



OCTOBER 2023

Summary of key themes

An overview of feedback received as part of consultation on the proposed guidance and expectations for keeping proper climate-related disclosure records

Contents

Executive summary	2
Introduction	2
Submissions	2
Review approach	3
Summary of themes	4
Overarching feedback	4
Feedback themes and our response	4
Other matters	10
Other matters and our response	10
Appendix: Written submissions	15

Executive summary

Introduction

In June 2023 we published a consultation paper, [Guidance and expectations for keeping proper climate-related disclosure records](#) (the 'draft guidance'), seeking input from climate reporting entities (CREs) and other interested parties.

The draft guidance set out:

- our expectations for compliance with the (then) draft record keeping regulations; and
- important principles and good practice examples for creating, keeping, and maintaining proper records to show that a CRE's climate statements comply with the climate-related disclosures regime (CRD regime).

The CRD regime includes:

- the legislative requirements in Part 7A of the Financial Markets Conduct Act 2013 (FMC Act);
- the reporting standards set out in the Aotearoa New Zealand Climate Standards (collectively referred to as the 'CRD Framework'):
 - Aotearoa New Zealand Climate Standard 1 (NZ CS 1);
 - Aotearoa New Zealand Climate Standard 2 – Adoption of Aotearoa New Zealand Climate Standards (NZ CS 2);
 - Aotearoa New Zealand Climate Standard 3 – General Requirements for Climate-related Disclosures (NZ CS 3).
- the record keeping regulations (the Regulations) enacted on 2 October 2023 by the Ministry of Business and Innovation, which inserts a new Part 7A into the Financial Markets Conduct Regulations 2014.

For climate statements to be relied upon to achieve the purpose of the CRD regime, they must be supported by proper records. Records support the accuracy and legitimacy of climate statements, including substantiating how the CRD Framework has been applied. Proper records help CREs and their directors demonstrate compliance with their legislative duties and obligations.

Submissions

We would like to thank all submitters for their feedback on the draft guidance. We received 11 written submissions (the submissions) and two verbal submissions, from the following stakeholders:

- New Zealand Banking Association
- AIA New Zealand
- Office of the Auditor General
- Financial Services Council
- Insurance Council of New Zealand

- Chartered Accountants Australia New Zealand
- New Zealand's Stock Exchange (NZX)
- Deloitte
- Mercury New Zealand
- Fonterra
- Summerset New Zealand
- The Corporate Trustees Association
- The Reserve bank of New Zealand (RBNZ)

We appreciate the points raised and the effort put into each submission.

The written submissions we received are included in the appendix of this document.

Review approach

We have used feedback in the submissions to help us arrive at final guidance.

This report groups the points raised in the submissions into the following themes:

1. The focus and purpose of the appendices;
2. Whether aspects of our monitoring plan should be incorporated into the final guidance;
3. Whether record keeping processes and controls should be centralised;
4. Assessing climate-related risks and opportunities as part of a broader risk management framework;
5. Comprehension of records by someone without previous knowledge;
6. Format of records;
7. Whether there is a potential bias toward using third parties; and
8. Other areas that could be included in the final guidance.

We have provided our response to each theme and explained where we have amended the guidance. If we have not amended the guidance, we have given reasons for this.

We have also included miscellaneous points raised by submitters and our response to them.

Summary of themes

Overarching feedback

Most submitters supported our approach to the draft guidance, including the general principles and considerations and the appendices. They told us the draft guidance provided useful information to help them understand their record keeping obligations.

We respond to specific feedback as follows:

- Feedback themes: key issues raised in three or more submissions; and
- Other matters: matters raised in the feedback in one or two submissions only.

Feedback themes and our response

1. The focus and purpose of the appendices

Most submissions supported the overall approach to the draft guidance, including the level of detail in the appendices.

However, seven submitters were concerned that the appendices could result in:

- interpretation of the examples as mandatory requirements rather than illustrations;
- interpretation of the examples taken together as a necessary minimum for compliance, resulting in CREs taking a minimum compliance or 'tick-box' approach; and
- regulatory overburden, particularly for smaller CREs, if they try to comply with all the examples.

Submitters told us we should make the purpose and intention of the examples clearer to help avoid misinterpretation.

FMA response

As stated in the draft guidance¹, the examples are provided purely for illustration. They are guidance only and do not impose requirements. They are also not exhaustive.

The purpose of the examples in the appendices is to:

- illustrate the level of rigor and robustness of record keeping that we expect from CREs to ensure their climate statements are credible, and
- provide practical and useful information for CREs on how to substantiate their disclosures.

The CRD regime introduces new obligations for CREs. Some will never have been subject to non-financial reporting requirements of this kind before. There is also a diverse range of people from varying professional backgrounds, in-house and external, working to produce climate statements. This is in contrast to financial reporting where record keeping practices and accounting expertise has developed over decades. We are

¹ Appendices of the guidance (page 12).

therefore mindful of the risk that some CREs and their climate reporting personnel may have much less understanding than others of how to substantiate their climate statements with appropriate supporting records. Our final guidance provides a wide range of examples of climate related disclosure (CRD) record keeping to improve that understanding.

We appreciate feedback that some CREs may nonetheless interpret the examples as mandatory, or as a minimum necessary for compliance, and we agree it would be helpful to emphasise more strongly in the final guidance the purpose and intention of the appendices and examples.

We have inserted an additional page at the start of the appendices explaining that the examples are not a prescriptive list, nor are they a minimum standard of record keeping, and that they are illustrative only.

2. Whether aspects of our monitoring plan should be repeated in the final guidance

Eight submitters told us it will be a challenge to meet the requirements of the regime in the early years, and that the final guidance should repeat and emphasise statements made in our [monitoring plan](#) that we will take an educative and constructive approach to monitoring in those early years rather than a strict compliance approach.

FMA response

We have intentionally differentiated our [monitoring plan](#) from other CRD guidance. Over time that document will be updated as our expectations change. In order to avoid duplication and updating multiple documents over time, we have decided to keep the documents separate.

The final guidance contains baseline principles and expectations (with illustrative examples) for record keeping practices, whereas our monitoring approach explains how we will monitor the entire CRD regime (including but not limited to record keeping obligations). The monitoring plan sets out areas of focus for each year of monitoring.

3. Whether record keeping processes and controls should be centralised

Seven submitters were concerned that our expectations are too stringent in respect of maintaining CRD records with an effective system of controls and/or having appropriate protections and safeguards.

Some think we are indicating these processes should be centralised, which in their view does not reflect commercial reality.

FMA response

It is important that CRD records are maintained with an effective system of controls, and that there are appropriate protections and safeguards in place.

We do not expect this to be in a centralised or separate CRD system. Instead, the design and implementation of an effective system of record keeping controls should be relevant to the nature of each CRE's operations.

In many cases, existing systems and controls may be able to be relied on. However, we highlight that the nature of CRD records and their underlying processes are different to financial records. There may be well-established systems and controls in place for financial records that will also cover certain kinds of CRD

records, but CREs should be careful to identify new controls they may need for other kinds of CRD records (e.g. greenhouse gas case inventory management).

We agree that some of the wording in the final guidance could be clearer about our expectations in this area.

We have removed the words *‘to support easy and timely access, entities should consider maintaining a central repository for all records as part of their control system. This will minimise risk and support consistency and continuity’* because this risks implying that we expect CRD records to be centralised.

We have added explanatory lines into the final guidance: *‘The form of this system of controls will vary based on the nature of the business and operations. For example, the record keeping controls could be part of an established system of controls integrated within a wider financial reporting process, or they could be newly developed and part of a centralised CRD-specific system’*.²

4. Assessing climate-related risks and opportunities as part of a broader risk management framework

Three submitters interpreted the draft guidance as implying that assessment of climate-related risks and opportunities should be a standalone exercise, with its own processes and procedures. They did not identify which parts of the guidance they drew this inference from.

Two of those submitters said they think the draft guidance is in contrast to the Reserve Bank of New Zealand’s (RBNZ) view in its *Managing Climate-related Risks* guidance that *‘entities can manage climate-related risks within their broader risk management framework and we view this as best practice in New Zealand’*.³

FMA response

The examples in the appendices are designed to show how disclosures *could* be substantiated and are guidance only. They do not create any obligation on CREs to adopt a particular process.

CREs will need to determine their own approach for assessing climate-related risks and opportunities, based on the size and nature of their business and operations. For some, this *could* mean integrating that assessment into their broader risk management framework. For others, a separate process may work better.

We acknowledge RBNZ’s view of best practice for the entities it regulates. Those CREs should also consider RBNZ’s guidance when designing and implementing their own climate-related risk management processes.

We have reviewed and amended our examples in the appendices to ensure we have provided a range of examples, including some on integrating climate-related risk management into a CRE’s broader risk management framework.

5. Comprehension of records by someone without previous knowledge

Four submitters expressed concern that the statement in the draft guidance that *‘CRD records should be written in a way that is easy to understand and interpret without previous knowledge, by anyone who uses*

² Into Principle 5 of the guidance: CRD records must be maintained within an effective system of controls (page 10).

³ [RBNZ Managing Climate-Related Risks guidance](#)

and/or is entitled to inspect those records⁴’ goes further than the legal obligations in section 461Y of the FMC Act and clause 252A of the draft Regulations available at the time of consultation. They asked for more explanation in the final guidance.

FMA response

We agree with this feedback and have updated the wording to “we expect that CRD records will be written in a way that is able to be interpreted by a third party who uses and/or is entitled to inspect those records.”

6. Format of records

Seven submitters gave feedback about the format of the records the draft guidance recommends.

Some had specific concerns about our expectation to be able to “request records in a standardised, regular format once our monitoring approach has settled into a steady state of proactive risk-based sampling and more detailed review procedures⁵.” Our monitoring plan says this ‘steady state’ will be achieved as early as 2026. Submitters believed it will require greater investment in technology for CREs to be ready to meet the FMA’s format expectations by this time. Submitters asked for more explanation of our expectations in this respect, so they can plan accordingly.

We also received feedback that we should reconsider the guidance relating to the section ‘CRD records must be readily identifiable and comprehensible⁶.’ Considerations raised included:

- Some CRD records are likely to be extensive and may not be ready to be in a format that is immediately comprehensible or can be shared. For example, technical records may need further explanation or reformatting before they are ready for review (such as GHG records or data feeding into published metrics).
- Many internal hyperlinks (e.g. to an internal SharePoint site) are unlikely to work when transferred to an external party, so underlying documents may need to be provided separately if requested (which will take time/resource). Therefore, the proposed requirement of ensuring that formulas, references, and hyperlinks within a document must always work may be practically challenging.

FMA response

We have considered the consultation feedback and made the following changes:

- Removing references that suggest accessibility and production of records should be ‘easy’ from the sentence this “means that CRD records should be ~~easy to access~~ accessible, kept in an organised manner, and in a form that can be easily produced for others who are entitled to inspect them”.
- Adding the words ‘or can it be converted into a format’ and replacing the word effectively to “readily” into the sentence “is it in a format, or can it be converted into a format, that can be readily shared and made available for inspection?”.
- Amending the paragraph specifying details of the form of records to state (new wording underlined): “special consideration should be given to a CRD record that is a workpaper document (e.g. a spreadsheet) to ensure formulas and references that support any relevant calculations always work. If

⁴ Principle 1 of the guidance.

⁵ Principle 3 of the guidance.

