



AMENDMENTS TO IFRS 19 SUBSIDIARIES WITHOUT PUBLIC ACCOUNTABILITY DISCLOSURES

Issued 25 November 2024

ICAEW welcomes the opportunity to comment on the Amendments to IFRS 19 *Subsidiaries without Public Accountability Disclosures* published by the IASB on 30 July 2024, a copy of which is available from this [link](#).

We broadly agree that the IASB's proposed amendments to IFRS 19 *Subsidiaries without Public Accountability Disclosures* are in line with the Board's principles underpinning the development of the Standard. However, we are concerned that there remains a lack of clarity around who the IASB believes the specific identified users of subsidiary financial statements to be and what their information needs are. Consequently, we have concerns about the proportionality of the requirements of IFRS 19 (including some requirements proposed by the Exposure Draft), particularly when compared to the requirements of FRS 101 *Reduced Disclosure Framework*.

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KEY POINTS

SUPPORT FOR THE PROPOSED AMENDMENTS

1. ICAEW welcomes the opportunity to comment on this Exposure Draft (ED). We broadly agree that the IASB's proposed amendments to IFRS 19 *Subsidiaries without Public Accountability Disclosures* are in line with the Board's principles underpinning the development of the Standard. However, we note in this letter some concerns around disclosures related to supplier finance arrangements and the prospective Regulatory Assets and Regulatory Liabilities (RARL) Standard as part of our ongoing concern around the overall approach taken in IFRS 19.
2. We agree that the disclosure requirements included in IFRS 19 will remain sufficient and clear following the removal of disclosure objectives as proposed. In our view, it is not appropriate to include individual disclosure objectives in IFRS 19 because doing so would conflict somewhat with the purpose of the Standard (which is to specify which disclosure requirements are to apply for subsidiaries without public accountability).

ONGOING CONCERNS ABOUT THE APPROACH TAKEN IN IFRS 19

3. As noted in our [response to the IASB's July 2021 Exposure Draft *Subsidiaries without Public Accountability: Disclosures*](#), we believe there is a lack of clarity around who the IASB believes the specific identified users of subsidiary financial statements to be and what their information needs are. Consequently, we have concerns about the proportionality of the requirements of IFRS 19 (including some requirements proposed in the current ED). In particular, we believe there are opportunities to further reduce disclosure requirements through the use of equivalence exemptions; an approach offered in the UK by FRS 101 *Reduced Disclosure Framework*, whereby certain disclosures are not required where there is sufficient information included within the parent's publicly available IFRS consolidated financial statements. See our responses to questions 2 and 5 for further detail.
4. It is worth noting that if IFRS 19 is endorsed for use in the UK, entities currently applying FRS 101 *Reduced Disclosure Framework* may have a choice between applying IFRS 19 or FRS 101. We think that in such circumstances, entities are likely to continue to apply FRS 101 as it allows preparers to meet users' information needs without incurring excessive costs. See our response to question 6.

SUPPLIER FINANCE ARRANGEMENTS

5. We recommend the IASB removes the requirement in paragraph 168(b)(ii), which requires disclosure of financial liabilities that are part of a supplier finance arrangement for which suppliers have already received payment from the finance provider. See our response to question 2 for further detail.

REGULATORY ASSETS AND REGULATORY LIABILITIES

6. While the RARL Standard is still under development and the IASB's decisions regarding disclosure requirements are tentative, it is difficult to comment on which of the disclosure requirements in the prospective RARL Standard should be required by IFRS 19.
7. We are concerned about the IASB's suggestion in BC35 – BC37 to delay any reductions in disclosure requirements for eligible subsidiaries until after the RARL Standard has already been adopted in full. Subsidiaries applying IFRS 19 should be able to benefit from any

reduced disclosures as soon as they apply a new or amended IFRS Accounting Standard. See our response to question 6 for further detail.

