Summary of the Sustainability Working Group virtual inaugural meeting held on 16 March 2023 from 3.00pm to 5.30pm

In attendance	
Name	**Designation**
Seema Jamil-O'Neill	Chair
Anna Korneeva	SWG Member
Anna Malcolm	SWG Member
Chris Smith	SWG Member
George Richards	SWG Member
James Sawyer	SWG Member
Mark Randall	SWG Member
Peter Leadbetter	SWG Member
Ronita Ram	SWG Member
Sabrina Curry	SWG Member
Sarah Wilkin	SWG Member
Debbie Crawshawe	Observer (DBT)
Robert Harvey	Observer (FRC)

Apologies: Henry Biddle
Joshua Davies
Nicole Carter
Saad Malik
Yannis Tsalavoutas
FCA Observer

Relevant UKEB secretariat team members were also present.

Welcome and Introduction

1. The UKEB's Sustainability Working Group (SWG) held its inaugural meeting on 16 March 2023.

2. The Chair of the SWG welcomed the members of the Working Group. Members introduced themselves to the Group.

UKEB context, role and remit

3. The SWG Chair and UKEB Secretariat provided induction information on the following topics:

   a) The role and remit of the UKEB;

   b) The role and remit of the SWG;

   c) The role and responsibilities of the SWG members; and,

   d) Governance matters relevant to the working group's activities.

Papers and process

4. SWG members agreed the process for commenting on papers issued to the group, changes to appointment and other relevant matters set out in the Terms of Reference[1].

[1] SWG Terms of Reference may be found on the Advisory Group page of the UKEB website

UKEB work on ‘connectivity’ between IFRS Sustainability Disclosure Standards and IFRS Accounting Standards

5. The SWG discussed themes included in a connectivity paper presented at the January 2023 meeting of the International Forum of Accounting Standard Setters (IFASS).

6. A poll was run on the top five connectivity issues. The conceptual framework, liabilities, and disclosures were selected for discussion at later meetings of the SWG.

7. The Group agreed that connectivity, for the purposes of the SWG’s work, refers to the connection between IFRS Sustainability Disclosure Standards and IFRS accounting standards.

8. Members made the following points:

   - there needs to be connectivity between reporting in the front-half and back-half of the annual report to ensure it is clear and useful to the reader;
   - there is a risk of disclosure overload as there appeared to be sense of providing disclosure for disclosure’s sake, with no clear end objective in mind;
   - the interaction between the three sustainability disclosure time horizons – short, medium and long term – and the various accounting standards may prove difficult to explain to audit teams and for readers to comprehend;
   - preparers may find it preferable to prepare a separate sustainability report (as a large number of FTSE 100 companies currently do) to remove some of the time pressure and avoid the “bottleneck” of trying to finalise financial and sustainability content at the same time. It also avoids lengthy annual reports and reduce the costs involved.

Connectivity: recognition and impairment of assets

9. The SWG considered seven case studies regarding asset recognition and impairment. The case studies aimed to identify possible connectivity challenges.

10. During consideration of the case studies, members expressed the following views:

   - an entity’s strategy and plans may impact the useful lives of affected assets. In some cases, there may even be additional value added to assets that may be repurposed, for example, land becoming a landfill site may have additional future benefits;
   - the value attached to attracting more customers or employees, due to an entity enhancing its reputation by becoming more environmentally conscious, may need to be considered. These non-economic benefits may go beyond the rational and economic markets theories that underpin financial reporting;

- connecting a qualitative range of scenarios to a quantitative impairment disclosure will be difficult;
- climate-related costs incurred may add other types of intangible benefits and it may be helpful to have climate-related spend as a specific category of spend within IAS 38;
- some preparers disclosed climate-related costs in the notes to the financial statements to communicate the benefit to users;
- there may be confusion about the treatment of purchased and internally generated carbon credits. Should they be expensed, recognised as inventory or recognised as intangible assets?
- the generation of carbon credits (or carbon sinks) may become more valuable to entities in the future;
- there may be other, longer-term benefits when incurring costs on existing assets to make them more environmentally friendly; and,
- there may be a potential mismatch between assets and liabilities if assets are recognised for carbon credits, but liabilities are not recognised for GHG emissions (given there is currently no legal obligation for businesses to meet the government net zero target by 2050).

AOB

11. The SWG were advised that the papers for the UKEB March 2023 Board meeting had been published and were available on the UKEB website.

12. The Secretariat requested that members provide their photographs and biographies for publication on the UKEB's SWG webpage.