⁶ Principle 1 of the guidance.

hyperlinks (to information either within or outside of the document) are used, CREs should ensure they remain unbroken, or otherwise attach the underlying supporting information separately in a form that also meets our expectations in this guidance. If quantitative models have been used, consider the format in which the model can best be shared for inspection.”

However, these refinements in the final guidance do not alter the requirement in the Regulations that all records must be readily identifiable and comprehensible following a request by a person referred to in section 461Y of the FMC Act (which includes the FMA).

It should be noted that the final record keeping Regulations were enacted after we published the draft guidance for consultation. The Regulations are in a different form to the exposure draft regulations upon which our draft guidance was based, which means there is new content related to the Regulations in our final guidance. Some of that content relates to the format of records, where there is a new requirement that records be provided electronically.

Regulation 252C requires CREs to provide records to a requester’s electronic address. We have set out in our final guidance that we expect records to be provided to us in electronic format, and that we will work with CREs on a case-by-case base for instances in which records may need to be provided in another format.

However, we are clear in the final guidance that we expect CREs to maintain copies of all records in electronic form as a safety measure, as hardcopy records are more vulnerable to damage and loss. CREs will then be ready to comply with the new requirement for electronic record provision should we make a request for records that are kept in another format.

7. Whether there is a potential bias toward using third parties

Four submitters think the draft guidance encourages the outsourcing of work to third-party providers. Principally, they think this is because some of the examples in the appendices refer to third parties and/or using their outputs instead of using internal resource.

FMA response

There are multiple examples in the appendices referring to third parties. Our intention is not to incentivise the use of third parties, but to provide a wide range of examples. This does not mean that a third party must be used in a particular circumstance. We reiterate that the examples are illustrative only.

We have added wording to emphasise the illustrative purpose of the examples (refer to theme 1 above). We have also reviewed the examples in the appendices and made other amendments, including revising some examples to include using an internal resource, and not just external, so that they are more balanced.

8. Other areas that could be incorporated in the final guidance

Seven submitters noted other aspects of record keeping that could be incorporated into the final guidance, including records that relate to:

- the adoption provisions within NZ CS 2;
- the risk management disclosures within NZ CS 1 paragraphs 19(b) – (e);
- the metric categories within NZ CS 1 paragraphs 22 (b) to (h); and

- further detail about scope 3 GHG emissions and consideration of the value chain, specifically encompassing the insurance industry.

FMA response

We agree it would be helpful to include guidance on records relating to the adoption provisions in NZ CS 2 to assist CREs in preparing their disclosures for the next reporting year, and we have made additions to the final guidance accordingly.

We have excluded the other areas from the final guidance because we expect these will vary depending on the nature of the CRE (especially metrics and consideration of the value chain), so generalised guidance will not be helpful.

Other matters

Other matters and our response

We have summarised miscellaneous matters raised in the feedback (i.e. matters raised by one or two submitters only) and set out our responses below.

Voluntary reporting

One submitter commented that the FMA should recognise in the final guidance that records related to early voluntary reporting may be less detailed and more difficult to collate, as the records will have been created prior to the publication of both the final guidance and Regulations.

FMA response

We do not monitor voluntary reporting and will not request records relating to past voluntary reporting as part of our monitoring of compliance with mandatory climate disclosure requirements. We have therefore not included information about voluntary reporting records in the final guidance.

Nature of reporting entity

One submitter suggested that the final guidance should acknowledge that for managers of managed investment schemes (MIS Managers), the burden of responsibility for preparing climate statements falls on the MIS Manager, whereas the subject of the climate statements is each fund within the scheme. This is in contrast to non-MIS Manager CREs, which report directly on their own activities, risks and opportunities. The final guidance should acknowledge this difference, including where referring to “Climate Reporting Entities”, and reflect it in the principles and examples where possible.

A related comment suggested that, because MIS Managers are required to produce climate statements for each fund in the scheme⁷, it may be helpful if the final guidance makes clear that materiality assessments should be conducted at the fund level.

FMA response

We acknowledge the important distinction for MIS Managers, which are required to produce climate statements for each fund within their scheme or schemes. We have referenced this point in the final guidance, including in some of the examples in the appendices.

We also acknowledge the point regarding materiality assessments for MIS Managers and have added a reference to this effect in the final guidance⁸.

⁷ Section 461ZC of the Financial Markets Conduct Act (2013).

⁸ Into Principle 4 of the guidance: CRD records must provide evidence of materiality considerations (page 9).

Comparison to accounting records

One submitter suggested that we should align our expectations for CRD records with our [Guidance and expectations for keeping proper accounting records, published in February 2023](#). They also noted that the CRD regime is not yet well established, and is much less mature than financial reporting, yet some of the examples appear to go beyond what would be expected in a financial reporting context. They pointed to emails and internal comments as examples that were described in the draft guidance as CRD records but were not referenced in the FMA's accounting records guidance.

FMA response

In preparing the draft guidance, we considered the [Guidance and expectations for keeping proper accounting records](#) and aligned expectations where appropriate. However, CRD records, which underpin an entirely new kind of non-financial reporting, and accounting records, which underpin financial reporting, are fundamentally different in nature. In some cases, CRD records may derive from a broader range of sources (e.g. when assessing a CRE's value chain), so a broader range of record types will be appropriate.

Due to the immaturity of the CRD regime, it has been necessary to provide more detailed guidance than we have for accounting records, to help CREs understand their new obligations. Our monitoring plan describes the phased approach we are taking for the CRD regime (refer to theme 2 for further context on this point and the interaction of our monitoring approach to CRD and record keeping).

Using sector-based scenario analysis

One submitter commented that we should provide more clarity about our expectations on the use of sector-based scenarios developed through third-party collaboration. This submitter noted that not all CREs will have been involved in the development of sector-based scenarios, nor will they necessarily have access to the underlying data and assumption records, so we should provide more information in the final guidance about our expectations around their use and how we expect CREs to incorporate them into their record keeping.

FMA response

The records retained should directly support the disclosures in a climate statement.

The scenario analysis disclosure requirement on paragraph 13 of NZ CS1 is focused on the scenario analysis *process*. We therefore expect disclosures to be made about the level of involvement in third-party collaboration efforts, and underlying records kept accordingly.

For example, if the disclosure states that there was involvement in the sector-level scenario creation process, we would expect more detailed records to substantiate this. On the contrary, if a disclosure states that there was no involvement and the sector-level scenarios were used at face value as a basis for further development of entity-specific scenarios/climate-related scenarios, then we would not expect to see records of sector-level scenario creation.

Examples focus too heavily on scenario analysis

One submitter commented that the final guidance should focus less on scenario analysis in examples in the appendices, and more on the climate risk assessment process. The submission raised a concern that the

emphasis on scenario analysis presents scenario analysis as the main tool for assessing climate risk, and this may lead CREs to invest more time in scenario analysis than in wider climate risk assessment processes.

FMA response

Both scenario analysis and assessment of climate risks and opportunities are requirements of the CRD regime. Scenario analysis is just one way to identify climate-related risks and opportunities. It is not the intention of the guidance to influence or endorse any one approach over another.

We recognise that the scenario analysis section of the guidance is lengthy. This is because it covers all the disclosure requirements relating to scenario analysis across NZ CS 1 and NZ CS 3, including the defined terms of 'climate-related scenario' and 'scenario analysis'. We think it is important to provide guidance on the disclosure framework and to give examples in line with the External Reporting Board (XRB) guidance on the scenario analysis process.

In light of this feedback, we have broadened the examples to include use of a climate risk and opportunity assessment to ensure a wide range of examples.

Expectations about historical records

Two submitters sought clarification of our expectations about keeping records that were created prior to the record keeping requirements coming into effect, and which might be relevant to substantiate a CRE's climate statements within the first reporting year.

FMA response

This is a temporary issue relating to the first reporting year only. We have therefore not updated the final guidance to address it.

We expect reasonable efforts to be made to substantiate disclosures, which may include retaining records produced before the commencement of the CRD regime. However, we emphasise that we will take a broadly educative and constructive approach to monitoring compliance in the early years of the CRD regime, per our monitoring plan.

Categorisation of examples

One submitter suggested that we categorise the examples in the appendices to make the final guidance clearer and more accessible to specific groups of CREs.

FMA response

We acknowledge that some of the examples are relevant to specific types of CREs such as MIS Managers, but the majority are relevant to any type of CRE. We consider that the examples are more easily followed when grouped according to theme or disclosure standard, and we have therefore decided not to group the examples according to CRE type.

Clarification about the requirement for CRD records to be made available in accordance with the request

Two submitters asked that we include the factors that we would consider relevant to determining what is an appropriate amount of time for a CRE to respond to a record request.

FMA response

As noted earlier, the final record keeping Regulations were enacted after publication of our draft guidance for consultation and are in a different form to the exposure draft regulations upon which our draft guidance was based.

The new regulation 252C prescribes a default timeframe of five working days for CREs to respond to a request for records.

However, it also allows for the CRE and requester to reach agreement for an alternative timeframe if necessary. We will take a reasonable and collaborative approach to arriving at an alternative deadline in those cases. Factors we could consider include the nature of the particular issues we are monitoring, the extent and complexity of associated records, and whether we suspect serious misconduct. We have added wording to the final guidance to this effect.

Records hosted by a third-party provider

One submitter suggested that we add the word 'hosted' to the second bullet in Principle 7 to cover cloud-based hosting services, so that the bullet point reads "*records hosted or produced by a third-party provider should remain accessible for the timeframe prescribed in section 461X of the FMC Act, irrespective of whether the contractual relationship with the third party has expired.*"

FMA response

We agree and have made this amendment.

Underlying data related to third party providers

One submitter commented that we should recognise in the final guidance that some third-party providers advising CREs will themselves be accessing third-party data to generate outputs for the CRE client. It may therefore be unreasonable to expect the CRE itself to have access to that third-party data (e.g. transition risk modelling across an investment portfolio, IPCC reporting, NIWA data, or industry surveys) and such records should be maintained by the relevant third party instead.

This submitter also suggested it would also be useful for us to link the separate information sheet on the use of third-party CRD providers in the final guidance.

FMA response

We disagree that changes to the final guidance are required in this respect.

CREs must have access to records (regardless of who stores them) that substantiate their disclosures, and be able to provide those records on request.

If transition risk modelling across an investment portfolio has informed and underpins disclosures in a climate statement, we would expect that modelling and its underlying data to be available to prove the disclosure. IPCC reporting is publicly available, and we would expect a CRE to be able to provide a record of it – similarly NIWA data and other industry surveys if they have been relied upon to make disclosures.

There is already a link provided in the guidance to our information sheet [Climate-related disclosures regime and the use of third-party providers](#).

