



Subject: Minutes of the 196th meeting of the AASB
Venue: Dexus Place, Level 14, 385 Bourke Street, Melbourne and Videoconference
Held: Wednesday, 21 June 2023, 10.20 am – 5.00 pm
Thursday, 22 June 2023, 10.00 am – 12.33 pm

All agenda items were discussed in public, except for items 1 and 18.

Attendance

Members
Keith Kendall (Chair)
Alison White (Deputy Chair) (part of meeting)
Carolyn Cordery
James Grant
Dean Hanlon (part of meeting, via videoconference)
David Holland (part of meeting)
Adrian King (part of meeting)
Toby Langley (part of meeting, via videoconference)
Liza Maimone (part of meeting, via videoconference)
Sean Osborn
Paul Rogers (part of meeting)
Caroline Spencer
Stephen Taylor (part of meeting, via videoconference)

Apologies
Dean Hanlon (Days 1 and 2, except for Day 1: 4:00 pm – 5:00 pm)
David Holland (Day 2: 12.05 pm – 12.33 pm)
Adrian King (Day 1: 1.00 pm – 2.00 pm; Day 2: 10.36 am – 11.30 am)
Toby Langley (Days 1 and 2, except for Day 1: 4:00 pm – 5:00 pm)
Liza Maimone (Day 1)
Mathew Nelson
Paul Rogers (Day 1, except for Day 1: 4.00 pm – 5.00 pm)
Stephen Taylor (Days 1 and 2, except for Day 1: 4:00 pm – 5:00 pm)
Alison White (Day 2: 12.05 pm – 12.33 pm)

In attendance

Staff
Clark Anstis
Patricia Au
Aanchal Bhandari
Kimberley Carney
Nikole Gyles (part of meeting, via videoconference)
Siobhan Hammond
Kathleen John
Maggie Man
Lachlan McDonald-Kerr
John Purcell
Joanna Spencer
Claire Thomson
Jia Wei
Justin Williams

Other
Anne Bean – agenda item 11 (via videoconference)
Andrew Mills (FRC Chair) (Day 1 in person, Day 2 via videoconference)
Jim Paul – agenda item 10 (via videoconference)
Angus Thomson – agenda item 7 (via videoconference)



Agenda and Chair's Report

Agenda Item 1 – discussed in private

The Chair noted the significant items on the agenda and provided the Board with an update on recent and future activities.

Apologies, Declarations of Interests, Minutes and Approvals Out of Session

Agenda Item 2

Apologies

Apologies for the meeting were noted from Mathew Nelson. Apologies were also noted from Dean Hanlon, David Holland, Adrian King, Toby Langley, Liza Maimone, Paul Rogers, Stephen Taylor and Alison White for parts of the meeting.

Declarations of Interests

Members indicated that, in the normal course of their day-to-day professional responsibilities, they deal with a broad range of financial reporting issues. Members have adopted the standing policy in respect of declarations of interests that a specific declaration will be made where there is a particular interest in an issue before the Board.

Sean Osborn and Caroline Spencer declared a specific interest in relation to the agenda items on Sustainability Reporting Standard Setting and Post-Implementation Review of AASB 1059 *Service Concession Arrangements: Grantors*.

Minutes

The Board approved the minutes of the one hundred and ninety-fifth meeting, held on 4 May 2023.

Approvals Out of Session

The Board noted the out-of-session approval of the following AASB document since the previous meeting report:

- Invitation to Comment ITC 52 *Request for Comment on IASB Request for Information on Post-implementation Review of IFRS 9 Financial Instruments – Impairment*.

Sustainability Reporting Standard Setting

Agenda Item 3

The Board decided to expand the scope of the Climate-related Financial Disclosure project, previously limited to the for-profit sector, to explore the development of sector-neutral Australian climate-related



financial disclosure requirements. Carolyn Cordery voted against expanding the scope and requested this be noted in the minutes.

Action: Staff

AASB Work Plan

Agenda Item 4

The Board approved a revised AASB work plan in relation to sustainability reporting projects and high-priority financial reporting projects. The current projects were reprioritised to support an increased focus on sustainability reporting projects over the next year as well as reflecting the resourcing constraints that the AASB currently faces. The work plan will be reviewed regularly and updated to reflect changes in priorities.

Action: Staff

Post-implementation Review: AASB 1059

Agenda Item 5

The Board commenced its review of respondents' comments on Invitation to Comment ITC 49 *Post-implementation Review of AASB 1059 Service Concession Arrangements: Grantors*. The Board noted that most of the comments relating to the scope and asset control criteria of AASB 1059 raised matters that the Board had previously considered in developing AASB 1059.

