



Michele Embling
Chair
External Reporting Board
Level 6/154 Featherston Street
Wellington 6011
Email: emblingmj@gmail.com

Dear Michele

ANNUAL LETTER OF EXPECTATIONS FOR 2025/26

I am writing to convey my strategic and performance expectations for the External Reporting Board (XRB) in relation to the 2025/26 financial year. This letter supplements the enduring letter of expectations for statutory Crown entity boards from the Minister of Finance/Minister for the Public Service¹.

Contributing to Government priorities

The National/ACT/New Zealand First Coalition Government (the Government) agreed a policy programme of work for this term which will contribute to the Government's overarching aim to improve outcomes for all New Zealanders.

This year, the Government's top priority is going for the growth we need to lift incomes, strengthen local businesses and create opportunity. We are focused both on changes we can make now to grow the economy, while also driving through the fundamental changes that are needed to address some of New Zealand's long-standing productivity challenges. In particular, we are focused on the policy, regulatory, tax and investment conditions that support growth.

In 2025, we will work towards a better deal for New Zealand consumers by making financial services more accessible, fairer, and affordable, while enhancing competition to provide greater choice and bring down costs. This year we will simplify financial services laws to improve access to credit, streamline the Conduct of Financial Institutions regime, and enhance dispute resolution services. We will also modernise governance and competition laws, remove barriers to company listings, and strengthen protections against financial scams. The Government will also pass legislation to enable data sharing in sectors like banking and energy, fostering competition and delivering better options for consumers.

¹ <https://www.publicservice.govt.nz/assets/ELOE24-FINAL-signed-Enduring-Letter-of-Expectation-to-Crown-Entity-Chairs-Apr24-2.pdf>

Specific expectations for the XRB

I would like to thank the XRB for their hard work throughout 2024 and for their timely response to addressing some of the reporting challenges experienced by climate reporting entities.

During 2025/26, my specific expectations are that the XRB will:

- continue to issue accounting, auditing and assurance, and climate standards (and associated material), which are informed by the international community and are applied to function effectively in the New Zealand context
- for each new proposed standard, consider the value of those standards and the implications of their benefits and costs
- continue to monitor international adoption of climate standards and feedback on the New Zealand standards
- continue to work on your planned 2025 post-implementation review of the climate standards and differential reporting
- in relation to the production of climate standards and the need for New Zealand to transition to a low emissions economy, take a pragmatic approach bearing in mind the needs of investors and users, the benefits of international alignment, the impact on businesses and whether the standards are cost-effective
- 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 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
- issue non-binding guidance that relates to non-financial reporting, as appropriate
- continue to ensure that the XRB has robust cybersecurity systems in place.

General expectations and good governance

My general expectations are that the XRB:

- maintains a strong organisational capability with a focus on delivery
- demonstrates strict fiscal management and value for money.

Further information regarding governance expectations is set out in the Annex to this letter.

Preparation of accountability documents and performance measures

The Crown Entities Act 2004 mandates the requirements for the accountability documents of Crown entities. A Statement of Intent must be provided every three years. As the XRB's last Statement of Intent was produced in April 2022 a new Statement of Intent is due to be prepared. Please provide me with a draft of this document by 1 May 2025.

Please also ensure the XRB prepares a draft Statement of Performance Expectations for my consideration by 1 May 2025.

In line with the Government's expectation of demonstrating accountability for public money, I expect that you will include sufficient performance measures in your statutory accountability documents to demonstrate, and enable measurement of, the outcomes that will be achieved across all the XRB's functions with the funding the XRB receives.

Response

Your advice by 1 June 2025 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 'SAS', with a long horizontal flourish extending to the right.

Hon Scott Simpson
Minister of Commerce and Consumer Affairs

Copy to: Wendy Venter
Chief Executive, XRB

Andrew Hume

General Manager, Commerce, Consumer and Business Policy, MBIE

Annex: 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.

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 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.

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 (including through regular reporting to my officials at MBIE and in meetings with me) 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.