Appendix: Written submissions

1. AIA NZ
2. Chartered Accountants Australia and New Zealand
3. Deloitte
4. Financial Services Council
5. Fonterra
6. Insurance Council of New Zealand
7. Mercury NZ Limited
8. New Zealand Banking Association
9. NZX
10. Office of the Auditor-General
11. Summerset Group Holdings Limited



AIA House,
74 Taharoto Road,
Takapuna,
Auckland 0622
-
Private Bag 92499,
Victoria Street West,
Auckland 1142

Phone (Int.) +64 9 487 9963
Freephone 0800 500 108
-
enquireNZ@aia.com
aia.co.nz

4 August 2023

Financial Markets Authority
Level 5, Ernst & Young Building
2 Takutai Square
Britomart
Auckland 1010

By email: consultation@fma.govt.nz
Copy to: [REDACTED]

CONSULTATION PAPER - PROPOSED GUIDANCE AND EXPECTATIONS FOR KEEPING PROPER CLIMATE-RELATED DISCLOSURE RECORDS

This submission is made on behalf of AIA New Zealand Limited and its related entities (together **AIA NZ**). It relates to the Financial Markets Authority – Te Mana Tātai Hokohoko (**FMA**) July 2023 Consultation paper on the proposed guidance and expectations for keeping proper climate-related disclosure records (**Draft Guidance**) under the Financial Markets Conduct Act 2013 (**FMCA**), the Aotearoa New Zealand Climate Standards (**NZ CS**), as well as the exposure draft of the Financial Markets Conduct (Climate-Related Disclosures) Amendment Regulations 2023 (**Draft Regulations**).

About AIA NZ

AIA NZ is a member of the AIA Group, which comprises the largest independent publicly listed pan-Asian life insurance group. AIA Group has a presence in 18 markets in Asia-Pacific and is listed on the Main Board of The Stock Exchange of Hong Kong. It is a market leader in the Asia-Pacific region (excluding Japan) based on life insurance premiums and holds leading positions across the majority of its markets.

Established in New Zealand in 1981, AIA NZ is New Zealand's largest life insurer and has been in business in New Zealand for over 40 years. AIA NZ's vision is to champion New Zealand to be the healthiest and best protected nation in the world.

AIA NZ offers a range of life and health insurance products that meet the needs of over 815,000 New Zealanders. AIA NZ is committed to an operating philosophy of *Doing the Right Thing, in the Right Way, with the Right People*.

AIA NZ is a prominent member of the Financial Services Council (**FSC**).



Key submission points

AIA is a signatory to the United Nations Global Compact (**UN Global Compact**) and reports annually on AIA's progress toward the UN Global Compact Ten Principles, as well as the Task Force on Climate-related Financial Disclosures (**TCFD**). AIA has committed to achieving net-zero greenhouse gas (**GHG**) emissions by 2050 within the Science Based Targets initiative, a global body enabling businesses to set ambitious emissions reduction targets in line with the latest climate science.

AIA NZ is a climate reporting entity (**CRE**) under Part 7A of the FMCA. We continue to support the development of a mandatory climate-related disclosure framework and the ongoing work by the Reserve Bank, FMA and the External Reporting Board (**XR**B) to raise awareness of climate change and climate risk, ensuring Aotearoa New Zealand's financial services sector is well-equipped to manage climate impacts itself but also encourage sustainable business practices and investments for all New Zealanders.

Overall AIA NZ believes the general principles and considerations set out in the Draft Guidance provides clarity to CREs as to the FMA's approach to assessing CREs' compliance to their record keeping obligations. Our full submission is set out in the **attached** feedback form in which we only respond to questions posed by the FMA where we can provide a view. Our key points are summarised below:

- It is generally expected that there would be a short lead time for CREs to comply with the Draft Guidance. This tight timeframe could make compliance problematic and costly for most CREs, who are already in their first reporting period. CREs likely would need to invest time and considerable resource to align existing record keeping processes to comply with the Draft Regulations. This is further complicated where CREs' data is recorded across multiple systems, or where a CRE's internal record keeping policies prescribe data storage at business function level, taking into account the suggestion in the Draft Guidance of storing climate-related records in a central repository.
- AIA NZ thinks that clarification and detailed information is needed on what the FMA means by requesting records in a 'standardised, regular format' once the climate-related disclosures (CRD) regime is in a 'steady state.' CREs need to plan any technological development that may be required to align with expectations.. We propose that the Draft Guidance include clear direction that, during the period prior to a 'steady state' CREs will be allowed a longer timeframe for responding to requests for CRD records.
- AIA NZ supports the RBNZ's approach that climate change manifests through conventional business risks and that climate risks should be included in the broader risk management framework. The FMA should specify whether it aligns with this approach as certain aspects of the draft Guidance implies that climate risks should be treated as stand-alone risks within a separate framework.

AIA NZ also contributed to the submission from the FSC.



We would be pleased to discuss any questions you have on this submission, and we would welcome the opportunity to collaborate or consult further with the FMA as it considers the next steps.

Yours sincerely

[Redacted signature block]



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 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:	4 August 2023	Number of pages:	6
Name of submitter:	[REDACTED]		
Company or entity:	AIA New Zealand Limited		
Organisation type:	Life Insurer		
Contact email and phone:	[REDACTED]		

Question number	Response
1.	<p>Overall AIA NZ believes the general principles and considerations set out in the Draft Guidance provides clarity to CREs as to the FMA's approach to assessing CREs' compliance to their record keeping obligations. We agree with the FMA that sound record keeping practices would include that all documents and spreadsheets with embedded hyperlinks, formulas and references should remain unbroken and in working order.</p> <p>We agree with the FMA's acknowledgement that there is a short lead time for CREs to prepare for the CRD regime in its Information Sheet on Climate-related disclosures: initial monitoring approach for record keeping (Information Sheet). Therefore, should CREs be required to store detailed records in a central repository as part of the CRE's control system, we have concerns about the time, resource and expense it would take to implement the suggestion in the Draft Guidance of storing climate-related records. For example, climate-related obligations generally extend across various business functions of a CRE and a CRE's record-keeping policies may prescribe that records are stored at a business function level as opposed to a central repository.</p> <p>We think that more explanation on the requirement that records be easy to understand and interpreted "without previous knowledge" is required. For example, we find it difficult to reconcile this requirement with records such as actuarial assumptions and modelling relating to impacts on a CRE's business model that would not necessarily be easy to understand without previous knowledge.</p>



	<p>In addition, AIA NZ seeks more information to clarify what the FMA means by requesting records in a 'standardised, regular format' once the CRD regime is in a 'steady state.' The Draft Guidance states that in accordance with the CRD monitoring plan 2023 – 2026¹ the FMA expects the CRD regime to be operating in a 'steady state' for the reporting year commencing 2025. Without detailed information on what the FMA's expectations are in respect of 'standardised, regular format' of record keeping CREs are unable to meaningfully project and plan resourcing and cost estimation of any technological development that may be required to align with expectations.</p> <p>AIA NZ thinks the FMA should take note of the additional burden created by the requirements in the Draft Guidance and suggest that the FMA delay the 'steady state' of the CRD regime to the reporting year commencing 2026.</p>
2.	We have no comments on this question.
3.	<p>Overall the Draft Guidance, including the appendices, contains the appropriate level of detail.</p> <p>However, AIA NZ would like the FMA to provide further clarification on what the FMA means by requesting records in a 'standardised, regular format' once the CRD regime is in a 'steady state' as discussed in our response to question 2. In addition, we seek clarification on what would be considered a reasonable timeframe for providing CRD records, especially during the period leading up to the CRD regime being in a 'steady state.' For this reason, we propose that the Draft Guidance include clear direction that, during the period prior to a 'steady state,' CREs will be allowed a longer timeframe for responding to requests for CRD records.</p>
4.	<p>AIA NZ appreciates the detailed examples in the appendices. However, certain aspects of the draft Guidance should be clarified as it implies that climate risks should be treated as stand-alone risks within a separate framework.</p> <p>Conversely, The RBNZ's approach is clear "that entities can manage climate-related risks within their broader risk management framework, and we view this as best practice"². AIA NZ supports the RBNZ's approach that climate change manifests through conventional risks, whilst acknowledging that climate-related risks have several elements that distinguish them from other risks therefore making it essential to give them specific analytical consideration, without excluding them from the broader risk management framework. The FMA should specify whether it aligns with this approach as certain aspects of the draft Guidance implies that climate risks should be treated as stand-alone risks within a separate framework.</p>

¹ FMA Climate-related Disclosures Monitoring Plan 2023-2026

² RBNZ consultation paper for managing climate related risk published 29/03/2023



	We therefore encourage a closer alignment with the RBNZ's approach to climate-related risk reporting.
5.	<p>AIA NZ considers that the Draft Guidance will help CREs understand the robustness required under the CRD regime to ensure credibility and consistency of climate-related statements. However, as mentioned in our response to question 2 and 3, it is unclear what the FMA's expectations are in respect of requesting CRD records in a 'standardised, regular format' as stated in the Draft Guidance.</p> <p>AIA NZ notes the similarities in the FMA's expectations in regard to their Guidance for accounting record-keeping³, and this Draft Guidance. We appreciate that the CRD record-keeping obligations are mostly in line with record-keeping for financial and other disclosure obligations already in place.</p>
6.	<p>It is generally expected that the Draft Regulations will apply from the date that the Draft Regulations are made, and we understand MBIE expects this to be by the end of September 2023.⁴ This expected tight timeframe makes compliance problematic and costly for most CREs who are expected to be making changes now, especially given that most CREs are already in their first reporting period. As an illustration:</p> <ul style="list-style-type: none"> • CREs likely would need to invest time and considerable resource to align existing record keeping processes to comply with the Draft Regulations. This is further complicated where CREs' data are recorded across multiple systems, for example as a result of mergers and acquisition of existing books of business. • CREs in their first reporting period are already required to comply with record-keeping obligations and for some CREs this may require considerable additional time and effort as the initial understanding of record keeping may have been different to how it has been articulated in the Draft Regulations and Information Sheet when compared with this Draft Guidance.
7.	For the reasons set out in our response to question 4 we ask that the FMA aligns the examples in the appendices to the Draft Guidance with the RBNZ's expectations on incorporating climate-related risks with the broader CRE's risk management framework.
8.	We have no comments on this question.
9.	We have no comments on this question.
10.	We have no comments on this question.

³ FMA Guidance and Expectations for keeping proper accounting records, February 2023

⁴ MBIE Climate-related Disclosures Consultation Paper, Exposure Draft of the Financial Markets Conduct (Climate-Related Disclosures) Amendment Regulations 2023, June 2023 - p4, paragraph 1.7

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 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: 1 August 2023

Number of pages: 2

Name of submitter: [REDACTED]

Company or entity: Chartered Accountants Australia and New Zealand

Organisation type: Professional Accountancy Body

Contact name (if different):

Contact email and phone: [REDACTED]

Question number	Response
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	<i>We note that the general principles and considerations for keeping proper CRD records align with financial reporting requirements, which we support. However, we question whether the following statement, included within the principles, is realistic: 'CRD records should be written in a way that is easy to understand and interpret without previous knowledge'. We consider a basic knowledge base as necessary to interpret both financial and CRD records.</i>
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.	<i>We have not identified other principles or areas that should be included.</i>
Do you consider that this guidance, including the appendices, contains the appropriate level of detail? Please provide reasons for your answer.	<i>We do not consider the level of detail in this guidance appropriate. In comparison to the guidance provided for financial records, this guidance is overly detailed and, in our opinion, this level of detail may be overwhelming for CREs.</i>
Do you think the detailed examples in the appendices are useful? Please provide reasons for your answer.	<i>While we understand the aim of the detailed examples is to help show a range of records that may be kept by a CRE in fulfilling its record keeping duties, that there is a risk that these are interpreted as a list of records that CREs need to collect.</i> <i>The unintended consequence of this is that this could create a tendency for CREs to miss the overall objective of the standards and instead, take a 'tick the box' approach with collecting records as outlined in the appendices.</i>
Do you think this guidance will help CREs understand their record-keeping obligations? Please provide reasons for your answer.	<i>As outlined in our previous responses, we are unsure whether this guidance will help CREs. When reaching out to obtain feedback on this consultation, a CRE indicated that they had no capacity to read this draft guidance. We are concerned that the length and level of detail in this guidance acts as a barrier for those it is intended to help.</i>
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.	<i>As the XRB standards currently apply only a small cohort of businesses in New Zealand, the expectation is that they will be large enough to handle the related costs to meet the requirements of these standards. That said, we note that the level of records outlined in the guidance infers a high level of resourcing is available and would result in significant costs for these businesses.</i>

