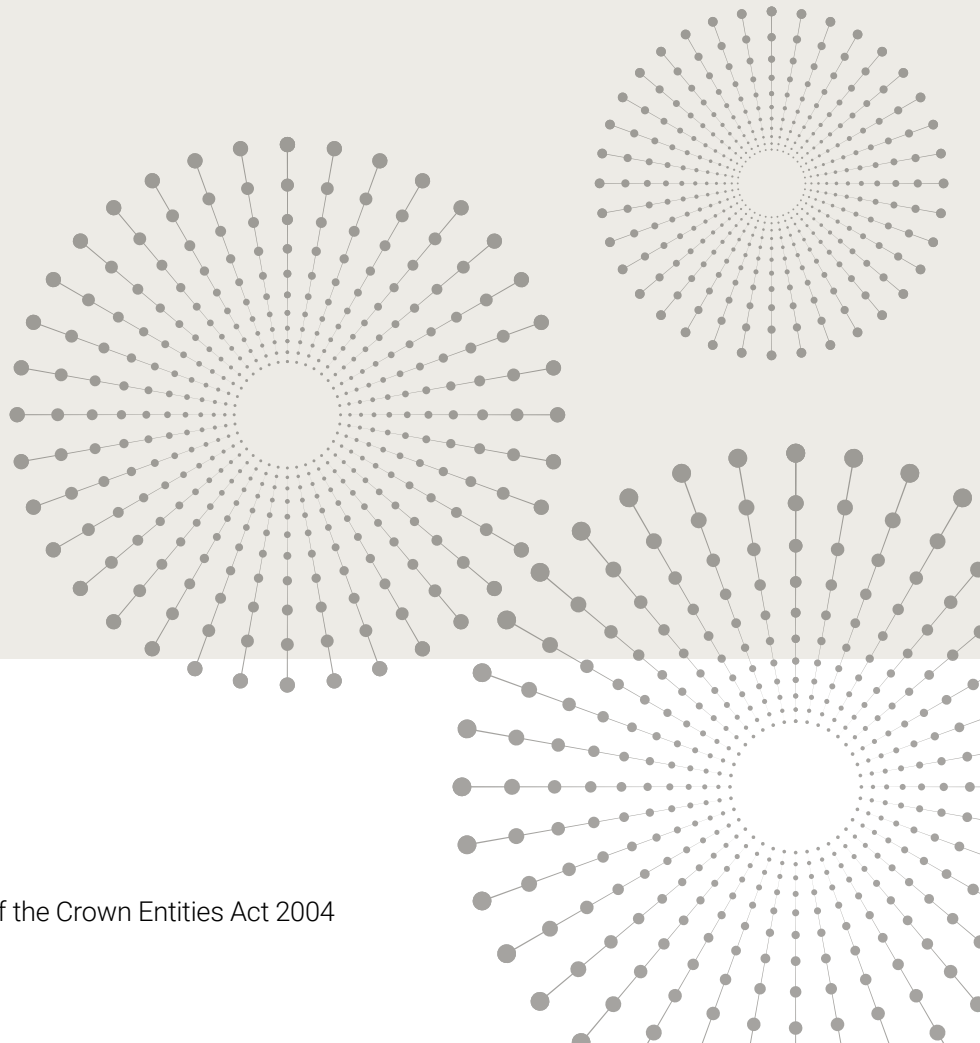


# Statement of Intent

For the five-year period 1 July 2022 to 30 June 2027

April 2022

Prepared in accordance with section 139 of the Crown Entities Act 2004



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# Contents

<b>Statement of responsibility</b>	4
<b>1. Introducing the External Reporting Board</b>	5
<b>2. Overview</b>	7
<b>3. Our purpose and approach</b>	8
<b>4. Our strategic intentions</b>	10
<b>5. Management of functions and operations to meet strategic intentions</b>	12
<b>6. Assessing performance</b>	15
<b>7. Organisational health and capability</b>	16
<b>8. Process to be followed for acquisitions</b>	17

# Statement of responsibility

This Statement of Intent has been prepared in accordance with the requirements of section 139 of the Crown Entities Act 2004. The purpose of the Statement of Intent is to promote the public accountability of the External Reporting Board (XRB) by:

- Enabling the Crown to participate in the process of setting the XRB's strategic intentions and medium-term undertakings;
- Setting out for the House of Representatives those intentions and undertakings; and
- Providing a base against which the XRB's actual performance can be assessed.

