



NZX Corporate Governance Code Review

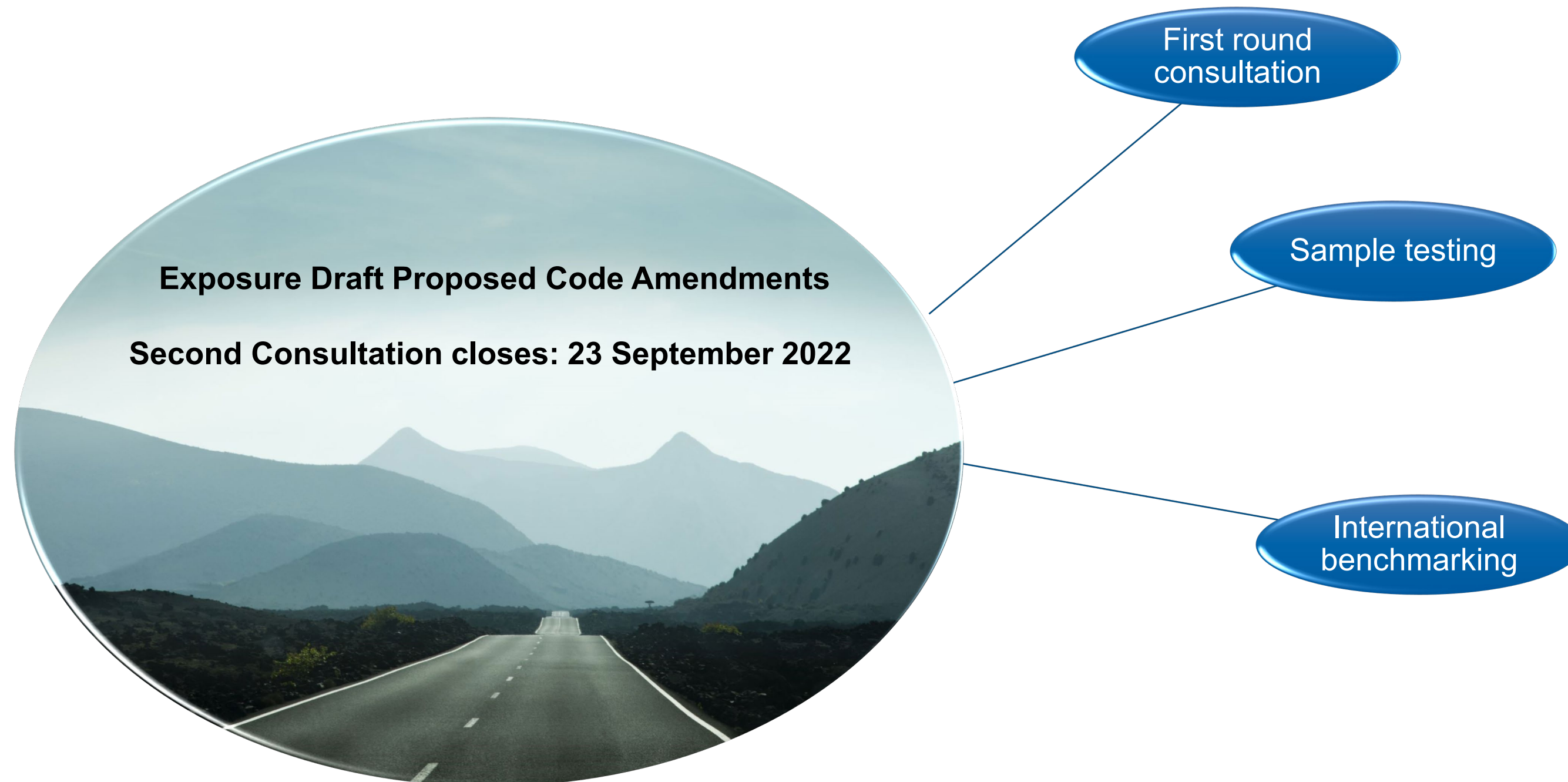
Workshop 3: Non-Financial Reporting (ESG) and Diversity