	<p><i>Alongside this, it may encourage more entities to outsource their reporting requirements due to the level of specificity and detail in the guidance. While we understand that outsourcing this work is permitted, in our view it is preferable for this work to be carried out in house where possible, as this approach is more likely to result in organisational change and an accelerated transition towards a low emissions future.</i></p> <p><i>Should the regime widen in the future, we suggest some of the examples within the appendix of the guidance will be difficult for smaller entities to achieve and may result in unnecessary compliance costs.</i></p>
Are there any additional matters that you think the guidance should address? If so, please provide details.	<i>As indicated, we think this guidance is already too detailed in nature so would not recommend extending the scope of this.</i>
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.	<i>No comment</i>
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).	<i>No comment</i>
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.	<i>No comment</i>
<p>Feedback summary</p> <p><i>We note that the timing and detail in this guidance has impeded the ability to get specific feedback. The timing of this consultation coincides with year-end processes for many CREs and this has affected their ability to provide feedback. These capacity constraints, coupled with the length and detail of this guidance, has meant that even reading this guidance was beyond the reach of a number of entities we contacted.</i></p> <p><i>We are concerned that although this guidance will have consequences for CREs, they do not currently seem engaged on the consultation. We are also concerned about the multiple consultations recently released, specifically focused on CREs, as well as the recently released guidance, which we note was not consulted on. All of these may have been missed by CREs and the volume of consultation may have caused some CREs to miss the most relevant ones for their contribution.</i></p> <p><i>We also make the point that as the practice of making climate-related disclosures matures over time, this guidance may need to be revisited and amended in due course. Alongside this, as noted earlier, if the regime broadens, the requirements in this guidance may be out of reach for smaller entities.</i></p>	
<p>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.</p>	
<p>Thank you for your feedback – we appreciate your time and input.</p>	

4 August 2023

Financial Markets Authority
Submitted electronically

consultation@fma.govt.nz

To whom it may concern,

Deloitte Submission on Proposed guidance and expectations for keeping proper climate-related disclosure records

Thank you for the opportunity to comment on the FMA's Consultation Paper: *Proposed guidance and expectations for keeping proper climate-related disclosure records*.

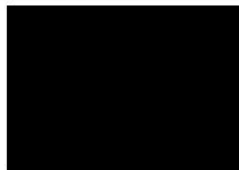
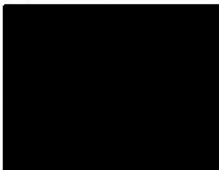
We agree with the FMA's proposed principles and considerations for keeping proper CRD records, as a means of providing clarity on the FMA's expectations regarding the type of documentation that CREs should consider retaining as a record of evidence. Some suggestions for enhancement are included in Appendices 1 and 2.

We also agree that the provision of some examples will help CREs to understand how to apply the principles in practice. However, we are concerned that the extent of detailed guidance may lead to unintended outcomes such as:

- CREs perceive the guidance as a checklist, which may result in a minimum compliance approach, compromising the quality of disclosures, or the level of innovation in terms of CREs' approach to disclosures.
- The level of detail provided in the guidance results in regulatory overburden as CREs seek to align with the guidance examples provided.

Included in Appendix 1 are our responses to the specific questions raised. Please do not hesitate to contact us should you require further clarification on any of the matters discussed.

Yours sincerely



Appendix 1

Feedback form		
Consultation: Proposed guidance and expectations for keeping proper climate-related disclosure records		
Date: 04 August 2023		Number of pages: 4
Name of submitter: [REDACTED]		
Company or entity: Deloitte Limited		
Organisation type: Chartered Accounting, Assurance and Advisory		
Contact name (if different): [REDACTED]		
Contact email and phone: [REDACTED]		
Question number	Question	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.	We agree with the FMA’s proposed principles and considerations [for keeping proper CRD records], as a means of providing clarity on the FMA’s expectations regarding the type of documentation that CREs should consider retaining as a record of evidence.
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.	<p>Principle 1 refers to requests by CREs under section 461Y of the FMC Act. We recommend that CREs also consider the needs of assurance providers (whether this be over parts of the CRD records or the financial statements, given the principle of coherence).</p> <p>We note that Principal 2 allows records to be kept in either of two languages. This raises the question of who would have the obligation to translate records if the third-party requester under legislation (or an assurance provider) was not proficient in that language?</p> <p>Principle 3 – We note that the FMA intends to request record in a standardised format. We are not sure how feasible this would be, so further analysis with CREs may be required.</p> <p>For Principal 4, we recommend that the second bullet point be amended to: “all records <u>hosted or</u> produced by a third-party ... has expired.” The proposed change is to cover cloud-based hosting services.</p>
3	Do you consider that this guidance, including the appendices, contains the appropriate level of detail? Please provide reasons for your answer.	<p>The examples are useful in providing detailed guidance on the type of documentation and evidence to retain on record for the purposes.</p> <p>We note, however, that the document focuses heavily on scenario analysis. Given the level of focus and detail provided in this section, CRE’s may feel compelled to seek third-party support to facilitate the process.</p> <p>We also note that the extent of detailed guidance may lead to unintended outcomes such as:</p> <ul style="list-style-type: none"> • CRE’s perceive the guidance as a checklist, which may result in a minimum compliance approach, compromising the quality of disclosures, or the level of innovation in terms of CREs’ approach to disclosures.

		<ul style="list-style-type: none"> The level of detail provided in the guidance results in regulatory overburden as CREs seek to align with the guidance examples provided.
4	Do you think the detailed examples in the appendices are useful? Please provide reasons for your answer.	<p>We have the following suggestions for enhancement:</p> <ul style="list-style-type: none"> When describing “... <i>the processes of the governance body being informed (e.g., meetings, emails, reports) and verify the frequency</i>”¹ we note that in addition to Board meeting minutes and standing agenda items, evidence of effective governance and oversight should be linked to a well-functioning risk management system that has been updated to accommodate climate risks. Evidence of a well-functioning control environment provides assurance that the governance body has oversight, to the extent that climate risk is routinely captured, assessed, managed, and escalated to the Board as appropriate, as would be the case with non-climate-related risks. In this regard, we would suggest that CREs be required to provide evidence that climate risk management is embedded into the existing enterprise risk management framework. The examples provided for NZ CS 1 paragraph 8(d)² imply that CREs are mandated to introduce such policies. We note that NZ CS 1 suggests that the use of climate-related performance-tied bonuses and/or remuneration is optional. <p>We also recommend that CREs provide evidence such as Board Charters and Committee/Sub-Committee Terms of Reference to reflect the responsibility of the Board or designated committee to provide oversight of climate-related risks and opportunities.</p> <ul style="list-style-type: none"> We note that the examples provided often point to third-party documents. We recommend that examples are included to evidence the review of third-party advice received by the CRE, as well as the CRE’s assessment of third-party provider competence prior to appointment. To avoid inference and to ensure neutrality we also suggest that the wording of the examples be reviewed and revised as needed. Examples for consideration are included in Appendix 2.
5	Do you think this guidance will help CREs understand their record-keeping obligations? Please provide reasons for your answer.	Yes.

¹ Refer pages 11 – 12 of the Proposed Guidance.

² Refer pages 13 – 14 of the Proposed Guidance: *How the governance body sets, monitors progress against, and oversees achievement of metrics and targets for managing climate-related risks and opportunities, including whether, and if so how, related performance metrics are incorporated into remuneration policies.*

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.	If the CREs are undertaking the processes as intended, the evidence will be readily available. However, as noted in point 3, the focus on scenario analysis may create confusion among CREs, presenting a risk that costs may escalate as CRE's feel compelled to seek third-party support to facilitate the process.
7	Are there any additional matters that you think the guidance should address? If so, please provide details.	<p>We are concerned that the document focuses too heavily on scenario analysis and presents scenario analysis as the main tool for assessing climate risk. This may create confusion among CREs.</p> <p>Scenario analysis is a useful process to contextualise the social, political, and economic contexts under which certain emissions pathways have formed; and to contextualise operating environments at the entity level. It is not, however, a substitute for a climate risk assessment, which entails the application of carbon constrained climate scenarios (for example, IPCC Shared Socio- economic Pathways for Physical risks; NGFS scenarios for transition risks) to test the CRE's exposure, sensitivity and adaptive capacity to varying degrees of global warming and the intensity and frequency of the associated climate hazard impacts, (the outcome of which provides the entity-level scenarios).</p> <p>The relatively high level of detail and focus on scenario analysis may lead CREs to invest more time in scenario analysis than the climate risk assessment process.</p>
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	<p>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:</p> <ul style="list-style-type: none"> • risk management in NZ CS 1 Paragraph 19 (b)-(e); and • metric categories in NZ CS 1 Paragraph 22 (b)-(h). 	No further matters noted.
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.	No.
<p>Feedback summary – if you wish to highlight anything in particular</p>		

Appendix 2

The first two columns are taken from the proposed guidance with our suggested changes in the right-hand column.

Description of how possible records could substantiate disclosure requirements	Example(s)	Proposed alternative / additional wording
Documents that substantiate the processes undertaken to identify current physical and transition impacts (Page 18)	N/A	Additional bullet point: <ul style="list-style-type: none"> External reports identifying new laws and regulations that may impact the CRE
Documents that substantiate the materiality analysis undertaken to assess the current physical and transition impacts identified (Page 18)	<ul style="list-style-type: none"> An internal report detailing an assessment undertaken to identify the current physical and transition impacts that had a material impact on the CRE during the relevant reporting period. 	Rephrase as follows: <ul style="list-style-type: none"> An internal report identifying <u>whether</u> the current physical and transition impacts that had a material impact on the CRE during the relevant reporting period.
Documents that substantiate how the current physical and transition impacts disclosed have impacted the CRE (Page 18)	<ul style="list-style-type: none"> Internal or third party reports detailing changes in customer demand over the past year in the CRE's markets because of changes in consumer attitudes towards the climate... 	Rephrase as follows: <ul style="list-style-type: none"> Internal or third-party reports detailing changes in customer demand over the past year in the CRE's markets <u>and consideration as to whether these changes were related to changing</u> because of changes in customer attitudes towards climate.
Documents that support the underlying data, calculations and methodologies used to measure progress against targets (Page 52)	<ul style="list-style-type: none"> Report from a third party provider that has reviewed the data or information (e.g. a report that includes their methodology on how they considered and checked the data quality) 	Rephrase as follows: <ul style="list-style-type: none"> Report from a third party provider <u>calculating progress against a target that has reviewed the data or information</u> (e.g. a report that includes <u>the results of their work, their methodology applied, and</u> on how they considered and checked the data quality).

Friday 4 August 2023

Climate Related Disclosures
Financial Markets Authority
Level 5, Ernst & Young Building, 2 Takutai Square,
Britomart, PO Box 106 672, Auckland 1143

Level 2, 1 Grey Street
PO Box 1179
Wellington 6140

By email: consultation@fma.govt.nz

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

This submission on the [Financial Markets Authority \(FMA\) proposed guidance and expectations for keeping proper climate-related disclosure records](#) (the Proposed Guidance) is from the Financial Services Council of New Zealand Incorporated (FSC).

