



2 May 2022

External Reporting Board

Submission on Climate- related Disclosures: Strategy, and Metrics and Targets Consultation Document

Stride Property Limited (**SPL**) and Stride Investment Management Limited (**SIML**) are pleased to have the opportunity to respond on the External Reporting Board's consultation document entitled Climate-related Disclosures: Strategy, and Metrics and Targets Consultation Document.

Set out in the schedule to this letter are responses to the questions raised – note we have only included questions where we wish to respond.

If you have any questions or follow up, these can be directed to:

Louise Hill
GM Corporate Services, Stride Investment Management Limited
Ph: 0275580033
Email: louise.hill@strideproperty.co.nz

A handwritten signature in black ink that reads "L Hill".

Louise Hill
General Manager, Corporate Services
Stride Investment Management Limited

Strategy

1. *Do you think the proposed Strategy section of NZCS1 meets primary user needs?*

Yes.

- a) *Do you think that the information in this section of the standard will provide information that is useful to primary users for decision making? If not, please explain why not and identify any alternative proposals.*

Yes.

- b) *Do you consider that this section of the standard is clear and unambiguous in terms of the information to be disclosed? If not, how could clarity be improved?*

Yes – however, with the Methodologies and assumptions 7(a) & (b), if an industry scenario analysis process has been undertaken, does this need to be described within the disclosure or can a reference be made to a central source which would/should set this out e.g. the website of the entity coordinating the scenarios analysis?

- c) *Do you consider that this section of the standard is adequately comprehensive and achieves the right balance between prescriptiveness and principles-based disclosures? If not, what should be removed or added to achieve a better balance?*

Yes, particularly given the proposed first-time adoption provisions for strategy which enable an organisation to mature in this area.

2. *Do you agree that a standalone disclosure describing the entity's business model and strategy is necessary? Why or why not?*

While it would be useful to have a standalone disclosure describing the entity's business model and strategy so as to enable all relevant information to be contained in the one place for ease of reading for investors, a brief summary should be sufficient, with perhaps a link to greater detail if required. The standard could be clarified to refer to this, although we think this could develop in practice over time.

3. *Do you agree that we should not prescribe which global mean temperature increase scenario(s) should be used to explore higher physical risk scenarios (such as 2.7°C and/or 3.3°C or by using Representative Concentration Pathways (RCP) such as RCP4.5 or 6), but rather leave this more open by requiring a 'greater than 2°C scenario'? Why or why not?*

Yes, we agree. The key global mean temperature increase is the lower one. Allowing an entity to determine its higher scenario will allow specific scenarios that are suited to the particular industry to be used. We also think that encouraging sector-specific scenario analysis will assist with ensuring a level of consistency. The XRB could consider whether, if a sector-specific scenario has been developed, it is compulsory for the organisation to include the sector-specific scenario(s) in their report, with the option to include more scenarios if the entity considers it appropriate for their business.

4. *We do not require transition plans to be tied to any particular target such as net zero and/or 1.5°C, but that entities will be free to disclose this if they have done so. Do you agree? Why or why not?*

We think that the transition plan should disclose how an entity is proposing to reach, at a minimum, the lower scenario that they have used for their scenario analysis (i.e. the 1.5°C scenario). This will provide primary users with necessary information describing how the entity is intending to assist in achieving the lower scenario. We think it is important that

the transition plan tie with the transition risks that have been disclosed, and the impact of transitioning to a lower carbon economy that the entity has disclosed as part of its scenario analysis. An entity could choose to also disclose how it will achieve net zero, but this could be optional.

6. *The XRB has identified adoption provisions for some of the specific disclosures in NZ CS 1:*

a) *Do you agree with the proposed first-time adoption provisions? Why or why not?*

Yes, we think the first time adoption exemptions strike a good balance. In particular, we think it is important that disclosing financial impacts has a first time adoption exemption, as this is a difficult part of the risk assessment. As the XRB notes, most entities will begin with a qualitative assessment of risks, and then move to a quantitative assessment and in our experience the quantitative assessment takes several months, and accordingly an exemption for disclosing financial information for first time reporters is necessary.

b) *In your view, is first-time adoption relief needed for any of the other disclosure requirements? Please specify the disclosure and provide a reason.*

c) *If you are requesting further first-time adoption relief, what information would you be able to provide in the interim?*

