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) Insurance Council of New Zealand
Will you be a climate-reporting entity after the definition is changed through the Financial Markets Amendment Bill? No
Which of the following best describes your organisation? Industry body
Responding to this survey as: neither a primary user nor preparer
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? Agree, with qualified support, subject to clarity being provided on the treatment of insurance associated GHG emissions. Insurers have submitted to XRB previously on the value of international alignment. Insurance Associated Emissions (IAE) are an area of complexity and uncertainty. Data quality, boundary definitions, and methodologies are still developing making reliable measurement and assurance challenging. Significant investment in systems and processes may not deliver reliable or comparable outputs. These proposed amendments bring NZ into closer alignment with Australia, which for New Zealand companies that are a subsidiary of an Australian parent company will support greater consistency and alignment in reporting of GHG emissions.
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'? Yes
12. If not, what should be added or removed, and why? [see Exposure draft – Appendix B, paragraphs B6 and B9] Clarity is sought from XRB on whether emissions from the claims supply chain are to be excluded from standard definitions of IAE. Insurers note that there is live discussion on this in Australia, and given the XRB emphasis on alignment, it will be important to be clear and aligned between both jurisdictions how IAE and claims supply chain emissions are intended to be treated. Insurers recommend XRB is clear on how the wording of the new standard to reflect the boundaries and scope. Clarity is essential for determining what's in and out of scope. Clear definitions of insurance / reinsurance / underwriting activity and what their boundaries are for inclusion / exclusion will be essential to the effectiveness of the standard.

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] Yes
14.	If not, what specific wording changes would improve it? The standard should be clear on how immaterial emissions sources should be treated. It will be important to understand how this standard will relate to audit standards. The "may exclude" wording may be sufficient but how auditors treat decisions to exclude immaterial emissions sources will be important. To improve clarity, we would recommend adding wording along the lines of "independent of materiality" so that it is clear, even if the emission source is material for an organisation, the entity still has the explicit option to exclude it.
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)? No
16.	If not, what additional disclosure(s) would you consider useful for primary users (and why)? Insurers do not feel this is necessary and are concerned that at times more information adds confusion, rather than clarity, for the intended audience. Insurers are prioritising simplicity and clarity.
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? Insurers believe that the XRB staff guidance on reasons for excluding material GHG emissions sources aligns with existing practice. They are comfortable with it being embedded in the primary legislation. Insurers were comfortable with the drafting of B1-B8.
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? N/A
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? Yes
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. There are advantages with alignment with Australia through the resolution of data challenges, this will help address the high level of estimation required.

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

N/A