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Mr. Andreas Barckow
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Our ref RD/288

31 January 2022

Dear Mr. Barckow

Comment letter on Exposure Draft ED/2021/7 *Subsidiaries without Public Accountability: Disclosures*

We appreciate the opportunity to comment on the International Accounting Standards Board's (the Board) Exposure Draft ED/2021/7 *Subsidiaries without Public Accountability: Disclosures* (the draft Standard). We have consulted with, and this letter represents the views of, the KPMG network.

We support the proposals overall. The draft Standard offers a practical solution to some of the problems faced by subsidiaries that need to prepare financial statements and wish to follow the recognition and measurement requirements of full IFRS Standards. Similar reduced disclosure frameworks have been introduced in some jurisdictions and have proved popular with preparers, offering substantial cost savings while seemingly not drawing substantial objections from users. We therefore support the draft Standard subject to the following points.

— We believe that the draft Standard should place significantly more emphasis on the need for preparers to provide additional disclosures when the disclosures set out in the draft Standard may not be sufficient to achieve a fair presentation of the financial performance, financial position and cash flows of the subsidiary and set out considerations assisting preparers in their decision making. We acknowledge the reference to additional information in paragraph 16 of the draft Standard. However, we do not believe that this gives sufficient prominence to the issue because the draft Standard focuses on the *minimum* disclosures necessary.

— We believe that the draft Standard should exist as a separate reporting framework rather than as part of full IFRS Standards. The current proposal to publish the draft Standard as a new IFRS Standard would cause confusion about the basis of preparation of an entity's financial statements. For example, an entity reporting under IFRS Standards that is not eligible to use the draft Standard (or an eligible entity that chooses not to do so), will follow a different set of disclosure requirements to an eligible entity that applies the draft Standard. It seems

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inappropriate that both entities can claim that their financial statements are prepared in accordance with IFRS Standards under paragraph 16 of IAS 1 *Presentation of Financial Statements* and achieve a fair presentation whilst each follows a different set of disclosure requirements.

— Finally, while we acknowledge the Board's reasons for limiting application of the draft Standard to eligible subsidiaries at this stage, we would support revisiting the project at a future date with a view to expanding the scope of the draft Standard to encompass joint ventures and associates in the medium-term and potentially all unlisted entities in the long-term. We also believe that the Board should consider the interactions with other related projects, such as the *Second Comprehensive Review of the IFRS for SMEs Standard* and *Disclosure Requirements in IFRS Standards – A Pilot Approach*.

We have set out our detailed comments and responses to the specific questions in the exposure draft in Appendix I to this letter.

Please contact Reinhard Dotzlaw at reinhard.dotzlaw@kpmgifrg.com or Úna Curtis at una.curtis@kpmg.ie if you wish to discuss any of the issues raised in this letter.

Yours sincerely

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Appendix I: Responses to specific questions

Question 1 – Objective
Paragraph 1 of the draft Standard proposes that the objective of the draft Standard *Subsidiaries without Public Accountability: Disclosures* is to permit eligible subsidiaries to apply the disclosure requirements in the draft Standard and the recognition, measurement and presentation requirements in IFRS Standards. Do you agree with the objective of the draft Standard? Why or why not? If not, what objective would you suggest and why?

We support the objective of the draft Standard.

Permitting eligible subsidiaries to use the disclosure requirements in the IFRS for SMEs Standard while applying the recognition, measurement and presentation requirements in IFRS Standards was identified in the *Feedback Statement on the 2015 Agenda Consultation* as an approach for the Board to explore. We agree that there is a need to address the 'disclosure problem', namely that financial statements are perceived as containing not enough relevant information, too much irrelevant information and providing an ineffective means of communication as a result. We therefore support the objective of the draft Standard as a way of addressing this need. The draft Standard would also encourage eligible subsidiaries to apply the recognition, measurement and presentation requirements in IFRS Standards and is likely to further their use.

However, we believe that the draft Standard should exist as a separate framework rather than form part of the full IFRS Standards.

