

Proposed 2025 Amendments to Climate and Assurance Standards

Survey response 33

Company Name

Harbour Asset Management

Should AP 4, AP 5, AP 7 and AP 8, which relate to the disclosure and assurance of scope 3 GHG emissions, be extended?

Yes - By two years (the XRB's proposal)

Please give a reason for your answer

As a MIS manager, we are both users and preparers of climate statements under the regime and accordingly offer different perspectives. As a preparer of climate statements, we have encountered many challenges with the data requirements of the standards. For context, as an MIS manager, our scope 3 emissions account for the vast majority of our overall GHG emissions inventory and are primarily classified under category 15 (investments) or financed emissions from our underlying investee companies that comprise the funds across our schemes. Given that we have many funds in our schemes, and the complexity of many individual securities (in some cases hundreds or thousands) in multiple different asset classes being invested in by each fund, we rely on an external data vendor to help collate and aggregate this information for each of our funds. One of the limitations in this method has been the lack of relevant data due to the nascency of mandatory climate reporting (particularly for securities listed in overseas jurisdictions). To help address this limitation, we have utilised estimated data from our external vendor to approximate emissions for many issuers until it is made readily available from the entities themselves. However, these estimation methodologies are typically proprietary intellectual property of the external data vendor and kept confidential from third parties including assurance providers. We have encountered this first hand when undertaking pre-assurance to prepare ourselves for when assurance is required in New Zealand. Our experience has been that even when appropriate confidentiality arrangements are set up between the external data vendor and, for example, the assurance provider, there are still limits to the level of transparency around estimated emissions calculations. Subsequently, in cases where one of our funds may have a proportion of its financed emissions as estimated above a defined threshold, the assurance provider is unable to replicate these calculations and gain sufficient comfort on the reliability of the data. Irrespective of how robust the methodological process is or how accurate the proxy data would be, this creates a significant risk of a qualified audit opinion that is difficult to mitigate at this stage. Therefore, we deem that it would be beneficial for a further delay in the assurance requirement to allow time for the coverage of issuer level emissions to improve to a point where the proportion of estimated emissions across funds is minimised. From a user perspective, we value the GHG emissions data provided by listed issuers captured by the regime and benefit from the assurance requirements as this increases the reliability and accuracy of the information to inform our own investment decision making processes. However, we acknowledge the difficulty and complexity of measuring and reporting this data across upstream and downstream value chains of companies for scope 3 and do not prioritise the assurance of this category as much as direct emissions (scope 1) that are more under the control of the entity. Overall, we believe that an additional two years will allow better alignment with reporting and assurance requirements across international jurisdictions and minimise the risk that assurance providers would have to issue qualified audit opinions across many climate reporting entities, particularly MIS managers.

Should AP 2, which relates to anticipated financial impacts, be extended?

Yes - By two years (the XRB's proposal)

Please give a reason for your answer

We consider anticipated financial impacts to be one of the most difficult reporting requirements in the climate standards. This is because it can involve forecasting highly variable impacts over long term horizons (i.e. 30+ years) and subsequently lead to a significant level of uncertainty. The issue does not revolve around qualitatively describing anticipated climate impacts, but rather when attempting to translate this to a financial cost (or revenue) since it would necessitate numerous data assumptions and limitations. Even if ranges are used rather than point-in-time estimates, these ranges can be significantly wide and not be overly informative for end users. This difficulty of measuring and reporting anticipated financial impacts would not necessarily ease over time however it may benefit companies that have started measuring the current financial impacts from past climate events to help inform its forward-looking analysis. For example, as companies endure more severe weather events such as Cyclone Gabrielle, they may better estimate the financial impact to their business for similar events in future. Climate reporting entities would also benefit from comparing with industry peers across international jurisdictions as similar requirements come online so that there may be a convergence towards good practice. Given the above, we do support the extension to the time period for AP 2. In addition, this extra time would allow external data providers to improve their climate models, especially with respect to physical risk, to better model potential financial impacts to companies across the investment universe for MIS managers.

Any other comments

Although not directly relevant to the XRB's proposed 2025 Amendments to Climate and Assurance Standards, we do note that ultimate conclusions and decisions on the consultation by the Ministry of Business, Innovation & Employment (MBIE) regarding "Adjustments to the climate-related disclosures regime" (which closed in February 2025) have yet to materialise. The matters addressed by that MBIE consultation, particularly around reporting thresholds that should apply to climate reporting entities in New Zealand (CREs), and also liability settings for directors of those CREs, are key issues for the New Zealand industry that need to be resolved as soon as reasonably practicable. While we understand that this consultation is outside of the XRB mandate and control, our hope would be that outcomes for both this XRB consultation and the MBIE consultation could follow within a reasonable time of each other, so as to give the New Zealand industry some certainty going forwards as to what climate reporting obligations apply (if any) to each New Zealand market participant.