New Zealand Banking Association
Te Rangapū Pēke

Submission

to the

External Reporting Board

on the

Proposed Amendments to NZ CS 1 *Climate-related Disclosures* 2026

29 July 2026

NEW ZEALAND BANKING ASSOCIATION – TE RANGAPŪ PĒKE
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About NZBA

1. The New Zealand Banking Association – Te Rangapū Pēke (**NZBA**) is the voice of the banking industry. We work with our member banks on non-competitive issues to tell the industry's story and develop and promote policy outcomes that deliver for New Zealanders.

2. The following fifteen registered banks in New Zealand are members of NZBA and support this submission:

- ANZ Bank New Zealand Limited
- ASB Bank Limited
- Bank of China (NZ) Limited
- Bank of New Zealand
- China Construction Bank (New Zealand) Limited
- Citibank N.A.
- The Co-operative Bank Limited
- Heartland Bank Limited
- The Hongkong and Shanghai Banking Corporation Limited
- Industrial and Commercial Bank of China (New Zealand) Limited
- Kiwibank Limited
- Rabobank New Zealand Limited
- SBS Bank
- TSB Bank Limited
- Westpac New Zealand Limited

Contact details

3. If you would like to discuss any aspect of this submission, please contact:

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Introduction

4. NZBA welcomes the opportunity to provide feedback to the External Reporting Board (**XRB**) on the Proposed Amendments to NZ CS 1 *Climate-related Disclosures* 2026 (**Consultation Paper**). NZBA commends the work that has gone into developing the Consultation Paper.

5. Overall, we support the proposed amendments to NZ CS 1, which seem pragmatic given the indicative direction of climate-related disclosure in New Zealand, as outlined in XRB's separate draft climate reporting roadmap consultation.

6. We have set out below our responses to the questions posed in the Consultation Paper. Some questions are not included, due to either responses being provided under other questions, or where there is not a strong industry view.

Question 9: Do you agree with the proposed amendments to NZ CS 1 to permit exclusion of some financial activities?

7. We support the proposed amendments to permit the exclusion of certain financial activities. However, we do not consider that the current drafting achieves its specified intent – namely, the same outcome as paragraph 29A of IFRS S2 – as it does not specify the inclusions noted in 29A.

8. We submit that clarification of the status of undrawn loan commitments and assets under management (**AUM**) would help with consistent application of NZ CS 1. In particular, we consider that XRB should clarify that inclusion is optional, and can be determined by individual reporting entities.

Question 10. Why or why not?

9. Subject to our comments in relation to paragraph 29A of IFRS S2 below, we support the proposed amendments because importantly they will keep us in step with international reporting requirements (rather than going ahead of them), which is consistent with the core drive behind the separate climate reporting roadmap consultation.

10. In respect of derivatives, the Partnership for Carbon Accounting Financials (**PCAF**) currently does not have a prescribed methodology for calculating emissions from derivatives. Therefore, applying a measurement methodology that is subject to an assurance engagement would be difficult. We note that due to their nature any calculation in relation to derivatives increases the risk of double-counting and therefore inappropriately overestimating greenhouse gas (**GHG**) emissions attributable to financial institutions.

11. Further, the XRB's intended treatment of GHG emissions attributable to AUM and undrawn loan commitments is unclear. Paragraph 29A of IFRS S2 expressly provides

for the inclusion of these categories of financed emission, while NZ CS 1 does not refer to either of these sources.

12. Considering the proposed legislative amendments excluding Managed Investment Scheme (**MIS**) managers from the requirement to prepare climate statements, uncertainty may arise regarding whether banks with asset management activities, including MIS-related activities, are required to disclose financed emissions associated with those activities. The compliance cost savings intended by removing MIS managers from the climate reporting regime risk being substantially reduced if banks are still required to undertake the same portfolio emissions calculations for inclusion in their own climate statements.

