

# Meeting Summary of UKEB’s Investor Advisory Group meeting held on 27 November 2023 from 13:00 to 17:00

No.	Agenda Item
1.	Introduction and objectives
2.	Primary Financial Statements
3.	Financial Instruments with Characteristics of Equity
4.	Climate-related risk in Financial Statements
5.	Provisions – Targeted Improvements
6.	Horizon scanning
7.	A.O.B.

Present	
Name	Designation
Paul Lee	Chair, IAG
Christopher Bamberry	IAG member
Louise Dudley	IAG member
Alastair Drake	IAG member
Stanislav Varkalov	IAG member
Nicole Cater	IAG member
Tony Silverman	IAG member

Present	
Name	Designation
Tom Simmons	LSEG Observer
Nick Andersen	IASB Board member
Pauline Wallace	Chair, UKEB
Seema Jamil-O'Neill	Technical Director, UKEB

Relevant UKEB Secretariat and IASB technical team members were also present.

## Introduction and objectives

1. The Chair welcomed members to the meeting and introduced the representatives from the IASB, including IASB Board member, Nick Andersen.
2. Apologies were noted from Rupert Krefting. The Chair noted that he had provided comments on the papers ahead of the meeting.

## Primary Financial Statements

3. The IASB project team gave a presentation on the IASB's forthcoming IFRS Accounting Standard 18 Presentation and Disclosure in Financial Statements (IFRS 18), which is expected to be published in Q2 2024. The IASB staff provided an overview of the following three main topics within IFRS 18:
  - a) Categories and subtotals;
  - b) Management-defined performance measures; and
  - c) Aggregation and disaggregation.
4. Following the presentation of each topic, the IAG members were asked to consider the costs and benefits of the requirements in each topic. The UKEB Secretariat explained that the feedback from the IAG members is expected to help the UKEB identify any significant concern(s) when the project proceeds to the endorsement stage.
5. IAG members were generally supportive of the IASB's requirements and indicated that there were no significant concerns on these requirements. Nor did members identify any additional cost burdens for investors from the proposals.
6. The Chair thanked the IASB project team for the presentation and the IAG members for their input.

## Financial Instruments with Characteristics of Equity

7. The UKEB Secretariat introduced the main areas expected to be covered in the forthcoming exposure draft on IAS 32, *Financial Instruments with Characteristics of Equity*. The Secretariat invited comment from members on: sectors where instruments within the scope of the proposals were common; their views on diversity of practice in accounting for these instruments; and the adequacy of existing disclosures relating to these instruments.
8. Members highlighted sectors where such instruments are common, including the financial sector, real estate, and utilities, among others. One member highlighted that private equity investments, which can involve complex structures, arise across all sectors.
9. A member explained that for rating purposes, the accounting classification was replaced to some extent with their own assessment, to understand consistency with USGAAP companies, and to allow focus on specific terms and conditions in the instruments. This assessment is supplemented by the underlying credit agreements. A member also noted that as long-term investors they often have access to information that may not be available to general purpose users of the financial statements.
10. Support was expressed for the proposed presentation and disclosure requirements. Members considered that these should draw users' attention to the existence of these types of instruments as a separate component of equity on the face of the balance sheet and provide additional disclosure about the key terms of these instruments in the notes to the accounts.

## Provisions – Targeted Improvements

11. The UKEB Secretariat presented an overview of the IASB project 'Provisions – Targeted Improvements' which proposes amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.
12. The presentation focused on the proposed amendments to the recognition criteria in IAS 37 paragraph 14(a) '*an entity has a present obligation (legal or constructive) as a result of a past event*' and the proposed withdrawal of IFRIC Interpretation 21 *Levies*. The latter would result in earlier and progressive recognition of some levies.
13. A restructuring plan and a net-zero commitment were used as examples to illustrate the expected application of the proposals. In cases where no provision is recognised there could be other accounting implications. Entities would need to consider the requirements in other IFRS Accounting Standards, such as those in IAS 16 *Property, Plant and Equipment* (asset useful life / residual value), IAS 36 *Impairment of Assets* and IAS 1 *Presentation of Financial Statements* (presentation and disclosures). The IASB is expected to decide the project direction in December 2023.

14. In addition, the IFRS Interpretations Committee (the Committee) received a submission about the circumstances in which an entity recognises a provision for net-zero commitments when applying the *existing* requirements in IAS 37. The submission was yet to be discussed by the Committee. The UKEB Secretariat will update this group on any significant developments.

## Climate-related risk and other uncertainties in Financial Statements

15. The UKEB Secretariat presented an overview of the IASB tentative decisions in relation to the scope and approach of the *Climate-related risks and other uncertainties in the Financial Statements* project.
16. The members discussed the tentative scope of the project and the options available to the IASB for further illustrative examples regarding materiality and other uncertainties. Members generally supported the tentative IASB approach. A member noted that while accounting standards adequately addressed risks in the financial statements further illustrative examples may be beneficial for both preparers and users.
17. A member commented that limiting the project scope to climate-related risk may be more effective due to the significant work completed and familiarity with this particular risk. However, it was also considered that a principles-based approach may be more suited to including 'other risks' as it could be challenging to determine a boundary for climate-related risks.
18. The Chair commented that users were seeking confidence that material climate-related risks had been considered in the preparation in the financial statements, and where the preparer considered there was no impact, an explanation for the rationale would be helpful.
19. Members discussed the advantages and disadvantages of the IASB developing education material, illustrative examples (that would accompany the accounting standards) or accounting standard setting in relation to these risks. Members considered that accounting standard setting was mostly likely to provide the change they required and that the proposed IASB timeframe for standard setting of 2025 was acceptable.
20. In relation to stand alone or a walk-through example, a member considered that a broad fact pattern may be more useful due to interconnected nature of disclosures. Members considered that customising illustrative Example K in the *Materiality Practice Statement* for a climate-related risk would also be useful.

## Horizon Scanning

21. Power Purchase Agreements (PPAs) were discussed as an evolving area of interest to users. Users noted concerns regarding volatility of these contracts going through the Profit and Loss account and the need for increased transparency.
22. The current state of the IASB potential project on cashflow statements was also discussed. It was noted that a project was currently in the IASB pipeline. It was anticipated that the project may move to live once the IASB *Primary Financial Statements* project had concluded in 2024.
23. A member asked the IASB representatives for feedback in relation to the implementation of *IFRS 17 Insurance Contracts*. The IASB advised that a formal Post Implementation Review (PIR) would be conducted in due course but that feedback from preparers and users, at this early stage was generally positive.
24. The UKEB Technical Director advised members that the *Supplier Finance Arrangements: Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures* (the Amendments) were considered for adoption at the October 2023 UKEB meeting and anticipated that an adoption notice would be issued shortly.

## AOB

25. The Chair advised that two potential IAG members had been identified. One had been offered a membership and the other was at the interview stage.
26. Members were asked to review the proposed meeting dates for 2024 and advise the Chair of any issues.
27. The UKEB Secretariat presented an overview of the UK government's endorsement mechanism for ISSB Standards. It was noted that UKEB was expected to be represented on both the Policy and Implementation Committee and the Technical Advisory Committee.
28. The UKEB Secretariat also presented an overview of the *Lack of Exchangeability – Amendments to IAS 21* and *Business Combinations – Disclosures, Goodwill & Impairment* projects for members' awareness. It was noted that the scope of the latter project, based on IASB tentative decisions, would be limited to disclosure, and would not include recognition or measurement.
29. The next meeting will take place on Monday 26 February, 13:00 – 17:00, 2024.

## END OF MEETING