

30 October 2024

April Mackenzie

Chief Executive

External Reporting Board

by email: climate@xrb.govt.nz

Re: Proposed 2024 Amendments to Climate and Assurance Standards

Dear April,

Thank you for the opportunity to contribute to this consultation.

Mint Asset Management Ltd (Mint) is in support of all the amendments proposed by the External Reporting Board (XRB) except for Proposal 2. For this proposal, we consider it appropriate that the adoption provision gives relief of three accounting periods before scope 3 GHG emissions assurance is mandatory.

Summary position

Mint is not a Climate Reporting Entity (CRE), however many of the companies we invest in are CREs. Mint is also developing a voluntary climate report with the expectation this will prepare us for when we eventually qualify as a CRE. We do this work because we recognise the importance of the aim of the Aotearoa New Zealand Climate Standards (Climate Standards): to support the allocation of capital towards activities that are consistent with a transition to a low-emissions, climate-resilient future. Climate change is an urgent and pressing issue and we are in a critical decade.

We also recognise the complexities and challenges of reporting under the Climate-Related Disclosures (CRD) regime, particularly around obtaining reliable data, a lack of guidance and applicability of the regime for MIS managers, and the potentially significant costs required to assure scope 3 GHG emissions data. We believe the delays proposed are appropriate to allow time for CRD regimes in offshore jurisdictions to get underway, and for MIS Managers this is particularly true as it will allow for improvement in the quality of data obtained from third-party providers. Except for proposal 2, the assurance of scope 3 GHG emissions data, the proposed delays can allow for the aim of the Climate Standards to still be upheld, plus ease the burden of the challenges and complexities realised so far.

We hold the view that any changes to the Climate Statements, now or in the future, need to uphold the aim but also continue to provide meaningful information for end users. We believe proposals 1, 3 and 4 as proposed by the XRB, with a further delayed application of proposal 2, will support both of these aspects.

Again, we thank you for the opportunity to submit on this consultation. Please find specific answers to the consultation questions below.

Sincerely,

Rachel Tinkler

Rachel Tinkler
Head of Responsible Investment
on behalf of Mint Asset Management Ltd.

Response to specific consultation questions

1. Do you agree with Proposal 1 to extend Adoption Provisions 4, 5 and 7 for scope 3 GHG emissions disclosures from one accounting period to two accounting periods?

Yes, we agree with proposal 1.

Scope 3 GHG emissions are often the most informative emissions type for most companies as well as for MIS managers. However, these are also the most difficult to collect for companies. We believe a delay of an additional accounting period is appropriate to allow for developments from offshore jurisdictions to improve the methodologies and ability of companies, both local and global, to collect this information.

For MIS managers, a large proportion of scope 3 GHG emissions by investee companies are estimated by third-party providers, as many underlying companies are not yet reporting these. Further, the collection of climate data collected by third-party providers is significantly delayed compared to the collection of financial data. Development of CRD regimes in offshore jurisdictions will allow for an improvement in both these aspects, and thus justify the delay proposed here.

Given scope 3 GHG emissions are often the most informative type, delaying this proposal any further will make it harder for the CRD regime to achieve its aim. In addition, we hold the view that the data collection and reporting aspects of the Climate Statements are sufficiently supportive in this being a developing area for CREs, and particularly MIS Managers, so we do not view further delays as necessary.

2. Do you agree with Proposal 2 to add a new Adoption Provision 8 that gives relief of one accounting period before scope 3 GHG emissions assurance is mandatory?

No, we do not agree with proposal 2.

Mint holds the view that the mandatory assurance of scope 3 GHG emissions data should be given relief of three accounting periods, instead of the one accounting period currently proposed. Particularly for MIS managers, assurance of scope 3 GHG emissions does not contribute to the information in the reports being meaningful, given data quality and timeliness issues.

The delay in collecting climate-related data by third-party providers is significant, compared to the collection of financial data. Much information reported by third-party providers is up to two years old. Assurance of this delayed data is therefore less meaningful. As CRD reporting in offshore jurisdictions is initiated, this will translate into further demand for third-party providers (particularly to assist MIS Managers) and should result in faster collection timeframes than currently observed.

There is also a heavy reliance on estimations by third-party providers where investee companies are not yet reporting their own data. The third-party providers provide some explanation of the methodologies of these estimates but consider this largely proprietary information. Again, as CRD reporting in offshore jurisdictions is initiated, we expect the proportion of estimated data to drop. However, time is required for these offshore regimes to be initiated and improve data quality and timeliness, hence our support of a three-year relief for mandatory scope 3 GHG emissions assurance.

Finally, through our voluntary reporting process, we have investigated what assurance of the report might cost us. The expected costs are significantly higher than the costs to assure our financial statements. Encouraging voluntary uptake of the regime beyond CREs will help contribute to the aim of the Climate Standards, yet proposed assurance costs would likely prohibit voluntary uptake. The expected assurance costs are likely significant for CREs too, and we believe would detract from the true purpose of reporting without adding significant value.

3. Do you agree that a one-year delay for scope 3 GHG emissions assurance is sufficient to enable systems to mature to support the availability of sufficient reliable data and to enable increased consistency across the assurance market?

No, we do not agree, hence our suggestion under proposal 2 to provide relief for three accounting periods before scope 3 GHG emissions assurance is mandatory.

While we accept that provisions cannot be made for different CREs, for MIS managers in particular, scope 3 assurance is particularly challenging given our reliance on third-party providers. We also do not believe assurance will contribute to the meaningfulness of the report. For the reasons covered in our answer to question 2, including the reasons set out in the BIG submission, we do not believe a one-year delay allows enough time for the maturity of systems.

4. Do you agree with Proposal 3 to extend Adoption Provision 2 for anticipated financial impacts from one accounting period to two accounting periods?

Yes, we agree with proposal 3.

In our experience of producing a voluntary report, plus observing the Climate Statements issued by companies and MIS Managers, this is an area of difficulty for CREs. We are confident methodologies to better understand and report on the anticipated financial impacts can develop over the next year to allow for fulfilment of this requirement. However, our agreement with this response is dependent on comprehensive guidance, including specific guidance for MIS managers, being released by the XRB in a timely manner.

5. Do you agree with Proposal 4 to extend Adoption Provision 3 for transition planning from one accounting period to two accounting periods?

Yes, we agree with proposal 4.

In our experience of producing a voluntary report, plus observing the Climate Statements issued by companies and MIS Managers, this is an area of difficulty for CREs. We are confident improvements in transition planning preparedness can develop over the next year to allow for fulfilment of this requirement. However, our agreement with this response is dependent on comprehensive guidance, including specific guidance for MIS managers, being released by the XRB in a timely manner.

Given the importance of the role of transition planning in upholding the aim of the Climate Statements, we believe delaying this proposal any further will make it harder for the CRD regime to achieve its aim. The transition planning aspects of the Climate Statements are sufficiently supportive in this being a developing area for CREs, so we do not view further delays as necessary.