



NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA

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30 October 2024

External Reporting Board
Level 6/154 Featherston Street
Wellington, New Zealand

By email only: climate@xrb.govt.nz

NZX Submission: Proposed 2024 Amendments to Climate and Assurance Standards

Background

1. NZX Limited (**NZX**) submits this response to the External Reporting Board's (**XRB**) consultation on proposed amendments to the climate and assurance standards (**Consultation**). We would like to thank the XRB for the opportunity to provide this submission.
2. NZX is a licensed market operator and New Zealand's exchange. NZX, along with many other listed issuers on NZX's markets, is a climate reporting entity (**CRE**) required under Part 7A of the Financial Markets Conduct Act 2013 (**FMC Act**) to prepare climate statements in accordance with the Aotearoa New Zealand Climate Standards (**NZ CS**).
3. NZX is a member of the Sustainable Stock Exchange Initiative (a United Nations partnership programme organised by UNCTAD, the UN Global Compact, UNEP FI and the PRI), and a recently approved member of the Sustainable Business Council. NZX strongly supports the climate-related disclosures (**CRD**) regime. We are committed to supporting the development of capital markets in a manner that contributes to a climate-resilient future for New Zealand. NZX's markets have a total market capitalisation of approximately \$228bn, with approximately \$6.9bn comprised of 'green bonds' on the NZX Debt Market.
4. Although NZX is supportive of the CRD regime, we believe the disclosure requirements should be proportionate, including in relation to the gating requirements for an entity to become a CRE, and in relation to director liability. These matters fall outside the scope of the current Consultation and are matters for the Government to resolve.
5. NZX considers adjustments need to be made to the CRD regime to ensure it is practical, workable, and right-sized for New Zealand. Current reporting pressures need to be relieved to allow CREs to focus their time, effort, and resources on climate change mitigation and adaptation – rather than lawyers and assurance.

Submission

6. NZX supports the proposals contained in the Consultation, as we understand that our listed issuers are struggling with the high costs associated with compliance, and are finding it difficult to obtain reliable data on which to base their disclosures.

7. AIRA has recently conducted a survey of issuers within S&P/NZX 50 Index in relation to their experiences in providing CRD, with 38% of these issuers responding to the survey. The survey revealed that respondents' median cost of providing CRD for the first reporting period was between \$251k and \$300k, with 95% obtaining legal advice and 74% obtaining limited assurance. AIRA's report in relation to the findings of its survey is **attached** to this submission.
8. The AIRA survey feedback relating to the financial costs of preparing CRD is consistent with NZX's experience. As a low emitter, reliant on 6 of the Adoption Provisions that provided transitional relief, NZX had external costs of approximately \$250,000 in relation to the preparation of its own CRD reporting for the 2023 financial year.
9. While we support the relief that XRB is proposing in the Consultation, we consider that it would be appropriate to extend the proposed relief beyond a one-year accounting period, particularly for the mandatory reporting and assurance of scope 3 greenhouse gas (**GHG**) emissions. We consider that this relief should be extended for at least a further two-year period to financial years ending on 31 December 2026, to align with the Australian CRD regime where scope 3 reporting will only be required for financial years commencing on 1 January 2026 (with many scope 3 reports not being available until 30 June 2027). Aligning the Trans-Tasman reporting timeframes will ensure that better data is available to CREs to inform their scope 3 reporting.
10. Our responses to the XRB's specific questions are set out below. Nothing in this submission is confidential.

Response to Consultation questions

Q1: Do you agree with Proposal 1 to extend Adoption Provisions 4, 5 and 7 for scope 3 GHG emissions disclosures from one accounting period to two accounting periods?

11. NZX agrees that providing additional relief before the disclosure of scope 3 GHG emissions becomes mandatory is appropriate. This will better enable CREs to ensure they have sufficient systems and processes in place, and access better data from external sources, increasing the accuracy of scope 3 emissions disclosures.
12. We note that although NZX provided some scope 3 GHG emission disclosures in its first climate report released within its 2023 Annual Report, that NZX like others relied on Adoption Provision 4 for its 2023 financial year. We are aware of a number of listed CREs that are still in the process of developing the adequate systems to accurately capture this type of information, who would benefit from a further extension of the adoption provisions.
13. As noted above, we also consider that listed CREs would benefit from a longer relief period than the proposed one-year period. We acknowledge that paragraphs 52-54 of NZ CS 3 provide some leeway for CREs to explain any limitations or uncertainties relating to GHG emission disclosures, but consider that extending Adoption Provisions

4, 5 and 7 for scope 3 emissions to a two-year accounting period, would better enable CREs to ensure their processes and systems are sufficient to generate accurate information.

