

# UK Accounting Standards Endorsement Board

## Terms of Reference

### 1. Purpose

1.1 These Terms of Reference apply to the UK Accounting Standards Endorsement Board (“the UK Endorsement Board” (UKEB)), which has been established to perform certain functions relating to the adoption of International Financial Reporting Standards (IFRS)<sup>1</sup> as developed by the International Accounting Standards Board (IASB), for use in the UK, and to contribute on behalf of the UK to the development of a single set of international accounting standards. These functions were transferred to the UK Endorsement Board from the Secretary of State by The International Accounting Standards (Delegation of Functions) (EU Exit) Regulations 2021, SI 2021/609 (‘the Functions’). The Financial Reporting Council Limited (“the FRC”) has established The UK Accounting Standards Endorsement Board Limited, a private company limited by guarantee (Company Number 11870890), to provide support and operational resources to the UK Endorsement Board.

### 2. Membership

2.1 The UK Endorsement Board Chair shall be appointed by the Secretary of State, following a fair and open recruitment process, for an initial term of up to three years, renewable for a second term of up to three years which may be extended in exceptional circumstances for a period of 12 months. In exceptional circumstances, an interim Chair may be appointed by the Secretary of State for a term of up to 18 months.

2.2 All other Members of the UK Endorsement Board shall be appointed by the Chair, with the approval of the Secretary of State, following a fair and open appointment process. A member of the FRC Board will be part of the interview process and final decision making recommendations to the Chair. The Members shall be appointed for an initial term of up to three years renewable for a second term of up to three years. In exceptional circumstances, and at the absolute discretion of the Secretary of State, one further term may be granted for a maximum of 12 months. The length of term may be shortened to allow for a staggered rotation of Members to ensure continuity on the Board. All Members will be appointed on a part-time basis.

2.3 Membership of the UK Endorsement Board shall comprise the UK Endorsement Board Chair plus the following categories to the extent possible:

Category	Number
Preparers of accounts	2–3
Academic	1–2

<sup>1</sup> IFRS has the meaning given under [Article 2 of Regulation \(EC\) No 1606/2002](#): “[IFRS] shall mean International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related Interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations, future standards and related interpretations issued or adopted by the International Accounting Standards Board (IASB).”

Category	Number
Investors and other users of accounts	1–3
Other	1–2
Economist	1
Accounting firm	2–3
<b>Total</b>	<b>8-14</b>
<b>Chair</b>	<b>1</b>
Observers (with speaking rights)	5

Note: these numbers represent an upper and lower threshold of category Members.

- 2.4 UK Endorsement Board Members will disclose any conflicts of interest and may not be employees of the FRC, or Members of the FRC Board or its committees or advisory panels.
- 2.5 UK Endorsement Board Members will have a good understanding and knowledge of IFRS. They should have relevant background experience whether as preparer, investor/user, advisor, academic or other relevant experience. They should also have a good understanding of the political and regulatory environment, and a broad policy perspective.
- 2.6 The Chair of the UK Endorsement Board will seek to ensure that the UK Endorsement Board is diverse in terms of the skills, experience, background, race, gender and other characteristics of its Members.

### 3. Role and Responsibilities

- 3.1 The UK Endorsement Board shall perform the following roles and responsibilities to serve the UK long term public good with the assistance of the UK Endorsement Board's dedicated Secretariat, in accordance with The International Accounting Standards (Delegation of Functions) (EU Exit) Regulations 2021, SI 2021/609 and as follows:
  - a) Influencing the development of IFRS, including, but not limited to, following and contributing to debates on the IASB's projects, having oversight of consultations with UK stakeholders to obtain their views, and highlighting concerns to the IASB, as and when appropriate, including the development of the IASB's agenda and post-implementation reviews.
  - b) Deciding whether to adopt IFRS for application by UK entities and publishing its decisions in accordance with the process for the adoption of IFRS specified in legislation.
  - c) Supporting the maintenance of the UK's Corporate Reporting framework by giving consideration to issues regarding equivalence of UK-adopted IFRS with third countries when requested.
- 3.2 In performing its Functions, the UK Endorsement Board shall:
  - a) Comply with:

