

# Minutes of the UKEB's Public Meeting held on 22 June 2023 at 10:00 hrs at 125 London Wall, London EC2Y 5AS

The UKEB met for the public meeting on 22 June 2023. The video 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
Kathryn Cearns	Member
Katherine Coates	Member (Alternate Chair from items 12 to 15)
Edward Knapp	Member
Paul Lee	Member
Liz Murrall	Member
Michael Wells	Member
Andrew Death	Observer from the Department for Business and Trade (DBT)
Richard Cannon	Observer from His Majesty's Revenue and Customs (HMRC)
Joyce Grant	Observer from the Financial Reporting Council (FRC/CRR)
Andrew Murray	Observer from the Bank of England (BoE)
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 Board noted apologies from Giles Mullins, Sandra Thompson, Robin Cohen.
- c) Pauline Wallace (Chair) informed the Board that she had to step out of the meeting at 14:50 (items 12 to 15) due to another commitment. The Board voted to appoint Katherine Coates as Alternate Chair for the period of the Chair's absence.

## 2. Declarations of Interest

- a) The Board noted the following declarations of interest:
  - Phil Aspin's employer carries out rate-regulated activities.

### 3. Administrative Matters

- a) The Board approved the minutes of the last meeting on 18 May 2023 for publication on the website, subject to minor amendments. **(Decision)**

### Endorsement and Adoption

#### 4. International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12): Draft Endorsement Criteria Assessment

- a) The Board considered the Draft Endorsement Criteria Assessment (DECA) and [Draft] Invitation to Comment for *International Tax Reform – Pillar Two Model Rules* (Amendments to IAS 12).
- b) The Board noted a recap regarding the accelerated timelines of this project, which had been a response to the IASB’s accelerated timetable and the need to adopt the Amendments to IAS 12 as a matter of urgency to address stakeholder needs. The combined Project Initiation Plan (PIP) approved by the Board at its February 2023 meeting proposed a 14-day consultation period for the DECA (in accordance with the Due Process Handbook). This short consultation period was intended to address the urgent need for the mandatory temporary exemption from deferred tax accounting in relation to Pillar Two top-up taxes as the relevant UK tax legislation had now been substantively enacted. The Board also noted that the timetable would necessitate a late paper for its July meeting.
- c) The Board discussed the DECA and provided its comments, requesting that the DECA emphasise the impracticability of recognising deferred tax in relation to top-up taxes. It also noted, in the context of determining whether the Amendments constituted a significant change in accounting practice, that the mandatory exception was temporary.
- d) The Board discussed the next steps and noted that the DECA and Invitation to Comment would be published on 26 June 2023 for a 14-day consultation period. The final ECA will be presented as a late paper at the July Board meeting.
- e) The Board provided comments on and approved the Draft Endorsement Criteria Assessment (DECA), Invitation to Comment and requested amendments to the Your Details document. To enable the urgent adoption of the Amendments to IAS 12, the Board agreed that the DECA would be issued for public consultation for a shortened 14 day comment period subsequent to addressing the comments from the Board and final sign-off by the Chair. **(Decision)**

#### 5. Non-current Liabilities with Covenants (Amendments to IAS 1 2020 and 2022) – Feedback on Draft Endorsement Criteria Assessment

- a) The Board considered the feedback received from stakeholders during the consultation period on the Draft Endorsement Criteria Assessment (DECA) for the two Amendments to IAS 1, *Classification of Liabilities as Current or Non-*

*current and Non-current Liabilities with Covenants* (the 2020 and 2022 Amendments to IAS 1), following publication in March 2023.

