard" (section 5(1) of the Financial Reporting Act 2013). Therefore, CREs must deliver all climate-related disclosures that collectively make up their "climate statement" to the CRD Register for lodgement.

23: We have not captured data for Adoption Provision 5 as this is more relevant in second reporting period.

24: Refer to [paragraph 23 of NZ CS 2](#).

Figure 5: Adoption provisions

Legislative requirements

Reporting basis, and dating and signing

Most climate statements were prepared for the correct entity, group of entities, or scheme/funds under management.²⁵ Almost all climate statements were dated and signed by the CRE's directors.²⁶

CREs that integrated climate-related disclosures into other documents took different approaches to dating and signing climate statements.

Where CREs integrate climate-related disclosures into another document, we recommend:

- If disclosures are in a discrete section of an integrated report, the directors should separately sign and date that section.
- If disclosures are dispersed throughout an integrated report, include language to the effect that where the directors have dated and signed the report, they do so for the purposes of, and to satisfy the requirements of, Part 7A of the FMC Act.

Annual report information

CREs that are also required to prepare an annual report must include the following information in their annual report:²⁷

Statement that the entity is a CRE for the purposes of the FMC Act²⁸

Some CREs' annual reports did not include an explicit statement, and others said nothing at all, about the entity's status as a CRE or the existence of climate statements. This is important information to ensure readers of annual reports are aware that the entity is a CRE and has prepared mandatory climate statements.

Copy of or address of (or link to) climate statements²⁹

It is important for primary users to be able to locate CREs' climate statements. Issues we saw with this requirement include:

- Not including a copy of their climate statements, or the address of (or link to) the website where a copy of their climate statements could be accessed in their annual report.
- Including a link to the CRE's general website homepage rather than the specific webpage where the climate statements were available.
- Some CREs relying on the class exemption for listed issuers and registered banks from the requirement to include a copy of or address of (or link to) their climate statements³⁰ did not comply with the condition to specify in their annual report the date when the climate statements will be available.

25: In accordance with the requirements sections 461Z – 461ZC of the FMC Act.

26: As required by the sections 461Z – 461ZC of the FMC Act.

27: Section 461ZJ of the FMC Act requires CREs that prepare climate statements or group climate statements under section 461Z – 461ZB and an annual report under the Companies Act 1993 or any other enactment to include certain information in their annual report.

28: Refer to section 461ZJ(2)(a) of the FMC Act.

29: Refer to section 461ZJ(2)(b) of the FMC Act.

30: Refer to [Financial Markets Conduct \(Requirement to Include Climate Statements in Annual Report\) Exemption Notice 2023](#).

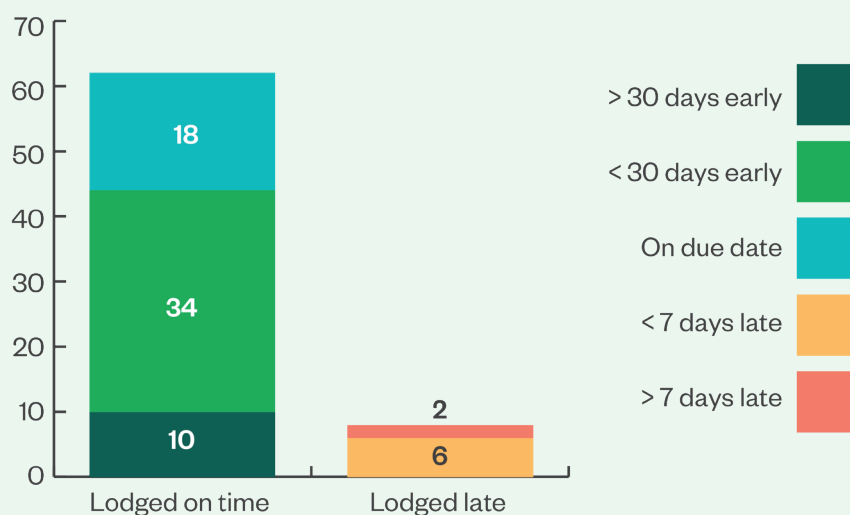
CREs subject to the requirements in section 461ZJ of the FMC Act:

- Must include in their annual report an explicit and unreserved statement that the entity is a CRE for the purposes of the FMC Act.
- Where disclosing the address of (or link to) the Internet site where a copy of the climate statements can be accessed, we recommend this directs users to the specific webpage where the climate statements are located.
- Where relying on the *Financial Markets Conduct (Requirement to Include Climate Statements in Annual Report) Exemption Notice 2023*, must ensure the date the climate statements will be available is clearly disclosed.