- i. All other functions, duties and responsibilities delegated to it or conferred upon it by legislation including The International Accounting Standards (Delegation of Functions) (EU Exit) Regulations 2021, SI 2021/609; and
  - ii. Its duties and responsibilities under the Memorandum of Understanding signed on 22 May 2021 between the Secretary of State for the Department for Business, Energy and Industrial Strategy (the Department), the Financial Reporting Council (FRC) and the UK Endorsement Board.
- b) Ensure compliance with the duties and responsibilities that are placed on it as a body exercising legal functions.
- c) Uphold, and act at all times in accordance with, the Guiding Principles in all activities as set out in section 4 below.
- d) Develop, maintain and follow (subject to paragraph 3.2(i)) rules of procedural fairness and transparency in relation to the exercise of its Functions in a Due Process Handbook which shall set out:
  - i. Appropriate procedures and policies for the work undertaken by the Endorsement Board.
  - ii. Matters which shall be subject to public consultation with a representative range of stakeholders.
  - iii. The UK Endorsement Board's policy on what amounts to a significant change in accounting practice, and for the standards that meet the criteria in regulation 7 of SI 2019/685, the appropriate due process for the review of the impact of the adoption of the standard.
- e) Perform its Functions having given due consideration to appropriate technical analysis, its Members' professional judgement and the Due Process Handbook and, where the UK Endorsement Board considers it appropriate to depart from the procedures and policies set out in the Handbook, explain its rationale in a publicly available document and account as appropriate to the FRC as its oversight body.
- f) Respond to any requests for assistance or advice on financial reporting matters referred to it by the Secretary of State or the FRC.
- g) Give due regard to recommendations by the FRC relating to governance and due process.
- h) Agree its budget, proposed by the Chair, for approval by the Secretary of State.
- i) Nominate an individual to oversee its budget. This person should be a qualified accountant and may be either the Chair or a member of Secretariat staff.
- j) Each year, prepare a regulatory strategy which must be submitted to the Secretary of State for approval.

- 3.3 UK Endorsement Board Members, in the performance of their role, shall at all times:
- a) Act independently and in the UK long-term public good, including not showing preference to special interests and/or any employing entity and professional, sectoral or organisational affiliations.
  - b) Act in accordance with the UK Endorsement Board's Guiding Principles set out at paragraph 4 below.
  - c) Vote in accordance with their judgement after having assessed the relevant evidence.
  - d) Report actual or potential conflicts of interest to the Chair and, when necessary, agree mitigations.
  - e) Be accountable to the Chair for their performance over the year.
- 3.4 The UK Endorsement Board Chair is responsible for:
- a) The operation of the UK Endorsement Board.
  - b) Reporting to the Secretary of State on how the UK Endorsement Board is discharging its Functions.
  - c) Reporting to the oversight body, the FRC Board, on governance and due process.
  - d) Appointing, with the approval of the Secretary of State, the Members of the UK Endorsement Board.
  - e) Appointing Observers with speaking rights from relevant organisations, including Government Departments (including the Department) and Regulators, such as the FRC, HM Treasury, HM Revenue and Customs, the Financial Conduct Authority and the Bank of England.
  - f) Oversight of the recruitment of staff to the Secretariat, which will follow the FRC's standard recruitment policies and procedures including open competition in line with FRC's policies. Secretariat staff will be a separate and ring-fenced resource within the FRC.
  - g) Leadership of the Secretariat staff, including oversight of training and appraisals.
  - h) Proposing for agreement by the UK Endorsement Board, the budget for the UK Endorsement Board, following consultation with the FRC. If during that consultation the FRC Executive raises any concerns regarding the proposed budget that cannot be resolved between the FRC and the Chair, the Chair must notify the Secretary of State of all such concerns.
- 3.5 Observers with speaking rights may offer technical and policy insight on the implications of new or amended IFRS relevant to their area of expertise.
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## 4. Guiding principles

