University of Otago
ŌTĀKOU WHAKAIHU WAKA

Climate & Energy Finance Group (CEFGroup)

FINAL REPORT

Effectiveness Evaluation of the Aotearoa New Zealand Climate Related Disclosure Framework

July 2026

Prepared for the External Reporting Board

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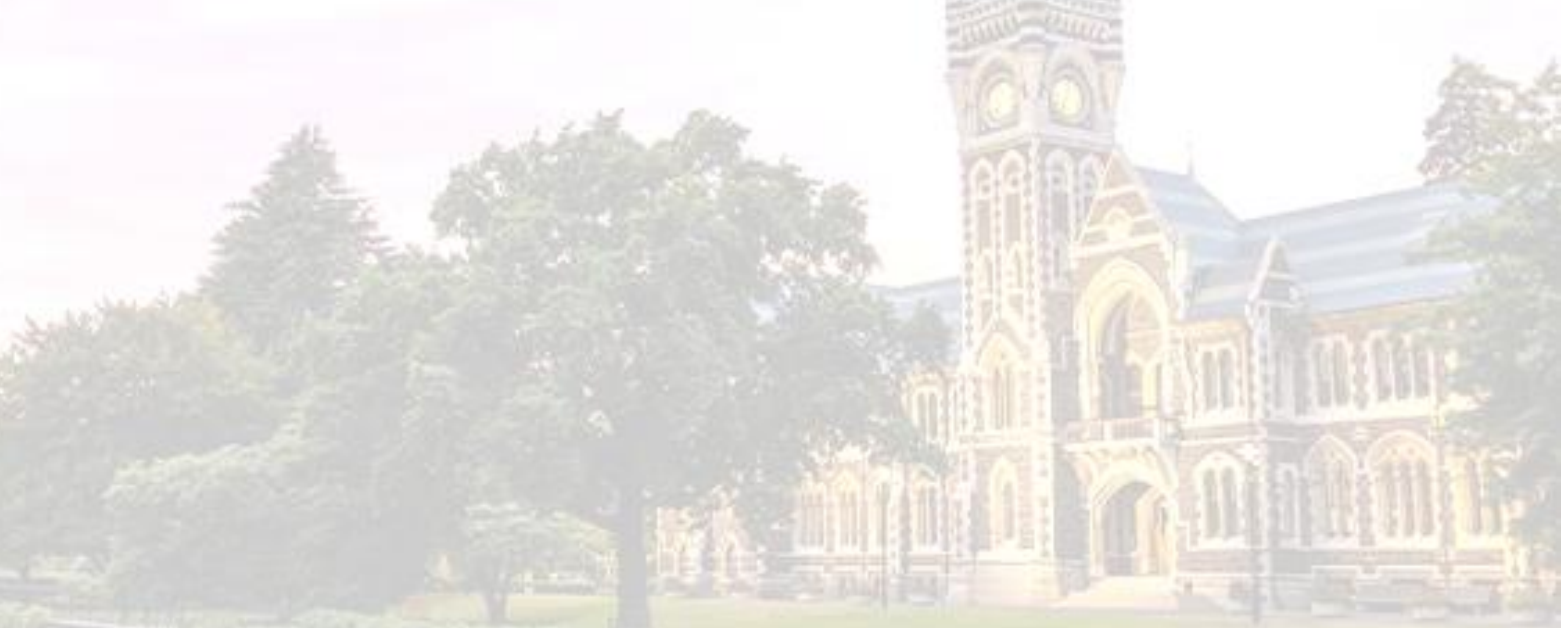

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Executive summary

This report details the findings of the *Effectiveness Evaluation of the Aotearoa New Zealand Climate-Related Disclosure Framework* conducted from mid-2023 to the end of 2025. The focus was on the three purposes of climate standards and climate-related disclosures in section 19B of the Financial Reporting Act 2013.[1]

We established comprehensive methodologies and corresponding datasets to evaluate the framework's effectiveness. This included:

