

Meeting Summary of UKEB's Academic Advisory Group meeting held on 25 April from 12pm to 6pm

Meeting Agenda

Item No.	Item
1	Intangibles: Qualitative Report
2	Intangibles: Quantitative Report
3	Intangibles: Survey
4	IASB/ISSB Connectivity
5	Governance Matters
6	Horizon Scanning
7	Any Other Business

Present	
Name	Designation
Mike Wells	Chair, AAG and Member, UK Endorsement Board
Pauline Wallace	Chair, UK Endorsement Board
Amir Amel-Zadeh	Member, UK Endorsement Board
Christian Stadler	AAG Member
Francisco Urzua	AAG Member
Ioannis Tsalavoutas	AAG Member
Janice Denoncourt	AAG Member
Ronita Ram	AAG Member
Stefano Cascino	AAG Member
Wei Jiang	AAG Member

Apologies were received from Alan Jagolinzer and Hafez Abdo.

Relevant UKEB Secretariat team members were also present.

Welcome and Introduction

1. The Chair welcomed members to the Academic Advisory Group (AAG) meeting.

Intangibles: Qualitative Report

2. The UKEB Secretariat provided an overview of the key findings from the Accounting for Intangibles Qualitative Report which was published in March 2023. Key findings discussed related to both the accounting and economics findings.
3. AAG members made the following observations:
 - a) The macro-economic level information included in the report is interesting. Reference was made to research isolating a link between individual companies' performance and aggregate economic activity, as well as how better companies' accounting for intangibles can feed into more comprehensive national statistics, in particular aspects

regarding the relevance of information on intangibles and reliability of their measurement we touched upon.

- b) Further research could examine the extent to which companies are motivated or incentivised by existing accounting rules to disclose more, or less, information on intangible assets in their financial statements.
 - c) It is important to consider the impact of different interpretations of the concept of materiality, particularly between the accounting and legal perspectives. This could potentially impact corporate governance, and disclosures.
 - d) Building from the interviews, consideration may need to be given to the different approaches investors use when assessing “old economy” entities versus “new economy” entities. The underlying assumptions about intangibles amongst the different entities are likely to be different.
 - e) Although there was strong support from users in the UKEB report for more disclosures, there is also academic evidence that users want more recognition of intangible assets too.
 - f) Establishing how different types of users make use of the disclosures in both the financial statements and notes to those financial statements could be an important area to explore further.
4. These observations will be considered in future research activities.

Intangibles: Quantitative Report

- 5. The UKEB Secretariat provided a summary of key findings from the Intangibles Quantitative Report work done to date.
- 6. The research aims to provide more granular evidence about the prevalence of intangible assets, their makeup, and the related reporting by UK companies. The impact on intangibles reported by UK companies of trends in merger and acquisition activity will also be examined.
- 7. AAG members made the following observations:
 - a) The research could also attempt to estimate the amounts that have not been recognised as intangible assets. This may provide insights about the volume of potential intangible assets that could be captured by any changes to IAS 38.

- b) Possible approaches to addressing the impact of outliers on the research findings were discussed.
 - c) The analysis of note disclosures on intangibles is an important element of the research, and could be a focus of the detailed financial statement analysis work. This could offer insights that cannot be identified through the broader economic research piece.
 - d) This detailed financial statement analysis could also capture the range of descriptors entities may use for various types of intangibles. It would be interesting to know what the nature of these intangibles are and how useful the information provided in the notes to the financial statements is for helping users understand these items.
8. AAG members also identified a number of academic research papers which they considered likely to be relevant to this report.

Intangibles: Survey Discussion

9. The Chair introduced the work being undertaken to develop a user survey on intangibles. The survey is expected to explore in more detail themes that have emerged from the qualitative and quantitative research reports. With a specific focus on understanding investor expectations about the accounting for intangibles in financial statements and the associated disclosures in the notes.
10. AAG members split into groups to provide advice on developing a questionnaire for the UKEB to use to gather users' views on the accounting and reporting of intangible assets, including its scope and draft questions for inclusion. The whole group feedback session that followed included discussion of ways to develop a clear, concise and effective survey instrument, along with approaches to encouraging responses from a wide range of users.
11. In addition, a number of general comments were made, including the length of the survey, the time frame over which it should be administered, and the possible target audience.
12. The AAG's advice will be incorporated into draft survey instrument feedback on which will be sought from the AAG via email.

IASB/ISSB Connectivity

13. The Chair noted the AAG had indicated particular interest in the connectivity between IFRS Accounting Standards and IFRS Sustainability Disclosure Standards at its previous meeting.

14. The Secretariat advised that the UKEB had been asked by the Department for Business and Trade to assess the connectivity between ISSB Standards and IASB Standards.
15. AAG members considered an asset and liability case study based on Annual Report disclosures and discussed if they presented any potential connectivity issues. AAG members were asked to consider possible reasons for non-disclosure and any connectivity gaps, for instances where users might reasonably expect to be able to connect the sustainability financial effect in the financial statements.
16. In relation to possible reasons for non-disclosure, AAG members highlighted reasons such as the item being immaterial, a lack of internal expertise, operational challenges in gathering and validating information, or a lack of an agreed methodology for the measurement of an item.
17. Members noted that current accounting requirements should be properly applied and that ISSB Standards S1 and S2 should support companies in meeting these requirements.
18. A member commented that entities were on a steep learning curve and therefore disclosure requirements may need to start as voluntary and become mandatory over time, as demand for disclosure increased. A risk was noted that, as smaller entities were already burdened with significant compliance costs they may decide to abandon the market.
19. Another member noted that there was an issue where an item is disclosed for sustainability purposes but may not be material from an accounting perspective and therefore not disclosed in the financial statements. It was observed that this type of disparity between sustainability and financial reporting disclosures was only likely to increase with the application of the ISSB Standards S1 and S2.
20. AAG members considered that users may find it helpful if a statement was made in the Annual Report to indicate where climate-related risks had been considered, if they were material to the financial statements and where they were, the nature of the impacts.
21. Overall, members also noted that sustainability reporting was a relatively new area and that entities would need time to develop their data, systems and control frameworks. The members anticipated an improvement in connectivity with the financial statements over time.
22. The UKEB Technical Director noted that the UKEB was engaging with the ISSB on its Request for Information on the Agenda Priorities and the IASB in relation to the Climate-related risk in financial statements project.

Governance Matters

23. The UKEB Technical Director gave a brief presentation on governance matters relevant to the advisory group's activities.

Horizon Scanning

24. Members discussed matters related to difficulties being experienced by some banks. It was noted that there appeared to be little UK impact of note at the moment.
25. A member raised the question of the IFRS Foundation's work on tagging information on electronic report submissions. The UKEB Technical Director explained that the FRC leads on electronic tagging work from a UK perspective.

Any Other Business

26. AAG members were asked to forward any research that would be particularly relevant to the UKEB's project on the Post-implementation Review of IFRS 15 *Revenue from Contracts with Customers*.
27. AAG members were reminded that the comment period for the UKEB's draft endorsement criteria assessment (DECA) of the 2020 and 2022 Amendments to IAS 1 *Presentation of Financial Statements* would be closing early June.

END OF MEETING