- b) The Board noted that eight formal responses had been received during the consultation. Stakeholder outreach had also been carried out, along with feedback from the UKEB Accounting Firms and Institutes Advisory Group (AFIAG). Overall, the responses support the UKEB's tentative conclusion and support endorsement without exception.
- c) The Board noted particular feedback received from one of the respondents highlighting the following matters:
  - i. The classification of liabilities settled in own equity instruments: the Board noted that the issue about the classification of liabilities settled in own equity instruments is not pervasive in the UK.
  - ii. Whether the Amendments are likely to lead to a 'significant change in accounting practice': the Board noted that its overall assessment, that the Amendments would not lead to a significant change in accounting practice, remained unchanged. However, Board members recommended ongoing monitoring through the horizon scanning process. The Board requested that this is made clear in the ECA before publication.
- d) The Board noted the next steps and that the adoption package for the Amendments would be considered for a tentative vote on adoption at its July 2023 meeting.

## Influencing

### 6. ISSB Request for Information – Draft Comment Letter

- a) Before consideration of the matter at hand, the Board noted developments in relation to the ISSB's work, including that the ISSB was expected to issue its first two standards, IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, on 26 June 2023. The UK Government had introduced a framework for the formal endorsement and adoption of the standards in the UK. The framework would include a Technical Advisory Committee and Policy and Implementation Committee to support with the endorsement activities. The UKEB's involvement in those committees would be clarified in due course, however, its existing remit of connectivity was expected to remain unchanged as a result of the setup of the new endorsement mechanism.
- b) The Board considered the Draft Comment Letter (DCL) and [Draft] Invitation to Comment in response to the ISSB's Request for Information (Rfi).
- c) The Board noted that the UKEB had been working to a compressed timetable to ensure its response met the ISSB's timelines. It was noted that significant stakeholder outreach had been undertaken ahead of the development of the DCL, including engagement with various UKEB's Advisory and Working Groups.

- d) The Board noted the next steps and that the DCL and Invitation to Comment would be published on 23 June 2023.
- e) The Board approved the publication of the Draft Comment Letter and [Draft] Invitation to Comment in response to the ISSB's Request for Information for public consultation for a 30 day comment period. **(Decision)**

## 7. **Post-implementation Review of IFRS 15 *Revenue from Contracts with Customers* – Project Initiation Plan**

- a) The Board considered the draft Project Initiation Plan (PIP) for the project to respond to the IASB's Post-implementation Review of IFRS 15. The Board noted that the IASB is expected to issue its Request for Information (RFI) for this project later during June 2023, with an expected comment deadline in October 2023.
- b) The Board noted that outreach activities with various UKEB Advisory Groups has already commenced.
- c) The Board noted that the deadline to respond to the RFI does not fit easily with UKEB meeting schedule and the UKEB consultation period was expected to overlap with interim reporting and summer holidays for a significant number of UK stakeholders. The Board discussed various options regarding the timeline for approval of its Draft Comment Letter (DCL) and the Final Comment Letter (FCL). The Board agreed that the DCL should be presented at the meeting on 13 July 2023 and the FCL at the meeting on 19 October 2023 **(Decision)**.
- d) The Board approved the PIP. **(Decision)**

## Ongoing Monitoring of IASB Projects

### 8. **Primary Financial Statements – Illustrative Examples**

- a) The Board considered a set of proposed illustrative examples developed by IASB staff designed to illustrate the IASB's main tentative decisions on the Primary Financial Statements project. These examples are expected to be included in the illustrative examples that will accompany the IFRS Accounting Standard General Presentation and Disclosures (the "forthcoming standard"). The input received from the Board would help inform the UKEB's feedback to the IASB at the July 2023 ASAF meeting.
- b) The illustrative examples considered by the Board were as follows:
  - i. Examples 1–3: Presentation of income statements for three different types of entities.
  - ii. Example 4: Disclosure of Management Performance Measures (MPMs)..
  - iii. Example 5: Disclosure of operating expenses by nature..

- c) The Board's view was that the proposed examples were useful in demonstrating the application of some of the main requirements in the forthcoming standard. The Board also made some suggestions to improve the information included in those examples. The Board also suggested:
  - i. the addition of other illustrative examples and/or explanations to illustrate a wider range of situations and aspects of the IASB's tentative decisions.
  - ii. each illustration is accompanied by sufficient narrative to aid understanding.
  - iii. the addition of references to relevant paragraphs in the forthcoming standard.

