



The UK Endorsement Board
8th Floor
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23 May 2022

Dear UK Endorsement Board (UKEB),

UKEB Due Process Handbook

The ABI

The Association of British Insurers is the voice of the UK's world-leading insurance and long-term savings industry. A productive and inclusive sector, our industry supports towns and cities across Britain in building back a balanced and innovative economy, employing over 321,300 individuals in high-skilled, lifelong careers, two-thirds of which are outside of London.

Our members manage investments of nearly £1.7 trillion, collect and pay over £16 billion in taxes to the Government and support communities across the UK by enabling trade, risk-taking, investment and innovation.

We are also a global success story, the largest in Europe and the fourth largest in the world.

The ABI represents over 200 member companies, including most household names and specialist providers, giving peace of mind to customers across the UK.

We are grateful for the opportunity to respond to the UK Endorsement Board's (UKEB) Draft Due Process Handbook (the Handbook) consultation. In our response we have largely assumed that these processes have already been implemented by the UKEB but acknowledge that in some instances that may not be the case. In summary, we agree with the content and the processes described in the Handbook. However, in our response we have provided recommendations and possible improvements in areas of the Handbook specifically in the sections on influencing, endorsement and thought leadership. We consider these suggested enhancements would further support the UKEB in complying with its own guiding principles of accountability to stakeholders and transparency all in pursuit of achieving its aims and fulfilling its purpose.

In our response:

1. We reiterate the importance of the UKEB maintaining transparency with its stakeholders especially with regards to keeping the public informed about its activities via its public meetings on technical issues as well as posting and publishing relevant

information and documents on its website. We highlight the importance of the UKEB's mandate for influencing specifically reiterating the importance of the Board's responsibilities for interacting with the international accounting standards board (IASB) and its IFRS interpretations committee (IFRIC). We also make recommendations to enhance the completeness of the Handbook specifically in Section 3.

2. Specifically, in our response to question 5 on the endorsement process described in Section 6 of the Handbook, we highlight an improvement that could be made to the endorsement criteria, specifically with regards to paragraph 6.5 (c). We comment on the importance of the UKEB distinguishing between the fundamental characteristics of financial information (relevance and faithful representation) and the enhancing qualitative characteristics (comparability, verifiability, timeliness, and understandability). We propose the UKEB expand on this section of the endorsement criteria to reflect this distinction when performing technical analysis of an issue to further align to the IASB's Conceptual Framework.
3. We share suggested improvements to Section 7 on Thought Leadership and Research programme processes in our response to question 9 specifically on stakeholder engagement. In the "*other comments*" section, we invite the UKEB to consider other general points which we consider could more broadly add value to the Handbook and its associated processes.

Since the UKEB's inception in March 2021, the ABI has been and will continue to be a supporter of its work. We will continue to engage with the UKEB on various topics including the Handbook and other matters the Board formally or informally seeks to consult on or requires Industry feedback on. We look forward to ongoing close collaboration with the UKEB in future and as always welcome the opportunity to discuss any aspect of our response in detail if required.

Yours Faithfully,

The ABI

Invitation to Comment:

Call for comments on UKEB's [draft] Due Process Handbook

Deadline for completion of this Invitation to Comment:

Close of business Monday 23 May 2022

Please submit to:

UKEndorsementBoard@endorsement-board.uk

UK Endorsement Board

The UK Endorsement Board (UKEB) is responsible for endorsement and adoption of IFRS for use in the UK and therefore is the UK's National Standard Setter for IFRS. The UKEB also leads the UK's engagement with the IFRS Foundation (Foundation) on the development of new standards, amendments and interpretations.

Introduction

The UKEB's [draft] Due Process Handbook (Handbook) will set out the due process requirements the Board will apply to its activities to enable it to uphold its guiding principles of accountability, independence, transparency and thought leadership when fulfilling its statutory functions.

A clearly set out due process ensures that the UKEB's views are based on the evidence gathered over the course of its activities. It also contributes to high-quality financial reporting and maintains accountability and transparency to stakeholders throughout.