Under the current proposals, the draft Standard would form part of full IFRS Standards. This could cause confusion over issues relating to the basis of preparation – e.g. the wording to be used for the compliance statement required by paragraph 16 of IAS 1 *Presentation of Financial Statements*. The existence of a reduced disclosure Standard also raises the possibility of the same overall disclosure objectives being met in different ways, depending on whether an entity is eligible to use the reduced disclosure Standard, or must make the full disclosures required by other IFRS Standards.

We therefore recommend that the draft Standard should exist as a separate framework rather than form part of full IFRS Standards. We believe that users would benefit from clarity about the financial framework applied – i.e. the full IFRS Standards, the IFRS Standards with reduced disclosures vs IFRS for SMEs.

Question 2 – Scope
Paragraphs 6–8 of the draft Standard set out the proposed scope. Paragraphs BC12–BC22 of the Basis for Conclusions explain the Board's reasons for that proposal. Do you agree with the proposed scope? Why or why not? If not, what approach would you suggest and why?

We broadly agree with the proposed scope. We agree with the Board's reasons for limiting the scope to eligible subsidiaries at the current time.

We also note that associates and joint ventures are often faced with similar issues to subsidiaries without public accountability and that there are strong arguments for including them in the scope of the draft Standard so that they too can benefit from the relief provided. On balance however, we believe that the Board is right to exercise caution when proposing that this new reduced disclosure IFRS Standard would apply only to subsidiaries.

Once the finalised Standard is implemented and applied over a period allowing operational problems to be identified, tested and resolved, it may be appropriate to return to the question of whether the scope of the Standard should be expanded.

However, in relation to banking and insurance entities, we recommend that the Board consider again the intended meaning of the wording "it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses" set out in paragraph 7(b) of the draft Standard, as the legal meaning of 'fiduciary capacity' in some jurisdictions may be narrower than what is envisaged by this paragraph. If so, this could negate the conclusion reached in the wording set out within the brackets in paragraph 7(b) that 'most' banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks are acting in a fiduciary capacity and are therefore not eligible to use the draft Standard. While we recognise that the Board has provided extensive guidance on the interpretation of 'fiduciary capacity' in Module 1 of its *Supporting Material for the IFRS for SMEs Standard*, some of the entities who may wish to apply the draft Standard may be unfamiliar with the existence of that material. We therefore suggest that the Board considers including a definition of what they intended the term 'fiduciary capacity' to mean and/or additional guidance in the draft Standard itself to minimise the risk of misinterpretation of this term.

Question 3 – Approach to developing the proposed disclosure requirements
Paragraphs BC23–BC39 of the Basis for Conclusions explain the Board's reasons for its approach to developing the proposed disclosure requirements. Do you agree with that approach? Why or why not? If not, what approach would you suggest and why?

We support the Board's approach to developing the proposed disclosure requirements subject to the following points.

— We believe that additional prominence should be given to the need to consider whether compliance with the draft Standard achieves a fair presentation of the financial performance, financial position and cash flows of the entity. We acknowledge the requirement in paragraph 16 of the draft Standard, to consider the provision of additional disclosures when compliance with the specific requirements of the draft Standard would be insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. At present, this requirement does not stand out when reading the draft Standard, which raises the possibility of entities overlooking it. Such an outcome would be particularly unwelcome should the draft Standard be applied by entities operating in specialised industries, where the specific requirements of the draft Standard may well be insufficient. We believe that the draft Standard should clearly state that the required disclosures are the *minimum* disclosures but the overriding requirement is to achieve a fair presentation of the financial performance, financial position and cash flows of the entity. To draw the reader's attention to this important requirement, we suggest the use of a sub-heading or, at the least, a separate paragraph.

— We believe that all of the disclosure requirements should be included in the main body of the draft Standard so that it provides a more complete picture of the disclosures required. Currently, the draft Standard uses footnotes to cross-reference to requirements that remain applicable under the draft Standard for the reasons set out in paragraph BC70 of the draft Standard. It would be more appropriate to have all of the disclosure requirements in one place, so that the draft Standard operates on a stand-alone basis.

