



OCTOBER 2023 (UPDATED DECEMBER 2024)

# Guidance for keeping proper climate-related disclosure records

This guidance note is for entities that have climate-related disclosure obligations under Part 7A of the Financial Markets Conduct Act 2013. It is intended to help climate reporting entities (CREs) meet their statutory requirement to keep proper climate-related disclosure records at all times.

## About FMA guidance

### Our guidance:

- 1) explains when and how we will exercise specific powers under legislation.
- 2) explains how we interpret the law.
- 3) describes the principles underlying our approach.
- 4) gives practical examples about how to meet obligations.

**Guidance notes:** provide guidance on a topic or topic theme. Typically we will seek industry feedback via a public consultation paper or more targeted consultation before we release a guidance note.

**Information sheets:** provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

**Disclaimer:** This guidance note does not constitute legal advice. We encourage you to seek your own professional advice to find out how the legislation discussed and any other applicable laws apply to you, as it is your responsibility to determine your obligations.

Examples are provided purely for illustration. They are not exhaustive and are not intended to impose or imply particular rules or requirements.

### ***Illustrative examples***

*Illustrative examples to help CREs think about how their CRD records could substantiate their climate statements, and provide practical and useful information to help CREs understand our expectations can be found on the FMA website here: [CRD records: Illustrative examples](#)*

## Document history

This version (version 3.0) was issued in December 2024. It was updated to separate the main guidance from the appendices, which have been published separately as illustrative examples (see link above).

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# Overview

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## Introduction

The purpose of mandatory climate-related disclosures<sup>1</sup> (CRD) as described in the explanatory note to the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill first reading<sup>2</sup> is to:

- ensure that the effects of climate change are routinely considered in business, investment, lending, and insurance underwriting decisions; and
- help climate reporting entities (CREs) better demonstrate responsibility and foresight in their consideration of climate issues; and
- lead to more efficient allocation of capital, and help smooth the transition to a more sustainable, low emissions economy.

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 amended the Financial Markets Conduct Act 2013 (FMC Act), the Financial Reporting Act 2013, and the Public Audit Act 2001 to create the legislative framework for the CRD regime.

Section 19B of the Financial Reporting Act 2013<sup>3</sup> states that the purpose of climate standards is to provide for, or promote, climate-related disclosures, in order to:

- encourage entities to routinely consider the short-, medium-, and long-term risks and opportunities that climate change presents for the activities of the entity or the entity's group; and
- enable entities to show how they are considering those risks and opportunities; and
- enable investors and other stakeholders to assess the merits of how entities are considering those risks and opportunities.

The External Reporting Board (XRB) issued Aotearoa New Zealand Climate standards on 14 December 2022. They include two objectives:

- In providing a consistent framework for entities to consider the climate-related risks and climate-related opportunities that climate change presents for their activities over the short, medium and long term, the objective of this Standard is to enable primary users to assess the merits of how entities are considering those risks and opportunities, and then make decisions based on these assessments.
- The ultimate aim of Aotearoa New Zealand Climate Standards is to support the allocation of capital towards activities that are consistent with a transition to a low-emissions, climate-resilient future.

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<sup>1</sup> Also referred to as 'climate statements'.

<sup>2</sup> [Financial Sector \(Climate-related Disclosures and Other Matters\) Amendment Bill 30-1 \(2021\), Government Bill Explanatory note – New Zealand Legislation.](#)

<sup>3</sup> [Financial Reporting Act 2013 No 101 \(as at 27 October 2022\), Public Act Climate standards – New Zealand Legislation.](#)

## Purpose of this guidance

The Financial Markets Authority – Te Mana Tātai Hokohoko (FMA) is responsible for the independent monitoring and enforcement of the CRD regime. This guidance document sets out principles and the FMA's expectations for creating, keeping, and maintaining proper records as evidence that climate statements comply with:

- the legislative requirements in Part 7A of the FMC Act;
- the reporting framework requirements 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); and
  - Aotearoa New Zealand Climate Standard 3 – General Requirements for Climate-related Disclosures (NZ CS 3).

Pages 8 to 12 of this document also set out specific guidance on the record-keeping requirements in Part 7A of the Financial Markets Conduct Regulations 2014 (the Regulations).

As part of our monitoring, we may inspect the underlying records that support climate statements to verify that the records comply with the record-keeping requirements in Part 7A of the FMC Act and the Regulations. These records also provide evidence that climate statements comply with the CRD Framework generally.<sup>4</sup> We recommend that users of this guide also consider our [Climate-related Disclosures Monitoring Plan](#) and monitoring reports<sup>5</sup> for further context on our regulatory approach.

