Response

Are you responding on behalf of an organisation, or as an individual? Organisation
The full name of the organisation you are responding on behalf of (f relevant) Partnership for Carbon Accounting Financials (PCAF)
Will you be a climate-reporting entity after the definition is changed through the Financial Markets Amendment Bill? No
Which of the following best describes your organisation? Other (please specify) Standard Setter
Responding to this survey as: neither a primary user nor preparer
9. Do you agree with the proposed amendments to NZ CS 1 to permit exclusion of some financial activities? No
10. Why or why not? Consistent adoption of reporting Scope 3 Category 15 emissions is essential to ensuring high-quality, decision-useful disclosures across New Zealand's financial institutions. This supports the XRB's objectives by improving the reliability of climate-related information, reducing fragmentation, and enhancing the comparability of disclosures across the market. In this context, it is important to recognise the importance of Scope 3 emissions, particularly Scope 3, Category 15, in disclosing metrics that are materially complete. These emissions – which consist of financed, facilitated, and insurance-associated emissions – represent the most material component of financial institutions' overall greenhouse gas footprint, i.e. 750 times larger than direct emissions. They provide critical insights into the climate-related risks embedded within lending, investment, underwriting, and re/insurance portfolios. With limited visibility into these exposures, users of disclosures may not have a complete understanding of transition risks, which may affect the assessment of climate-related risks, influence capital allocation, and reduce the usefulness of sustainability-related disclosures. The PCAF Global GHG Accounting & Reporting Standard for the Financial Industry provides widely adopted, operationally feasible guidance for measuring Scope 3 Category 15 emissions across multiple financial products. Its use supports consistent implementation, reduces reporting burden, and demonstrates that financial institutions are increasingly capable of implementing comprehensive, high-quality Scope 3 Category 15 disclosures. In addition, PCAF provides implementation support resources, technical guidance and peer learning opportunities to assist financial institutions in building reporting capabilities. The consultation document explains that the proposed amendments would permit exclusions for emissions attributable to derivatives, insurance and reinsurance underwriting activities, and facilitated emissions attributable to capital market issuance activities. However, facilitated and insurance-associated emissions can provide decision-useful information about a financial institution's climate-related risk profile. Investment banks may have material exposure through capital markets activities, while insurers and reinsurers may have material exposure through underwriting portfolios. Permitting the exclusion may reduce the completeness and usefulness of disclosures. PCAF's preference

is for NZ CS 1 to continue requiring disclosure of all material Scope 3 Category 15 emissions (i.e. financed, facilitated, and insurance-associated emissions). Where entities face data or methodological limitations, qualitative information on limitations may be encouraged, explaining the basis for any exclusions. This would maintain decision-usefulness while recognising practical implementation challenges. In the following, the corresponding rationale is highlighted.   Importance of reporting facilitated and insurance-associated emissions: PCAF recognizes that not all financial institutions have access to reported data to calculate their portfolio emissions. However, data limitations should not deter financial institutions from taking the first steps toward preparing their inventories. A similar trajectory is emerging for facilitated and insurance-associated emissions. Many insurance companies and investment banks, already experienced in measuring financed emissions, are investing in stronger systems to measure and disclose these emissions. Clear, consistent guidance supports continued progress and capacity building across the sector. • Facilitated Emissions: Investment banks play a key role in enabling the financing of projects which creates an indirect exposure to transition risks from a financial materiality point — even without holding the assets. For banks where these emissions are significant, they should be disclosed alongside financed emissions, as they offer distinct and essential insights into climate risk exposure. Excluding them may reduce transparency and accountability, limiting decision usefulness. • Insurance-Associated Emissions: These emissions are a critical component of a re/insurer's climate impact and risk profile. Re/insurance portfolios are often linked to substantial GHG emissions, particularly through coverage of high-emitting sectors such as oil and gas, energy, and mining. By underwriting these sectors, insurance companies increase their exposure to transition risks. Since underwriting is central to re/insurance operations, excluding these emissions may result in a less complete picture of climate-related exposure and transition risk. Market readiness and sector capability: The financial sector has made significant progress toward readiness for Scope 3 Category 15 disclosures. Financial institutions have been measuring and disclosing financed emissions consistently and continue to invest in the systems, tools, and governance processes needed to assess and report these emissions. While data availability continues to evolve, limited data should not deter financial institutions from taking the first steps toward preparing their inventories. This readiness is evidenced by the rapid uptake of the PCAF Global GHG Accounting & Reporting Standard. Since its release in 2020, more than 760 financial institutions have committed to measuring and disclosing Scope 3, Category 15 emissions, with a significant share having already disclosed using PCAF methodologies. PCAF's data quality scoring system (ranging from 5 to 1) allows financial institutions to communicate transparency around data limitations while providing a clear pathway for continuous improvement. The sector has consistently shown its ability to operationalize PCAF methodologies even at early stages of maturity.   Standard readiness and international interoperability: The PCAF Standard provides a mature, transparent and globally adopted methodology for Scope 3 Category 15 reporting. Built on the Greenhouse Gas Protocol, aligned with the International Financial Reporting Standards – Sustainability Standards 1 and 2 (IFRS S1 and S2), and compatible with the European Sustainability Reporting Standards (ESRS) and the Global Reporting Initiative (GRI), it offers a clear, globally coherent basis for disclosure. Its iterative development, supported by public consultations, technical working groups, and contributions from financial institutions and carbon-accounting experts, ensures methodological rigour and operational feasibility. The most recent update to Part A of the PCAF Standard (December 2, 2025) expanded coverage to include asset classes such as Use of Proceeds structures, Securitizations, Structured Products, Sub Sovereign Debt, and optional reporting on undrawn loan commitments. Parts B and C extend this guidance to facilitated and insurance associated emissions. This breadth of coverage demonstrates that market ready tools exist to support consistent Scope 3 Category 15 disclosures across diverse financial instruments. The ISSB has consistently emphasised the

