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The External Reporting Board (XRB)

Via email: climate@xrb.govt.nz

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Proposed 2024 Amendments to Climate and Assurance Standards

KPMG New Zealand's purpose is to fuel the prosperity of Aotearoa New Zealand for the benefit of all New Zealanders – Titokona tō tātou tōnuitanga, mō Aotearoa, mō Tātou. We recognise that how our country responds and adapts to the challenges and opportunities that climate change presents, and how every entity in Aotearoa New Zealand reacts will shape our future and the outcomes every New Zealander experiences. Consequently, we welcome the opportunity to provide our response to the exposure drafts of Amendments to Adoption of Aotearoa New Zealand Climate Standards 2024 and Amendments to Assurance Engagements over Greenhouse Gas Emissions Disclosures 2024 (the Exposure Drafts).

Overall comments:

Our overall views on first-time adoption of the climate standards as expressed in our submission¹ dated 23 September 2022 have not changed. That is, we know that providing high-quality information to comply with the new requirements creates a range of challenges for organisations. It takes time to be done completely and accurately, and therefore we continue to believe that the emphasis should be on providing entities with a reasonable timeline to deliver quality reporting.

Below we provide our responses to the specific questions. Overall, we agree with the extension of the adoption provisions for anticipated financial impacts and greenhouse gas emissions. However, we don't agree that it should be a blanket one-year deferral. The extra time needed should be carefully considered for each provision to ensure we don't end up in the same place this time next year. We provide our views in our responses to the questions below.

We consider that an organisation taking one or more of the proposed adoption provisions should also have an obligation to disclose the steps being taken in the deferral period to enable full compliance in future periods. Consistent with our suggestion included in our submission dated 23 September 2022, the amendment should include a requirement for entities to disclose their roadmap to full adoption. This would alleviate the risk of inaction and support the broader objectives of the disclosure regime. This requirement could include the progress reporters have made during the year against their plan to meet the requirements that are now being deferred by the new and changed exemption rules and also include the area(s) of focus for the next couple of years to enable full compliance in the required timeframe and/or reach their desired level of maturity.

¹ [Letter to Dr Amelia Sharman](#)

This need not be a verbose disclosure – just at a level for primary users of their reports to judge the entity’s commitment to improvement and to allow the entity to manage expectations. This would enhance accountability especially as the actual issues and challenges that are holding each entity back from being able to comply are not apparent for many reporters. Our concern is that we will end up being in the same place this time next year if taking one or more of the proposed exemptions comes with no obligation on a reporter to be transparent about the steps they are taking to ensure compliance in subsequent years.

However, we also know that entities need certainty about the requirements that they are expected to meet, particularly those with December and January balance dates who have already invested time in preparing for their second reports. Similarly, as an assurance provider we need certainty, having already invested significantly in methodology and capability to be able to provide assurance in line with the original timeframe set out in legislation. We have the resources in place to provide assurance in accordance with original timelines prescribed in the Act.

Therefore, we agree that the changes to the provisions should be as simple as possible to ensure quick resolution.

Specific questions raised as part of the consultation:

Question 1: Do you agree with Proposal 1 to extend Adoption Provision 4,5 and 7 for scope 3 GHG emissions disclosure from one accounting period to two accounting periods?

Yes.

In addition, we believe that an additional disclosure similar to CS 2 paragraph 16 should be required. That is, that an entity that elects to use the adoption provision must provide a description of its progress towards developing a complete greenhouse gas inventory.

Question 2: Do you agree with Proposal 2 to add a new Adoption Provision 8 that gives relief of one accounting period before scope 3 GHG emissions assurance is mandatory?

Our response to question 2 is covered in our responses to Question 3.

Question 3 (part 1): Do you agree that a one-year delay for scope 3 GHG emissions assurance is sufficient to enable systems to mature to support the availability of sufficient reliable data?

Additional time will allow reporting entities to invest in their processes for reporting.

Data quality is the responsibility of the reporting entities. However, we acknowledge that these entities are often reliant on third-party data providers. Our experience to date suggests it is often difficult obtaining assurable evidence from third-party providers as their systems are still relatively immature. Additional relief would allow for third-party data providers to improve their reporting of information to users, which could be in the form of service organisation controls reports which some third-party data providers are working to obtain.

