

# Agenda Consultation

## Executive Summary

Project Type	Influencing
Project Scope	Significant
<b>Purpose of the paper</b>	
This paper sets out the proposed work plan for developing the UKEB's response to the IASB's Third Agenda Consultation for comment and approval by Board members.	
<b>Decisions for the Board</b>	
<ol style="list-style-type: none"> <li>1. Do Board members have any comments on the proposed activity set out in the project plan or the details included in the Appendices?</li> <li>2. Do board members approve the proposed work plan for the development of the UKEB's response to the IASB's Third Agenda Consultation?</li> </ol>	
<b>Summary of the Issue</b>	
<p>The IASB issued its <a href="#">Request for Information: Third Agenda Consultation</a> in March 2021. The IASB's comment deadline is 27 September 2021.</p> <p>The RFI explains that the IASB intends the agenda consultation to focus on the current scope of IASB's work – financial statements and management commentary for profit-oriented companies. The RFI seeks stakeholder views on: a) the allocation of resource across IASB's range of activities b) the criteria IASB uses to assess whether projects should be added to its work plan and c) which projects should be prioritised for IASB's 2022 – 2026 work plan.</p> <p>This paper sets out UKEB Secretariat's work plan for the development of the UKEB's comment letter to the IASB.</p>	
<b>Recommendation</b>	
That the board approves the proposed work plan for the development of the UKEB's response to the IASB's Third Agenda Consultation.	
<b>Appendices</b>	
Appendix 1	Examples of thematic approaches
Appendix 2	Questions in IASB's RFI and UKEB secretariat initial views

## Background

1. The IASB published its request for information (RFI) on its Third Agenda Consultation on 30 March 2021 with a comment deadline of 27 September 2021.
2. At the April meeting Board members:
  - a) Discussed and supported staff's proposed high-level work plan.
  - b) Identified the following projects as high priority<sup>1</sup> from the IASB's list of potential projects to include in its 2022 – 2026 work plan:
    - i. Climate-related risks;<sup>2 3 4</sup>
    - ii. Cryptocurrencies and related transactions;
    - iii. Discount rates;
    - iv. Government grants; and
    - v. Intangible assets;
    - vi. Statements of cash flows (including supply chain financing and consideration of whether supply chain financing should become a separate project).
  - c) Suggested that remaining projects from IASB's list of potential projects to include in its 2022 – 2026 work plan should be categorised as low priority.
  - d) Explored the possibility of recommending a thematic approach to IASB for its 2022 – 2026 work plan, whereby potential new projects and projects from IASB's existing work plan would be grouped by theme. This would entail the UKEB recommending to the IASB that it further develops the approach piloted in its Disclosure Initiative project. Such an approach will allow the IASB to apply overarching objectives or principles to a suite of linked projects, helping to ensure consistency of approach.

---

<sup>1</sup> The list of high-priority projects is presented in alphabetical order. We envisage that we will identify higher ranking projects from this list following further research and outreach.

<sup>2</sup> The RFI states that the agenda consultation focuses on the current scope of IASB's work – financial statements and management commentary for profit-oriented companies. Therefore, it does not seek feedback on issues relating to sustainability reporting, except to the extent that those issues relate to the current scope of the IASB's work.

<sup>3</sup> The RFI references educational material published by IASB in November 2020, which highlights that although climate change risks and other emerging risks are not covered explicitly by IFRS Standards, the Standards do address issues relating to such risks, for example in regard to making assumptions on recognition, measurement and disclosures.

<sup>4</sup> The RFI proposes that the scope of this project is a combination of all or some of the following topics: 1. Developing accounting requirements for pollutant pricing mechanisms; 2. Reviewing IAS 1 to ensure that the time horizon used when assessing sources of estimation uncertainty is sufficient to take climate risk into account; and 3. Reviewing IAS 36 paragraph 33b to ensure that the time horizon used in the assessment of impairment is sufficient to take climate risk into account.