For climate statements to be relied upon to achieve the purpose of the CRD regime (referred to above), 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.

This document is primarily intended for CREs, their directors and other authorised bodies and persons referred to in section 461Y of the FMC Act.<sup>6</sup> Other parties, such as assurance practitioners, may also be interested in this guidance.

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<sup>4</sup> In accordance with section 461V(1)-(2) of the FMC Act, proper CRD records enable CREs to ensure their climate statements comply with the CRD Framework.

<sup>5</sup> As stated in our monitoring plan, we will publish annual monitoring reports that summarise our overall findings on an anonymised basis.

<sup>6</sup> The relevant parties in respect of section 461Y of the FMC Act are detailed on page 6 of this document.



# Requirement to keep proper records

This section reproduces the legislative requirements relating to CRD records under Part 7A of the FMC Act and Part 7A of the FMC Regulations, which are the basis for this guidance note.

## Requirements in Part 7A of the Financial Markets Conduct Act 2013

### Section 461V: Climate reporting entities must keep proper CRD records

- (1) Every climate reporting entity under section 461O (1) must ensure that there are kept at all times records that will enable the climate reporting entity to ensure that the climate statements of the climate reporting entity comply with the climate-related disclosure framework.
- (2) Every manager that is a climate reporting entity in respect of a registered scheme must ensure that there are kept at all times records that will enable the manager to ensure that the climate statements relating to the registered scheme comply with the climate-related disclosure framework.
- (3) Every climate reporting entity must establish and maintain a satisfactory system of control of the records that it is required to keep under this section.
- (4) In this section, -  
**climate statements of the climate reporting entity** means the climate statements or group climate statements that are required to be prepared under any of sections 461Z to 461ZB.  
**climate statements relating to the registered scheme** means the climate statements of the separate funds of the scheme or the climate statements of the scheme that are required to be prepared under section 461ZC.

### Section 461W: Manner in which CRD records to be kept

- (1) Every climate reporting entity must keep the CRD records in the prescribed manner (if any).<sup>7</sup>
- (2) A climate reporting entity that contravenes this section commits an offence and is liable on conviction to a fine not exceeding \$50,000.
- (3) The offence in this section is an infringement offence (see subpart 5 of Part 8).

### Section 461X: Period for which CRD records to be kept

CRD records, or copies of them, must be retained by the climate reporting entity for a period of at least 7 years after the date the records are made.

### Section 461Y: Inspection of CRD records

- (1) Every CRE must make the CRD records available, in the prescribed manner, at all reasonable times for inspection without charge to –
  - (a) the directors of the climate reporting entity; and
  - (b) any supervisor (if the climate reporting entity is an issuer of debt securities or the manager of a registered scheme) and
  - (c) the FMA; and
  - (d) any other persons authorised or permitted by an enactment to inspect the CRD records of the climate reporting entity or scheme.
- (2) A climate reporting entity that contravenes this section commits an offence and is liable on conviction to a fine not exceeding \$50,000.
- (3) The offence in this section is an infringement offence (see subpart 5 of Part 8).

<sup>7</sup> The manner prescribed is detailed in the Regulations.

## Requirements in Part 7A of the Financial Markets Conduct Regulations 2014

### **252A: CRD records must be readily identifiable and comprehensible**

For the purposes of section 461W of the Act, a climate reporting entity must keep its CRD records in a way that—

- (a) ensures that they can be identified and made available for inspection within the time required by regulation 252C; and
- (b) reasonably enables a person inspecting the records in accordance with section 461Y of the Act to ascertain whether the records comply with section 461V of the Act.

### **252B: CRD records must be kept in English or te reo Māori**

For the purposes of section 461W of the Act, a climate reporting entity must keep its CRD records—

- (a) in written form in English or te reo Māori; or
- (b) in a form or manner in which they are easily accessible and convertible into written form in English or te reo Māori.

### **252C: Manner in which CRD records must be made available for inspection**

- (1) For the purposes of section 461Y of the Act, a climate reporting entity that receives a written notice of intention to inspect its CRD records from a person specified in that section must make the records available for inspection by the person by sending the records to the person's electronic address as soon as practicable but, in any event, within 5 working days after it receives the notice.
- (2) Despite subclause (1), a climate reporting entity and a person specified in section 461Y of the Act may agree another time within which, or another manner in which, the CRD records are to be made available for inspection by the person, in which case the records must be made available in accordance with the agreement.
- (3) In this regulation, electronic address, of a person (A), means—
  - (a) the electronic address specified by A for the relevant purpose; or
  - (b) the actual or last known electronic address for A, if—
    - (i) paragraph (a) does not apply; or
    - (ii) the climate reporting entity knows that the address referred to in paragraph (a) is not correct.