- 4.1 The UK Endorsement Board shall perform its Functions and act at all times in accordance with the guiding principles of accountability, independence, transparency and thought leadership, to ensure compliance with the Seven Principles of Public Life<sup>2</sup>.
- 4.2 In applying the principle of accountability, the UK Endorsement Board shall:
- a) Be responsible to its oversight body, the FRC, for compliance with its governance and procedures as set out in the Due Process Handbook.
  - b) Be responsible to the Secretary of State for the performance of the Functions.
  - c) Provide a clear, publicly available rationale for its decisions.
  - d) Consult with UK stakeholders affected by financial reporting and analyse the potential impact of IASB proposals.
  - e) Undertake assessments of the IASB's proposals against the endorsement criteria<sup>3</sup>.
  - f) Undertake its activities and due process procedures in a timely way.
  - g) Undertake relevant impact assessments in line with the administrative and legal requirements of the BEIS Better Regulation Framework.
- 4.3 In applying the principle of independence, the UK Endorsement Board shall:
- a) Ensure it acts in the UK's long term public good.
  - b) Be independent from other organisations or stakeholder groups, including the FRC and the Department, in respect of its technical decision-making.
- 4.4 In applying the principle of transparency, the UK Endorsement Board shall:
- a) Determine its technical decisions after having assessed the relevant evidence received and followed its Due Process Handbook.
  - b) Undertake its activities in a transparent manner, so that stakeholders can understand how the decisions reached have been made.
  - c) Make documents and comment letters received publicly available on a timely basis so far as is consistent with its legal obligations.
- 4.5 In applying the principle of thought leadership, the UK Endorsement Board shall:
- a) Lead the UK debate on international accounting standards and reporting.
  - b) Represent UK views in international fora with the aim of influencing debate.

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<sup>2</sup> Selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

<sup>3</sup> As set out in [SI 2019/685](#).

- c) Engage with accounting and reporting and endorsement and adoption bodies in other jurisdictions, in order to improve influence and understand best practice.
- d) Pro-actively participate in the development of new global accounting standards for example by undertaking research.

## 5. Meetings

- 5.1 The quorum for UK Endorsement Board meetings will be sixty percent of the appointed Members.
- 5.2 Decisions to adopt a standard or amendment to a standard or an IFRS Interpretation Committee interpretation must be made by at least two-thirds of the Members, including the Chair. In exceptional circumstances, if the Chair is not available Members may elect another Member to act as an alternate Chair.
- 5.3 Following the conclusion of a final written vote, in relation to the decision in paragraph 5.2, the Chair shall make public the outcome of that vote within 3 working days. Publication of the results of the vote on a standard or part standard will, where the result is to adopt a standard in whole or in part, constitute the adoption of that standard by the UK Endorsement Board<sup>4</sup>, on a date specified by the UK Endorsement Board.
- 5.4 Where the vote to adopt a standard or amendment or interpretation does not reach the required majority, the Chair may, after consultation with external parties including BEIS, choose to ask the UK Endorsement Board to return to the vote. This may include asking the UK Endorsement Board to vote on part of the standard, amendment or interpretation if it appears that this will have the required support. A subsequent decision to adopt the part standard or part amendment to a standard or part interpretation must be made by at least two-thirds of the Members.
- 5.5 Where a vote by the UK Endorsement Board to adopt a standard, amendment, or interpretation, in whole or in part, has failed to reach the required majority and, in the opinion of the Chair, there is no prospect of such majority being reached, the UK Endorsement Board Chair must provide a written explanation of circumstances to the Secretary of State within 10 working days of the failure to adopt. The Secretary of State may require further evidence. The Chair must inform Members of any recommendations by the Secretary of State.
- 5.6 Meetings will be held in public and open to attendance by members of the public. However, the UK Endorsement Board may hold certain discussions (such as discussions of administrative issues) in private or in the presence of invited observers only.
- 5.7 The UK Endorsement Board will explain why any discussions relating to financial reporting matters are held in private.

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<sup>4</sup> The Due Process Handbook will provide further detail on the voting process.

## 6. Frequency and Form of Meetings

- 6.1 The UK Endorsement Board will meet a minimum of three times a year and otherwise, as necessary, dependent on the work plan and/or as required at the call of the Chair.
- 6.2 The UK Endorsement Board may hold meetings in person, by webcast, or by telephone or other similar means. In deciding the format of meeting, the UK Endorsement Board Chair should take into consideration public access and attendance.

