



# Law to Report Impact of Climate Change: New Zealand

## Why in News

New Zealand has become the **first country** to **pass laws** requiring banks, insurers and investment managers to report the **impacts of [climate change](#)** on their business.

## Key Points

### ▪ About:

- The new laws will **require financial firms to explain** how they would manage climate-related risks and opportunities, and the disclosure requirements will be based on standards from **New Zealand's independent accounting body**.
  - The law will **force financial firms to assess not only** their own investments, but also to **evaluate the companies** they are lending money to, in terms of their environmental impact.
- The disclosures will become **mandatory for financial years beginning in 2023**.
  - The New Zealand government has **introduced several policies to lower emissions** including promising to make its **public sector carbon-neutral by 2025** and buy **only zero-emissions public transport buses** from the middle of this decade.

### ▪ Significance:

- It will ensure that **financial organisations disclose and ultimately take action against climate-related risks** and opportunities.
- With the climate reporting being open, **investors would get to see how the company they plan on putting their money into, impacts the environment**.
  - Which would also make **financial institutions rethink their decisions**, as well as **consider real-world impact caused**.
- This law will **bring climate risks and resilience into the heart** of financial and business **decision making**.

### ▪ Need of this Law for India:

- With [stock exchanges](#) like **Bombay Stock Exchange (BSE)** that hit a market capitalization of USD 2.8 trillion, **having a measure to help make organisations in India more eco-friendly could definitely create a huge impact**.
  - But for this measure to **become successful in India**, it would have to be **more comprehensive, considering the size of the nation** and the number of businesses that exist.

### ▪ Related Initiatives:

- **Network for Greening the Financial System (NGFS):**

- It is a **global network of central banks and supervisory authorities** advocating a more sustainable financial system.
- **Task Force on Climate-related Financial Disclosures (TCFD):**
  - TCFD was created in 2015 by the **Financial Stability Board (FSB)** to **develop consistent climate-related financial risk disclosures** for use by companies, banks, and investors in providing information to stakeholders.

**Source: IE**

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