



## AGENDA – 106<sup>TH</sup> FRC MEETING

**Date:** 5 July 2023

**Time:** 9.30am – 2.15pm

**Location:** Melbourne Treasury Office

Members of the public are advised that members of the Financial Reporting Council (FRC) will attend the meeting in person or via a Microsoft Teams videoconference. Members of the public may attend the meeting via Microsoft Teams although public attendance is via registration only. Members of the public should register their interest in attending the public sessions no later than 24 hours in advance of the meeting by emailing [secretariat@frc.gov.au](mailto:secretariat@frc.gov.au) detailing:

- Name
- Affiliation
- Contact details

Registered attendees will be emailed Microsoft Teams meeting details by no later than 4 July 2023.

Item	Report by	Time
<b>PUBLIC SESSION</b>		
<b>1. Introduction</b>		9.30am
A. Attendees and apologies	Chair	
B. Declarations of interest	Chair	
C. New members – Pru Bennett and Rachel Grimes	Chair	
<b>2. Matters for noting / action</b>		9.45am
A. Minutes of previous meeting – 10 March 2023	Chair	
B. Minutes of out-of-session meetings – 16 May 2023	Chair	
C. Matters arising	Chair/Secretariat	
<b>3. Environmental Scan</b>		10.00am
A. Member Reflections	Chair	
B. Stakeholder Reports		
1) At the time of drafting the meeting papers, the FRC received 11 stakeholder reports and 2 responses confirming nil update from its request to 23 stakeholders. 2) The chair to report on stakeholder meetings		
<b>4. Oversight of Australian Standards (Accounting and Auditing) per s225(1) to (2A)</b>		10.30am
A. Australian Accounting Standards Board	Keith Kendall	
1) Sustainability Report		
B. Auditing and Assurance Standards Board	Bill Edge	
<b>Morning Tea</b>		10.50am
<b>5. Monitoring and influencing international developments per 225(2)(e) to (2)(f) and s225(2A)(f) to (2A)(g)</b>		

<b>Item</b>	<b>Report by</b>	<b>Time</b>
A. XRB Update – <i>verbal</i>	Michele Embling	11.00am
B. IFRS Conference - <i>verbal</i>	Andrew Mills and Keith Kendall	11.15am
C. International developments (including recent media releases)	Keith Kendall and Bill Edge	11.45am
D. Asia-Pacific Climate Reporting Summit 2023 - <i>verbal</i>	Tracey Carroll and Justin Williams	12.00pm
<b>Lunch</b>		12:30pm
<b>6. Financial Reporting Framework Objects - Indicators per s225(1)(g)</b>	Chair	1.00pm
<b>7. Public Sector Advisory Group per s225(2)(g), (2)(h)(i) and s225(2A)(g) and (2A)(h)(i)</b>	Tracey Carroll	1.20pm
<b>8. Emerging issues and FRC priorities per s225(1)(a) to (d), (1)(g), (2B) and (2C)(e)</b>	Chair	1.40pm
<b>9. Other business</b>		2.00pm
A. Nominations Committee [per s225(2)(a) and s225(2A)(a)]	FRC Nominations Committee Chair	
B. Correspondence received and sent	Chair/FRC Secretariat	
C. Key Action Items Summary	Chair/FRC Secretariat	
<b>10. Next meeting</b>	Chair	2.15pm
A. Confirming quarterly dates for 2023-24 A.1. September meeting to be held in Melbourne		
<b>NON-PUBLIC SESSION</b>		
<b>11. Matters for non-public session*</b>		2.20pm
<b>Meeting Close</b>		4.00pm

\* Agenda item 12 will be held in private. The order of agenda items may be changed during a meeting.



## ATTENDEES AND APOLOGIES

### DESCRIPTION

Attached are the attendees and apologies for this meeting.

#### ACTION

- For noting.

Participant – FRC Members	Organisation
Andrew Mills	Chair
Keith Kendall	AASB Chair
Bill Edge	AUASB Chair
Suzanne Bell	KPMG
Michele Embling	External Reporting Board NZ (XRB) Chair
Emma Herd	EY
Tracey Carroll	Department of Finance
Rachel Grimes	Digital Finance CRC
Pru Bennett	Brunswick Group

Observers	Organisation
Tom Dickson	Treasury
Zoe Irwin	Treasury
Jodic Chan	Treasury
Cooper Tym	Treasury
Athanasios Kallos	Treasury
Deepti Paton	Treasury
Kym Malycha	Treasury

Guests	Organisation
Thea Eszenyi	ASIC
Doug Niven	ASIC
Greg Yanco	ASIC
Nikole Gyles	Office of the AASB
Anne Waters	Office of the AUASB
Matthew Zappulla	Office of the AUASB
April Mackenzie	XRB
Justin Williams	Office of the AASB and AUASB
Siobhan Hammond	Office of the AASB

Apologies	Organisation
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## **DECLARATIONS OF INTEREST**

### **DESCRIPTION**

Attached are members' Declarations of Interest.

### **ACTION**

It is recommended that the FRC:

- declare any interest that may be relevant (having regard to the meeting agenda and functions of the FRC)
- confirm the accuracy of the attached Declarations of Interest.

**FINANCIAL REPORTING COUNCIL – REGISTER OF INTERESTS**

as at 28 June 2023

FRC Member	Stakeholder / Professional / Organisational Affiliations	Employment / Other Positions Held	Other Interests
Mr Andrew Mills	Member, Tax and Transfer Policy Institute Advisory Board Graduate, Australian Institute of Company Directors Chartered Tax Advisor, The Tax Institute Executive Committee Member, International Fiscal Association Australia Branch	Chair, Cemeteries and Crematoria NSW Principal Fellow/Associate Professor, University of Melbourne Law School Commissioner of the Independent Planning Commission of NSW Chair, Risk & Compliance Committee, Independent Planning Commission of NSW Chair, Public Rulings Advisory Panel, Queensland Revenue Office	Director and Secretary, Ajay Investments Pty Ltd Member of Ajay Superannuation Fund (SMSF) that holds interests in listed securities and PE partnerships Son is Director, KPMG Tax & Legal Services
Dr Keith Kendall	Member, New Zealand Accounting Standards Board Fellow, CPA Australia Graduate, Australian Institute of Company Directors Member, The Tax Institute Member, Chartered Accountants Australia and New Zealand Member, Law Institute of Victoria	Chair and CEO, Australian Accounting Standards Board Treasurer, Samuel Griffith Society Member, Investment Committee, Royal Historical Society of Victoria President, Abbotsford Anglers Cricket Club	Director / shareholder / beneficiary: Cuffe Walk Pty Ltd Kendall Control Pty Ltd The Kendall Control Trust The Keith Kendall Family Trust
Mr Bill Edge	Fellow, Chartered Accountants Australia and New Zealand Fellow, Institute of Public Accountants Australia	Chair of the Auditing and Assurance Standards Board	Fixed payment from PricewaterhouseCoopers (PwC) Retirement Plan Son is employed as Director PwC Advisory Services