# Key principles and considerations for keeping proper records

This section explains the regulatory requirements for keeping proper records and sets out our expectations for compliance with them. It is split into two sections:

1. Record-keeping Regulations and specific guidance as required.
2. General principles and considerations for record-keeping.

## Requirements in the Regulations

### 1. CRD records must be readily identifiable and comprehensible

#### **252A: CRD records must be readily identifiable and comprehensible**

For the purposes of section 461W of the Act, a climate reporting entity must keep its CRD records in a way that –

- (a) ensures that they can be identified and made available for inspection within the time required under 252C; and
- (b) reasonably enables a person inspecting the records in accordance with section 461Y of the Act to ascertain whether the records comply with section 461V of the Act.

*“Readily identifiable”* means that CRD records should be accessible, kept in an organised manner, and in a form that can be produced for others who are entitled to inspect them.<sup>8</sup>

To meet this requirement, CREs should consider the following.

- **The type of record** (e.g. invoice, agreement, spreadsheet, workpaper, technical paper, supporting data, minutes of a meeting): Is it in a format, or can it be converted into a format, that can be readily shared and made available for inspection?
- **How and where records are kept:** Are the records best kept, for example saved on a computer, drive, or a different type of media? When keeping records in paper form (hardcopy), CREs should create an electronic copy for back-up purposes, so they are able to comply readily with the requirement in Regulation 252C to make requested records available to a requester at their electronic address.

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 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.

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<sup>8</sup> Section 461Y of the FMC Act lists the relevant parties that CREs must make their CRD records available to if requested (see page 6).



“*Comprehensible*” requires that CRD records must show that the climate statements comply with the CRD Framework.

To meet this requirement, CRD records need to:

- have a connection between the records and the disclosure(s) they support;
- include all information that is material to the disclosure they underpin; and
- be free from material error or misstatement.

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.<sup>9</sup> This expectation extends to considerations, inputs and assumptions used as part of the climate reporting process (for example, forward-looking information).

## 2. CRD records must be kept in English or te reo Māori

### **252B: CRD records must be kept in English or te reo Māori**

For the purposes of section 461W of the Act, a climate reporting entity must keep its CRD records –

- (a) in written form in English or te reo Māori; or
- (b) in a form or manner in which they are easily accessible and convertible into written form in English or te reo Māori.

## 3. Manner in which CRD records must be made available for inspection

### **252C: Manner in which CRD records must be made available for inspection**

- (1) For the purposes of section 461Y of the Act, a climate reporting entity that receives a written notice of intention to inspect its CRD records from a person specified in that section must make the records available for inspection by the person, by sending the records to the person’s electronic address as soon as practicable but, in any event, within 5 working days after it receives the notice.
- (2) Despite subclause (1), a climate reporting entity and a person specified in section 461Y of the Act may agree another time within which, or another manner in which, the CRD records are to be made available for inspection by the person, in which case the records must be made available in accordance with the agreement.
- (3) In this regulation, electronic address, of a person (A), means –
  - (a) the electronic address specified by A for the relevant purpose; or
  - (b) the actual or last known electronic address for A, if –
    - (i) paragraph (a) does not apply; or
    - (ii) the climate reporting entity knows that the address referred to in paragraph (a) is not correct.

Regulation 252C prescribes a default timeframe of as soon as practicable but, in any event, within five working days of receipt of a written notice of intention to inspect for CREs to make records available for inspection. However, a CRE and a person specified in s 461Y of the FMC Act can agree another time within which records must be made available.

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<sup>9</sup> Section 461Y of the FMC Act lists the relevant parties that CREs must make their CRD records available to if requested (see page 6).

We expect that FMA requests for climate records will vary in volume and complexity. This will depend on the focus of our monitoring of a particular climate statement, and on the size and nature of the reporting entity and the complexity of their climate records. We therefore anticipate that the default five-working-day response window will, in some cases, not be enough time for a CRE to identify, retrieve, review and prepare the requested records.

We will take a reasonable and collaborative approach to arriving at an alternative response 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.

