

Hon Dr Duncan Webb

MP for Christchurch Central

Minister of Commerce and Consumer Affairs

Minister for State Owned Enterprises



29 March 2023

Michele Embling
Chair
External Reporting Board
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Dear Michele

ANNUAL LETTER OF EXPECTATIONS FOR 2023/24

I am writing to convey the Government's priorities and my strategic and performance expectations for the External Reporting Board (**XRB**) in relation to the 2023/24 financial year.

Contributing to Government priorities

The goal of this Government's economic plan is to create a high wage, low emissions economy that provides economic security in good times and bad. In addition, as we move away from the Covid-19 emergency response, the Government is also focussed on helping New Zealanders to face the global cost of living spike and consolidating our financial position.

The Government's approach is to put in place building blocks for an economy where all businesses can thrive and where our emissions are rapidly trending to net-zero. Our economy must be resilient and provide economic security for all.

The XRB's work programme to develop and implement climate standards fits well with the Government's sustainability priority and focus on the environment. The XRB's production of accounting and assurance standards engenders confidence in New Zealand's financial reporting and promotes high quality decision making. This work directly contributes to the Government's efforts to build a resilient economy. Trust and confidence in the financial reporting system underpins the macro-economic stability of the financial system as a whole.

This Government's priorities extend beyond agency boundaries – many will involve you playing an effective role within an integrated and coherent system. I expect you to focus on working together with a range of agencies and parties to achieve these priorities.

Specific expectations for the XRB

I want to commend the XRB on your achievements over the last year including issuing Aotearoa New Zealand's first climate standards, the continued issuing of accounting and auditing and assurance standards, initial work on Ngā pou o te kawa ora (the XRB's non-

financial reporting project) and strong engagement with international organisations. The XRB continues to have a solid record in delivering its objectives while maintaining high standards of trust and confidence from stakeholders.

During 2023/24, my specific expectations are that the XRB will:

- establish an effectiveness evaluation for the climate-related disclosures reporting framework
- contribute to the ongoing development of an assurance regime for greenhouse gas emissions, including issuing the standard for performance of the assurance engagement
- work on progressing Ngā pou o te kawa ora (a voluntary non-financial reporting framework from a New Zealand perspective). This project should be informed by te ao Māori (Māori world view) and take into consideration international developments on sustainability and other non-financial reporting
- continue to develop capability to engage meaningfully with Māori
- continue to issue accounting and auditing standards which are informed by the international community and are applied to function effectively in the New Zealand context
- continue to maintain global linkages, seek influence and provide thought leadership on the development of standards by international standards boards and their governance and oversight bodies. This includes continuing to maintain a strong relationship and collaborating closely with Australian standards setters
- continue to monitor trends within the audit profession and issue auditing, assurance and professional and ethical standards
- continue to monitor the extent to which accounting and auditing standards are meeting user needs and actively seek feedback from users
- continue to foster strong relationships and meaningful engagement with stakeholders, both in the development of standards and in raising awareness and understanding of XRB standards
- consider the direct and indirect costs of the XRB's actions on businesses, not-for-profit and government entities and the wider economy
- continue to ensure that the XRB has robust cybersecurity systems in place.

General expectations and good governance

I am confident the XRB will work constructively with the Government to help realise these priorities. In addition, I expect you to follow the *Enduring Letter of Expectations* from the Minister of Finance and Minister of State Services to statutory Crown entities in 2019 and the Ministry of Business, Innovation and Employment's (**MBIE's**) *Monitoring Arrangements for MBIE-monitored Crown entities*, published in October 2020.

As part of your role in governing a high-performing entity, I expect you to:

- maintain an effective board
- be the primary monitor of the XRB's performance and maintain effective relationships with my advisors at MBIE
- operate a 'no surprises' policy.

These expectations are set out in more detail in the Annex to this letter. I also expect you to assist in building capacity and diversity in public sector governance, for example, by mentoring emerging talent and including emerging talent in board activities.

Strategy and performance information

All Crown entities must prepare an annual Statement of Performance Expectations (**SPE**) and have an approved Statement of Intent (**Sol**). The annual SPE should provide a clear performance framework and support excellent reporting to Parliament and the public on results.

Sols must be provided at least once in every 3-year period. As the XRB last produced a Sol in April 2022, the next Sol is due to be produced by April 2025.

Response

Your advice by 17 April 2023 on how you propose to respond to the expectations set out in this letter would be appreciated. I would be happy to consider approaches that best achieve our collective aims and work well for the XRB. In the first instance, please discuss your proposed response with MBIE.

I look forward to working with you over the coming year.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Duncan Webb', written over a faint, light blue watermark of the same signature.

Hon Dr Duncan Webb

Minister of Commerce and Consumer Affairs

Copy to: April Mackenzie
Chief Executive, XRB

Andrew Hume
General Manager, Small Business, Commerce and Consumer Policy, MBIE

Annex: General expectations and good governance

Effective board

Ensuring the XRB is, and remains, effective and high-performing is essential. To assist with this, I expect the Board to periodically employ robust and effective self-review processes. I understand that a self-review is expected to be completed in the next few months and I look forward to an update on its findings and any actions in response.

Your input into succession planning for the Board is also sought as and when member's terms expire. I expect you to provide MBIE with your view of the competency mix you need to work well as a board, along with your thoughts on upcoming appointments and any candidate attributes to target. I am keen to see a diverse range of candidates come up for appointment.

Effective monitoring of XRB performance by the board and relationship with MBIE

In addition to setting and driving a strategy that delivers on the Government's priorities, your Board is the most important monitor of XRB performance. I expect the Board to provide me with high-quality information and analysis on the XRB's performance against its strategic and operational plans, implications for future performance, and risks and opportunities facing the XRB and how it is responding to them.

I also expect you to continue the constructive working relationship you have developed with your monitor at MBIE.

No surprises

The Government operates a 'no surprises' policy. No surprises means that the Government expects a board to:

- be aware of any possible implications of their decisions and actions for wider government policy issues
- advise the responsible Minister of issues that may be discussed in the public arena or that may require a ministerial response, preferably ahead of time or otherwise as soon as possible, and
- inform the Minister in advance of any major strategic initiatives.

I expect to hear about emerging issues and what major actions the Board is considering. My reactions will be based on a range of factors, including the benefits of new initiatives and of taking different approaches to achieve our goals.