Question 4 – Exceptions to the approach
Paragraphs BC40–BC52 of the Basis for Conclusions explain the Board's reasons for the exceptions to its approach to developing the proposed disclosure requirements. Exceptions (other than paragraph 130 of the draft Standard) relate to: • disclosure objectives (paragraph BC41); • investment entities (paragraphs BC42–BC45); • changes in liabilities from financing activities (paragraph BC46); • exploration for and evaluation of mineral resources (paragraphs BC47–BC49); • defined benefit obligations (paragraph BC50); • improvements to disclosure requirements in IFRS Standards (paragraph BC51); and • additional disclosure requirements in the *IFRS for SMEs* Standard (paragraph BC52). (a) Do you agree with the exceptions? Why or why not? If not, which exceptions do you disagree with and why? Do you have suggestions for any other exceptions? If so, what suggestions do you have and why should those exceptions be made?

We are supportive of the exceptions to the general approach taken in drafting the disclosure requirements in the draft Standard subject to the following comments.

— ***Disclosure objectives***

We agree with the Board's proposal to exclude disclosure objectives from the draft Standard subject to the point we have made in our response to Question 3 that additional prominence should be given to the overriding requirement of fair presentation.

As paragraph BC41 of the draft Standard notes, disclosure objectives in individual IFRS Standards are sometimes accompanied by an explicit requirement for a preparer to consider whether additional information beyond that specifically required would be needed to satisfy the disclosure objective. If disclosure objectives are to be excluded from the draft Standard, then it will be particularly important for preparers to appreciate the general importance of providing additional disclosures when necessary, in order to achieve a fair presentation.

We would, however, draw your attention to the fact that the first sentence of paragraph 44 of the draft Standard is exactly the same as the disclosure objective set out in paragraphs 1(a) and 7 of IFRS 7 *Financial Instruments: Disclosures*. This may raise questions about whether it is necessary to provide all of IFRS 7's disclosures in order to satisfy that Standard's disclosure objective, given that the draft reduced disclosure Standard shares the same disclosure objective.

— ***Investment entities***

We agree with the Board's proposal not to include requirements similar to those in paragraphs 19D(b) and 19E–19G of IFRS 12 *Disclosure of Interests in Other Entities* for investment entities, given that these disclosure requirements are not proposed in the draft Standard for non-investment entities.

However, we believe that the draft Standard should include equivalent disclosure requirements to those set out in paragraph 19B of IFRS 12, as otherwise even basic information such as the name of an unconsolidated investment entity, its location, ownership interests, etc. will be missing.

As discussed above, we also recommend that the Board highlight the general need for preparers to provide additional disclosures when necessary to achieve a fair presentation. For example, it may be necessary to make additional disclosure of commitments made to unconsolidated entities under this general provision for both investment and non-investment entities.

— ***Improvements to disclosure requirements in IFRS Standards***

We support the general approach taken in the draft Standard of tailoring the disclosure requirements in the *IFRS for SMEs* Standard for improvements made to the disclosure requirements in IFRS Standards since the *IFRS for SMEs* Standard was last updated. We do however have comments on the following areas.

— IFRS 13 *Fair Value Measurement:* We believe that any finalised Standard should include a full reconciliation of movements in fair value measurements classified in Level 3 of the fair value hierarchy. This is because information on measurement uncertainties is important for users of SMEs' financial statements, a point made by the Board itself in paragraph BC34 of the draft Standard.

— IAS 1 *Presentation of Financial Statements:* Under the current proposals, the draft Standard would form part of IFRS Standards. We believe that this will create problems of interpretation in relation to IAS 1's compliance statement, given that eligible entities will be able to either apply the full disclosure requirements of IFRS Standards or the reduced disclosures envisaged by the draft Standard, while claiming compliance with IFRS Standards. As noted in our answer to Question 1, we recommend that the draft Standard exist as a separate framework rather than form part of the full IFRS Standards, which should serve to reduce the potential for confusion in this area. If the final Standard forms part of full IFRS Standards as proposed, then the position regarding the compliance statement will need to be clarified.

(b) Paragraph 130 of the draft Standard proposes that entities disclose a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The proposed requirement is a simplified version of the requirements in paragraphs 44A–44E of IAS 7 Statement of Cash Flows.

(i) Would the information an eligible subsidiary reports in its financial statements applying paragraph 130 of the draft Standard differ from information it reports to its parent (as required by paragraphs 44A–44E of IFRS 7) so that its parent can prepare consolidated financial statements? If so, in what respect?