ANSWERS TO SPECIFIC QUESTIONS

Question 1 - Presentation and disclosure in financial statements (proposed amendments to paragraphs 137, 142–159 and 163 of IFRS 19, paragraph A3 in Appendix A of IFRS 19 and paragraph B8 of Appendix B of IFRS 19)

The IASB is proposing to retain the disclosure requirements in IFRS 19 relating to IFRS 18. The only substantial change proposed is to remove from IFRS 19 the requirements relating to management-defined performance measures. Instead, an eligible subsidiary that uses management-defined performance measures as defined in IFRS 18 would be required to apply the related disclosure requirements in IFRS 18. The IASB is also proposing to remove the disclosure objective in paragraph 137 of IFRS 19 relating to non-current liabilities with covenants.

Paragraphs BC6–BC13 of the Basis for Conclusions on this Exposure Draft explain the IASB’s rationale for this proposal.

Do you agree with the proposal to remove from IFRS 19 the requirements for management-defined performance measures and to require an eligible subsidiary to disclose information about these measures if it uses them? If you disagree with this proposal, please explain your reasons.

Are there any other disclosure requirements in IFRS 18 that, in your view, are not applicable to eligible subsidiaries and should therefore be removed from IFRS 19? If so, please specify the disclosure requirements and explain your reasons.

Do you agree that following the removal of the disclosure objective in paragraph 137 of IFRS 19, the remaining requirements relating to non-current liabilities with covenants are sufficient and clear?

Removal of requirements for management-defined performance measures from IFRS 19

8. We support the proposal to remove disclosure requirements relating to management-defined performance measures (MPMs) from IFRS 19, and instead refer eligible subsidiaries that use MPMs to the relevant requirements in IFRS 18 *Presentation and Disclosure in Financial Statements*. We agree with the IASB’s rationale that eligible subsidiaries are less likely to use MPMs than other entities and that it is therefore not necessary to include these disclosure requirements in IFRS 19.
9. We have heard views that it may be disproportionate to require eligible subsidiaries that use MPMs to adhere to the disclosure requirements of IFRS 18 relating to MPMs on the basis of not being publicly accountable. Some stakeholders have questioned the usefulness of the disclosures, particularly in cases where the eligible subsidiary is 100% owned by the parent.
10. However, as an MPM is a voluntary measure that an entity uses to communicate an aspect of financial performance to users of the financial statements (IFRS 18.117(b)), it seems reasonable to expect them to also provide the related disclosures. Such disclosures provide relevant and useful information to users (for example, to non-controlling interest shareholders that are interested in the performance of the eligible subsidiary). Therefore, on balance, we agree that if an eligible subsidiary applying IFRS 19 uses MPMs it should be required to disclose information relating to those MPMs.

Other disclosure requirements in IFRS 18

11. There are no other disclosure requirements in IFRS 18 that we believe should be removed from IFRS 19.

Removal of non-current liabilities with covenants disclosure objective

12. We agree that the requirements relating to non-current liabilities with covenants are sufficient and clear following the proposed removal of the disclosure objective in paragraph 137 of IFRS 19.

Question 2—Supplier finance arrangements (proposed amendments to paragraphs 167–168 of IFRS 19)

The IASB is proposing to retain the disclosure requirements in IFRS 19 relating to supplier finance arrangements, with some amendments.

The IASB proposes to delete the disclosure objective previously included in paragraph 167 of IFRS 19, consistent with its decision not to include disclosure objectives in IFRS 19. It also proposes:

- a) to add a new paragraph, paragraph 167A, which would include the description of supplier finance arrangements from paragraph 44G of IAS 7; and*
- b) to amend paragraph 168 of IFRS 19 to remove the reference to the disclosure objective.*

Paragraphs BC14–BC17 of the Basis for Conclusions on this Exposure Draft explain the IASB’s rationale for these proposals.

Do you agree that including explanatory text in paragraph 167A would be helpful to eligible subsidiaries that elect to apply IFRS 19? Please explain your reasons.

Are there any other disclosure requirements that should be removed from IFRS 19? Please explain your reasons.

New supplier finance arrangement explanatory paragraph

13. We agree with the proposed inclusion of explanatory text in paragraph 167A. The new paragraph will help preparers determine whether arrangements they enter into fall under the umbrella of a supplier finance arrangement.

