

Cabinet Economic **Development Committee**

Minute of Decision

McGuinness Institute title: [DEV-20-MIN-0151] Climate-Related Financial Disclosures

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Climate-Related Financial Disclosures

Portfolios Commerce and Consumer Affairs / Climate Change

On 5 August 2020, the Cabinet Economic Development Committee:

Background

- August 2020, the Cabinet Economic Development Committee:

 ground

 noted that, in general, inadequate information about risks can lead to mispricing of assets and the misallocation of capital; 1 and the misallocation of capital;
- **noted** that many businesses face significant risks relating to climate change, but few 2 businesses are disclosing useful or completomformation to investors, lenders and insurance underwriters;
- noted that the primary objective of the following proposals is for the effects of climate 3 change to become routinely considered in business and investment decisions to promote and facilitate the development of or, efficient and transparent financial markets;

Mandatory (comply-or-exp⊌n) disclosure

- 4 agreed to amend the Financial Markets Conduct Act 2013 to implement annual mandatory climate-related financial disclosures on a comply-or-explain basis;
- agreed that the ecommendations of the Task Force on Climate-related Financial 5 Disclosures (**CFD) will underpin the disclosure system;
- 6 agreed that non-disclosure would be permissible where an entity analyses and reports that they see themselves as not being materially affected by climate change;
- 7 agreed that non-disclosure of specific elements of the disclosure framework would be permissible where information is not available, or disclosures are not practicable, following a best endeavours approach;
- 8 agreed that the following entities be required to disclose their climate-related financial risks and opportunities in mainstream financial reports:
 - 8.1 listed issuers;
 - 8.2 registered banks, credit unions and building societies with assets over \$1 billion;

- 8.3 licensed insurers with assets over \$1 billion or premium income of over \$250 million;
- 8.4 managers of registered schemes with assets under management over \$1 billion;
- 9 **directed** officials to undertake further consultation on how non-listed companies consider climate change risk after the proposed legislation is enacted, and to report back to Cabinet;
- agreed that the dollar threshold be increased from time to time in accordance with movements in a suitable Statistics New Zealand index;
- agreed that the regime be reviewed within 3-5 years of commencement;
- **noted** that the scope of the regime may expand in future years, subject to appropriate consultation;
- agreed that it is important for public entities to consider and disclose their climate-related risks and opportunities;
- agreed that Crown financial institutions with assets under management of over \$1 billion be required to disclose their climate-related financial risks and opportunities in annual reports;
- directed officials to investigate the best way to give effect to paragraph 14 above, and to report back to Ministers by the end of 2020;
- agreed that climate-related financial disclosures hould appear in the main document for communicating financially material information to an entity's relevant audience;
- agreed that independent assurance of greenhouse gas emission disclosures be required;
- agreed that assurance not be required in relation to other disclosures;
- authorised the Minister of Commerce and Consumer Affairs and the Minister for Climate Change to make minor or echnical changes consistent with the policy intent of the paper under DEV-20-SUB-01.7;

Financial implications

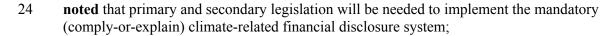
approved the following changes to appropriations to give effect to the above paragraphs, with a corresponding impact on the operating balance:

	\$m – increase/(decrease)			
	2021/22	2022/23	2023/24	2024/25 & Outyears
Vote Business, Science and Innovation Minister of Commerce and Consumer Affairs				
Non-departmental Output Expense: Accounting and Assurance Standards Setting	1.100	-	-	-
Total Operating	1.100	-	-	-

- agreed that the change to appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- agreed that the expenses incurred under paragraph 20 above be charged against the between-Budget contingency established as part of Budget 2020;

23 noted that a Budget bid will be made in 2021 for ongoing funding for both the External Reporting Board and the Financial Markets Authority to implement the above decisions;

Legislative implications



9(2)(f)(iv)

- 25
- 26 **agreed in principle**, subject to drafting, to apply the existing offence, penalty and remedy provisions in the Financial Markets Authority Act 2011 for climate-related financial disclosures in the Bill;
- 27 agreed to make an Order in Council under section 17 of the Financial Reporting Act 2013 authorising the External Reporting Board to issue financial reporting standards in relation to integrated reporting, including climate-related matters;
- 28 invited the Minister of Commerce and Consumer Affairs to soue drafting instructions to the ve la ove Parliamentary Counsel Office to give effect to the above paragraphs.

Janine Harvey Committee Secretary

Present:

Rt Hon Winston Peters

Hon Kelvin Davis

Hon Grant Robertson (Chair)

Hon Phil Twyford

Hon David Parker

Hon Stuart Nash

Hon Jenny Salesa

Hon Damien O'Conrol

Hon Shane Jones

Hon James Shaw

Hon Eugenie Sage

Officials present from:

Office of the Prime Minister Officials Committee for DEV