13 September 2022

We welcome your submissions at policy@nzx.com

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Te Paehoko O Aotearoa

Review Process



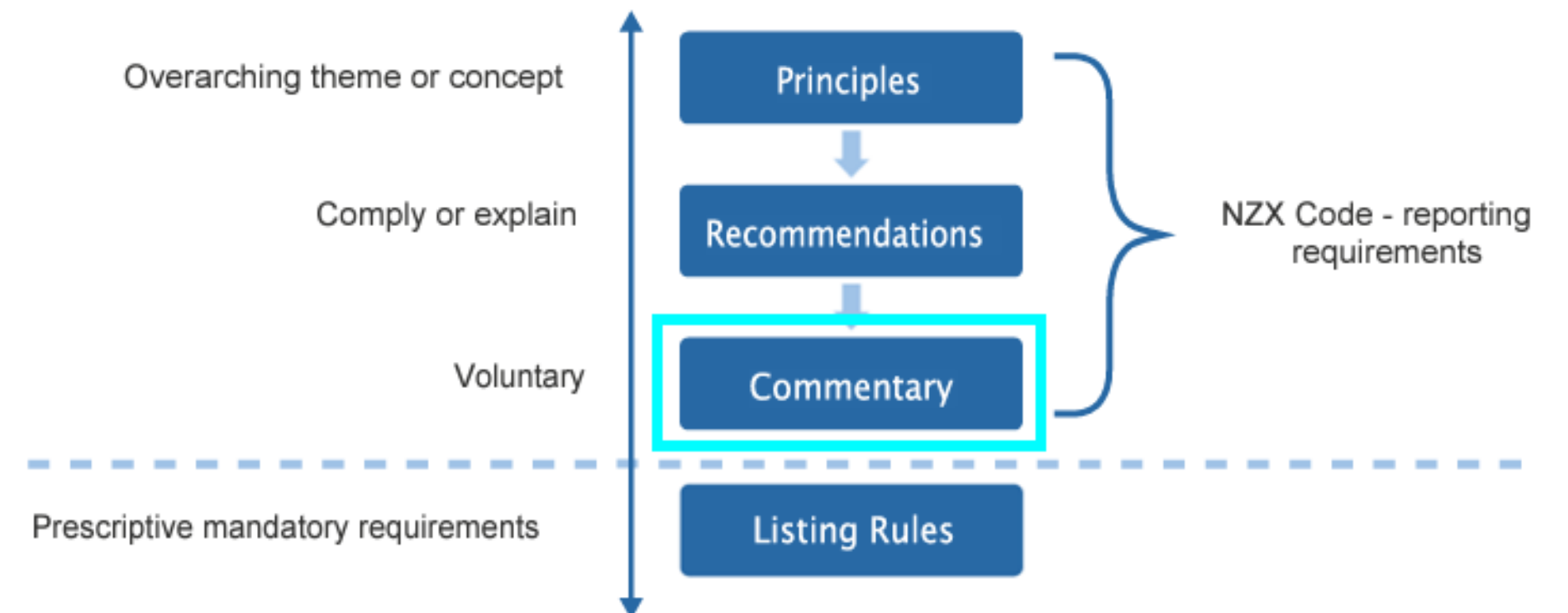
Comply or Explain

How the NZX Corporate Governance Code Operates

The Code provides recommendations and commentary, which intend to give effect to the general principles outlined within the Code.

The Code's recommendations apply to Issuers on a 'comply or explain' basis, enabling Issuers to adopt alternative governance practices to those set out in the Code's recommendations, as long as they are explained to the market.

Issuers are not required to report against the matters contained in the commentary.





Non-Financial Reporting (ESG)

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Consultation Feedback

Initial Consultation Round

- We received extensive feedback from submitters in relation to ESG reporting
- Issuer ESG practices are increasingly important to investors and stakeholders

Proposed Amendments

- Propose amending the recommendations and commentary that support Principle 4 of the Code

Consultation Proposals – ESG Reporting

Split Recommendation 4.3 – Financial and Non-Financial Reporting

- Create bespoke recommendations to financial and non-financial reporting
- Emphasise and endorse non-financial reporting as an independent recommendation

Location of disclosures

- Common for more detailed ESG reporting to be available on the Issuer's website
- Amend commentary to encourage Issuers to provide a link within annual reports to any website ESG material
- Aids comparability

Consultation Proposals – ESG Reporting

Process for Non-Financial Disclosures

Current Disclosures

- Investors relying on sustainability and ESG disclosures
- Assurance standards under development
- Submitters supported disclosure of whether ESG reports were audited

Proposed Amendments

- Disclose verification process where ESG report is unaudited
- Aligns with ASX Code amendments



Consultation Proposals – ESG Reporting

Description of Risk Management Framework

- Received feedback to clarify recommendation 6.1 – risk management framework

Proposed Amendments

- Amendments to commentary of recommendation 6.1
- Risk management framework summary would be useful for investors
- Identifies how an Issuer has identified material risks.