In our experience, entities usually report debt reconciliations, and therefore we generally would not expect the information that an eligible subsidiary reports in its financial statements by applying paragraph 130 of the draft Standard to differ from the information it reports to its parent.

However, that information *could* differ in some circumstances because entities have flexibility under IAS 7 *Statement of Cash Flows* to satisfy the disclosure requirements of paragraph 44A through other disclosures included in the financial statements, whereas paragraph 130 of the draft Standard is more rigid and removes that flexibility.

(ii) In your experience, to satisfy paragraphs 44A–44E of IAS 7, do consolidated financial statements regularly include a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities?

In our experience, consolidated financial statements of groups usually include a reconciliation of liabilities arising from financing activities in a format similar to that shown in the Illustrative Examples to IAS 7, and we ourselves illustrate the use of such a reconciliation in our publications *Guide to annual financial statements – Illustrative disclosures* and *Guide to annual financial statements – Illustrative disclosures for banks*.

Question 5 – Disclosure requirements about transition to other IFRS Standards
Any disclosure requirements specified in an IFRS Standard or an amendment to an IFRS Standard about the entity's transition to that Standard or amended Standard would remain applicable to an entity that applies the Standard. Paragraphs BC57–BC59 of the Basis for Conclusions explain the Board's reasons for this proposal. Do you agree with this proposal? Why or why not? If not, what approach would you suggest and why?

We support the Board's proposals.

However, we suggest that transition disclosure requirements in new or amended Standards are clearly distinguished from ongoing disclosure requirements, so that they are not overlooked by subsidiaries applying the reduced disclosure Standard.

Question 6 – Disclosure requirements about insurance contracts
The draft Standard does not propose to reduce the disclosure requirements of IFRS 17 *Insurance Contracts*. Hence an entity that applies the Standard and applies IFRS 17 is required to apply the disclosure requirements in IFRS 17. Paragraphs BC61–BC64 of the Basis for Conclusions explain the Board's reasons for not proposing any reduction to the disclosure requirements in IFRS 17. (a) Do you agree that the draft Standard should not include reduced disclosure requirements for insurance contracts within the scope of IFRS 17? Why or why not? If you disagree, from which of the disclosure requirements in IFRS 17 should an entity that applies the Standard be exempt? Please explain why an entity applying the Standard should be exempt from the suggested disclosure requirements.

We are not convinced that the draft Standard should not include reduced disclosure requirements for insurance contracts in the scope of IFRS 17 *Insurance Contracts*. The disclosure requirements of IFRS 17 were developed for large publicly accountable insurance companies and are consequently demanding in nature. Requiring subsidiaries without public accountability to apply these requirements in full may result in undue cost and effort. At the same time, it is not clear to what extent the disclosure will provide benefit to the users of these financial statements.

Allowing reduced IFRS 17 disclosures may also be beneficial in terms of incentivising more entities and jurisdictions around the world to apply IFRS Standards. We therefore

encourage the Board to conduct further research to understand the types of disclosure that are most relevant to the financial statements of subsidiaries without public accountability that issue insurance contracts and, in the light of that research, to consider whether it is appropriate to include reduced disclosure requirements in the draft Standard for insurance contracts that fall in the scope of IFRS 17.

(b) Are you aware of entities that issue insurance contracts within the scope of IFRS 17 and are eligible to apply the draft Standard? If so, please say whether such entities are common in your jurisdiction, and why they are not considered to be publicly accountable.

As noted in our response to Question 2, we find the scope of the draft Standard somewhat ambiguous in relation to entities applying IFRS 17; specifically, the interpretation of 'fiduciary capacity' will impact the assessment of whether an entity is eligible to apply the draft Standard.

The term 'fiduciary duty' has been legally defined in many jurisdictions. If the draft Standard intends to refer to a fiduciary relationship in the sense of the legal concept, then many entities that apply IFRS 17 may not have public accountability and could be in the scope of the draft Standard. For example, applying the legal definition established in the UK, most general and life insurance subsidiaries that are not listed or do not otherwise make use of capital markets would be able to apply the draft Standard's reduced disclosures.

