

# Minutes of the UKEB's Public Meeting held on 28 March 2024 at 10:02 hrs at 125 London Wall, London EC2Y 5AS

The UKEB met for the public meeting on 28 March 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
Amir Amel-Zadeh	Member
Mike Ashley	Member
Phil Aspin	Member
Tony Clifford	Member
Katherine Coates	Member
Robin Cohen	Member
Owen Glaysher	Member
Edward Knapp	Member
Paul Lee	Member
Giles Mullins	Member
Liz Murrall	Member
Sandra Thompson	Member
Michael Wells	Member
Debbie Crawshawe	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)
Lee Piller	Observer from the Financial Conduct Authority (FCA)

## 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 Chair welcomed the two newly appointed Board members, Anthony Clifford (Accounting Firm Background) and Owen Glaysher (Preparer of Accounts), to their first public Board meeting.
- c) Phil Aspin left the meeting at 14:00 hrs (after item 9).

## 2. Declarations of Interest

- a) The Board noted the following declarations:
  - i. Michael Wells' spouse is a shareholder of AstraZeneca, GSK and Unilever.
  - ii. Phil Aspin's employer is involved in rate-regulated activities.

## 3. Administrative Matters

- a) The Board approved the minutes of the last meeting on 23 February 2024 for publication on the website, subject to minor amendments. The amendments include an addition to Michael Wells' declarations of interest regarding his spouse's shareholdings in GSK. **(Decision)**

## 4. UKEB Regulatory Strategy 2024/25

- a) The Board considered the final draft of the UKEB's Regulatory Strategy 2024/25 and [draft] Feedback Statement, addressing the stakeholder feedback received.
- b) The Board noted that the UKEB had received five comment letters following the consultation on the Regulatory Strategy. Overall, the feedback was supportive of the UKEB's proposed strategy and direction.
- c) The Board noted the increased workload in the UKEB's Work Plan for 2024/25 and that prioritisation of resource allocation has been factored into that Work Plan. The Board noted that it would remain agile in prioritisation and resource allocation as and when additional projects arise out of the International Accounting Standards Board's (IASB) project pipeline.
- d) The Board approved the Regulatory Strategy 2024/25 and Feedback Statement for publication, subject to its comments. **(Decision)**

## Influencing

### 5. Financial Instruments with Characteristics of Equity – UKEB's Final Comment Letter, Feedback Statement and [Draft] Due Process Compliance Statement

- a) The Board considered a draft of the Final Comment Letter (FCL) and Feedback Statement on the IASB Exposure Draft *Financial Instruments with Characteristics of Equity (Amendments to IAS 32, IFRS 7, and IAS 1)* for submission to the IASB.
- b) The draft FCL had been updated to reflect stakeholder comments received from the consultation and findings from further staff research. A summary of the key feedback points received since the consultation on the DCL for was noted by the Board.

- c) The Board considered a series of possible amendments arising from the feedback received, the most important of which was to retain the existing reference to IFRS 9 when measuring obligations to redeem own equity and contingent settlement provisions, rather than proposing any new measurement bases in IAS 32, where the focus is on classification. The Board decided to retain this amendment, and agreed that the risks of new measurement bases should be highlighted in the FCL.
- d) The Board approved the FCL for submission to the IASB, subject to addressing the comments raised during the meeting and final sign-off by the Chair. **(Decision)**
- e) The Board considered the draft Feedback Statement and provided comments, principally that both informal and formal feedback should be acknowledged in the summary of comments received during the comment period. It approved the Feedback Statement, subject to addressing the comments raised during the meeting and final sign-off by the Chair. **(Decision)**
- f) The Board approved the [Draft] Due Process Compliance Statement (DPCS), subject to its comments and final sign-off by the Chair **(Decision)**. The final version of the DPCS, which will reflect the approval of the FCL, will be brought back to the next Board meeting for noting.

