



NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA

www.nzx.com

31 July 2023

Financial Markets Authority

Level 2, 1 Grey Street,

Wellington, New Zealand

by email only: consultation@fma.govt.nz

NZX Submission: Climate-related disclosures timing challenge

1. NZX Limited (**NZX**) submits this response to the Financial Markets Authority's (**FMA**) climate-related disclosures timing mismatch consultation paper (**Consultation Paper**).
2. NZX is a licensed market operator and New Zealand's exchange. As a 'large listed issuer' NZX is a climate reporting entity (**CRE**) and is subject to the annual climate statement disclosure requirements under Part 7A of the Financial Markets Conduct Act 2013 (**FMC Act**). A number of issuers listed on NZX's markets will also be CREs who are required by the FMC Act to disclose climate statements in their annual reports. NZX and other listed issuer CREs are also subject to the NZX Listing Rules (**Rules**) which contain timing requirements for the release of an annual report to the market.
3. We welcome the FMA's consultation on the timing mismatch between the timeframe requirements for the lodgement of climate statements with the Companies Office under the FMC Act, and the timeframe requirements for the release of annual reports to the market under the Rules. NZX endorses the FMA's proposed exemption to address this timing mismatch, for the reasons described in the feedback form below.
4. Nothing in this submission is confidential. We thank the FMA for the opportunity to provide this submission.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Kristin Brandon'.

Kristin Brandon

Head of Policy and Regulatory Affairs

NZX Limited



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Feedback form

Consultation: Climate-related disclosures timing mismatch

Please submit this feedback form electronically in both PDF and MS Word formats and email it to us at consultation@fma.govt.nz with 'Climate-related disclosures timing mismatch: [your organisation's name]' in the subject line. Thank you. **Submissions close on Monday 7 August 2023.**

Date: 31 July 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, +64 275 776 994

Question number	Response
1. Do you think we should grant an exemption for listed issuer CREs from the requirement to include a copy of or a link to their climate statements in their annual report (subject to the proposed conditions)? What are the reasons for your view?	<p>Yes. We submit that the FMA should grant an exemption as described in the Consultation Paper for the following reasons:</p> <ul style="list-style-type: none">• The Rules require listed issuers of equity and debt securities to publicly release their annual report within three months after their balance date. Section 461ZJ of the FMC Act requires climate statements to be included in listed issuer's annual report. Section 461Z requires that climate statements are prepared within four months after a listed issuer's balance date.• This timing mismatch between the Rules and the FMC Act is unintended, and without the exemption, result in inconsistent reporting timeframes between listed and non-listed CREs.• As mentioned by the FMA in the Consultation Paper, these types of timing mismatches are not unique. However, as the climate-related disclosures (CRD) regime is in its early stages, we consider that the extra month is needed for listed CREs to ensure their climate statements comply with the FMC Act.
2. Do you agree the exemption should be limited to listed issuers CREs and not extend to registered bank CREs? What are the reasons for your view?	<p>We submit that the exemption should be extended to registered banks, large managers, and issuers of listed fund securities, given that all CREs are likely to require the intended 4 months for the preparation of their climate statements, especially during the infancy of the CRD regime.</p>
3. Are you a CRE who will be affected by a mismatch of timing of other reporting requirements and preparation of climate statements? If so, would you rely on the proposed exemption notice?	<p>Yes, NZX is a listed CRE which will be affected by the timing mismatch and would accordingly rely on the FMA's proposed exemption.</p> <p>As a licensed market operator, NZX considers that it is appropriate for the listed issuers on NZX's markets to be entitled to the proposed exemptive relief.</p>
4. If you are an affected CRE per question 3, please tell us if compliance with a three-month timeframe rather than four-month would be difficult, specifying why and how. Please also explain the impact if the exemption is not granted.	<p>The CRD regime is brand new, and we consider that listed issuers who are CREs should be entitled to have a four-month period as was intended by the legislation to enable compliance with the FMC Act's requirements.</p>



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5. Are the proposed conditions for the exemption appropriate? Should there be any additional conditions imposed? If so, please provide details.	NZX considers that the proposed conditions for the exemption are appropriate, and no further conditions are needed.
6. Do you expect any issues to arise from requiring CREs that rely on the exemption to include in their annual report the address of (or a link to) the Internet site where a copy of their climate statements will be accessible within four months after the entity's balance date? If so, please let us know your views on an alternative way to provide this information	The NZX Corporate Governance Code, contemplates that listed issuers may use the method of providing a URL link within their annual report for readers to access additional information in relation to their corporate governance practices. This is a well-recognized mechanism for accessing information and we do not expect any issues to arise from this approach.
7. Do you think a two-year term is appropriate for the proposed exemption relief? Please provide reasons why or why not. If not, please let us know your views on a suitable term.	<p>We note that many listed issuers elect to provide their annual report at the time of their results announcement under Rule 3.5.1 (which is required to be provided within 60 business days after the financial year end), which further abbreviates the timeframes for preparing climate statements, absent the proposed exemption.</p> <p>NZX submits that the exemption should apply for longer than a two-year period, particularly as the timing mismatch puts listed CREs at a disadvantage compared to other CREs.</p> <p>In our view, a two-year period would not adequately ease the burden of compliance for listed CREs. We note that section 558 of the FMCA allows the FMA to grant an exemption for up to five years, and we would support the exemption being provided for the full five-year period.</p>
8. Will the introduction of the GHG emissions assurance requirement from October 2024 make a difference to the necessary term of relief? Please specify why and how	As noted above, we support the exemption being provided for the maximum five-year term. We understand that the requirements for assurance will provide added complexity to the preparation of climate statements, and that there is likely to be a shortage of assurance professionals in the early stages of the CRD regime.
9. If you think the class exemption should be granted, do you think that the proposed class exemption would be consistent with one or more of the purposes of the FMC Act? Please provide reasons for your answer.	If granted, NZX believes that the proposed exemption would be consistent with the FMC Act regime.
10. Are there any unintended consequences that may occur by implementing this proposal?	We are not aware of any unintended consequences.
11. Do you have any other comments?	

Feedback summary – We support the proposed exemption as outlined in the consultation paper. We do not consider that it was intended that listed issuer CREs would have only three months to prepare their climate statements, and that it is appropriate for these CREs to be availed of the full four months to provide climate statements, as was intended by the FMC Act.

Please note: Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.

Personal information gathered in this consultation will be handled in accordance with our Privacy Statement on our website www.fma.govt.nz.