28 November 2024
Agenda Paper 5

Final Comment Letter: Exposure Draft Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

Executive Summary

Project Type	Influencing
Project Scope	Limited

Purpose of the paper

The purpose of this paper is to obtain the Board's:

a) approval to issue a Final Comment Letter (FCL) (Appendix A) in response to the IASB Exposure Draft Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures* (the ED);

b) approval for the publication of the Feedback Statement (Appendix B); and

c) feedback on the draft Due Process Compliance Statement (DPCS) (Appendix C).

Summary of the Issue

The IASB issued the ED on 30 July 2024 with a 120-day comment period ending on 27 November 2024. The ED provides proposed amendments to IFRS 19, to reduce disclosure requirements for new or amended IFRS Accounting Standards issued between 28 February 2021 and 1 May 2024. These disclosure requirements were included in IFRS 19 without reductions because the IASB had not consulted on reducing those requirements in developing IFRS 19.

The UKEB's Draft Comment Letter (DCL) was published for stakeholder comment on 25 September 2024. This consultation closed on 11 November 2024.

Decisions for the Board

1. In the light of the feedback on MPMs, is the Board content to maintain the position in the DCL in its FCL?
2. Subject to any amendments arising at this meeting, does the Board approve:
    a) The FCL (Appendix A) for issue to the IASB and publication on the UKEB website?
    b) The Feedback Statement (Appendix B) for publication on the UKEB website?

3. In addition, the Board is asked whether it has any comments on the draft DPCS for the project.
Recommendation
The Secretariat recommends that, subject to any amendments agreed at this meeting, the Board approves the FCL and the Feedback Statement for issue and publication.
Appendices
Appendix A Final Comment Letter – clean copy Appendix B Feedback Statement Appendix C [Draft] Due Process Compliance Statement

Background

1. The IASB issued IFRS 19 *Subsidiaries without Public Accountability: Disclosures* in May 2024. In developing the reduced disclosure requirements in IFRS 19, the IASB considered the disclosure requirements in IFRS Accounting Standards issued before 28 February 2021.

2. Disclosure requirements in new or amended IFRS Accounting Standards issued between 28 February 2021 and May 2024 were included in IFRS 19 without reductions when IFRS 19 was issued in May 2024.

3. The ED proposes a package of amendments to IFRS 19 designed to reduce these disclosure requirements. The IASB issued the ED on 30 July 2024 with a comment period ending on 27 November 2024.

4. The UKEB Draft Comment Letter (DCL) was published on the UKEB website on 25 September 2024, with a comment deadline of 11 November 2024.

5. The DCL was broadly supportive of the proposed reductions in disclosure requirements but recommended that the IASB consult on reduced disclosures in relation to the forthcoming IFRS Accounting Standard *Regulatory Assets and Regulatory Liabilities*, once that standard has been finalised.

Outreach and feedback on the DCL

6. Discussions on the IASB's ED have been held with several preparers and users, covering aspects of the proposals in further detail.

7. Two written responses to the DCL were received, both from accounting firms, and were uploaded to the UKEB website. Given the narrow scope of the amendments to IFRS 19 and the nature of the standard i.e. it is optional and applicable only to subsidiaries without public accountability, the small number of formal responses is not unexpected.

8. One comment letter included feedback on proportionality and indicated that because IFRS 19 provides limited reductions in comparison with FRS 101 *Reduced Disclosure Framework,* its attractiveness will be limited. The accounting firm indicated that they will respond to the other questions in our Invitation to Comment (ITC) directly to the IASB.

9. The main comment in the other comment letter is on the disclosure requirements in IFRS 18 *Presentation and Disclosure in Financial Statement* relating to management-defined performance measures (MPMs) – see below. Other comments which were not aligned with the UKEB draft position are addressed in the Feedback Statement.

Feedback on management-defined performance measures (MPMs)

10. The UKEB DCL stated that eligible subsidiaries that used MPMs were expected to be rare but that, when an eligible subsidiary chose to use MPMs, all the disclosure requirements of IFRS 18 were appropriate.

11. One stakeholder (a preparer) expressed the view that, when the MPMs are the same for both the parent and the subsidiary, the retention of all the disclosure requirements from IFRS 18 relating to MPMs constituted unnecessary duplication. That preparer also indicated that requiring subsidiaries to provide all the IFRS 18 MPMs disclosures would be onerous and supported a cross-reference to the group accounts. We heard similar concerns on proportionality from another preparer during outreach carried out prior to the publication of UKEB DCL.

12. In its comment letter, an accounting firm supported removal of the disclosure requirements relating to MPMs for eligible subsidiaries on cost benefit grounds. The firm noted that some subsidiaries may report MPMs based on group guidelines without underlying user needs: users of subsidiary accounts were often different in nature than those using group accounts and were not reliant on MPMs disclosures. In the firm's view, preparation of disclosures on MPMs would mean significant additional controls and processes including audit work.

