



NOVEMBER 2021

Climate-related Disclosures regime

Implementation approach

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Purpose

1. The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill (**CRD Bill**) received Royal assent on 27 October 2021.
2. This document briefly explains the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 (the **CRD legislation**) and outlines the Financial Markets Authority's (**FMA**) implementation approach for the CRD regime over a period of approximately 4 years, through to 2025/26. It sets out the roles and responsibilities of the various government agencies, to help industry understand 'who is doing what' with regard to CRD.
3. In developing our implementation approach, we have consulted with MBIE, MfE and XRB.

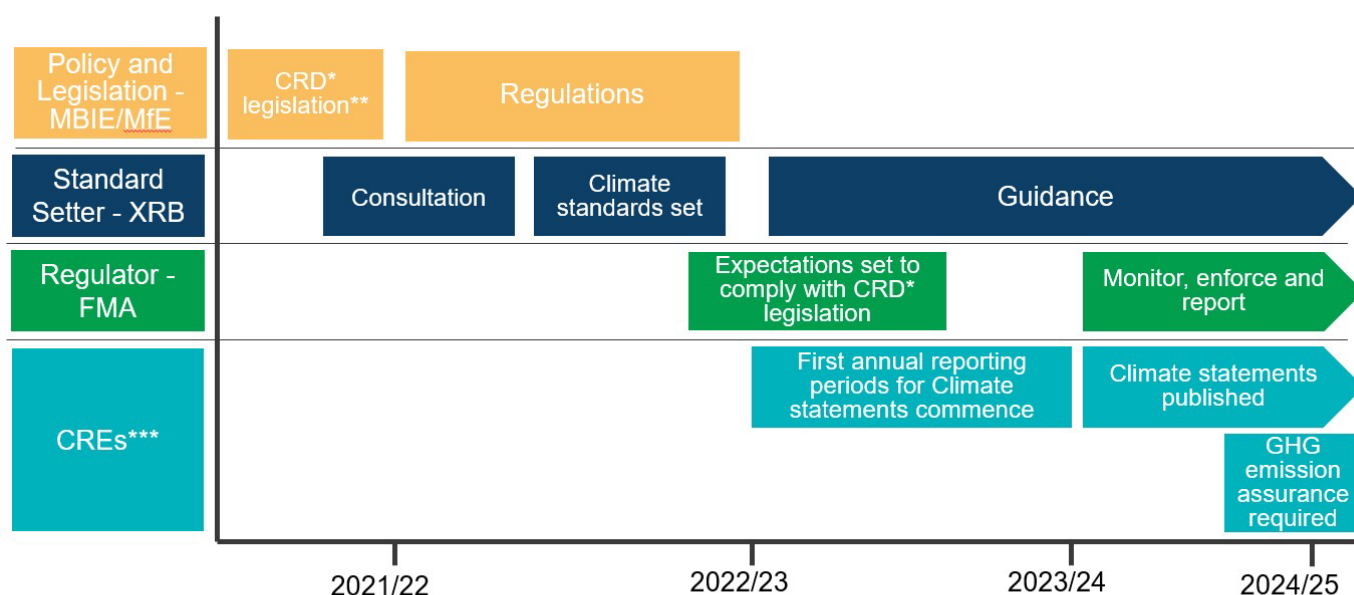
About the CRD legislation

4. The CRD Bill amends the Financial Markets Conduct Act 2013 (the **FMC Act**), the Financial Reporting Act 2013 and the Public Audit Act 2001. The CRD Bill inserts a new Part 7A to the FMC Act which provides a framework to require certain climate reporting entities (**CREs**) to comply with record-keeping requirements and produce annual climate statements.
5. There are three phases to the commencement date of the CRD legislation. The first phase is to bring into immediate effect the changes to the Financial Reporting Act, which largely affect the functions and responsibilities of the XRB under the new regime and the introduction of climate standards. The second phase, which will happen within 12 months of the Royal assent, is to bring into force various changes to the FMC Act, mainly around requiring climate related disclosures for certain FMC reporting entities. The third phase, which will occur by the 3rd anniversary of the Royal assent, is to bring in the requirements for assurance of climate statements with regard to greenhouse gas emission disclosures.
6. The Government's expressed purposes for the CRD legislation are:
 - to ensure that the effects of climate change are routinely considered in business, investment, lending, and insurance underwriting decisions; and
 - to help CREs better demonstrate responsibility and foresight in their consideration of climate issues; and
 - to lead to smarter, more efficient allocation of capital, and help smooth the transition to a more sustainable, low-emissions economy.
7. Under the CRD legislation, CREs will be required to:
 - prepare an annual climate statement that discloses information about the effects of climate change on their business or any fund they manage
 - prepare climate statements in accordance with climate standards issued by the independent External Reporting Board (**XRB**)
 - obtain independent assurance about the part of the climate statement that relates to the disclosure of greenhouse gas emissions
 - make the climate statements available to the public, and
 - comply with record-keeping requirements.