Objective

The objective of this Invitation to Comment is to obtain input from stakeholders on this [draft] Handbook.

Who should respond to this Invitation to Comment?

Stakeholders with an interest in the quality of accounts that apply IFRS.

How to respond to this Invitation to Comment

Please download this document, answer any questions on which you would like to provide views, and return to UKEndorsementBoard@endorsement-board.uk by close of business on Monday 23 May 2022.

We welcome responses providing views on individual questions as well as comprehensive responses to all questions.

Privacy and other policies

The data collected through submitting this document will be stored and processed by the UKEB. By submitting this document, you consent to the UKEB processing your data for the purposes of influencing the development of and adopting IFRS for use in the UK. For further information, please see our Privacy Statements and Notices and other Policies (e.g. Consultation Responses Policy and Data Protection Policy)¹.

The UKEB's policy is to publish on its website all responses to formal consultations issued by the UKEB unless the respondent explicitly requests otherwise. A standard confidentiality statement in an e-mail message will not be regarded as a request for non-disclosure. If you do not wish your signature to be published please provide UKEB with an unsigned version of your submission. The UKEB prefers to publish responses that do not include a personal signature. Other than the name of the organisation/individual responding, information contained in the "Your Details" document will not be published. The UKEB does not edit personal information (such as telephone numbers, postal or e-mail addresses) from any other document submitted; therefore, only information that you wish to be published should be submitted in such responses.

¹ These policies can be accessed from the footer in the UKEB website here: <https://www.endorsement-board.uk>

Invitation to comment

The Board invites comments on all matters in this [draft] Handbook, particularly on the questions set out below. Comments are most helpful if:

- a) address the questions as stated;
- b) indicate the specific paragraph(s) to which they relate;
- c) contain a clear rationale;
- d) identify any material omissions that should be included;
- e) include any alternative the Board should consider, if applicable.

The Board is requesting comments only on matters addressed in this [draft] Handbook.

Questions for respondents

A. Support for the Sections in the [draft] Due Process Handbook

Section 4 'Governance activities'

1. Do you agree with the processes described for the UKEB's governance activities in paragraphs 4.1—4.37?

Response:

Overall, we agree with the processes described in the afore mentioned paragraphs. We would however like to reiterate to the UKEB, the importance of its guiding principle of transparency as relates to the section on "*Keeping stakeholders informed*" (paragraph 4.27 – 4.29). We consider this an important activity given the UKEB's purpose to aim to act as the UK's voice on IFRS financial reporting.

In March, the IFRS interpretations Committee (IFRIC) published for comment its tentative agenda decision on the transfer of Insurance coverage under a group of annuity contracts (IFRS 17). As per paragraph 4.28(d) of the UKEB Draft Due Process handbook (hereafter referred to as "the handbook"), the UKEB publishes **on its website** IASBs or IFRS Interpretation Committee's consultation documents open for comment by providing links to these documents on the IASBs website. Furthermore, in paragraph 4.27 it states that the UKEB is committed to keeping its stakeholders and the general public informed about its activities via its public meetings on technical issues as well as posting/publishing relevant information and documents **on its website**. Given the above we note that the link to the IFRIC tentative agenda decision as noted above is not on the UKEB website.

To fully comply with its own guiding principles and stay true to its overarching purpose it is imperative that the UKEB fully adheres to and consistently applies the processes described in the handbook. All information and documents listed in paragraph 4.28 of the handbook should be made available to stakeholders.

Section 5 'Influencing process'

2. Do you agree with the processes described for influencing projects in paragraphs 5.1—5.30?

Response:

We agree with the processes described in paragraphs 5.1 – 5.30.

Section 3 of the handbook "*Terms of reference and Guiding Principles*" highlights that one of the UKEB's key responsibilities is **influencing** the development of IFRS. Consequently, throughout the handbook, a recurring theme of influencing is noted whether it be influencing IFRS development (paragraph 1.1(a)), in thought leadership aimed at influencing debates to represent UK views in international fora (paragraph 3.3 (d)(ii)) or influencing and adopting amendments to international accounting standards and IFRIC interpretations (paragraph 10.2(b)). The UKEB's influencing role with the IASB, IFRIC and other stakeholders is crucial in effecting its stated purpose. We consider the ongoing issue relating to the transfer of insurance coverage under a group of annuity contracts as recently deliberated on by the IFRIC a real opportunity for the UKEB to actively influence the IASB and demonstrate to stakeholders its intent to secure a positive outcome for UK annuity providers for whom this is a material issue.

