

The future of climate reporting

May 2025

EY

Shape the future
with confidence

The future of climate reporting: more streamlined, more efficient and more strategic

As Climate Reporting Entities (CREs) in New Zealand head into their third year of mandatory climate reporting, this article explores potential future trends in climate reporting. It does this by looking at the changes we have seen play out over the last four years as CREs have worked to prepare for and develop their early reports against the New Zealand Climate Standard (NZ CS).

The article also considers the maturity curve we have seen historically within other types of corporate reporting. Three themes emerge from this study:

More streamlined

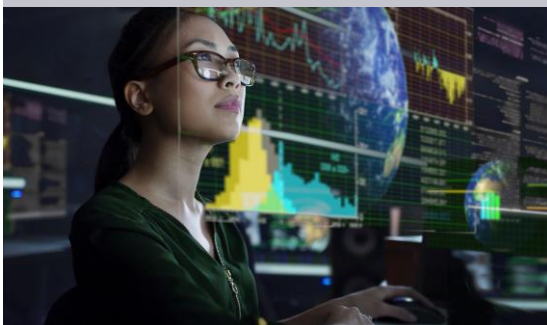
We expect that many future NZ CS reports will be shorter than the versions we see produced today. This is because CREs will be comfortable enough with the completeness of their reporting to consider how it could be re-configured to focus on the components which are the most material. Repetitive disclosure elements might find new homes outside of the main climate disclosure report. CREs will also become more adept at focussing their reporting on the specific information needs of their primary users, without seeking to address the information needs of all their stakeholders.

More efficient

Having built out internal implementation teams and brought in external advice during the adoption phase of their reporting journey, CREs will start to look for operational efficiencies. This could include the automation of data capture, quality controls, disclosure drafting and presentation. The same cost-efficiency focus which might have previously been applied to other forms of reporting are likely to be deployed into the climate space as this work is 'normalised' over time. AI tools will play an increasingly important role in this transition.

More strategic

The substantial up-skilling of staff, management and board members which has taken place because of the climate disclosure process will enable CREs to focus on the elements with genuine strategic value. A broad cross-section of people within most reporting CREs, particularly the directors, are now aware of where the substantive climate-related risks and opportunities sit for them. This knowledge and understanding will help future climate reports to home in on the risks and opportunities, along with the associated measures, which really matter for the primary users of these reports.



The better the question.
The better the answer.
The better the world works.



Four stages of reporting

In our view, the climate reporting journey of many New Zealand CREs can be described across four broad stages, while noting the starting point and current state will vary. These are:

1

Pre-regulatory reporting Business As Usual (BAU)

This was the state that CREs found themselves in before the arrival of mandatory climate reporting. There was a wide variety of starting states for CREs, but many of the systems, processes, datasets, institutional understanding and reporting capabilities needed for the disclosures hadn't yet been developed. The voluntary climate reporting that did exist was normally led out of the sustainability divisions. The climate governance role and skillset of senior management and board members was highly variable.

2

Addressing the fundamentals

As CREs geared up to deliver on their climate reporting obligations, the focus for most CREs was on addressing gaps. The NZ CS provided a list of elements which needed to be included in their reporting and work was undertaken to ensure that any gaps were filled. This stage was characterised by high workloads, significant efforts to collaborate within sectors and a rapid upskilling of senior management and board members. Reporting teams outside of the sustainability division began to play a major role in the delivery of the climate disclosures. Data gaps were addressed at pace, however dataset fragmentation was still a major challenge, in some cases, with limited controls and oversight.

3

Comprehensive climate reporting

As CREs found fewer gaps, they were able to devote time to improving their existing reporting approaches. Firms were able to take guidance on how to go about this from a wide range of resources, including feedback from the regulator, feedback from their primary users, studies of NZ CS reports and the reporting of peers. The upskilling which had occurred throughout the reporting journey meant that internal stakeholders were increasingly able to offer very effective guidance on how the climate report should be improved. Sections of the reporting which had initially been 'list-like' were being integrated into broader and more complex narratives. For many CREs, the climate disclosures had now become a substantial and involved document.

4

Prepping for the long haul: a new BAU

Many CREs are now finding themselves at the point where they are considering how they can set their reporting up for the long haul. This is because they have now produced multiple reports, have started to develop repeatable processes for many sections of these documents, have set their internal stakeholders at ease and are comfortable with how their reporting compares to their peers. The datasets which have been built throughout this process can now become more 'normalised' and better integrated into their broader reporting systems. As set out in the introduction to this article, we think as CREs enter this phase they should now consider how they could make their reports more streamlined, more efficient and more strategic.

This evolution highlights the highly beneficial feedback loop from mandatory reporting. Once an organisation is required to measure and disclose something, it typically gets better at managing it. The information any organisation uses to better manage its risks and opportunities internally is likely to be the same type of information that primary users are interested in. The management and reporting elements each therefore bolster the success of the other.



More streamlined

We see several drivers for a focus on streamlining climate reports:

- After a couple of years of reporting, CREs are becoming more aware of the elements of their reporting which are not changing substantially from year to year. For example, the governance and risk management pillars for most CREs are often quite stable.
- In the early years of climate reporting many internal stakeholders have been focussed on addressing gaps in reporting requirements, which has tended to increase the size of the climate disclosure report. With most gaps now addressed, the focus can turn to zeroing in on the most material elements for their primary users.
- Directors and management are more comfortable with the compliance of their reporting, have greater knowledge of the issues and are better able to identify the critical issues, risks and opportunities for the organization. This can help provide a clear rationale for why some topics might be immaterial.

The risk profile which CREs have attached to this new reporting requirement has been an important part of the story so far. The novel nature of this reporting for many CREs, combined with varying levels of climate expertise, has often resulted in climate reports that have erred on the side of more content rather than less. Exercising sound judgment about what to exclude - arguably the harder task - requires not only technical knowledge but also confidence and experience.

