

Minutes of the UKEB's Public Meeting held on 24 May 2024 at 10:00 hrs at 125 London Wall, London EC2Y 5AS

The UKEB met for the public meeting on 24 May 2024. The recording of the meeting and the agenda papers have been made available on the UKEB's website.

PRESENT:

Name	Designation
Pauline Wallace	Chair
Mike Ashley	Member
Phil Aspin	Member
Tony Clifford	Member
Katherine Coates	Member
Robin Cohen	Member
Owen Glaysher	Member
Paul Lee	Member
Giles Mullins	Member
Liz Murrall	Member
Sandra Thompson	Member
Michael Wells	Member
Mark Chandler	Observer from HM Revenue and Customs (HMRC)
Andrew Death	Observer from the Department for Business and Trade (DBT)
Andrew Murray	Observer from the Bank of England (BoE)
Alexander Owen	Observer from the Financial Reporting Council (FRC/CRR)

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 the following members:
 - ii. Edward Knapp
 - iii. Amir Amel-Zadeh

2. Declarations of Interest

- a) The Board noted the following declaration:

- i. Phil Aspin's employer is involved in rate-regulated activities.

3. Administrative Matters

- b) The Board approved the minutes of the previous meeting held on 26 April 2024 for publication on the website. **(Decision)**

Endorsement and Adoption

4. Lack of Exchangeability (Amendments to IAS 21) – Adoption Package

- a) The Board considered and approved the Final Endorsement Criteria Assessment (ECA) and the Feedback Statement, subject to minor amendments, and the (Draft) Due Process Compliance Statement (DPCS) **(Decision)**. The Board noted that the DPCS will be brought back to the 18 July 2024 meeting reflecting the timeline change necessitated by the Pre-Election Period (PEP), for the UK General Election, which will commence on 25 May 2024.
- b) Board members present at the meeting voted unanimously to tentatively approve the Amendments for use in the UK **(Decision)**. The Board noted the advice from the DBT Official Observer that it would not be able to carry out the formal written vote process during the PEP. Consequently the Board agreed that the Secretariat would explore the feasibility of completing the formal written vote before commencement of the PEP and would otherwise defer the process until after the General Election.

[Subsequent to the meeting it was agreed to defer the vote until after 4 July.]

Influencing

5. Exposure Draft: Business Combinations – *Disclosures, Goodwill and Impairment* – Draft Comment Letter

- a) The Board considered the Draft Comment Letter (DCL) and Invitation to Comment (ITC) and provided a number of comments and suggestions for inclusion in the DCL prior to its publication for stakeholder comment. The Board requested the Chair to approve the revisions to the DCL prior to publication. Subject to those amendments, the Board approved the letter for publication on the UKEB website. **(Decision)**
- b) The Board noted the stakeholder outreach carried out, which included, engagement with UKEB's Advisory Groups, an investor and preparer roundtable, and one-to-one interviews with preparers. Further stakeholder outreach would include a joint discussion with the Investor and Preparer Advisory Group members.
- c) The Board considered the DCL and recommended that the following key issues should be included in the covering letter and/or ITC:

Proposed changes to IFRS 3 *Business Combinations*

- i. Use of the term 'strategic', as proposed in the ED, could potentially be misunderstood, and 'major' would be a clearer term to indicate transactions considered substantive for the future success of the business combination.
- ii. An additional quantitative threshold relating to market capitalisation should be added.
- iii. Greater clarity should be included in the DCL, regarding the UKEB recommended 'rebuttable presumption' requirement, clearly articulating the relevant steps of the decision-making process via a flowchart.
- iv. The ITC should seek specific input from (a) investors, as to whether the requirements capture the type of acquisitions and the information relevant to their decision-making, and (b) preparers, as to practical application.

Proposed changes to IAS 36 *Impairment of Assets*

- v. The ITC should seek stakeholders' feedback in respect of the UKEB suggested headroom and sensitivity disclosures.
- d) The Board noted that it is broadly in agreement with the IASB's Exposure Draft and the DCL, subject to the topics discussed at this meeting.