Lodged on time

Most climate statements we reviewed were delivered to the CRD register within four months of the CRE's balance date.³¹ Where climate statements were late, this was typically due to a technical or user issue with the CRD Register, which the CREs communicated to the FMA and the Companies Office.

Figure 6: Timing of lodgement



31: As required by section 461ZI of the FMC Act.

Consistency and coherence with other information

General

We identified a few cases where climate-related information disclosed in other publications, such as annual reports, was inconsistent with or absent from some CREs' climate statements. For example:

- financial statements disclosed that the CRE had contingencies concerning climate-related issues, which were absent from the climate statements
- goodwill impairment for one of a CRE's cash-generating units resulting from a climate-related event in the financial statements was not disclosed in the climate statements
- narratives around GHG emissions disclosed in the annual report were different to or not included at all in the climate statements
- climate-related initiatives were disclosed in other publications but absent or framed differently in the climate statements.

Climate statements do not represent a complete picture of all a CRE's activities. Primary users will be considering information disclosed in climate statements along with information in other publications.

CREs should ensure all climate-related information that is material in relation to requirements in the Climate Standards and is published in other documents or statements, is also disclosed in their climate statements. CREs should also ensure climate-related information is presented in a consistent and coherent manner across all of its publications.

Financial statements

It is important that climate-related disclosures and information in financial statements provide a coherent and consistent picture to primary users.

This has been highlighted in NZ CS 3, which states:

“Coherence also requires an entity to present information in a way that allows primary users to relate information about its climate-related risks and opportunities to the entity's financial statements.”³²

While accounting standards do not refer explicitly to climate-related matters, in applying accounting standards CREs must consider such matters when their effect is material in the context of the financial statements taken as a whole.³³

To understand the extent to which CREs are including climate-related information in their financial statements, and the quality of these disclosures, we also reviewed CREs' published financial statements for the relevant period. This monitoring was performed at a high level, to gain an understanding of the extent and nature of the disclosures.

We acknowledge the impact of climate risk varies by CRE type and nature of business, and do not expect uniformity across the CRE population. Our reviews focused on how well climate-related risks and resulting impacts on reported balances and disclosures were disclosed within financial statements. We compared these disclosures with the CREs' climate statements to check consistency.

32: Refer to Fair Presentation principle of Coherence described in [paragraph 13 of NZ CS 3](#).

33: [IFRS Practice Statement](#)

Financial statements of schemes

About 27% of the scheme financial statements prepared by MIS managers included risk management disclosures related to a climate-related risk assessment being performed. These financial statements recognised that climate-related risk exists and the resulting impacts may be significant, but have a high degree of uncertainty. There were no disclosures of the quantitative impact of climate-related matters or risk in any scheme financial statement balances.