FRC Member	Stakeholder / Professional / Organisational Affiliations	Employment / Other Positions Held	Other Interests
	Member, New Zealand Auditing and Assurance Standards Board		
Ms Suzanne Bell	Member, Chartered Accountants Australia and New Zealand	Audit Partner, KPMG Registered Company Auditor Advisor to the Audit and Risk Board Committee, St Vincent Health Australia	
Ms Tracey Carroll	Fellow, Chartered Accountants Australia and New Zealand (CA ANZ) Member, Public Sector Panel of the ACT Regional Council, CA ANZ	First Assistant Secretary, Shared Services Transformation Program Office, Department of Finance	
Ms Michele Embling	Chair, New Zealand External Reporting Board (XRB) Fellow, Chartered Accountants Australia and New Zealand (CAANZ) Member, Nominations and Governance Committee Member, CAANZ	Board Member, Toitū Tahua: Centre for Sustainable Finance Independent Director, Transpower New Zealand Limited Independent Director and Chair of Risk Reinsurance Limited	
Ms Emma Herd	Member, Victorian Government Independent Expert Panel on Interim Targets Member, Australian Sustainable Finance Institute (ASFI) Technical Advisory Group Member, Queensland Land Restoration Fund Investment Panel Member, Green Building Council of Australia (GBCA) Green Star Advisory Committee	Director, EMLH Pty Ltd Partner, Climate Change and Sustainability Services, Ernst and Young Oceania	Former CEO of Investor Group on Climate Change Former Environment Commissioner with the Greater Cities Commission Former Head of Sustainability and Executive Director at Westpac Institutional Bank Former Board Member, Carbon Market Institute

FRC Member	Stakeholder / Professional / Organisational Affiliations	Employment / Other Positions Held	Other Interests
Ms Pru Bennett	Fellow Institute of Chartered Accountants Graduate Member Australian Institute of Company Directors Chair National Foundation for Australia China Relations Director UN Global Compact Network Australia Council Member Asian Corporate Governance Association Member Singapore Institute of Company Directors Member of the Monetary Authority of Singapore's Corporate Governance Advisory Council Member of Deakin University Integrated Reporting Centre Advisory Board Board member Asian Investor Group on Climate Change	Partner Brunswick Group Member of the Advisory Council for Oasis Capital Hong Kong Member of the Sustainability Advisory Council for Link REIT	Director of Bened Pty Limited Director of Milliam Pty Limited Director of Brunswick Advisory Pty Limited

<b>FRC Member</b>	<b>Stakeholder / Professional / Organisational Affiliations</b>	<b>Employment / Other Positions Held</b>	<b>Other Interests</b>
Ms Rachel Grimes AM	Graduate, Australian Institute of Company Directors Fellow, Chartered Accountants Australia and New Zealand (CAANZ), Fellow, Certified Practising Accountant Australia (CPAA) Fellow, Institute of Practising Accountant (IPA)	Director Hub24 Limited  Director Australian Payments Plus Limited  Director of the Accounting Professional Standards and Ethics Board (APESB)  Director and Deputy Chair of Digital Finance Co-operative Research Centre (DFCRC)  Director of Loreto Ministries Limited  Chair of Surfing Australia Finance and Risk Committee	Director of 1972 Investments Limited (Holds one property and some Australian ASX listed shares by family)  Trustee of P Grimes Employee Provident Fund (Family SMSF owns Aust and International managed funds and listed shares)





## NEW FRC APPOINTMENTS

### DESCRIPTION

The FRC welcomes the announcement from the Treasurer that **Pru Bennett** and **Rachel Grimes** have been appointed to the FRC.



With over 30 years' experience, Pru is a Partner at Brunswick Group and Chair of the National Foundation for Australia China Relations.

Pru is a director of Global Compact Network Australia, a member of the Monetary Authority of Singapore's Corporate Governance Advisory Committee, a council member of the Asian Corporate Governance Association, a member of Deakin University Integrated Reporting Centre Advisory Board and a director of the Value Reporting

Foundation. She is a member of Chartered Accountants Australia and New Zealand, a graduate of the Australian Institute of Company Directors, and has a Bachelor of Commerce from the University of New South Wales.



Rachel has over thirty years' experience in the financial services sector and was the Chief Financial Officer for Challenger Group until 1 December 2022 after which time she has focussed on Non-Executive Director roles.

In 2011, Rachel was appointed President of the Institute of Chartered Accountants Australia and was the President of the International Federation of Accountants (IFAC) – the global organisation for the accountancy profession from 2016 to 2018. Rachel is a Director on the

Accounting Professional and Ethical Standards Board and serves as the Chair of the Finance and Risk Committee for Surfing Australia.

The appointments will be for a period of three years commencing from the 9<sup>th</sup> of June 2023.

The FRC would also like to formally announce and welcome the members of the AASB and AUASB that commenced 1 January 2023. Adrian King, Liza Maimone and Mathew Nelson joined the AASB. Chi Woo and Terence Jeyaretnam joined the AUASB. The FRC looks forward to their contributions on the two standard setting boards.



## MINUTES OF PREVIOUS MEETING

### DESCRIPTION

Attached are the minutes from the FRC meeting held on Friday 10 March, which were approved out of session and have been published on the FRC website.

Action items are summarised in item 3C.

### ACTION

- For noting.

# MINUTES

**DATE:** Friday 10 March 2023  
**TIME:** 10:00 am – 4:00 pm  
**LOCATION:** Treasury’s Sydney office / MS Teams

All agenda items except item 1 were discussed in public.

ITEM	AGENDA ITEM	
	<b>NON-PUBLIC SESSION</b>	
<b>1</b>	<b>MATTERS FOR NON-PUBLIC SESSION</b>	
	This agenda item was discussed in private.	
	<b>PUBLIC SESSION</b>	
<b>2</b>	<b>INTRODUCTION</b>	
2.A	<b>ATTENDEES AND APOLOGIES</b>	
	<b>Members in attendance:</b>	<b>Observers:</b>
	Andrew Mills (FRC Chair)	Deepti Paton (Treasury)
	Dr Keith Kendall (AASB Chair)	Zoe Irwin (Treasury)
	Bill Edge (AUASB Chair)	Jodic Chan (Treasury)
	Suzanne Bell (KPMG)	Cooper Tym (Treasury)
	Michele Embling (XRB Chair)	Athanasios Kallos (Treasury)
	Cameron McDonald (Evans and Partners)	Liz Prescott (KPMG)
	Emma Herd (EY)	Ainsley Davidson (CA ANZ)
	<b>Guests:</b>	<b>Apologies:</b>
	Thea Eszenyi (ASIC)	Tracey Carroll (Department of Finance)
	Doug Niven (ASIC)	
	Greg Yanco (ASIC)	
	Justin Williams (Office of the AASB and AUASB)	
	Nikole Gyles (Office of the AASB)	
	Anne Waters (Office of the AUASB)	
	Matthew Zappulla (Office of the AUASB)	
	April Mackenzie (XRB)	
	Joanna Perry (ex-IFRS)	
	Kris Peach (PIOB)	
	Michael Bray (KPMG)	
	Robert Buchanan (PIOB)	
	Rebecca McCallum (Treasury)	
2.B	<b>DECLARATIONS OF INTERESTS</b>	
	Members confirmed the agenda items for this meeting did not give rise to a conflict of interest for any member.	

