



APRIL 2026

Regulatory Impact Statement:

Exemption for overseas climate reporting entities

This document is for overseas climate reporting entities, their advisers, users of climate statements, and other interested parties. It discusses exemption relief from New Zealand climate reporting duties where overseas entities are subject to comparable overseas climate reporting duties.

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Executive summary

1. This Regulatory Impact Statement addresses the proposal by the Financial Markets Authority – Te Mana Tātai Hokohoko (**FMA**) for a new class exemption to give relief to overseas entities that are climate reporting entities (**CREs**) in New Zealand from the burden of having to do mandatory climate reporting under Part 7A of the Financial Markets Conduct Act 2013 (**FMC Act**) on top of similar mandatory reporting overseas.
2. Considering the regulatory and financial impacts, this document provides an analysis of options that were acknowledged in determining the final policy proposal.
3. As required under section 557 of the FMC Act, assessments were based on the extent to which the proposed exemption is necessary or desirable to achieve the main purposes of the FMC Act as specified in section 3, or any of the additional purposes specified in section 4, in comparison to the status quo; and whether granting the exemption would not be broader than reasonably necessary to address the matters that gave rise to the exemption.
4. After a consultation process and a careful consideration of both regulatory and non-regulatory impacts, the FMA has granted a class exemption for five years for overseas climate reporting entities that are in business in approved foreign jurisdictions from the climate reporting duties in Part 7A of the FMC Act.
5. This will apply where the overseas entity is required by its home jurisdiction or another jurisdiction's laws to undertake climate reporting comparable to that required by Part 7A of the FMC Act. The exemption will require the overseas entity to lodge its foreign jurisdiction climate or sustainability reports on the New Zealand Climate-related Disclosures (**CRD**) Register.
6. Initially the notice will apply to Australia and its CRD reporting standard. Over time it will be extended to other suitable jurisdictions and overseas reporting standards.
7. The class exemption contributes to our regulatory priority 'Removing unnecessary regulatory burden', which is a key priority for 2025/26 as outlined in our [Financial Conduct Report](#).
8. The exemption relief will be subject to conditions outlined in the Schedule to this RIS. Most of the conditions are designed to require notification to affected parties, such as primary users, that the exemption is being relied upon.
9. We will consider requests for individual relief for situations not covered by the class exemption notice on a case-by-case basis.

Section 1: Introduction

Background

10. CREs include entities incorporated outside New Zealand. The reporting obligations for overseas CREs are:

- **Large registered banks or large licensed insurers**

Overseas companies that qualify as large registered banks or large licensed insurers are required to prepare and lodge climate statements in accordance with XRB's Aotearoa New Zealand Climate Standards (NZ CS) for their New Zealand business only.

- **Large listed issuers**

Foreign CREs that qualify as large listed issuers are required to prepare and lodge climate statements in accordance with NZ CS for their global business.

However, foreign CREs who are listed issuers that have a secondary listing on the NZX can elect to rely on the Financial Markets Conduct (Climate-related Disclosures for Foreign Listed Issuers) Exemption Notice 2024. Depending on whether the entity has a 'large presence' in New Zealand, this exemption provides full relief from Part 7A of the FMC Act or the ability to only report on the CRE's New Zealand business in accordance with NZ CS.

11. As mandatory climate reporting regimes continue to emerge globally, CREs who operate in many jurisdictions will incur increased compliance costs from having to meet multiple, often overlapping, reporting obligations across various jurisdictions.

12. For example, the 13 Australian incorporated CREs have completed one or two years of climate reporting in New Zealand in compliance with the New Zealand CRD regime. However, from 1 January 2025, they are subject to Australian sustainability reporting obligations. They are now required to maintain sustainability records and prepare sustainability reports under the Australian climate reporting obligations and in accordance with Australian Sustainability Reporting Standard AASB S2 issued by the Australian Accounting Standards Board (AASB). These reports will include their New Zealand businesses.

