Staff paper

Agenda reference: 32A

IASB® meeting

Date	**February 2025**
Project	**Updating IFRS 19 *Subsidiaries without Public Accountability: Disclosures***
Topic	**General issues and approach to redeliberations**
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Purpose of this paper

1. This paper summarises the IASB's discussions of the feedback on the Exposure Draft *Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures* (Exposure Draft) at its January 2025 meeting and explains the approach to redeliberations on the Exposure Draft.

2. As explained in Agenda Paper 32 of the January 2025 IASB meeting, respondents to the Exposure Draft made a number of comments that went beyond the proposed disclosure reductions. This paper discusses our approach to redeliberations and matters that are outside the scope of this project.

3. The IASB is not asked to make any decisions relating to this paper. Agenda Paper 32B *Considering reductions in disclosure requirements* sets out staff recommendations for changes to the proposals for reduced disclosure requirements in the Exposure Draft.

Structure of the paper

4. The paper is structured as follows:

   (a) January 2025 IASB discussions (paragraphs 5–9);

   (b) topics outside the scope of this project (paragraphs 10–20); and

   (c) staff approach to reviewing suggestions (paragraphs 21–23).

January 2025 IASB discussions

5. In January 2025, the IASB discussed feedback from comment letters and outreach activities.

6. IASB members agreed on some key points:

   (a) it is important to finalise the amendments as soon as possible so that entities electing to apply IFRS 19 *Subsidiaries without Public Accountability: Disclosures* (the Standard) from its effective date of 1 January 2027 can use the amended version from the outset. Preferably, those electing to apply the Standard before its effective date will also have the amended version available. In addition, some jurisdictions that have an endorsement process are waiting until the amendments are finalised before they begin this process, rather than endorsing IFRS 19 as issued and then its amendments at a later date.

   (b) the reduced-disclosure principles that were used in developing the Standard should not be revisited for the purposes of the amendments. The principles were reviewed as part of the work undertaken in the second comprehensive review of the *IFRS for SMEs* Accounting Standard.

   (c) the scope of this project should not be expanded to revisit decisions that were made during the development of IFRS 19 or decisions that were made in the development of other IFRS Accounting Standards, for instance relating to the new disclosure requirements for classification and measurement of financial instruments in IFRS 7 *Financial Instruments: Disclosures*.

7. The staff working on the Rate-regulated Activities project plan to bring a paper to the March 2025 IASB meeting discussing potential amendments for the prospective rate-regulated activities standard. These potential amendments need to be considered separately since the amendments to IFRS 19 are expected to be finalised before the IASB issues the prospective rate-regulated activities standard.

8. On other points there were differing views among IASB members:

   (a) Some IASB members accepted the comments from respondents and agreed it would be reasonable to look again and see if further disclosure reductions were available. These IASB members agreed that this is important to retain the Standard’s attractiveness. These members asked that any further recommended reductions should be consistent with how the reduced-disclosure principles were applied.

   (b) Some IASB members said that the priority should be finalising the amendments in a timely manner. In their view the Standard is a dynamic document that will be updated in future, and the proposed reductions in the Exposure Draft were carefully chosen and justified. They also observed that only a small group of respondents that expressed concern over the scale of the disclosure reductions.

   (c) A few IASB members said that any further disclosure reductions could be on the basis of a cost–benefit assessment.

   (d) Some IASB members observed that respondents who said the disclosure reductions had not gone far enough did not in general suggest specific further reductions, although there were a small number of detailed suggestions. This might imply that the concerns are more about how the approach will be applied in the future than about the outcomes of this consultation. Reaffirmation of the IASB’s approach to the Standard and its reduced-disclosure principles for, in the Basis for Conclusions, might help to communicate the IASB’s position.

9. There was also discussion at the January 2025 meeting of the nature of the topics in the scope of the Exposure Draft. It was observed that given its topic, it is to be expected that most of the disclosure requirements in IFRS 18 *Presentation and Disclosure in Financial Statements* will be considered necessary for subsidiaries. Similarly, amendments to other IFRS Accounting Standards in the scope of the Exposure Draft were mostly targeted, and some were made specifically to respond to calls from investors for improved information. Consequently, for topics in the scope of the Exposure Draft it could be argued all the associated disclosure requirements are necessary for any subsidiary to which the topic is applicable.

Topics outside the scope of this project

10. As set out in paragraph 6(a), IASB members agreed that it is a priority to finalise the amendments to the Standard without delay. This means that there are some comments by respondents that it is not practical to deliberate in the scope of this project:

    (a) *The scope of the Standard* (see paragraph 11). At this and previous stages, some respondents have asked for the scope of the Standard to be expanded. One suggestion is to make it available to all non-publicly accountable entities, not just to eligible subsidiaries.

    (b) *Use of a parent company exemption* (see paragraphs 12–13). A few respondents asked whether there could be an additional layer of reduced disclosures, so that a subsidiary whose parent disclosed certain information in its consolidated financial statements would be exempt from providing those disclosure in its own financial statements.

    (c) *Revisiting disclosure requirements that were included in IFRS 19 related to IFRS Accounting Standards that were outside the scope of the Exposure Draft* (paragraphs 14 –15). A few respondents asked the IASB to reconsider requirements in IFRS 19 that did not relate to new or amended IFRS Accounting Standards; others asked that certain disclosure requirements in those standards themselves were reconsidered.