- Two surveys (n=70 in 2023; n=48 in 2025)
- Two rounds of interviews (n=20 in 2023; n=18 in 2025)
- Analysis of over 700 climate-related disclosures (FY2015–FY2024)
- Portfolio analysis of 673 New Zealand managed funds (2015–2025)

This initial evidence shows that Aotearoa New Zealand Climate-related Disclosure Framework is improving business decision making, disclosure quality, and investor practices toward a low emission climate resilient future economy. The framework is reshaping governance and internal processes, however substantial hurdles remain in capability building, data quality, methodological consistency, and the translation of disclosed information into meaningful financial and strategic decisions.

Data and methodology

Surveys and interviews

Our first approach includes surveys and interviews pre- and post- mandate (in 2023 and 2025) to understand decision making, organisational practices, and the challenges and costs of reporting.

AI climate-related disclosure analysis system

In collaboration with researchers at the University of Zurich, we deployed a state-of-the-art AI analysis system to quantify the reporting by New Zealand (NZ) climate reporting entities (CREs) from the 2015 to 2024 Financial Year (FY). This allows us to explore the effects of the framework on reporting and the relationship between reporting and firm outcomes. The system is designed to avoid hallucinations, biases and inconsistencies, which are common when using off-the-shelf Large Language Models (LLMs). We quantify climate-related

[1] In this report, 'framework' refers to the overall Aotearoa New Zealand Climate-Related Disclosure Framework, while 'mandate' refers to the effective legal requirement for entities to report under this framework for FY2023 reporting onward.

reporting in terms of compliance (breadth) and the richness of the information provided (depth).

Fund manager portfolio analysis

Finally, we produce the most comprehensive dataset of NZ fund manager equity investments from 2015-2025, accounting for layers of investment in other funds.

Purpose 1: Entity decision making

Interviewees and survey respondents state improved internal decision making and processes

The interviews, supplemented by the survey results, show that the framework is already improving governance visibility of climate-related risks and opportunities, supported more coherent internal practices, and encouraged organisations to engage with long-term climate-related risks and opportunities.

Climate-related disclosure is associated with improved liquidity for experienced reporters

Improved climate-related reporting by CREs is associated with improved liquidity of the firm on the New Zealand Stock Exchange. This is relationship is dominated by firms who were already reporting more information before the framework, as the market likely deems their reporting as more credible. These findings are consistent with international evidence, which shows that (early-phase) climate-related reporting mandates improve firm liquidity.

Framework implementation leads to improved ESG profiles of CREs

Improved reporting is positively related to higher following-year ESG ratings and the framework implementation is associated with improved Environmental, Social and Governance (ESG) ratings of CREs. These third-party ESG ratings are an evaluation of the ESG performance of the firm and are commonly used by investors to assess this. These evaluations are significantly influenced by the information reported by the relevant entity. Critically, the framework levels the playing field, as now all CREs must report the information valued by ESG rating providers and therefore boosts ESG scores for CREs across the market. This enhances the competitiveness of NZ companies in global capital markets. Before the framework was implemented broader and deeper reporting related to improved ESG scores. Demonstrating leadership in ESG performance, relative to other CREs, now requires actions beyond disclosure.

Emissions Intensities not yet related to reporting

Lastly, we find no immediate link between reporting breadth or depth and following-year emission intensities, which likely reflects the long-term investment required for operational decarbonisation. However, there is a gradual market wide decrease in emission intensities over the last 10 years.

Purpose 2: Foresight and responsibility

The framework has substantially improved the depth and breadth of disclosures, fostering greater foresight and responsibility among CREs while catalysing improved climate-related information flows within the broader supply chain of CREs.

Climate-related reporting has improved across all components

The most marked improvements were seen in the governance and strategy components with metrics and targets lagging. Notably, risk management disclosures saw the greatest lift, moving from the component with the least information provided in FY2021 to one of the most comprehensive by FY2025.

