Pauline Wallace
Chair
UK Endorsement Board
6th Floor
10 South Colonnade
London
E14 4PU

18 November 2024

Dear Pauline

UKEB Draft Comment Letter on IASB Exposure Draft *Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures*

Thank you for the invitation to comment on the UKEB's Draft Comment Letter on the IASB's Exposure Draft — Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures.

As part of the network of member firms of PricewaterhouseCoopers International Limited, the UK firm's views on the IASB's Exposure Draft are incorporated into our global network's comment letter to the IASB. We therefore attach PricewaterhouseCoopers International Limited's comment letter to the IASB in response to your invitation to comment, which we hope will be useful.

If you have any questions in relation to this letter please do not hesitate to contact me.

Yours sincerely

Head of UK Corporate Reporting Services
PricewaterhouseCoopers LLP

23 October 2024

Andreas Barckow
Chair
International Accounting Standards Board (IASB)

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

Dear Andreas,

We are responding to your invitation to comment on the Exposure Draft ***Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures*** on behalf of the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity. This response summarises the views of member firms that contributed to our discussions during the comment period.

We support most of the proposals in the Exposure Draft. However, we disagree with the IASB's proposal to retain in IFRS 19 the requirements from IFRS 18 relating to management-defined performance measures (MPMs). We believe that for entities without public accountability, the costs to report on MPMs will outweigh the benefits of providing these disclosures to users of their financial statements.

The appendix to this letter sets out our responses to the questions in the Exposure Draft.

Yours sincerely,

Global Chief Accountant and Head of Reporting

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Appendix

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?

We agree with the IASB's proposal to retain the disclosure requirements in IFRS 19 relating to IFRS 18 subject to our comment in the next paragraph. We believe that these requirements will provide meaningful information also to the users of financial statements prepared applying IFRS 19.

However, we disagree with the IASB's proposal to retain in IFRS 19, now via cross reference in paragraph 163 in IFRS 19, the requirements in IFRS 18 relating to management-defined performance measures (MPMs). We believe that, for entities without public accountability, the costs to identify and prepare disclosures on MPMs will outweigh the benefits of providing these disclosures to users of their financial statements.

We believe that the benefits from requiring IFRS 18 MPM disclosures at the subsidiary level will be marginal. Most subsidiaries will not report MPMs as defined in IFRS 18 and we acknowledge that they might not be captured by the requirements as drafted, but there will be some that report MPMs based on group guidelines resulting in them being required to involuntarily report MPMs as defined by IFRS 18 without underlying user needs.

Users of subsidiary accounts are often different in nature than those using the consolidated group accounts and thus are not reliant on disclosure in relation to MPMs. The ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards will include MPMs that are material, including those identified for subsidiaries applying IFRS 19. For subsidiaries that are not material to the Group, the primary users of the financial statements are likely to be the same as the users of the ultimate or intermediate holding. Consequently, we believe that the costs of these disclosures would outweigh the benefits. We acknowledge that there may be some limited cases where there could be users of subsidiary financial statements that would

benefit from IFRS 18 MPM disclosures at a subsidiary level, but we believe that these cases will be rare. We also appreciate that preparation of MPM disclosures compliant with IFRS 18 means significant additional controls and processes including audit work. Accordingly, as we believe the number of cases where the disclosures would be useful is expected to be rare, we would propose to remove the disclosure requirement.
We agree with the removal of the disclosure objective in paragraph 137 of IFRS 19.

However, the amendments to IAS 1 on classification of liabilities as current/non-current include disclosure requirements for non-adjusting events occurring between the end of the reporting period and the date the financial statements are authorised for issue. (IAS 1 para 76 / IFRS 18 para B105). We believe this is a significant disclosure that should be required under 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.

We agree with the IASB's proposal to retain some of the disclosure requirements in IFRS 19 relating to supplier finance arrangements.

We propose to remove paragraph 167A that includes the description of supplier finance arrangements as we believe that entities applying IFRS 19 should adhere to all the requirements in IFRS Accounting Standards, including definitions, classification and measurement.

Additionally, we believe that the IASB should ensure that there is alignment between the disclosure requirements between IFRS 19 and IFRS for SMEs in paragraph 168. We appreciate that the disclosure requirements, particularly in paragraph 168(b)(ii) are onerous but we are also aware that users value this information highly when supplier finance arrangements exist. Consequently, if it is required for IFRS for SMEs it should also be required for entities reporting under IFRS 19.

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.

We agree with the IASB's proposal to remove paragraph 198 and the reference to the disclosure objective in paragraph 199.

However, we suggest that the IASB exclude the reference to "qualitative and quantitative" information in paragraph 199 of IFRS 19. The requirement as drafted is prescriptive and we believe that without such reference eligible subsidiaries will have more flexibility to apply judgement regarding the level of detail provided whilst still giving sufficient information.

We also suggest that the IASB include the examples illustrating the disclosure requirement outlined in paragraph 88D of IAS 12 or at least a reference to it, perhaps in the basis for conclusion. We believe that these illustrative examples would be helpful for preparers of financial statements.

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.

We agree with the IASB's proposal to retain the disclosure requirements in IFRS 19 related to the amendments for lack of exchangeability and to remove the disclosure objective. However, we suggest that the IASB delete the disclosure requirements in paragraph 223(f). We believe these disclosures are onerous and, given the users, costs would likely outweigh the benefits. This simplification would also align with the guidance provided in the IFRS for SMEs Standard.

Additionally, IFRS 1 was updated as part of the amendments to IAS 21 on lack of exchangeability. We suggest that the IASB incorporate this into IFRS 19. Eligible subsidiaries adopting IFRS Accounting Standards should also apply para 31C of IFRS 1 - use of deemed cost after severe hyperinflation and disclose how, and why, the entity had, and then ceased to have, a functional currency that was subject to severe hyperinflation.

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.

We agree with the IASB's proposal to retain the disclosure requirements in IFRS 19 related to the amendments to the Classification and Measurement of Financial Instruments issued in May 2024.

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.

As we continue to evaluate the new RARL standard and its disclosures in general as a firm in advance of the publication of the final standard in the second half of 2025, we are unable to provide a meaningful view on the suitability of the disclosures for IFRS 19 preparers.