13. The Secretariat considered that the disclosure requirements include a reconciliation between the MPM and the most directly comparable total or subtotal specifically required to be presented or disclosed by IFRS Accounting Standards. Although the MPMs of a subsidiary may be the same as the parent, the numbers will be different, so group disclosures may not provide sufficient relevant information to users of the subsidiary financial statements. Further, the Secretariat noted that some eligible subsidiaries may have non-controlling interests for whom disclosures at subsidiary level will be important.

Question for the Board
1. In the light of the feedback on MPMs, is the Board content to maintain the position in the DCL in its FCL?

Other national standard setters

14. We held discussions with other national standard setters to exchange views on the ED proposals. This included the FRC, in its capacity as the standard setter for UK GAAP, the Malaysian Accounting Standards Board (MASB), the Accounting Standards Board of New Zealand (NZASB) and the Australian Accounting Standards Board (AASB).

15. The national standard setters other than the FRC did not express any significant concerns with the ED proposals.

16. We understand that the FRC intends to submit a comment letter to the IASB, drawing on its experience of developing financial reporting standards for the UK and Republic of Ireland, including FRS 101, and that there may be areas where the FRC has taken a different position from that in the UKEB DCL. At the time of writing, the FRC letter has not been finalised so a verbal update will be provided to the Board during its meeting on 28 November 2024.

Final Comment Letter (FCL)

17. The UKEB comment letter has been updated to include reference to the fact that the UKEB has sole responsibility for assessing IFRS 19, including the Amendments, for adoption for use in the UK (see paragraph 9 of the covering letter). Otherwise, no changes have been made. The FCL is attached as Appendix A for consideration and, subject to any amendments arising at this meeting, the Board is asked to approve the letter for issue to the IASB and publication on the UKEB website.

Feedback Statement

18. The Feedback Statement is attached for consideration, and, subject to any amendments arising at this meeting, the Board is asked to approve it for publication on the UKEB website.

[Draft] Due Process Compliance Statement (DPCS)

19. The [draft] DPCS is attached for consideration. A final version will be brought back to the 12 December 2024 meeting for noting, once the final project steps are completed.

Questions for the Board
1. Subject to any amendments arising at this meeting, does the Board approve: a) The FCL (Appendix A) for issue to the IASB and publication on the UKEB website? b) The Feedback Statement (Appendix B) for publication on the UKEB website? 2. Does the Board have any comments on the draft DPCS for the project?

UK Endorsement Board

Next steps

20. Following approval and any amendments required by the Board, the FCL will be submitted to the IASB as soon as practicable after the November 2024 Board meeting. The IASB staff have been notified about the late submission. The FCL together with the Feedback Statement will be published on the UKEB project webpage. The draft DPCS will be updated to reflect feedback, the final project steps and then represented to the Board at the December 2024 meeting for noting.

UK Endorsement Board

Dr Andreas Barckow
Chairman
International Accounting Standards Board
Columbus Building
7 Westferry Circus
Canary Wharf
London
E14 4HD

XX November 2024

Dear Dr Barckow

Exposure Draft IASB/ED/2024/5 Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

1. The UK Endorsement Board (UKEB) is responsible for the endorsement and adoption of IFRS Accounting Standards for use in the UK and is, therefore, the UK's National Standard Setter for IFRS Accounting Standards. The UKEB also leads the UK's engagement with the IFRS Foundation on the development of new standards, amendments and interpretations. This letter is intended to contribute to the Foundation's due process. The views expressed by the UKEB in this letter are separate from, and will not necessarily affect the conclusions in, any endorsement and adoption assessment on new or amended international accounting standards undertaken by the UKEB.

2. There are currently approximately 1,400 entities with equity listed on the London Stock Exchange that prepare their financial statements in accordance with IFRS.[1] In addition, UK law allows unlisted companies the option to use IFRS and approximately 14,000 such companies currently take up this option.[2]

3. We welcome the opportunity to provide comment on the International Accounting Standards Board (IASB) Exposure Draft (ED) Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures* (the Amendments). In developing this letter, we have consulted with stakeholders in the UK, including preparers, accounting firms and institutes and users of accounts.

4. We support the IASB's objective in developing the Amendments as well as the timely publication of the ED, and are broadly supportive of the proposals. We

[1] UKEB calculation based on LSEG and Eikon data, May 2024. This calculation includes companies listed on the Main market as well as on the Alternative Investment Market (AIM).
[2] UKEB estimate based on FAME, Company Watch and other proprietary data.

consider it important to amend IFRS 19 to address disclosure requirements in new or amended IFRS Accounting Standards issued between 28 February 2021 and 1 May 2024 that were not addressed when IFRS 19 was issued in May 2024.

