



Subject: Minutes of the 194th meeting of the AASB
Venue: Dexus Place, Level 14, 385 Bourke Street, Melbourne and Videoconference
Held: Day 1 – Wednesday, 8 March 2023, 10.00 am – 4.30 pm
Day 2 – Thursday, 9 March 2023, 10.00 am – 12.35 pm

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

Attendance

Members attending in person	Keith Kendall (Chair) Alison White (Deputy Chair) (part of meeting) Carolyn Cordery James Grant Dean Hanlon (part of meeting) Adrian King Toby Langley (part of meeting) Liza Maimone (part of meeting) Mathew Nelson Sean Osborn Paul Rogers Caroline Spencer Stephen Taylor (part of meeting)
Members attending via videoconference	David Holland
Apologies	Day 1: Dean Hanlon (10.00 am – 12.00 pm) Toby Langley (10.00 am – 10.45 am) Liza Maimone (11.40 am – 2.15 pm) Stephen Taylor (3.30 pm – 4.30 pm) Alison White (12.00 pm – 1.00 pm)
<i>In attendance</i>	
Staff	Clark Anstis Patricia Au (in part, via videoconference) Aanchal Bhandari (in part, via videoconference) Kimberley Carney Tom Frick Nikole Gyles (in part, via videoconference) Siobhan Hammond (in part, via videoconference) Fridrich Housa Kathleen John Eric Lee Ao Li Maggie Man Lachlan McDonald-Kerr John Purcell Joanna Spencer Claire Thomson Jia Wei Justin Williams
Other	Kim Langfield-Smith – agenda item 5 Angus Thomson – agenda item 6



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 parts of the meeting on day 1 were noted from Dean Hanlon, Toby Langley, Liza Maimone, Stephen Taylor and Alison White.

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 interest that a specific declaration will be made where there is a particular interest in an issue before the Board.

There were no specific declarations for this meeting.

Minutes

The Board approved the minutes of the one hundred and ninety-third meeting, held on 1 February 2023.

Approvals Out of Session

The Board noted that no AASB documents had been approved out of session since the previous meeting report.

Subsidiaries without Public Accountability

Agenda Item 3

The Board received an update on the IASB Exposure Draft ED/2021/7 *Subsidiaries without Public Accountability: Disclosures* (AASB ED 314) and gave initial consideration to possible options for adopting the IFRS Standard in Australia when issued by the IASB. The Board directed staff to obtain evidence and undertake targeted outreach to better understand current Tier 2 financial reporting in Australia, which will help inform future Board decisions.

Action:

Staff



Tier 2 – Non-Current Liabilities with Covenants

Agenda Item 4

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:

- (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 to enable users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

The Board noted that the proposed amendments are consistent with amendments already made to AASB 101 *Presentation of Financial Statements* by AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* and AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*.

The Board decided that the Exposure Draft will have a 60-day comment period, with the ED to be finalised by the Chair.

Action:	Staff
	Chair

Post-Implementation Reviews

Agenda Item 5

The Board received an update on its Post-implementation Review projects and discussed the consultation questions that might be asked in respect of several particular public sector Standards. A draft consultation document will be considered by the Board at a future meeting.

Action:	Staff
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Public Sector Long-term Discount and Inflation Rates

Agenda Item 6

The Board noted that the requirements in Accounting Standards that involve the use of measurements based on the present value of future cash flows apply across both the public sector and the private sector. The Board therefore decided to begin the project with an issues development phase to gain a comprehensive understanding of:



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- (a) the objectives of the discounting and inflating of cash flows under Accounting Standards; and
 - (b) stakeholder concerns with the existing requirements in the public sector context.

The Board approved a timetable for the issues development phase of the project, including the planned stakeholder outreach.

Action: Staff

Franking Credits

Agenda Item 7

The Board supported the draft Franking Credit Disclosure project plan. The Board decided that the project's scope should be limited to Tier 1 for-profit entities and that further evidence and stakeholder engagement is needed before it can decide on any standard-setting work. The outcomes of the evidence gathering and stakeholder engagement will be considered at a future meeting and, subject to this feedback, the project is expected to be undertaken with a 12-month timeline.

Action: Staff

Not-for-Profit Private Sector Financial Reporting Framework

Agenda Item 8

The Board received an update on the project, including the preliminary feedback collected from outreach activities and the preliminary findings from research on common transactions of medium-sized charities.

The Board will continue to address the Tier 3 simplified financial reporting proposals at future meetings.

Action: Staff

Pillar Two Global Minimum Tax

Agenda Item 9

The Board deliberated its response to the IASB Exposure Draft ED/2023/1 *International Tax Reform—Pillar Two Model Rules* (AASB ED 322).

Views on the proposed amendments

The Board supported the proposed mandatory temporary exception for deferred tax accounting in relation to Pillar Two taxes. The submission will also include the following additional comments:



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- (a) in addition to the requirement to disclose current tax expense related to Pillar Two income taxes at an entity level (paragraph 88B), the disclosure of current tax expense related to Pillar Two income taxes at the jurisdiction level would also be useful;
 - (b) paragraph 88C should be clarified to indicate that its disclosure requirements apply only when an entity is subject to Pillar Two income taxes; and
 - (c) paragraph 88C(c) should be amended to require an entity to disclose information about the jurisdictions it identifies in preparing to comply with Pillar Two legislation where either (i) the effective tax rate is below 15% but the entity might not be exposed to paying Pillar Two taxes or (ii) the effective tax rate is above 15% but the entity might be exposed to paying Pillar Two taxes. As currently drafted, an entity could disclose only 'yes' or 'no' in response, without providing any additional information.