13. Our approach to date in respect of overseas entities doing business in New Zealand that are CREs has been multifaceted. It has included:

- For foreign listed issuers, we have tailored relief in our 2024 class exemption notice depending on whether the entity has a 'large presence' in New Zealand.
- For overseas banks and insurers, we granted a class exemption that simplifies the requirements around signing climate statements.
- For some overseas entities such as registered bank branches, we have looked at their individual circumstances, and considered factors such as whether the foreign entity is voluntarily doing climate reporting based on Task Force on Climate-related Financial Disclosures (TCFD) principles, the small number of New Zealand primary users of climate statements, and the value to those users of receiving climate statements that are specific to the New Zealand business rather than the global business. As a result we have granted some individual exemptions.

14. In 2025 we approved two individual exemption applications where the applicants were seeking relief from having to do both New Zealand and Australian mandatory climate related disclosures. In those cases we decided to grant individual exemption relief to the Australian applicants from all the duties in Part 7A of the FMC Act. This was subject to several conditions, including that the applicants comply with the Australian CRD regime.

Statement of the problem

Current regulatory settings may disincentivise entities from doing business in New Zealand

15. As mandatory climate reporting regimes continue to emerge globally, overseas CREs may incur increased compliance costs from having to meet multiple, often overlapping, reporting obligations across various jurisdictions. Our current regulatory settings may therefore disincentivise some of these entities from doing business in New Zealand, as generally speaking their business activities in New Zealand would make up a small proportion of their global business activities.

The status quo, providing relief through individual exemptions, may not be fit for purpose

16. We continue to receive feedback that the status quo is not considered fit for purpose by many overseas entities due to the time and uncertainty associated with applying for an individual exemption. We have also received feedback that the status quo does not give certainty to new entrants into the New Zealand market.

Size of the problem

17. The following table (taken from our consultation paper¹) shows the number of current overseas incorporated CREs subject to New Zealand's CRD regime by category and jurisdiction:

Home jurisdiction	Registered bank branches	Licensed insurer branches	Foreign listed issuers	Total
Australia	3	4	6	13
China	3	-	-	3
Hong Kong	1	-	-	1
Japan	1	-	-	1
Jersey	-	-	1	1
The Netherlands	1	-	-	1
United Kingdom	-	-	3	3
United States	2	-	-	2
Total	11	4	10	25

¹ Consultation: Proposed class exemption for entities incorporated in foreign jurisdictions from New Zealand climate reporting duties | fma.govt.nz

18. The following table (also from our consultation paper) shows the number of current overseas incorporated CREs that aren't currently eligible to rely on an existing individual or class exemption to be fully exempt from Part 7A of the FMC Act:

Home jurisdiction	Registered bank branches	Licensed insurer branches	Foreign listed issuers	Total
Australia	1	4	2	7
China	3	-	-	3
Hong Kong	-	-	-	-
Japan	1	-	-	1
Jersey	-	-	-	-
The Netherlands	1	-	-	1
United Kingdom	-	-	-	-
United States	-	-	-	-
Total	6	4	2	12

Compliance burden and its consequences

19. From our consultation and discussions with other government agencies we have learnt about the compliance burden and its consequences, especially in terms of the duplication/overlap of climate reporting between the FMC Act regime and overseas regimes.
20. More information about compliance costs is in the impact analysis section of this document.
21. We are concerned that these types of compliance costs are disproportionate to the benefits of Part 7A climate disclosures when similar information is already being prepared and made available.

Objectives

22. To grant an exemption from the FMC Act, the FMA must be satisfied that the exemption is (a) necessary or desirable in order to promote one or more of the FMC Act's main or additional purposes; and (b) not broader than is reasonably necessary to address the matters that gave rise to it.
23. The purposes of the FMC Act that we consider are the most relevant to this exemption proposal are as follows:
- to promote innovation and flexibility in the financial markets
 - to avoid unnecessary compliance costs.
24. When assessing the possible options against these objectives, we considered the interests of all relevant stakeholders including CREs, primary users (existing and potential investors, lenders and other creditors), company directors, lawyers, accountants, auditors, other government agencies including the External Reporting Board (XRB), the Reserve Bank, and the Companies Office.

Section 2: Options and impact analysis

Options

25. The options we have considered to address the problem statement are as follows:

- Option 1: A class exemption for overseas climate reporting entities (preferred option)
- Option 2: Status quo

Impact analysis

Option 1: A class exemption for overseas climate reporting entities (preferred option)

Description

26. Grant an exemption for overseas CREs who are subject to mandatory climate reporting in accordance with relevant approved overseas climate reporting standards in their home or another foreign jurisdiction, where the FMA is satisfied that:

- a. the climate reporting required in the home or another jurisdiction; and
- b. the nature and extent of regulatory oversight for those entities and their auditors

are of high quality and broadly equivalent to those that apply in New Zealand. As such, primary users and regulators in New Zealand will have access to broadly similar and equivalent information to the information they would otherwise receive. Initially the exemption will only include Australia but other jurisdictions can be included over time.