Nevertheless, the Board decided that further consultation with key ITC respondents would be useful to:

- (a) clarify whether their concerns with the scope and asset control criteria are related to:
 - (i) disagreement with the concepts underlying AASB 1059 paragraphs 2 and 5;
 - (ii) challenges experienced in applying those underlying concepts; or
 - (iii) disagreement with the result of applying AASB 1059 to certain types of transactions; and
- (b) obtain further input on specific topics where additional guidance and clarification are sought.

The Board will consider the remaining feedback received on ITC 49 (including comments on the recognition and measurement requirements of AASB 1059) and further stakeholder input on the scope and asset control criteria at a future meeting.

Action: Staff



Franking Credit Disclosures

Agenda Item 6

The Board decided not to make any amendments to the existing franking credit disclosure requirements in AASB 1054 *Australian Additional Disclosures*. In making this decision, the Board considered feedback obtained from limited outreach activities that indicated that the issues raised by stakeholders during the AASB's recent Agenda Consultation are not of such significance or prevalence to warrant amendment of the Standard. Therefore, the Board decided to close the project and remove it from the AASB Work Plan.

Action: Staff

Post-implementation Review: AASB 1056

Agenda Item 7

The Board considered further feedback from stakeholders during the planning phase of the post-implementation review (PIR) of AASB 1056 *Superannuation Entities* and Interpretation 1019 *The Superannuation Contributions Surcharge*. The Board approved the issue of an Invitation to Comment (ITC) that will include the following topics:

- (a) the level of financial reporting, including sub-fund reporting;
- (b) the statement of changes in member benefits;
- (c) the classification and disclosure of revenue and expenses;
- (d) fair value asset measurement;
- (e) insurance arrangements;
- (f) subsidiaries (and consolidation); and
- (g) trends affecting superannuation entity financial reporting.

The Board decided that the ITC will be issued for a 120-day comment period.

Action: Staff

Supplier Finance Arrangements

Agenda Item 8

The Board voted to make Accounting Standard AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements*. AASB 2023-1 makes amendments to AASB 107 *Statement of Cash Flows* and AASB 7 *Financial Instruments: Disclosures* to require an entity to provide additional



disclosures about its supplier finance arrangements. The additional information will enable users of financial statements to assess how supplier finance arrangements affect an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments require an entity to disclose the terms and conditions of the arrangements, the carrying amount of the liabilities that are part of the arrangements, the carrying amounts of those liabilities for which the suppliers have already received payment from the finance providers, the range of payment due dates and the effect of non-cash changes.

The Board decided that the amendments will apply to annual periods beginning on or after 1 January 2024, with earlier application permitted.

Action: Staff

International Tax Reform (Pillar Two Model Rules)

Agenda Item 9

The Board voted to make Accounting Standard AASB 2023-2 *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules*. AASB 2023-2 amends AASB 112 *Income Taxes* to introduce:

- (a) a mandatory temporary exception to accounting for deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD); and
- (b) targeted disclosure requirements to help financial statement users better understand an entity's exposure to income taxes arising from the reform, particularly in periods before legislation implementing the rules is in effect.

The Board decided that the amendments will apply to annual periods beginning on or after 1 January 2023 that end on or after 30 June 2023, with earlier application permitted.

In respect of Tier 2 entities, the Board noted the recently issued IASB Exposure Draft ED/2023/3 *International Tax Reform—Pillar Two Model Rules—Proposed Amendments to the IFRS for SMEs Standard*. The Board decided not to issue this ED for comment in Australia and not to comment to the IASB on the ED. Instead, the Board decided to issue an Exposure Draft proposing amendments to AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* that



would introduce targeted disclosures for Tier 2 entities in periods when Pillar Two legislation is in effect. The ED will be finalised out of session by the Chair.

Action: Staff
Chair

Not-for-Profit Private Sector Financial Reporting Framework (Tier 3)

Agenda Item 10

The Board considered the application of the previously agreed approach to drafting proposed requirements to be included in the Tier 3 Exposure Draft to the selected topics of Property, Plant and Equipment, Fair Value Measurement and Borrowing Costs. The Board also received an update on the project. No decisions were made.

Action: Staff

Financial Instruments – Classification and Measurement

Agenda item 11

The Board deliberated its response to the IASB Exposure Draft ED/2023/2 *Amendments to the Classification and Measurement of Financial Instruments* (AASB ED 324). The Board decided to address a range of matters in its submission to the IASB, including the following:

- (a) the IASB should consider whether the proposed guidance on the derecognition of a financial liability settled through electronic transfer would have consequences beyond clarifying current practice;
- (b) the proposed clarification on assessing whether contractual terms are consistent with the definition of a basic lending arrangement should address the classification principles, in addition to new illustrative examples, and explain how the requirement for a contingent event to be specific to a debtor would apply in a group context; and
- (c) the objective of the proposed disclosure of contractual terms that could change the timing or amount of contractual cash flows should be clarified and the costs of the disclosure assessed relative to the expected benefits to financial statement users.