Observations on the OECD's use of accounting profit

The submission will also outline the Board's observations about using accounting profit as the basis for levying tax, including that it may compromise comparability between jurisdictions that apply IFRS Standards differently.

The Board observed that if there is a legal dispute about the amount of minimum (top-up) tax due to be paid by an entity under the Pillar Two model rules, courts will interpret how they consider the requirements of accounting standards should be applied. In common law jurisdictions, such as Australia, where accounting standards have the force of law, these judicial interpretations are binding in that jurisdiction. This may increase the likelihood of IFRS Standards being interpreted and applied differently across jurisdictions, which would be an unintended consequence of the model rules. An alternative basis for calculating the minimum tax would be preferred.

The Board appointed a sub-committee to finalise the Board's submission.

Action:	Staff
	Sub-committee

Research Update

Agenda Item 10

The Board noted recent Research Centre activities, including:

- (a) the virtual dialogue series session held on 8 February 2022 addressed whether the growth of digital assets is a pressing issue for accounting and corporate reporting. The next session is scheduled for May 2023, focusing on going concern disclosures;
- (b) research progress on assessing the prevalence of digital assets and accounting concerns, including monitoring the outcome from the Commonwealth Treasury's Consultation Paper *Token Mapping*;



- (c) plans for the intangible metrics research project outreach, including a joint webinar with the Financial Services Institute of Australasia on 23 March 2023;
- (d) interviews conducted for the understandability of accounting standards research project and plans to seek additional interviewees; and
- (e) the completion of a survey on insurers' accounting policy decisions during their implementation of AASB 17 *Insurance Contracts* and the preparation of a research report.

Action: Staff

Documents Open for Comment

Agenda Item 11

The Board decided to comment on the IASB's forthcoming Exposure Draft relating to the post-implementation review of the classification and measurement requirements of IFRS 9 *Financial Instruments*.

The Board discussed whether to comment on the Global Sustainability Standards Board (GSSB) Exposure Draft *GRI Sector Standards Project for Mining*. The Board appointed a sub-committee to decide whether to respond to the GSSB with a submission focussed on financial reporting and, if so, to finalise the submission.

The Board decided not to comment to the Australian Charities and Not-for-profits Commission in respect of its proposed requirements for reporting related party transactions in charities' 2023 Annual Information Statements.

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

Action: Staff
Sub-committee

Other Business (Financial Reporting)

Agenda Item 12

The Board noted the IASB, IFRS Interpretations Committee, International Sustainability Standards Board (ISSB) and IPSASB updates and other items.

Sustainability Reporting Project Update

Agenda Item 13

The Board received an update on the staff's progress in considering feedback received on AASB Exposure Draft ED 321 *Request for Comment on ISSB [Draft] IFRS S1 General Requirements for Disclosure of*



Sustainability-related Financial Information and [Draft] IFRS S2 Climate-related Disclosures as part of the Board's Sustainability Reporting project.

Action: Staff

Sustainability Reporting Standard-Setting Framework

Agenda Item 14

The Board considered and amended a draft *AASB Sustainability Reporting Standard-Setting Framework*. The Board decided to pilot the Framework in conjunction with consultation documents for the Climate-related Financial Disclosure project.

The Board appointed a subcommittee to finalise the interim Framework out of session.

Action: Staff
Sub-committee

Sustainability Reporting – Jurisdiction 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 IPSASB.

Climate-related Financial Disclosure

Agenda Item 16

The Board supported the Climate-related Financial Disclosure project plan, which included a revised project timeline reflecting the recent change to the ISSB's timeline for completing its first IFRS Sustainability Disclosure Standards.

The Board acknowledged the support amongst stakeholders for the development of industry-based requirements and considered how to address the proposed requirements that had been referred to in Appendix B to [Draft] IFRS S2 *Climate-related Disclosures*, incorporated in AASB ED 321. The Board noted the complexities and challenges associated with the Appendix B industry-based disclosure requirements being based on and referring to SASB (the former Sustainability Accounting Standards Board) industry classifications and associated Standards.

The Board decided to remove references to SASB Standards from its baseline of IFRS Sustainability Disclosure Standards and not to publish industry-based illustrative examples until:

- (a) the content has been comprehensively internationalised by the ISSB; and



(b) the content has undergone the AASB's due process in Australia.

This decision will be revisited by the Board after the ISSB issues IFRS S2 and its accompanying guidance, which is now expected in June 2023, and additional industry-based materials.

Action: Staff

Sustainability Reporting – Other Business

Agenda Item 17

The Board discussed difficulties in continuing to develop draft Standards given the uncertainty as to the content of the final IFRS Sustainability Disclosure Standards to be issued by the ISSB, including the scope for referring to other international standards and the development of industry-based requirements. No decisions were made.

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 12.35 pm on Thursday, 9 March 2023.

Approval of Minutes

Signed by the Chair as a correct record,
this 4th day of May 2023