<b>3</b>	<b>MATTERS FOR NOTING/ACTION</b>
3.A	<p><b>MINUTES OF THE PREVIOUS MEETING –23 NOVEMBER 2022</b></p> <p>Members noted the minutes from the FRC meeting on 23 November 2022 which had been approved out-of-session.</p>
3.B	<p><b>MINUTES OF OUT-OF-SESSION MEETINGS – 2 FEBRUARY 2023</b></p> <p>Members noted the approved minutes for the 2 February 2023 out-of-session meeting.</p>
3.C	<p><b>MATTERS ARISING</b></p> <p>Members reviewed the Matters Arising list (document 3C).</p> <p>The FRC agreed on matters that had been actioned and discussed including the removal of certain on-going matters that were not required to be in the Matters Arising document.</p> <p><b>Action item</b></p> <p>FRC Secretariat to update the Matters Arising document and circulate the FRC calendar to members.</p>
<b>4</b>	<b>OVERSIGHT OF AUSTRALIAN STANDARDS</b>
4.A	<p><b>AUSTRALIAN ACCOUNTING STANDARDS BOARD</b></p> <p>Members noted the AASB Chair Report (document 4A).</p> <p>The AASB Chair highlighted the following:</p> <ul style="list-style-type: none"> <li>• The AASB chair and staff member attended the recent ISSB event in Montreal as part of its new sustainability responsibilities.</li> <li>• It was also noted that sustainability is a major focus for the AASB i.e. <i>General Requirements for Disclosure of Sustainability-related Financial Information (S1)</i> and <i>S2 Climate-related Disclosures (S2)</i>.</li> <li>• .</li> <li>• The AASB noted that the open-for-comment period on the Tier 3 reporting for the public and not-for-profit sectors would soon end.</li> </ul> <p>Members discussed:</p> <ul style="list-style-type: none"> <li>• The impact of sustainability reporting on financial reporting.</li> <li>• The interaction of climate transition action plans with financial statements and reporting risks.</li> <li>• Greenwashing.</li> </ul>
4.B	<p><b>AUDITING AND ASSURANCE STANDARDS BOARD</b></p> <p>Members noted the AUASB Chair Report (document 4B).</p> <p>The AUASB Chair highlighted the following:</p> <ul style="list-style-type: none"> <li>• The AUASB Chair has been appointed a member of the IAASB’s Sustainability Working Group which is developing an overarching standard for assurance on sustainability reporting which will be suitable across all sustainability topics and reporting frameworks, and to be used by all assurance practitioners (i.e. accounting profession and other assurance providers). An</li> </ul>

	<p>Exposure Draft of the proposed IAASB sustainability assurance standard is intended to be released by September 2023. Timeframe to completion of the sustainability assurance standard is 15-16 months (end of 2024).</p> <ul style="list-style-type: none"> <li>The AUASB has prioritised issuing guidance for public sector auditors in areas identified as presenting challenges in applying AUASB Standards in the public sector.</li> <li>The structure and plans of international bodies (IAASB, ISSB and IASB) - The Chair of the AUASB commented on the usefulness of the AASB, AUASB and FRC's structure to share information and expertise.</li> </ul>
<b>5</b>	<b>MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS</b>
5.A	<p><b>XRIB UPDATE-VERBAL</b></p> <p>Michelle Embling, the XRIB Chair, provided a verbal update to members.</p> <ul style="list-style-type: none"> <li>The New Zealand Climate-related Disclosure standards were issued in December 2022.</li> <li>The XRIB is currently continuing work on broader sustainability reporting and guidance to ensure that climate standards from December 2022 will be implemented appropriately.</li> <li>An exposure draft of a proposed temporary assurance standard which will apply to the mandatory assurance requirements over parts of climate statements ie., greenhouse gas emissions disclosures, has been issued for public comment. This proposed temporary standard will bridge the gap until the international standard is available.</li> <li>New Zealand are also considering how an assurance licensing regime may be set up to enable auditors / assurance providers to provide assurance on GHG emissions.</li> <li>The XRIB is currently examining its own governance structure for separating sustainability standards into another body.</li> </ul>
5.B	<p><b>PRESENTATION ABOUT THE IFRS FOUNDATION</b></p> <p>Joanna Perry, former Trustee of the IFRS Foundation, provided a verbal update to members on Australia and New Zealand's involvement with IFRS and discussed the role they play in the Oceania region.</p>
5.C	<p><b>INTERNATIONAL DEVELOPMENTS - FINANCIAL REPORTING</b></p> <p>Robert Buchanan and Kris Peach, of the PIOB, provided a verbal update to members on the PIOB's oversight of the global system of standard-setting for auditing, assurance, and ethical standards.</p> <p>The FRC and Treasury agreed to recommend suitable candidates for international Board membership if any could be identified.</p> <p><b>Action Item</b></p> <p>FRC to use stakeholder engagement to identify people with skills to be an international Board member.</p>
5.D	<b>FUNDING INTERNATIONAL BODIES</b>

	<p>Members agreed to recommend to the Australian Government that they extend its agreement with the IFRS Foundation for a further year. Members also considered whether to increase the value of the grant by \$1 million.</p> <p>Members also discussed alternative funding arrangements between Australia and the international standard setting bodies.</p> <p><b>Action Item</b></p> <p>At the next Quarterly meeting, the FRC to consider and discuss what the future with international bodies looks like and the approach to funding.</p>
5.E	<p><b>INTERNATIONAL DEVELOPMENTS</b></p> <p>Michael Bray provided a verbal update and a presentation to members (Attachment C of Item 5E).</p> <ul style="list-style-type: none"> <li>• Michael Bray noted that amending the ASIC Act to give remit to the AASB on sustainability is one avenue for quicker action, while an Australian equivalent of the ISSB would be more internationally aligned..</li> </ul>
6	<p><b>FINANCIAL REPORTING FRAMEWORK OBJECTS-INDICATORS</b></p> <p>Members noted the data in Attachments A and B to Item 6, and discussed domestic investor confidence and the weighted average cost of capital (WACC).</p> <p><b>Action Item</b></p> <p>FRC Secretariat to source academic research from different jurisdictions about the existence of any relationship between IFRS disclosure requirements and WACC.</p>
7	<p><b>AUDIT QUALITY</b></p>
7.A	<p><b>AUDIT QUALITY IN AUSTRALIA: THE PERSPECTIVES OF AUDIT COMMITTEES-FINAL REPORT</b></p> <p>Members considered the findings arising from Professor Simnett’s and Trotman’s research report and noted the possible considerations for FRC to monitor, however there were no immediate actions arising.</p> <ul style="list-style-type: none"> <li>•</li> </ul>
7.B	<p><b>UPDATED AUDIT QUALITY ACTION PLAN</b></p> <p>Members noted the updated version of the Audit Quality Action Plan with a focus on audit quality processes.</p> <ul style="list-style-type: none"> <li>• Members assessed the Audit Quality Action Plan as a whole and considered the document may need to be iteratively updated over time depending on emerging issues and priorities.</li> <li>• Members noted that action item number 3 (audit quality indicators) could be considered as we meet with the firms and other stakeholders on the audit quality review.</li> </ul>

	<ul style="list-style-type: none"> <li>Members discussed the Audit Quality Action Plan focuses on audit of financial reporting and it was now appropriate to incorporate a future action to consider how the quality of assurance on sustainability reporting is being supported and monitored.</li> </ul> <p><b>Action Item</b></p> <ul style="list-style-type: none"> <li>Anne Waters to investigate with the firms' whether transparency reports could be used to report audit quality indicators.</li> <li>Add a future action to consider how the quality of assurance on sustainability reporting is being supported and monitored.</li> <li>Anne Waters to update the Audit Quality Action Plan with suggestions made by FRC members and publish it.</li> <li>There will be a further update at each FRC quarterly meeting this year on the progress of the Audit Quality Action Plan.</li> </ul>
7.C	<p><b>AUDIT QUALITY MANAGEMENT REVIEW</b></p> <p>Members agreed on the scope of the Audit Quality Management Review.</p> <ul style="list-style-type: none"> <li>The Chair provided a verbal report to members on information gathered from stakeholders to date.</li> </ul> <p><b>Action Item</b></p> <p>There will be a further update at each FRC quarterly meeting this year on the progress of the Audit Quality Management Review.</p>
8	<p><b>EXTENDED EXTERNAL REPORTING</b></p> <p>Members discussed the Australian Sustainability Finance Institute's (ASFI) consultation paper on sustainable taxonomy</p> <ul style="list-style-type: none"> <li>Treasury informed the FRC of their current work on a broader sustainable finance agenda which includes a sustainable taxonomy. Treasury is also cognisant of the need to ensure a cohesive narrative on the work.</li> </ul> <p><b>Action Item</b></p> <p>Sam Hurley, Treasury to attend a future quarterly meeting and provide a brief outline of the work on the Government's Sustainable Finance Agenda.</p>
9	<p><b>PUBLIC SECTOR ADVISORY GROUP</b></p> <p>Members noted the minutes of the Public Sector Advisory Group (PSAG) meeting from 22 February 2023.</p> <ul style="list-style-type: none"> <li>Tracey Carroll, Chair of the PSAG, provided minutes ahead of time and an update was briefly provided by members who attended the PSAG.</li> </ul>