## 6. Rate-regulated Activities – UKEB Top-down Approach (RRA TAG papers)

- a) The Board considered an update on the UKEB's development of an alternative top-down approach for potential use by UK rate-regulated entities. This follows the issues identified with certain of the IASB's tentative decisions during its redeliberations on the Exposure Draft *Regulatory Assets and Regulatory Liabilities*.
- b) Under the IASB proposals, a rate-regulated entity is not permitted to recognise regulatory assets arising from timing differences that go directly to its regulatory capital base (RCB), when there is no direct relationship between its property, plant, and equipment (PPE) and RCB. Most UK rate-regulated entities do not have this direct relationship. The top-down approach aims to address how timing differences reflected in RCB for no direct relationship entities could be recognised and whether they could be monitored and tracked.
- c) The Board noted that the UKEB Rate-regulated Activities Technical Advisory Group (RRA TAG) discussed and provided its input into the work carried out so far on the top-down approach at its meeting on 27 March 2024 (the day before the Board meeting). The papers from the recent RRA TAG meeting were presented to the Board, together with a verbal summary of the feedback from that meeting.
- d) The Board noted next steps. The UKEB will continue to have conversations with other international standard setters in relation to the proposed approach. There

would also be continued engagement with the IASB on the issue. It was noted that the IASB is in the final stages of their redeliberations and the UKEB currently aims to have the proposed approach finalised by July 2024.

- e) The Board agreed that the UKEB Secretariat should continue to develop the top-down approach **(Decision)**.

## 7. Business Combinations—Disclosures, Goodwill and Impairment – Project Initiation Plan

- a) The Board considered the Project Initiation Plan (PIP) for the project relating to the IASB’s proposed amendments to IFRS 3 *Business Combinations* and IAS 36 *Impairment of Assets* in the Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment* issued on 14 March 2024.
- b) The Board noted that the project timelines needed further consideration due to the timing differences between the IASB’s timetable and UKEB Board meetings. The Board considered two potential options for the timeline of the publication of its Draft Comment Letter (DCL) and Final Comment Letter (FCL):
  - i. Option 1 – publication of a DCL in early June 2024, for a 30-day comment period, followed by consideration and approval at the July 2024 Board meeting for submission of the FCL to the IASB. This option would provide more time for the Board to consider a technical paper of preliminary analysis of stakeholder feedback at the April 2024 Board meeting and time to undertake stakeholder outreach for consideration in preparing the FCL. However, due to the timing of the IASB’s comment deadline of 15 July 2024 and the UKEB’s 18 July 2024 Board meeting, there would be a slight delay in the submission of the FCL.
  - ii. Option 2 – consideration of a DCL at the April UKEB meeting followed by publication for a 30-day comment period. This would mean approval at the June 2024 UKEB meeting for submission of the FCL to the IASB. This option would only allow a short period to develop the DCL for the Board to consider the proposals and obtain stakeholder feedback on its DCL.
- c) The Board agreed to proceed with option 1. It was noted that the UKEB has engaged with IASB project team regarding timeline challenges and potential delay in the FCL submission. The Board noted that it was keen to allow sufficient time for stakeholders to provide feedback. As such, a slight delay in submission of a few days should be justifiable given the timing of the UKEB meeting date. **(Decision)**
- d) The Board approved the PIP, subject to its comments and incorporation of the agreed timeline. **(Decision)**

## 8. Letter to the IASB on connectivity matters

- a) The Board considered the draft letter to the IASB on connectivity matters. It was noted that the Board decided, at its February 2024 meeting, to reprioritise its agenda and defer the consideration of the draft letter to its March 2024 meeting.
- b) The Board noted that there have been recent developments and progress in relation to some of the connectivity matters raised in the draft letter. This included the draft illustrative climate-related examples published by the IASB. The Board also discussed the merits of still writing a formal letter to the IASB in relation to the issues raised in the letter.
- c) The Board agreed that the letter would be redrafted to reflect recent developments, to highlight the importance of transparency regarding the joint working between the IASB and ISSB, and was content for the Chair to provide the final sign-off. **(Decision)**