5. Our main observations and recommendations are set out in the paragraphs that follow. Responses to the IASB's specific questions about the ED are included in the Appendix to this letter.

Main comments on the ED proposals

6. We support the principles the IASB used in considering reduced disclosure requirements for IFRS 19 and in maintaining the standard. In assessing the needs of users of financial statements of eligible subsidiaries, we agree that these users are likely to be focused on these principles i.e. information about short-term cash flows, liquidity, measurement uncertainties, disaggregation of amounts in the financial statements and accounting policy choices.

7. However, the broad nature of these principles means that IFRS 19 and the Amendments offer relatively few reductions in required disclosures. In line with our comments on the development of IFRS 19[3], to maintain the attractiveness of the standard and to meet the objective of a reduced disclosure framework, we encourage the IASB to give greater consideration to proportionality to ensure that the disclosure requirements are not excessive for subsidiaries that are not publicly accountable.

8. The proposed requirement that an entity applying IFRS 19 and the forthcoming IFRS Accounting Standard *Regulatory Assets and Regulatory Liabilities* (RARL Standard) should be required to apply all the disclosure requirements in the forthcoming RARL Standard, set out in Table 1 of the ED, is inconsistent with the objective of IFRS 19. Reduced disclosures should be in place by the effective date of the forthcoming RARL Standard and we therefore recommend the IASB consults on reduced disclosures once that standard has been finalised. Our detailed comments in relation to the forthcoming RARL Standard are in paragraphs A16—A19 of the Appendix.

3 The UKEB comment letter on the ED for IFRS 19 can be found here.

UKEB
UK Endorsement Board

Timeline for finalisation of the Amendments

9. As the IASB is aware, responsibility for the assessment of IFRS 19 for adoption for use in the UK, including the amendments resulting from this ED, rests solely with the UKEB.

10. The UKEB plans to start its formal endorsement project in early 2025 to assess both IFRS 19 and the final amendments resulting from this ED as a package for adoption. We encourage the IASB to finalise the amendments to IFRS 19 as soon as practicable. This will enable eligible subsidiaries to implement the amended IFRS 19 without delay, subject to the UKEB decision on adoption of the standard for use in the UK.

11. If you have any questions about this response, please contact the project team at UKEndorsementBoard@endorsement-board.uk.

Yours sincerely

Pauline Wallace
Chair
UK Endorsement Board

Appendix A: Questions on ED Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

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?

A1. We support replacing the disclosure requirements for management-defined performance measures (MPMs) in IFRS 19 with a cross-reference to the paragraphs in IFRS 18 *Presentation and Disclosure in Financial Statements* that contain these disclosures i.e. to require an eligible subsidiary to disclose information about these measures if it uses them. We consider this is a pragmatic solution to improve the accessibility of the standard i.e. avoiding adding length to the standard for disclosure requirements that are expected to be rarely applicable.

A2. Consistent with the IASB's rational, we expect eligible subsidiaries that use MPMs to be rare. When an eligible subsidiary chooses to use MPMs, however, we recognise that all the disclosure requirements of IFRS 18 are appropriate.

A3. Removal of the disclosure objective in paragraph 137 of IFRS 19 relating to non-current liabilities with covenants is consistent with the IASB's previous decision not to include disclosure objectives in IFRS 19 and we support the reasoning behind this decision[4].

A4. We also support the IASB's approach of not revisiting decisions relating to those disclosure requirements that were carried forward into IFRS 18 or relocated to another standard unchanged. Given that the IASB has already consulted on those disclosure requirements we agree that a reconsideration of those decisions is not warranted.

A5. We support retaining most of the new and amended disclosure requirements from IFRS 18. However, to ensure paragraph 136 of IFRS 19 includes only disclosure requirements, we recommend modifying the wording of this paragraph as indicated below.

> An entity will either present expenses by nature, or applying paragraph 133, disclose some expenses by nature. ~~The amounts presented or disclosed need not be the amounts recognised as an expense in the period. They could include amounts that have been recognised as part of the carrying amount of an asset.~~ If an entity~~:~~
>
> ~~(a) presents amounts that are not the amounts recognised as an expense in the period, it will also present an additional line item for the change in the carrying amount of the affected assets. For example, applying paragraph 39 of IAS 2 Inventories, an entity might present a line item for changes in inventories of finished goods and work in progress.~~
>
> ~~(b)~~ discloses, applying paragraph 133(b), amounts that are not the amounts recognised as an expense in the period, the entity shall give a qualitative explanation of that fact, identifying the assets involved.

4 The IASB decided that including such objectives in IFRS 19 might result in the perception that entities are required to provide the same disclosures they would otherwise have provided had they not applied IFRS 19. Such an outcome would be contrary to the project objective.