Regulation 252C also prescribes that records must be provided to the requester's electronic address unless the CRE and requester under s 461Y of the FMC Act otherwise agree. In almost all cases, we will expect records in electronic format. There may be some instances in which we will work with CREs for records to be provided by means other than to our electronic address, and we will consider these on a case by case basis.

## General principles and considerations

### 4. CRD records must provide evidence of materiality considerations

Consideration of materiality is fundamental to the preparation of climate statements. In accordance with the Aotearoa New Zealand Climate Standards, information must be disclosed if it is material. This is defined in NZ CS 3:

Information is material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that primary users make on the basis of an entity's CRDs.<sup>10</sup>

Records are evidence that a CRE has appropriately considered materiality in the preparation of its climate statements. The records that document how CREs have considered materiality will vary depending on the nature of their business and operations, and other quantitative and qualitative considerations. These records could be a distinct materiality assessment document, or individual judgements made on a case-by-case basis that are integrated into supporting records (e.g. within file notes and workpapers).

For MIS Managers that are CREs in respect of their schemes, materiality must be considered at the level of each individual fund within the schemes they are required to report on.<sup>11</sup>

Records should have enough detail to show how materiality has been considered. They should show that the CRE's disclosures are based on information that is material to primary users, and should substantiate each disclosure to which they relate.

### 5. CRD records must be maintained within an effective system of controls

Section 461V (3) of the FMC Act requires that CREs establish and maintain an effective system of controls for record keeping.

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

<sup>10</sup> See Paragraph 28, NZ CS 3, and further guidance on materiality in NZ CS 3 Paragraphs 27-39.

<sup>11</sup> Section 461ZC (2)(a) FMC Act.

wider financial reporting process, or they could be newly developed and part of a centralised CRD-specific system.

Whichever form they take, record keeping controls should support the integrity, accuracy and timeliness of records and reporting systems. Internal controls should include evaluation and testing, oversight and governance.

CREs should regularly evaluate and monitor their record keeping controls. This could include governance bodies regularly receiving and reviewing reports about internal control processes, including any deficiencies, risks and steps taken to manage them. Record keeping controls should be well documented.

## 6. CRD records must have appropriate protection and safeguards

To comply with the requirement in section 461V (3) to maintain an effective system of controls for record keeping, CREs should have adequate safeguards and contingency plans in place for keeping and maintaining records, including back-up copies.

As part of this, CREs should include authorisation policies on altering records. These policies should be regularly reviewed and updated. In some cases, this may mean ensuring CRD record keeping controls are integrated with wider operational protections and safeguards.

CREs should also consider having a strategy and governance structure in place to manage cyber risk, covering CRD record keeping and associated information management systems. We have a published thematic review of [Cyber resilience in FMA regulated financial services](#), as well as an [information sheet on cyber security and operational systems resilience](#) for market services licensees (excluding benchmark administrators), which may be useful references when considering cyber security.

## 7. CRD records kept by a third party must comply with the CRE's legal obligations

If a CRE arranges for any of its CRD records to be kept by another person, or if any CRD records supporting a CRE's climate statements are generated and stored by a third party, the CRE should take care to ensure those third-party arrangements do not impede the CRE's ability to comply with its legal obligation to provide records for inspection.

It remains the CRE's responsibility to comply with record requests in a timely and full manner. We will have low tolerance for failure to comply with a record request because of difficulty obtaining records held by third parties.

When engaging a third party, CREs should take particular care with the following.

- **Ensure all records are retained:** Records of the data or information used by a third party should be retained, including all models and assumptions and underlying data, and records of *how* that data or information has been used by the third party.
- **Period of retention:** 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.
- **Accessibility of records:** Records hosted or produced by a third-party should be accessible to the CRE within the records request response timeframe prescribed by Regulation 252C, or any alternative

timeframe agreed by the requester and the CRE. When entering into any arrangement with a third party, the CRE should carefully consider factors such as:

- the responsiveness of that third party to communications; and
- the overseas jurisdiction in which any records are to be stored or hosted, and how quickly and securely they can be retrieved from that location.

We strongly recommend that CREs undertake a thorough due diligence process to make sure the operating and record keeping practices of any third party will not prevent the CRE from meeting its legal obligations.

CREs should also consider incorporating record-keeping and data access requirements within any written terms of engagement (if relevant). We have released an information sheet [Climate-related disclosures regime and the use of third-party providers](#) that provides guidance for CREs considering engaging a third-party provider to deliver services for the CRD regime.