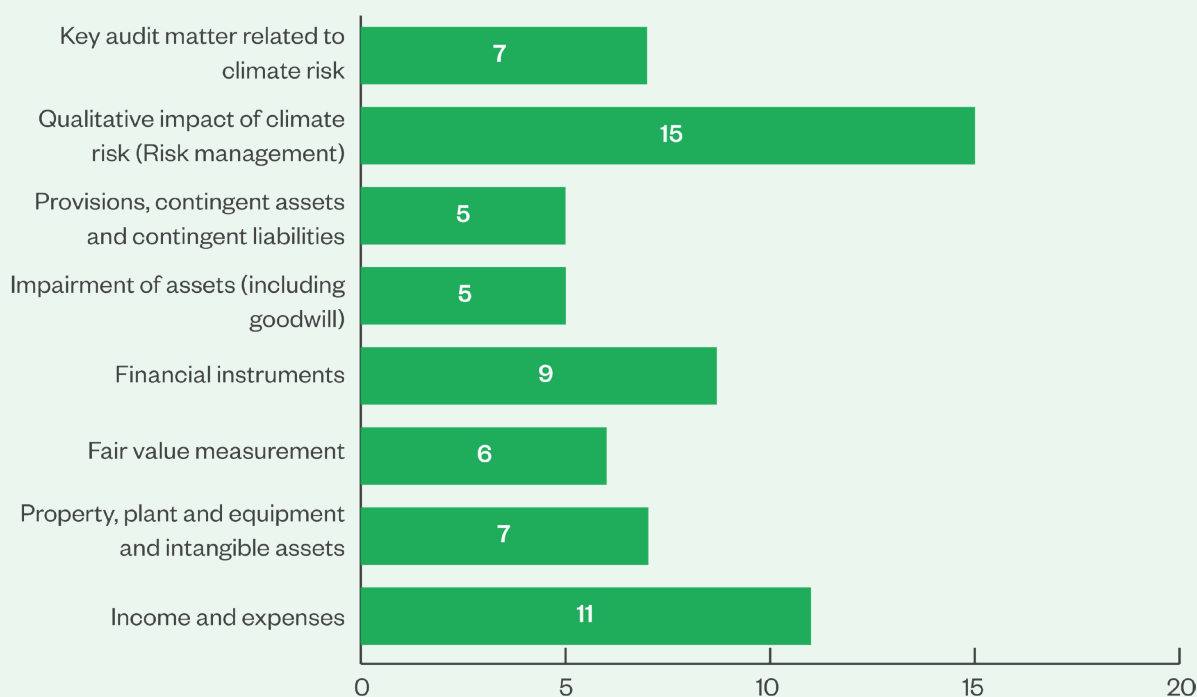
Financial statements of other CREs

Disclosures of climate-related matters in financial statements for CREs that are large registered banks, licensed insurers and listed issuers were most commonly in the risk management, income and expenses, and financial instruments notes.

Risk management disclosures in financial statements acknowledged climate-related risks and their potential operational impacts. They also described that in most instances governance bodies and committees held responsibility for climate risk management. Some of the disclosures also included steps CREs are taking to identify, assess and gradually incorporate climate-related assumptions into relevant financial reporting models.

Financial instruments note disclosures primarily discussed sustainability-linked borrowings that have set sustainability targets. This category included refinanced sustainability-linked loans, new green loans and/or green bonds predominantly disclosed by CREs that are not part of the financial services sector.

Figure 7: Financial reporting disclosures incorporating climate risk assessment



Income and expense disclosures highlighted impacts such as insurance claims, government grants, and costs due to losses from Cyclone Gabrielle that affected parts of the North Island of New Zealand in February 2023, which set out the impacts of these events on the businesses.

Other notable disclosures included climate-related assumptions affecting valuations of investment properties, biological assets, lease modifications, and similar items.

Auditor's report – key audit matters

We did not identify any key audit matters in any auditor's report that specifically related to climate-related risk. However, climate-related factors and assumptions were included in existing key audit matters, e.g. valuation of investment properties, valuation of New Zealand emission units, goodwill impairment, and biological assets valuation. Audit reports also documented procedures such as discussions with valuers to confirm climate-related assumptions in valuation calculations.

Please refer to our guidance *Climate risks and the impact on financial statement audits* (October 2022) for more information about our expectations regarding climate-related risk and financial reporting. This guidance aims to provide clarity to auditors, preparers of financial statements, and other stakeholders involved in business-related climate risk and reporting.

The XRB also has issued guidance on the requirements in New Zealand accounting standards relating to climate-related matters in financial statements - *Climate-related matters in financial statements* (November 2023).

Assurance

There was no mandatory requirement for CREs to obtain assurance over any parts of their climate statements for reporting periods ended before 27 October 2024. However, 39% of climate statements we reviewed stated that they obtained voluntary assurance over their scope 1 and 2 GHG emissions inventory.³⁴ Over half of these (51%) stated they obtained a reasonable level of assurance.