Impact assessment

Avoids unnecessary compliance costs

27. The key benefit of this option would be to avoid unnecessary compliance costs arising from duplicative climate reporting. We have received on a confidential basis information about the substantial costs involved in some overseas entities having to comply with the New Zealand regime.

Promotes flexibility in financial markets

28. This option will promote flexibility in the financial markets by allowing entities to use their foreign jurisdiction climate statements to satisfy their obligations under the New Zealand CRD regime. It will also give certainty to large overseas entities that may be considering entering the New Zealand market.

Not be broader than reasonably necessary

29. The proposed exemption is limited to a small subset of current CREs (circa 164 entities). The qualifying criteria will be stringent. In particular:

Approved foreign jurisdictions

Approved foreign jurisdictions detailed in the First Schedule to the exemption notice will be those where the FMA is satisfied that the nature and extent of the mandatory climate related disclosures regime, and regulatory oversight of reporting, is 'broadly equivalent to New Zealand and of a high quality'. We want to establish consistent principles for consideration of overseas jurisdictions and foreign climate reporting standards, which we can then apply to streamline consideration of additional jurisdictions. The principles we propose in respect of consideration of a jurisdiction are:

- independent and accountable regulator responsible for regulatory oversight
- foreign regime is consistent with the legislative purposes of New Zealand's CRD regime, and is mandatory
- mandatory record-keeping requirements
- enforcement provisions for non-compliance available to overseas regulator, and
- minimum assurance requirements similar to those in New Zealand.

The relevant overseas regulator would also need to be a signatory to the International Organization of Securities Commissions Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (IOSCO MOU) or a signatory to a bilateral agreement with the FMA, or we would need to be satisfied that we are able to seek assistance from the regulator.

Approved foreign climate reporting standards

Approved foreign climate reporting standards detailed in the Second Schedule to the exemption notice would be those that the FMA is satisfied are broadly equivalent to NZ CS and of a high quality. The principles we would consider when assessing this are:

- reporting standards are based on TCFD recommendations or ISSB standards; and
- application of foreign reporting standards would result in broadly equivalent information to that required by NZ CS.

Stakeholders

30. The exemption will potentially benefit up to 25 overseas climate reporting entities, without materially impacting New Zealand primary users of those entities' climate statements. Those primary users will have access to broadly similar and equivalent information to the information they would otherwise receive. Initially only a subset of the 25 entities will benefit from the exemption, specifically Australian incorporated entities.
31. There is some flexibility in the notice so that an overseas entity can report either against its home regime or a mandatory CRD regime in another country where it does business. For example, an overseas entity is incorporated in the United States of America where currently there is no federal mandatory CRD regime, but carries on business and is subject to mandatory CRD in a European country and that country's CRD regime is comparable to the New Zealand regime, and has been added to the list of approved overseas regimes in the Schedules to the exemption notice. That overseas entity can utilise the exemption.

Option 2: Status quo (not preferred)

Description

32. We would not grant a class exemption, leaving overseas CREs to seek individual exemptions on a case-by-case basis.

Impact assessment

33. There are two main negative impacts:

- It is not an efficient use of resources for both the FMA and CREs if entities need to apply individually for exemptions.
- It does not give certainty to new entrants to the New Zealand market that are incorporated offshore. One of the recurring themes we have been seeing in recent consultations regarding the regulatory settings for our financial markets is that participants desire certainty.

Avoids unnecessary compliance costs

34. This option fails to meet the FMC Act purpose of avoiding unnecessary compliance costs, as overlapping climate reporting regimes will continue to require duplicative reporting.

Promotes flexibility in financial markets

35. This option will not promote innovation or flexibility in the financial markets. In particular, we consider that the dual reporting required for overseas CREs such as the Australian entities is not flexible.

