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AMP Submission to XRB Climate-Related Disclosure Framework 2022

1 AMP welcomes the opportunity to make a submission to the XRB on the Aotearoa New Zealand Climate-related Disclosure Framework. This document provides our views on proposed NZ CS 1, NZ CS 2, NZ CS 3 (**the Standards**) and the accompanying Guidance for MIS managers (**the Guidance**) released on 28 July 2022.

2 AMP commends the work of the XRB to date in developing the Standards, and is supportive of continued alignment with the Task Force on Climate-related Financial Disclosures (**TCFD**) and the International Financial Reporting Standards Foundation International Sustainability Standards Board (**ISSB**) recommendations. **In addition, we stress the fact that international guidance for fund managers is still in development, and the need for continued alignment with such guidance as it does.**

3 AMP is supportive of the new Guidance for MIS managers, which provides much-needed direction to MIS managers in the development of our climate-related reporting. We consider that the Guidance provides the right balance between retaining flexibility in reporting and setting expectations. In particular, we stress that greater clarity is required around situations where investment decision-making is delegated to third parties or sub-managers. Our detailed views on the Guidance, and the Standards, are provided below.

A. Governance

4 AMP is supportive of the replacement of the term "board" with "governance body" to align with the ISSB prototype and accommodate for situations where an Investment Committee is in charge of relevant decisions relating to climate-related risks and opportunities. This aligns with AMP's governance structure.

5 AMP supports the new focus of the governance disclosures in NZ CS 1, 7(b) on how the governance body ensures that the necessary expertise is available to properly develop and oversee an entity's climate change strategy.[1] AMP considers that this is

[1] NZ CS 1, 7(b).

preferable to requiring a description of the specific expertise of the governance body.

B. Risk Management

6 AMP supports amended NZ CS 1, 18(c) requiring disclosure as whether any parts of the value chain are excluded. The Guidance for all sectors currently states that "*where necessary, entities could provide a rationale for why a given value chain component has been excluded*". We suggest clarification that there is a materiality overlay to this disclosure – for example, if a certain part of the value chain has been excluded, but it is not considered material, it would not need to be separately identified as excluded. The Guidance for MIS managers is similarly unclear on this point, and AMP considers that it would be useful to expand on how this section will apply to MIS managers specifically.[2]

C. Strategy

7 AMP supports the new "*reasonably expected*" qualifier added to the anticipated impacts/financial impacts of climate-related risks and opportunities, to align with proposed language from the International Sustainability Standards Board (*ISSB*) and ensure greater flexibility in reporting.[3] This pragmatic suggestion reduces the need to include anticipated financial impacts that might be more tangential.

8 AMP also supports the XRB's approach of "*starting qualitatively and building in quantification over time*"[4] across the disclosures. This provides flexibility to develop data capability over time.

D. Metrics and targets

9 NZ CS 3, 39 requires that "*for each metric disclosed in the current reporting period an entity must disclose at least two years of comparative information*". NZ CS 2 provides an exemption from this disclosure requirement in an entity's first reporting period, and requires only one year of comparative information in the second reporting period. However, it will not be possible to include comparative information for scope 3 emissions for CREs that only begin reporting scope 3 emissions in the second reporting year. AMP seeks clarification that comparatives for metrics required in an entity's second reporting period will not include scope 3 emissions metrics (which are not required to be disclosed in the first reporting period).

E. Assurance

10 AMP supports requiring only limited assurance (i.e. a lower standard than reasonable assurance) for scope one, two and three GHG emissions; specific GHG emissions

2 See NZ CS 1, 18(c).

3 See NZ CS 1, 13(b), 14(a) and (b). This aligns with the wording proposed by the International Sustainability Standards Board (*ISSB*) draft Climate Related Disclosures Protocol.

4 NZ CS 1, BC 26.

disclosure requirements in NZ CS 1, 23;[5] and GHG emissions methodologies, assumptions and estimation uncertainty.[6]

F. Adoption provisions

11 AMP supports the additional adoption (transitional) provisions in NZ CS 2 and the separation of NZ CS 2 into a separate document for clarity in future reporting years. In particular, the additional time to produce current and anticipated financial impacts,[7] and scope 3 emissions[8] will enable MIS managers to develop capability for more accurate reporting in this area.

G. Guidance for MIS managers

12 AMP welcomes the specific Guidance for MIS managers and makes [three] suggestions.

Extend Guidance that all disclosures may be provided at Scheme level where applicable

13 First, AMP supports the clarification provided in the Guidance that governance disclosures may be provided at scheme level, rather than entity or fund level.[9] AMP considers that it would be useful to provide clarification of whether disclosures may be provided at scheme level for any aspects of strategy, risk management and metrics and targets disclosures to the extent that these are consistent across a particular scheme. The Guidance seems to imply that this is the case, but does not explicitly clarify which aspects of disclosures must be provided at the individual fund level.