	<ul style="list-style-type: none"> <li>The FRC noted the importance of public sector oversight and that PSAG’s findings would be valuable to communicate important information and recommendations to the FRC.</li> </ul>
<b>10</b>	<p><b>EMERGING ISSUES AND FRC PRIORITIES</b></p> <p>Members discussed relevant developments on the emerging issues it is currently monitoring as at Item 10 in the meeting pack.</p> <p>Members also discussed recent media attention on accounting firms.</p>
<b>11</b>	<p><b>MONITORING AND INFLUENCING AUSTRALIAN DEVELOPMENTS</b></p>
11.A	<p><b>STAKEHOLDER REPORTS</b></p> <p>The FRC Chair noted the 8 Stakeholder Reports and appreciated the information provided.</p> <ul style="list-style-type: none"> <li>The AUASB Chair expressed concern regarding certain stakeholders not responding to the requests for stakeholder reports.</li> <li>Further, it was agreed that stakeholders should be supplying information they believe would be of specific interest to the FRC at the top of the stakeholder report in addition to reporting their own progress.</li> </ul> <p><b>Action Item</b></p> <p>The FRC Chair to contact selected stakeholders that have not responded to requests.</p>
<b>12</b>	<p><b>OTHER BUSINESS</b></p>
12.A	<p><b>NOMINATIONS COMMITTEE</b></p> <p>Suzanne Bell, as the Chair of the Nominations Committee, provided a verbal report to the FRC members.</p> <p>Suzanne noted that FRC members should be mindful of potential candidates for the AASB and AUASB.</p>
12.B	<p><b>CORRESPONDENCE RECEIVED AND SENT</b></p> <p>The FRC Chair provided a verbal update to members.</p> <ul style="list-style-type: none"> <li>The FRC Chair wrote the Assistant Treasurer on 9 March 2023 to provide an update on the Audit Quality Management Review.</li> </ul>
12.C	<p><b>KEY ACTION ITEMS SUMMARY</b></p> <p>The FRC Chair and Secretariat provided a summary of the action items arising from this meeting.</p>
<b>13</b>	<p><b>NEXT MEETING AND CLOSE</b></p>



13.A	<p><b>REVISED FRC MEETING SCHEDULE</b></p> <p>Members agreed to retain the current schedule of meeting dates on a quarterly basis and to consider possibility of holding more Out-of-Session meetings to cover discrete issues.</p>
13.B	<p><b>5 JULY 2023</b></p> <p>Members agreed to discuss alternative dates for the second quarterly meeting of the year to ensure that meetings are more equidistant.</p> <p><b>Action Item</b></p> <p>Confirm availability of members and Secretariat to determine the next quarterly meeting date.</p>



## MINUTES OF PREVIOUS MEETING – OUT OF SESSION MEETINGS

### DESCRIPTION

On 16 May 2023, the FRC held an out-of-session meeting to discuss:

- Integrated Reporting hosted by Michael Bray and John Stanhope; and
- Australia’s future funding of international bodies.

### ACTION

- For noting.

# MINUTES

**DATE:** Tuesday 16 May 2023

**TIME:** 1:30pm – 3.20pm

**LOCATION:** Virtual Teams Meeting

ITEM	AGENDA ITEM																		
	<b>ATTENDEES AND APOLOGIES</b>																		
	<table border="1" style="width: 100%;"> <tr> <td style="width: 50%;"><b>Members in attendance:</b></td> <td style="width: 50%;"><b>Observers:</b></td> </tr> <tr> <td>Andrew Mills (Chair)</td> <td>Zoe Irwin (Treasury)</td> </tr> <tr> <td>Tracey Carroll (Deputy Chair)</td> <td>Cooper Tym (Treasury)</td> </tr> <tr> <td>Keith Kendall (AASB Chair)</td> <td>Tom Dickson (Treasury)</td> </tr> <tr> <td>Bill Edge (AUASB Chair)</td> <td>Anne Waters (AUASB)</td> </tr> <tr> <td>Suzanne Bell</td> <td>Justin Williams (AASB/AUASB)</td> </tr> <tr> <td>Emma Herd</td> <td>Siobhan Hammond (AASB Sustainability Reporting)</td> </tr> <tr> <td colspan="2"><b>Apologies</b></td> </tr> <tr> <td>Michele Embling (XRB Chair)</td> <td></td> </tr> </table>	<b>Members in attendance:</b>	<b>Observers:</b>	Andrew Mills (Chair)	Zoe Irwin (Treasury)	Tracey Carroll (Deputy Chair)	Cooper Tym (Treasury)	Keith Kendall (AASB Chair)	Tom Dickson (Treasury)	Bill Edge (AUASB Chair)	Anne Waters (AUASB)	Suzanne Bell	Justin Williams (AASB/AUASB)	Emma Herd	Siobhan Hammond (AASB Sustainability Reporting)	<b>Apologies</b>		Michele Embling (XRB Chair)	
<b>Members in attendance:</b>	<b>Observers:</b>																		
Andrew Mills (Chair)	Zoe Irwin (Treasury)																		
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<b>Apologies</b>																			
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	<b>NON-PUBLIC SESSION</b>																		
	<b>MATTERS FOR NON-PUBLIC SESSION</b>																		
<b>1</b>	<p>The Chair welcomed members to the out of session meeting and introduced the guest presenters of the first hour of the meeting, Michael Bray, and John Stanhope.</p> <p><b><u>Integrated Reporting</u></b></p> <p>Following the presentation, members discussed with Michael and John:</p> <ul style="list-style-type: none"> <li>• competing priorities</li> <li>• challenges of effective and internally consistent integration; and</li> <li>• managing expectations.</li> </ul> <p><b><u>International Funding</u></b></p> <p>Due to the XRB Chair being an apology for the meeting, the Chair acknowledged Michele’s comments on the paper and confirmed that the XRB will also be considering international funding in New Zealand in the coming weeks.</p> <p>Andrew expressed to members that the purpose of the meeting was to agree on a recommendation to government regarding future funding for international bodies.</p>																		

	<p>Andrew discussed the current nature of the IFRS Grant Agreement that provides \$1 million to the IFRS Foundation.</p> <p>The FRC discussed the significant increase in income and expenses at the IFRS Foundation, particularly the ISSB funding from 2021 to 2023. It also noted that there are additional revenue streams for the ISSB such as licensing standards, educational programs, and credentials.</p> <p>The FRC began funding allocation discussions to decide where the focus should be for international bodies. The AUASB Chair noted that historically, Australia has committed \$1 million to the IASB through the IFRS Foundation and have not contributed to the ISSB, IPASB, IAASB or IESBA.</p> <p>In relation to Australian membership on the international boards, it was noted that Australia is working towards having members on most, if not all, international boards relevant to the financial system. Currently, there is Australian representation on:</p> <ul style="list-style-type: none"> <li>• IASB – Ann Tarca</li> <li>• IAASB – Bill Edge</li> <li>• IESBA – Channa Wijesinghe</li> </ul> <p>The FRC requested Treasury’s guidance as to how to make a convincing case to Government for additional funding. Treasury provided some guidance as to the arguments which could be included such as explaining what has changed to convince the government on the approach to funding, and to explain specific benefits to Australia.</p> <p>The FRC discussed the quantum and members did not raise any concerns with the proposed magnitudes in the paper.</p> <p>Andrew closed the meeting with the decision to draft a submission to government with the talking points that have been addressed and will confer with the FRC members when moving forward.</p> <p><b>Action Item:</b></p> <ul style="list-style-type: none"> <li>• FRC Secretariat to draft a letter to the Treasurer for FRC members’ endorsement, providing recommendations to the funding for international bodies, including proposed quantum.</li> </ul>
	<p>Meeting concluded at 2:50pm.</p>



**ITEM 2C**  
**5 JULY 2023**

**MATTERS ARISING**

**DESCRIPTION**

Attached are the matters arising from the FRC meeting held on Friday 10 March 2023.

