Response

Are you responding on behalf of an organisation, or as an individual? Organisation
The full name of the organisation you are responding on behalf of (f relevant) FMG
Will you be a climate-reporting entity after the definition is changed through the Financial Markets Amendment Bill? Yes
Which of the following best describes your organisation? Licensed insurer
Responding to this survey as: a preparer of climate-related disclosures
9. Do you agree with the proposed amendments to NZ CS 1 to permit exclusion of some financial activities? Yes
10. Why or why not? Currently there is no agreed methodology for derivatives and some insured emissions. It also provides better alignment with the international regimes
11. Do you agree that the proposed list of permitted exclusions (derivatives; insurance and reinsurance underwriting activities; capital market issuance activities) appropriately captures investment-related emissions that are not 'financed emissions'? Partially
12. If not, what should be added or removed, and why? [see Exposure draft – Appendix B, paragraphs B6 and B9] Agree with the exclusions but not the drafting does not result in equivalent treatment of investment assets as per IFRS S2. The IFRS S2 wording would appear to exclude emissions from investments in pooled investment vehicles, because those vehicles are not loans or investments made directly to specific investees or counterparties. NZ CS1 does not define financed emissions in the same way; instead, it relies on stating what is excluded, which creates uncertainty about whether pooled vehicles remain in scope. Many general insurers manage their investments through pooled investment vehicles sourced through external fund managers. This limits visibility of the underlying assets and thus the ability to provide quality emissions data. While managed investment schemes were included within the CRD regime, reliance could be placed on the emissions factors reported for similar retail investment schemes. With these schemes now being excluded from the regime there is no longer a requirement for schemes to publish emission factors, let alone assured emission factors. This makes it difficult for CRD reporting entities with pooled investment assets to determine an appropriate emissions factor (where one is not provided by the fund manager), and to obtain assurance over those emissions (where the available factor has not been audited). Hence the drafting of NZ CS1 combined with

the withdrawal of managed investment schemes as reporting entities has had the (unintended) consequence of significantly increasing the compliance burden for some reporting entities.

13. Is the proposed ‘may exclude’ drafting clear and operable for your entity given the measurement standard you use (e.g., GHG Protocol Scope 3 Standard, ISO 14064-1, PCAF Standards)? [see Exposure draft – Appendix B, paragraph B9]

    Don't know

14. If not, what specific wording changes would improve it?

    Would not impact FMG given method of investing used, hence we have not comment on this matter.

15. The ISSB added additional disclosures (IFRS S2 paragraphs 29B–29C) when an entity applies the IFRS S2 paragraph 29A relief. Do you agree that we should not add these additional disclosures into NZ CS 1, given NZ CS 1 already requires disclosure of exclusions under paragraph 24(d)?

    Yes

16. If not, what additional disclosure(s) would you consider useful for primary users (and why)?

    Adding the additional disclosures would risk duplication and may be confusing for primary users.

17. Do you agree with the proposed inclusion of content from our existing staff guidance *Excluding GHG emissions sources — Considerations for preparers*, as authoritative (mandatory) application material within NZ CS 1? [see Exposure Draft – Appendix B, paragraphs B1 to B8]

    Yes

18. If not, why not, and what would you suggest should be included or deleted?

    The staff guidance provides some clarity around acceptable basis for excluding GHG emissions sources, as such we are comfortable for it to be included within the Standard. However, it should be clear that these are not the only possible grounds for exclusion. We note “for example” in the proposed drafting which provides that clarity.

19. Do you agree with the proposed mandatory date of 1 January 2027, with early adoption permitted?

    Yes

20. If not, what date would you suggest and why?

21. Do you agree with our assessment of the benefits and costs of the proposed amendments to NZ CS 1 including the impacts on primary users and climate reporting entities?

    Partially

22. Why or why not? In your response, please include any examples that illustrate the practical effects, such as costs or impacts on the usefulness or comparability of the proposed amendments.

    The extension of exclusions to some investment-related scope 3 emissions this does not go far enough to compensate for the additional reporting costs imposed on CRD entities that invest via third party investment managers now these schemes are exempt from the reporting regime.

23. Do you have any other feedback on the ED proposals?