## 7. Attendance at Meetings

- 7.1 UK Endorsement Board Members may not be represented by alternates.
- 7.2 Only UK Endorsement Board Members and Observers with speaking rights will have the right to speak at Board meetings. Other individuals may be invited by the Chair to speak at all or part of any meeting, as and when appropriate.
- 7.3 An UK Endorsement Board member who has not attended three consecutive meetings, whatever the reason might be, is deemed to have resigned (subject to the discretion of the Chair). The Chair will commence the process for finding a replacement. This presumption is however subject to appeal to the Chair.

## 8. Notice of Meetings and Agenda Papers

- 8.1 Unless otherwise agreed, notice of each meeting, confirming the format, time and date, together with an agenda of items to be discussed and supporting papers, will be made available to each UK Endorsement Board member and any other person required or invited to attend, no later than five working days before the date of the meeting.
- 8.2 The meeting schedule for the calendar year will be made available on the UK Endorsement Board's website.
- 8.3 The agenda and agenda papers for each public meeting will usually be made available on the UK Endorsement Board's website no later than 5 working days before the meeting.
- 8.4 In exceptional circumstances (for example, but not limited to, commercial confidentiality or prejudice to the conduct of public affairs,) and taking into consideration the Guiding Principles, the Chair may, in their absolute discretion, decide that all or part of certain agenda papers should not be made publicly available.
- 8.5 Public meetings will be broadcast and recorded. Recordings will be available on the UK Endorsement Board's website.

## 9. Minutes of Meetings

- 9.1 The Secretary to the UK Endorsement Board shall be the Operations Director, or their nominee.
- 9.2 The Secretary shall minute the meetings and resolutions of the UK Endorsement Board,

including recording the names of those present and in attendance. The minutes will be circulated to all UK Endorsement Board Members for approval and once approved made available on the Board's website.

- 9.3 A summary of the decisions reached by the UK Endorsement Board will be published on the UK Endorsement Board's website usually within 10 working days following the meeting.
- 9.4 The UK Endorsement Board shall ensure that an accessible record of all Decisions made by members will be kept as long as those decisions are relevant and in force.

## **10. Accountability, Reviewing and Reporting Responsibilities**

10.1 The UK Endorsement Board is accountable to:

- a) the Secretary of State, in relation to the performance of the Functions.
- b) the FRC, in relation to its effective operation, governance and adherence to the Due Process Handbook.

10.2 The UK Endorsement Board will review:

- a) Annually, its performance and whether its member composition, skills and diversity are appropriate. The UK Endorsement Board will report on its member composition and appointments as part of its annual report on its governance and due process.
- b) At least once every five years, these Terms of Reference to ensure that it is meeting the guiding principles set out in section 4 and make such recommendations for its revision following such consultation as deemed appropriate by the UK Endorsement Board and submit any revisions to the Secretary of State for approval.
- c) At least once every five years, the Due Process Handbook to ensure that it is meeting the guiding principles set out in section 4 and make any necessary revisions following such consultation as deemed appropriate by the UK Endorsement Board.

10.3 The UK Endorsement Board will report:

- a) At least annually, to the Secretary of State on the exercise of the Functions such report to be laid in Parliament.
- b) At least annually, to the FRC in relation to its governance and due process in a publicly available document.

## **11. Commencement of Functions**

11.1 The UK Endorsement Board will perform the Functions from the date that the delegation from the Secretary of State takes effect. However, before that date, it will prepare to undertake these Functions.

## 12. Other

12.1 If a Member of the UK Endorsement Board publishes articles or addresses a public audience in their capacity either as a Member or in their private capacity, they will do so in accordance with the UKEB's Communications Policy.

Adopted 26 March 2021

### Updates:

- To reflect changes to the Board recruitment process. Effective date: 18 March 2022.
- To include a clarification regarding the annual reporting process. Effective date: 23 September 2022.
- To include a clarification regarding the Due Process Handbook review process. Effective date: 17 November 2022.