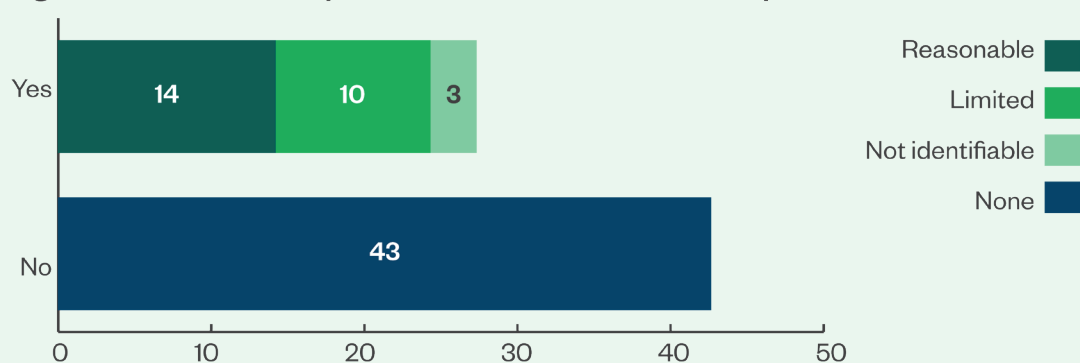
We identified 20 CREs that also stated they obtained voluntary assurance over all or part of their scope 3 emissions. One CRE also stated they obtained assurance over their associated GHG emissions disclosures, and another stated they obtained assurance over some climate-related metrics.

Assurance practitioner's report for voluntary assurance

Only 14 CREs that stated they obtained voluntary assurance also made the associated assurance practitioner's report publicly available. Assurance provides primary users with a higher degree of trust and confidence in the information.

The assurance practitioner's report is an important mechanism to inform primary users of the scope of the work, the conclusion reached, the level of assurance, the assurance standards applied and any other matters, and is material information for primary users.

Figure 8: Stated voluntary assurance was obtained over scope 1 and 2 GHG emissions



³⁴: This excludes any supporting GHG emissions disclosures in climate statements.

In future reporting periods, if CREs refer to assurance obtained voluntarily over any disclosures (i.e. beyond GHG emissions) or underlying information in their climate statements, they should make the associated assurance practitioner's report publicly available and lodge it on the CRD Register.

Mandatory assurance requirements

For reporting periods ending on or after 27 October 2024, CREs are required to obtain, at a minimum, a limited assurance engagement over the following information:

- their GHG emissions in metric tonnes of CO₂e;
- additional information required by paragraph 24 of NZ CS 1; and
- GHG emissions methods, assumptions and estimation uncertainty.³⁵

Assurance practitioners will need to apply *NZ SAE 1 Assurance Engagements over GHG Emissions Disclosures* (NZ SAE 1).³⁶ The independent assurance report must be lodged on the CRD Register within four months of the balance date, along with the climate statements.³⁷

New adoption provision 8: Scope 3 GHG emissions assurance

For accounting periods ending before 31 December 2025, Adoption Provision 8 allows CREs to exclude scope 3 GHG emissions disclosures from the scope of the assurance engagement. This means that assurance over scope 3 GHG emissions

disclosures is only mandatory for reporting periods ending on or after 31 December 2025.

Refer to paragraphs 25 and 26 of NZ CS 1, adoption provision 8 of NZ CS 2, NZ SAE 1 and Part 7A of the FMC Act for more information about the mandatory assurance requirements for reporting periods ending on or after 27 October 2024.

Independence

Independence is important for ensuring primary users can place trust and confidence in the assurance engagement. Some climate statements reviewed that disclosed voluntary assurance indicated that the CRE's assurance practitioner also provided a variety of other non-assurance services to support them.

NZ SAE 1 includes a self-review threat prohibition.³⁸ We encourage all assurance practitioners to familiarise themselves with the independence requirements of NZ SAE 1 and consider whether their assurance organisation is providing, or has provided in prior periods,³⁹ any services to CREs that will prevent them from providing assurance over GHG emissions for reporting periods ending on or after 27 October 2024.

CREs must ensure the mandatory assurance engagement obtained over their GHG emissions disclosures complies with NZ SAE 1, including the independence requirements.