The Board decided that the submission should be finalised out of session by the Chair.

Action: Staff
Chair



Non-current Liabilities with Covenants – Tier 2

Agenda Item 12

The Board voted to make Accounting Standard AASB 2023-3 *Amendments to Australian Accounting Standards – Disclosure of Non-current Liabilities with Covenants: Tier 2*. AASB 2023-3 amends AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* to:

- (a) clarify that a liability is classified as non-current if an entity has the right at the reporting date to defer settlement of the liability for at least twelve months after the reporting date;
- (b) clarify the reference to settlement of a liability by the issue of equity instruments in classifying liabilities; and
- (c) require the disclosure of information that enables users of the financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

The Board decided that the amendments will apply to annual periods beginning on or after 1 January 2024, with earlier application permitted.

Action:

Staff

ISSB Agenda Consultation

Agenda Item 13

The Board decided to highlight the following key matters in its submission to the International Sustainability Standards Board's (ISSB's) Request for Information *Consultation on Agenda Priorities* (RFI):

- (a) the ISSB should focus on supporting implementation of its IFRS Sustainability Disclosure Standards to achieve its objective of establishing a global baseline of sustainability-related financial disclosure requirements;
- (b) the four topics identified in the ISSB RFI (biodiversity, ecosystems and ecosystem services, human rights, human capital, and integration in reporting) are suitable topics for the ISSB to engage in further research to support its future standard-setting activities. However, the Board recommends the ISSB prioritise the development of a conceptual framework to support its future standard-setting activities; and
- (c) the four topics identified in the ISSB RFI are broad topics. Each topic contains multiple sub-topics that may be better addressed through separate or targeted projects rather than a single overarching project that may not appropriately address the sustainability-related financial risks and opportunities of those sub-topics.



The Board decided that the submission should be finalised out of session by the Chair.

Action: Staff
Chair

ISSB Methodology for Internationalisation of SASB Standards

Agenda Item 14

The Board decided to highlight the following key matters in its submission to the ISSB's Exposure Draft *Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates*:

- (a) the exclusion from the scope of the ED of climate-related industry-based metrics in SASB Standards that are to be amended to align with the forthcoming ISSB industry-based illustrative examples means that those metrics will be amended without public consultation;
- (b) the exclusion from the ED of how non-climate-related industry-based metrics in SASB Standards have been (or will be) identified for amendment and the amendments to be proposed to those metrics, which prevents a comprehensive assessment of the subsequent amendments;
- (c) the lack of internationalisation of the SASB Sustainable Industry Classification System (SICS), which is different to the Australian and New Zealand Standard Industrial Classification 2006 (ANZSIC); and
- (d) the exclusion from the scope of the ED of any amendments that would significantly change the structure or original intent of the SASB Standards merely assumes the international decision-usefulness of the SASB Standards.

The Board decided that the submission should be finalised out of session by a sub-committee.

Action: Staff
Sub-committee

Sustainability Reporting Update

Agenda Item 15

The Board received an update on international and jurisdictional sustainability reporting developments, including the work of the ISSB, the Global Reporting Initiative (GRI) and the International Public Sector Accounting Standards Board (IPSASB).

Action: Staff



Documents Open for Comment

Agenda Item 16

Subject to feedback from stakeholders and the availability of resources, the Board decided to comment on the IASB's RFI/2023/1 *Request for Information: Post-implementation Review of IFRS 9 Financial Instruments – Impairment* and its forthcoming Request for Information relating to the post-implementation review of IFRS 15 *Revenue from Contracts with Customers*.

The Board decided not to comment to the:

- (a) International Valuation Standards Council on proposed changes to International Valuation Standards;
- (b) International Auditing and Assurance Standards Board on proposed amendments to ISA 570 *Going Concern*; and
- (c) IASB on the Tentative Agenda Decision – Merger between a Parent and Its Subsidiary in Separate Financial Statements.

The Board noted its previous decisions about commenting on consultative documents already issued by international standard-setting bodies.

Action:

Staff

Other Business (Financial Reporting)

Agenda Item 17

The Board noted the IASB, IFRS Interpretations Committee, ISSB and IPSASB updates and other items.

Action:

Staff

Review of the Meeting

Agenda Item 18 – discussed in private

The Board reviewed the conduct of the meeting.

Close of the Meeting

The Chair closed the meeting at 12.33 pm on Thursday, 22 June 2023.



Approval of Minutes

Signed by the Chair as a correct record,
this 9th day of August 2023.