



Subject: Minutes of the 192nd meeting of the AASB
Venue: Dexus Place, Level 14, 385 Bourke Street, Melbourne, and Videoconference
Held: Day 1 - Wednesday, 14 December 2022, 10.00 am – 4.30 pm
Day 2 – Thursday, 15 December 2022, 10.00 am – 2.37 pm

All agenda items were discussed in public, except for items 1 and 12. Public observers participated via videoconference.

Attendance

Members attending in person Keith Kendall (Chair)
Alison White (Deputy Chair)
Carolyn Cordery
James Grant (Day 2)
David Holland
Sean Osborn
Stephen Taylor

Members attending via videoconference Paul Rogers
Caroline Spencer (Day 2)

Apologies **Day 1**
James Grant
Dean Hanlon
Toby Langley
Caroline Spencer

Day 2
Dean Hanlon
Toby Langley

In attendance

Staff Clark Anstis
Patricia Au
Aanchal Bhandari
Kimberley Carney
Nikole Gyles
Fridrich Housa
Kathleen John
Eric Lee
Ao Li
Maggie Man
Joanna Spencer
Claire Thomson
James Wake
Jia Wei
Justin Williams



Other
Christian Gregis, AICD – agenda item 1 (Day 2)
Robert Keys – agenda item 7
Jim Paul – agenda item 3
Tim Stutt, Herbert Smith Freehills – agenda item 1 (Day 2)
Angus Thomson – agenda item 4
Dr Steve Tonner, KPMG – agenda item 1 (Day 2)

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.

A private education session regarding sustainability reporting was conducted on day 2 of the meeting (see agenda item 5). No decisions were made.

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

Agenda Item 2

Apologies

Apologies were noted for both days from Dean Hanlon and Toby Langley and for day 1 from James Grant and Caroline Spencer.

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 declared a specific interest in relation to the not-for-profit public sector agenda items, in particular agenda item 4 re insurance activities in the public sector.

Minutes

The Board approved the minutes of the one hundred and ninety-first meeting, held on 10 November 2022.

Approvals Out of Session

The Board noted that two documents had been approved out of session since the previous meeting report:

- ITC 50 *Post implementation Review – Income of Not-for-Profit Entities*; and
- ITC 51 *Post-implementation Review of Not-for-Profit Topics – Control, Structured Entities, Related Party Disclosures and Basis of Preparation of Special Purpose Finance Statements*.



Fair Value Measurement for Not-for-Profit Public Sector Entities

Agenda Item 3

The Board voted to make Accounting Standard AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*. The Standard modifies AASB 13 *Fair Value Measurement* for application by not-for-profit (NFP) public sector entities. The Standard applies prospectively to annual periods beginning on or after 1 January 2024, with earlier application permitted.

The Board considered feedback received on the Fatal-Flaw Review draft version of the Standard and decided to make the following changes to that draft in finalising the Standard, which addresses non-financial assets of NFP public sector entities not held primarily for their ability to generate net cash inflows:

- (a) specify that an NFP public sector entity is required to consider whether such an asset's highest and best use differs from its current use only when, at the measurement date, it is:
 - (i) classified as held for sale or held for distribution to owners in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*; or
 - (ii) highly probable that the asset will be used for an alternative purpose;
- (b) in relation to (a)(ii), clarify that one of the conditions for determining at the measurement date that it is highly probable that an asset will be used for an alternative purpose is that, based on reasonably available information, it is highly probable that the current use of the asset will cease within one year;
- (c) clarify that, consistent with AASB 13 paragraph 89, the requirement in paragraph F5 is to use an entity's own assumptions as a starting point in developing unobservable inputs to measure the fair value of such an asset when both the market selling price of a comparable asset and some market participant data required to measure the fair value of the asset are not observable;
- (d) specify that, when applying the cost approach to measure the fair value of such an asset, an entity applies judgement in determining which costs would necessarily be incurred in the hypothetical acquisition or construction of a reference asset with the same service capacity and condition as the subject asset at the measurement date;
- (e) clarify why, in some cases, economic obsolescence would not necessarily exhibit a linear relationship with the reduction in the level of demand for the asset's services;
- (f) replace Illustrative Example 2 with an example independent of Illustrative Example 1; and
- (g) replace Illustrative Example 4 with an example that uses site levelling costs, instead of decontamination costs, to illustrate consideration of site preparation costs when applying the cost approach to measure the fair value of such an asset.

The Standard is expected to be published shortly.

Action:

Staff



Insurance Activities in the Public Sector

Agenda Item 4

The Board decided to defer the mandatory application date of AASB 17 *Insurance Contracts* for public sector entities until annual periods beginning on or after 1 July 2026 (instead of 1 July 2025), with earlier application permitted.

The Board voted to make the following Accounting Standards:

- (a) AASB 2022-8 *Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments* – to make temporary consequential amendments to various Standards to permit public sector entities to continue to apply AASB 4 *Insurance Contracts* and AASB 1023 *General Insurance Contracts* to annual periods beginning on or after 1 January 2023 but before 1 July 2026; and
- (b) AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector* – to make public-sector-specific modifications to AASB 17 for application to annual periods beginning on or after 1 July 2026, with earlier application permitted, after considering feedback received on the Fatal-Flaw Review draft version of the Standard.