Whilst we acknowledge that relevant information on the UKEB's approach to and reasons for influencing are clearly detailed in various sections of the handbook, we note that this information is not fully consolidated in Section 5 "*Influencing process*". Section 5 does not appear to cross refer to other sections of the handbook where related information on influencing activity exists. We would recommend that for completeness all activities relating to influencing is either fully referenced in Section 5 or cross referenced to other sections in the handbook where relevant information exists. This should make for a more complete Section 5 and crucially provide added clarity on the UKEB's influencing activities and responsibilities.

3. Do you agree with the milestones for influencing projects in paragraph 5.1?

Response:

We agree with the milestones described in paragraph 5.1, however, to enhance the influencing process we list some recommendations below:

1. Regarding the final comment letter process in paragraph 5.23, it is not clear if and by whom the final comment letter is signed off. We recommend that this action be added or if detailed in another section of the handbook, referenced in this paragraph; and
2. To encourage continuous stakeholder engagement and an ethos of continuous improvement, we recommend the inclusion of a feedback process from various stakeholders to include "lessons learned" from projects and other engagements. This is a valuable way for obtaining information on how the UKEB could improve on its work as it seeks to effect its purpose and fulfil its responsibilities.

4. Do you agree that a shorter consultation period of less than 30 days for a draft comment letter should be allowed when any of the situations described in paragraph 5.22(a)—(b) are present?

Response:

We agree that a shorter period of less than 30 days for a draft comment letter should be allowed. However, we would recommend the rationale or reasons for shortening the consultation period be based on a guiding principle rather than only for those specific situations listed in paragraph 5.22 (a) – (b). We consider a principles-based approach would allow the UKEB to fully assess the need for a shorter consultation period on a case-by-case basis and be empowered to effect this based on the unique circumstances presented without the limitation of a fixed list and the situations the current listing implies.

Section 6 ‘Endorsement process’

5. Do you agree with the processes described for endorsement and adoption projects in paragraphs 6.1—6.47?

Response:

Overall, we agree with the processes described in paragraphs 6.1-6.47.

The “*Terms of Reference and Guiding principles*” in Section 3 of the handbook highlights that one of the UKEB’s key responsibilities is to consider and decide whether to endorse and adopt new or amended international accounting standards for application in the UK. We agree the processes described in this section reflect this key responsibility however would like to draw attention to the endorsement criteria specifically in paragraph 6.5.

Paragraph 6.5 (in particular sub point (c)) states that Regulation 7 of SI 2019/685 requires that an international accounting standard only be adopted if amongst other things “*the standard meets the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management*”. We consider it important for the UKEB to distinguish between the fundamental characteristics of financial information (relevance and faithful representation) and the enhancing qualitative characteristics (comparability, verifiability, timeliness, and understandability) as to align to the IASB’s Conceptual Framework. We witnessed this impact of this distinction missing in the UKEB’s assessment of the Lloyds reinsurance to close transaction issue in the IFRS 17 draft endorsement criteria assessment (DECA) where equal weighting appeared to be given to the afore mentioned characteristics without any distinction between what was fundamental or enhancing. We consider this particularly critical because in line with the paragraph 2.37 of the Conceptual Framework “*enhancing qualitative characteristics cannot make information useful if that information is irrelevant or does not provide a faithful representation of what it purports to represent.*” This statement clearly demonstrates the importance of distinguishing between the fundamental and enhancing qualitative characteristics for purposes of giving a complete assessment of an issue linked to endorsement and adoption projects.