In terms of our awareness of specific types of entities that issue insurance contracts in the scope of IFRS 17 and may be eligible to apply the draft Standard, we believe that certain non-insurance subsidiaries that issue contracts such as financial guarantees, loans with waivers, credit cards or fixed service fee contracts that do not meet the scope exemptions offered by IFRS 17, might potentially be able to apply the reduced disclosures, although we think that these may be rather exceptional cases.

Question 7 – Interaction with IFRS 1 *First-time Adoption of International Financial Reporting Standards*
Paragraphs 23–30 of the draft Standard propose reduced disclosure requirements that apply to an entity that is preparing its first IFRS financial statements and has elected to apply the Standard when preparing those financial statements. If a first-time adopter of IFRS Standards elected to apply the draft Standard, the entity would: • apply IFRS 1, except for the disclosure requirements in IFRS 1 listed in paragraph A1(a) of Appendix A of the draft Standard; and • apply the disclosure requirements in paragraphs 23–30 of the draft Standard. This approach is consistent with the Board's proposals on how the draft Standard would interact with other IFRS Standards. However, IFRS 1 differs from other IFRS Standards—IFRS 1 applies only when an entity first adopts IFRS Standards and sets out how a first-time adopter of IFRS Standards should make that transition. (a) Do you agree with including reduced disclosure requirements for IFRS 1 in the draft Standard rather than leaving the disclosure requirements in IFRS 1?

We agree with including disclosure requirements for first-time adopters in the draft Standard; however, we question the basis for reducing the disclosure requirements.

The purpose of IFRS 1 is to enable the users of the financial statements of an entity applying IFRS Standards for the first time to understand the significant differences that arise on the adoption of IFRS Standards compared to the GAAP previously used by the entity. With this background in mind, our main concern is that it is not clear why certain disclosure requirements under IFRS 1 are excluded from the draft Standard. The proposals seem to be arbitrary in eliminating some transition disclosures that can be equally relevant to subsidiaries that are first-time adopters.

In relation to paragraphs 12 to 14 of the draft Standard, eligible subsidiaries adopting IFRS Standards for the first time may prefer to apply the IFRS 1 reduced disclosure requirements under the draft Standard instead of adopting full IFRS Standards, thereby allowing them to transition to full IFRS Standards in the future without providing all the necessary disclosures required under IFRS 1. This may not provide the users of the financial statements with all the disclosure information they need when the entity transitions to full IFRS Standards.

We therefore recommend that the Board reconsider the disclosure requirements proposed in paragraphs 23 to 30 of the draft Standard. If the Board continues to believe that certain transition disclosures set out in IFRS 1 should not apply to a subsidiary that is a first-time adopter, then it should provide the rationale for its decision.

Paragraphs 12–14 of the draft Standard set out the relationship between the draft Standard and IFRS 1. (b) Do you agree with the proposals in paragraphs 12–14 of the draft Standard? Why or why not? If not, what suggestions do you have and why?

Apart from the reduced disclosures addressed in the answer to (a), we agree with the proposals.

Question 8 – The proposed disclosure requirements
Paragraphs 22–213 of the draft Standard set out proposed disclosure requirements for an entity that applies the Standard. In addition to your answers to Questions 4 to 7: (a) Do you agree with those proposals? Why or why not? If not, which proposals do you disagree with and why? (b) Do you recommend any further reduction in the disclosure requirements for an entity that applies the Standard? If so, which of the proposed disclosure requirements should be excluded from the Standard and why? (c) Do you recommend any additional disclosure requirements for an entity that applies the Standard? If so, which disclosure requirements from other IFRS Standards should be included in the Standard and why?

We agree with the majority of the proposed disclosure requirements, but have a number of comments on particular areas of the proposals, mainly relating to additional disclosure requirements that we believe should be included in the draft Standard.

We set out these details in Appendix II to this letter.

A consistent theme however is the need for disclosures about areas involving estimates or significant judgements which we believe should be added to the draft Standard. Examples include the following.

