

# Hon Dr David Clark

MP for Dunedin

Minister of Commerce and Consumer Affairs  
Minister for the Digital Economy and Communications  
Minister for State Owned Enterprises  
Minister of Statistics  
Minister Responsible for the Earthquake Commission



Michele Embling  
Chair  
External Reporting Board  
PO Box 11250  
Manners Street Central  
Wellington 6142  
Email:

Dear Michele

## **ANNUAL LETTER OF EXPECTATIONS FOR 2022/23**

I am writing to convey my portfolio priorities and your role in achieving these priorities, along with my strategic and performance expectations for the External Reporting Board (**XRB**) in relation to the 2022/23 financial year.

I would like to take this opportunity to thank you for all of your hard work over the previous year, particularly on progressing the climate standards. It was a pleasure to speak at the XRB's launch of the consultation on the Governance and Risk Management sections of the first climate standard. It has also been another challenging year working in a COVID-19 environment and I would like to commend you for your agility and diligence as an organisation in continuing to respond to these challenges.

The goal of this government's economic strategy is to improve the well-being and living standards of New Zealanders through sustainable and inclusive growth. This means moving beyond narrow economic indicators and measures of success, and instead puts the well-being of our people and the environment at the centre.

### **Commerce and Consumer Affairs priorities and what this means for the XRB**

The Government's economic priorities for developing a productive, sustainable and inclusive economy have not changed. The XRB's work programme to develop and implement climate standards fits well with the Government's sustainability priority and focus on climate change. The XRB's production of accounting and assurance standards also engenders confidence in New Zealand's financial reporting and promotes high quality decision making. This work directly contributes to the Government's efforts to reset and rebuild the economy to accelerate New Zealand's recovery from the effects of COVID-19. Trust and confidence in the financial reporting system underpins the macro-economic stability of the financial system as a whole.

This is a busy time for the XRB with an expanding mandate and increased expectations that come with it. I appreciate all the hard work you have put in to this work so far and know you will continue to meet these challenges and carry on your core functions effectively.

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, as noted, your work progressing the climate standards, the continued issuing of accounting, and auditing and assurance standards, work on integrated reporting, and strong engagement with international organisations. The Board continues to have a strong record in delivering its objectives while maintaining high standards of trust and confidence from stakeholders.

During 2022/23, my specific expectations are that the XRB will:

- continue work to develop and issue climate standards and guidance based on the recommendations of the Task Force on Climate-related Financial Disclosures
- contribute to the ongoing development of an assurance regime for greenhouse gas emissions, including setting the level of assurance required and establishing the standard for performance of the assurance engagement
- work on progressing a framework for other areas of integrated reporting to meet increasing demand for best practice reporting of non-financial information. This work should not slow the implementation of the climate standards. It should be informed by Te Ao 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 on the ESG (environmental, social and governance) project and wider work of the XRB
- continue to monitor and respond to any COVID-19 developments and assist preparers and auditors who may be affected by these changes
- continue to issue accounting and auditing standards which are informed by 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 collaborate 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.

### **General expectations and good governance**

I am confident the XRB will work constructively with the Government to help realise these priorities. In doing so, please work closely with officials to share information on the impacts of COVID-19 to ensure policy settings give the best chance for delivering a revitalised New Zealand economy.

In addition, I expect you to follow the updated *Enduring Letter of Expectations* from the Minister of Finance and Minister of State Services communicated to the Chairs of statutory Crown entities in 2019. I also expect you to follow the Ministry of Business, Innovation and Employment'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 in the Ministry of Business, Innovation and Employment (**MBIE**)
- operate a 'no surprises' policy.

These expectations are set out in more detail in the Annex to this letter.

### **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 an Sol in April 2020, the next Sol is due to be produced by April 2023.

**Response**

Your advice by **16 April 2022** 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 continuing our excellent working relationship over the coming year.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Andrew Hume', written in a cursive style.

Hon Dr David Clark  
**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 the last Board self-review was performed in the 2018-2019 financial year. I expect the Board to tell me what plans it has to undertake the next self-review.

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.

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

In addition to setting and driving a strategy that delivers on government 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.