Survey results indicate an active commitment by CREs to enhance the quality and reliability of their disclosures. This is more pronounced for early reporters relative to those that started in FY2023 (first mandatory reporting year), and corporate relative to non-corporate (investors, creditors and insurers) respondents.

Framework improves the broader information environment

From the interviews we mostly heard about the positive effects of the framework on improving comparability, transparency and consistency for decision-useful climate-related information. This is driving learning, cross-functional collaboration and the interoperability with global standards is appreciated.

Survey data showed a spillover effect of the disclosure framework to non-mandated companies, as most respondents request climate-related information from their value chains. The focus of these requests was dominated by GHG emissions and climate-related targets and their progress. Early Reporters are more likely to ask for such information from their value chain.

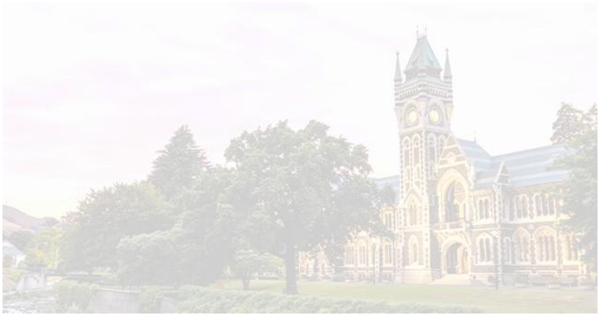
Purpose 3: Capital allocation

Framework is supporting internal business case for climate initiatives

Interviews conducted in 2023, before the mandate, indicated that it was not yet clear whether the framework would affect capital allocation. However, by 2025, participants stated that it is supporting the business case for climate initiatives.

Growing integration of climate considerations in capital allocation

As decarbonisation and the integration of climate-related risks and opportunities into capital allocation are much more immediately executable for primary users, we focus on their capital allocation decisions. In the interviews, primary users stated that the framework is improving transparency and comparability, but it is not yet clear how this has affected their investment decision making.



Through the broader sample of survey responses, we understand that most investors are integrating climate change considerations into most of their portfolios and the proportion of portfolios considering climate change considerations has increased from 2023 to 2025. This is done predominantly through exclusions and engagement and is predominantly motivated by financial incentives such as expected outperformance, lower risk and client demand.

NZ fund manager portfolio non-financial performance is improving

Beyond the interviews and surveys, we can directly observe investor behaviour by analysing their portfolios, which they are required to report regularly. Developing a complete dataset of NZ fund manager equity investment exposures we statistically test the impact of the mandate on fund-level non-financial outcomes.

We observe a market-wide elevation in ESG and carbon performance among all NZ funds, not just CRE funds that were mandated to report, since the framework's implementation. While the trend is broad, the relationship **is more pronounced** among mandated funds (CREs) across specific metrics. This likely reflects a shift in industry practice.

Cost and challenges of climate-related reporting

Internal capability gaps and reliance on consultants continues

From the interviews, we understood that internal capability and reliance on external consultants were a continuing challenge, especially for integrating complex scenario analysis. This further shaped challenges in developing internal capabilities and was driven by concerns around fiduciary duties by senior management and board members.

Persistent disclosure challenges include regulatory uncertainty, scenario analysis and data reliability

In both surveys, respondents expressed concerns around costs, lack of reliable and comparable data, and regulatory uncertainty.

Since the framework was implemented, concerns around multiple reporting frameworks/standards have been reduced, but challenges with lack of comparable data and climate-scenario difficulties remain. In the 2025 survey and interviews respondents, especially investors, signalled a lack of stakeholder demand for their disclosures.

Costs highest for later reporters

As disclosure costs are a major concern, in the 2025 survey we asked respondents directly about their estimated costs of climate-related reporting. Most respondents selected costs of less than $250,000 for both internal and external costs, with some selecting $250-500,000. Very few entities stated costs over $500,000. Those that did were mostly entities that started reporting after the mandate (Later Reporters). Costs are expected to reduce and stabilise as entities gain experience with the framework, which is supported by interviewees' statements around the experience-cost relationship.