35: Refer to paragraphs 52 – 54 of NZ CS 3 for more detail.

36: Required by section 461ZHA of the FMC Act.

37: Required by section 461ZI of the FMC Act.

38: Refer to [paragraph 18, NZ SAE 1](#).

39: Refer to the [Non-Assurance Services Transitional Provisions](#) in NZ SAE 1 for more detail.

Future monitoring activities

Reporting periods beginning on or after 1 January 2023

We will continue to review as many climate statements as possible for reporting periods ended between 31 March – 30 September 2024. Where appropriate we will provide CREs with individual feedback or direct them to relevant insights in this report.

Reporting periods beginning on or after 1 January 2024

We will continue to take an educative and constructive regulatory approach to monitoring and enforcing the CRD regime in the second year of reporting, as set out in our *Climate-related Disclosures Monitoring plan 2023-2026* (June 2023). However, we expect CREs to make improvements based on the insights in this report and any individual feedback provided.

We will incorporate additional focus areas into our reviews,⁴⁰ including assessing whether:

- CREs have complied with the requirement to obtain assurance over their GHG emissions disclosures
- CREs have made reasonable efforts to comply with the requirement to disclose current financial impacts and transition plan aspects of their strategy⁴¹

- any commitments (e.g. to take action, deploy new processes or gather information) disclosed in the first year of reporting have been followed through, and if not, that this is disclosed and explained
- disclosures are broadly consistent and coherent with those in the first year and if not, any material differences are disclosed and explained.

This monitoring will commence in May 2025.

Feedback to support higher-quality disclosures will be provided individually to CREs where appropriate and through future monitoring reports.

Climate-related matters in financial statements

Our review of climate-related matters in financial statements indicated that most CREs are in the early stages of understanding, evaluating and analysing the risks and impacts of climate-related matters in their financial statements. We anticipate that financial statement disclosures will evolve to reflect CREs' climate assessments and the impacts they have on financial statement balances.

We will continue to monitor financial statements for consistency with other disclosures such as the annual report and climate statements.

40: Refer to page 8 of this report for detail about our focus areas for the first year of reviews.

41: Adoption provision 1: Current financial impacts and Adoption provision 3: Transition planning in NZ CS 2 are not available for CREs in their second reporting period.

Appendix: Recent amendments to Climate Standards

In October 2024, the XRB consulted on proposed amendments to the Climate Standards, and the associated assurance standard, to address ongoing challenges CREs are facing with obtaining reliable data, compliance costs and how to disclose information in the absence of guidance on certain topics.

The consultation also considered changes to address concerns regarding obtaining assurance over scope 3 GHG emission disclosures due to difficulties in obtaining sufficient reliable data from up and down stream entities.

As a result of this consultation the XRB has implemented the following amendments:

NZ CS 2 Adoption of Aotearoa New Zealand Climate Standards

The following adoption provisions have been extended by one accounting period:

- Adoption Provision 2: Anticipated financial impacts.
- Adoption Provision 4: Scope 3 GHG emissions, along with related extensions to:
 - Adoption Provision 5: Comparative information for scope 3 GHG emissions
 - Adoption Provision 7: Analysis of trends, insofar as it relates to the analysis of scope 3 GHG emissions trends.

A new adoption provision (Adoption Provision 8) has been established for the assurance of scope 3 GHG emissions disclosures for accounting periods ending before 31 December 2025. This means that the requirement for assurance of the entity's scope 3 GHG emissions disclosures will only be mandatory for reporting periods ending on or after 31 December 2025.

NZ SAE 1 Assurance Engagements over Greenhouse Gas Emissions Disclosures

Some amendments have been made to NZ SAE 1 to ensure consistency with the new Adoption Provision 8.

For more information about the recent changes please see the XRB website.

FMA class exemption

We are considering class exemption relief for one year for those CREs that disclose all or part of their scope 3 GHG emissions but elect not to have them assured for reporting periods ended before 31 December 2025 (i.e. use Adoption Provision 8 but *not* Adoption Provision 4 in NZ CS 2). This is to provide complete certainty for CREs and to complement the newly established Adoption Provision 8 in NZ CS 2.

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