The XRB Board is responsible for the content of this Statement of Intent.

As the XRB is an Independent Crown Entity, the Minister may not direct the XRB to have regard to, or give effect to, a government policy relating to the XRB's standard-setting functions, and as a result no such matters are included in this Statement of Intent.

In accordance with section 145 of the Crown Entities Act 2004, the XRB has consulted with the Minister of Commerce and Consumer Affairs in the preparation of this Statement.



**Michele Embling**  
**Chair**  
**26 April 2022**



**Jane Taylor**  
**Deputy chair**  
**26 April 2022**

# 1. Introducing the External Reporting Board

The External Reporting Board (XRB) is an Independent Crown Entity initially established under the Financial Reporting Act 1993, with continued existence under section 11 of the Financial Reporting Act 2013 and operating within the framework of the Crown Entities Act 2004.

A significant extension to the XRB's mandate was enacted on 27 October 2021<sup>1</sup> to include the issue of climate standards and the issue of non-binding guidance on a wider range of environmental, social and governance (ESG) and other non-financial matters. This change to our mandate and the flow on impacts on the organisation together with the fast-changing external reporting environment prompted us to review and issue an updated Statement of Intent.

The XRB's vision is that New Zealand prospers through effective decision making for resource allocation informed by high-quality, trusted, and integrated reporting.

The XRB's strategic intentions are focused on establishment of financial reporting, climate and audit and assurance standards and other guidance that give rise to:

- **Trusted** – High-quality reporting and assurance that maintains confidence in New Zealand's reporting and promotes transparency and accountability across all sectors of the economy.
- **Informative** – Reporting that generates relevant information to support informed decision making and better outcomes for New Zealand.
- **Integrated** – Reporting that encompasses both financial and non-financial information spanning the natural, human, social and financial capitals that support intergenerational wellbeing.

The XRB's strategic intentions are achieved through its core functions as set out in sections 12 and 19A of the Financial Reporting Act 2013:

- Developing and implementing reporting strategies and frameworks for the XRB's standard setting activities, including the development of an ESG reporting framework that is relevant for Aotearoa New Zealand.
- Preparing and issuing financial reporting standards.
- Preparing and issuing auditing and assurance, and other related services standards.
- Preparing and issuing professional and ethical standards that govern the professional conduct of auditors.
- Preparing and issuing climate standards.
- Preparing and issuing authoritative notices for the purposes of the definition of generally accepted accounting practice or the definition of climate-related disclosure framework.
- Preparing and issuing non-binding guidance on a wider range of environmental, social and governance (ESG) and other non-financial matters.
- Liaising with national and international organisations that exercise functions that correspond with, or are similar to, those conferred on the XRB.

The XRB has used its powers under the Crown Entities Act to establish two subsidiary boards as committees of the XRB Board: the New Zealand Accounting Standards Board (NZASB) to set financial reporting standards and the New Zealand Auditing and Assurance Standards Board (NZAuASB) to set auditing, assurance, other related services and ethical standards.

<sup>1</sup> Through the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021

Due to the strategic significance of the new reporting standards on climate-related disclosures, the XRB Board itself is developing those standards, the first of which is expected to be issued in December 2022. A dedicated Project Steering Committee made up of a number of XRB Board members and the Chief Executive has been set up for that purpose. We expect that it will be necessary to maintain and issue on-going guidance and consider international alignment as international standards develop. This may prompt a review of our operating structure in the next few years to ensure the work is delivered in the most efficient way and involving the right mix of people. We note that internationally, many standard-setters have/are in the process of establishing separate sustainability standards boards.

In addition, as the first phase in the development of an ESG reporting framework to enable guidance on ESG matters, the XRB Board is overseeing the development of a Te Ao Māori framework for ESG reporting. The project is called Ngā pou o te kawa ora. The XRB Board itself will be involved in the initial work on this project and the appropriate structure for the project will be formalised in due course.