14. The proposed additional one-year period is not appropriate for listed CREs who are Australian incorporated foreign exempt issuers. Large Australian businesses that are classified as Group 1 entities will only be required to report against the new CRD regime for reporting periods beginning on or after 1 January 2025. As the Australian regime only requires scope 3 GHG emissions disclosure in the second reporting year, their scope 3 emissions disclosures will only be required for reporting periods beginning after 1 January 2026. Given the complex nature of scope 3 reporting, a mis-aligned Trans-Tasman approach will cause particular difficulties for a listed issuer who is an overseas CRE (incorporated in Australia) as we expect that in order to provide scope 3 reporting in relation to its New Zealand business the CRE would need to consider its Australian scope 3 emissions.
15. We would advocate for the proposed transitional relief to apply for at least a two-year period (and preferably three years), to enable listed CREs to have access to a better Australian peer data set to support the quality of their scope 3 GHG disclosures.

Q2: Do you agree with Proposal 2 to add a new Adoption Provision 8 that gives relief of one accounting period before scope 3 GHG emissions assurance is mandatory?

16. We support the inclusion of Adoption Provision 8, but consider that there should be at least a two-year delay before mandatory assurance.
17. We have heard anecdotal feedback from the market that there is a scarcity of assurance professionals who are available to undertake assurance work for reporting years ending on 31 December 2024. We support further transitional relief being provided to enable the development of more robust scope 3 emissions data, as we are concerned that the current timeframes for assurance will create significant and disproportionate compliance costs for CREs, given the uncertainty in available scope 3 emissions data.

Q3: Do you agree that a one-year delay for scope 3 GHG emissions assurance is sufficient to enable systems to mature to support the availability of sufficient reliable data and to enable increased consistency across the assurance market?

18. As noted above, we support the Consultation proposal, but would advocate for a further transitional period beyond one year. This would give CREs further time in which to develop their systems to address the current challenges faced when obtaining sufficient reliable data to support disclosures that are subject to assurance.
19. While we note the XRB's position that CREs' systems should develop rapidly given the speed at which the reporting of scope 3 GHG emissions has developed globally, we

believe that listed CREs, particularly medium sized issuers who are subject to the CRD regime would benefit from a longer time period to mature their systems.

20. We also note our comments in response to question 1 in relation to the availability of an Australian peer data set.

Q4: Do you agree with Proposal 3 to extend Adoption Provision 2 for anticipated financial impacts from one accounting period to two accounting periods?

21. We support the proposal to extend the relief under Adoption Provision 2 for anticipated financial impacts for a further accounting period. We would also support this relief being extended for a longer period.
22. We consider that relief in this area is appropriate for the reasons outlined in the Consultation, including that extending the timeframe for reporting will better enable issuers to develop processes to gather this information and allow broader market practice to evolve, given the significant uptake of the transitional relief provision for the first year of CRD reporting.

Q5: Do you agree with Proposal 4 to extend Adoption Provision 3 for transition planning from one accounting period to two accounting periods?

23. Consistent with our views in relation to question 4, we support the XRB's proposal to extend the availability of the adoption provision from one to two accounting periods, noting that the Australian regime will require transition planning disclosures in climate statements for Group 1 Australian reporting entities for financial years commencing on 1 January 2025. We also support a further extension to the availability of the adoption provision for an additional accounting period.
24. The significant uptake of the adoption provision by CREs in the first year of providing CRDs, indicates that this is an area that is particularly challenging for CREs due to the lack of guidance in this area, or evolved broader market practice. In order for better quality disclosures to be made available, we support CREs being provided with sufficient time in which to develop strategic processes to inform these disclosures.

NZX CGI endorsement

25. As an outcome of NZX's 2022 review of the NZX Corporate Governance Code, NZX convened the [NZX Corporate Governance Institute \(NZX CGI\)](#), to assist NZX in developing regulatory policy relating to the corporate governance practices of issuers on the NZX Main Board. The NZX CGI is comprised of members who represent a broad section of the market, including members representing institutional and retail investors, corporates, experienced board directors and academia. The NZX CGI endorses the XRB's Consultation proposals which will enable CREs to provide better quality and more



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robust disclosures. Some NZX CGI members are supportive of the views of NZX set out in this submission, and will be providing their own submission responses to the Consultation.

Next steps

26. Thank you for the opportunity to provide this submission, and or your engagement on these matters with NZX. We would be happy to discuss any aspect of this submission further with you.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Mark Peterson'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Mark Peterson
Chief Executive Officer