Include Guidance for sellers of retail investment schemes managed by third-parties

14 Second, AMP offers a range of investment options to its customers, including investment into funds managed by AMP, and also into funds managed entirely by other MIS managers. There is currently no recognition in the MIS Manager Guidance for situations where an entity such as AMP offers investment into funds entirely managed by third parties. For example, the AMP KiwiSaver Scheme offers investment into ANZ managed funds (which are wholly managed by ANZ). We suggest that this type of situation is explicitly referenced in the final Guidance by suggesting that less disclosure might be appropriate, so long as an appropriate cross-reference is made to the third party managers' climate statements.

5 This includes disclosure of the standards the GHG emissions have been measured in accordance with, the consolidation approach used, and any exclusions.

6 NZ CS 1, 24 – 25.

7 NZ CS 2, 7 – 9 and 12 – 14.

8 NZ CS 2, 18 – 19.

9 Guidance for MIS managers, 8.

15 In this regard, AMP acknowledges that the current guidance under Disclosure 8(b) on Delegated or passive funds states that:[10]

> *If an MIS Manager delegates investment management decision-making to a third party or sub-managers, or passively tracks an index, the overall responsibility for the oversight of climate-related risks and opportunities nevertheless remains with the Manager. It will be necessary to describe the processes and procedures in place by which the MIS Manager monitors the climate-related risk and opportunity competencies of those delegated with investment decision making and is informed about the third-party or sub-manager's decision making regarding their management. In the case of passive investment strategy/s, a description of the climate-related risk and opportunity management practices of the tracked index will be useful to primary users.*

16 This is a useful statement where aspects of investment management decision-making are delegated to a third party. However, per paragraph [14] above, AMP seeks **further clarification for situations where a MIS Manager offers a "pass-through" investment to products that are managed entirely by third parties.** In this situation, the only relevant management practises of the MIS manager relate to the decision of whether or not to offer the product – AMP has no role in directing how the product is managed. AMP therefore seeks additional flexibility in the guidance as to what is required to be disclosed in such situations. We suggest a requirement to explain the third party manager selection and on-boarding process, how their role is reviewed and what factors are considered in deciding whether to continue offering the product. Outside of these requirements, we suggest that it should be sufficient that the MIS manager provide a cross-reference to that third party's mandatory disclosures where they exist (see paras [18] and [19] below on this).

Extend Guidance regarding cross-referencing

17 Third, AMP supports the acknowledgment at NZ CS 3, 15 – 17 that disclosures may be made via existing channels and cross-referenced where appropriate, so long as the cross-referencing complies with the fair presentation principle and improves, rather than detracts, from the coherence of disclosures.

18 AMP seeks **explicit clarification that, at least for initial reporting years, cross-references can be made to climate-related disclosures of third party fund managers in the case that investment is offered into funds managed by those third parties.** As above, where AMP offers investment into funds wholly-managed by third parties that will be the subject of that third party's climate-related disclosures, to avoid duplication for primary users, AMP considers it would be beneficial to enable cross-referencing to those reports for investors that choose to invest in those funds via AMP. Additionally, it would be useful for the Guidance to acknowledge that in situations where a MIS manager with an early balance data (e.g. 31 March) offers investment into a third-party fund with a later balance date (e.g. 30 September), the relevant information may not be available to cross-reference in their CRD. In this case, the cross-reference should identify where that

[10] Guidance for MIS managers, 11.

information will be made available, and when it will become available. From the second year of reporting onwards, the cross-reference can be to the third party fund manager's previous disclosure, with a statement identifying when they will be updated.

Support Guidance on forward-looking statements

19 AMP supports the guidance provided on how MIS managers should handle disclosures of forward-looking statements at pages 28 – 30, and the recognition that disclosure of anticipated impacts should begin qualitatively.[11] In particular, it is useful that the Guidance recognises that "*preparers bear in mind that this information need not be precise to be relevant – in most cases it can and should remain high-level*"[12] and that "*disclosures developed on the basis of prototypical portfolio composition, at a level of detail no greater than asset class or category, may prove to be a practical and valuable compromise solution".*[13]

20 AMP commends the XRB on its work to date and looks forward to the publication of the final Climate-related Disclosure Framework.

Yours sincerely

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[11] Guidance for MIS Managers, p 30.

[12] Guidance for MIS Managers, p 28.

[13] Guidance for MIS Managers, p 29.