Our understanding is that many third-party data providers are international organisations. The proposed extensions will also allow New Zealand reporters to better align with international reporters and benefit from the growing international use of these data providers.

Question 3 (part 2): Do you agree that a one-year delay for scope 3 GHG emissions assurance is sufficient to enable increased consistency across the assurance market?

Based on our response to the above regarding reliable data, we consider that the one-year delay could result in fewer qualifications to assurance reports as a result of improved data quality, particularly from third party providers being relied on for reporting financed emissions.

However, we do not believe there is significant inconsistency currently amongst assurance practitioners in this area given the standards we currently apply (ISAE3000 and ISAE3410) are established and well understood assurance standards that practitioners are well versed in opining under.

We do believe that rapid adoption of new international standard on sustainability assurance (IAAS5000) would help to drive further consistency in the reporting and assurance environment in New Zealand and should be prioritised on the XRB Agenda moving forward.

Question 4: Do you agree with proposal 3 to extend Adoption provision 2 for anticipated financial impacts from one accounting period to two accounting periods?

No.

We believe entities will require more than a one-year extension in order to be in a position to disclose financial information about climate-related impacts. Disclosure of forward-looking financial information is extremely sensitive and requires preparatory work consistent with that of issuing of a prospectus.

Saying that, entities will require work to be done internally in order to decide on the cost-effectiveness of their response to identified risks and opportunities to support the business case for disclosed metrics and targets. This work will also support the qualitative disclosures in respect of the estimates and assumptions. Therefore, we believe entities will have to be progressing the work needed to allow them to fully comply with the standard's requirements, even without a disclosure requirement.

In addition, we expect significant development of practical guidance in both EU and Australia on this topic over the next few years as their requirements become effective.

We suggest a two to three years extension to allow both the XRB to develop additional guidance or more detailed requirements to guide entities in complying with the requirements, and for reporting entities to develop the necessary frameworks and processes.

Question 5: Do you agree with Proposal 4 to extend Adoption Provision 3 for transition planning from one accounting period to two accounting periods?

No.

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This type of information is useful to readers because it answers the “so what” question – “so what are you going to do about the risks and opportunities that you identified?”.

From our review of climate statements, we don’t believe the requirement in paragraph 16 of CS 2 is well understood. Entities provided good information about their identified risks and opportunities. However, many entities did not present the type of information that is useful for users’ assessment of the entity’s planned approach to the identified risks and opportunities because they used the adoption provision. This, coupled with a lack of disclosures around metrics and targets beyond greenhouse gas emissions, left the market underwhelmed by the first climate statements and directors frustrated with the lack of engagement^{2 3}.

We believe that the New Zealand market is being confused by the constant references to “international guidance” around transition planning and transition plans that is still emerging. The definition and requirements in the New Zealand climate standards are different to the international definitions and requirements. We believe the New Zealand definitions and requirements are simple and clear. Our requirements ask for expected changes to business models and strategy, targets (including interim targets), and action plans. There is therefore no need to further extend the time needed to comply with this requirement.

Additional disclosure requirement to be included

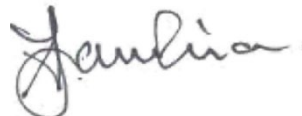
As described in more detail above, and consistent with our suggestion included in our submission dated 23 September 2022, we believe the amendment should include a requirement for entities to disclose their roadmap to full compliance when they take advantage of any of the additional exemptions that are proposed to be made available. This need not be a verbose disclosure – just at a level for primary users of their reports to judge the entity’s commitment to improvement and to allow the entity to manage expectations.

We once again would like to thank you for the opportunity to provide a submission on this consultation document. Please do not hesitate to contact Ian Proudfoot on iproudfoot@kpmg.co.nz or Sanel Tomlinson on saneltomlinson@kpmg.co.nz should you wish to discuss our submission further.

Yours sincerely



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² [Lessons from the Front Line - KPMG New Zealand](#)

³ [Climate Standards- missed opportunities - KPMG New Zealand](#)