## Project Approach

3. Our objective is to ensure the UKEB comment letter to the IASB is evidence-based and reflects stakeholder views. We plan to achieve this through a combination of desk-based research and outreach activity.
4. The project approach will build on the high-level work plan approved at the April meeting.
5. We plan to undertake further desk-based research and stakeholder outreach on the potential projects to be added to IASB's work plan, focusing on those which have been identified as high priority. The objective of this work will be to:
  - a) confirm the extent to which the high-priority ranking reflects UKEB stakeholder views;
  - b) explore which aspects of each project are most relevant for UK stakeholders;
  - c) identify any aspects of the project which are relevant for UK stakeholders which IASB's scoping has not included; and
  - d) enable us to respond to IASB's request to provide information that explains our prioritisation of projects and whether that prioritisation refers to all or only some aspects of the potential projects<sup>5</sup>.
6. We have also subsequently decided on certain additional outreach steps against the high-level plan previously agreed. These are set out in the table below:

May	<p><b>Develop initial views through desk-based research</b></p> <p>Develop several possible thematic approaches to explore with stakeholders during outreach.</p> <p>Examples of possible thematic approaches are provided in Appendix 1. These are illustrative rather than definitive at this stage, so the same project may appear within several possible themes.</p>
June	<p><b>Hold stakeholder roundtables to test initial views</b></p> <p>Stakeholder roundtables to test our initial views with preparers, auditors, users, the regulator and government officials. These will also be opportunities to understand their perspectives on the questions in IASB's RFI. The questions in IASB's RFI together with our initial views are included in Appendix 2.</p> <p>For low priority projects, we have commenced desk-based research so that we can provide a rationale for our ranking in our outreach with stakeholders and in our response to IASB (as requested by IASB).</p>
July – August	<p><b>Publish draft response and hold joint outreach event with IASB</b></p> <p>Draft response to 9 July UKEB meeting for approval to publish for stakeholder consultation.</p> <p>The joint outreach event with IASB to highlight the IASB's approach to the Agenda Consultation, our draft response and provide a further opportunity for us to test our views with stakeholders.</p>

<sup>5</sup> IASB's RFI, Question 3 asks 'What priority would you give each of the potential projects? Please provide information that explains your prioritisation and whether your prioritisation refers to all or only some aspects of the potential projects. The Board is particularly interested in explanations for potential projects that you rate a high or low priority.'

September	<b>Final response to UKEB September board meeting for approval. Publish and submit to IASB.</b>
-----------	---

Questions for the Board	
7.	Do Board members have any comments on the proposed activity set out in the project plan or the details included in the Appendices?
8.	Do board members approve the proposed work plan for the development of the UKEB's response to the IASB's <i>Third Agenda Consultation</i> ?

## Next Steps

9. In line with previous recommendations by the Board, we intend to set up a sub-group of Board members to sponsor the project. We envisage those Board members to be more directly involved in the project, provide technical input and challenge on outreach materials, act as chair at outreach events, and to generally support stakeholder engagement on the project. We will reach out to Board members with requests to join this sub-group.
10. We intend to bring a draft comment letter to the UKEB meeting currently scheduled for 9 July 2021. At that meeting, the Board will be asked to approve the publication of its draft comment letter for public consultation.

# Appendices

## Appendix I

### Examples of possible thematic approaches

Note: The possible thematic approaches are illustrative rather than definitive, so the same project may appear within several possible themes.

Theme / Workstream	IASB's current work plan projects	Agenda Consultation projects <sup>6</sup>
Presentation and disclosure	Targeted standards level review of disclosures	Statement of cash flows and related matters (including supply chain financing)
	Disclosure initiative – subsidiaries that are SMEs	
	Primary financial statements	
	Management commentary	
Recognition and measurement of assets, liabilities and expenses	Rate regulated activities	Government grants
	Provisions	Discount rates
Intangible assets	Extractive industries <sup>7</sup>	Intangible assets
		Crypto currencies
		Emission rights
Non-financial assets held solely for investment purposes <sup>8</sup>		Crypto currencies
		Emission rights
Group accounts	Disclosures, Goodwill and Impairment	
	Business Combinations under Common Control	
	IFRS 10, 11 and 12 PIR	
	Equity method	
	Extractive activities <sup>9</sup>	
Financial instruments	IFRS 9 PIR	Crypto currencies
	Financial Instruments with Characteristics of Equity	
Pensions	Availability of a refund	
	Pension benefits that depend on asset returns	

<sup>6</sup> Only those projects identified as high priority have been included.

<sup>7</sup> Intangible assets feature in the debate on accounting for exploration and evaluation expenditure in extractive industries.