A6. We also recommend the following changes to paragraph 163 of IFRS 19, which lists disclosure requirements in IFRS 18 that remain applicable by cross-reference:

Cross reference—paragraph of IFRS 18	UKEB recommendation	UKEB rationale
Paragraphs 19 and 20	Delete cross references	The content of these two paragraphs is already covered in paragraphs 5 and 6 of IFRS 19. Therefore, these cross-references lead to duplication and potential unnecessary confusion.
Paragraph 28	Replace the paragraph cross reference with the actual disclosure requirements within IFRS 19 under the sub-heading IFRS 18 *Presentation and Disclosure in Financial Statements*	Apart from the first sentence this paragraph contains only disclosure requirements[5]. It is therefore not clear why this disclosure requirement is included by cross-reference.
Paragraph 43	Delete cross references	We consider that these paragraphs contain guidance and presentation requirements rather than specific disclosure requirements.
Paragraph 92		
Paragraph B8		Whilst this paragraph sets out the process if certain presentation decisions are made, with effects on disclosure, it does not include specific disclosure requirements.

5 Paragraph 28 of IFRS 18 states: An entity shall provide a complete set of financial statements at least annually. When an entity changes the end of its reporting period and provides financial statements for a period longer or shorter than one year, the entity shall disclose, in addition to the period covered by the financial statements:
(a) the reason for using a longer or shorter period; and
(b) the fact that amounts included in the financial statements are not entirely comparable.

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.

A7. We agree with the removal of the disclosure objective in paragraph 167 of IFRS 19 as this is consistent with the IASB's previous decision not to include disclosure objectives in IFRS 19.

A8. However, we do not support adding the description of supplier finance arrangements in IFRS 19 because:

a) IFRS 19 is a standalone disclosure standard and eligible subsidiaries applying the standard will apply the recognition, measurement and presentation requirements in IFRS Accounting Standards. Therefore, reproducing this description is unnecessary.

b) In general, IFRS 19 does not include definitions which are similar to this description e.g. definition of fair value.

A9. We acknowledge that the disclosure requirement in paragraph 168b(ii) relating to financial liabilities that are part of a supplier finance arrangement and for which suppliers have already received payment from the finance providers may provide useful information to users of financial statements. However, preparers have expressed concerns about the burden imposed by this disclosure requirement. We suggest that in finalising the Amendments the IASB provides more explanation in the Basis for Conclusions of how the benefits outweigh the costs of this disclosure in the context of eligible subsidiaries[6].

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.

A10. We agree with the removal of the disclosure objective in paragraph 198 of IFRS 19 as this is consistent with the IASB's previous decision not to include disclosure objectives in IFRS 19. We agree that the disclosure requirements in paragraphs 196-199 of IFRS 19 are sufficient and clear.

6 In the *Amendments to FRS 101 Reduced Disclosure Framework – 2023/24 cycle*, the UK's FRS 101 provides an unconditional disclosure exception from this disclosure requirement on proportionality grounds.

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.

A11. We agree with the removal of the disclosure objective in paragraph 221 of IFRS 19 as this is consistent with the IASB's previous decision not to include disclosure objectives in IFRS 19. We agree that the disclosure requirements in paragraphs 221-223 of IFRS 19 are sufficient and clear.

UK Endorsement Board

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.

A12. We support the IASB's proposal not to reduce the disclosure requirements relating to contractual cash flows that were introduced by the *Amendments to the Classification and Measurement of Financial Instruments* issued in May 2024.

A13. Given the less complex nature of eligible subsidiaries, the disclosure requirements introduced by the amendments to IFRS 7 are not expected to be applicable in the majority of cases. Also, we agree with the IASB's rational in paragraph BC31 of the ED that this information is likely to be available in the contract and will therefore not require undue effort by an eligible subsidiary.

A14. We agree that the disclosure requirement in paragraph 56B (effects of contractual terms that could change the amount of contractual cash flows) achieves a reasonable balance between cost for preparers and benefits to users.

A15. Finally, paragraph 56C of the consequential amendments to IFRS 19 appears to be disclosure guidance. For this reason, we suggest the IASB considers whether this guidance should be included in IFRS 19.

Question 6—Regulatory assets and regulatory liabilities
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.

A16. We understand from stakeholders that UK unlisted subsidiaries that have regulatory assets and regulatory liabilities may not have public accountability under the definition in IFRS 19 and therefore would be eligible to apply the standard.

A17. While we acknowledge the reason set out in paragraph BC36(b) of the ED for delaying any proposed reduced disclosure requirements, we are concerned that taking the approach of observing the application of a new standard before arriving at a reduced disclosure framework could create a precedent for other new IFRS Accounting Standards issued in the future.