AASB 2022-8 applies to annual periods beginning on or after 1 January 2023, in order to defer the application of AASB 17 to for-profit public sector entities as it previously applied to them from that date.

AASB 2022-9 applies to annual periods beginning on or after 1 July 2026.

The Standards are expected to be published shortly.

The NZASB, at its meeting on 13 December 2022, approved public-sector-specific modifications to NZ PBE IFRS 17 *Insurance Contracts* corresponding to the AASB 17 modifications in AASB 2022-9.

Action:

Staff

Sustainability Reporting

Agenda Item 5

The Board received an update on international and jurisdictional sustainability reporting developments.

The Board also held a private education session on sustainability reporting (as part of agenda item 1). The session provided an overview of legal liability considerations for forward-looking statements, the *National Greenhouse and Energy Reporting Act 2007*, [Draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and [Draft] IFRS S2 *Climate-related Disclosures*. No decisions were made.

Action:

Staff

Non-current Liabilities with Covenants

Agenda Item 6.1

The Board voted to make Accounting Standard AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*. AASB 2022-6 amends AASB 101 *Presentation of Financial Statements* to improve the information an entity provides in its financial statements about long-term liabilities with covenants where the entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.

AASB 2022-6 also amends an example in AASB Practice Statement 2 *Making Materiality Judgements* regarding assessing whether information about covenants is material for disclosure.

The amendments are effective for annual periods beginning on or after 1 January 2024, with earlier application permitted. AASB 2022-6 defers the amendments originally made to AASB 101 by AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*, which were previously deferred by AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date* to periods beginning on or after 1 January 2023. Consequently, AASB 2022-6 applies to periods beginning on or after 1 January 2023 in order to defer the amendments from that date for another year.

AASB 2022-6 incorporates the amendments recently made by the IASB in IFRS Standard *Non-current Liabilities with Covenants*. AASB 2022-6 is expected to be published shortly.

The Board will consider the effect of the amendments on AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* in early 2023.

Action:

Staff

Editorial Corrections and Repeals of Standards

Agenda Item 6.5

The Board voted to make Accounting Standard AASB 2022-7 *Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards*. The Standard applies to annual periods beginning on or after 1 January 2023 and is expected to be published shortly.

AASB 2022-7 makes editorial corrections to six Standards and to Practice Statement 2 *Making Materiality Judgements*.

The repeal of superseded principal Standards and of redundant amending Standards does not change the application of any Standards or requirements. The repealed Standards cease to be classified as in-force legislative instruments on the Federal Register of Legislation. There is no change to the availability of the repealed Standards on the AASB website.



Action:

Staff

Service Performance Reporting

Agenda Item 7

The Board considered an overview of the background to its reactivated project on service performance reporting and related local and international developments. No decisions were made.

The Board discussed aspects that could be considered further in assessing how to progress the project, including:

- (a) the needs of stakeholders who are interested in the performance of NFP entities and calls for greater transparency and consistency in reporting both financial and non-financial information;
- (b) the extent to which financial and non-financial information should be capable of assurance;
- (c) similarities and differences between current reporting requirements and practice in the not-for-profit public and private sectors; and
- (d) the timeframe for adoption if a mandatory pronouncement is to be developed.

In 2023, the Board plans first to consider the aspects noted above in addressing the appropriate baseline for restarting the detailed project work. A draft project plan will be considered later in the year.

Action:

Staff

Intangible Assets

Agenda Item 8

The Board decided to implement the intangible assets project plan. The research project is expected to be undertaken in stages, with a 24-month projection:

- (a) Stage 1 (planned for 2023) will focus on disclosures by extending the work in AASB Staff Paper *Intangible Assets: Reducing the Financial Statements Information Gap through Improved Disclosure*, which was published in March 2022; and
- (b) pending stakeholder feedback from Stage 1, later stages (planned for 2023 and 2024) will explore issues and challenges in applying AASB 138 *Intangible Assets* and reporting intangible assets, which is expected to result in various research projects and publications.

Action:

Staff



Research Update

Agenda Item 9

The Board noted a report of recent Research Centre activities, including:

- (a) the 2022 AASB Research Forum was held jointly with RMIT University on 5 December 2022, addressing a number of sustainability reporting topics, including soil health;
- (b) papers on biodiversity and corporate social responsibility published in the AASB SSRN Working Papers Series;
- (c) progress on research projects on digital assets, policy choices by insurers under AASB 17 *Insurance Contracts* and cost of capital; and
- (d) upcoming joint publications with the AUASB regarding intangible assets and climate-related disclosures and assurance.

Action:

Staff

Documents Open for Comment

Agenda Item 10

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

The Board decided to comment on the IASB's forthcoming Exposure Draft relating to the OECD's Pillar Two minimum corporate tax model rules, subject to feedback from stakeholders. The Board also decided to comment on the Exposure Draft issued by the Global Reporting Initiative's (GRI's) Global Sustainability Standards Board on its work program for 2023–2025.

Action:

Staff

Other Business

Agenda Item 11

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

Action:

Staff

Review of the Meeting

Agenda Item 12 – discussed in private

The Board reviewed the conduct of the meeting.



Close of the Meeting

The Chair closed the meeting at 2.37 pm on Thursday, 15 December 2022.

Approval of Minutes

Signed by the Chair as a correct record,
this 1st day of February 2023