- Revenue
  - Significant judgements made in applying IFRS 15. [IFRS 15.110(b), 123]
  - Separate disclosure of revenue in the scope of IFRS 15. [IFRS 15.113(a)]
  - Timing of revenue recognition and the nature of goods or services provided. [IFRS 15.119(a), (c)]
- Provisions
  - Disclosures about assumptions relating to future events. [IAS 37.85(b)]

- Income tax
  - Recognition of deferred tax assets. [IAS 12.82]
  - Uncertain tax treatments. [IFRIC 23.A4–A5]
- Impairment of assets
  - Disclosure of the growth rate. [IAS 36.134(d)(iv)]
  - Disclosure of the discount rate. [IAS 36.134(d)(v)]
- Financial instruments
  - Nature and extent of risks arising from financial instruments.
- Fair value measurement
  - Change in valuation technique. [IFRS 13.93(d)]
  - The need for additional detail, in particular quantitative disclosures, on Level 3 inputs.
  - The need for additional detail on movements in Level 3 items.

Question 9 – Structure of the draft Standard
Paragraphs 22–213 of the draft Standard set out proposed disclosure requirements for an entity that applies the Standard. These disclosure requirements are organised by IFRS Standard and would apply instead of the disclosure requirements in other IFRS Standards that are listed in Appendix A. Disclosure requirements that are not listed in Appendix A that remain applicable are generally indicated in the draft Standard by footnote to the relevant IFRS Standard heading. Paragraphs BC68–BC70 explain the structure of the draft Standard. Do you agree with the structure of the draft Standard, including Appendix A which lists disclosure requirements in other IFRS Standards replaced by the disclosure requirements in the draft Standard? Why or why not? If not, what alternative would you suggest and why?

While we agree with the basic structure of the draft Standard, we disagree with certain specific elements of the structure.

As noted in our response to Question 3, we believe that all of the disclosure requirements should be included in the main body of the draft Standard so that it provides a more complete picture of the disclosures required. We disagree with the approach taken in the draft Standard of cross-referencing to other disclosure requirements using footnotes instead of including all the disclosures in the main body of the draft Standard.

Question 10 – Other comments
Do you have any other comments on the proposals in the draft Standard or other matters in the Exposure Draft, including the analysis of the effects (paragraphs BC92–BC101 of the Basis for Conclusions)?

We have additional comments on the following areas.

Disclosure requirements about earnings per share and operating segments

Paragraphs BC65 and BC66 of the draft Standard explain that an entity applying the draft Standard may voluntarily choose to provide disclosures required by IAS 33 *Earnings per Share* and IFRS 8 *Operating Segments*, and that in such circumstances it should provide disclosures in accordance with the requirements of those Standards. We find the wording in paragraph 4 of the draft Standard confusing, because it may be interpreted to imply that an entity applying the draft Standard is required to provide the disclosures set out in IAS 33 and IFRS 8.

We therefore recommend that the Board revise the wording in paragraph 4 of the draft Standard to clarify that if an entity elects to apply IFRS 8 and/or IAS 33, then the disclosure requirements in IFRS 8 and IAS 33 also apply.

Disclosure objective for financial instruments

We note that the disclosure objective expressed in paragraph 44 of the draft Standard is exactly the same as the disclosure objective in paragraph 7 of IFRS 7, raising the question of how the same disclosure objective can be met by differing levels of disclosure for different types of entities. We recommend that the Board revisit this paragraph to avoid the possibility of such an outcome.

Appendix II: Detailed comments on Question 8 – The proposed disclosure requirements

We set out below our detailed comments on Question 8, organised by the relevant Standards. The vast majority of our comments relate to additional disclosure requirements that we believe an entity applying the draft Standard should provide, although we also make a number of recommendations for improving the disclosure requirements and, in some cases, suggest ways that they could be further reduced.

Reference in the ED	Reference in IFRS Standards	Comment
IFRS 2 *Share-based Payment*		
33, BC52	N/A	Paragraph 33 of the draft Standard requires an entity to disclose information about how it measured the liability for cash-settled share-based payment transactions. This disclosure requirement exceeds that currently required by IFRS 2, so it is not a 'reduced' disclosure requirement. We consider the requirement itself to be reasonable but believe it should be specified in paragraph BC52 of the draft Standard. We would also suggest moving that requirement to the bottom of the list and highlighting it as an item which has been added rather than including it in the middle of the list.
IFRS 3 *Business Combinations*		
N/A	IFRS for SMEs 14.13	*IFRS for SMEs* paragraph 14.13, which requires an investor to disclose the amount of dividends and other distributions recognised as income for investments in associates accounted for by the cost model, has not been included in the draft Standard. We suggest it should be included for consistency of approach.
36	IFRS 3.B64(d)	We suggest adding a disclosure requirement about the primary reasons for the business combination and a description of how the acquirer obtained control of the acquiree, as this information may be important to users.
36(g)	IFRS 3.B64(i)	We believe that the text in 36(g) of the draft Standard would be more understandable if its wording matched that of paragraph B64(i) of IFRS 3.

