



NEW ZEALAND'S EXCHANGE  
TE PAEHOKO O AOTEAROA

[www.nzx.com](http://www.nzx.com)

3 August 2023

Financial Markets Authority

Level 2, 1 Grey Street,

Wellington, New Zealand

by email only: [consultation@fma.govt.nz](mailto:consultation@fma.govt.nz)

## **NZX Submission: Proposed guidance and expectations for keeping proper climate-related disclosure records**

1. NZX Limited (**NZX**) submits this response to the Financial Markets Authority's (**FMA**) consultation on its proposed guidance and expectations for Climate Reporting Entities (**CRE's**) in keeping proper climate-related disclosure records (**Guidance**). We thank the FMA for the opportunity to provide this submission.
2. NZX is a licensed market operator and New Zealand's exchange. As a CRE under Part 7A of the Financial Markets Conduct Act 2013 (**FMC Act**), NZX will be expected to follow the controls and processes contained within the proposed Guidance. Many listed issuers on NZX's markets will also be classified as CRE's under the FMC Act. Our general view is that while well intended, some aspects of the Guidance are overly prescriptive, and may be overly burdensome for CRE's to comply with, particularly during the early stages of the climate-related disclosures (**CRD**) regime.
3. Our responses to selected questions from the consultation paper on the Guidance are set out below. Again, we would like to thank the FMA for the opportunity to provide this submission.
4. Nothing in this submission is confidential.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Kristin Brandon', written in a cursive style.

Kristin Brandon

Head of Policy & Regulatory Affairs

NZX Limited



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## Feedback form

# Consultation: Proposed guidance and expectations for keeping proper climate-related disclosure records

Please submit this feedback form electronically in both PDF and MS Word formats and email it to us at [consultation@fma.govt.nz](mailto:consultation@fma.govt.nz) with 'Proposed guidance and expectations for keeping proper climate-related disclosure records: [your organisation's name]' in the subject line. Thank you. **Submissions close on 4 August 2023.**

Date: 3 August 2023

Number of pages: 3

Name of submitter: Kristin Brandon

Company or entity: NZX Limited

Organisation type: Licensed Market Operator

Contact name (if different):

Contact email and phone: [kristin.brandon@nzx.com](mailto:kristin.brandon@nzx.com), +64 275 776 994

Question number	Response
1. Do you agree with the general principles and considerations for keeping proper CRD records that have been identified in this guidance? If not, please outline your reasons	Yes. We believe the general principles and considerations appropriately reflect the level of materiality required by the XRB Climate Standards, and the statutory requirements within the FMCA.
2. Are there other principles or areas that you consider should be included? If so, please provide details, along with why and how this would help to support the legislative requirement to keep proper CRD records	We consider the principles and areas of focus within the Guidance are appropriate.
3. Do you consider that this guidance, including the appendices, contains the appropriate level of detail? Please provide reasons for your answer.	We consider the appendices of the Guidance are overly prescriptive. Our reasons for this view are provided in Q4.  The CRD regime is in its initial stages, and we understand the FMA wants to support CREs in complying with the new regime. While some of the detail in the appendices to the Guidance is helpful, we consider the Guidance should clarify that the examples provided are not compulsory, and that CREs have the option of determining the nature of records that are appropriate for their business based on the scale, and sophistication of the CRE's business. While the box on page 10 of the Guidance notes the examples are 'possible' examples, we consider this point should be further emphasised. While it is helpful for the examples to be framed as 'non-exhaustive', it is important to note the examples are not requirements, and the ability for a CRE to adopt record keeping practices that are appropriate for the CRE's business.
4. Do you think the detailed examples in the appendices are useful? Please provide reasons for your answer.	Yes. We believe the detailed examples in the appendices are useful.  However, the guidance could benefit from clarifying the expectations toward the amount of documentation provided to substantiate disclosure requirements. A CRE could interpret a longer list of examples to mean that a larger volume of documentation is needed than what is actually required.



5. Do you think this guidance will help CREs understand their record-keeping obligations? Please provide reasons for your answer.	Yes. We believe this guidance will help CREs understand their record-keeping obligations. We appreciate the FMA establishing clear expectations regarding climate-related disclosure for CREs.
6. Do you think there will be any unnecessary compliance costs associated with the proposed guidance and expectations for keeping proper CRD records? If so, please provide details.	<p>We think the scope of work associated with the proposed guidance and expectations for keeping proper CRD records would require the attention of a dedicated team within a business. We note that NZX has employed a full-time adviser to support our compliance with the climate reporting disclosure regime, even though NZX is a low emissions business.</p> <p>We note the Guidance includes direction as to the internal control processes for record-keeping. While we understand the requirements of section 461V(3), we consider that in the early stages of the new regime, CREs will be focused on implementing their internal governance arrangements for climate risk and reporting, and preparing climate statements (including maintaining appropriate records). We expect the testing of the control processes for record-keeping will be a second order activity once the processes for record keeping have been designed and implemented.</p>
7. Are there any additional matters that you think the guidance should address? If so, please provide details.	We consider the guidance in its current form addresses all relevant matters. In our view, further extending the matters addressed in the guidance may unnecessarily increase compliance costs for CREs.
8. If you are the manager of a Managed Investment Scheme, are there any additional challenges associated with keeping proper CRD records that this guidance should address? If so, please provide details.	N/A
9. Are there any specific areas excluded from the detailed examples in the appendices that should be incorporated into this guidance? If so, please provide details. This includes disclosures related to:  • risk management in NZ CS 1 Paragraph 19 (b)-(e); and  • metric categories in NZ CS 1 Paragraph 22 (b)-(h).	<ul style="list-style-type: none"><li>• NZ CS 1 Paragraph 19 (c): We believe the guidance could benefit from the inclusion of examples related to the consideration of the value chain in CRD.</li><li>• NZ CS 1 Paragraph 22 (e): We believe the guidance could also benefit from the inclusion of examples for climate-related opportunities.</li></ul>
10. Have you encountered any situations not referenced in this guidance where you have found it difficult to evidence your approach? If so, please provide details.	At this stage, we have not encountered any situations not referenced in this guidance where we have found it difficult to evidence our approach.