A18. Consistent with the view in paragraph BC37 of the ED[7], our preferred approach would be to ensure reduced disclosure requirements are available by the effective date of the forthcoming RARL Standard. This approach delivers the following advantages:

a) It is consistent with the IASB's decision to include reduced disclosures for IFRS 14 *Regulatory Deferral Accounts* in IFRS 19.

b) It ensures the objective of IFRS 19 to reduce costs for preparers is maintained.

c) It is more cost-effective for eligible subsidiaries to have reduced disclosures at the time they implement the forthcoming RARL Standard, e.g. enabling them to design their data collection processes or IT system changes accordingly.

d) It enhances the attractiveness of IFRS 19 for eligible subsidiaries.

A19. We therefore recommend the IASB consults on reduced disclosure requirements in a separate ED shortly after the forthcoming RARL Standard is issued. The standard is expected to be issued in H2 2025 and the IASB has tentatively decided to require an entity to apply the final RARL Standard for annual periods beginning on or after 1 January 2029, with earlier application permitted. This provides the IASB sufficient time to implement our recommendation.

[7] Paragraph BC37 states: "…… On the other hand, some preparers and users might prefer to have reduced disclosure requirements available from the outset so that they have continuity in reporting and do not incur costs in gathering information for disclosure requirements that could be reduced in the future. Allowing reduced disclosures as soon as the prospective RARL Standard is issued would give greater stability to eligible subsidiaries and users of their financial statements."

Feedback Statement

Exposure Draft Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

Final Comment Letter (FCL)

December 2024

UK Endorsement Board

The UK Endorsement Board (UKEB) is responsible for endorsement and adoption of IFRS for use in the UK and therefore is the UK's National Standard Setter for IFRS. The UKEB also leads the UK's engagement with the IFRS Foundation on the development of new standards, amendments and interpretations.

The comment letter to which this feedback statement relates forms part of those influencing activities and is intended to contribute to the IFRS Foundation's due process.

The views expressed by the UKEB in its comment letter are separate from, and will not necessarily affect the conclusions in, any endorsement and adoption assessment on new or amended international accounting standards undertaken by the UKEB.

Contents

UKEB
UK Endorsement Board

Purpose of this Feedback Statement

UK Endorsement Board

This feedback statement presents the views of UK stakeholders on the UKEB's Draft Comment Letter on the IASB's Exposure Draft (ED) Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures* and explains how the UKEB's Final Comment Letter addressed those views.

The IASB's Exposure Draft

UKEB
UK Endorsement Board

The IASB issued IFRS 19 *Subsidiaries without Public Accountability: Disclosures* in May 2024. In developing the reduced disclosure requirements in IFRS 19, the IASB considered the disclosure requirements in IFRS Accounting Standards issued before 28 February 2021. Disclosure requirements in new or amended IFRS Accounting Standards issued between 28 February 2021 and May 2024 were included in IFRS 19 without reductions when IFRS 19 was issued in May 2024.

The Exposure Draft (ED) proposes a package of amendments to IFRS 19 designed to reduce these disclosure requirements. The key proposals in the ED include:

- **Primary Financial Statements: IFRS 18 *Presentation and Disclosure in Financial Statements* –** replacing the requirements relating to management-defined performance measures with a cross-reference to those requirements in IFRS 18.
- **Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) –** adding the definition of supplier finance arrangements in IFRS 19 from paragraph 44G of IAS 7 *Statement of Cash Flows*.
- **Forthcoming IFRS Accounting Standard *Regulatory Assets and Regulatory Liabilities* (RARL Standard) –** proposing no reductions in disclosure requirements at this stage for subsidiaries without public accountability applying the forthcoming RARL Standard.

Outreach approach

UKEB UK Endorsement Board

The UKEB's outreach activities took place between June 2024 and November 2024 and were conducted to assist the UKEB in developing its Comment Letter.

Due to the project timeline, most of our outreach activities were performed in the early stages of the project and these stakeholder views were reflected in the UKEB Draft Comment Letter (DCL).

Outreach activities included:

- Discussions with the UKEB Financial Instruments Working Group, the UKEB Accounting Firms and Institutes Advisory Group, the UKEB Investor Advisory Group, the UKEB Preparer Advisory Group, and the UKEB Rate-regulated Activities Technical Advisory Group.
- One-to-one meetings with limited targeted preparers and users.
- Discussions with other standard setters.
- Public consultation on the UKEB's DCL.

Stakeholder engagement (before and after issue of DCL)	
Stakeholder type	Number of stakeholders
Preparers	3
Users	2
National standard setters (including FRC UK GAAP team)	4
UKEB Advisory/Working Groups*	5

*The UKEB Advisory/Working Groups have multiple members, representing a variety of stakeholder types. The groups consulted comprise 57 members. Information about the UKEB Advisory/Working Groups can be accessed here.

The DCL was shared with our outreach participants via subscriber alerts as well as being made available on the UKEB website.

Two written responses to the DCL were received from accounting firms. These are in addition to the stakeholder outreach statistics shown in the table and are summarised on the next pages.