In addition to direct involvement in the climate and ESG reporting projects, the XRB Board is responsible for general governance of the organisation, overall financial reporting strategy (including advising the Minister of Commerce and Consumer Affairs accordingly), standard-setting strategy and oversight of the subsidiary standard-setting boards.

Further information on the XRB can be found on our website: <https://www.xrb.govt.nz/>

## 2. Overview

High-quality information is critical to ensure that decision making for resource allocation that impacts the wellbeing of New Zealand and New Zealanders is well informed.

We understand the growing demand for information about the entity's impact and social license to operate. Therefore our strategy recognises that high quality information needed for decision making for resource allocation is more than financial information. It includes non-financial elements of performance including: value creation, resilience, sustainability and the wider impacts an organisation has on society and the environment. Integrated, this information spans the natural, human, social, and financial capitals that support intergenerational wellbeing.

We set standards for a wide range of entities across all sectors that attempt to address the specific user needs of the entity reporting. Therefore, the importance of consultation, and communication and engagement with a broad cross section of stakeholders, and the consideration of Te Ao Māori principles into our work, cannot be understated. Our extended mandate also provides us with the opportunity to engage with a larger range of practitioners and users of our standards. We are building our capacity and capability to make the most of this opportunity and will continue our focus on enhancing our consultation, communication and engagement efforts.

Equally, we will continue to focus on maintaining and building strong international connections and maintaining our current policy of convergence with international standards and harmonisation with Australia. This is central to our role of taking, as appropriate, international standards and making them relevant and applicable for a New Zealand context. Our focus on this recognises the importance of comparable information when it comes to accessing capital, and that adopting internationally recognised standards remains extremely important to New Zealand entities. However, we are acutely aware that external reporting demands are changing at pace and that may mean that we need to move ahead of others internationally, in the short term, in order to ensure relevance in New Zealand.

Alongside this, we are committed to maintaining our role as a credible influencer on the global standard setting stage. This is particularly important as momentum grows in the development of sustainability-related disclosure standards and the establishment of the International Sustainability Standards Board. We have a credible voice and a reputation for being fair and even handed in our approach. In the years ahead, we intend to maintain and build on our international standing to avoid unnecessary disruption and uncertainty in reporting by New Zealand entities.

## 3. Our purpose and approach

### 3.1 Why are we here?

#### **Government's overall goal**

To improve the living standards and wellbeing of all New Zealanders through sustainable and inclusive growth



#### **Our purpose**

We enable high quality, trusted, and integrated reporting through the provision of robust frameworks and standards that are internationally credible, while being relevant to Aotearoa New Zealand so that reporting and assurance in New Zealand promotes trust, confidence, transparency and accountability.



#### **Our vision**

New Zealand prospers through effective decision making for resource allocation informed by high-quality, trusted, and integrated reporting.

We achieve our purpose and work towards our vision by developing reporting strategies, frameworks, standards and guidance. We also ensure that these respond promptly to local and international external reporting developments, the pace of which has significantly increased over the last few years. The range of stakeholders for whom reporting standards are relevant is broadening and users of reports are increasingly demanding richer information well beyond financial reporting.

Through our stakeholder engagement processes and international connections we gain a deeper understanding of issues faced by entities and work with others in the external reporting system (e.g. regulators and policy makers) to have these resolved. Rising to the challenge of an extended mandate to develop standards on climate-related disclosures and non-binding guidance on environmental, social and governance (ESG) and other non-financial matters means we must develop stronger and deeper relationships with a broader group of stakeholders. This work will also recognise and honour the Crown's obligations under the Treaty of Waitangi.

The XRB is well placed to respond to the changing environment. We are a small organisation with the ability to be agile and adapt to events at pace. These actions are critical in maintaining trust, confidence and transparency during a time of disruption and uncertainty.



# Our Strategy

## Our Purpose

We enable high quality, trusted, and integrated reporting through the provision of robust frameworks and standards that are internationally credible, while being relevant to Aotearoa New Zealand so that reporting and assurance in New Zealand promotes trust, confidence, transparency and accountability.

