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Dear XRB

Proposed 2024 Amendments to Climate and Assurance Standards

Thank you for the opportunity to provide feedback on the proposed amendments to the Climate and Assurance Standards. As an overall comment, we support the proposals and the rationale for them.

Mercer (N.Z.) Limited is a licensed manager of six registered Managed Investment Schemes (“MIS”). As a ‘large manager’ of registered schemes, it is a Climate Reporting Entity (“CRE”), as defined by section 461O(2) of the Financial Markets Conduct Act (FMCA). Our additional comments on the proposals are from the perspective of a manager of registered schemes and are limited to proposals 1 and 2.

Proposal 1: Delaying mandatory scope 3 GHG emissions disclosure

Question 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?

We agree with this proposal to address the immediate issue identified.

The primary issue for managers of MIS is they are reliant on underlying entities held within their funds to report on their greenhouse gas emissions. Our understanding is in the context of funds within registered schemes, scope 3 emissions include the scope 1, 2 and 3 emissions of such entities. As a fund may hold in excess of a thousand securities, and many of the issuing companies currently have no legal compulsion to report emissions nor obtain assurance over their reporting, there are significant gaps within the available reporting data. In addition, the timeliness of the underlying holdings data is currently an issue and may mean that until there is an improvement in data timing, stale data is reported on. We expect that as more overseas jurisdictions implement reporting requirements, the data set will improve over time. Consequently, any extension of the adoption provisions will be of benefit and increase the accuracy and credibility of the reported data.

Proposal 2: Delaying mandatory scope 3 GHG emissions assurance

Question 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?

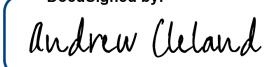
We would like clarification on the application of the proposal for MIS. The commentary mentions mandatory assurance would be retained for scope 1 and 2 emissions, but it is unclear whether this also applies to scope 1 and 2 emissions of underlying securities within a fund, or whether the scope 1 and 2 emissions only would apply to the fund itself (of which this would be immaterial).

As the cost of assurance may ultimately be an expense to investors, delaying mandatory emissions assurance until reporting data and resulting assurance is more reliable will be of benefit to primary users.

Question 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?

For MIS, we would expect variability across funds depending upon their sector and geographical exposure. For example, for funds which largely have exposure to Australasia, a one-year delay would be sufficient to bring material improvements to the reliability of the data. For more globally diversified funds, and global real asset funds there will be improvements, but still significant gaps will remain for a period longer than one year.

Yours sincerely,

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Andrew Cleland
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