Where stakeholders agreed with the UKEB draft position and where there has been no substantive change in drafting from the DCL, no further details have been included in the summary of feedback.

All comments and views were considered in reaching the final UKEB views on the questions raised by the IASB.

UKEB and stakeholder views

Primary Financial Statements

<table>
<tr><th>IASB proposals</th><th>UKEB draft position</th><th>Further stakeholder views</th><th>UKEB final position</th></tr>
<tr><td>• Removed the disclosure objective from a disclosure requirement relating to non-current liabilities (paragraph 137 of IFRS 19).</td><td>• Supported the removal of the disclosure objective.</td><td>• Aligned with UKEB draft position.</td><td rowspan="4">Consistent with draft position.

While recognising the potential costs for those subsidiaries that use MPMs, the UKEB noted that:
- such subsidiaries are expected to be rare;
- the quantitative disclosures are likely to be specific to the subsidiary; and,
- some of these subsidiaries may have non-controlling interests for whom the disclosures are important.</td></tr>
<tr><td>• Replaced the requirements relating to management-defined performance measures (MPMs) with a cross-reference to those requirements in IFRS 18 (paragraphs 142–159 of IFRS 19).</td><td>• Agreed with the cross-reference approach for the requirements relating to MPMs.</td><td>• Two stakeholders expressed concerns about requiring eligible subsidiaries to make all the disclosures required by IFRS 18 relating to MPMs.</td></tr>
<tr><td></td><td>• Recommended changes to paragraph 136 of IFRS 19 to ensure it includes only disclosure requirements.</td><td rowspan="2">• No further feedback.</td></tr>
<tr><td></td><td>• Recommended changes to paragraph 163 of IFRS 19, which lists disclosure requirements in IFRS 18 that remain applicable by cross-reference.</td></tr>
</table>

UKEB and stakeholder views

Supplier Finance Arrangements

UKEB
UK Endorsement Board

IASB proposals	UKEB draft position	Further stakeholder views	UKEB final position
• Removed the disclosure objective (paragraph 167 of IFRS 19).	• Supported the removal of the disclosure objective.	• Aligned with UKEB draft position.	• Consistent with draft position.
• Added the definition of supplier finance arrangements from paragraph 44G of IAS 7 *Statement of Cash Flows*.	• Expressed opposition to adding the definition of supplier finance arrangements.		
	• Encouraged the IASB to provide more explanation of how the benefits outweigh the costs of the requirement in paragraph 168(ii) to disclose financial liabilities that are part of a supplier finance arrangement and for which suppliers have already received payment from the finance providers.	• No further feedback.	

UKEB and stakeholder views

UK Endorsement Board

Forthcoming IFRS Accounting Standard *Regulatory Assets and Regulatory Liabilities* (RARL Standard)

IASB proposals	UKEB draft position	Further stakeholder views	UKEB final position
• The ED asked stakeholders whether they are aware of entities that have regulatory assets and regulatory liabilities within the scope of the forthcoming RARL Standard that would be eligible to apply IFRS 19.	• Indicated that UK unlisted subsidiaries that have regulatory assets and regulatory liabilities may not have public accountability under the definition in IFRS 19 and therefore would be eligible to apply the standard.	• No further feedback.	• Consistent with draft position.
• Proposed no reductions in disclosure requirements at this stage for subsidiaries without public accountability applying the forthcoming RARL Standard.	• Recommended that the IASB consults on reducing the disclosure requirements for the forthcoming RARL Standard in a separate ED and that reduced disclosures should be in place by the effective date of the RARL Standard.		

UKEB and stakeholder views

Other proposals

IASB proposals	UKEB draft position	Further stakeholder views	UKEB final position
***International Tax Reform—Pillar Two Model Rules* (Amendments to IAS 12)** • Removed the reference to disclosure objective (paragraph 199 of IFRS 19)	• Supportive of these other proposed amendments.	One stakeholder suggested: • excluding the reference to 'qualitative and quantitative' information in paragraph 199 of IFRS 19 to enable flexibility regarding the level of detail to be provided; and • including the examples illustrating the disclosure requirement outlined in paragraph 88D of IAS 12 would be helpful to preparers.	Consistent with draft position: • quantitative information is an important element of the required disclosures (otherwise, the requirement becomes akin to a disclosure objective). • including examples would be inconsistent with the approach taken throughout IFRS 19.
***Lack of Exchangeability* (Amendments to IAS 21)** • Removed the disclosure objective (paragraphs 221–222 of IFRS 19)		• On cost benefit grounds, one stakeholder supported removing the disclosure requirement in paragraph 223(f) of IFRS 19 i.e. qualitative information about each type of risk to which the entity is exposed because the currency is not exchangeable into the other currency, and the nature and carrying amount of assets and liabilities exposed to each type of risk.	Consistent with draft position, this disclosure could provide useful information about liquidity and cash flows.