## Our Vision

New Zealand prospers through effective decision making for resource allocation informed by high-quality, trusted, and integrated reporting.

## Our Strategic Intentions



### Trusted

High-quality reporting and assurance that maintains confidence in New Zealand's reporting and promotes transparency and accountability across all sectors of the economy.



### Informative

Reporting that generates relevant information to support informed decision making and better outcomes for New Zealand.



### Integrated

Reporting that encompasses both financial and non-financial information spanning the natural, human, social, and financial capitals that support intergenerational wellbeing.

## What we will deliver

Reporting strategies and frameworks

Financial reporting standards

Audit and assurance standards

Climate standards

International liaison

## How we will deliver

**Lead** to ensure stakeholders understand the purpose and value of reporting standards and are informed of international developments.

**Influence** through debate and thought-leadership to promote improved reporting processes and ensure high-quality global standards that are both applicable in New Zealand and in the public interest.

**Collaborate** with stakeholders, with a greater emphasis on Māori, throughout the lifecycle of developing standards and ensure external reporting and assurance gaps are identified, understood, and addressed.

**Respond** to stakeholder input and the fast-changing external reporting landscape to ensure our frameworks, standards and guidance are robust and sustainable.

## 4. Our strategic intentions

### 4.1 Overarching strategic intention

**Promote and facilitate effective decision making for resource allocation**

All of the XRB's activities are aimed at achieving our overarching goal. It is key to have the right information when making decisions about the allocation of limited resources and create long-term value for Aotearoa New Zealand. The XRB will continue to work and engage with stakeholders in setting frameworks, standards and guidance to promote and facilitate effective decision making.

### 4.2 Trusted

**High-quality reporting and assurance that maintains confidence in New Zealand's reporting and promotes transparency and accountability across all sectors of the economy.**

High-quality reporting can be achieved only if the rules on which it is prepared (reporting standards) are reliable and based on clear and sound economic principles, are mutually consistent, can be readily applied by preparers and can be understood by users. Similarly the assurance provided on that information should be based on standards that require robust and independent examination by assurance providers. In other words, a necessary condition for high quality reporting is high quality reporting and assurance standards.

In the area of audit and assurance there is considerable international and domestic activity examining trust and confidence in external reporting, including audit quality and the independence of audit firms. The XRB will continue to monitor and work with the key stakeholders in the reporting supply chain to consider how the issues identified could impact New Zealand and how best these should be addressed in New Zealand.

With the rise in demand for assurance over reporting of non-financial information the XRB will be working with a broader group of stakeholders to promote and facilitate a common understanding of what "assurance" means in the context of broader non-financial reporting, and to provide the right foundation and tools to those delivering assurance services.

### 4.3 Informative

**Reporting that generates relevant information to support informed decision making and better outcomes for New Zealand.**

High-quality reporting that informs users' decision-making for resource allocation is fundamental to effective accountability, transparency, stewardship and good governance. This will build a more sustainable and productive economy and promote high-quality investment into all regions of New Zealand.

The process of standard setting includes significant engagement with stakeholders to develop robust and generally accepted requirements that will in turn support entities in producing relevant disclosures. The requirements also need to be updated as and when appropriate to keep pace with local and international external reporting developments in order to remain relevant.

Our work to embed the new mandatory climate disclosure framework, to support the first time application of the new standard on service performance reporting and the auditing of service performance information, and to commence the development of an ESG reporting framework, is primarily focused on supporting reporting entities to produce information that is and continues to remain relevant to users of this information.

## 4.4 Integrated

**Reporting that encompasses both financial and non-financial information spanning the natural, human, social, and financial capitals that support intergenerational wellbeing.**

Traditional financial statements are primarily backward looking and they cannot fully explain an entity's long-term strategy. Elements that may be essential to long-term strategy often escape the financial statements, such as information about the entity's business model and intangible resources, the economic environment in which the entity operates, and more forward-looking information. The XRB expects further changes and developments in external reporting resulting from the demand for entities to report more widely about their strategies, business models, risks and impacts, financial capital and other matters (e.g. environmental, social, governance (ESG)). Entities are now expected to provide users with a more comprehensive picture of their performance and impacts by complementing their financial results reporting with non-financial information.

