IAG New Zealand submission

to the

Ministry of Business, Innovation and Employment

on the

Adjustments to the climate-related disclosures regime

14 February 2025

1. Introduction

1.1 This submission is a response by IAG New Zealand Ltd (IAG NZ, we) to the Ministry of Business, Innovation and Employment (MBIE) on the discussion document titled *Adjustments to the climate-related disclosures regime*.

1.2 IAG NZ is New Zealand's leading general insurer with a team of approximately four thousand people around New Zealand. We have more than two million customers and protect over $1.07 trillion of assets. We received 552,000 claims and paid $2.891 billion in claims in the financial year ending 30 June 2024 to help our customers get back on their feet following natural disasters, accidents, fires and other mishaps.

1.3 IAG NZ is a wholly owned subsidiary of the ASX-listed Insurance Australia Group Limited (IAG Group), which commenced disclosure aligned with 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 on this basis. IAG Group would also be a climate reporting entity 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]

1.4 This submission holds commercially sensitive information. While IAG NZ is happy to appear on any public list of submitters, we ask that the certain contents of our submission remain confidential under Section 9(2)(b)(ii) of the *Official Information Act 1982* and would be happy to provide a redacted copy for publication purposes.

1.5 IAG's contacts for matters relating to this submission are:

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

2. Overarching Comments

IAG NZ has consistently supported the introduction of mandatory climate-related disclosures in New Zealand and contributed to the development of the regime by government agencies and the External Reporting Board (XRB). We consider a mandatory 'comply-or-explain' climate-related disclosure regime is a key element in enabling and incentivising the transition of individual businesses, markets and the economy to a low carbon and more resilient future. IAG NZ commenced climate disclosures in 2022 on a voluntary basis and released its first climate statements required by the regulatory regime in August 2024.

Following several years of development the mandatory climate-related disclosures regime under the *Financial Markets Conduct Act 2013* is now in effect and has been implemented by relevant entities. The development of similar disclosure regimes in other jurisdictions has also occurred at pace in parallel. Combined these provide a range of insights and comparisons that warrant giving consideration to whether the New Zealand regime can be refined so that its settings are appropriate, and the costs of compliance are proportionate and manageable.

We also support a more fulsome review of the regime being undertaken in due course. The nature of mandatory climate-reporting is different from other financial reporting in several key aspects, and will it continue to evolve, so it will be important that the regime is thoroughly reviewed within the next few years.

While beyond the scope of the current review, we also note that there remains an important ongoing role for government in supporting the successful implementation of climate-related financial disclosures in New Zealand. In particular, supporting the development of the data and the assumptions underlying scenarios to be used by entities to identify risks and opportunities, and in funding relevant scientific research on climate change impacts around New Zealand.

3. Responses to questions in the discussion document

3.1 In this section we provide responses to the specific questions in the discussion document that are relevant to IAG NZ.

Chapter 2: Reporting Thresholds	
1	Do you have any information about the cost of reporting for listed issuers?
	S9(2)(b)(ii) [redacted] We are aware of a suggestion to consider biannual reporting as a means of reducing the costs of the regime and we consider this idea is worth exploring further. This could halve some costs (e.g. assurance) and recognise that as the regime's transitional arrangements cease and it achieves a steady state, there will be little beyond the reporting of current costs and emissions that would materially change from one year to the next – especially in relation to medium- and long-term risk and opportunities and their impacts. Biannual reporting would however have a range of implications for entities and the wider regime that would need to be weighed up should this aspect be specifically looked at.
2	Do you consider that the listed issuer thresholds (and director liability settings) are a barrier to listing in New Zealand?
	Yes, the requirement to produce climate disclosures to New Zealand standards on the basis of for example a secondary equity or debt listing, in addition to disclosures likely already being undertaken overseas, would be a factor that would discourage taking on a NZX listing.

3	When considering the listed issuer reporting threshold, which of the three options do you prefer, and why?
	We do not have a preferred option amongst the proposals. We agree that it is challenging to align with the Australian regime given the various differences and the timing of the two regimes, but that attempting to do this through the proposed Option 3 would be unnecessarily complex and confusing. With regards to the Australian regime, we also note that the reporting thresholds there are not solely financial, but also capture the emissions intensity of entities (through whether or not they are required to report under the National Greenhouse and Energy Reporting Scheme (NGERs)). The proposed changes being consulted on here would not address that difference. We also note that aligning solely with Australia, while generally desirable, runs the risk of being out of line with other markets that New Zealand firms trade in and the climate-reporting regimes that exist in those jurisdictions. If Option 2 or 3 is adopted, then we support the threshold changes applying equally to capital and debt under section 461P(1)(a) and (b) of the *Financial Markets Conduct Act 2013* (FMC Act).
4	If the XRB introduced differential reporting, would this impact on your choice of preferred option?
	We consider that it is appropriate to explore differential reporting as a means for ensuring the reporting requirements are appropriately calibrated so as to balance the benefits and costs of the climate reporting regime.
5	Do you think that a different reporting threshold for listed issuers should be considered (i.e., not one of the options above) and, if so, why?
	We do not have any suggested alternative options.
6	If Option 2 or 3 was preferred do you think that some listed issuers would still choose to voluntarily report (even if not required to do so by law)? And, if so, why?
	This would be a decision for individual entities and as a licensed insurer this question is not relevant for IAG NZ.
7	What are the advantages and disadvantages of a listed issuer being in a regulated climate reporting regime?
	Useful for end users to have consistency - everyone reporting to the same standard. If you have some regulated and some voluntary, then it could get more inconsistent and uncertain and thereby less helpful.