6. Power Purchase Agreements – Draft Comment Letter

- a) The Board noted the stakeholder outreach already conducted, including discussions with the UKEB's AFIAG and Financial Instruments Working Group as well as the previous Board discussions on the topic.
- b) In considering the DCL, the Board noted the following points:
 - i. Diversity in practice with respect to 'own-use' is problematic and clarification of the definition of 'own-use' would be beneficial. However, the Board was concerned the IASB proposals would lead to extending the 'own-use' exemption to contracts where entities expect from the outset to have to sell power at certain times, whilst prices would not be known in advance.
 - ii. The Board expressed concern that the IASB is departing from the principles-based approach to standard setting and that the exception to 'own use' requirements of IFRS 9 lacked conceptual merit. The Board agreed that accounting standards should aim to faithfully represent commercial decisions made by entities, not to be the driver for them.
 - iii. The Board's preference was that contracts that do not meet 'own use' requirements could instead be accounted for by using the amended hedge accounting requirements. This would reflect the underlying

economics of the contracts undertaken by entities.

- iv. It was noted, however, that some preparers are concerned as to reliability of fair value measurement for such instruments, beyond a two to three year time horizon.
 - v. The hedge accounting proposals are complex and the Board considered that an example is needed to set out the practical impact of the proposed approach. In particular, this should address questions as to how ineffectiveness would be determined.
 - vi. The Board recommended that the secretariat should use their planned outreach to explore stakeholder views on the practicalities of applying the IASB's proposed approach.
- c) In view of its concern at the departure from principle-based accounting in the context of the proposed exception to the 'own-use' requirements in IFRS 9. The Board disagreed with the IASB's proposed amendments in that area. However, subject to some recommendations to enhance the proposals, the Board generally supported the proposed amendments relating to the other matters addressed in the ED. The Board agreed that the DCL should be revised to reflect its position. **(Decision)**
- d) The Board agreed that the Chair would approve the revisions to the DCL prior to publication for stakeholder comment. Subject to those amendments, the Board approved the letter for publication on the UKEB website. To allow stakeholders additional time to consider the DCL, the Board decided to convene an ad-hoc Board meeting on 2 August 2024 to consider approving the final comment letter for approval prior to its submission to the IASB. **(Decision)**

7. Rate-regulated Activities: Possible top-down approach

- a) The Board considered Appendix A containing the analysis in respect of six of the nine questions about the top-down approach, that the Secretariat had undertaken to analyse further for the Board's consideration.
- b) The Board noted that discussion of the remaining three questions was planned for future Board meetings.
- c) The Board noted the stakeholder outreach carried out, including discussions with the UKEB Rate-regulated Activities Technical Advisory Group (RRA TAG), the EFRAG RRA Working Group, and other discussions and feedback from various stakeholders. The Secretariat had incorporated this feedback into the analysis of the questions included in the Board paper.
- d) After a detailed discussion of the paper, the Board concluded that further work, including field testing and an analysis of the impact on different regulated sectors, would be required.

- e) The Board noted that the issues raised in the discussion will be addressed during further work in relation to the remaining questions and brought back for discussion at future board meetings.

Ongoing Monitoring of IASB Projects

8. IASB General Update

- a) The Board noted updates on various projects being considered by the IASB: Climate-related matters; Post-implementation Review of IFRS 15 *Revenue from Contracts with Customers*; Intangible Assets; Provisions – Targeted Improvements; Post-implementation Review of IFRS 9 – Impairment; Updating the *Subsidiaries without Public Accountability: Disclosure Standard*; and an Interpretations Committee Update.

Rate-regulated Activities

- b) The Board discussed the update of the IASB's continuing redeliberations following feedback on its Exposure Draft *Regulatory Assets and Regulatory Liabilities* (ED). In particular, the Board considered the IASB discussions regarding (i) discounting of future cashflows – minimum interest rates, (ii) scope – interaction with IFRS 17 and (iii) Amendments to IFRS 3 and IFRS 5.
- c) The Board observed the following:
 - i. The UK uses a weighted average cost of capital (WACC) not minimum interest rate approach. The IASB's terminology, especially 'regulatory interest rate', requires clarification to ensure clear understanding of terms.
 - ii. With regard to the ED's interaction with IFRS 17, the IASB's approach seems sensible.

9. Items for Noting

- a) The Board noted the following papers:
 - i. Sustainability Update
 - ii. Advisory Groups Update

10. Any other business

- a) There was no other business discussed.

The meeting ended at 14.50 hrs.