

Who we are

- The External Reporting Board (XRB) is an Independent Crown Entity. We develop and issue financial reporting, auditing and assurance, and climate standards for for-profit, not-for-profit and public sector entities.
- The Governor-General appoints up to nine members to the XRB Board on the recommendation of the Minister of Commerce.
- The XRB is not a regulator; we have no monitoring or enforcement functions.
- Crown funding in 2023/24 is \$8.730m.
- 33.2 full-time equivalent employees, including vacancies.

Our purpose

We enable high-quality, trusted and integrated reporting by providing robust frameworks and standards that are internationally credible and relevant to Aotearoa New Zealand, so that reporting and assurance in New Zealand promotes trust, confidence, transparency and accountability.

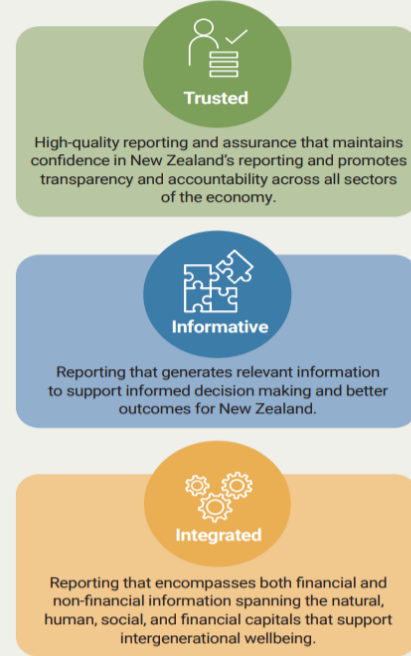
The value of external reporting

- High-quality external reporting:
 - improves business and investment decision making
 - reduces the cost of capital
 - enables New Zealand entities to access international capital and participate in global trade
 - improves public sector management
 - increases accountability, openness and transparency by all reporting entities.

The importance of independent standard setting

- The Financial Reporting Act 2013 requires us to consult affected parties before issuing standards and to act independently. These requirements help ensure that standards are credible, high quality, are not unduly influenced by interested parties (e.g., the accounting profession, reporting entities and regulators) and meet users' information needs.
- Independent standard-setting has long been accepted as best practice both at the international level and for national standard setters.

Our strategic intentions



What we will deliver



What we do

- Our main statutory functions are to issue:
 - *Financial reporting standards* that describe how to report an entity's financial position and financial performance
 - *Auditing and assurance standards* that establish the objectives and requirements for conducting audits and other assurance engagements
 - *Climate standards* that describe how to report an entity's climate-related risks and opportunities

Financial reporting standards

- Financial reporting standards govern the content of financial statements prepared by entities under more than 50 statutes. Our standards apply to:
 - **For-profit entities** (e.g., listed companies, banks, insurers, state-owned enterprises and overseas companies)
 - **The public sector** (e.g., the Crown, government departments, Crown entities and local government)
 - **Not-for-profit entities** (e.g., registered charities and incorporated societies)

Audit and assurance standards

- Assurance practitioners promote trust and confidence by expressing an opinion on the reliability of reported information.
- Audit and assurance standards establish the objectives and requirements for conducting audits and other assurance engagements.
- They are an essential part of the system of regulating assurance practitioners.

Climate standards

- Approximately 170 entities including large listed debt and equity issuers, banks, building societies, insurers and investment scheme managers (covering about 900 funds) are required to prepare annual climate statements.
- They will report on their climate-related governance, strategy and risk management, and disclose relevant metrics and targets (e.g., greenhouse gas emissions).
- Climate reporting came into force for reporting periods commencing in January 2023. The first climate statements will be published in March 2024.

Key current projects

- **Digitising standards** – To promote accessibility, searchability and functionality to our standards we are converting standards currently in PDF into digital versions. We expect the new functionality to be available to users in the second quarter of 2024.
- **Audit of financial statements** – Consistent with international developments, we are consulting on proposals to enhance auditors' responsibilities in relation to fraud and going concern considerations and improve auditor report transparency. These changes are aimed at improving audit quality.
- **New accounting standards** – We are developing two standards that will improve the consistency and quality of reporting by public sector and not-for-profit entities, using new international standards as starting points. The standard on revenue transactions will replace three existing standards with a single enhanced standard. The standard on transfer expenses will fill a significant gap in existing standards.
- **Effectiveness evaluation** – We have engaged the University of Otago to evaluate whether the climate-related disclosure framework is achieving its purpose of ensuring that the effects of climate change are routinely considered in business and investment decisions. The report will be finalised and published in late 2025.
- **Assurance over sustainability reporting** – We are exploring ways of enhancing trust and confidence in climate reporting and sustainability reporting.
- **Intergenerational impact reporting framework** – We are developing a voluntary, intergenerational impact reporting framework which will incorporate a te ao Māori perspective. It is intended to be helpful and usable by all reporting entities.

International liaison

- We adopt various international standards including International Financial Reporting Standards and International Standards on Auditing.
- For this reason, we seek to influence the work of international standard-setting boards to ensure that international standards are relevant in a New Zealand context and align with our regulatory and legislative environment.
- New Zealand has a longstanding reputation for being a world leader in public sector standard setting.
- There are cross-membership arrangements with the equivalent Australian strategy and standard-setting boards.

On the horizon

- **The scope of assurance** – Historically, auditors have primarily carried out audits of historical financial statements. However, there is increasing demand for assurance of non-financial quantitative disclosures and forward-looking qualitative information.
 - The assurance profession is upskilling to meet these new capacity demands
 - Assurance standard setters are updating standards and related guidance.
 - The Government might need to consider expanding the scope of mandatory assurance on climate and other forms of sustainability reporting to enhance trust and confidence.
- **Sustainability reporting** – The scope of sustainability reporting is rapidly expanding internationally. This trend is driven mainly by market forces, particularly institutional and other investors demanding environmental, social and governance information as a condition for investing.
 - The Government might need to consider expanding the scope of mandatory sustainability reporting to ensure that New Zealand remains within the range of rapidly evolving international best practice and ensure that New Zealand entities can continue to export and access international capital.
- **Digital reporting** – Unlike many other countries, New Zealand does not require financial and other reports to be filed in machine-readable digital form. New Zealand entities are likely to find it more difficult to raise capital in an increasingly artificially intelligent world without digital reporting. We support work led by MBIE and the FMA in this area.