As the voice of the sector, the FSC is a non-profit member organisation with a vision to grow the financial confidence and wellbeing of New Zealanders. FSC members commit to delivering strong consumer outcomes from a professional and sustainable financial services sector. Our 115 members manage funds of more than \$95bn and pay out claims of \$2.8bn per year (life and health insurance). Members include the major insurers in life, health, disability and income insurance, fund managers, KiwiSaver, and workplace savings schemes (including restricted schemes), professional service providers, and technology providers to the financial services sector.

Our submission has been developed through consultation with FSC members and represents the views of our members and our industry. We acknowledge the time and input of our members in contributing to this submission.

We welcome the opportunity to provide feedback on the Proposed Guidance and respond to the questions in the Consultation: Proposed guidance and expectations for keeping proper climate-related disclosure records (the Consultation Paper), noting we have removed the questions which our members have no comment at this time. Our submission focuses on concerns our members have around timing and potential compliance burden and requesting further clarity in some instances.

We welcome continued discussions and engagement and extend a further invitation to attend the FSC CRD Focus Group if this would be helpful. I can be contacted on [REDACTED] or [REDACTED] to discuss any element of our submission.

Yours sincerely

[REDACTED]
[REDACTED]
[REDACTED]

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.

In the FSC submission on the Ministry of Business, Innovation and Employment (MBIE) Climate-related Disclosures Consultation Paper and the Financial Markets Conduct (Climate-related Disclosures) Amendment Regulations 2023 (the Draft Regulations) dated 12 July 2023, the FSC submitted:

It is generally expected that the regulations will apply from the date that they are made, and we understand MBIE expects this to be by the end of September 2023. This expected date makes compliance problematic for most CREs who are expected to be making changes now and especially those who are already in their first reporting period. For example, CREs in their first reporting period are already required to comply with record keeping obligations.

We went on to note that for some CREs this may require considerable additional time and effort as the initial understanding of record keeping may have been different to how it has been articulated in the regulations and the Proposed Guidance. In addition, we note the transitional provision for records being kept by a third party of two years after commencement of the Regulations or the date the contract is varied or renewed seems to incentivise outsourcing.

Our members are also concerned at the additional burden some of these requirements will put on entities and would like to see more explanation on the requirement that records be easy to understand and interpreted “without previous knowledge” for example. We also query how this reconciles with, for example, actuarial assumptions and modelling relating to impacts on an entity’s business model. Such records would not necessarily be easy to understand without previous knowledge.

The Proposed Guidance states that in accordance with the CRD monitoring plan 2023 – 2026¹, the FMA expects the CRD regime to be operating in a ‘steady state’ for the reporting year commencing 2025. Without detailed information on what the FMA’s expectations are in respect of ‘standardised, regular format’ of record keeping, CREs are unable to meaningfully project and plan resourcing and cost estimation of any technological development that may be required to comply with this expectation.

3. Do you consider that this guidance, including the appendices, contains the appropriate level of detail? Please provide reasons for your answer.

We agree that the guidance is helpful and provides the appropriate level of detail. However, further clarity on the differences between the first time adoption provisions and the subsequent reporting periods would be helpful.

4. Do you think the detailed examples in the appendices are useful? Please provide reasons for your answer.

We agree that the detailed examples are useful. However, the examples in the Proposed Guidance Appendices relating to risk recording seems to imply that climate risks should be specifically referenced, which does not align with the RB approach. Therefore, our members encourage a closer alignment with the RB’s approach to climate related risk reporting.

¹ FMA Climate-related Disclosures Monitoring Plan 2023-2026

5. Do you think this guidance will help CREs understand their record-keeping obligations? Please provide reasons for your answer.

We consider the guidance will help CREs understand the rigour and robustness required under the regime to ensure credibility and consistency of statements across all CREs. We note and appreciate the similarities in the FMA's expectations regarding their guidance and expectations for keeping proper accounting records², and this Proposed Guidance.

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.

Our members have concerns that the compliance overheads for the disclosures themselves and keeping proper records will be significant. As an illustration, a CRE's data may be recorded across multiple systems, as a result of mergers and acquisition of existing books of business.

In addition, the initial understanding of record keeping may have been different to how it has been articulated in the Draft Regulations and the FMA Information Sheet on Climate-related disclosures: initial monitoring approach for record keeping when compared with this Proposed Guidance.

7. Are there any additional matters that you think the guidance should address? If so, please provide details.

As referenced under Question 1 above, we note the FSC submission on the Draft Regulations, we sought clarification on timeframes to provide records under regulation 252C. We consider clarification could be provided in the Proposed Guidance on who determines if the time frame is unreasonable and the criteria as to what would be considered unreasonable.

² FMA Guidance and Expectations for keeping proper accounting records, February 2023

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 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: 4/8/2023

Number of pages: 6

Name of submitter: Fonterra Co-operative

Group

Company or entity:

Organisation type:

Contact name (if different): [REDACTED]

Contact email and phone: [REDACTED]

Question number	Response
1	<p>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.</p> <p>Yes. Fonterra is supportive of the general principles outlined in the guidance. However, it is important to acknowledge that CREs will find it challenging to resource and ensure detailed records are available and immediately presentable to the FMA, particularly in the first few years as CREs build capacity and capability to respond to the Climate Standards. It would be helpful for this to be taken into account as they implement of the Standards.</p> <p>CREs will have unique internal operating systems and approaches to undertaking climate-related disclosure obligations and have varying levels of resourcing available to them. Therefore, the ability to produce comprehensible and timely records on request will likely differ across CREs.</p>
2	-
3	<p>Do you consider that this guidance, including the appendices, contains the appropriate level of detail? Please provide reasons for your answer.</p> <p>Fonterra appreciates that both the FMA and the XRB have provided guidance to support CREs along the climate-related disclosures journey. Whilst we appreciate these resources, it is important that the guidance is complementary and aligns with the intent and objectives of the XRB's Climate Standards.</p> <p>The level of detail provided in the FMA's guidance and expectations for record keeping could be presented more clearly by mapping the substantiation description and examples explicitly to each disclosure requirement. At present, it is difficult to distinguish which items in the 'description' column are disclosure requirements and which items are additional for regulatory purposes. This makes it somewhat confusing to understand FMA's expectations for disclosure requirements of explicit records and how they can be applied.</p>
4	<p>Do you think the detailed examples in the appendices are useful? Please provide reasons for your answer.</p> <p>Fonterra supports and appreciates the use of examples in the guidance, given that the Climate Standards in many cases present 'new territory' for CREs. However, we have significant concern that examples could be applied by the FMA in a prescriptive way to set an expectation</p>

	<p>that CREs must have all of these types of example records on file, which may not be the case for any particular CRE. This is of particular concern because directors and employees of CREs can be liable if they are “involved” in a breach of the record-keeping obligations (the record-keeping obligations are included in the list of “civil liability provisions” referenced in ss 484 and 485 of the FMCA).</p> <p>It would be useful to clarify the status of the examples provided in the appendices, as it states the examples are “intended to be illustrative in nature”, but that they are “not exhaustive”. We are concerned that this elevates the status of the examples to that of a ‘minimum requirement’ rather than general examples. These examples could easily be misinterpreted as ‘must haves’ and create unease amongst Directors of CREs who are unable to produce all examples identified by the FMA, but can substantiate the disclosure sufficiently by other means.</p> <p>We encourage the FMA to make clearer that these are examples only, and that CREs may present records that substantiate the intent of the disclosure requirement in a manner that is sensible and appropriate to the nature of the Climate Standards and the CRE’s unique business operations.</p> <p>The guidance does not cover examples of all CRD record types, as it has expressly excluded disclosures that have first-time adoption relief in NZ CS 2. For CREs that plan to comply with these standards early, this is not useful. Providing guidance for these missing examples earlier rather than later, and with the addition of a further consultation period, would be helpful.</p> <p>Some examples don’t reflect commercial practice or the variance of CRE’s resourcing abilities for climate-related disclosures and therefore some may not be able to substantiate each claim by way of the exclusivity of the examples listed. For example, CREs may have sensitivities around storage and access to board papers and minutes, storage of individual employment contracts and remuneration arrangements (even if these evidence climate related REM for governance purposes). It may not be practical for CREs to be expected to store sensitive records centrally alongside climate-related disclosure project work (such as working papers related to risk assessments, etc.) but this does not mean that the records will not be available for inspection if the FMA should request them (board minutes may, for example, be stored centrally and securely, and could be collated as needed if the FMA requested it).</p> <p>We appreciate that both the XRB and the FMA are taking an ‘educative’ approach in the first few years, however this does not explicitly remove the risk associated with director and employee liabilities. Therefore, the FMA should make clear that these examples are not prescriptive, and that a CRE can still meet its record keeping obligation if it can present records or evidence substantiating each of the required elements of the Climate Standards.</p>
5	<p>Do you think this guidance will help CREs understand their record-keeping obligations? Please provide reasons for your answer.</p> <p>We recommend that the FMA and XRB work together to consolidate, or cross reference, the guidance documents – making clear what guidance helps facilitate the actions a CRE must undertake to meet the expectations of the Climate Standards and what guidance will be applied from a regulatory lens.</p> <p>Currently, it is difficult to interpret how the guidance supports the CRE to do the work vs the FMA’s regulatory expectations. Additionally, the proliferation of guidance housed by the various bodies creates risk that CREs may not be aware or be appropriately led to access all the resources the FMA and XRB expect CREs to use. If not consolidated, these should be centrally located in a comprehensive nature, with clear expectations around how guidance should be applied by CREs.</p>
6	<p>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> <p>Yes. We anticipate the level of detail and nature of record keeping outlined by the FMA will require considerable resourcing throughout the year to maintain a central system of records at the level of detail indicated. We also anticipate more time and resource required for due diligence when working with third-party contractors to ensure that data and services provided also meet the FMA’s expectations for record keeping, which could potentially increase the cost</p>

	<p>of using third parties.</p> <p>As mentioned previously, we expect CREs to have varying levels of resources available to support obligations for meeting the Climate Standards and associated regulatory guidance. We believe it is critical that there is a balanced approach to ensure that meeting compliance does not undermine a CRE's ability to establish high quality processes (i.e., scope 3 GHG inventory, scenario analysis, governance of climate-related risk, etc.). These processes underpin the overall intent of the climate-related disclosures (transparent, credible climate statements and integration of climate into decision making and business activities) and will require substantial effort and focus from CREs, who are operating at different maturity levels. This should remain the key focus in the first few years of climate-related disclosures, with consideration of support mechanisms by the FMA and XRB as appropriate.</p>
7	<p>Are there any additional matters that you think the guidance should address? If so, please provide details.</p> <p>Draft reg 252A: identifiable and comprehensible records: The Guidance should recognise that some CRD records are technical documents (e.g. GHG records or metric data) and it may be uneconomic for all records to be provided in a way that is immediately comprehensible.</p> <p>Draft reg 252C: CRD records to be made available: The FMA should outline factors that it would consider relevant for CREs to assess what an appropriate amount of time is to respond to a CRD record request.</p>
8	-
9	-
10	<p>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.</p> <p>It would be useful for the FMA to clarify their expectations around historical records established previous to the mandatory reporting year that might be required to substantiate a CRE's statement in a mandatory reporting year. As mentioned previously, every CRE is at a different point on their reporting journey and will have potentially made decisions related to climate-related disclosures (and generated associated records) prior to the mandatory legislation coming into play.</p> <p>It would also be beneficial if the FMA could provide more clarity around their expectations on the use of sector-based scenarios developed by third party collaboration efforts. The XRB is very encouraging of CREs using sector scenarios, however not all CREs will have been part of their development or have access to the underpinning data and assumption records. Therefore, we request that the FMA provide more context around the use of these and how CREs will be expected to incorporate them into the record keeping principles.</p>
Feedback summary – if you wish to highlight anything in particular	
<p>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.</p>	
Thank you for your feedback – we appreciate your time and input.	