Consultation Proposals – ESG Reporting

Climate-related Disclosures

- October 2021: Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act
- NZX Issuers mandatory reporting for financial years commencing in 2023
- Initial reporting in 2024
- New reporting regime will be a significant change for reporting entities

Proposed Amendments

- Identify the regime in the Code commentary

Consultation Proposals – ESG Reporting

Modern Slavery

- Submitters generally supported modern slavery reporting
- Development of New Zealand legislation to address modern slavery and worker exploitation
- NZX to retain current Code settings as legislation is still in development

Questions / discussion on the Code
proposals relating to non-financial (ESG)
reporting



Consultation Proposals – ESG Guidance Note

Proposed amendments

- Amendments to align with proposed Code amendments

Resources

- Guidance Note reference tool – ensure appropriate resources

Green bonds

- Remove discussion of green bonds which is largely outdated

Questions / discussion on the ESG Guidance Note





Diversity

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Consultation Feedback

Initial Consultation Round

- Submitters generally accepted the value of diverse boards and leadership
- Driving long term business sustainability and success

Proposed Amendments

- Propose amending recommendations and commentary within Principle 2 of the Code

Consultation Proposals – Diversity

Broader than Gender

Current Status

- Code recognises diversity is broader than just gender
- Submitters endorsed this and suggested ethnic and cultural diversity reporting

Proposed Amendments

- Amendment to commentary under recommendation 2.5
- Issuers encouraged to consider additional factors when designing a diversity policy
- Aligns with ASX Code suggestions on diversity policies
- Code commentary amendment – culture of inclusion

Consultation Proposals – Diversity

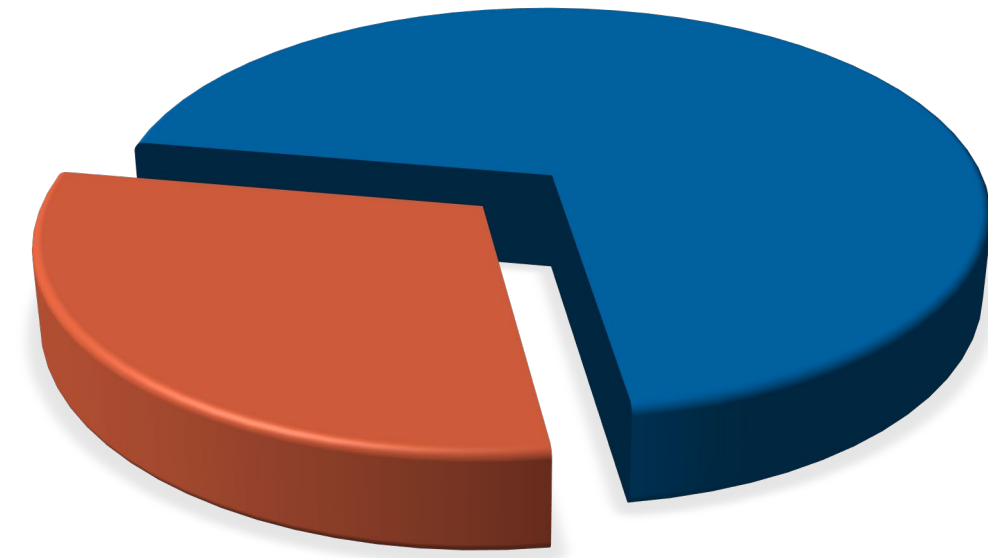
Gender Diversity Targets - S&P/NZX 20 Issuers

Consultation Feedback

- Majority of submitters were supportive of proposal
- Minority supported Issuers setting their own gender targets

Proposed Amendments

- Amendment to recommendation 2.5
- S&P/NZX 20 Issuers should have measurable target:
 - Board composition: minimum 30% male, minimum 30% female
 - Issuer can specify target period
- Not a quota – operates on ‘comply or explain’ basis
- Aligns with ASX Code for S&P/ASX 300



Consultation Proposals – ESG Reporting

Gender Pay Gap Reporting

Consultation Feedback

- Submitters broadly supportive of encouraging gender pay gap reporting
- Suggest reporting as ESG disclosure

Proposed Amendments

- Amendment to commentary under recommendation 2.5
- Issuers encouraged to provide gender pay gap information
- S&P/NZX 50 Index Issuers with 50+ employees



Questions / discussion on the Diversity proposals



Thank you

We look forward to receiving your submissions

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