

# Proposed 2025 Amendments to Climate and Assurance Standards

## Survey response 90

### Company Name

Smartshares Limited

### 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

Yes, AP 4, AP 5, AP 7 and AP 8 should be extended by at least a further two years. AP4 and AP 5: The GHG emissions for managed investment schemes and/or separate funds within those schemes are limited to Scope 3 category 15 emissions. Funds or Schemes are generally comprised of hundreds or thousands of individual underlying securities and, as a large manager, we are reliant on ESG research providers to aggregate the emissions of each of the underlying holdings in our funds. For example, the Smart Total World ETF tracks the FTSE Global All Cap Index which is comprised of approximately 10,000 constituent securities. The majority of ESG data providers have gaps in their available GHG emissions data and those providers are themselves reliant on publicly available information which may be lacking. As a result, reported GHG emissions and comparison values for schemes and funds may be inaccurate and/or vary widely as ESG research providers update their data. We expect that improvements to global climate reporting standards will lead to improvements to ESG research provider's data quality and accuracy over time. Extending the adoption provision for disclosure and assurance of Scope 3 GHG emissions (and consequently the comparisons) will allow time for more accurate emissions data to be collated by external providers. AP 7: When reporting on Funds or Schemes, the trends observed are data driven as we are receiving and assessing aggregated figures. This makes it more challenging to attribute the cause of a trend and whether it is influenced by improvements in the underlying companies that a fund or scheme invests in, or by improvements in data from our ESG research provider. Consistently with our observations for AP4 and AP5, we consider that extending this adoption provision will ultimately result in more meaningful trend information for end users. AP 8: We have engaged our Auditors for pre-assurance, and they have confirmed that the scheme manager is ultimately responsible for data accuracy. Given the known gaps across the ESG research providers' platforms, an expensive and time-consuming manual process to correct data is inevitable if we are to obtain an unqualified assurance opinion. Any manual process is not practical when Schemes and Funds are comprised of hundreds or thousands of underlying securities and where the metrics need to be reported annually and continually monitored. We also support the extension as it will reduce future audit fees that might otherwise be passed on to our investors.

### 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

Yes, AP 2 should be extended by at least a further two years. When reporting on Funds or Schemes, both physical and transition risks are dependent on modelled data within our ESG research provider's platform. As with comparators for GHG emissions, for large Funds or Schemes holding many underlying securities, it is difficult to identify which risks have changed due to the underlying companies or due to changes in modelling methodologies or improved data collection. As a result,

quantifying these risks may lead to inaccurate figures being reported. We expect that standardised climate-related risk metrics for securities will become available over time. Extending this adoption provision will ensure that more accurate and consistent information will be reported when it is available.

**Any other comments**

In addition to our support for the proposals in this consultation, we also support and look forward to progress being made with MBIE's more general review of the CRD regime, specifically as it relates to the thresholds for the application of the regime to registered managed investment schemes.