Submission on Consultation paper: Proposed Guidance and Expectations for keeping proper climate-related disclosure records

Your name and organisation

Name	[REDACTED]
Organisation (if applicable)	Te Kāhui Inihua o Aotearoa Insurance Council of New Zealand
Contact details	[REDACTED]

Responses to consultation paper questions

1.	<p><i>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.</i></p> <p>We agree with the principles that address ready accessibility to records by the FMA, and their comprehensibility. We have submitted to MBIE recommending change to the regulation that addresses records being kept in English, Te Reo and other languages and also with respect to the location of records in the cloud. We have more difficulty with the FMA’s proposed approach to records held by third parties and these issues are addressed in our response to question 6.</p> <p>We also support the approach taken by the FMA as outlined in its Monitoring Plan 2023-26 to take a broadly educative and constructive approach to the new regime. It is helpful to have provided the FMA’s initial focus areas in the first year of reporting and to outline how monitoring will transition to a steady state.</p> <p>However, in our view requirements around controls seem very stringent (p.10 of the Guidance). We believe the assumption should be that there are existing controls in place that can be broadened out to include climate documents where needed rather than have a stand-alone process for CRD. We also note on the same page reference to “CREs should include authorisation policies on altering records” which seems overly stringent to expect a policy around this. The record keeping requirements are more detailed than is required to meet financial audit standards and we wonder if this is appropriate for a new regime that initially is intended to be more qualitative in nature in its reporting. Our impression from the draft guidance and appendices is that the FMA is setting expectations more appropriate for a mature reporting regime than what should be realistically expected of a novel one.</p> <p>Even though the FMA has publicly stated it will take an educative and supportive approach toward CRD initially, we know from experience that FMA has and does take public and prosecutorial action where its guidance has not been followed.</p>
----	---

2.	<p><i>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.</i></p>
	<p>We are not aware of any other principles that should be included.</p>
3.	<p><i>Do you consider that this guidance, including the appendices, contains the appropriate level of detail? Please provide reasons for your answer.</i></p>
	<p>Yes, largely it does though as our response to question 6 shows we believe there is an element of excessive prescription with respect to the knowledge and understanding of the regime required of third-party providers.</p>
4.	<p><i>Do you think the detailed examples in the appendices are useful? Please provide reasons for your answer.</i></p>
	<p>Yes, the guidance in the appendices provides sufficient detail of the type and amount of information the FMA would expect a CRE to hold in order to demonstrate that it is meeting its record-keeping obligations. It is clear that the FMA expects to see minutes of meetings where decisions are made with respect to managing climate-related risks and opportunities including strategic responses to them as well as governance and management responsibilities under the Act. Data is also expected to be provided to demonstrate how a CRE is understanding its risks and opportunities and how it is using measures and metrics to monitor its climate risk exposures. There is also a very detailed explanation of expectations with respect to climate scenario development. Altogether the examples illustrate well the range of material and detail expected.</p> <p>Some of the examples given in the Appendix would pre-date record keeping requirements, for example, minutes in which the Chief Executive creates and assigns responsibility to a separate committee made up of managers across different business units with the mandate to identify and monitor climate-related risks and opportunities across the CRE's operations. It would be helpful to clarify that the CRE would not be expected to dig back through the archives for records that pre-date disclosure requirements if they can provide evidence of how this process is carried out today.</p> <p>That said, there are examples provided of the kind of information that could be provided that potentially suggest the FMA places greater reliance on reports from external parties. For instance, with respect to the examples given related to the impact of forecast changes in consumer behaviour on core markets and potential revenues or thematic reports to assess climate-related risks. This may not be the FMA's intent, so clarification would be helpful. If, however, the FMA does have a view that certain assessments are better provided by external parties, then it ought to explicitly identify those areas and make the rationale for that clearer. We note with some examples it seems clear that external, reputable sources are the FMA's expectation, for instance, in supporting both transition and physical risks in each climate-related scenario.</p> <p>The example in the Strategy Appendix - "a research paper that details that climate change increased the severity of an extreme weather event that impacted the entity"- is of some concern as it applies climate attribution work which the XRB have said is not required. Insurers are taking all weather events as being included in in climate disclosures and not</p>

	attempting to estimate what is attributable to climate change. Clarification of FMA's expectations here would be helpful.
5.	<i>Do you think this guidance will help CREs understand their record-keeping obligations? Please provide reasons for your answer.</i>
	Yes, primarily for the reasons given in the response to the previous question.
6.	<i>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.</i>
	<p>Yes. With respect to the guidance on the employment of third parties, the FMA sets out the expectation that at a minimum all third-party providers should be able to demonstrate understanding of the CRD regime, record keeping requirements, the CRD framework, all FMA guidance and other matters. We do not understand why this is necessary because it will lead to significant and unnecessary costs. For instance, as the FMA notes, a third-party provider may include a climate scientist providing data on future physical risks. We do not understand why the scientist would need to be well versed in the detail of the CRD regime and the FMA's guidance. Third parties may have other skills or data that is relevant or may just be providing additional resources to ensure CRD deadlines are met. Further, some third-party expert providers will be based outside New Zealand and for whom New Zealand is a very small market. It would be unrealistic to expect them to have detailed knowledge of this country's climate related disclosure regulations given what we represent of their market.</p> <p>As the FMA notes, the responsibility for compliance with CRD regime remains with the CRE irrespective of how third parties are involved. That responsibility can be met without requiring climate scientists or other providers to be trained and tested on their understanding of the regime or the legal liabilities of directors of the CRE. The FMA has no powers with respect to third-party providers, so no enforcement or requirements can be made of them by the FMA. Similar comments apply to expectations of third-party providers and their understanding that their outputs meet the requirements of the regime. It is for the CRE to ensure that the appropriate outputs are provided. There is particular concern about this comment "CRD records should be written in a way that is easy to understand and interpret without previous knowledge, by anyone who uses/and is entitled to inspect the records. CREs cannot be expected to create interpretation of all documents that understandable to a lay person in addition to what is in the disclosure. This is particularly the case for insurers in the physical risk space where there is significant scientific data underlying assumptions.</p> <p>From what we have said above, it follows that we do not agree with the prescriptive questions the FMA proposes should be asked of third-party providers to test their knowledge of the disclosure regime. The onus is on the CRE to determine the brief it provides to a third-party provider and to obtain information and/advice that enables it to comply with the Act and the FMA's expectations. The FMA's role should be to satisfy itself that the CRE is compliant and has made disclosures and can provide supporting records that are readily available, comprehensive and easily understood. It should not also require the FMA to obtain information on how well the third-party provider understood the FMA's expectations or the disclosure regime or directors' liabilities. A CRE may choose to providers to have some specific knowledge of aspects of the CRD regime if it judges this will better support compliance, but this should not be a mandatory requirement. The FMA's approach here may be well intentioned but it is unnecessary over-reach.</p>

	We believe that requirements in the proposed regulation around where records should be kept are misplaced and enforcement of them will also add costs which are unnecessary.
7.	<i>Are there any additional matters that you think the guidance should address? If so, please provide details.</i>
	It would be useful if the FMA could commit to providing further guidance after the first year of reporting by CREs based on its monitoring and as part of its commitment to being educative. We would envisage this including common shortcomings in reports, examples of what triggered regulatory action and possibly best practises. This would help support the quality of reporting by all CREs. It may also lead to changes to some of its own guidance.
8.	<i>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.</i>
	N/A
9.	<i>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:</i>
	<ul style="list-style-type: none"> • <i>risk management in NZ CS 1 Paragraph 19 (b)-(e); and</i> • <i>metric categories in NZ CS 1 Paragraph 22 (b)-(h).</i>
	We have nothing to say here.
10.	<i>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.</i>
	<p>International practise around the collection of Scope 3 emissions for insurance underwriters and suppliers is still developing. The timelines for this development extend past the reporting dates required by the CRDs. This will invariably create some volatility and lack of robustness in process/data availability until the approaches have been developed and matured.</p> <p>Our members are currently exploring ways to gather information on Scope 3 emissions with respect to supply chain activities and some have yet to consider underwriting activities that are material to their climate-related disclosure obligations. This work is incomplete and may lead to expectations not being met if there are gaps when reporting is due in a few months' time. It might be helpful if the FMA were able to give examples of what it might expect to see as evidence of efforts, albeit incomplete, to report on some S3 emissions.</p> <p>In addition, as per our feedback to MBIE's consultation on regulations, it would be useful to have clarity around whether records are required for areas where first time adoption provisions are used – where CREs only provide high level progress updates. We should expect that records underlying these progress updates should not be captured by the regulation of by this guidance.</p>

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 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: 4 August 2023

Number of pages: 3

Name of submitter: [REDACTED]

Company or entity: Mercury NZ Limited

Organisation type: Company

Contact name (if different):

Contact email and phone: [REDACTED]

Question number	Response
1. <i>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</i>	<p>Yes, we agree with the general principles and considerations identified in the guidance. However some more practical guidance in the commentary on the below two principles could be useful as noted below:</p> <p><i>CRD records must be maintained within an effective system of controls</i></p> <ul style="list-style-type: none">• This principle specifies that "Control processes for CRD records should be documented". Practically, what level of documentation would you expect to see to satisfy this? <p><i>CRD records must have appropriate protection and safeguards</i></p> <ul style="list-style-type: none">• Mercury already has safeguards and protections in relation to cyber security and maintaining back-ups which apply to all records within the organization. Would you expect to see something specific in relation to CRD records or are general policies and procedures enough to satisfy this principle?• This principle specifies that "CREs should include authorization policies on altering records". What do you anticipate this would look like in practice? E.g., would you expect this to be a specific written policy relating to altering CRD records? Or would different access levels on information management systems used for CRD record keeping (or similar) be enough?
2. <i>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.</i>	
3. <i>Do you consider that this guidance, including the appendices, contains the appropriate level of detail? Please provide reasons for your answer.</i>	<p>Yes, in general. Some more practical detail around the general principles would be useful as noted above.</p>
4. <i>Do you think the detailed examples in the appendices are useful? Please provide reasons for your answer.</i>	<p>Yes. The examples will be helpful as reference as we keep developing our approach to record keeping.</p>

5. <i>Do you think this guidance will help CREs understand their record-keeping obligations? Please provide reasons for your answer.</i>	Yes. This guidance will be helpful when designing CRD record keeping processes and systems, and for setting the specifications and deliverables expected of any third party vendor supplied Record Keeping and/or Information Management solution that might be procured to assist with meeting record keeping obligations. .
6. <i>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.</i>	<p>The guidance could be interpreted as requiring records to be kept in a way that is more comprehensive than what is required by section 461V of the Act and the proposed regulations¹. The guidance specifies that “CRD records should be written in a way that is easy to understand and interpret without previous knowledge” while the proposed regulation requires them to be in a form that “reasonably enables that person to ascertain whether records comply with section 461V of the Act”. Section 461V itself only requires that CRD records “will enable the climate reporting entity to ensure that the climate statements of the climate reporting entity comply with the climate-related disclosure framework”.</p> <p>We would expect to keep records in such a way that is understandable to us as the climate reporting entity and anyone with a reasonable understanding of the CRD regime who may inspect the records under section 461Y of the Act. Ensuring records are understandable internally and able to be understood and explained for the purposes of inspection is a lower standard than if they need to be understood and interpreted without previous knowledge. Requiring records to be kept to this higher standard could create unnecessary compliance costs. Our view is that this section of the proposed guidance should be reconsidered in light of the narrower legislative requirements.</p>
7. <i>Are there any additional matters that you think the guidance should address? If so, please provide details.</i>	
8. <i>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.</i>	N/A
9. <i>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:</i> <ul style="list-style-type: none"> • <i>risk management in NZ CS 1 Paragraph 19 (b)-(e); and</i> • <i>metric categories in NZ CS 1 Paragraph 22 (b)-(h).</i> 	
10. <i>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.</i>	We anticipate we will have further questions as our approach to CRD record keeping matures. We would appreciate future opportunities to be consulted on the guidance as record keeping requirements become mandatory.
Feedback summary – if you wish to highlight anything in particular	

¹ Financial Markets Conduct (Climate-related Disclosures) Amendment Regulations 2023

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.

