

Minutes of the UKEB's Public Meeting held on 27 April 2023 at 10:00 hrs at 125 London Wall, London EC2Y 5AS

The UKEB met for the public meeting on 27 April 2023. The video recording of the meeting and the agenda papers have been made available on the UKEB's website.

PRESENT:

Name	Designation
Pauline Wallace	Chair
Amir Amel-Zadeh	Member
Mike Ashley	Member
Phil Aspin	Member
Katherine Coates	Member
Robin Cohen	Member
Paul Lee	Member
Giles Mullins	Member
Liz Murrall	Member
Sandra Thompson	Member
Michael Wells	Member
Andrew Death	Observer from the Department for Business and Trade (DBT)
Richard Cannon	Observer from His Majesty's Revenue and Customs (HMRC)
Joyce Grant	Observer from the Financial Reporting Council (FRC/CRR)
Andrew Murray	Observer from the Bank of England (BoE)

1. Welcome and Apologies

- a) The Chair noted that the meeting was being recorded and the recording would be published on the UKEB website after the meeting.
- b) The Board noted apologies from Kathryn Cearns, Edward Knapp, and Lee Piller (Official Observer, FCA). Phil Aspin and Katherine Coates joined the meeting virtually.

2. Declarations of Interest

- a) The Board noted the following declarations of interest:
 - Phil Aspin's employer carries out rate-regulated activities.
 - Michael Wells is a shareholder of AstraZeneca shares.
 - Robin Cohen is a member of a Competition and Markets Authority (CMA) panel that considers adjudications on regulatory price appeals.

3. Administrative Matters

- a) The Board approved the minutes of the last meeting on 23 March 2023 for publication on the website. **(Decision)**

Endorsement and Adoption

4. Lease Liability in a Sale and Leaseback – Narrow-scope Amendments to IFRS 16– Adoption Package

- a) The Board considered for adoption *Lease Liability in a Sale and Leaseback– Amendments to IFRS 16* (the Amendments) issued by the International Accounting Standards Board (IASB) in September 2022 with an effective date of 1 January 2024, with earlier application permitted.
- b) The Board cast an indicative vote with all members present indicating that they would vote in favour of adopting the Amendments. After the meeting, the Board would be issued with a formal written ballot and members would be asked to cast their written votes. The finalisation of that formal written vote would commence the process for publication of the Amendments in line with the Board’s Terms of Reference. **(Decision)**
- c) The Board also considered the following papers that formed part of the Adoption Package: (1) Final Endorsement Criteria Assessment (ECA); (2) Feedback Statement; (3) [Draft] Due Process Compliance Statement; and (4) Adoption Statement
- d) The Board also approved the ‘Adoption Package’ subject to suggested amendments. **(Decision)**

Influencing

5. IFRS 9 Impairment PIR – PIP

- a) The Board considered a Project Initiation Plan (PIP) for the project to respond to the IASB’s *Post-implementation Review of IFRS 9 – Impairment*. The IASB is expected to issue its Request for Information (RFI) for this project later during May 2023, with an expected comment deadline in September 2023.
- b) The Board noted that the UKEB project team has commenced outreach activities on this project with various UKEB Advisory Groups. The Board discussed the proposed timing of the consultation period for the UKEB’s Draft Comment Letter, with stakeholder consultation expected during the summer holiday period in August 2023 potentially creating challenges with stakeholder availability. The Board noted that the UKEB had raised these concerns with the IASB but the IASB’s own timetable also had built-in challenges and constraints of its own.
- c) The Board approved the PIP. **(Decision)**

6. IFRS 9 Amendments to the Classification & Measurement of Financial Instrument – PIP

- a) The Board considered a Project Initiation Plan (PIP) for the project to respond to the IASB's exposure draft *Amendments to the Classification and Measurement of Financial Instruments*. The Board noted that the IASB has chosen to undertake standard-setting to address concerns raised in its Post-implementation Review (PIR) of IFRS 9 – Classification and Measurement.
- b) The Board discussed the plan and noted it would be beneficial to draw stakeholder attention to the proposals in relation to electronic payment system. This could be done by the use of LinkedIn or a short explanatory video on the UKEB website, or similar. The Board asked for further research into whether the proposals would work for UK electronic payment systems. It also requested a consideration of whether a roundtable to gain further perspectives and assess the practical issues for stakeholders would be beneficial in obtaining feedback on the UKEB's draft comment letter to the IASB.
- c) The Board noted the next steps and that the Draft Comment Letter would be presented at the May 2023 meeting to request Board approval for public consultation to commence.
- d) The Board approved the PIP. **(Decision)**

Ongoing Monitoring of IASB Projects

7. Primary Financial Statements

- a) The Board considered an update on the IASB's continued redeliberations at its March 2023 meeting on the proposals in the Exposure Draft *General Presentation and Disclosures* as part of its project on Primary Financial Statements. The Board considered the following topics discussed by the IASB:
 - i. Disclosure of operating expenses by nature in the notes when an entity uses a function of expense method
 - ii. Management performance measures (MPMs)
 - iii. Classification of income and expenses from specific hybrid contracts in IFRS 9; foreign exchange differences; income and expenses arising from cash and cash equivalents.
- b) The Board noted the IASB's tentative decisions and their consistency with UKEB's views. The Board noted potential challenges, particularly in relation to management performance measures (MPMs) and the practical implications of the tax disclosures.