Metrics and Targets

7. *Do you think the proposed Metrics and Targets section of NZ CS 1 meets primary user needs?*

Yes.

a. *Do you think that the information in this section of the standard will provide information that is useful to primary users for decision making? If not, please explain why not and identify any alternative proposals.*

Yes, with the exception of the metrics described in 4(b) and (c) which we think could be quite subjective and difficult to disclose, and therefore not useful for comparison by investors. We query whether this information is needed if an entity has already disclosed the actual and potential financial impact of risks on its business. In addition, we think 4(e) is not necessary and would not actually assist investors. An entity would not normally disclose the amount of its revenue, assets or other business activities that are aligned with business opportunities, so we query why this information is needed for climate-related opportunities.

b. *Do you consider that this section of the standard is clear and unambiguous in terms of the information to be disclosed? If not, how could clarity be improved?*

Yes, subject to the above comments on paragraph 4.

8. *We have not specified industry-specific metrics. The guidance will direct preparers where to look for industry-specific metrics. Do you believe this is reasonable or do you believe we should include a list of required metrics by industry? If so, do you believe we should use the TCFD recommendations or follow the TRWG prototype?*

We consider the requirement to disclose industry-specific metrics is a little unclear, as there are many different metrics that could be applicable, and it will only be useful to investors if all entities in the same industry are disclosing consistent metrics. Accordingly, we suggest including more direction on industry-specific metrics.

9. *We will require disclosure of scope 3 value chain emissions as part of this standard. Are there areas (particularly in your scope 3 value chain) where there are impediments to measuring at present? If so, what are these areas and when do you think it might be possible to measure these areas?*

A large part of our Scope 3 emissions are tenant emissions, and with over 900 tenants obtaining this data is cumbersome and very time consuming. Stride has implemented the BraveGen software system to track our emissions, and this is intended to make data gathering easy, but even with this software we encounter a number of problems.

In many cases there is currently no requirement for tenants to share information with us as landlord (although this will change over time as new leases with the requirement to share data are put in place). Even once the data is obtained initially, we still need to constantly monitor data gathering to ensure accuracy and completeness. If a tenant changes suppliers, this adds to the difficulty of gathering data as tenants do not always inform their landlord when they change supplier.

In many cases the data is from a secondary source (the tenant) and not the supplier of the data (the energy company for example) so accuracy cannot be assumed.

Where we have ICP information (or equivalent) which allows us to obtain data directly from the providers of energy, water etc, the data the suppliers provide is not easy to work with, and the suppliers often assume that all data can be read from invoices, which is a very manual and time consuming process. In addition, our requests for information from suppliers are often ignored.

This is particularly the situation with monopoly providers such as water where they are not set up to allow the provision of summary data over a time period. Updating buildings to enable automatic reading of data will take time to achieve. Therefore, the data may be missing or inaccurate for some time.

We have engaged an additional part time resource to assist with data gathering and monitoring, but even with this additional resource we are not able to obtain all Scope 3 data as yet. Accordingly, we have very little confidence in our Scope 3 data, and we would expect it will take between 2 and 4 years before we can have a level of accuracy – we think the provision of this data needs to become more common, i.e. more companies requesting data in a consistent format, and then it will become more “business as usual” to provide this information, and the data will be more accurate.

We have considered whether it would be useful to mandate in legislation that energy, waste and water suppliers need to provide emissions data information to their customers on request, which could assist – then if, as landlord, we obtained the consent of the tenant to access their data, this would assist with ensuring that we have ease of access to accurate and reliable data.

10. *Paragraphs 8, 9 and 10 contain specific requirements relating to the disclosure of GHG emissions to facilitate the conduct of assurance engagements in line with the requirement of section 461ZH of the Financial Markets Conduct Act. Do you have any observations or concerns about these proposed requirements?*

No observations or concerns.

11. *Do you have any views on the defined terms as they are currently proposed?*

No.

12. *The XRB has proposed not providing first-time adoption provisions for the Metrics and Targets section of NZ CS 1. Do you agree? Why or why not?*

Yes, agree with this proposal. Entities required to undertake the climate disclosures reporting are likely to be collecting at least scope 1 and 2 data which is not hard to obtain. Scope 3 data is more of a challenge as discussed above.