8. Climate statements will be required by a CRE in respect of accounting periods that commence on or after the date the XRB issues the first relevant climate standard. The XRB is currently expecting to issue the first climate standard by December 2022, which means climate statements will likely be required to be published from early 2024 (at the earliest), for accounting periods that start on or after 1 January 2023.

Key implementation work streams and indicative timeline

Implementation of the Climate-related Disclosures regime



Anticipated timeframe as currently known, changes may occur through the process

* Climate-related Disclosures

** Amendments to the Financial Markets Conduct Act 2013, the Financial Reporting Act 2013 and the Public Audit Act 2001

*** Climate Reporting Entities

9. Several public sector entities have been involved in the commencement of the CRD regime, as illustrated above. The following paragraphs outline the respective roles of each agency, in relation to the implementation of the CRD regime and the associated timeline.

Policy and legislation

10. MBIE and the MfE have responsibility for policy advice to the Government on the CRD regime, preparing the CRD Bill, and engaging with the public sector entities that have responsibilities under the regime (including the XRB and the FMA). MBIE is also considering whether associated regulations will be required. MBIE and MfE are also working on proposals for an assurance practitioner regime.

For more information on the regime click here: [MBIE Mandatory climate-related disclosures](#)

Standard setter

11. The XRB has responsibility within the CRD regime for issuing climate standards. The XRB has further information on its website about the process and timeline: [XRB Climate-related disclosures](#). For example, based on the current anticipated timeframe, a CRE with a 31 March balance date (reporting period 1 April – 31 March) would be required to prepare their first climate statement as part of their 31 March 2024 reporting. The FMA expects the first climate statements to be filed as outlined below¹:

Balance date ending	Climate statements filed by
31 December 2023	30 April 2024
31 March 2024	31 July 2024
30 June 2024	31 October 2024
30 September 2024	31 January 2025

Regulator

12. The FMA is responsible for independent monitoring and enforcement of the CRD regime, as well as providing guidance about compliance expectations, and reporting on our monitoring activities and findings.

Reporting entities

13. Entities that are required by the CRD legislation to produce climate statements will be known as CREs. The following entities are CREs:

- large listed issuers of quoted equity securities or quoted debt securities. An equity issuer is large if the market price of all its equity securities exceeds \$60 million. A debt issuer is large if the face value of its quoted debt exceeds \$60 million. (Issuers listed on growth markets are excluded from CRE definition);
- registered banks, credit unions, and building societies with total assets over \$1 billion;
- licensed insurers with total assets over \$1 billion or annual gross premium revenue over \$250m; and
- managers of registered schemes (other than restricted schemes) with greater than \$1 billion in total assets under management (e.g. KiwiSaver fund managers, PIEs, etc).

The CRD regime will capture approximately 200 entities.

From 'build' to 'operate'

14. The FMA's implementation approach to the CRD regime will evolve over the next four years. The FMA envisages four stages:

¹ Any CRE with an alternate reporting period will file their climate statements 4 months after their 2024 balance date.

Capability build: to December 2022

- a. The FMA will issue early high-level guidance on compliance expectations to support the market by December 2022, with further guidance produced over the 2023 calendar year. In this early phase, the FMA will be focused on recruitment and building our capability. The FMA will also work closely with the XRB as it develops the climate standards. The FMA anticipates funding to resource our work in respect of this regime will be available from 1 July 2022.

Setting initial compliance expectations: 2023 and 2024

- b. The first climate statements will likely be lodged in early 2024. During this period, the FMA will focus on setting expectations for CREs to support compliance. We will continue to engage with CREs, the XRB, assurance practitioners, and other key stakeholders. At the same time, we will continue to build our internal capability. We expect there will be a high degree of public interest in CRE climate statements, meaning it is likely that we will need to triage a high volume of enquiries and complaints. Our initial regulatory stance will be focused on supporting CREs and encouraging development of good practice. Accordingly, we will likely only take enforcement action where there has been serious misconduct, such as failure to produce a climate statement, or where a climate statement is false or misleading.

Supporting development of best practice compliance: 2024 and 2025

- c. We expect an ongoing high degree of public interest in climate statements, with a continuing need to triage and respond to issues, enquiries and complaints. We anticipate updating our guidance on compliance expectations in line with maturing sector capability and emerging good practice.

Steady state guidance, monitoring and enforcement: 2026 and beyond

- d. The FMA will seek to settle into its “steady state” level of monitoring (proactive sampling and assessment of climate statements). Good practice is likely to still be developing rather than settled; accordingly, the FMA will continue to research and develop guidance on compliance expectations.

Regulatory approach

- 15. The FMA envisages taking a broadly educative and constructive approach, with a focus on issuing high-level guidance on compliance expectations in the early stages, moving to a proactive regulatory role as the CRD regime becomes established.
- 16. The FMA’s enforcement approach during the early years of the CRD regime will focus primarily only on serious misconduct² as the sector learns and builds capability.

² For further information see [FMA’s regulatory response guidelines](#)