Not broader than reasonably necessary

36. Not applicable.

Stakeholders

37. The FMA will have to continue considering applications for individual exemptions on a case-by-case basis, which is an inefficient use of resources when there is sufficient demand for a class exemption.

Summary assessment of options against objectives

KEY: ✓✓ Meets the policy objectives ✓ Partially meets the policy objectives ✗ Does not meet the policy objectives

	Option 1: Class exemption – preferred option	Option 2: No class exemption – status quo
Promotes innovation and flexibility in the financial markets	Allowing alternative existing mandatory reporting requirements in place of the requirements under the FMC Act where we consider that the alternative reporting is sufficient promotes flexibility. ✓✓	This option would not promote flexibility in the financial markets; we consider that two sets of reporting in line with our standards is not flexible. ✗
Avoid unnecessary compliance costs	Foreign CREs avoid the additional costs associated with preparing NZ CS compliant climate statements in circumstances where they are already subject to foreign jurisdiction standards that are broadly equivalent to New Zealand. ✓✓	Climate reporting under the FMC Act is an unnecessary compliance cost when broadly equivalent reporting is also being undertaken in another jurisdiction. ✗
Not broader than reasonably necessary to address problem	Given that the exemption will be limited to a subset of CREs, and full relief will only be available to those foreign entities subject to a broadly comparable CRD regime, the exemption is not broader than is reasonably necessary to address the matters to which it relates. ✓✓	n/a

Section 3: Consultation

Public consultation on proposal

38. We carried out a public consultation on the proposed exemption.
39. We received written submissions from 15 entities – including the New Zealand Banking Association, NZX Limited, five Australian insurers, three foreign banks, Chartered Accountants Australia and New Zealand, and the Institute of Directors in New Zealand (Inc).
40. There was support from 13 submitters for the proposed relief in respect of Australian incorporated entities. Some submitters asked us to extend the notice to other countries such as Japan, Singapore, Switzerland and Luxembourg – either because this is their home jurisdiction or they will be doing consolidated group reporting in accordance with one of these jurisdiction’s forthcoming mandatory CRD regimes. It is too soon to do that on a class basis. We also need time to understand the regimes in those countries and compare them with New Zealand.
41. The 14th submitter noted that the small number of foreign CREs proposed to be included in this exemption are all well-resourced large international entities. They also noted these CREs are already reporting ‘broadly equivalent’ comparable information, so it is not overly onerous to convert this data to match New Zealand’s reporting standards and be consistent with local CREs. However, we believe the costs associated with requiring all entities within the subset to produce New Zealand-specific reporting will outweigh the potential benefits.
42. The 15th submitter was a New Zealand incorporated subsidiary of an Australian insurer that opposed the FMA creating a new exemption for overseas CREs that are insurer branches. It supported foreign listed issuers being exempted as proposed.
43. We understand the main concern is that some New Zealand-specific information may not be available to primary users as a result of insurer CREs being able to lodge a single group report. The submitter also believed that obligations should be based on the size of New Zealand operations rather than organisational form/structure. From this perspective, they submitted one impact of the exemption would be that two similarly sized New Zealand operations would face different reporting obligations if one was part of a large Australian group, and only operated in New Zealand through a branch.
44. However, feedback in several submissions noted that preparation of climate statements should align with (i) where capital is raised and managed; and (ii) where risk is assessed and managed, i.e. at group level. We agree with those submissions. Also, given climate change is a global issue, we see the benefit in primary users having climate statements that reflect the most material risks and opportunities for the CRE, rather than a focus on New Zealand-based risks and opportunities.
45. We engaged with the Ministry of Business, Innovation and Employment (MBIE), XRB and the Reserve Bank of New Zealand (RBNZ) on the need for the notice. All supported the proposed notice.
46. We have also considered how Australia treats foreign entities. In Australia, foreign incorporated entities are not subject to the new Australian CRD regime. One positive impact of the proposed relief is to achieve a degree of reciprocity with Australia.

47. On 22 October 2025 the Government announced changes to the CRD regime that, when implemented, would include raising the threshold for listed issuers from \$60m to \$1b market cap. This change does not affect the foreign listed issuers in Table 2, as none have a market cap below \$1b.