Other disclosure requirements related to supplier finance arrangements

14. We recommend the IASB removes the requirement in paragraph 168(b)(ii), which requires disclosure of financial liabilities that are part of a supplier finance arrangement for which suppliers have already received payment from the finance provider. We believe that this information has limited value to the users of an eligible subsidiary’s financial statements.
15. Furthermore, we note that under FRS 101, subsidiaries can take an exemption from certain supplier finance arrangement disclosures provided equivalent disclosures are made in the consolidated financial statements of the group within which the subsidiary is consolidated. We recommend that the IASB considers whether IFRS 19 should replicate this exemption to ensure proportionality of reporting requirements for eligible subsidiaries.

Removal of supplier finance arrangements disclosure objective

16. We agree that IFRS 19 is sufficient and clear following the proposed removal of the disclosure objective previously included in paragraph 167.

Question 3—International tax reform—Pillar Two model rules (proposed amendments to paragraphs 198–199 of IFRS 19)

The IASB is proposing to retain the disclosure requirements in IFRS 19 relating to the amendments to IAS 12 that introduced:

- a) a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and*

b) targeted disclosure requirements for affected entities.

The only proposed change is to remove paragraph 198 of IFRS 19 and the reference to a disclosure objective in paragraph 199 of IFRS 19.

Paragraphs BC18–BC21 of the Basis for Conclusions on this Exposure Draft explain the IASB’s rationale for this proposal.

Do you agree that following the removal of reference to the disclosure objective, the disclosure requirements in paragraphs 196–199 of IFRS 19 are sufficient and clear? Please explain your reasons.

Retain Pillar Two disclosure requirements

17. We agree with the IASB’s proposal to retain the Pillar Two disclosure requirements as it is possible that a subsidiary may be materially impacted by the Pillar Two model rules on a standalone basis even if the impact is not material to the group.

Removal of Pillar Two disclosure objective

18. We agree that IFRS 19 is sufficient and clear following the proposed removal of the Pillar Two disclosure objective from paragraph 199.

Question 4—Lack of exchangeability (proposed amendments to paragraphs 221–223 of IFRS 19)

The IASB is proposing to retain the disclosure requirements in IFRS 19 relating to the amendments for lack of exchangeability issued in August 2023. The IASB amended IAS 21 to require an entity to apply a consistent approach:

- a) to assessing whether a currency is exchangeable into another currency; and***
- b) to determining the exchange rate to use and the disclosures to provide if a currency is not exchangeable.***

The only proposed change is to remove from IFRS 19 the disclosure objective and the reference to the amount of detail necessary to satisfy that objective.

Paragraphs BC22–BC26 of the Basis for Conclusions on this Exposure Draft explain the IASB’s rationale for this proposal.

Do you agree that following the removal of reference to the disclosure objective, the disclosure requirements in paragraphs 221–223 of IFRS 19 are sufficient and clear?

Are there any other disclosure requirements that should be removed from IFRS 19? Please explain your reasons.

Retain disclosure requirements for a lack of exchangeability

19. We agree with the IASB’s proposal to retain disclosure requirements in IFRS 19 relating to a currency that is not exchangeable into another currency.

Removal of the disclosure objective

20. We agree that IFRS 19 is sufficient and clear following the proposed removal of the disclosure objective relating to a lack of exchangeability from IFRS 19.

Question 5—Financial instruments classification and measurement (no changes proposed)

Paragraphs 56A–56D of IFRS 19 were added due to Amendments to the Classification and Measurement of Financial Instruments issued in May 2024. The paragraphs contain disclosure requirements relating to the effect of contractual terms that could change the amount of contractual cash flows as a result of a contingent event that does not directly relate to basic lending risks and costs (such as the time value of money or credit risk).

The amendments to IFRS 19 were made without reducing the disclosure requirements. Having considered the amendments, the IASB proposes not to reduce the disclosure requirements because they provide users of eligible subsidiaries' financial statements with information about short-term cash flows and obligations, as well as solvency and liquidity.

