

Summary of the UKEB's Public Session held on 23 September 2022 at 10:00 at 1 Victoria Street, London, SW1H 0ET

The UKEB met for the public session on 23 September 2022. 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
Mike Ashley	Member
Phil Aspin	Member
Kathryn Cearn	Member
Katherine Coates	Member
Edward Knapp	Member
Paul Lee	Member
Giles Mullins	Member
Liz Murrall	Member
Sandra Thompson	Member
Michael Wells	Member
Andrew Death	Observer from The Department for Business, Energy and Industrial Strategy (BEIS)
Joyce Grant	Observer from the Financial Reporting Council (FRC)
Chris Haworth	Observer from Her Majesty's Revenue and Customs (HMRC)
Andrew Murray	Alternate Observer from the Bank of England (BoE)
Lee Piller	Alternate Observer from the Financial Conduct Authority (FCA)

The topics discussed at that meeting, in order of discussion, were:

Welcome and Apologies

The Chair noted that the meeting was being recorded and the recording would be published on the UKEB website after the meeting.

The Board noted that two new Members, Robin Cohen and Edward Knapp, had recently been appointed in September 2022. Edward Knapp was welcomed to his first Public Board meeting.

The Board noted apologies from Robin Cohen and Amir Amel-Zadeh.

Declarations of Interest

The Board noted a declaration of interest from Phil Aspin, whose employer is carries out rate-regulated activities.

Due Process Handbook – Discussion of Revised Due Process Handbook

The Board continued its consideration of the key matters arising from feedback received from the consultation process for the Draft Due Process Handbook (the “Handbook”), addressing primarily matters that were tabled but not discussed at its July 2022 meeting due to lack of time.

The Board considered the Secretariat’s preliminary assessment of the key issues identified from consultation feedback received, including the Secretariat’s proposed drafting amendments, and provided its comments. It was noted that the final full draft of the Handbook addressing the Board’s comments would be brought back for final review and approval at the October 2022 meeting.

It was noted that the publication of the final Handbook remains on schedule, currently planned for mid-November 2022.

Ongoing Monitoring of IASB Projects

Lease Liability in a Sale and Leaseback

The Board received an update on the Amendment to IFRS 16: *Lease Liability in a Sale and Leaseback* (the “Amendment”).

The Amendment is narrow in scope and addresses a gap in the subsequent measurement requirements of IFRS 16 for sale and leaseback transactions, in relation to the right of use asset retained.

The Board noted that the IASB published the Amendment on 22 September 2022, with an effective date of 1 January 2024, although early application is permitted. The Board would need to consider the Amendment for endorsement and formal adoption for use by UK companies. The Board agreed that the endorsement process would need to include a consideration of how the Amendment works in practice as well as the prevalence in the UK of sale and leaseback transactions with variable lease payments that do not depend on an index or rate.

The Board also suggested that the UKEB’s Accounting Firms & Institutes Advisory Group (AFIAG) should be consulted on the prevalence of such transactions in the UK.

General Update

The Board was provided with general updates on IASB projects that the Secretariat is monitoring. The Board discussion was focussed on the following topics in particular:

- ***Rate-regulated Activities*** – it was noted that the UKEB Chair would be attending the ASAF meeting in September 2022 and would be sharing the UKEB’s views on the IASB’s tentative decisions on this topic. The UKEB agreed with the direction of travel of the IASB on its tentative decisions relating to components of total allowed compensation and regulatory returns on an asset not yet available for use. The Board highlighted that the current economic conditions indicated that IASB should consider the proposed accounting treatment for inflation when a regulatory agreement adjusts the regulatory capital base for inflation.

- *Post-implementation Review (PIR) of the IFRS 9 impairment requirements* – it was noted that the IASB was at the very early stages of its work on the PIR. There would be a discussion at the ASAF meeting in September 2022 regarding whether stakeholders were aware of any fundamental flaws in the requirements, and whether costs or benefits were higher/lower than expected. The Secretariat highlighted that based on informal outreach, some application issues would benefit from more guidance however, no fatal flaws in the requirements have been identified.
- IASB decision on the *IFRIC agenda decision on cash received via electronic transfers* – Secretariat provided an oral update that the IASB had agreed not to publish the IFRIC agenda decision. Instead, and in line with the UKEB recommendation, it would explore addressing the issue via narrow-scope standard setting as part of the Post-implementation Review (PIR) of IFRS 9.

Ongoing Monitoring of ISSB Projects

Update on ISSB Inaugural meeting

The Board received an update regarding the ISSB's recent inaugural meeting held in July 2022 and the ISSB's September meeting's papers. The inaugural meeting covered a range of topics that may inform the future ISSB workplan, stakeholder feedback on the two ISSB Exposure Drafts (EDs), and potential joint projects between the ISSB and IASB. During the meeting the ISSB supported: (i) the proposed plan for redeliberation and the approaches for scalability of both EDs; and (ii) a proposed approach for developing proportionate disclosure requirements.

The Board noted that the ISSB now aims to publish its final standards in early 2023, in order to keep pace with the EU's amended Corporate Sustainability Reporting Directive (CSRD), expected to replace the Non-Financial Reporting Directive (NFRD). The scope for the CSRD would be wider than for the NFRD with companies required to report in line with the EU Sustainability Reporting Standards (ESRS), which EFRAG is currently developing. EFRAG's first draft of ESRS are expected to be published in November 2022. It is expected that the European Commission would adopt the standards in June 2023, with sector specific-standards to be adopted in 2024. Non-EU registrants, with a net turnover of greater than €150m realised in European markets, will be within scope of the ESRS and required to report in line with them in 2028.

Final Report: Goodwill Research

The Board considered the final draft of the UKEB's research paper on the subsequent measurement of goodwill, which incorporated amendments arising from the Board's review of the early draft at its July 2022 Board meeting.

The Board provided additional comments and amendments to the draft research report. Subject to those amendments being made, the Board approved the publication of the final report. It was noted that the report would be published in the week commencing 26 September 2022.

Project Update: Intangibles Qualitative Research

The Board considered an update on the current status of the project on Intangibles Qualitative Research. It was noted that over 30 stakeholders had been interviewed. The key findings

indicate that stakeholders are looking for a substantial overhaul of the accounting for intangibles, with the objective of providing greater recognition and enhanced information about companies' intangible items.

An early draft of the report and an amended project initiation plan (PIP) will be presented to the Board at its October 2022 meeting. The PIP will be updated to incorporate the Board's recent decisions on the Due Process for research activities. It was noted that the timeline proposed would not have an impact on the UKEB's ability to influence the IASB project or engage with EFRAG on this topic. The Board noted that the Secretariat intend to access the research expertise in the UKEB's Academics Advisory Group during the future development of this research work.

Items for Noting

The Board noted the Due Process Compliance Statement for the UKEB's Influencing Process for the ISSB Exposure Drafts IFRS S1 and IFRS S2.

Any other business

There was no other business discussed.

The meeting ended at 15:15.