	importance of interoperability and global comparability in sustainability reporting. These objectives are essential to ensuring that sustainability disclosures remain useful to investors and other users of general-purpose financial reports. However, the exclusion of facilitated and insurance-associated emissions would risk undermining that objective and create fragmentation with other reporting frameworks—such as the ESRS and GRI—which do require financial institutions to report on all material Scope 3 Category 15 emissions. Maintaining disclosure expectations for all material Scope 3 Category 15 emissions would support greater consistency across jurisdictions, improve comparability of disclosures, and reduce complexity for financial institutions operating internationally.
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'? No
12.	If not, what should be added or removed, and why? [see Exposure draft – Appendix B, paragraphs B6 and B9] PCAF recommends removing insurance and reinsurance underwriting activities as well as capital market issuance activities from the list of permitted exclusions. Insurance-associated emissions represent an important component of many insurers' and reinsurers' climate-related risk profiles. As underwriting activities are central to the business model of insurers and reinsurers, excluding associated emissions could obscure significant exposure to emissions-intensive sectors. Similarly, facilitated emissions can provide important insights into the role of capital markets activities in enabling financing for emissions-intensive companies or projects. PCAF therefore suggests that retaining disclosure of insurance-associated and facilitated emissions would better support the completeness, comparability, and decision-usefulness of climate-related disclosures.
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)? [see Exposure draft – Appendix B, paragraph B9] No
14.	If not, what specific wording changes would improve it? PCAF recommends that NZ CS 1 continue to require disclosure of all material Scope 3 Category 15 emissions, including financed, facilitated, and insurance-associated emissions.
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)? No
16.	If not, what additional disclosure(s) would you consider useful for primary users (and why)? PCAF recommends that NZ CS 1 continue to require disclosure of all material Scope 3 Category 15 emissions, including financed, facilitated, and insurance-associated emissions.
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? [see Exposure Draft – Appendix B, paragraphs B1 to B8] Yes

18.	If not, why not, and what would you suggest should be included or deleted?
19.	Do you agree with the proposed mandatory date of 1 January 2027, with early adoption permitted? Yes
20.	If not, what date would you suggest and why?
21.	Do you agree with our assessment of the benefits and costs of the proposed amendments to NZ CS 1 including the impacts on primary users and climate reporting entities? Yes
22.	Why or why not? In your response, please include any examples that illustrate the practical effects, such as costs or impacts on the usefulness or comparability of the proposed amendments.
23.	Do you have any other feedback on the ED proposals?