8. IASB General Update

- a) The Board considered the recent tentative decisions on IASB projects currently monitored by the UKEB Secretariat. The Board noted the following:
 - i. International Tax Reform – Pillar Two Model Rules: the IASB’s tentative decisions indicated a shift towards general disclosure requirements.
 - ii. Climate-related Risks in the Financial Statements: there was a possibility that the scope of the project would be broadened and may include a change in the title to reflect the consideration of long term risks.
- b) The Board considered matters before the Interpretations Committee.
 - i. There is a new matter that has been received but not yet presented to the Interpretations Committee – “application of the IFRS 9 ‘own-use exemption’ in light of current market and geopolitical questions”. The Board noted that the UKEB Financial Instruments Working Group was asked for views on the topic and the initial thoughts were that this matter was not as prevalent in the UK as in some European countries. The Board requested the Secretariat reach out to stakeholders to discuss whether issues were arising in respect of this matter.
 - ii. Three other tentative agenda decisions have been issued for comment. The Board considered the criteria for responding to tentative agenda decisions, and agreed that none of the agenda decisions issued during March 2023 met those criteria.

Ongoing Monitoring of ISSB Projects

9. Climate-Related Matters: Summary of Connectivity Research

- a) The Board considered a paper on ‘Climate-related Matters: Summary of Connectivity Research’. The paper represented the first deliverable of the Climate-related Matters Research Project Initiation Plan (PIP).
- b) The Board noted that the paper provided a summary of research reports and articles published since 2020 in relation to climate-related disclosures – it was agreed that this point would be further highlighted in the preamble of the report.
- c) The Board discussed the overall focus of the paper and highlighted certain areas for further clarification, including the need to clearly highlight whether the findings in the research reports were based on UK or international samples. The Board requested that an updated draft of the paper (incorporating the suggestions from the Board during the meeting) is presented for noting at a future meeting. **(Decision)**

10. Connectivity – Update on Analysis of 2022 Annual Reports

- a) The Board considered a paper on ‘Connectivity – Update on Analysis of 2022 Annual Reports’. This is the second deliverable of the Climate-related Matters Research Project Initiation Plan (PIP). The paper provided an update on the progress made with the assessment of the areas of disconnect between the TCFD and SECR disclosures and the financial statements.
- b) The Board considered the assessment approach of the research project, including the nature of companies identified for the project. It was noted that the UKEB Sustainability Working Group would review the initial draft results from the analysis and providing feedback. The Board noted the next steps and that a second update was expected at the May 2023 meeting, with the final report expected to be presented at the June 2023 meeting.
- c) The Board noted that the updated PIP had been published on the project webpage. The Board requested a further update to the PIP to reflect the latest assessment approach.

11. Connectivity – UKEB Staff Paper: Liabilities and provisions

- a) The Board considered the UKEB staff paper on ‘Connectivity – Liabilities and Provisions’. The paper was the second in a series of preparatory papers focusing on ISSB Sustainability Standards and IASB Accounting Standards. The aim of these papers was to consider the potential standard setting issues on connectivity and enable the UKEB to develop its own position ahead of developing its responses to the ISSB on its request for Information on its Agenda Consultation and to the IASB on its project in relation to Climate Related Risks in Financial Statements.
- b) The Board discussed areas of potential overlap or misalignment, particularly regarding recognition and disclosure issues, likely impact, and possible solutions.

12. Advisory Groups Updates

- a) The Board noted updates from the Chairs of the various UKEB Advisory Groups from recent meetings. The following key points were noted:
 - i. Preparers’ Advisory Group (PAG) – recent discussions included climate-related issues (such as expenditure) and potential longer-term risks.
 - ii. Accounting Firms and Institutes Advisory Group (AFIAG) – recent discussions included potential issues for consideration during the adoption assessment of the IASB’s proposals on supplier finance, the proposed amendments to IAS 1, IAS 12 disclosures, Post-Implementation Review of IFRS 9 *Impairment*, and the UKEB’s connectivity papers.
 - iii. Rate-regulated Activities Technical Advisory Group (RRA TAG) – the group had its inaugural meeting in March 2023, with members

representing a wide range of interested stakeholders. The focus of discussion at its inaugural meeting was on total allowed compensation. There were also discussions about the IASB's proposals which are based on cost-based models common in other jurisdictions and their implications for the incentive-based regulation model in the UK. The RRA TAG will discuss this and other related matters in more detail at later meetings.

- iv. Academic Advisory Group (AAG) – recent discussions included detailed consideration of the UKEB's research projects on intangibles and connectivity. The group also reviewed and provided advice on the UKEB's investor survey for intangibles currently under development.

13. Items for Noting

- a) The Board noted the following papers:
 - i. ISSB General Update
 - ii. IFASS Paper – Connectivity: Assets

14. Any other business

The meeting ended at 14:45 hrs.