Reference in the ED	Reference in IFRS Standards	Comment
N/A	IFRS 3.B64(p)	We suggest adding the disclosure required by paragraph B64(p) of IFRS 3, as we believe that there is a need to disclose information about a business combination achieved in stages, to the extent that this may be relevant to an entity that applies the draft Standard.
N/A	IFRS 3.B64(q)	We suggest adding the disclosure required by paragraph B64(q) of IFRS 3 as we believe that there is a need to disclose information about post-business combination performance.
IFRS 6 *Exploration for and Evaluation of Mineral Resources*		
N/A	IFRS for SMEs 34.11C (IFRS 6.18)	We suggest that the Board consider adding similar wording to that used in paragraph 34.11C of the *IFRS for SMEs* so that entities applying the draft Standard make appropriate impairment disclosures.
IFRS 7 *Financial Instruments: Disclosures*		
44	IFRS 7.7	As noted in our response to Question 10, paragraph 44 of the draft Standard replicates the objective from paragraphs 1(a) and 7 of IFRS 7. We suggest amending this because the same objective cannot be satisfied by two different sets of detailed disclosure requirements.
IFRS 12 *Disclosure of Interests in Other Entities*		
68	IFRS 12.5	Paragraph 124 references the definition of a joint arrangement (i.e. a joint operation or joint venture) by use of italics. However, while the term 'joint ventures' in the *IFRS for SMEs* Standard includes both jointly controlled operations and jointly controlled entities, the term 'joint ventures' in IFRS 11 does not include joint operations. Therefore, we believe that further clarification is necessary when the term joint venture is used in the draft Standard. This is because the entities that will apply the draft Standard may have applied the

Reference in the ED	Reference in IFRS Standards	Comment
		recognition and measurement requirements of full IFRS as a starting point. Paragraph 68 of the draft Standard, for example, does not require an eligible entity to disclose information separately for interests in joint operations.
IFRS 13 *Fair Value Measurement*		
N/A	IFRS 13.93(d)	There is no directly equivalent requirement in the draft Standard to that in paragraph 93(d) of IFRS 13, which states that when there has been a change in valuation technique, an entity is required to disclose that change and the reason(s) for making it. Given that this information could be important for users and is likely to be relatively inexpensive to produce, we recommend that the Board consider adding it to the draft Standard.
79(c)	IFRS 13.93(d)	Paragraph 93(d) of IFRS 13 requires an entity to provide quantitative information about the significant unobservable inputs used in the fair value measurement for items categorised within Level 3 of the fair value hierarchy. The equivalent paragraph in the draft Standard (paragraph 79(c)) by contrast requires an entity to provide a description of the valuation technique(s) it used for recurring and non-recurring fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, and the inputs used in the fair value measurement. Given the subjectivity involved in Level 3 measurements, we recommend that *quantitative* disclosure of key model inputs be required for all Level 3 disclosures as required by paragraph 93(d) of IFRS 13.
79	IFRS 13.93(d)	It is not clear whether paragraph 79(a) and (b) of the draft Standard are intended to apply to just recurring fair value measurements, just non-recurring fair value