Thank you for your feedback – we appreciate your time and input.

Submission

to the

Financial Markets Authority

on the

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

4 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:

████████████████████
██
██

████████████████████
██
██



Introduction

4. NZBA welcomes the opportunity to submit to the Financial Markets Authority (FMA) on its proposed guidance and expectations for keeping proper climate-related disclosure records released in June 2023 (**the Guidance**).
5. NZBA members continue to support the development of New Zealand's incoming climate-related disclosure (CRD) regime, both as reporting entities and primary users of these disclosures. NZBA supports the FMA's overall approach to the Guidance, which is to provide clear examples and guidance in relation to CRD record keeping to support Climate Reporting Entities (CREs) in making high-quality disclosures. NZBA proposes a number of constructive suggestions to support NZBA members and their banking clients in maintaining accurate and complete CRD records in a commercial setting, and to avoid the Guidance being viewed as too prescriptive in the context of a new regime.
6. We have structured our comments below by the associated heading in the Guidance.

“Our expectations”¹

Clear and consistent expectations

7. NZBA wishes to ensure that there is no mismatch between the FMA's statement it will focus only on “*serious misconduct*” in the early years of the regime and its more detailed areas of focus later in the Guidance and in its 2023 to 2026 monitoring approach and plan.²
8. The FMA's draft record-keeping guidance says that “*serious misconduct*” could include situations where CREs fail to produce or retain records, or where records are materially incomplete. These are both useful examples of serious misconduct and reassure CREs that the FMA will not be seeking provision of detailed records in the early years of reporting. However, the NZBA would appreciate clarification that the FMA is not initially intending to investigate the retention of records by CREs to support all of the areas of CRD focus in its 2023 – 2026 Plan, which are much more detailed. Specifically, the Plan outlines that where disclosures have been omitted or are non-compliant, the FMA will consider whether the CRE made “*best efforts*” to comply, including factors such as:
 - 8.1. how early the CRE started preparing their climate statements;
 - 8.2. whether climate statements define and explain terminology;
 - 8.3. whether climate statements provide “broader context”; and
 - 8.4. the importance of disclosures as to the quality of underlying data and assumptions, models, uncertainties and judgements.
9. While NZBA agrees that these factors are all important criteria for review of CRD, and should be supported by CRD records, there is a concern that the FMA has an expectation that detailed records will be available in respect of all of these factors in

¹ Page 8.

² See the FMA's June 2023 'Climate-related Disclosures Monitoring Plan 2023-2026' (<https://www.fma.govt.nz/assets/Guidance/Crd-monitoring-plan-2023-2026.pdf>) at Page 5.



the early years of the regime, which suggests a higher level of expectation than the reference to “*serious misconduct*” in the Guidance. As NZBA members are developing internal capability to support the record-keeping requirements, it would be useful for the Guidance to explain that, for the early years of the regime, the FMA will focus on assisting CREs that are making serious efforts to maintain CRD records to identify where they can improve CRD record-keeping, as opposed to taking a strict compliance approach.

2023 voluntary reporting

10. Many CREs are engaging in voluntary reporting and/or have made decisions in relation to climate risk management and CRD in FY23, i.e. prior to their first reporting year. NZBA would appreciate some recognition in the Guidance that CRD records related to these early voluntary reports may be less detailed and more difficult to collate because the records will have been created *prior* to publication of both the record-keeping draft regulations and the Guidance. That does not excuse a lack of records entirely, but some recognition that records may not be as clearly presented as later years would be useful.

Appropriate role for the FMA when reviewing records

11. As the regime becomes more established, the FMA will be making requests of CREs to view certain CRD records as part of its mandate to ensure CREs are complying with the CRD framework (i.e. Climate Standards NZ CS 1, 2 and 3). The Guidance notes that the FMA “*expects to request records in a standardised, regular format once our monitoring approach has settled into a ‘steady state’ of proactive risk-based sampling and more detailed review procedures*”. NZBA notes that each request will create cost and distraction for a CRE trying to comply with the new regime and we encourage the FMA to defer from risk-based sampling and detailed review until later years of reporting.
12. In addition, it might be appropriate for the FMA to note in its Guidance that different CREs will have different resourcing constraints in preparing to comply with the new framework, and this will inevitably lead to varying levels of quality in disclosures. As above, for the first 1 – 2 years of reporting, it would be useful for the FMA to record that it will be educating CREs with examples of good quality record-keeping, rather than taking more formal compliance or enforcement steps.

“Key principles and considerations for proper records”

CRD records must be readily identifiable and comprehensible (draft reg 252A)³ (p 7–8)

Presentation of records to the FMA

13. The NZBA wishes to underscore its concern that CRD records are likely to be extensive and some may not be in a ready format to be shared with the FMA. There should be some understanding by the FMA that technical records (e.g. GHG records or data feeding into published metrics) may need further explanation or reformatting before they will be ready for review by the FMA. Given the demands of the new regime already, it is unlikely to be economic to prepare all records so that they could be provided without some review or edit for a third party to understand.

³ Pages 7 to 8.



Centralised record keeping

14. NZBA has practical concerns about the FMA's suggestion that CRD records should be centralised.⁴ Centralised record keeping might work well for some documents (e.g. executive team papers and minutes) and for some entities, but it is unlikely to be appropriate for larger NZBA members and those with group entities overseas. In particular:
 - 14.1. Board papers and minutes are often held securely internally and may not be available on a central register or without some review and redaction.
 - 14.2. Some decisions (e.g. decisions as to board training, or decisions as to a risk prioritisation approach) may be taken in internal meetings, discussions or on email. It is unlikely to be practical to require CREs to keep extensive email correspondence or file notes of all internal meetings. Where the outputs of these internal communications are then reflected in a board or executive team paper, NZBA suggests that this should be sufficient for the FMA's purposes, at least for the first year or two of reporting.
 - 14.3. CREs with overseas groups are unlikely to be able to store all relevant documents centrally: documents may be held by different entities across the group with differing layers of sensitivity.
15. Ultimately, NZBA submits that the focus should be on ensuring that documents are stored in a way that allows the CRE to meet its Financial Market Conduct Act obligations, rather than focusing on a specific method of storage (i.e. centralisation) that will be unachievable for many CREs.

Linking documents

16. The FMA's proposed requirement that CREs must ensure that external/internal links, formulas, references and hyperlinks within a document must always work may be practically challenging. Many internal hyperlinks (e.g. to the CRE's SharePoint site) are unlikely to work when transferred to an external party, and so CREs may need to provide the underlying documents separately if requested (which will take time/resource).

CRD records must be made available in accordance with request (draft reg 252C)⁵

Appropriate amount of time

17. NZBA suggests that the Guidance includes factors that might be relevant to assessing the appropriate amount of time to respond to a request for CRD records (e.g. nature and extent of records requested, the relevant time periods, number of individuals engaged on the topic within the CRE, whether a final paper was prepared on the topic or not, etc.)

CRD records kept by another person (draft reg 252D)⁶

⁴ Page 7.

⁵ Page 8.

⁶ Page 8.



Third-party records

18. The Guidance could usefully reflect that some third parties advising CREs will be accessing third party data to generate outputs for a CRE client that could be inappropriate to expect the CRE itself to have access to (e.g. transition risk modelling across an investment portfolio, IPCC reporting, NIWA data, or industry surveys) and it should therefore be maintained by the third party instead. It would also be useful to link the separate information sheet on the use of third-party CRD providers in the Guidance.⁷

CRD records must provide evidence of materiality considerations⁸

Educative approach

19. Materiality is particularly complex when applied to the CRD regime and many CREs are still developing how they will approach this topic in their climate statements (including, for example, between members of a multi-national group). CREs will be still developing processes for determining their approach to materiality and the application of this approach across their CRD. For this reason, NZBA encourages the FMA to focus on support and education concerning appropriate record-keeping regarding materiality for CRD, rather than criticism.
20. In addition, once a CRE has determined that a potential disclosure is not material, and recorded this decision and the reasoning for it, the Guidance could usefully provide that no further records need to be kept in relation to this topic.

Appendices

21. The NZBA provides comments on the opening paragraph for the Appendices and also the below highlighted table for each of the Appendices.

General comments⁹

Status of examples

22. NZBA would like to see a clearer statement regarding the status of the examples provided in the Appendices. While there is a statement that the examples “*are intended to be illustrative in nature*”, they are also described as “*not exhaustive*”. This suggests the examples may be being treated as a minimum requirement.
23. NZBA considers the explanatory introduction to the examples should clearly state that: (a) the examples are not requirements and do not demonstrate any minimum standard of record-keeping, (b) the examples simply describe possible record-keeping options available to CREs, and (c) other record-keeping options that a CRE might choose can also be used to demonstrate compliance (i.e. the examples do not limit the ways in which CREs can demonstrate compliance).

CRD record guidance broader than accounting equivalent

24. The FMA published its guidance for keeping proper accounting records this year in February. Recognising that the CRD regime is a much less mature regime than

⁸ Page 9.

⁹ Page 10.



financial reporting, some members are of the view that some of the examples appear to go beyond what would be expected in an equivalent accounting context. For example, emails and internal comments are referenced as examples of appropriate CRD records, while these are not referenced in the accounting records guidance published earlier this year,¹⁰ and would not be expected to constitute accounting records in practice. NZBA appreciates the use of examples for CRD records so long as the records expected are equivalent to the FMA’s expectations for accounting records.

Appendices should cover all CRD record rules

25. The Guidance specifies that the “*appendices do not contain all disclosures that have first-time adoption relief in NZ CS 2. We expect to update the document to include guidance on those disclosures as soon as practicable.*” Similar statements are made in Appendix 2 specifically, where the Guidance notes that further guidance will be issued in Q4 of 2023.
26. NZBA encourages the FMA to consult and publish guidance as early as possible for these missing examples, because CREs may be publishing some disclosures ahead of requirements (i.e. without taking up the transitional provisions in NZ CS 2). The earlier the guidance is published, the more time CREs will have to ensure the processes they have in place are robust enough to capture the kinds of records the FMA has in mind.