Organisations have two broad approaches they could take:

01

Cross-referencing to other locations: NZ CS allows information to be cross-referenced to other documents and CREs could use this ability to reduce the volume of information within the climate disclosure itself. Information in the financial report could be cross-referenced and more stable disclosure elements could be drafted as stand-alone documents. For example, many organisations already have documents like board charters, risk management frameworks and governance structures as stand-alone documents. The Governance and Risk Management pillars and even descriptive scenario narratives could be published in this way, being updated as needed. NZ CS 3 sets out the requirements for any cross-referenced information in paragraphs 16-19.

02

Focussing on the most significant issues: The early years of climate reporting have identified a wide range of risks, issues, opportunities and questions and these might all have found their way into the report. The experience of reporting and the increasing level of organisational knowledge might allow the reporting to now be condensed around a smaller set of the more critical issues. NZ CS 3 sets out requirements for the aggregation and disaggregation of information in paragraph 9.

While most CREs have taken adoption provisions in the opening years and still have reporting elements to add, we still think that the streamlining drivers described above will be applicable. These elements will likely be introduced in a more focussed and compact manner than they would have done if they had been introduced in the early years of climate reporting. We have seen the scale of financial reports go through waves of expansion and contraction over previous decades and we expect that climate reporting will see similar variations. For example, the scale and complexity of financial reports received a lot of attention in the mid-2010s and a number of organisations worked to develop strategies to streamline those reports at the time.



More efficient

With climate reporting fast becoming a BAU activity for most CREs the focus of many CREs will also turn to how to make their reporting process more efficient. We think the drivers to focus on efficiency are:

- The 'normalisation' and integration of climate data, climate processes and climate strategy. While climate disclosures and processes might have started off as bespoke systems and processes run at an arm's length from the more established parts of the business, multiple years of preparation is helping to integrate climate into BAU. This normalisation means the same techniques which have been used to save costs in other parts of the firms' operations could more easily be deployed into the climate space.
- Directors and management have a higher level of understanding of the issues than they did at the start of the reporting process. This knowledge will give them greater confidence in knowing where reports, and the reporting process, can be made more efficient.
- The cost of including geographies outside of New Zealand. The focus on delivery costs across different countries comes from both the need to report in New Zealand about international operations, as well as the growing list of international reporting obligations for some CREs. For example, a number of CREs are looking to their future obligations in Australia and asking how these processes can build off the work done in New Zealand, or to ask how processes can be standardized across different business units.

CREs could take several approaches to drive greater efficiency into their climate reporting:

1

Improvement to the processes which collect, process, store, analyse, present and assure climate data. Automation has historically been a significant driver of improved reporting accuracy and efficiency for financial data and sustainability data is no different. The first step in the automation of most processes is the stabilisation of a manual BAU activity and many climate reporting elements are now approaching this state.

2

The outsourcing of data systems, analytics and reporting systems could help CREs to improve the quality of their data and save significant amounts of internal resource. Out-sourcing options will be most applicable to the data-intensive elements of climate reporting as CREs cannot ask other parties to take responsibility for disclosure elements such as approving their transition plan or setting their overall climate strategy. However, out-sourcing can free up internal resources to focus on the elements which need to be carried out in-house.

3

AI tools and processes can help improve the data and reporting process, particularly for scope 3 questions where data is less straightforward to obtain. The benefits from using AI for scope 3 emissions go well beyond the reporting challenge. A [recent EY report](#) highlights the power of this technology for helping organisations to not only quantify their scope 3 emissions, but also to optimise and reduce their value chain exposures.

More strategic

CREs are now in a much more established, and more knowledgeable, position to make their reports more strategic. The streamlining and efficiency outcomes which have been cited in the last two sections can become enablers of this increased strategic focus as they allow the time and effort of the organisation to be spent on the most material aspects of their disclosures and corporate strategy.

For sustainability teams which have spent the past years driving the development of these reporting processes, streamlining the reporting processes and improving their efficiencies allow them to get back to what their previous focus was - building change programmes to affect organisational outcomes.

We also think that the mandatory reporting of anticipated financial impacts and scope 3 emissions in the next reporting cycle will force a more strategic lens onto future climate reporting. This is because for most organisations value chain climate impacts will dominate over their operational risks and emissions footprint. For many organisations, including these new and larger greenhouse gas emissions sources will highlight the materiality (or immateriality) of their existing climate action and transition plans.

The ability to think strategically about climate outcomes is one of the most important outcomes from the whole reporting process. This is because reporting is a means to an end, not an end in itself. Organisations that use the coming years to streamline their reporting and improve its cost effectiveness will be best placed to use the processes which mandatory reporting has helped establish to drive the most impactful outcomes for their firm.

Authors



Matthew Cowie

Partner

Climate Change and
Sustainability Services
Ernst and Young New Zealand

P: +64 21 629 486

E: Matthew.Cowie@nz.ey.com



Pip Best

Partner

Climate Change and
Sustainability Services
Ernst and Young New Zealand

P: +64 27 263 9045

E: Pip.Best@nz.ey.com

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2025 Ernst & Young, New Zealand.

All Rights Reserved.

EYSCORE 004798-25-AUNZ

ED None

This communication provides general information which is current at the time of production. The information contained in this communication does not constitute advice and should not be relied on as such. Professional advice should be sought prior to any action being taken in reliance on any of the information. Ernst & Young disclaims all responsibility and liability (including, without limitation, for any direct or indirect or consequential costs, loss or damage or loss of profits) arising from anything done or omitted to be done by any party in reliance, whether wholly or partially, on any of the information. Any party that relies on the information does so at its own risk.

ey.com