UKEB and stakeholder views

Other proposals

IASB proposals	UKEB draft position	Further stakeholder views	UKEB final position
***Amendments to the Classification and Measurement of Financial Instruments* (Amendments to IFRS 9 and IFRS 7)** • The Amendments were issued in May 2024, after the publication of IFRS 19. It included consequential amendments to IFRS 19 by adding the disclosure requirements related to changes in contractual cash flows (paragraphs 20B–20D of IFRS 7 *Financial Instruments: Disclosures*). • The ED proposed no changes to the consequential amendments to IFRS 19.	• Supportive of the proposal not to reduce the disclosure requirements. • Suggested the IASB consider whether paragraph 56C of the consequential amendments, which appears to be disclosure guidance, should be included in IFRS 19.	• Aligned with UKEB draft position.	• Consistent with draft position.

Disclaimer

This Feedback Statement has been produced in order to set out the UKEB's response to stakeholder comments received on the UKEB's Draft Comment Letter on the IASB's Exposure Draft Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*.

The views expressed in this Feedback Statement are those of the UK Endorsement Board at the point of publication.

Any sentiment or opinion expressed within this Feedback Statement will not necessarily bind the conclusions, decisions, endorsement or adoption of any new or amended IFRS by the UKEB.

Contact Us

UK Endorsement Board

6th Floor | 10 South Colonnade | London | E14 4PU

www.endorsement-board.uk

UK Endorsement Board

Appendix C: DRAFT Due Process Compliance Statement: Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

The International Accounting Standards Board (IASB) published IASB/ED/2024/5 Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*[1] (the Amendments) on 30 July 2024. The IASB comment period ends on 27 November 2024.

Influencing process

Project preparation

Step	Mandatory / optional[2]	Metrics or evidence	UKEB Secretariat comments
Added to UKEB technical work plan [Due Process Handbook (Handbook) 4.30]	Mandatory	Project included in the UKEB published technical work plan	**Complete:** The Amendments were included in the UKEB technical work plan published in November 2023.

1 The ED is available on the IASB website.
2 In accordance with the Due Process Handbook.

Step	Mandatory / optional[2]	Metrics or evidence	UKEB Secretariat comments
Project Initiation Plan (PIP) [Handbook 5.4 to 5.8, A1 to A2 and A12 to A14]	Mandatory	PIP draft with project outline (background, scope, project objective) and approach for influencing (key milestones and timing)	**Complete:** The Secretariat included mandatory milestones for the project and considered, as appropriate, other milestones and activities. The PIP was approved at the 28 June 2024 Board meeting.
	Mandatory	Outreach plan for stakeholders and communication approach outlined	**Complete:** The PIP (referred to above) included the plan and approach for targeted outreach.
	Mandatory	Resources allocated	**Complete:** One Project Manager and one Assistant Project Manager (0.5 FTE) with technical support and oversight from a Senior Project Director were allocated to the project.

UKEB
UK Endorsement Board

Step	Mandatory / optional[2]	Metrics or evidence	UKEB Secretariat comments
Project Initiation Plan (PIP) [Handbook 5.4 to 5.8, A1 to A2 and A12 to A14] (continued)	Mandatory	Assessment of whether to set up an ad-hoc advisory group	**Complete:** Taking a proportionate approach, an ad-hoc advisory group was not considered necessary due to the narrow-scope nature of the Amendments.
	Mandatory	Assessment of whether PIP required updating	**Complete:** We monitored this throughout the project, the nature and scope of which remained as proposed in the original PIP.
	Mandatory	UKEB Board public meeting held to approve PIP	**Complete:** The PIP was approved at the 28 June 2024 Board meeting.
Education sessions [Handbook 4.10]	Optional	Board provided with education sessions	**Complete:** No education session was provided to the Board. However, updates on the ED were included in the agenda papers as part of the IASB General Updates for UKEB October and December 2023 and, February, March, April, and May 2024 Board meetings for noting.

UKEB
UK Endorsement Board

Desk-based research

Step	Mandatory / optional[2]	Metrics or evidence	UKEB Secretariat comments
Desk-based research **[Handbook 5.9 and A3]**	Optional	Review of relevant documentation	**Complete:** the Secretariat has reviewed: • The IASB's work on the Amendments (staff papers and the ED) • The Basis for Conclusions to the ED • Draft views of other standard-setters i.e., FRC and European Financial Reporting Advisory Group (EFRAG) • IASB advisory group meetings i.e., June 2024 Capital Markets Advisory Committee and Global Preparers Forum and September 2024 SME Implementation Group (SMEIG) discussing the ED proposals (staff papers, meeting discussion and summary)

Outreach

Step	Mandatory / optional[2]	Metrics or evidence	UKEB Secretariat comments
Outreach activities [Handbook 5.10 to 5.12 and A4 to A8]	Mandatory	Evidence of consultation	**Complete:** Due to the narrow-scope nature of the Amendments, outreach activities were focused on consultation with UKEB advisory groups, including the FIWG and RRA TAG and engaging with potentially affected stakeholders, mainly preparers and users. The UKEB carried out formal consultation on its DCL and received 2 comment letters. The comment letters received were published on the UKEB website.