Appendix 1: Governance

Description of how possible records could substantiate disclosure requirements	Example(s)	NZBA comments
Describe the processes of the governance body being informed (e.g., meetings, emails, reports) and verify the frequency.	<p>Internal correspondence indicating how reports highlighting climate-related risks and opportunities affecting the CRE’s products, key markets or assets were used as part of the CRE’s strategic decision-making process.</p>	<p>The highlighted example references the retention of internal correspondence (e.g. internal emails), which may be overly burdensome and also unrealistic to store in a central repository.</p> <p>The focus of the examples here should be on retention of any final paper/report rather than on email correspondence leading to it.</p>
Substantiate any disclosed actions taken to ensure those skills and competencies are available.	<p>Engagement letter and/or contract for a third-party provider to provide expertise and training on an as-needed basis to the governance body.</p> <p>Certification or documented confirmation of climate-related training completed by the governance body.</p>	<p>Training materials and a board schedule of training would be more helpful than a letter of engagement in illustrating what kind of training was undertaken by an CRE. Training may also be internal.</p>

¹⁰ <https://www.fma.govt.nz/assets/Guidance/Guidance-and-expectations-for-keeping-proper-accounting-records.pdf>.



Description of how possible records could substantiate disclosure requirements	Example(s)	NZBA comments
Describe how the governance body considers climate-related risks and opportunities in the development of the CRE's strategy.	Third-party provider report describing climate risks and opportunities most relevant to the CRE with review comments from the governance body members to consider for the development of a revised strategy.	<p>NZBA is concerned that this example seems overly burdensome – the retention of review comments from board members is too onerous as these documents may be in draft form and not retained. Significant underlying work may be involved in retaining documents of this nature.</p> <p>An alternative example is to include minutes recording the governance body considering climate risks and opportunities tied to the CRE's strategy.</p>
Substantiate how performance metrics for managing climate-related risks and opportunities are incorporated into remuneration policies.	<p>The CRE's remuneration policy that describes the performance metrics relevant to managing climate-related risks.</p> <p>Employment contracts that describe the performance metrics relevant to individual employees in managing climate-related risks and opportunities.</p> <p>Performance review reports that substantiate an employee's performance against their prescribed climate-related risks and opportunities.</p>	<p>Employment contracts and performance review reports likely sensitive and unnecessary to retain in central repository.</p> <p>As an alternative example, the NZBA suggests a summary document explaining how performance metrics are incorporated into remuneration policies.</p> <p>Another alternative might be evidence at an organisational level, such as HR policies or KPI scorecards.</p>
Substantiate that the disclosed organisational structure(s) is correct.	<p>Meeting minutes describing the decisions made around formation, structure, and climate-related responsibilities of disclosed committees.</p> <p>Contracts of the individuals in the management-level positions to which the climate-related responsibilities have been assigned.</p>	<p>NZBA is concerned that this example asks for information that is more detailed or sensitive than needed. Minutes or internal organisational charts should be sufficient to satisfy this requirement: requiring evidence of individual contracts is likely to be overly burdensome.</p>



Appendix 2: Strategy

Description of how possible records could substantiate disclosure requirements	Example(s)	NZBA comments
Documents that substantiate that the current physical and transition impacts disclosed have occurred.	A legal judgment that provides a new interpretation of environmental legislation or regulations the CRE operates under.	NZBA proposes that a more appropriate example would be of legal advice provided to the CRE. It would also be useful for the FMA to note that some materials will be subject to legal advice privilege and should be treated appropriately in record-keeping.
Documents that substantiate how the current physical and transition impacts disclosed have impacted the CRE.	An internal report detailing suggested changes to a MIS Manager's Statement of Investment Policies and Objectives (SIPO) as a result of investors' increasing preference for low-carbon investments.	The example provided for here appears to be a draft document with comments – this may be appropriate in this case, but a general requirement to keep all internal drafts will be too burdensome.
Scenario analysis		<p>NZBA wishes to highlight that some caution is required to ensure the FMA's expectations are not too high in relation to scenario analysis.</p> <p>The level of detail provided for in the scenario analysis examples may not be realistic for smaller CREs. For example: "A <i>scenario analysis methodology document that includes a conceptual model detailing how the driving forces interact with each other, the CRE's business model and strategy, and the degree of impact within each quadrant on the scenario matrix.</i>"</p>



Appendix 4: Metrics and targets

Description of how possible records could substantiate disclosure requirements	Example(s)	NZBA comments
Substantiate and explain the CRE's complete legal structure (e.g. funds, subsidiaries, associates, joint ventures).	<p>An organisational chart that describes the legal structure of the CRE including joint ventures, subsidiaries, and associates.</p> <p>Listing(s) of all registered schemes and associated funds related to a MIS manager.</p> <p>Joint venture agreements, company constitution, governing document (e.g. trust deed), and/or operating licence documents that verify the CRE's legal structure.</p>	NZBA agrees that it is appropriate to give the example of an organisational chart. However, it may be inappropriate/unnecessary to provide all documents referenced where their content is not relevant, e.g. joint venture agreements. If an organisational chart includes a depiction of the joint venture, this should be sufficient.

Conclusion

27. NZBA is happy to provide further detail on any of the above submissions if useful.



NEW ZEALAND'S EXCHANGE
TE PAEHOKO O AOTEAROA

www.nzx.com

3 August 2023

Financial Markets Authority

Level 2, 1 Grey Street,

Wellington, New Zealand

by email only: 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,



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 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: [REDACTED]

Company or entity: NZX Limited

Organisation type: Licensed Market Operator

Contact name (if different):

Contact email and phone: [REDACTED]

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">• 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.• NZ CS 1 Paragraph 22 (e): We believe the guidance could also benefit from the inclusion of examples for climate-related opportunities.
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.

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 with 'Proposed guidance and expectations for keeping proper climate-related disclosure records: Office of the Auditor-General' in the subject line. Thank you. **Submissions close on 4 August 2023.**

Date: 03 August 2023

Number of pages: Two

Name of submitter: [REDACTED]

Company or entity: Office of the Auditor-General – Te Mana Arotake

Organisation type: Audit provider

Contact name (if different): [REDACTED]

Contact email and phone: [REDACTED]

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.	We agree with the general principles and considerations for keeping proper CRD records that have been identified in this guidance.
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 think the guidance covers all the important principles and areas that are critical for ensuring that Climate Reporting Entities (CREs) create, keep, and maintain adequate and accurate climate-related disclosure records. We do not consider any other principles or areas of guidance are needed.
3. Do you consider that this guidance, including the appendices, contains the appropriate level of detail? Please provide reasons for your answer.	We agree that this guidance, including the appendices, contains the appropriate level of detail. The guidance provides adequate information on climate-related disclosure records and is easy to understand. The structure of the guidance, and the way it is drafted makes it useful for other stakeholders including the management of the CREs, their auditors and other interested stakeholders.
4. Do you think the detailed examples in the appendices are useful? Please provide reasons for your answer.	Yes, the detailed examples in the appendices will be useful for the CREs. The examples provide practical and useful information to the CREs on records that they could maintain to substantiate the disclosures included in their climate statement. As the climate reporting regime is new and the CREs will be preparing their climate statements as per the Aotearoa New Zealand Climate Standards for the very first time in 2024, the examples will help the management teams of CREs.
5. Do you think this guidance will help CREs understand their record-keeping	We think this guidance will be effective and help CREs understand their record-keeping obligations.

obligations? Please provide reasons for your answer.	See our response to Question 2, 3 and 4 above.
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.	We have no comment on this question.
7. Are there any additional matters that you think the guidance should address? If so, please provide details.	No, we think the guidance addresses all the relevant matters.
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.	Not applicable.
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).	We do not think any areas are excluded from the detailed examples in the appendices.
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.	We have no comment on this question.

Feedback summary –

We appreciate the opportunity to comment on the proposed guidance and expectations for keeping proper climate-related disclosure records. We support the guidance and think it will be useful for the CREs and help them in creating and maintaining adequate climate-related disclosure records.

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.

Thank you for your feedback – we appreciate your time and input.

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 with 'Proposed guidance and expectations for keeping proper climate-related disclosure records: [your organization's name]' in the subject line. Thank you. **Submissions close on 4 August 2023.**

Date: 4/08/2023 Number of pages: 2

Name of submitter: [REDACTED]

Company or entity: Summerset Group Holdings Limited

Organisation type: Listed Issuer and CRE

Contact name (if different):

Contact email and phone: [REDACTED]

Question #	Response
1	<p><i>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.</i></p> <p>Summerset agrees with most of the general principles and considerations for the keeping of proper CRD records. However, there are a few that Summerset does not fully agree with. The principle that CRD records must be maintained within an effective system of controls, including the documentation of control processes, with evaluation, testing, oversight, and governance is, in Summerset's opinion onerous and extreme.</p> <p>For Summerset (who are a listed issuer), we already have good documentation and record keeping processes in place for other mandatory disclosures, and general business practices (e.g., Annual Reporting). Additionally, independent external parties regularly audit the business. This should prove sufficient for CRD disclosure and records, rather than having to create new documentation and processes.</p>
2	<p><i>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.</i></p> <p>Summerset does not have a view on other principles or areas that should be included.</p>
3	<p><i>Do you consider that this guidance, including the appendices, contains the appropriate level of detail? Please provide reasons for your answer.</i></p> <p>Yes, the level of detail is useful for CREs to understand record-keeping obligations and helping them determine how to best comply.</p>
4	<p><i>Do you think the detailed examples in the appendices are useful? Please provide reasons for your answer.</i></p> <p>Yes, as indicated above, the examples provide examples of what is important to keep records of, and how CREs can comply with requirements but implementing or altering internal processes.</p>
5	<p><i>Do you think this guidance will help CREs understand their record-keeping obligations? Please provide reasons for your answer.</i></p> <p>Yes, it will help guide CREs. The level of detail is quite in depth and is also specific to disclosure requirements. This should help CREs meet the FMAs expectations.</p>
6	<p><i>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.</i></p> <p>Summerset does not expect there to be unnecessary compliance costs. The burden on CREs could stem from the level of guidance provided, the expectations of the FMA only being publicly revealed and consulted upon, over halfway through the first disclosure period. This could cause CREs to have to</p>

	complete rework, change their approach, or start entirely new processes in order to comply to the best of their ability. This is especially true for CREs that have an early disclosure publication date within 2024.
7	<p><i>Are there any additional matters that you think the guidance should address? If so, please provide details.</i></p> <p>Not presently.</p>
8	<p><i>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.</i></p> <p>NA.</p>
9	<p><i>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:</i></p> <ul style="list-style-type: none"> • <i>risk management in NZ CS 1 Paragraph 19 (b)-(e); and</i> • <i>metric categories in NZ CS 1 Paragraph 22 (b)-(h).</i> <p>Other than the areas highlighted in the question, Summerset does not believe there are other areas missing.</p>
10	<p><i>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.</i></p> <p>Not yet, although this would be better asked after the first year of disclosures have been published as part of a compliance with the standards and areas of improvement analysis done by the FMA and CREs themselves.</p>
Feedback summary – if you wish to highlight anything in particular	
<p>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.</p>	
Thank you for your feedback – we appreciate your time and input.	

