

Proposed 2025 Amendments to Climate and Assurance Standards

Survey response 1

Company Name

AA Insurance

Should AP 4, AP 5, AP 7 and AP 8, which relate to the disclosure and assurance of scope 3 GHG emissions, be extended?

Yes - By two years (the XRB's proposal)

Please give a reason for your answer

There is a high cost and resource requirement to calculate complex scope 3 categories of emissions, which is exacerbated where guidance and methodologies are not available or unclear. For insurers, these key categories include emissions from our claims supply chain (category 1) and from insurance associated emissions (category 15). Due to the current constraints around data quality and lack of detailed, complete, and standardised sector specific guidance, the calculation and disclosure of these emissions categories is likely to rely on broad assumptions, caveats and be incomparable across the insurance industry, providing limited use to primary users. A focus on calculating these emissions categories amidst this ambiguity also means that resources are potentially being diverted from present day mitigation and adaptation opportunities. Additionally, there is uncertainty around the scope of the CRD regime and the reporting requirements for some scope 3 categories. Insurance associated emissions are currently excluded from AASB S2, the reporting standard used in Australia. Whilst this does not directly impact AA Insurance, this creates a mismatch between the reporting requirements of New Zealand and Australia, causing misalignment for New Zealand CREs that are part of an Australian group. International alignment is currently under review, which may result in changes to the CRD regime. Furthermore, the outcomes of the MBIE consultation on adjustments to the CRD regime, including Director liability settings, have also not yet been published, causing further uncertainty for CREs that should be resolved before further commitment of significant time and resources. Overall, the extension allows time for international reporting regimes to settle and align on key matters before mandating disclosure, as well as allowing time for further guidance to be issued to ensure disclosures provide useful information to primary users before significant time and costs are committed.

Should AP 2, which relates to anticipated financial impacts, be extended?

Yes - By two years (the XRB's proposal)

Please give a reason for your answer

As with scope 3 measurement, calculation of anticipated financial impacts is complex and can require significant resource and costs. There is also minimal guidance and international alignment on how anticipated financial impacts should be calculated, leading to highly caveated and non-comparable disclosures, often depicting wide ranges. We understand that guidance is being developed with the New Zealand Society of Actuaries, but this may not be published until the end of the calendar year. Once guidance is published, CREs need a reasonable amount of time to understand and implement the guidance, often requiring extra resource allocation, capital allocation or upskilling of existing employees to ensure this process is appropriately integrated into the business. Currently without an extension of the adoption provision, the timing of this guidance would not provide CREs with sufficient time to appropriately plan and implement best practise processes, especially for CREs

with December year ends. The FMA has also highlighted in August 2025 that a key area of improvement required is the effectiveness of CREs' identification and assessment processes for climate-related risks and opportunities, including the need for more contextual information to be disclosed about the risks and opportunities themselves, and to not obscure material risks in a long list of potentially immaterial risks. CREs require time to implement responses to this feedback, including refining processes to identify and assess climate-related risks and opportunities. This may cause material changes to the risks and opportunities to be disclosed and require different quantification methodologies to be established. Furthermore, this extension would allow CREs to review the first year of Australian AASB S2 disclosures of anticipated financial impacts, due in FY27. This period gives CREs with Australian parent companies time to align their calculation methods before disclosure is required in New Zealand.

Any other comments

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. We request that any further changes to adoption provisions are communicated at least one year in advance of the impacted disclosure year so that resources and costs can be appropriately planned and allocated.