<sup>8</sup> IASB's RFI notes that a possible approach to the crypto currencies project is to 'develop a Standard to cover a range of non-financial tangible or intangible assets held solely for investment purposes (including some cryptocurrencies, commodities and emission allowances).' (IASB's RFI paragraph B15d)

<sup>9</sup> Joint arrangements are common in extractives sectors.

Theme / Workstream	IASB's current work plan projects	Agenda Consultation projects <sup>6</sup>
Climate-related risks and other emerging risks	Extractive activities	Climate-related risks and other emerging risks
		Pollutant pricing mechanisms

## Appendix 2

### Questions in IASB's RFI and UKEB secretariat initial views<sup>10</sup>

1 Strategic direction and balance of the Board's activities	<p><b>IASB Questions</b></p> <p>Should the Board increase, leave unchanged or decrease its current level of focus for each main activity?<sup>11</sup> Why or why not? Should the Board undertake any other activities within the current scope of its work?</p>
	<p><b>UKEB secretariat initial views</b></p> <p>The focus on different activities is broadly correct. The focus on digital financial reporting should increase over the coming work cycle as we expect technology to play a greater role in financial reporting.</p>
2 Criteria for assessing the priority of financial reporting issues that could be added to the Board's work plan	<p><b>IASB Questions</b></p> <p>Do you think the Board has identified the right criteria to use? Why or why not? Should the Board consider any other criteria? If so, what additional criteria should be considered and why?</p>
	<p><b>UKEB secretariat initial views</b></p> <p><i>Criteria identified by the Board</i></p> <p>The criteria identified by the IASB<sup>12</sup> are appropriate apart from two concerns. The concerns are:</p> <ul style="list-style-type: none"> <li>i. There is a risk that application issues and corporate governance issues are captured by the second criterion: 'whether there is a deficiency in the way companies report the type of transaction or activity in financial report.' We do not think this is IASB's intention.</li> <li>ii. The third criterion considers: 'the type of companies the matter is likely to affect, including whether the matter is more prevalent in some jurisdictions than in others.' This suggests that some sectors and jurisdictions will take priority but it is unclear which ones. Our view is that the pervasiveness of the matter should be considered across all sectors and jurisdictions, and from the perspective of 2026 and beyond.</li> </ul> <p><i>Additional criteria</i></p> <p>The UKEB's initial views are that two additional criteria should be considered: i. Cost-benefit considerations ii. Whether the matter is expected to be significant at the end of IASB's next work cycle. The UKEB's initial view is that convergence with US GAAP should not be added to the criteria. We will explore these views with stakeholders during outreach.</p>
3 Financial reporting issues that could be added to	<p><b>IASB Questions</b></p> <p>What priority would you give to each of the potential projects identified in the RFI? Should the Board add any financial reporting issues not identified in the RFI?</p>

<sup>10</sup> The UKEB secretariat's initial views reflect discussion at the Board's April 2021 meeting.

<sup>11</sup> The Board's main activities include: developing new IFRS Standards and major amendments to IFRS Standards; maintaining IFRS Standards and supporting their consistent application; developing and maintaining the IFRS for SMEs Standard; supporting digital financial reporting by developing and maintaining the IFRS taxonomy; improving the understandability and accessibility of the Standards; and engaging with stakeholders.

<sup>12</sup> The Board's proposed criteria in deciding whether to add a potential project to its work plan are:

1. The importance of the matter to investors
2. Whether there is a deficiency in the way companies report the transaction or activity in financial reports
3. The type of companies that the matter is likely to affect, including whether the matter is more prevalent in some jurisdictions than in others
4. How pervasive or acute the matter is likely to be for companies
5. The potential project's interaction with other projects on the work plan
6. The complexity and feasibility of the potential project and its solutions
7. The capacity of the Board and its stakeholders to make timely progress on the potential project.

the Board's work plan	<p><b>UKEB secretariat initial views</b> High priority projects are listed in paragraph 2b of this paper. All other projects are low priority. Supply chain financing / reverse factoring is referenced in IASB's description of the statement of cash flows project but should be considered for inclusion as a separate project.</p>
4 Other comments	<p><b>IASB Question</b> Do you have any other comments on the Board's activities and work plan?</p>
	<p><b>UKEB secretariat initial views</b> Our response proposes thematic workstreams and considers whether all projects on IASB's current work plan should be retained.</p>