(d) *Revisiting the principles for developing reduced disclosures* (paragraphs 15–16). Some respondents expressed the view that these principles are too broad, so applying them to disclosure requirements that were subject of the Exposure Draft resulted in only a few reductions that were a small proportion of the total disclosures.

(e) *Reconciling the disclosure requirements in IFRS 19 with those in the* IFRS for SMEs *Accounting Standard* (paragraphs 17–20). A few respondents expressed the view that because the nature of entities eligible to use the two standards are similar (that is, those entities that do not have public accountability) and the principles used in developing the disclosure requirements in the two standards were the same, then the resulting disclosure requirements should also be the same.

11. The invitation to comment did not ask for feedback relating to the *scope of the Standard*. The disclosure requirements for IFRS 19 were developed with a deliberately narrow preparer group in mind, to maximise the chance that they would achieve an appropriate balance between benefits to users and costs to preparers. Changing the scope could alter many of the judgements that were made based on the existing scope, and would require further public consultation. It would also be necessary to revisit the disclosure requirements in the Standard as a whole to assess whether they were all suitable for a wider range of entities, and whether they needed to be augmented with more requirements from full IFRS Accounting Standards.

12. Introducing a layer of additional reduced disclosure requirements for entities whose parent provides the required disclosures in their consolidated financial statements would be inconsistent with the approach set out in paragraph BC30 of the Basis for Conclusions on IFRS 19. Paragraph BC30 describes the IASB's disagreement with the idea that disclosures about a subsidiary's activities would be available in the parent's consolidated financial statements, and includes these two points:

(b) the financial statements of subsidiaries should be 'stand alone'—that is, they must provide users with all the information they need without those users having to consult the parent's consolidated financial statements; and

(c) the parent's consolidated financial statements are prepared applying a materiality assessment appropriate for the group, whereas the subsidiary's financial statements are prepared applying a materiality assessment appropriate for that subsidiary.

13. Reducing disclosure requirements based on inclusion in a parent's consolidated financial statements would breach the principle of having subsidiary financial statements be 'stand alone'. It would also be difficult to draft a reasonable requirement that takes into account materiality. Many subsidiaries are very small in relation to the group of which they are part, and so a subsidiary's results might be entirely immaterial to a disclosure in the group's consolidated financial statements. There would, in this way, be a loss of information to users of the subsidiary's financial statements.

14. The Exposure Draft was narrow in scope, addressing a small number of new and amended IFRS Accounting Standards that the IASB had not reduced the disclosure requirements for because they (in general) had been issued after the Exposure Draft that led to IFRS 19. It would appear premature to revisit disclosure requirements in IFRS 19, except for those where the IASB explicitly asked for comments. In due course, a post-implementation review of IFRS 19 will allow the IASB to assess whether the Standard is working as intended and will give respondents at that point the opportunity to make suggestions about additions or reductions in disclosure requirements.

15. Revisiting the requirements in other IFRS Accounting Standards would not be justifiable as part of this limited scope amendment to IFRS 19.

16. As described in paragraph 6(b), the IASB does not wish to revisit the reduced-disclosure principles at this stage. The Exposure Draft proposed amendments based on those principles and asked respondents for comments on whether those principles had been satisfactorily applied. As with the matter of scope, revising the principles now would mean that previously agreed disclosure requirements would need to be revisited through this new lens. This would be a major project that would warrant substantial work and would not be compatible with issuing the amendments on a timely basis.

17. Finally on the matter of the disclosure requirements in the *IFRS for SMEs* Accounting Standard and IFRS 19 being similar, the IASB decided in a previous meeting that the two standards would not run in parallel. Staff drew on feedback on disclosure requirements relevant to both standards in the drafting of IFRS 19 and the third edition of the *IFRS for SMEs* Accounting Standard, but this was a matter of efficient working, not an assertion that the two standards should be identical.

18. IASB members emphasised in the January 2025 IASB meeting that the gap between the standards could be expected to widen because IFRS 19 will be updated with each new or amended IFRS Accounting Standard whereas the *IFRS for SMEs* Accounting Standard is subject to periodic review. Moreover, even though eligible subsidiaries are a subset of SMEs as defined for the purpose of the *IFRS for SMEs* Accounting Standard, they have some characteristics that are not shared by all SMEs.

19. In particular, eligible subsidiaries are part of a larger group, meaning they have the resources of that group available to them, and are likely to be required to prepare reporting packages for their parent's consolidation process. This means that the cost–benefit assessment will usually be different for eligible subsidiaries than for other SMEs.

20. Finally, there are differences in recognition and measurement requirements between the *IFRS for SMEs* Accounting Standard and IFRS Accounting Standards, so differences in disclosure requirements are also to be expected.

Staff approach to reviewing suggestions

21. Agenda Paper 32B reviews each of the topics in the Exposure Draft, except rate-regulated activities. An evaluation is made on whether feedback supported the proposals in the Exposure Draft and then on whether there are further reductions available that are consistent with the IASB's reduced-disclosure principles.

22. Matters raised relating to topics set out in paragraphs 10–20 are not addressed as they are outside the scope of this project.

23. In reviewing possible further disclosure reductions, staff referred to previous IASB discussions relating to the development of the Exposure Draft, where for requirements where there was not full agreement, the default was to include them in the Exposure Draft with the option to remove them if stakeholder feedback suggested they were unnecessary. This means that a requirement is not protected from being reconsidered simply by virtue of having been included in the Exposure Draft.

Question for the IASB
Does the IASB have any questions or comments on the approach described in this paper?