We propose the UKEB expand on this section of the endorsement criteria to reflect the above considerations when performing a technical analysis of an issue in line with the IASB’s Conceptual Framework. We would also like to reiterate the importance of continuous engagement with stakeholders throughout the endorsement process to ensure the UKEB’s guiding principles of transparency and accountability are met (we specifically address this in our response to questions 1 and 2).

6. Do you agree with the milestones for endorsement and adoption projects in paragraph 6.10?

Response:

We agree with the milestones described for endorsement and adoption projects in paragraph 6.10. Please refer to our comments in our response to question 5 on the endorsement criteria.

7. Do you agree that the consultation period for a Draft Endorsement Criteria Assessment (DECA) should not be less than 90 days unless this period is shortened, as explained in paragraph 6.30?

Response:

We agree that the consultation period for a DECA should not be less than 90 days, unless this period is shortened, as per paragraph 6.30.

8. Do you agree that a shorter consultation period of not less than 14 days for a DECA should be allowed when any of the situations described in paragraph 6.21(a)—(b) are present (as explained in paragraph 6.31)?

Response:

We agree that a shorter period of not less than 14 days for a DECA should be allowed. However, we would recommend the reason for decreasing the consultation period be based on guiding principles rather than limited to the specific situations listed in paragraphs 6.21 (a) – (b). As we describe in our response to question 4, a principles-based approach would allow the UKEB to reasonably assess on a case-by-case basis the need for a shorter consultation period without the limitations that the current listed situations impose.

Section 7 ‘Thought leadership and research programme’

9. Do you agree with the processes described for thought leadership and research programme projects in paragraphs 7.1—7.31?

Response:

Overall, we agree with the processes described for thought leadership and research projects in paragraphs 7.1 – 7.31. However, we would suggest you consider the following points which could enhance the process:

1. With regard to the objectives of thought leadership, the processes noted in paragraphs 7.2 and 7.3 have expressly stated how stakeholders will be engaged to achieve stated objectives but has given no indication on the timing and frequency of engagement with stakeholders. We consider this would be helpful detail to include in the process as it would help manage stakeholder expectation as to the frequency and method of engagement with the UKEB on thought leadership as described in the handbook.
2. We note the UKEB objective of representing UK views in international fora or in media with the aim of influencing debate as outlined in paragraph 7.4. However, the activities listed to achieve this objective do not include engaging stakeholders on their views. We consider this an important activity for this objective which should be included in the process to ensure the UKEB is fully aligned to its purpose to aim to act as the UK voice on IFRS financial reporting.
3. On the objective related to representing the UK views in International Fora in paragraph 7.4, specifically sub paragraph (a) we suggest the UKEB publishes the

names of UK representatives to the IASBs consultative groups on the UKEB website for additional transparency.

4. The UKEB should consider dedicating a specific section on its website to thought leadership as is the case with endorsement and influencing projects. This will ensure that various stakeholders can easily engage with this aspect of the Board's work. However, we do acknowledge that there is a specific section on the UKEB website for research projects.

10. Do you agree with the milestones for research projects in paragraph 7.12?

Response:

Overall, we agree with the milestones. However, as research projects would be greatly influenced by stakeholder engagement, we consider there is merit in outreach activities being considered a mandatory milestone as this would be more closely aligned to the UKEB's responsibility for public consultation, especially given that public consultation is specifically referred to in paragraph 3.1 (d) of the handbook.

Section 8 'Post-implementation reviews'

11. Do you agree with the processes described for post-implementation review projects in paragraphs 8.1—8.32?

Response:

Overall, we agree with the processes described in paragraphs 8.1- 8.32. However, we consider that the initial consultation should also be mandatory as is the case with the publication of a request for information. In our view both should go hand in hand.

As noted in question 10, the public consultation process is listed as one of the UKEB's key responsibilities. We are of the view that the initial consultation is equally as important as a public request for information, and as such should also be considered a mandatory milestone. We recommend the UKEB reflect this as a mandatory milestone or combines it with the publication of a request for information milestone in the post-implementation review process.

12. Do you agree with the following description of a 'significant change in accounting practice' (included in paragraph 8.8)?

