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Sustainability Team
External Reporting Board

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Kia Ora

Re: Insurance Council of New Zealand Comments on Proposed 2025 Amendments to Climate and Assurance Standards

Thank you for the opportunity to comment on the XRB's Proposed 2025 Amendments to Climate and Assurance Standards

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).

General Comments

ICNZ advocates to sustain a strong and affordable insurance sector, and to enhance the safety and protection of all New Zealanders by strengthening resilience and reducing the risks of climate change to communities and the economy.

Reducing the risks of climate change requires bold action to reduce greenhouse gas emissions both locally and internationally. Insurers are already working hard to understand their Scope 3 greenhouse gas emissions and are making changes to address the most material Scope 3 emissions to their businesses. Insurers are already voluntarily reporting on the Scope 3 emissions where members are confident to do this with reliable methodologies. Until the wider methodologies for Scope 3 reporting are more settled, we are concerned that disclosures may not meet expectations of primary users in terms of comparability and accuracy.

Insurers support extending Adoption Provisions 4, 5, 7 and 8 relating to the disclosure and assurance of Scope 3 greenhouse gas (GHG) emissions for two years, to accounting periods ending on or after 31 December 2027. This additional time will assist preparers in addressing application issues, including methodologies and data sources, many of which are currently difficult to assure. The extension also aligns more closely with the mandatory application of similar requirements in other jurisdictions in which several of our member insurers operate or have parents.

Insurers also support extending Adoption Provision 2 for two years, to accounting periods ending on or after 31 December 2027. In many cases, the estimated financial impacts are proving difficult to separately identify, and the estimates themselves are subject to a high level of measurement uncertainty. As a result, quantitative information may not be particularly useful to primary users at this stage.

Insurers see the value of moving toward more internationally consistent climate reporting standards carefully over time, however, most insurers prioritise the stability and certainty of the current regime in the short-medium term. Insurers note the opportunities presented by allowing more time for alignment to standards in comparable jurisdictions to minimise duplicated effort for both preparers and users. It will be more useful for end users if the information disclosed is of better quality and more consistent year on year – which is more likely with more time to develop these data sets.

We note that the ISSB and AASB are currently proposing to clarify that insurance-associated emissions are not required to be disclosed under IFRS S2 and AASB S2 due to a current lack of established methodologies data availability issues, and the limited influence insurers have over insured activities. Insurers encourage the XRB to consider making this relief clear in New Zealand's Climate Standards as well.

1. **Should AP 4, AP 5, AP 7 and AP 8, which relate to the disclosure and assurance of scope 3 GHG emissions, be extended? Please give reasons for your answer.**

Insurers support the XRB proposal to extend by two years. Two years is a reasonable timeframe whereby we will have the benefit of viewing the first year of Australian AASB S2 disclosures of Scope 3 emissions. With reporting of Category 15 Insurance Associated Emissions (IAE) uncertain in Australia, this would also provide sufficient time for XRB to determine whether an aligned approach to IAE is also warranted in NZ. A one-year extension would be likely insufficient, and more than two years extension seems unnecessary.

2. **Should AP 2, which relates to anticipated financial impacts, be extended? Please give reasons for your answer.**

Insurers support this extension. Two years is a reasonable timeframe. We will have the benefit of viewing the first year of Australian AASB S2 disclosures of anticipated financial impacts (FY27). This will also allow those insurers with Australian parents time to develop calculation methods in an aligned way. New Zealand insurers can also disclose these metrics earlier on a voluntary basis if they are ready.

3. Any other comments.

Scope 3 emissions:

- Insurance-associated emissions are an area of complexity and uncertainty. Data quality, boundary definitions, and methodologies remain immature; insurers will likely have challenges with reliable measurement and assurance. Significant investment in systems and processes may not deliver reliable or comparable outputs.
- Current NZ standards (NZ CS) require disclosure of Scope 3 IAE, but under IFRS S2 this remains uncertain – meaning NZ may be "out of step" with international requirements. This creates challenges for insurers with Australian or global parents, where reporting obligations may not align.
- There is a high cost and resource burden, including data collection and system upgrades, where the work to quantify some categories of emissions such as IAE is still ongoing. We need to ensure we can provide useful information for primary users or the entity itself. Furthermore we note that the PCAF methodology for IAE is still to be settled.
- Allowing more time, would enable greater clarity to emerge about inclusions and boundaries for Scope 3 GHG emissions, together with specific climate-related disclosure obligations in other jurisdictions. New Zealand Insurers will still be able to disclose Scope 3 emissions on a voluntary basis. It would be more useful for end users if the information disclosed is of better quality and more consistent year on year – which is more likely with more time to develop these data sets.

Anticipated Financial Impacts:

- Insurers are working through methodologies for calculating the financial impact of climate-related risks and opportunities. Where these calculations are made based on long term forward projections this involves multiple assumptions and very high levels of uncertainty. The high level of measurement uncertainty and a lack of consistent methodologies involved in estimating those impacts means that the resulting quantitative information may be unreliable and of limited use to primary users.
- A two-year extension to AP 2 may be appropriate to allow guidance materials to become embedded and more clarity on international requirements to be available. This additional time will allow for a consistent view of material risks and opportunities to be settled within entities.

- It would also provide the necessary time for insurers with Australian parent entities to align calculation methodologies and for industry best practice to emerge.
- In the meantime, qualitative disclosure of anticipated financial impacts remains appropriate.

In summary, the proposed extensions buy critical time to build capability, improve data, and wait for clearer international guidance—particularly on insurance-associated emissions and quantifying financial impacts.