13	When considering the location of the thresholds, which Option do you prefer and why? Either option is workable but on balance we support Option 2 so long as there is a statutory obligation to consult on any future changes. The nature of financial thresholds is that movement over time will be required to maintain the intended relativities between business size and prescribed nominal values and/or to align with comparable regimes. We see examples in other regimes of where specified regulatory values or thresholds fail to keep up with developments due to the need to amend the legisaltion. We therefore consider the advantages of making it easier to adjust these to achieve such outcomes outweighs the risks of additional uncertainty associated with being able to change the threshold without needing to amend the legislation, so long as a statutory obligation to consult exists.
14	For Option 2 (move thresholds to secondary legislation) what statutory criteria do you think should be met before a change may be made, e.g., a statutory obligation to consult. What should the Minister consider or do before making a change? Our support for Option 2 is predicated on a proper policy process being followed and for there always being consultation before any such changes to thresholds are made. Accordingly it is important that a statutory public consultation requirement is included as part of creating a regulation making power for setting thresholds. A list of factors or principles for the Minister to consider before making a decision to change thresholds would also be desirable, however, we are mindful that there is no statutory purpose for climate-related disclosures to act as basis for this and that the purposes for it set out in the General Policy Statement of the 2021 Bill introducing the regime, while appropriate, don't provide a useful touchstone for setting and adjusting thresholds. Given this it may be appropriate to allow the Minister to weigh up all the relevant factors at the time.
Chapter 3: Climate reporting entity and director liability settings	
15	When considering the director liability settings, which of the four options do you prefer, and why? We support Option 3 as it would provide the most comprehensive solution to the issues identified. We note that the current settings for director liability under the FMC Act are working to encourage a focus on minimum compliance, thereby acting counter to the intent of the disclosure regime. A permanent change to director liability settings could help to ensure the regime is delivering on its purpose. A temporary change is unlikely to provide any material relief from the issues raised and could not act as an introductory measure as in Australia because it would likely be year 3 of reporting before it came into effect.

16	Do you have another proposal to amend the director liability settings? If so, please provide details.
	We support Option 3 and do not have any alternative proposals for amending the director liability settings.
17	If the director liability settings are amended do you think that will impact on investor trust in the climate statements?
	We do not believe amending the director liability settings will have a material impact on investor trust in climate statements released under the regime in New Zealand. Under Option 3 as proposed an entity would remain liable for the accuracy of its disclosures, directors would still have some potential liability, and we also believe that many entities will continue to undertake assurance over aspects of their climate statements. As outlined in the consultation document and noted above, if Option 3 was adopted, directors would still have potential liability for misleading and deceptive conduct and climate reporting entities would still have potential lability for misleading and deceptive conduct (civil and criminal breaches), unsubstantiated representations, failure to comply with a climate-related disclosure provision (section 461ZK of the FMC Act) and knowing failure to comply with the climate standards (section 461ZG of the FMC Act). Given these ongoing penalties, concern about reputational risk, general business practice and, for some entities, the existence of climate reporting regimes applying to their parent company, we expect many reporting entities are likely to continue to undertake assurance of their climate statements, which will support investor trust.
18	If you support Option 3, should this be extended so that section 23 is disapplied for both climate reporting entities and directors? If so, why?
	We do not consider that Option 3 should be extended so that section 23 is disapplied for both climate reporting entities and directors.
19	If you support Option 4 (introduce a modified liability framework, similar to Australia) what representations should be covered by the modified liability, i.e., should it cover statements about scope 3 emissions, scenario analysis or a transition plan, and/or other things?
	We prefer Option 3 (as outlined above), however, if Option 4 was to be pursued further then we consider that the following representations should be covered by the modified liability requirement: the current and anticipated financial impacts, cross-industry metrics, transition planning and Scope 3 emissions, assurance and related targets.

20	If you support the introduction of a modified liability framework, how long should the modified liability last for? And who should be covered, ie., should it prevent actions by just private litigants, or should the framework cover the FMA as well? (Criminal actions would be excluded)
	We prefer Option 3 (as outlined above), however, if Option 4 was to be pursued further then we consider that it should prevent actions against directors from private litigants and the FMA for a period of at least two years.
Chapter 4: Encouraging reporting by subsidiaries of multinational companies	
21	Do you think that there would be value in encouraging New Zealand subsidiaries of multinational companies to file their parent company climate statements in New Zealand?
	We have interpreted this section of the consultation to relate to parent companies of New Zealand entities that are not climate reporting entities. We consider the proposed approach could create new uncertainty, inconsistencies and possible confusion given any filing by entities would be inconsistent (i.e. not comprehensive and to different international requirements). To avoid the costs and issues associated with this approach, instead it would be simpler to allow those interested in these disclosures (which would by definition not be investors but could include researchers and other stakeholders) to look them up online.
22	Do you think that, alternatively, there would be value in MBIE creating a webpage where subsidiaries of multinational companies could provide links to their parent company climate statements?
	As noted above in response to question 21, while what is proposed would be voluntary and lowish cost, we note overseas disclosures can easily be found by anyone with an interest in them. The proposal is therefore largely unnecessary and could be confusing and a distraction for the government agencies and the entities potentially concerned.