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Government narrows scope on climate related disclosures

Shift in the scope of climate reporting

In a shift aimed at balancing climate accountability with market and economic growth, the New Zealand Government has announced it is narrowing the scope of the climate-related disclosures regime. The changes, which will take effect from 31 March 2026, are aimed at reducing compliance burdens and ensuring the New Zealand market is an attractive destination for capital investment.

Key changes to the regime

The relevant threshold for capturing listed companies is substantially increasing from those with a market capitalisation of $60 million to $1 billion in each of the two preceding reporting periods, provided that the entity remains listed in the current period.

Managed investment schemes, including KiwiSaver funds, will no longer fall within the scope of the regime. However, new asset disclosure categories will be introduced to the Companies Office's Disclose Register, enhancing transparency in other ways. From March 2027, the Companies Office's Disclose Register will include information on whether the assets are in New Zealand or overseas and the type of assets.

These changes will halve the number of reporting entities from approximately 164 to 76, significantly narrowing the scope of mandatory disclosures. Entities that fall below the new threshold may still choose to report voluntarily.

The reform addresses concerns around director's liability being disproportionate due to the forward-looking and uncertain climate information, which effectively required director's to precisely predict climate related impacts on its company. As a result, the Government has removed personal liability for directors whose companies breach climate reporting obligations, with the Government acknowledging that the risk of personal liability had shifted the focus away from climate action, and towards minimising the director's risk exposure.

Unlike financial reporting, which relies on historical data, climate disclosures involve forward-looking predictions. In recognition of the uncertainty inherent in climate data, directors and reporting companies will not be required to provide the same level of evidence for climate-related disclosures as they do for financial reporting (although it is unclear what this will look like in the legislation).

Directors and companies will remain liable for misleading or deceptive conduct and false or misleading statements and must still comply with the External Reporting Board (**XRB**) liability standards.

Cost burden prompts change

The decision to reform the regime follows strong concerns from affected entities around the cost of complying with the regime. Commerce and Consumer Affairs Minister Scott Simpson said some entities reached up to $2 million in expenditure to meet climate reporting obligations, raising the question whether such expense was discouraging NZX listings, while others questioned if a lengthy climate report could be understood by consumers.

While some view the changes as a step backwards, others argue it is practical and sensible, with a need to strike a balance between transparency and market functionality.

'No action' approach undertaken

To support the transition, a 'no action' enforcement approach has been adopted beginning 1 November 2025. Entities that are expected to fall outside the new threshold will not face enforcement action for non-compliance during the 2025/2026 period. However, entities with a 30 June 2025 balance date must still report by 31 October 2025.

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(Continued)

Want to know more?

If you have any questions about climate related reporting, please contact our ESG & Climate Change specialists.