Targeted consultation on draft notice

48. We also carried out a round of targeted consultation on a draft of the exemption notice to check its workability and efficacy with those who had registered their interest via our website. Some of the feedback related to the policy behind the notice, which has already been determined.
49. As a result of the targeted consultation, we determined to make the following changes to the notice in respect of the following points:

Schedule 1

Three key stakeholders commented on Schedule 1, which stated:

“Australian equivalent to IFRS Sustainability Disclosure Standards”

In short, they all believed the wording was problematic (e.g. one international submitter said the Australian standard is not “equivalent”, rather it is “based” on IFRS) and that it would be clearer and less subject to misinterpretation if Schedule 1 of the Exemption Notice were to refer to:

“Australian Sustainability Reporting Standard AASB S2 Climate-related Disclosures”

Clause 5

One submitter said “Clause 5(2)(b): We understand the policy intent is to allow an overseas climate reporting entity incorporated in jurisdiction Y (which is not a “relevant jurisdiction”), that carries on business in jurisdiction X (which is a “relevant jurisdiction”), to be eligible for relief under the proposed exemption. If that is correct, clause 5(2)(b) will need to be revised, as the current wording appears to require the entity to be both incorporated in and carrying on business in a “relevant jurisdiction.”

Clause 7(1)(d)

One submitter said to allow maximum flexibility, an entity should be permitted to include the prescribed statement in a document accompanying the annual report, rather than requiring it to be in the annual report itself. In addition, the condition should recognise that not all entities produce annual reports. Branches of overseas banks do not prepare annual reports and instead produce a disclosure statement.

Section 4: Conclusion and preferred option

50. Having carefully considered regulatory and non-regulatory impacts, and feedback provided through consultation, we have decided that Option 1 (grant class exemption for overseas climate reporting entities) addresses the identified problems and will achieve the objectives of:
- avoiding unnecessary compliance costs
 - promoting flexibility in the financial markets.
51. Option 2 (no class exemption relief) would not achieve these objectives.
52. The key reasons we consider it is appropriate to grant this exemption, and which will be reflected in the exemption notice, are:
- the exemption is only available to overseas CREs where the FMA is satisfied that the climate reporting required in the home or another jurisdiction, and the nature and extent of regulatory oversight for those entities and their auditors, are of high quality and broadly equivalent to those that apply in New Zealand. As such, primary users will have access to broadly similar and equivalent information to the information they would otherwise receive:
 - the costs associated with an entity having to prepare and have audited climate or sustainability reports in accordance with the requirements of an overseas jurisdiction, in addition to the costs associated with preparing NZ CS-compliant climate statements audited by a qualified assurance practitioner, would outweigh the benefits to investors of receiving climate statements prepared according to NZ CS rather than overseas requirements:
 - each of the securities regulators in the jurisdictions to be listed in the Schedule to the notice are signatories to the IOSCO MOU or are a signatory to a bilateral agreement with the FMA, or are jurisdictions where the FMA is satisfied that it would be able to seek assistance from the regulator. FMA will therefore be able to seek assistance from relevant regulators if compliance concerns arise.
53. On this basis we have decided to grant an exemption for certain overseas CREs in respect of their duties in Part 7A of the FMC Act. We think the exemption will 'right-size' the compliance obligations for these entities. The exemption will be granted subject to conditions that will ensure primary users and others are fairly informed of an entity's reliance on the exemption.
54. Finally, the exemption contributes to our regulatory priority 'Removing unnecessary regulatory burden', which is a key FMA priority for 2025/26.

Schedule – Exemption requirements and conditions

Exemption for overseas climate reporting entities

The exemption will be available to certain overseas CREs who are subject to mandatory climate reporting in accordance with relevant approved overseas climate reporting standards in their home or another foreign jurisdiction.

The exemption will apply to:

- (i) an accounting period that commenced before the exemption is granted [e.g. accounting period ended 31 December 2025]; and
- (ii) subsequent accounting periods.

The main effect of the exemption is to allow the entity to dispense with having to produce and file New Zealand climate statements. However, it is still required to file its overseas climate statements on the New Zealand CRD Register.

The exemption will be subject to the condition that the entity must include a statement to the effect it is relying on the exemption and a brief summary of the effect of relying on the exemption in:

- any annual report/disclosure document
- an annual notice to the Registrar of Companies for inclusion on the CRD Register.

Also, the foreign climate statements must be available on the entity's website.

The exemption will expire on 30 March 2031.

