



Creating value through climate transition

Insights from Aotearoa New Zealand’s first cycle of climate reporting

The first round of climate reporting has surfaced the primary risks and opportunities that climate change and the low emissions economy transition will present for New Zealand entities.

Nearly three-quarters (73%) of Climate Reporting Entities see the potential for value creation through emissions reduction strategies and climate resilience measures. This reinforces the view from our international counterparts, with 92% of CXOs of large international entities forecasting business growth while simultaneously reducing greenhouse gas emissions.

3 tips to harness opportunities presented by the low emissions economy transition, address climate risks, and realise value:

- 1

Take a strategic approach to the transition – **integrate emissions reduction and climate resilience into your core business strategy** and take a long-term view to unlock value creation potential.
- 2

Future-fit risk management frameworks – **integrate climate risk management** into your existing risk management framework to proactively manage climate-related issues.
- 3

Turn non-financial reporting to your strategic advantage – **leverage emerging technology and the growing body of climate-related data** to gain a competitive edge in your key markets.

A priority issue

Globally, executives view sustainability as a priority issue that presents potential opportunity, but if left unaddressed, material risk. Deloitte’s 2024 CxO Sustainability Report reveals:

 [Read the Deloitte 2024 CxO Sustainability Report](#)



New Zealand companies and their international counterparts cite changing consumer preferences, weather-related operational disruptions and compliance costs as headline climate-related risks:

|  | Globally                   |  | New Zealand                |
|--|----------------------------|--|----------------------------|
| Changing consumption patterns or preferences                           | <div><div></div></div> 51% | Market Risk due to increased decarbonisation-related costs                             | <div><div></div></div> 29% |
| Regulations aimed at decreasing emissions or environmental impacts     | <div><div></div></div> 50% | Climate-related Policy & Regulations   | <div><div></div></div> 14% |
| Operational impact of climate-related disasters/ weather events        | <div><div></div></div> 50% | Operational disruptions due to climate-related impacts                                 | <div><div></div></div> 11% |
| Employee physical health negatively impacted by climate-related events | <div><div></div></div> 49% | Damage to assets and infrastructure from climate-related impacts                       | <div><div></div></div> 10% |
| Increased insurance costs or insurance withdrawal                      | <div><div></div></div> 48% | Increased operational expenditure and margin compression due to extreme weather events | <div><div></div></div> 8%  |

Global statistics are sourced from the Deloitte 2024 CxO Sustainability Report.

NZ statistics are based on the percentage of all reported risks and impacts in the climate-related disclosures analysed.

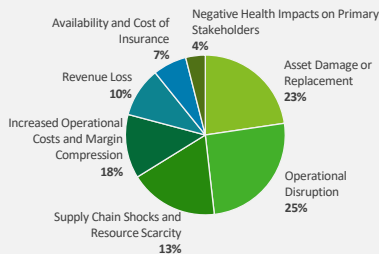
## Risks and impacts

**Operational disruptions, asset damage and loss, and increasing operations costs** have emerged as the most frequently-cited physical climate-related risk types for New Zealand Climate Reporting Entities (CREs), excluding banking and insurance. Supply chain shocks, resource scarcity and mounting insurance premiums are also top of mind for large New Zealand entities.

Market risks account for 51% of all transition risks identified by CREs, characterised by increasing CAPEX and OPEX costs relating to technology and energy costs. Policy & legal, and reputation risks are the second and third most frequently cited transition risk types.

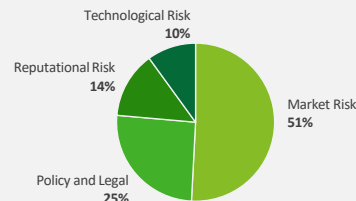
### Impacts of physical risks:

*(Excluding banking & insurance – see below for FSI risk profile)*



### Impacts of transition risks:

*All sectors*

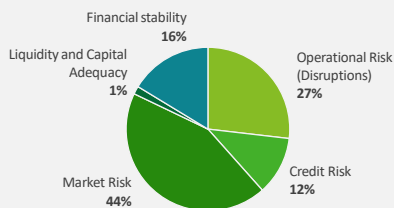


### Financial Services Sector spotlight

The financial services industry shares a unique risk profile insofar as operational risk exposure is defined by customers' level of exposure to physical and transition risk. Financial stability is a key concern, with market contraction, financial stability and operational risk among the most frequently cited risk types.

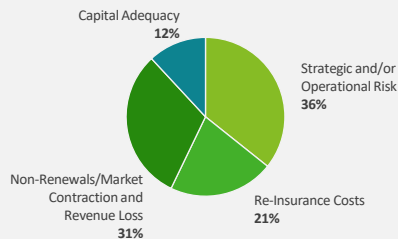
### Impacts of physical risks:

*Banking*



### Impacts of physical risks:

*Insurance*



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## Reporting

**Deloitte performed a trends analysis of a sample of climate statements filed to date, capturing a representative cross-section of sectors, with the objective of identifying common challenges, and areas of good practice.**

Of the climate statements reviewed we found:

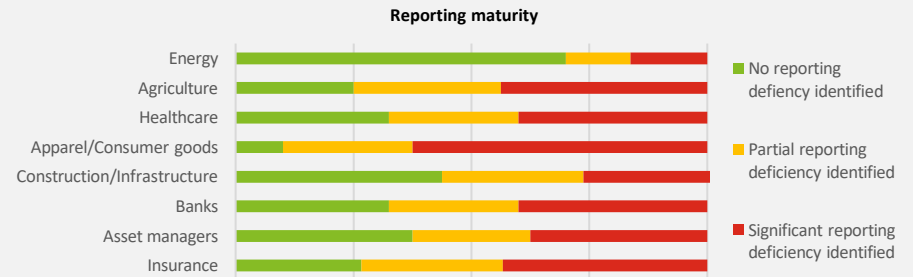
### Room for improvement:

- **89%** did not apply metrics and targets to the transition and physical risks identified in the Strategy section.
- **56%** did not clearly describe specific climate risk governance processes.
- **52%** that cited having a GHG assurance report neither included, nor linked to the assurance report.
- **52%** did not disclose industry-based metrics.
- **48%** did not disclose how climate-related performance metrics are incorporated into remuneration policies.
- **44%** did not provide an explanation of how scenario analysis was applied to inform strategy.

### Good practice:

- **89%** clearly identified and articulated climate related opportunities.
- **78%** had undertaken value chain mapping to determine value chain exclusions.
- **74%** clearly cited data sources and referenced information informing their scenarios.

### Climate reporting performance by sector:



## Talk to us

Our team can help you with all of your climate, sustainability and nature requirements, bringing together strategy, risk, reporting & assurance expertise.



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