Paragraphs BC27–BC31 of the Basis for Conclusions on this Exposure Draft explain the IASB's rationale for this proposal.

Do you have comments or suggestions on the proposal not to reduce the disclosure requirements introduced by the amendments to IFRS 7 issued in May 2024? Please explain your reasons.

Disclosure requirements introduced by the amendments to IFRS 7

21. We agree that the IASB's proposal to retain disclosure requirements relating to classification and measurement of financial instruments (introduced by the amendments to IFRS 7 *Financial Instruments: Disclosures* published in May 2024) is in line with the Board's principles underpinning the development of the reduced disclosure requirements. We believe the disclosures provide useful information in line with BC2 that ensures users of eligible subsidiaries' financial statements understand the entity's solvency and liquidity risks.
22. We note that under FRS 101, however, qualifying entities are exempt from the disclosure requirements of IFRS 7 provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated. We recommend that the IASB considers whether IFRS 19 should replicate this exemption to ensure proportionality of reporting requirements for eligible subsidiaries.

Question 6—Regulatory assets and regulatory liabilities Paragraphs 56A–56D of IFRS 19

An entity that applies IFRS 19 and the prospective RARL Standard will be required to apply the disclosure requirements in the prospective RARL Standard. The IASB is proposing to remove the disclosure requirements relating to IFRS 14, which were included in IFRS 19, when the prospective RARL Standard is issued and to amend paragraph 4(b) of IFRS 19 such that the disclosure requirements in the prospective RARL Standard remain applicable. These changes would be consequential amendments in the prospective RARL Standard.

Table 1 describes the disclosure requirements the IASB has tentatively decided to include in the prospective RARL Standard. Eligible subsidiaries with regulatory assets and regulatory liabilities would be required to apply all these requirements if IFRS 19 were not amended to reduce the disclosure requirements. Table 1 also illustrates which requirements might be reduced if the IASB were instead to apply its principles for developing reduced disclosure requirements for entities applying IFRS 19.

This Exposure Draft proposes no reductions in disclosure requirements relating to regulatory assets and regulatory liabilities at this stage.

Paragraphs BC32–BC37 of the Basis for Conclusions on this Exposure Draft explain the IASB's rationale for these proposals.

Are you aware of entities that have regulatory assets and regulatory liabilities within the scope of the IASB's project on rate-regulated activities that would be eligible to apply IFRS 19?

Do you agree that an entity applying IFRS 19 and the prospective RARL Standard should be required to apply all the disclosure requirements in the prospective RARL Standard illustrated in Table 1? If you disagree, please suggest the disclosure requirements in Table 1 that an eligible subsidiary applying IFRS 19 should not be required to apply. Please explain your reasons.

Eligible subsidiaries with regulatory assets and regulatory liabilities

23. We understand that there are a number of rate-regulated utility entities in the UK (eg, water entities) who would fall within the scope of the prospective Regulatory Assets and Regulatory Liabilities (RARL) Standard and who would be eligible to apply IFRS 19 if it were endorsed for use in the UK.
24. However, it is worth noting that if IFRS 19 were endorsed for use in the UK and eligible subsidiaries have a choice between applying IFRS 19 or FRS 101, we think it likely that entities will continue to apply FRS 101.

No reduction to prospective RARL Standard

25. While the RARL Standard is still under development and the IASB's decisions regarding disclosure requirements are tentative, it is difficult to comment on which of the disclosure requirements in the prospective RARL Standard should be required by IFRS 19.
26. However, we are concerned about the IASB's suggestion in BC35 – BC37 to delay any reductions in disclosure requirements for eligible subsidiaries until after the RARL Standard has already been adopted in full. Such an approach would be inconsistent with paragraph BC109 in the Basis for Conclusions of IFRS 19, which sets out the IASB's decision that eligible subsidiaries should be able to benefit from any reduced disclosures as soon as they apply a new or amended IFRS Accounting Standard. Requiring a subsidiary to prepare disclosures in full initially and then later reducing the disclosure requirements will unnecessarily increase costs for subsidiaries applying IFRS 19.