13. We also note that there is currently diversity in practice among New Zealand banks regarding the reporting of emissions associated with undrawn loan commitments. As NZ CS 1 does not explicitly require disclosure of emissions attributable to undrawn loan commitments, and where no funding has been advanced under those facilities, there may be uncertainty as to whether such exposures fall within the scope of "financed emissions".

14. To promote consistent application and achieve outcomes aligned with paragraph 29A of IFRS S2, we submit that NZ CS 1 should explicitly clarify that reporting entities can make their own determinations on whether emissions attributable to AUM and undrawn loan commitments are intended to be within the scope of the NZ CS 1 disclosure requirements.

Question 11. Do you agree that the proposed list of permitted exclusions (derivatives; insurance and reinsurance underwriting activities; capital market issuance activities) appropriately captures investment-related emissions that are not 'financed emissions'?

15. We agree that the proposed list of permitted exclusions appropriately captures investment-related emissions that are not 'financed emissions' as defined by the International Sustainability Standards Board (**ISSB**). However, we submit that proposed paragraph B9(c) should be drafted more broadly.

16. The underlined language in "facilitated emissions <u>attributable to capital market issuance activities</u>" leaves it unclear whether the exemption would extend to facilitated emissions from sources other than bond issuance.

17. For example, activities such as syndicated lending do not clearly fit within "capital markets issuance activities". To the extent this does not cover all facilitated emissions, it would be out of step with AASB S2, which permits reporting entities to only report financed emissions, and exempts disclosure for the rest of GHG Protocol Category 15 (including all facilitated emissions).

Question 12. If not, what should be added or removed, and why?

18. See our response to Question 11.

Question 13. Is the proposed 'may exclude' drafting clear and operable for your entity given the measurement standard you use (e.g., GHG Protocol Scope 3 Standard, ISO 14064-1, PCAF Standards)?

19. NZBA does not anticipate any issues with the proposed wording. By applying the permission contained in proposed paragraph B9 of the exposure draft, climate reporting entities will be applying the optionality currently outlined within the GHG Protocol for these emissions. It is our understanding that the optionality will remain post-amendments to the GHG Protocol to adopt a new Category 16 for "other financial activities and services".

Question 15. The ISSB added additional disclosures (IFRS S2 paragraphs 29B–29C) when an entity applies the IFRS S2 paragraph 29A relief. Do you agree that we should not add these additional disclosures into NZ CS 1, given NZ CS 1 already requires disclosure of exclusions under paragraph 24(d)?

20. We agree that these additional disclosures do not need to be added.

Question 17. Do you agree with the proposed inclusion of content from our existing staff guidance Excluding GHG emissions sources — Considerations for preparers, as authoritative (mandatory) application material within NZ CS 1?

21. We agree with the inclusion, but note the current staff guidance is incomplete.

Question 18. If not, why not, and what would you suggest should be included or deleted?

22. Proposed paragraph B8 notes that in some circumstances, no applicable methodology exists to quantify GHG emissions from a particular source and that, in those cases, an entity may either exclude the source from its disclosures or develop its own methodology.

23. However, situations may also arise where a methodology exists for calculating financed emissions associated with a particular source, but that source is intentionally excluded from the scope of the methodology.

24. For example, the *PCAF Global GHG Accounting and Reporting Standard* excludes assets held for short durations or classified as held for sale, such as bonds and equities, from the scope of the financed emissions standard, notwithstanding that

methodologies exist to estimate emissions associated with those instruments.[1] This issue is particularly relevant to banks that maintain trading securities portfolios.

25. We submit that proposed paragraph B8 be amended to clarify that entities may also exclude sources that are outside the scope of an established methodology, in addition to sources for which no applicable methodology exists. In our view, this would promote greater consistency in reporting.

Question 19. Do you agree with the proposed mandatory date of 1 January 2027, with early adoption permitted?

26. Yes, we support both the mandatory date and the option for early adoption.

[1] *PCAF Global GHG Accounting and Reporting Standard Part A: Financed Emissions* (Third Edition, December 2025), at page 40.