



NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA

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International Labour Policy
Workplace Relations and Safety Policy
Ministry of Business, Innovation & Employment
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By email: modernslavery@mbie.govt.nz

NZX Submission on 'A Legislative Response to Modern Slavery and Worker Exploitation' Discussion Document

Background

1. NZX Limited (**NZX**) submits this response to the Ministry of Business, Innovation and Employment's (**MBIE**) discussion document on 'a legislative response to modern slavery and worker exploitation' (**Discussion Document**).
2. We thank MBIE for the opportunity to make this submission. We look forward to contributing towards MBIE's ongoing development of a modern slavery reporting framework for New Zealand.
3. NZX is a licensed market operator and New Zealand's exchange. NZX operates New Zealand's securities, debt, funds, derivatives and electricity markets. NZX has approximately 200 listed issuers with a total market capitalisation of approximately \$220 billion, who will be affected by the matters raised in the Discussion Document. In 2016 NZX became a partner exchange of the Sustainable Stock Exchange initiative, making a voluntary commitment to promote ESG disclosure to our issuers.
4. NZX considers modern slavery reporting to be one of many facets of a growing global movement towards better environmental, social and governance (**ESG**) reporting. NZX is supportive of the continued development of a modern slavery reporting framework that seeks to create lasting cultural change and support freedom, fairness and human dignity throughout supply chains that are connected to New Zealand, however we consider that it is critical that the regime is proportionate to the costs imposed on business and that the regime provides certainty to the regulated entities to which it applies.
5. NZX considers that the Australian standard is adequate in comparison to international standards. NZX therefore encourages MBIE to align disclosure obligations to the same thresholds as the Australian standards. Regional-alignment with the Australian reporting framework will reduce the compliance burden for dual-

listed entities in New Zealand, while also avoiding any adverse, anti-competitive impacts on New Zealand's economy which may result from different trans-Tasman standards.

6. Nothing in this submission is confidential.

Response to consultation

NZX Corporate Governance Code

7. The NZX Listing Rules, which include the NZX Corporate Governance Code (**Code**), create an obligation on issuers listed on the NZX Main Board to provide periodic reporting on a 'comply or explain' basis in their annual reports against the Recommendations contained in the Code.
8. Recommendation 4.3 of the Code recommends that listed issuers provide non-financial disclosure at least annually including in relation to an issuer's social sustainability factors and practices. Looking at recent years of ESG reporting, voluntary modern slavery disclosure appears to be concentrated among mid to larger cap NZX listed issuers.

Support for phased-in approach

9. The recent introduction of the mandatory climate related financial disclosures regime¹ will impose significant compliance costs on NZX listed issuers who are subject to the regime, as they come up to speed with understanding and reporting against their obligations. NZX is wary of the cost and compliance implications of introducing another mandatory reporting standard on these New Zealand businesses at this time. NZX therefore encourages MBIE to strongly consider a phased approach in its planned implementation of modern slavery reporting standards.

Alignment with regional standards

10. NZX appreciates MBIE's analysis that identifies international approaches to modern slavery requirements, as outlined in the Discussion Document. The introduction of MBIE's proposed modern slavery standard for New Zealand's would result in New Zealand's regime being in closer alignment with standards seen across European nations.
11. Australia currently implements a working, reputable standard for reporting modern slavery risks. NZX encourages MBIE to calibrate New Zealand's modern slavery reporting standard to that which has been adopted in Australia. The Australian position has been adopted by many New Zealand issuers when disclosing their modern slavery risks. NZX is concerned that MBIE's proposed framework would create a mis-alignment of reporting standards regionally, which could have anti-competitive effects for New Zealand's capital markets through:

¹ Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021

- a. raising the relative cost of capital for doing business in New Zealand rather than Australia for New Zealand entities, which would have negative effects on the relative productivity of New Zealand businesses; and
 - b. dual-listed entities (being those listed on both the NZX and the ASX) migrating to Australia to avoid meeting New Zealand's higher standards of modern slavery reporting.
12. NZX encourages MBIE to adopt a phased-in approach of the proposed modern slavery reporting framework that caps compliance requirements at the current regional standard that has been implemented across Australia.

Closing comments

13. NZX wishes to acknowledge the efforts of MBIE towards designing the modern slavery framework for New Zealand. NZX supports MBIE's direction towards greater modern slavery reporting however cautions the application of standards that may be counter-productive towards commercial certainty and ease of doing business within New Zealand.
14. NZX thanks MBIE for this opportunity to submit on this consultation and look forward to discussing and providing feedback on upcoming consultations as New Zealand's modern slavery reporting standards mature.

Yours faithfully,



Kristin Brandon
Head of Policy and Regulatory Affairs
NZX Limited