As agreed at the 10 December 2021 meeting, the historical 'ongoing items' list has been removed. However, the FRC Secretariat will maintain a record of the items which were recorded under 'Public Sector Issues'.

**ACTION**

For noting.

**MATTERS ARISING – MASTER**

**10 MARCH 2023 ACTION ITEMS**

<b>Number</b>	<b>ISSUE</b>	<b>Action required</b>	<b>Owners</b>	<b>Status</b>
1.	<b>OVERSIGHT OF AASB AND AUASB</b>	The AASB and AUASB to draft initial/preliminary thought leadership documents about the scope of reporting and assurance requirements, including emerging issues and investor expectations.	AASB and AUASB	<b>In progress – an update to be provided at the September 2023 quarterly meeting.</b>
2.	<b>TALENT ATTRACTION AND RETENTION</b>	The FRC Secretariat to organise a meeting between the FRC Chair and Deputy Chair with senior representatives at the NSC to discuss: <ul style="list-style-type: none"> <li>the NSC’s methodology of compiling the Skills Priority List; and</li> <li>a possible forward-looking approach when developing its Skills Priority List.</li> </ul>	FRC Secretariat	<b>Complete – Meeting held 21 March 2023. An update to be provided at the 5 July 2023 meeting.</b>
3.		The FRC Secretariat to organise a meeting between the FRC Chair and Deputy Chair with senior representatives at the Department of Home Affairs to discuss the accountant and auditor talent shortage.	FRC Secretariat	<b>Complete – Meeting held 24 March 2023. Update to be provided at the 5 July 2023 meeting.</b>
4.		The FRC to discuss and agree to the data that the FRC will request on an ongoing basis from the Professional bodies about their auditor disciplinary processes.		<b>In progress – the FRC to discuss at the 5 July 2023 meeting.</b>

**MATTERS ARISING – MASTER**

<b>Number</b>	<b>ISSUE</b>	<b>Action required</b>	<b>Owners</b>	<b>Status</b>
5.	<b>INTERNATIONAL STANDARDS SETTING</b>	The FRC to identify any sustainability matters not covered by the AASB, AUASB's and any other Government consultations. Based on this assessment, the FRC to undertake stakeholder engagement to inform any guidance for the two Boards and to advise the Government, and to develop an educative piece.	FRC	<b>In progress – the FRC to discuss at quarterly meeting as required/appropriate.</b>
6.	<b>SUSTAINABILITY</b>	Emma Herd to circulate a list of proposed sustainability stakeholders to FRC members.	Emma Herd	<b>In progress – email has been sent to Emma</b>
		FRC Chair to contact XRB staff to ascertain any additional sustainability stakeholders.	FRC Chair	<b>In progress – NZ CRD Submitters will be supplied to the FRC Chair for consideration.</b>
		FRC Secretariat to include Sam Hurley in the next quarterly meeting agenda to provide a brief outline of the work on the Government's Sustainable Finance Agenda.	FRC Secretariat	<b>Complete</b>
7.	<b>INTERNATIONAL DEVELOPMENTS</b>	The FRC to further discuss what the future looks like for the funding arrangements of international standard-setting bodies and whether to recommend modifying Australia's approach to contributing to the funding of these bodies.	FRC	<b>Complete – Out of Session meeting took place on 16 May. Letter by FRC Chair sent to Tsr on 8 June 2023.</b>
8.	<b>IFRS</b>	FRC Secretariat to source academic research from different jurisdictions about the existence of any relationship between IFRS disclosure requirements and WACC.	FRC Secretariat	<b>Complete – Paper to be provided at the 5 July 2023 meeting.</b>
9.	<b>FRC STRATEGY AND FUNCTIONS</b>	The FRC Secretariat to create an FRC program or calendar to document, quarterly meeting dates, agenda items for the quarterly meetings and when the FRC Chair will meet with stakeholders.	FRC Secretariat	<b>In progress – calendar to be circulated to FRC members at the start of the financial year.</b>

## MATTERS ARISING – MASTER

Number	ISSUE	Action required	Owners	Status
		The FRC Chair to contact selected stakeholders that have not responded to requests.	FRC	<b>In progress – list of stakeholders has been supplied to Andrew. The process will be to discuss the topic with stakeholders during annual stakeholder meetings.</b>

## ONGOING MATTERS

Number	Issue	Action required	Owners	Status
1.	STAKEHOLDER ENGAGEMENT	FRC members to use stakeholder engagement to identify people with skills to be a PIOB, AUASB and AASB candidate.	FRC	<b>Ongoing</b>
		The FRC to continue seeking targeted feedback on strategic issues through its Stakeholder Reports and one-on-one high level stakeholder engagement to monitor the matters referred to in the ASIC Act (such as professional ethics) on a periodic basis	FRC	<b>Ongoing – FRC to continue sending out Stakeholder Report requests and the FRC Chair to continue meeting with stakeholders.</b>



**MATTERS ARISING – MASTER**

<b>Number</b>	<b>Issue</b>	<b>Action required</b>	<b>Owners</b>	<b>Status</b>
2.	<b>AUDIT QUALITY</b>	<p>Anne Waters and the FRC Chair to continue the work on the Audit Quality Action Plan and the Audit Quality Management Review</p> <p>Updates suggested at the 10 March 2023 Quarterly Meeting to be made to the audit quality action plan</p>	FRC	<b>Ongoing – FRC to be updated on the progress at each quarterly meeting.</b>
3.	<b>FRC STRATEGY AND FUNCTIONS</b>	<p>The FRC to discuss the AASB and AUASB Annual Report each year to discuss any feedback on budget, staffing, business plans and priorities, and to assess the effectiveness of the Boards’ consultation processes.</p>	FRC	<b>Ongoing – the FRC to consider the AASB and AUASB’s Annual Report each November at its quarterly meetings.</b>
		<p>The AASB and AUASB to bring any changes to their due processes, in relation to the development accounting and auditing standards, before the FRC.</p>	FRC	<b>Ongoing – AASB and AUASB to advise the FRC when appropriate.</b>
4.	<b>OTHER</b>	<p>FRC Secretariat to circulate relevant media clippings about financial reporting and audit to all FRC members.</p>	FRC Secretariat	<b>Ongoing</b>



**ITEM 3A**  
**5 JULY 2023**

**MEMBER REFLECTIONS**

**DESCRIPTION**

Members to update the FRC with contemporary and relevant matters from their fields of expertise including domestic and international events that may impact the Australian financial space.

**ACTION**

For discussion.



## STAKEHOLDER REPORTS

### DESCRIPTION

On 23 May 2023, the FRC agreed to the proposed changes to the stakeholder report in efforts to better influence responses and target contemporary issues for the stakeholder.

On 31 May 2023, the FRC Secretariat sent specific questions targeted at sustainability (available at **Attachment A**) to all stakeholders.

Out of requests to 23 stakeholders, the FRC received 11 Stakeholder Reports and a response from 2 confirming nil updates.

At its 8 September 2022 meeting, the FRC agreed to internally track stakeholder responses over time. A report of stakeholder response rates was circulated to FRC members prior to the 5 July 2023 meeting.

Further, the FRC Chair has continued to facilitate meetings with high level executives to discuss matters relevant to the financial reporting space and report this information to the FRC at each quarterly meeting.

### ACTION

- Chair to report.
- Chair to report relevant information from annual stakeholder meetings with executives.