The introduction of a mandatory climate-related disclosure framework for New Zealand in 2021 was a significant step in the progress towards external non-financial reporting. In addition, the extension of the XRB's mandate to also prepare and issue non-binding guidance on a wider range of ESG and other non-financial matters enable us to continue to lead the development of integrated reporting in New Zealand.

We see the development of a framework as an important first step in setting the foundation for the future of ESG reporting in New Zealand. We initiated our framework project and it is called Ngā pou o te kawa ora. Our focus for this project is to deliver a framework that is relevant to New Zealand reporting entities and credible internationally. So rather than relying solely on existing international frameworks, and the emerging international framework being developed by the International Sustainability Standards Board, to guide sustainability decisions in New Zealand, the foundation of our work is based on other New Zealand frameworks that reflect Te Ao Māori. The XRB recognises the importance of and is actively engaging with Māori in developing this reporting framework for Aotearoa New Zealand.

## 5. Management of functions and operations to meet strategic intentions

Our activities are grouped into five outputs:

1. Develop and implement reporting strategies and frameworks for the Board's standards-setting activities (Output 1)
2. Prepare and issue Financial Reporting Standards (Output 2)
3. Prepare and issue Auditing and Assurance (including Ethical and Professional) Standards and other related services Standards (Output 3)
4. Prepare and issue climate standards (Output 4)
5. Liaise with and influence of international bodies (Output 5) through participation in meetings and making of submissions.

The strategic intentions will be given effect through the delivery of the outputs and the following priority focus areas, and the way in which our outputs are delivered.

### 5.1 Priority focus areas

<p><b>Integrated reporting</b></p> <p>Develop an integrated reporting strategy, framework and guidance which encompass a broad range of stakeholder views. The immediate focus is the development of stage 1 of the ESG reporting framework which will apply to Māori entities, referred to as the Ngā pou o te kawa ora project</p>	<p><b>Engagement and influence</b></p> <p>Work with stakeholders (including other regulatory and government agencies) to efficiently and effectively:</p> <ul style="list-style-type: none"> <li>• Embed the new mandatory climate-related disclosure framework in New Zealand</li> <li>• Influence and respond to international developments that impact New Zealand</li> <li>• Understand the perspectives of different stakeholder groups on the role of audit in maintaining trust in New Zealand reporting</li> </ul>	<p><b>Frameworks, standards and guidance</b></p> <p>Key standard-setting projects:</p> <ul style="list-style-type: none"> <li>• Climate-related disclosures</li> <li>• For-profit Financial Statement disclosures</li> <li>• PBE Leases</li> <li>• PBE revenue and transfer expenses</li> <li>• Assurance over non-financial disclosures including greenhouse gas emissions</li> <li>• Audit of service performance information</li> </ul>
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## 5.2 How we will deliver our outputs

<p><b>Lead</b></p>	<p>Understand, through effective engagement, the issues and challenges faced by entities</p> <p>Develop an overall view of the system (including linkages between relevant agencies and gaps) and how it could develop in the future</p> <p>Influence necessary system changes</p> <p>Ensure stakeholders understand role, purpose and how to use standards through effective communication and enhanced accessibility</p> <p>Anticipate, monitor and respond to major disruptions and developments in the international standard-setting structures and environment, and ensure that stakeholders are well informed</p>
<p><b>Influence</b></p>	<p>Enhance stakeholder relationship management processes</p> <p>Develop “influencing strategies” specific to each international board</p> <p>Effective use of communication technologies and platforms</p> <p>Facilitate debate, provide thought-leadership, participate in appropriate forums and generally promote improved reporting processes</p> <p>Maintain and enhance regional relationships</p> <p>Influence the work of the international boards during appropriate stages of standards development to ensure high-quality global standards that are both applicable in New Zealand and in the public interest</p>
<p><b>Collaborate</b></p>	<p>Implement engagement strategies to enhance the depth and breadth of stakeholder engagement</p> <p>Awareness raising activities across all participants of the external reporting process, throughout the lifecycle of developing standards, including detailing “why the change”</p> <p>Greater emphasis on engaging with Māori</p> <p>Work with other agencies, including other standard setters, to ensure any external reporting and assurance gaps are identified, understood, researched if necessary and addressed</p> <p>Support other relevant organisations that provide training and professional development</p>

