

Sustainability Team
External Reporting Board

By email: sustainability@xrb.govt.nz

13 June 2025

Dear XRB Sustainability team,

ICNZ Submission to XRB Request for Information on international alignment of climate reporting

Thank you for the opportunity to provide a submission to the External Reporting Board (XRB) request for information (RFI) on international alignment of climate reporting.

The Insurance Council of New Zealand / Te Kāhui Inihua o Aotearoa (ICNZ) is the representative organisation for general insurance companies in New Zealand. Our members include insurers with greater than \$1 billion in total assets or annual premium income greater than \$250 million, meaning they are climate-reporting entities (CREs).

Paragraphs below are numbered in line with the questions set out on page 10 of the RFI.

General Comments

Insurers see the value of moving toward more internationally consistent climate reporting standards over time, carefully and strategically; however, most insurers prioritise the stability and certainty of the current regime in the short-medium term. Insurers note the opportunities presented by international alignment to minimise duplicated effort for both preparers and users.

The general evolving policy and political outlook on climate regulation in some OECD jurisdictions means the pursuit of regulatory alignment may not be appropriate in the short term due to political/policy risks in the settings that New Zealand may try and align to.

In general, insurers recommend any changes to Aotearoa New Zealand Climate Standards (NZ CS) should be carefully timed and considered after Australia and other key jurisdictions have completed one to two full reporting cycles. This would allow New Zealand to benefit from international implementation insights and avoid unnecessary disruption.

Insurers support alignment with Australian Accounting Standards Board (AASB) Standard AASB S2 and International Financial Reporting Standard (IFRS) S2.

While most insurers note it is not the right time yet for overall alignment for the reasons set out, the resolution of specific issues such as transition planning differences, current impact methodology differences and clarity on Scope 3 requirements could be prioritised and addressed in the short term.

One insurer identified a key concern as the lack of alignment in Scope 3 emissions reporting methodologies. The International Sustainability Standards Board (ISSB – established under IFRS) is currently consulting on changes to the reporting requirements for financed and insurance associated emissions, which could see reporting of these categories of emissions becoming optional. The AASB in Australia is also consulting on similar changes.

The potential impact of this is that Australian CREs would not have to disclose a very large and complex set of emissions that New Zealand CREs are required to under the NZ CS. There is a large resource and financial cost to measuring these emissions, which is already underway for New Zealand insurers captured by the regime, so any changes to these requirements would need be clarified promptly before full Scope 3 disclosure is required next year. If not, New Zealand insurers with Australian parents could be disclosing significantly different and non-comparable emissions profiles to their Australian parents.

- 1. Which standards, overseas jurisdictions or other specific elements of international alignment are the most important for you (as a CRE or a primary user of climate statements), and why?**

Insurers support alignment with AASB and IFRS standards. One insurer noted that the current alignment between NZ CS1–3 and AASB S2 is manageable, but it creates duplication of effort for an insurer operating in both New Zealand and Australia due to two separate processes being conducted in parallel, working to different standards. Alignment would encourage the pooling of resources at a Group level, minimising rework. This insurer supports closer alignment and sees benefits for issuers and primary users in New Zealand and Australia. Misalignment or conflict between the standards should be avoided.

- 2. Is now the right time for New Zealand to amend or replace NZ CS to achieve closer international alignment with any other standards, and why?**

Most insurers do not support this in the short term. One insurer noted it is premature for New Zealand to make substantive changes to the NZ CS to achieve closer alignment with other international standards.

While closer alignment is a desirable outcome, any adjustments made now risk being based on evolving frameworks. It would be more appropriate to assess alignment after key international jurisdictions, particularly Australia as one of New Zealand's major trading partners, have completed one to two full climate reporting cycles. This would allow New Zealand to draw on practical insights, implementation feedback, and lessons learned from international preparers. Taking a measured approach will help ensure that any updates to NZ CS are both well-informed and strategically aligned with global partners, without creating unnecessary disruption or further uncertainty for local reporting entities.

One relief that would benefit insurers in the short term, while international alignment is developed is to extend the adoption provision for the reporting of Category 15 insurance associated emissions by a further 12–24 months.

3. If closer international alignment is desirable, what process to achieve this degree of alignment is most desirable (e.g., greater alignment of NZ CS or revoking NZ CS)? Why?

Insurers have noted that international alignment is desirable; however, they emphasise the need to avoid disruption wherever possible. Insurer's climate reporting teams are generally small and are focused on implementing the current rules as well as transition planning for their businesses.

To avoid disruption, most insurers recommend a clear lead time of at least two reporting cycles. This will provide preparers with certainty and stability. Introducing amendments without a clear target or stable end point risks creating confusion, resource strain, and disruption to reporting systems and processes. To support high-quality, consistent reporting, entities need confidence that once alignment measures are introduced, there will not be continued frequent changes to NZ CS.

4. What information can you provide that this closer international alignment would better achieve the stated purpose of climate reporting as per section 19B of the Financial Reporting Act 2013?

The purpose of climate-related disclosure in Section 19B is to encourage entities to routinely consider their climate-related risks and opportunities; show how they

are considering those risks and opportunities; and should enable investors to assess the merits of how entities are managing those risks and opportunities. Aligning with internationally recognised standards such as those issued by AASB or IFRS would not detract from this purpose. There would likely be benefits to the primary users of reports (investors), and other stakeholders having more consistency in reporting between New Zealand and Australia. This is particularly the case for businesses listed on the ASX.

- 5. Are there any climate-related disclosure requirements that you comply with that are not standards set by other jurisdictions (for example, via supplier agreements)? How important are those disclosures to you? Should the XRB take those requirements into consideration and how?**

Individual insurers are best placed to comment on their business' reporting arrangements.

- 6. Is mutual recognition important to you and, if so, how would it impact any of your above answers?**

Insurers are generally supportive of mutual recognition in principle, appreciating the Financial Markets Authority (FMA) mandate for this work. Insurers see mutual recognition as a potential opportunity for removing the duplication of effort; however, insurers note that achieving mutual recognition might involve lengthy negotiations between jurisdictions.

Mutual recognition is seen as important by insurers, particularly those within a Trans-Tasman group. Alignment with Australian climate-related disclosure requirements AASB S2 is a priority for those insurers as it supports consistency in reporting across jurisdictions, enables them to leverage group-wide systems and processes to streamline reporting process.

If mutual recognition is pursued, one insurer recommends that XRB be granted power to specify 'equivalent' standards to NZ CS from other jurisdictions such as AASB S2 or IFRS S2. This framework would provide New Zealand CRE's with two options to report, under an approved equivalent standard, or under NZ CS. The FMA would retain equal enforcement options under either pathway.

One insurer suggested that New Zealand climate reporting entities that are subsidiaries or branches of foreign parents should be able to have their climate report accepted in New Zealand without the need for the subsidiary or branch to

report applying NZ CS. That insurer suggested reporting requirements applied by the parent would need to be authoritative in the parent entity's home jurisdiction and could include, for example, the IFRS or AASB requirements.

Please feel free to contact me if you need any further information about this submission.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J. Baigent', with a long horizontal stroke extending to the right.

James Baigent
Resilience Leader