Draft Comment Letter (DCL)

Step	Mandatory / optional[2]	Metrics or evidence	UKEB Secretariat comments
DCL published for comment (mandatory unless impracticable) **[Handbook paragraphs 5.13 to 5.17 and A4(d)]**	Mandatory	Comment period set for responses to DCL	**Complete:** The DCL was published for consultation for 47 days on 25 September 2024 (comment period deadline: 11 November 2024).
	Mandatory	Review and approval at a UKEB public meeting	**Complete:** The DCL was reviewed and approved at the Board meeting on 19 September 2024, subject to revision after the meeting. The revision was approved by the Chair.
	Mandatory	DCL published on website for public consultation	**Complete:** The DCL was published on the UKEB website for public consultation on 25 September 2024 (comment period deadline: 11 November 2024).

Project finalisation and project closure

Step	Mandatory / optional[2]	Metrics or evidence	UKEB Secretariat comments
Final Comment Letter (FCL) [Handbook paragraph	Mandatory	Public responses to DCL considered and published on website	**Complete:** The UKEB received 2 comment letters which were published on the UKEB website. All responses were assessed, reflected as appropriate in the FCL and summarised in the Feedback Statement.

5.18 and A4(d)]	Mandatory	FCL approved by the UKEB in public meeting	**Complete:** A draft of the FCL was presented to the Board for approval at the Board's 28 November 2024 public meeting. [The Board approved the FCL subject to suggested amendments.]
	Mandatory	FCL submitted to the IASB and posted on UKEB website	[**Complete:** The FCL was submitted to the IASB and posted on the UKEB website on [DD Month YYYY].]
Feedback Statement [Handbook 5.19 to 5.22 and A9 to A11]	Mandatory	Feedback Statement approved for publication by the UKEB in a public meeting	**Complete:** A draft of the Feedback Statement [insert hyperlink] was presented to the Board for approval at the Board's 28 November 2024 public meeting. [The Board approved the draft Feedback Statement, subject to editorial changes.]
	Mandatory	Feedback Statement published on the UKEB website	[**Complete:** The final Feedback Statement was published on the UKEB website on [DD Month YYYY].]
Due Process Compliance Statement (DPCS) [Handbook 5.23 to 5.26 and A12 to A14]	Mandatory	DPCS approved by the UKEB in public meeting	**Complete:** A draft DPCS was presented to for approval to the Board at its 28 November 2024 public meeting. [A final DPCS was presented for noting at the Board's 12 December 2024 meeting.]
	Mandatory	DPCS published on the UKEB website	[**Complete:** The final DPCS was published on the UKEB website after the 12 December 2024 Board meeting.]

Ongoing communications

Step	Mandatory / optional[2]	Metrics or evidence	UKEB Secretariat comments
Public Board meetings [Handbook 4.10]	Mandatory	UKEB public meetings held to discuss technical project	**Complete:** The board received updates on the project: at its October and December meetings in 2023 and at its February, March, April, and May meetings in 2024. The Board approved the PIP at its meeting on 28 June 2024, the DCL at its meeting on 19 September 2024 and [the FCL and Feedback Statement at its meeting on 28 November 2024.]
Secretariat papers [Handbook 4.20]	Mandatory	Board meeting papers posted and publicly available usually no later than 5 working days before a Board meeting.	**Complete:** The UKEB's meeting papers were published on the UKEB website 5 working days before the public meetings. Meeting minutes and recordings were made publicly available via the UKEB website.
Project webpage [Handbook 4.25(b)]	Mandatory	Project webpage contains a project description with up-to-date information on the project.	**Complete:** The project webpage has been updated regularly on a timely basis.
Subscriber Alerts [Handbook 4.24]	Optional	Evidence that subscriber alerts have occurred	**Complete:** Subscribers were alerted via email 5 days before each Board meeting, with links to the agenda, papers and the option to dial in to observe the discussion.

UK Endorsement Board

News Alerts [Handbook 4.24]	Optional	News Alert to announce publication of key documents	**Complete:** A News Alert was published on 25 September 2024 to announce the publication of the DCL. Further News Alerts were published during October 2024 and on 1 November 2024 calling for comments. A News Alert was published on [DD Month YYYY] alerting stakeholders to the FCL. [A link to the FCL was sent out to the UKEB advisory groups.] [A News Alert announcing publication of the Feedback Statement was published on DD [Month YYYY].]

Conclusion
This project complies with the applicable due process steps, as set out in the December 2022 UKEB Due Process Handbook.