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<b>Respond</b>	<p>Ensure transparent and collaborative due process and consultation</p> <p>Maintain an external reporting strategy, frameworks, standards and guidance that are:</p> <ul style="list-style-type: none"><li>• Reliable and require infrequent changes</li><li>• Responsive to stakeholder input and fast-changing external reporting landscape</li><li>• Locally relevant and accepted</li></ul> <p>Maintain appropriate policy of international convergence and harmonisation of standards</p> <p>Undertake organised research into information needs of users of standards and developments in external reporting</p> <p>Undertake post-implementation review of pronouncements to assess understanding, use, impact and remaining/new gaps</p>
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## 6. Assessing performance

Our performance measures and targets are focused on timeliness and quality, and direct stakeholder feedback.

Timeliness measures and targets ensure that new standards and/or amendments to existing standards are issued in line with our convergence and harmonisation policy or to alleviate a known domestic practice issue.

Qualitative measures and targets focus on stakeholder engagement and international influence through participation in international and regional forums, and making of submissions.

We obtain direct stakeholder feedback in respect of the achievement of our overarching strategic intention. At a more detailed level, in respect of each

standard, we obtain direct stakeholder feedback about the achievement of the stated objective of the standard through the responses to consultation documents and post-implementation reviews.

However, it can be challenging to measure the impact through fixed quantitative targets. That is because our strategic intentions are impacted by a range of external factors, including social, economic and financial conditions, as well as the activities of international standard-setting bodies and individual entities. Therefore, the links between our outputs and strategic intentions are not always direct.

## 7. Organisational health and capability

During 2021 we undertook an efficiency and effectiveness review that confirmed our ability to achieve a great deal with limited resource. However, the review has also highlighted that new capabilities and additional capacity would be needed for us to be successful in our evolving role and we have already made significant progress in this regard.

Management of the XRB's organisational health and capability will be central to the organisational change we have, and will continue to undertake, to protect our culture, connection and shared sense of purpose.

The XRB's strategic ownership priorities for the 2022-2027 period are to:

- Maintain a high-performance culture commensurate with achieving the XRB's strategic intentions. We are challenging ourselves to do things differently. It is not only about promoting continuous improvement in order to be efficient in our delivery, but more about being agile and adaptable.
- We are increasingly employing technology in order to enhance our processes and practices and one of our immediate operational focus areas is to consider how we can make our frameworks, standards and guidance more accessible.
- Maintain the level of human and financial capability needed to deliver the outputs required and the strategic priorities outlined above; and
- Operate in a financially prudent manner including within the fiscal parameters established by appropriation.

### Particular focus on our human capital

We are acutely aware that our capability is primarily dependent on our human capital – having the right people to deliver the work, much of which requires a specialised skill set. We intend to maintain the human capital by actively promoting development opportunities to existing staff for example through working across teams or on one-off projects outside their normal team. We are also creating opportunities for the development of future Board members through involvement in our External Reporting Advisory Panel and constituency work groups.

In addition we will continue to expand our capability in order to deliver on our extended mandate as it relates to the broader ESG reporting and as the Ngā pou o te kawa ora project develops. Although this could mean the addition of new or different skill sets, it also affords existing staff the opportunity to retrain. At the same time, we will also consider changes needed to Board and subcommittee structures to ensure projects are delivered in the most efficient ways and with the right mix of people involved.

Workplace policies (including diversity and inclusion, and other good employer policies), remuneration policies, and methods of operation (such as constituency working groups) are all designed to contribute to this human capital maintenance approach. As noted above, we are challenging ourselves to do things differently and this equally applies to the way in which our policies will be maintained, and where appropriate enhanced, over the period of this Statement of Intent.



## **8. Process to be followed for acquisitions**

The XRB does not expect to acquire shares or interests in companies, trusts or partnerships or joint ventures during the five-year period. No process is therefore required to be specified in accordance with section 100 of the Crown Entities Act 2004.

