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The External Reporting Board (XRB)

Via email: climate@xrb.govt.nz

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Alignment with international standards

Sustainability Assurance, Ethics and Independence, and Using the work of an External Expert

As a leading professional services firm, KPMG New Zealand (KPMG) is committed to meeting the requirements of all our stakeholders – not only the organisations we audit and advise, but also employees, governments, regulators – and the wider community. KPMG welcomes the opportunity to respond to the External Reporting Board (XRB)'s Consultation Paper on Alignment with international standards - Sustainability Assurance, Ethics and Independence, and Using the work of an External Expert.

Assurance plays an important role in enhancing the credibility of climate disclosures and KPMG strongly supports the adoption of globally consistent disclosure of sustainability-related financial information and alignment with international standards.

Overall comments:

The consultation paper is seeking feedback on proposals to adopt international standards with New Zealand changes. Overall, we support the adoption of ISSA (New Zealand) 5000 *General Requirements for Sustainability Assurance Engagements* (ISSA (NZ) 5000), International Ethics Standard for Sustainability Assurance (including International Independence Standards) (New Zealand) (IESSA (NZ)) and the *Revisions to the Code Addressing Using the Work of an External Expert.*

Below we provide our responses to the specific questions.

Specific questions raised as part of the consultation:

Issue ISSA (NZ) 5000

Q1: Do you agree with the proposal to adopt ISSA (NZ) 5000 in New Zealand?

Yes. We acknowledge the existing standards and guidance that ISSA (NZ) 5000 draws on as well as the proposals in ISSA (NZ) 5000 expanding on those standards and guidance and we consider ISSA (NZ) 5000 to be relevant for current day sustainability assurance engagements. We also understand that ISSA 5000 was designed to be applicable for all practitioners providing assurance.

Q2: Is your firm intending to transition to ISSA (NZ) 5000 for sustainability assurance engagements? If yes, when?

Yes – KPMG adopts KPMG Global methodology which is currently based on ISSA 5000 exposures drafts. Some methodology changes are still to be implemented to become fully compliant with ISSA 5000, but these will be ready for periods beginning on or after 15 December 2026.

Q3: Do you agree with the proposed New Zealand changes to ISSA (NZ) 5000:

a) To clarify the scope

We agree with the scope of ISSA (NZ) 5000 being available:

- as an option for the mandatory assurance of GHG emissions disclosures within our NZ SAE 1 – however, please see our comments below for question 13;
- for voluntary assurance over other information included in the climate statements; and
- for voluntary assurance over other reported sustainability information.

We also agree that any references to listed entities in ISSA 5000 should be amended in ISSA (NZ) 5000 to refer to FMC entities considered to have a higher level of public accounting, for consistency with our other existing New Zealand assurance standards.

b) To address the existence of relationships that the assurance practitioner may have?

We agree that the assurance practitioner's report should include a statement as to the existence of any relationship that the assurance practitioner has with, or any interests that the assurance practitioner has in, the entity or any of its subsidiaries

Are there any other matters that you recommend that the XRB add to ISSA (NZ) 5000?

We have no other recommendations. In KPMG's experience assisting multinational companies, having New Zealand specific assurance standard requirements in addition to the international equivalent may result in a higher compliance burden. This added workflow may contribute to cost and complexity. As such, we are also supportive of the New Zealand changes remaining limited.

Issue IESSA (NZ)

Q4: Do you agree with the proposal to adopt the IESSA (NZ) in New Zealand?

Yes. We recognise the need for an ethics and independence standard when providing sustainability assurance engagements and agree that adopting the IESSA (NZ) in New Zealand is responsive to the public interest in these engagements.

Q5: Is your firm intending to transition to the IESSA (NZ) for sustainability assurance engagements? If yes, when?

Yes – KPMG will transition to the IESSA (NZ) for sustainability assurance engagements. The transition will be effective for periods beginning on or after 15 December 2026.

Q6: Do you agree with the proposed New Zealand changes to IESSA (NZ):

a) To clarify the scope

We agree with the scope of New Zealand amendments to include:

- application material to advise practitioners to seek legal advice when disclosing confidential information
- amendments relating to the disclosure of safeguards (and service as a director or officer)
- amendments relating to a prohibition for an assurance practitioner to accept or pay referral fees
- a requirement, when an assurance practitioner identifies multiple threats to independence, which individually may not be significant, to evaluate the significance of those threats in aggregate and apply safeguards to eliminate or reduce them to an acceptable level
- additional application material regarding the provision of tax advisory planning and advisory services

b) To replicate amendments in PES 1? Are there any other matters that you recommend the XRB add to IESSA (NZ)?

Yes. We agree to replicate amendments that have been made to PES 1 for audits and reviews of financial statements that are equally relevant to sustainability assurance.

Issue Revisions to the Code Addressing Using the Work of an External Expert applicable to all assurance engagements

Q7: Do you agree with the proposal to adopt the Revisions to the Code Addressing Using the Work of an External Expert in New Zealand?

Yes. We agree with the new concepts planned for inclusions in sections 290, 390 and 5390 to create a global baseline and address heightened shareholder expectations.

Q8: Are there any New Zealand changes that you recommend the XRB add to the standard Addressing Using the Work of an External Expert?

No. We have no other recommendations.

Amend NZ SAE 1

Q9: Do you support adding a third option to NZ SAE 1 to enable assurance practitioners to apply ISSA (NZ) 5000 for mandatory GHG assurance engagements?

Whilst we support adding ISSA (NZ) 5000, making this a third option becomes even more confusing for users. As NZ SAE 1 is built on guiding principles applicable to all assurance practitioners, this already results in practitioners applying different underlying assurance standards and ethical and quality management standards to assure the same subject matters which can be confusing to the intended users of the assurance report. As per our response to Q11 below, we do not agree that the XRB should defer any decision to withdraw ISAE (NZ) 3410 and rather, that ISSA (NZ) 5000 should replace the use of ISAE (NZ) 3410.

Q10: Do you support the proposed conditional requirement for one-to-many reports being added to NZ SAE 1?

Yes – we believe adding this requirement would help consistency across assurance practitioners using service organisation and controls reports.

Q11: Do you agree that the XRB should defer any decision to withdraw ISAE (NZ) 3410 to a later date?

No – We believe ISSA (NZ) 5000 promotes international best practice and should be used in place of ISAE (NZ) 3410. We understand from the XRB's deep dive session that ISAE (NZ) 3410 is proposed to be retained due to ISSA (NZ) 5000 having a wider scope than just GHG emissions. However, we are comfortable that ISSA (NZ) 5000 draws from and builds on ISAE (NZ) 3410 and is suitable for GHG emissions assurance engagements.

Applicable date of all standards

Q12: Do you agree with the proposed application date for assurance engagements on sustainability information reported for periods beginning on or after 15 December 2026? The proposal is to align with the effective dates of the international standards.

Yes.

Other Q13: Do you have any further comments?

We consider that the XRB needs to be clear on its intention and timeline to revoke NZ SAE 1, now that the international sustainability assurance standards have been developed, given NZ SAE 1 was only ever intended to be a temporary assurance standard. Whilst we acknowledge that NZ SAE 1 has some specific NZ provisions including Key Matters, we do not believe this should be a constraint to retiring the standard, as we note there is already mixed practice in the market relation to the inclusion of Key Matters.

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 Brent Manning on bwmanning@kpmg.co.nz should you wish to discuss our submission further.

Yours sincerely

Brent Manning
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