## Ongoing Monitoring of IASB Projects

### 9. IASB General Update

#### Pollutant Pricing Mechanisms – IASB survey response

- a) The Board considered the draft UKEB response to the IASB survey regarding Pollutant Pricing Mechanisms (PPMs), seeking feedback on the prevalence, nature and any accounting issues regarding PPMs in various jurisdictions.
- b) The Board's view was that the IASB should be advised to prioritise this project. It was suggested that the IASB could consider using capacity from the discontinued project on *Business Combinations under Common Control* and projects nearing completion, such as IFRS 18 *Primary Financial Statements* and IFRS 19 *Subsidiaries without Public Accountability*. Alternatively, the IASB could also consider deprioritising other projects, such as the *Equity Method* and *Hyperinflation*.
- c) The Board approved the submission of the survey response to the IASB. **(Decision)**

#### Other topics for noting

- d) The Board noted in the papers the updates on various projects being considered by the IASB.

## Thought Leadership

### 10. Draft Report – Accounting for Intangibles: A Quantitative Analysis

- a) The Board considered the final draft quantitative report from the intangibles research project.
- b) The Board noted the amendments made to the final draft report, which reflected feedback from the Board provided at its February 2024 meeting, including editorial suggestions made prior to this meeting. The amendments include ensuring that the analysis in the report has a focus on intangibles rather than goodwill, enhancing the presentation of evidence behind the analysis, and enhancing the rationale provided in various areas of the report.
- c) It was noted that the mandatory due process steps relevant to the project have been followed. In this phase of the project, a Due Process Compliance Statement has not been prepared because the research was not subject to an invitation to comment, and it was noted that this was consistent with the UKEB Due Process Handbook.
- d) The Board approved the quantitative report for publication, subject to its comments and final sign-off by the Chair. **(Decision)**

### 11. Final Report – Accounting for Intangibles: User Survey

- a) The Board considered the final draft of the user survey report from the intangibles research project.
- b) The Board noted the amendments made to the final draft report, which reflects the feedback and input provided by the Board at its previous meeting including editorial suggestions made prior to this meeting. The amendments included enhancing the alignment between the narrative and collected data and an executive summary section.
- c) The Board provided its comments, and individual Board members had some questions regarding the presentation of data in some of the charts within the report. It was agreed that this would be resolved and finalised offline after the meeting.
- d) The Board approved the user survey report for publication, subject to its comments and final sign off by the Chair. **(Decision)**
- e) A summary was presented to the Board of the planned communications to accompany publication of the User Survey report and the Quantitative Analysis report from the intangibles project. Board members provided some suggestions but were not asked to make any decisions.

## 12. Advisory Groups Updates

- a) The Board received an update from the chairs of various UKEB advisory groups and an overview of discussions at recent meetings for which the minutes had yet to be published:
  - i. Investor Advisory Group (IAG) – discussed the ED on Financial Instruments with Characteristics of Equity, the ED on *Business Combinations-Disclosures, Goodwill and Impairment*, connectivity matters, pollutant pricing mechanisms, power purchase agreements, and horizon scanning in relation to cashflows.
  - ii. Preparer Advisory Group (PAG) – discussed the prevalence of pollutant pricing mechanisms, the ED on Financial Instruments with Characteristics of Equity, the ED on *Business Combinations-Disclosures, Goodwill and Impairment*, and potential issues around information creep into financial statements.
  - iii. Accounting Firms & Institutes Advisory Group (AFIAG) – discussed power purchase agreements and where accounting change may be needed, standard setting for pollutant pricing mechanisms, the ED for *Business Combinations-Disclosures, Goodwill and Impairment*, and rate-regulated activities.

## 13. Items for Noting

- a) The Board noted the following papers:
  - i. Primary Financial Statements: Project Initiation Plan (PIP) – the Board noted the updated PIP, which was approved at the February 2024 meeting and reflects the agreed amendments.
  - ii. Sustainability Update

## 14. Any other business

- a) The Board noted that this will be Dale Rustige's final meeting, prior to his departure from the Governance Associate/Board Secretary role at the UKEB. The Board thanked Dale for his support over the past 2.5 years.

The meeting ended at 15:05 hrs.