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External Reporting Board  
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## **EXTERNAL REPORTING BOARD AOTEAROA NEW ZEALAND CLIMATE STANDARD 1, CLIMATE-RELATED DISCLOSURES, GOVERNANCE AND RISK MANAGEMENT CONSULTATION**

This submission is made on behalf of AIA New Zealand Limited and its related entities (together "AIA NZ") in response to the consultation on the Governance and Risk Management sections of the proposed standard, Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (NZ CS 1) (**'Consultation Paper'**).

### **About AIA New Zealand**

AIA New Zealand Limited (**'AIA NZ'**) is a member of the AIA Group (**'AIA'**), which comprises the largest independent publicly listed pan-Asian life insurance group. It has a presence in 18 markets in Asia-Pacific and is listed on the Main Board of The Stock Exchange of Hong Kong. It is a market leader in the Asia-Pacific region (ex-Japan) based on life insurance premiums and holds leading positions across the majority of its markets.

Established in New Zealand in 1981, AIA acquired Sovereign Assurance Company Limited (**'Sovereign'**) in 2018 which, at the time, was New Zealand's largest life insurer having been in business in New Zealand for over 30 years. Sovereign formally amalgamated under the AIA brand in August 2019, and we have been protecting New Zealanders and helping them to lead Healthier, Longer, Better Lives ever since. AIA NZ is also a prominent member of the Financial Services Council (**'FSC'**).

### **About this submission**

We support the development of a climate-related mandatory disclosure framework by the External Reporting Board (**'XRB'**) pursuant to the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill (**'the Bill'**).



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AIA is a signatory to the United Nations Global Compact (the UN Global Compact) and already reports on AIA's progress toward the UN Global Compact Ten Principles, and the Task Force on Climate-related Financial Disclosures ('**TCFD**').

Our responses to the questions posed in the Consultation Paper are set out in the Appendix attached to this letter (note we have no comment on questions 3 and 6). The key points of our submission are:

- We strongly support the design principles that have guided the XRB in the development of the Aotearoa Climate Reporting Standards (**the Standards**). We consider that these principles provide a sound platform for the development of the disclosure requirements and have resulted in meaningful and reasonable reporting requirements for Governance and Risk Management.
- International developments relating to climate reporting are occurring at pace and it is important that New Zealand aligns itself to international climate reporting standards (**International Standards**) wherever possible. We therefore urge and support the continued recalibration of the Standards to International Standards throughout the XRB's development of the climate-related disclosure framework.
- AIA NZ agrees that the financial sector has a critical role to play in achieving a sustainable net zero economy by 2050. However, many Climate Reporting Entities ('**CREs**') have a long road ahead of them to develop and deliver the requisite business solutions to drive change. The XRB, Government and regulators will need to collaborate closely with the financial sector and prioritise the provision of thought leadership and guidance to CREs if meaningful change is to occur at the required pace.

In addition to our own submission, we contributed to and fully support the FSC submission on this Consultation Paper.

## **Conclusion**

Thank you for the opportunity to submit our views on the Consultation Paper. Please let us know if you have any questions or would like to discuss any aspect of our submission.

Yours sincerely

**Kristy Redfern**  
**General Counsel and Company Secretary**  
**AIA New Zealand**



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## Appendix: Responses to the Consultation Paper

- 1. Primary users have been identified as existing and potential investors, lenders and insurance underwriters. Do you think that all of these users should be included in the primary user category?**

We agree that existing and potential investors, lenders and insurance underwriters should be included in the primary user category.

### Governance and Risk Management

- 2. Do you think the proposed Governance and Risk Management sections of NZ CS1 meets primary user needs?**

**(a) Do you think that the information provided under the Governance and Risk Management sections of NZ CS 1 will provide information that is useful for decision making to primary users (existing and potential investors, lenders and insurance underwriters)? If not, please explain why not and identify any alternative proposals.**

We consider that the information provided under the Governance and Risk Management sections of NZ CS 1 will provide primary users with useful information to support informed decision making.

**(b) Do you consider that this section of the standard is clear and unambiguous in terms of the information to be disclosed? If not, how could clarity be improved?**

We consider that the Governance and Risk Management sections of the Standard is clear and unambiguous in terms of the information to be disclosed but further clarification and/or guidance is required around acceptable disclosures for CREs that are yet to, or are in the process of, implementing or adapting their governance frameworks to incorporate climate-related matters. We understand that the XRB are already aware of this issue and will seek to clarify this point within future drafts of the Standards.

**(c) Do you consider that this section of the standard is adequately comprehensive and achieves the right balance in terms of prescriptiveness and specificity? If not, what should be removed or added to achieve a better balance?**

Our view is that this section of the standard creates a reasonable balance in terms of prescriptiveness and specificity. However, we are aware that IFRS have recently published a set of prototype IFRS



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Sustainability Disclosure Standards developed by the IFRS' Technical Readiness Working Group (TRWG). We recommend aligning to the prototype, where appropriate, to ensure consistency with international climate reporting standards.

We note the Standard, in 4(a)-(b) of the risk management sections, requires CREs to disclose specific information about their risk management processes (for example, the value chain stages covered by the risk assessment process). We acknowledge the value in requiring CREs to disclose this information but recommend, given that this is a developing area not only in New Zealand but internationally, consideration is given to taking a phased approach to these disclosure requirements.

#### **Proposed defined terms**

- 4. The XRB has primarily drawn from the TCFD's definitions for its defined terms. Do you agree that we should align closely with the TCFD's definitions?**

Yes, we consider that alignment with the TCFD and TRWG prototypes definitions is important. The financial sector is a global sector and financial institutions need to have a common language on climate-related matters.

- 5. The XRB is particularly interested in feedback on the following defined terms as they are currently proposed: 'climate-related risk', 'climate-related opportunities', 'climate-related issues', 'physical risk', and 'transition risk'.**

We consider that defined terms should align with the TCFD and the TRWG prototype.

#### **PROPOSED NZ CS 2 and NZ CRDC**

- 7. The XRB is currently of the view that adoption provisions for some of the specific disclosures in NZ CS 1 will be required. However, the XRB does not believe it is necessary to provide any adoption provisions for entities in relation to the Governance and Risk Management disclosures. Do you agree with this view? Why or why not?**

We acknowledge the critical role the financial sector has to play in creating a more sustainable, net zero economy. However, given the short timeframes that CREs are being given to implement the



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Standards, the XRB should give consideration to providing temporary relief through adoption provisions from the more specific risk management disclosures. Climate-related risk management processes are very much still in development both domestically and internationally. A requirement to disclose this level of information, may drive CREs to rush the implementation of risk management processes to support climate related disclosures. Given the importance of risk management processes in the overall context of climate change related issues, we recommend providing temporary relief through the adoption standard to ensure that CREs take a considered approach.

**8. The XRB currently intends NZ CS 1 to be concise and sector neutral, with sector-specific requirements to be contained in guidance. Do you agree with this approach?**

Yes.

**9. Do you have any other comments?**

We appreciate the efforts the XRB has made to reach out to different stakeholder groups as part of this consultation process. We have found the consultation document and the subsequent sessions held by the XRB to be well considered and informative.