## 9. Provisions – Targeted Improvements

- a) The Board considered an update on the IASB's proposals to make targeted improvements to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. It was noted that this topic would be discussed at ASAF's July 2023 meeting.
- b) The Board noted that the UKEB has not yet conducted significant stakeholder feedback on this topic. The feedback from the UKEB's Accounting Firms & Institutes Advisory Group (AFIAG) members supported the IASB's proposed approach on targeted improvements rather than wholesale changes to the standard.

## 10. IASB General Update

- a) The Board considered the recent tentative decisions on IASB projects currently being monitored by the UKEB Secretariat. The Board considered the following topics for discussion, which would also be topics for discussion at ASAF's July 2023 meeting:
  - i. Intangibles – The UKEB has been invited to present the research report on intangibles at ASAF's July 2023 meeting. The Board discussed the pros and cons of the different options for scoping the IASB's project: a comprehensive review, disclosure focused, or limited amendments to individual standards.
  - ii. Climate-related Risks in the Financial Statements – It was noted that the focus of ASAF's discussions would be on the challenges and consistency between climate-related risk disclosures with other disclosures made elsewhere in the financial statements. The Board discussed connectivity challenges and potential limitations in the standards in capturing climate-related risks. The Board agreed that the IASB should retain a climate-first approach to be able to act on a timely basis, prior to consideration of widening of the scope of its project to include other long-term risks.

- iii. Business Combinations Under Common Control (BCUCC) – The Board discussed the future direction of the BCUCC project. Views from UKEB Board members were mixed in this respect. However, on balance they considered that the BCUCC project could be discontinued so that the IASB could give priority to other more relevant projects (i.e. the project on ‘Provisions–Targeted Improvements’).

## Ongoing Monitoring of ISSB Projects

### 11. Analysis of 2022 Annual Reports – Final Report

- a) The Board considered the final report for deliverable two of the Climate-related Research Project Initiation Plan (PIP). The objective of the report was to promote discussion and awareness regarding potential connectivity issues between sustainability disclosures and financial statements in a sample of 2022 FTSE 350 Annual Reports. It was also intended that the research would provide the evidence-base for the UKEB’s responses to both the ISSB Request for Information and the IASB Climate-related Risks in Financial Statements project. It was noted that the report did not seek to judge the approach or current state of reporting by individual companies, nor draw conclusions on good/bad practice.
- b) The Board provided its comments on the draft report and concluded that, as the report was not intended to draw any specific conclusions, neither an executive summary nor conclusions section were required.
- c) The Board agreed that the Chair would review changes requested by Members and approve the report for publication. **(Decision)**

### 12. Climate-Related Matters: Summary of Connectivity Research

- a) The Board approved publication of the updated report on Climate-Related Matters: Summary of Connectivity Research. **(Decision)**

### 13. Advisory Groups Updates

- a) The Board noted relevant updates from various UKEB advisory groups from recent meetings. The following key points were noted:
  - i. Accounting Firms & Institutes Advisory Group (AFIAG), and Preparers Advisory Group (PAG) – It was noted that both advisory groups had met during June 2023; most of the topics covered at both groups’ June 2023 meeting had been discussed by the Board at this meeting. The other main topic of discussion was on the UKEB’s DCL on the IASB’s project on classification and measurement of financial assets.
  - ii. Investors Advisory Group (IAG) – It was noted that most of the topics covered at the IAG’s June 2023 meeting had been discussed by the Board at this meeting. The IAG has also discussed horizon scanning with an emphasis on the urgent need for the IASB’s project on cash flows.

**14. Items for Noting**

- a) The Board noted the following papers:
  - i. ISSB General Update
  - ii. Lease Liability in a Sale and Leaseback - Narrow-scope Amendments to IFRS 16: DPCS
  - iii. Intangibles Research: Project Update
  - iv. Project Initiation Plan Intangibles Research (Version 2)

**15. Any other business**

The meeting ended at 15:05 hrs.