## STAKEHOLDER REPORT: [ORGANISATION]

### KEY ISSUES/DEVELOPMENTS

*In this section, please insert the key issues and external developments currently impacting your organisation*

- [Insert]

### KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

*Insert 2 - 3 bullet points of key activities relevant to the FRC's objectives undertaken by your organisation since the last reporting period.*

- Details .
- Details .
- Details .

### SPECIFIC QUESTIONS FOR STAKEHOLDER

*The FRC considers the responses to the following specific questions to your organisation are relevant to its objectives and current work agenda. Please respond as substantively as possible.*

- What activities are being undertaken in relation to the recent developments of sustainability reporting?
- Does this include any actions you are taking to ensure your organisation/your organisation's members is/are prepared to engage with the future reporting requirements?
  - Are there any key barriers your organisation/your organisation's members have identified in this area?

### OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

*Insert 2 - 3 bullet points of any other activities not covered above which are relevant to the FRC's objectives and were undertaken by your organisation since the last reporting period.*

- Details .
- Details .
- Details .



## Agenda paper 4A 5 July 2023

### AASB CHAIR REPORT

#### DESCRIPTION

ASB Chair to provide verbal update of the key activities undertaken during March-July 2023.

#### ACTION

For noting.



## AUASB CHAIR REPORT

### DESCRIPTION

UASB Chair to provide a verbal update covering the key activities undertaken during March – July 2023.

### ACTION

- Chair to report.



**ITEM 5A**  
**5 JULY 2023**

**XRB UPDATE**

**DESCRIPTION**

Report by Chair of the XRB, Michele Embling.

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**ACTION**

- To note



## IFRS CONFERENCE

### DESCRIPTION

The IFRS Foundation's annual conference was held at the Leonardo Royal Hotel London Tower Bridge on 26–27 June 2023.

The annual event offered a unique opportunity to hear about key developments at the IFRS Foundation, highlighting the work of the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB). The conference offered high-quality content for accounting and reporting professionals, regulators, investors, and other stakeholders.

The two-day conference covered the global change in standard-setting since the 2022 conference, and the roadmap for the next. The IASB and ISSB members and technical staff share their in-depth knowledge and expertise on a wide range of topics including:

- **IASB Keynote** by Andreas Barckow, Chair, IASB
- **ISSB Keynote** by Emmanuel Faber, Chair, ISSB
- **Joint IASB and ISSB Update** by Linda Mezon-Hutter, Vice-Chair, IASB and Sue Lloyd, Vice-Chair, ISSB
- Breakout sessions:
  - Capacity building for Sustainability-related Reporting
  - Introduction to S1: General Requirements
  - Introduction to S2: Climate-related Disclosures

Attendees from Australia included Andrew Mills, Keith Kendall and Siobhan Hammond.

### ACTION

Attendees of the IFRS Conference to discuss their experiences and learnings.





## INTERNATIONAL DEVELOPMENTS

### DESCRIPTION

**Attachment A** provides a summary of key recent media releases by international financial reporting bodies and other stakeholders.

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### ACTION

- For noting.

## ATTACHMENT A

### RECENT MEDIA RELEASES

#### Sustainability

On 26 June 2023, the International Sustainability Standards Board (ISSB) issued its inaugural standards—IFRS S1 and IFRS S2. Information collected by the FRC Chair at the London Conference has been distributed to members.

The European Commission released the first set of European Sustainability Reporting Standards (ESRS) have been released

Draft ESRS release including education sessions: <https://www.efrag.org/lab6>

World Wildlife Fund views: <https://www.wwf.eu/?10678466/The-Commission-risks-backtracking-on-corporate-sustainability-reporting>

#### Cyber Attack

[Russian-linked cybercrime group CIOp attacked global corporations including PwC and EY.](#)

PwC Australia was one of potentially thousands of victims including US federal agencies and the BBC.

#### Australian Securities & Investments Commission (ASIC)

[ASIC invites Australian entities to assess their cyber resilience.](#) The ASIC cyber pulse survey will be one of the largest conducted into Australia's cyber resilience, and will measure entities' current cyber security and controls, governance arrangements, and incident preparedness.

#### UK FRC

UK audit and corporate governance reform - [UK Corporate Governance Code consultation.](#)

Further information on the Corporate Governance Code Consultation can be found [here.](#)



## ASIA-PACIFIC CLIMATE REPORTING SUMMIT 2023

### DESCRIPTION

At the end of 2022, the External Reporting Board (XRB) published [Aotearoa New Zealand Climate Standards](#). The work followed the passing by the New Zealand Parliament of a mandatory climate reporting regime. As independent standards setter, the External Reporting Board is responsible for issuing standards to support this reporting regime.

In New Zealand, climate-related disclosures are now mandatory for large, listed companies with a market capitalisation of more than NZ\$60 million; large, licensed insurers, registered banks, credit unions, building societies and managers of registered investment schemes with more than NZ\$1 billion in assets. Some Crown financial institutions are also expected to report. Entities will be required to make disclosures for their 2023 reporting periods onwards.

Following these changes, the XRB hosted an Asia-Pacific Climate Reporting Summit on the 1<sup>st</sup> and 2<sup>nd</sup> of May 2023 in Auckland. The invitation-only, multi-day event was an opportunity for the XRB to provide a practical forum for collaboration and idea sharing among standards setters and securities regulators.

Other than the Australian Financial Reporting Council which was represented by Tracey Carroll (Deputy FRC Chair), attending jurisdictions and organisations included:

- Australia (Treasury and Australian Accounting Standards Board)
- Canada (FRAS Canada)
- Hong Kong (Hong Kong Securities and Futures Commission)
- India (The Institute of Chartered Accountants of India)
- Japan (Sustainability Standards Board of Japan)
- Singapore (Singapore Accounting Standards Council)
- United States (US SEC)
- Global Reporting Initiative

- International Sustainability Standards Board

**ACTION**

Michele Embling, Tracey Carroll and Justin Williams to provide a verbal update.



**ITEM 6**  
**5 JULY 2023**

**FINANCIAL REPORTING FRAMEWORK OBJECTS-INDICATORS**

**DESCRIPTION**

At the 10 March quarterly meeting, the FRC noted the data sets in Item 6 , and discussed domestic investor confidence and the weighted average cost of capital. To build on this, the FRC agreed that the Secretariat would source academic research from different jurisdictions about the existence of any relationship between IFRS disclosure requirements and effects on the cost of capital.

The complete journal articles may be distributed to members upon request.

**ACTION**

- FRC to note the research summary at **Attachment A**.



## ATTACHMENT A

### AUSTRALIAN-FOCUSED

**Title/Link:** [Do IFRS disclosure requirements reduce the cost of capital? Evidence from Australia](#)

#### Attachment B (Australia)

**Authors:** Amitav Saha, Sudipta Bose

**Year:** 2021

**Abstract:** We examine the association between the disclosure requirements of the International Financial Reporting Standards (IFRS) and the cost of capital for a sample of Australian firms. We find that these disclosure requirements have a negative association with the cost of capital. **The interpretation is that firms with a higher level of IFRS disclosure have a lower cost of capital. Further analysis shows that IFRS disclosure requirements are negatively related to the cost of debt and equity capital.** Our findings contribute to the debate on the relative costs and benefits of IFRS disclosure requirements and have important implications for standard setters, regulators and users of financial statements.

**From conclusion:** Our findings suggest that the IFRS disclosures examined in this study are providing economic benefits to users by reducing firms' cost of capital. Therefore, introducing additional disclosure principles may reduce the quantity of actual disclosures that could have consequences for users of financial statements and other stakeholders. Disclosure issues highlighted by various organisations can be addressed by improving disclosure quality (e.g., location of disclosure, presentation, cross-referencing and grouping of disclosures).

