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External Reporting Board
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IGAG submission to XRB on the International Alignment of Climate Reporting

This submission is a response by IAG New Zealand Ltd (IAG NZ, we) to the External Reporting Board (XRB) on the request for information on the International Alignment of Climate Reporting (“consultation document”).

IAG NZ is a wholly owned subsidiary of the ASX-listed Insurance Australia Group Limited (IAG Group), which commenced disclosure prepared with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in 2019. IAG NZ is a licensed insurer and is a climate reporting entity (CRE) on this basis. IAG Group would also be a CRE on the basis of a secondary NZX listing related to the issuing of subordinated notes to New Zealand investors, however, like a number of entities it is currently subject to the FMA exemption for foreign listed issuers.¹

Summary

IAG NZ welcomes this consultation and encourages adjustments to New Zealand’s climate and assurance standards to address known challenges and improve international alignment—particularly with the IFRS S2² standards and Australia’s AASB S2³. As a CRE with an Australian parent, we see the benefits of aligning both the timing and substance of requirements, which would enhance consistency, comparability, and efficiency for multinational entities. Specific misalignment issues raised include differences in transition planning terminology and the earlier mandatory disclosure of Scope 3 emissions in New Zealand. We recommend resolving these in the short term while progressing toward mutual recognition, which would allow entities to report under a single standard and have it accepted in both jurisdictions.

Overarching comments

We support the XRB undertaking this consultation and continuing to explore adjustments to the climate and assurance standards to address challenges that have been identified with the content and timing of some aspects of these. Exploring changes to reduce the differences between the rollout of climate reporting in New Zealand, Australia and internationally is important. The closer New Zealand can move to full alignment with international standards the better the outcomes will be for New Zealand CREs and investors, particularly those who operate across multiple jurisdictions.

As one of the many CREs with a parent company in Australia we recognise the importance of further alignment between the New Zealand climate and assurance standards and equivalent Australian (AASB) and international (IFRS) standards. It is important that this alignment encompasses both timing and the substance of the requirements. Increased alignment supports consistency and comparability of disclosures, with

¹ Financial Markets Conduct (Climate-related Disclosures for Foreign Listed Issuers) Exemption Notice 2024.

² International Financial Reporting Standards Foundation IFRS S2 Climate-related Disclosures.

³ Australian Sustainability Reporting Standard AASB S2 Climate-related Disclosures.

benefits for various stakeholders, including investors, policymakers and regulators. It also reduces the regulatory burden by allowing companies operating in both countries to streamline their reporting processes, reducing the complexity and cost of complying with two sets of similar but different disclosure requirements.

Responses to questions in the consultation document

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?

The most important overseas jurisdiction for IAG NZ as a CRE is Australia and we also support alignment to international standards, noting that the AASB is closely aligned to the international standards.

Alignment with AASB S2 would reduce significant alignment challenges we currently face resulting from the differences between the requirements and phase-in timing for the New Zealand Climate Standards (NZ CS) and AASB S2. We also emphasise the importance of alignment to the ISSB IFRS S2 standard. This would support the comparability of international disclosures, make disclosures more easily understandable and useful for international investors, and more efficient for multinational entities operating in New Zealand.

The material alignment challenges which we consider should be addressed by the XRB before FY26 are:

- The terminology and scope of requirements related to transition planning are laid out differently under NZ CS and AASB S2, creating misalignment that reduces comparability. In particular, transition planning is considered under NZ CS 1 to be around articulation of the way a CRE's strategy will evolve to better adapt to climate change, whereas AASB S2 requirements with respect to transition plans are made in the context of the entity's overall strategic response and are only required to be disclosed if there are any transition plans in place. AASB S2 also has specific requirements around climate resilience of an entity's strategy, separate from the concept of transition planning. As an overall company we would benefit from clarity around the differences here, if any. We consider this could be largely resolved in the interim through guidance from the XRB.
- That disclosure of Scope 3 emissions will be voluntary for Australia while mandatory for New Zealand in FY26. This will create additional compliance costs in New Zealand, and we continue to recommend that the adoption provision for Scope 3 GHG emissions be extended by one additional year (i.e. to FY27).⁴ The further extension would provide time to address the current uncertainty as to whether the disclosure of Scope 3 financed emissions should include insurance-associated emissions (IAEs). Both the ISSB and AASB are currently consulting on proposed amendments to the IFRS S2 and AASB S2 standards that clarify IAEs as only being optional under Scope 3 Category 15. Given the complexity of this area an extension of the adoption provision, or at least clear guidance from XRB during this transitional period, would be beneficial to resolve this issue.
- We also continue to recommend that the exemption for assurance of Scope 3 emissions in New Zealand is extended by one more year, to FY27.⁵

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?

We recognise there is a tension between the risks associated with pursuing international alignment whilst the relevant international regimes are yet to be fully finalised or implemented, whilst also avoiding embedding requirements in New Zealand that are likely to be out of step with those international standards and thereby requiring entities to keep maturing against requirements that may be superseded. There is little value in maintaining misalignments when the direction and content of international requirements is evident, particularly given some aspects of the New Zealand regime are not yet in force.

⁴ Refer to our 30 October 2024 submission to the XRB on the consultation "Proposed 2024 Amendments to Climate and Assurance Standards".

⁵ Also refer to our 30 October 2024 submission.

In our view the best way through this challenge is to (1) resolve known disconnects and issues in the interpretation and application of NZ CS with relevant international standards in the immediate term while (2) moving to increase alignment and enabling mutual recognition. We have outlined the key matters to address issue (1) in response to Question 1 above, and discuss mutual recognition further below.

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?

We consider greater alignment is desirable and it will facilitate mutual recognition, which we strongly support. We don't see it is necessary to repeal NZ CS as such, rather the amendment of relevant sections that are not aligned to achieve an adequate level of consistency of approach and phasing.

Mutual recognition would have a range of benefits for users and CRE's. It would promote increasingly standardised disclosures, improving the consistency and comparability of climate-related information across jurisdictions and in turn helping investors, regulators, and stakeholders make more informed decisions based on consistent information.

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?

Increased international alignment would better enable investors and other stakeholders to assess and compare the merits of how entities are considering and managing the short, medium, and long-term risks and opportunities that climate change presents.

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?

IAG NZ is a member of the Climate Leaders Coalition (CLC). We note the CLC is currently consulting on an updated Statement of Ambition. If XRB are not already engaging with CLC on this piece of work, we would encourage discussions – given the overlap between CLC members and CREs.

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

Yes, as outlined in Question 3 we strongly support mutual recognition.

We recognise that mutual recognition would require the differences between New Zealand requirements and the recognised overseas requirements (whether the Australian AASB S2 or international IFRS S2) to be closely aligned. In terms of what approach mutual recognition could take, we would regard as ideal that this would involve a Trans-Tasman entity to only have to disclose against one standard (likely AASB) but have this deemed to meet the other jurisdiction's requirements.

7. Do you have any other comments?

No further comments.

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