A 'significant change in accounting practice' usually occurs when a new accounting standard is issued by the IASB. A new standard meets a 'significant change in accounting practice' as it will usually have a widespread effect on many entities or a material effect on a few entities.

We do not disagree with the description of a significant change in accounting practice but consider it a bit narrow as currently drafted. The UKEB should broaden the definition to for example incorporate IFRIC interpretations. Whilst these interpretations are not new "accounting standards" themselves, financial statements cannot be deemed IFRS compliant if they do not comply with them.

Section 9 'Advisory groups'

13. Do you agree with the processes described for advisory groups in paragraphs 9.1—9.22?

Response:

Overall, we agree with the processes described, but there are some areas of the process we consider could be improved:

1. Information on the frequency of meetings for the advisory groups seems to be missing from the process. Specifically, information on the indicative frequency of meetings of the standing advisory groups would enhance accountability and transparency. We recommend the process include some detail on the frequency of advisory group meetings or where meetings are expected to take place on an “ad-hoc” basis or without a prescribed frequency, to state this.
2. We consider a key benefit of these advisory groups to be the diversity of opinion provided by key participants which would support the UKEB in achieving its purpose. Paragraph 9.20 of the handbook details expectations of advisory group members, including requirements for expected member attendance of all advisory meetings. However, paragraphs 9.15 – 9.20 do not state a requirement for a quorum at any of these meetings. We feel this is important detail to include as fewer members attending these meetings would undoubtedly limit the diversity of thought and opinions. We recommend the UKEB consider including detail on a quorum to be present at these meetings.

Section 10 ‘Supporting the work of the IFRS Interpretations Committee’

14. Do you agree with the processes described for supporting the work of the IFRS Interpretations Committee in paragraphs 10.1—10.14?

Response:

Overall, we agree with the process described in paragraphs 10.1 – 10.14.

In paragraph 10.7 of the handbook on considering whether to respond to a tentative agenda decision it states that the UKEB “*expects to respond to a limited number of tentative agenda decisions...*”. The use of the word “limited” could suggest there being a pre-determined number of tentative agenda items that the UKEB will respond to. We recognise the UKEB’s intention to respond to IFRIC tentative agenda decisions based on a case-by-case assessment and against specific factors listed in 10.7 and suggest the word “limited” be removed to better reflect this. Furthermore, and to further enhance transparency, we would also suggest the UKEB publish its assessment of whether a response to a tentative agenda item will be responded to or not.

As per our response to question 1 and to enhance transparency and consistency with handbook provisions and the UKEB’s overall purpose, the Board should make available to stakeholders all information and documents related to IFRIC tentative agenda decisions including links to the decision published by the IFRIC.

B. Any other comments

15. Are there any other comments you would like to make?

Response:

Since the UKEB’s inception in 2021, the ABI has always been and will continue to support its work. We largely agree with the processes described in the handbook, the guiding principles, and the terms of reference under which the UKEB operates. However, we would ask the UKEB to consider the points below:

1. The UKEB’s purpose can be reiterated by including it in the handbook. It allows the users of the handbook to understand the UKEB’s aims and purpose, how and why it operates as an entity and crucially on its work.
2. Accountability is one of the UKEB’s guiding principles. Therefore, to enhance stakeholder accountability we suggest the UKEB consider creating a process for feedback or complaints. This could be integrated into the existing processes within

the handbook or could be an additional section where the UKEB lays out the procedures for obtaining feedback/complaints from stakeholders and how it deals with both.

3. The handbook does not outline how the UKEB determines a “Mandatory” milestone. To enhance transparency, we suggest that the UKEB add some wording in the handbook detailing how mandatory milestones are determined so that stakeholders are left in no doubt as to how these milestones are ascertained.
4. The UKEB should consider broadening the wording in paragraph 1.1, specifically on “*assessing the appropriateness*”. We consider that the current description does not fully reflect the UKEB’s work which in our view is a lot broader than just “*assessing the appropriateness of international accounting standards for use in the UK*”. We suggest the UKEB expand this wording to cover the other areas of work that this handbook describes.

Thank you for completing this Invitation to Comment