



27 September 2022

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Climate-related Disclosures – Exposure Drafts

The New Zealand Society of Actuaries (NZSA) is the professional body for actuaries practising in New Zealand.

Actuaries are experts in assessing the financial impact of tomorrow's uncertain events. They enable financial decisions to be made with more confidence by:

- Analysing the past
- Modelling the future
- Assessing the risks involved
- Communicating what the results mean in financial terms.

Actuaries understand a wide range of technical disciplines and provide advice to many industries including healthcare, superannuation, insurance, banking and investments. Actuaries are becoming increasingly involved with non-financial sector organisations that aim to improve outcomes through data-driven insights.

A key capability of actuaries is to understand complicated technical issues and present them in a coherent way to non-technical people and assist with decision making.

We welcome the opportunity to make submissions on the three exposure drafts of the Aotearoa New Zealand Climate Standards:

- Aotearoa New Zealand Climate Standard 1 – Climate-related Disclosures (NZ CS 1)
- Aotearoa New Zealand Climate Standard 2 – First-time Adoption of Aotearoa New Zealand Climate Standards (NZ CS 2)
- Aotearoa New Zealand Climate Standard 3 – General Requirements for Climate-related Disclosures (NZ CS 3)

In general, the NZSA agree with the content of all three exposure drafts.

Questions

- 1. Do you think draft Aotearoa New Zealand Climate Standards will meet primary user needs?**
 - a. Do you think that the proposed disclosure requirements will provide information that is useful to primary users for decision making? If not, please explain why not and identify any alternative proposals.**



- b. Do you consider that draft Aotearoa New Zealand Climate Standards are clear and unambiguous in terms of the information to be disclosed? If not, how could clarity be improved?**
- c. Do you consider that draft Aotearoa New Zealand Climate Standards are comprehensive enough and achieve the right balance between prescriptiveness and principles-based disclosures? If not, what should be removed or added to achieve a better balance? Please consider your answer to question 5 when responding to this question.**

We believe that the proposed disclosure requirements will generally meet the needs of the primary users.

2. Do you have any views on the defined terms in draft Aotearoa New Zealand Climate Standards?

We believe that the definition of “primary users” is very narrow. Existing and potential investors, lenders and other creditors are the providers of capital to CREs and should be recognised as important users of the disclosures. In some cases where the CRE is a subsidiary of an overseas company the disclosures relevant to the overseas parent may not be particularly useful to local parties, be they lenders, other creditors or non-primary users of the disclosures.

We acknowledge the rationale for the decision to focus on providers of capital as primary users but we do expect non-primary users, such as customers, to take a close interest in the disclosures and should be considered as primary users in the future.

3. Do you have any practical concerns about the feasibility of preparing the required disclosures in draft Aotearoa New Zealand Climate Standards? In responding to this question, please consider the proposed first-time adoption provisions in NZ CS 2 and your answer to question 4. Please also clearly explain what would make the specific disclosure unfeasible to disclose against either in the immediate term or longer term.

One of the principles stated in the exposure draft of NZ CS 3 is comparability.

Comparability may be difficult to achieve over the first few years of the disclosure regime as different CREs settle on an appropriate form of disclosure to meet the requirements. Over the longer term we expect that disclosures will become more comparable as best practice emerges.

If changes are made to disclosures over time the principles suggest that comparators from previous years may need to be provided to meet the requirement for comparability over time.

- 4. Do you agree with the proposed first-time adoption provisions in NZ CS 2? Why or why not?**
 - a. Are any additional first-time adoption provisions required? If so, please provide specific details regarding the adoption provisions and the disclosure requirements to which it would apply, and the period of time it would apply for.**

In general we agree with the first-time adoption provisions in NZ CS 2.

Despite this we do expect that some entities will still take all of the time that is on offer to produce the disclosures required. Given the experience of some entities within the insurance industry even with the first time adoption provisions some entities may struggle to produce meaningful disclosures for scenario analyses.



We envision that the disclosure of Scope 3 emissions will cause challenges to many CREs. Where providers within a supply chain or investments held are with smaller companies or overseas companies, climate awareness and greenhouse gas (GHG) emission disclosures may not be consistent with the requirements of the Aotearoa New Zealand Climate Standards. CREs in this situation will need to identify alternative ways of calculating Scope 3 GHG emissions. One alternative to resolving this issue would be to allow a mix of quantitative and qualitative disclosures, allowing for a description of the areas where accurate Scope 3 emissions are not available and the potential impact from these.

- 5. Do you think the draft staff guidance documents will support CREs when making their disclosures and support consistent application of the disclosure requirements? Why or why not?**
- a. Do you think the guidance is under, adequately or overly specific and granular?**
 - b. Do you consider that anything in the guidance should be elevated into the standard? Should anything be demoted from the standard into guidance?**

We believe that the staff guidance documents are very useful in assisting in the preparation of climate related disclosures. At this stage we do not have a strong view as to the level of specificity or granularity of the guidance. We expect that overtime as CREs develop their disclosures, areas of the guidance may become more or less useful and require further revisions. As this occurs we suggest that the guidance is updated to reflect the needs of the time.

- 6. Paragraphs 13 to 19 of draft NZ CS 3 are the proposed location of disclosure requirements. Paragraph BC14 to BC20 of the basis for conclusions on draft NZ CS 3 explain the XRB's intent regarding these proposed requirements. Do you agree with the proposed location of disclosure requirements? Why or why not?**

We support the flexibility the requirements provide but we acknowledge there will be additional administration in ensuring that cross-referenced material remains accessible and unchanged overtime.

This submission was prepared by the Sustainability Interest Group of NZSA. Please contact me if you have any questions regarding our submission or would like to discuss any of the points we have raised.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Darren Fleming'.

Darren Fleming
Convenor,
Sustainability Interest Group, NZSA