#### Some key points:

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- The coefficient estimates in Model (1) imply that, on average, a one standard deviation increase in the IFRS disclosures score (the proportion of IFRS disclosures relative to total disclosures) leads to a 7.05 percent decrease *in the weighted average cost of capital* relative to the sample mean.
- Our cost of capital proxy includes both the cost of debt and the cost of equity capital.
- The coefficient estimates in Model (1) imply that, on average, a one standard deviation increase in the IFRS disclosures score leads to a 11.74 percent decrease in the *cost of debt capital* relative to the sample mean.
- We show the association between the cost of equity and IFRS disclosures separately. The coefficient for the IFRS disclosures score is negative but statistically insignificant



suggesting that IFRS disclosures are not significantly associated with the lower *cost of equity capital*.

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**Title/Link:** [IFRS adoption, financial reporting quality and cost of capital: a life cycle perspective](#)

**Attachment C (Australia)**

**Authors:** Ahsan Habib, Md. Borhan Uddin Bhuiyan, Mostafa Monzur Hasan

**Year:** 2019

**Abstract:**

**Purpose:** This paper aims to investigate the impact of International Financial Reporting Standards (IFRS) adoption on financial reporting quality and cost of equity. The paper further investigates whether such association varies at different life cycle stages.

**Design/methodology/approach:** This paper follows the methodologies of DeAngelo et al. (2006) and Dickinson (2011) to develop proxies for the firms' stages in the life cycle.

**Findings:** Using both pre- and post-IFRS adoption period for Australian listed companies, the paper finds that **financial reporting quality reduced and cost of equity increased because of the adoption of IFRS**. The paper further evidences that financial reporting quality in the post-IFRS period increased cost of equity. Finally, the paper finds that mature firms produce a better quality of earnings, which result in lower cost of capital. The results indicate that a mature firm was benefited because of the adoption of IFRS.

**Originality/value:** The finding of this research is useful to the regulators and practitioners to understand the widespread benefit of IFRS adoption.

**From conclusion:** Our overall findings suggest that there has been an improvement in accounting quality after the mandatory adoption of IFRS, but only for firms in the mature stage of their life cycle.

**Some key points:**

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- The adoption of IFRS has worsened financial reporting quality by increasing absolute discretionary accruals by 1.9% increase (the coefficient equals 0.019 in the model) in the post-IFRS period. Absolute discretionary accruals are smaller for larger firms and firms with strong cash flows. However, it is greater for firms with high leverage and firms with more growth opportunities.
- Low-quality financial reporting in the post-IFRS regime is primarily responsible for the positive association between absolute discretionary accruals and the cost of equity. The coefficient on absolute discretionary accruals in the pre-IFRS period is 0.036 (increases cost of equity by 3.6%) but increases to 0.11 (increases cost of equity by 11%) in the



post-IFRS period. This evidence lends support to the notion of a detrimental effect of IFRS adoption in Australia, both in terms of low-quality reporting and, consequently, a higher cost of equity.

- For early-stage firms, Model 1 documents a negative but insignificant coefficient on the interaction term between absolute discretion accruals and the post-IFRS period. But for mature firms, there is a negative and significant association between the cost of capital and post-IFRS period accrual, suggesting that better quality earnings produced by mature firms translate into a lower cost of equity.
- 

## INTERNATIONAL-FOCUSED

**Title/Link:** [Effect of the IFRS Adoption on the Cost of Capital: Evidence from Korea](#)

### Attachment D (International)

**Authors:** Leem Wook-Bin, Jee Hoon Yuk

**Year:** 2018

**Abstract:** This study investigates whether the cost of capital of Korean listed firms was substantially reduced after the IFRS adoption in long-term aspect and which firms listed in KOSPI or KOSDAQ market had been more enjoyed the benefit. Prior studies related to this subject don't provided consistent results and have limitations of insufficiency of research periods and generalization problem. Therefore, this study analyses the positive effect of the IFRS adoption in Korea using long-term based approach and differential measurements (CAPM and WACC) to facilitate generalization. **Results of the study found that the cost of capital of Korean listed firms had been significantly reduced during 5 years after the IFRS adoption.** In addition, the cost of capital of KOSPI listed firms was reduced more than KOSDAQ listed firms. The results provide meaningful implications to evaluate the effects of IFRS adoption on the cost of capital and to assess accomplishment of fundamental purpose of the IFRS adoption in Korea.

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**Title/Link:** [IFRS Adoption and Cost of Capital](#)

### Attachment E (International)

**Authors:** Rochman Effendi, Aisa Tri Afustini

**Year:** 2017

**Abstract:** The paper aims to clarify role of firm size, inflation, accounting disclosure and leverage to the cost of capital and examined the existence of moderating effects of IFRS adoption on the relationship of the variables. Data used in this study is a secondary data which is quantitative. Data of countries that have adopted IFRS and haven't adopted is sourced from iasplus. Data on the annual financial statements published by each company was obtained from the New York Stock Exchange. The method of analysis used in this study is panel data regression analysis of sampled firms from 2007 to 2011. The regression





technique is flexible enough to test the relationship between variables which are dependent and has several variants so that researchers can have the model that best fits the situation at hand. The development of role of firm size model, the rate of inflation, extensive accounting disclosure and leverage against the cost of capital and the development of moderating model using IFRS adoption event as international financial reporting standards

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**Title/Link:** [The Impact of IFRS Adoption on the Cost of Capital: Evidence from Iraq \(link to browser pdf\)](#)

#### **Attachment F (International)**

**Authors:** Miaad Abdulkadhim Jard Al-Kefari, Reqayah Abd Ulkhdhur Shneet, Gnan Abed Kachi

**Year:** 2020

**Abstract:** This research investigates the impact of IFRS adoption and both the cost of capital and the error of analysts' forecasts in the listed Iraqi firms, using a sample covering the time period 2016 – 2017 consisting of 190 year observations. **The findings found that IFRS adoption led to lower information asymmetry, lower cost of capital and lower errors on the analysts' forecasts;** that is, IFRS adoption led to improving the informational Iraqi environment and an improvement of the vision of all stakeholders related to the firms.

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**Title/Link:** [Did mandatory IFRS adoption affect the cost of capital in Latin American countries? \(registration required\)](#)

#### **Attachment G**

**Authors:** Andre Aroldo Freitas de Moura, Aljaohra Altuwaijri, Jairaj Gupta

**Year:** 2020

**Abstract:** This study investigates whether mandatory adoption of International Financial Reporting Standards (IFRS) has affected the long-term cost of equity and debt in Latin America, where the enforcement of accounting standards and investor protection mechanisms are weak in comparison to developed nations. Analysing a sample of firms from Argentina, Brazil, Chile, Mexico, and Peru, we show that **mandatory IFRS adoption led to reduction in the cost of equity even after controlling for firm-level reporting incentives.** Test results also show that the cost of debt was reduced significantly after the IFRS adoption. Our results suggest that enhanced disclosure and comparability stemming from IFRS in comparison to previous domestic accounting standards helped to mitigate the information asymmetry problem, and resulted in positive economic consequences for Latin American firms.

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**Title/Link:** [The effect of mandatory adoption of IFRS on the cost of equity of capital in the French context \(registration required\)](#)



**Authors:** Basma Ben Nefissa, Faouzi Jilani

**Year:** 2020

**Abstract:** The purpose of our research is to analyse the impact of the mandatory adoption of IFRS on one of the aspects of the quality of accounting information, which is the cost of equity of capital. In order to treat this relationship, we chose to refer to a particular context, which is the French context, more particularly the French companies belonging to the SBF 120 index. We have followed these companies over two periods: the first period is the so-called pre adoption period of IFRS, which runs from 2003 to 2004, the second period runs from 2005 to 2013 and that is the period of post-adoption. The issue of our research is; therefore, as follows: what is the impact of the mandatory adoption of IFRS on the cost of equity of capital? **After empirical analysis, we found that the mandatory adoption of IFRS has led to a decrease in the cost of equity of capital.**



## ITEM 7

5 JULY 2023

### PUBLIC SECTOR ADVISORY GROUP

#### DESCRIPTION

Due to several members being unavailable for the Public Sector Advisory Group (PSAG) meeting on Wednesday 21 June, the meeting was cancelled. The PSAG Chair, Tracey Carroll, sourced information from the PSAG members to inform the FRC of any relevant updates.

