

Submission

to the

Financial Markets Authority

on the

Consultation: *Climate-related disclosures timing challenge*

7 August 2023



About NZBA

1. The New Zealand Banking Association – Te Rangapū Pēke (**NZBA**) is the voice of the banking industry. We work with our member banks on non-competitive issues to tell the industry's story and develop and promote policy outcomes that deliver for New Zealanders.

2. The following eighteen registered banks in New Zealand are members of NZBA:
 - ANZ Bank New Zealand Limited
 - ASB Bank Limited
 - Bank of China (NZ) Limited
 - Bank of New Zealand
 - China Construction Bank
 - Citibank N.A.
 - The Co-operative Bank Limited
 - Heartland Bank Limited
 - The Hongkong and Shanghai Banking Corporation Limited
 - Industrial and Commercial Bank of China (New Zealand) Limited
 - JPMorgan Chase Bank N.A.
 - KB Kookmin Bank Auckland Branch
 - Kiwibank Limited
 - MUFG Bank Ltd
 - Rabobank New Zealand Limited
 - SBS Bank
 - TSB Bank Limited
 - Westpac New Zealand Limited

Contact details

3. If you would like to discuss any aspect of this submission, please contact:

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Introduction

4. NZBA welcomes the opportunity to provide feedback to the Financial Markets Authority (**FMA**) on the Consultation: *Climate-related disclosures timing challenge* (**Consultation Paper**). NZBA commends the work that has gone into developing the Consultation Paper.

Expansion of class exemption to registered banks

5. NZBA submits that the timing issues raised in the Consultation Paper are equally applicable to registered banks, and that the proposed class exemption should be expanded to apply to registered banks.
6. As noted in the Consultation Paper, registered banks' disclosure statements are the equivalent of listed issuers' annual reports. While disclosure statements must be completed within three months of the balance date under the relevant Order in Council, banks often produce them earlier for practical reasons.
7. The production of bank disclosure statements is a mature process that has developed over the years that this reporting has been in place. New climate reporting will be more challenging to produce in the same timeframes, especially in the first two years. The impact of not having the exemption will be a reduction in time to complete calculation and analysis once the final portfolio figures are available at the balance date, and will also condense the review time available for third party assurance providers and bank boards.
8. In our view, the nature of financial reporting is different to climate reporting, with financial reporting being able to be prepared based on earlier figures and updated for the balance date figures. In contrast, for example, climate reporting will require the balance date portfolio to be confirmed to complete financed and operational emissions calculation and auditing.
9. Further to the above, a climate-reporting entity's (**CRE**) ability to prepare its emissions calculations is heavily dependent on the timely disclosure of required data by third parties (such as service providers) and may therefore be subject to delays that may be out of the control of the CRE. For example, a CRE may need to rely on its landlord to provide relevant data when calculating its operational emissions.
10. In addition, some CREs with global parents may need to change their current climate reporting periods to align with new XRB reporting standards. This is, in our view, likely to lead to an adjustment period, where a CRE may need to change its internal timeframes and will therefore have less time than it previously had to collate its emissions data (which, as noted in paragraph 9 above, is largely dependent on third parties).



11. An allowance to use the full four-month window in the first two years of reporting would, in our view:
 - 11.1. Promote confident and informed participation by allowing the new reporting of climate-related disclosures to be considered and finalised separately from the time pressure to complete existing reporting. As these reporting requirements are new, there may be unexpected issues for CREs to consider as publication approaches.
 - 11.2. Allow time for international banks to better align their local reporting with updated disclosures made by their global parents. We consider this is likely to increase the international consistency, and therefore understandability, of information presented in local reporting. We note that a number of international banks have 31 December balance dates. Given the shut-down of many professional service firms over the Christmas and New Year period, completing climate-related disclosures within the currently required timeframe presents further challenges.
 - 11.3. Assist CREs to collect all applicable financed and operational emissions data (including that which must be retrieved from third parties) within the required timeframe while affected entities establish efficient and timely procedures to exchange this data.
 - 11.4. In the second year, allow the audit of greenhouse gas information to occur outside the peak workload of financial audits, and may allow for reduced compliance costs.
12. NZBA also submits that a short delay in reporting for the first two years of the new regime should not materially change the timeliness of the information presented, or alter the likely readership rates.

Relationship with existing exemption for foreign listed issuers

13. NZBA notes that the FMA consulted in March – April 2023 on [proposed exemptions for foreign listed issuers from climate reporting duties](#) under part 7A of the Financial Markets Conduct Act. We understand that the FMA has since agreed, in principle, to grant full and partial exemptions to certain foreign exempt issuers (**NZX FEIs**), being companies that are listed on a recognised foreign exchange and have a secondary listing and foreign exempt issuer status on the NZX. The resulting exemption notice has not been published as at the date of this submission.
14. In accordance with the proposed NZX FEI exemptions, there will be partial relief for CREs that are NZX FEIs and have significant business operations or investments in New Zealand, so that the CREs will only be required to report on their New Zealand business operations or investments.



15. There may be, in our view, a small number of NZX FEIs (such as international banks) that may wish to rely on both the NZX FEI exemption and the timing exemption contemplated in this Consultation Paper.
16. From a practical perspective, NZBA considers that it would be desirable for both exemption notices to be drafted consistently, so they can operate in parallel. This will allow CREs that qualify for both exemptions to rely on both (if they choose to do so).

Conclusion

17. NZBA is happy to provide further detail on the above submission if useful.