Tracey to provide a verbal update.

#### ACTION

- FRC to note the PSAG information.



## EMERGING ISSUES AND FRC PRIORITIES

### STAKEHOLDER ENGAGEMENT WITH JOBS AND SKILLS AUSTRALIA (JSA) AND DEPT. OF HOME AFFAIRS

#### DESCRIPTION

In March 2023, the Chair and Deputy Chair of the FRC met with stakeholders regarding skill shortages in the accountancy and auditing professions.

This included a meeting with Jobs and Skills Australia (JSA) on 21<sup>st</sup> March and with the Department of Home Affairs (Home Affairs) on 24<sup>th</sup> March.

The FRC Chair and Deputy Chair to provide a verbal report on the outcomes of these meetings and lead discussion on the action items emerging from the two meetings.

#### ACTION

- FRC to note the meeting report from both stakeholder meetings at **Attachment A** and **Attachment B**.
- **Action item** from JSA meeting: FRC to consider and provide qualitative insight into the findings of JSA in their consultation with CAANZ and professional bodies, including on the role of sustainability and future impacts on the progress of the profession.
- **Action item** from Home Affairs meeting: FRC to survey the professional bodies for their feedback on transition of international students, including by seeking feedback with employers about language and cultural barriers/bias.

#### JOBS AND SKILLS AUSTRALIA

JSA's current mandate is providing advice on current and emerging skills needs, and capability of the domestic skills system. This includes current and expected future shortages with a focus on occupations. As the National Skills Commission (NSC), the organisation created a new product called the Skills Priorities List (SPL) to provide a single view of the labour market. The SPL was created to assess if occupations are in shortage and the likely future growth prospects.

According to JSA, an occupation is considered to be in shortage when employers are unable to fill or have considerable difficulty filling vacancies or they cannot meet significant specialised skill needs within that occupation, at current levels of remuneration, conditions of employment and in reasonably accessible locations. At the 21<sup>st</sup> March meeting between JSA and the FRC Chair and Deputy Chair, the JSA noted that their methodology for assessing skills shortages involves three parts:



- a statistical regression model which accounts for factors such as changes in diversity of study, job seeking tenure and labour market slackness/tightness
- a survey of approximately 9000 employers a year across 250 occupations collecting data on roles advertised, applicants in total, technical qualifications, suitability of applicants and filling vacancies
- collection of stakeholder feedback with 400 stakeholders across industries, unions, states and territories

Following FRC concerns about accountants and auditors being removed from the “in shortage” status, JSA offered an explanation.

In 2021, the employer survey and stakeholder engagements indicated that the likelihood of filling audit occupations roles was lower than the economy wide average. In 2022, the success rate for filling vacancies for auditors fell (10% decrease) but went up for accountants (18% increase). The clear stakeholder feedback was that there was an auditor shortage, while job advertising for accountants was up but the success rate for employment was still very high.

Accounting and auditing are considered moderate by JSA, meaning that job retention should be positive and future demand should also have good growth. However, a strong future demand is not always a positive signal. In addition, Future supply can only be predicted and is impacted by policy changes, including the future of sustainability. CAANZ have noted concerns about reductions in university commencements and skilled migration, with the emerging risk that shortages may not meet future demand.

JSA has noted the demand around extra services to be delivered on sustainability. Specifically, that job ads for September, October November for accountants in 2022 had increased. Given the potential expansion of the AASB’s remit to include sustainability, there would be a widening of the scope in expectations for services to be delivered. If this occurred, JSA noted that the workforce will need to grow, advertise quickly and there would still be an issue of whether there is adequate supply to fill the shortage quickly.

## HOME AFFAIRS

The Department of Home Affairs (Home Affairs) runs the Skilled Migration Program (SMP). According to their website, the SMP attracts migrants to fill positions where no Australian workers are available. The FRC has expressed concerns about the auditing profession and the need to make the profession attractive. At the 24<sup>th</sup> March meeting with Home Affairs, the FRC Chair and Deputy Chair enquired as to what can be done to help the SMP fill the present auditing profession skills gap.

Home Affairs noted that accountants and auditors have always been in the “top 10” cohort of the SMP along with nurses, doctors, IT occupations and engineers. Last financial year, the top occupation in the SMP was registered nurse with accountants at 3<sup>rd</sup> with 3011 and auditors at 9<sup>th</sup> with 683. Auditors and accountants are also at 8<sup>th</sup> and 9<sup>th</sup>, respectively, in the temporary skills shortage visa with approximately 1000 allocations for both.

The international education sector is also yielding strong numbers and flow, but Home Affairs is unsure if they will meet the forecasted shortages. Companies are attempting to get ahead of mandatory sustainability reporting. With finalised sustainability standards due for early next year,



focusing on future skills demand is vital with companies requiring skilled sustainability staff. However, Home Affairs confirmed that a challenge for JSA is to accurately predict the future from historical data.

Regarding the approach of the SMP, occupations are laid out as eligible based on JSA's advice. Accounting offers a professional year after completion of the course. When international students opt to pursue this professional year, points can be used under the SMP. Home Affairs has found that international students find it difficult to integrate into the Australian labour force even with an Australian education. There are various causes behind this including the employer's perception that the person is not a "sure bet", or the temporary nature of the visa, although tens of thousands do not leave the country and transition to a permanent visa.

Furthermore, Home Affairs engages with state and territory governments. Each jurisdiction receives a certain allocation of visas and leeway on occupations or areas they wish to target, so the particular state or territory may have an understanding of shortages in their state. Home Affairs provides the list of occupations, but they have the right to nominate and invite certain professions of their choosing in a particular year e.g., teachers or health.



## **NOMINATIONS COMMITTEE**

### **DESCRIPTION**

On 31 December 2023, 3 members from the AUASB and 4 members from the AASB will end their current term. All AASB/AUASB members up for reappointment have not reached their final term.

In June 2023, Suzanne Bell, the Nominations Committee Chair, facilitated a discussion with the Chair of the AASB and the Chair of the AUASB to determine next steps and whether an interview process would need to commence in the latter half of the year.

### **ACTION**

- Suzanne to provide a verbal update.





**ITEM 9B**

**5 JULY 2023**

## **CORRESPONDENCE**

### **DESCRIPTION**

On 8 June 2023, the FRC Chair wrote to the Treasurer following on from the Treasurer's previous correspondence on 24 February 2023 about funding for international standard-setting bodies.

A copy of the final letter has been confidentially circulated to all FRC members.

### **ACTION**

- For noting.





**ITEM C**  
**5 JULY 2023**

## **KEY ACTION ITEMS SUMMARY**

### **DESCRIPTION**

FRC Chair and Secretariat to provide a brief summary of the action items arising from the 5 July 2023 meeting.

The FRC Secretariat will circulate an action items list to FRC members following the finalisation of the meeting minutes.

### **ACTION**

- For the FRC to note.



**ITEM 10A**  
**5 JULY 2023**

**NEXT MEETING**

**DESCRIPTION**

Next meeting date will be 6 September 2023 in Melbourne, followed by 28 November in Sydney.

For the year of 2024, the proposed dates are as follows:

- Wednesday, 8 March (Melbourne)
- Wednesday, 7 June (Sydney)
- Wednesday 6 September (Melbourne)
- Tuesday, 28 November (Sydney)

**ACTION**

- FRC members to confirm with the Secretariat that the proposed dates are suitable.