Reference in the ED	**Reference in IFRS Standards**	**Comment**
		measurements, or to both. Only 79(c) is specific on this point but the question is also relevant to (a) and (b).
ED80	IFRS 13.93(e)(iii)	The draft Standard currently proposes only disclosing total gains or losses for the period recognised in profit or loss or in other comprehensive income for recurring fair value measurements categorised within Level 3 of the fair value hierarchy. While we would not necessarily insist on the full reconciliation required by paragraph 93(e) of IFRS 13 being provided, we believe that disclosure of purchases, sales, issues and settlements should be required. It should not be unduly costly to provide this information and it will be important to some users.
N/A	IFRS 13.93(i)	Unlike paragraph 93(i) of IFRS 13, there is no requirement in the draft Standard for entities to disclose situations in which the highest and best use of a non-financial asset differs from its current use, and to explain why the non-financial asset is being used in a manner that differs from its highest and best use. We think that it would be useful to include such a disclosure because it is important for users to know if highest and best use differs from current use.
IFRS 15 *Revenue from Contracts with Customers*		
N/A	IFRS 15.110(b), 123	We believe that the draft Standard should require eligible subsidiaries without public accountability to disclose the significant judgements made in applying IFRS 15 as this is likely to be relevant information to the users of their financial statements.
N/A	IFRS 15.113(a)	We believe that there should be separate disclosure of revenue in the scope of IFRS 15 in the draft Standard as this will provide useful information for users when analysing the financial statements.

Reference in the ED	Reference in IFRS Standards	Comment
N/A	IFRS 15.119(a), (c)	We believe that the draft Standard should require eligible subsidiaries without public accountability to disclose the timing of revenue recognition and the nature of goods or services, as this information is likely to be relevant to the users of the financial statements.
IFRS 16 *Leases*		
100	IFRS 16.53(e)	Paragraph 53(e) of IFRS 16 requires disclosure of variable lease payments not included in the lease liability, which is not required under the draft Standard. We question the rationale for not having this disclosure in the draft Standard as some businesses such as retailers might have large portfolios of leases that are linked to sales made at their stores. This disclosure could therefore be material and would consequently provide useful information. Furthermore, the draft Standard requires disclosure of income on variable lease payments not included in the lease receivable for lessors, which seems inconsistent.
100	IFRS 16.53(f)	Paragraph 53(f) of IFRS 16 requires disclosure of income from the sub-leasing of right-of-use assets, which is not required to be disclosed under the draft Standard. Similar to the point above, given the Covid-19 pandemic, more and more real estate space is being sub-leased if a lessee is unable to terminate the lease early. We therefore suggest including this disclosure in the draft Standard.
100	IFRS 16.53(g)	Paragraph 53(g) of IFRS 16 requires disclosure of total cash outflow for leases, which is not required under the draft Standard. We think this is useful disclosure, particularly if it includes variable lease payments not included in lease liability. We therefore suggest including it in the draft Standard.
103	IFRS 16.55	This is a potentially confusing disclosure requirement under IFRS 16 and we are not aware that it is widely made or relied on by users. We question the

Reference in the ED	Reference in IFRS Standards	Comment
		requirement of this disclosure for entities in the scope of the draft Standard.
100(d)	IFRS 16.58	We note that the IFRS 7 section of the draft Standard does not require a maturity analysis to be disclosed for financial liabilities. We therefore question whether the requirement in the draft Standard to disclose a maturity analysis for lease liabilities is necessary.
NA	IFRS 16.59(iii)	The draft Standard does not require residual value guarantees to be disclosed. We suggest including this disclosure as such guarantees could be an integral part of lease arrangements and could therefore be material.
105	IFRS 16.60A	Given the proposed timeline for this project, the draft Standard may not be finalised before the end of 2022. Therefore, we question the relevance of requiring the disclosure in paragraph 105 of the draft Standard (unless the Board intends to extend the rent concessions relief beyond 30 June 2022).
106	IFRS 16.90	Paragraph 106(a) of the draft Standard requires a reconciliation between the net investment in the lease and the undiscounted lease payments receivable at the end of the reporting period. The reconciliation would result in identifying the unearned finance income. Furthermore, we note that paragraph 106(b) of the draft Standard requires disclosure of unearned finance income. We question whether it is necessary to require both the reconciliation and disclosure of unearned finance income.
106(e)	IFRS 16.90	Paragraph 106(e) requires a lessor to disclose income from variable lease payments not included in lease receivable; however, this is not required for a lessee under the draft Standard which seems inconsistent.
107(b)	IFRS 16.97	Paragraph 107(b) of the draft Standard requires the disclosure of income recognised in the period relating to variable lease payments that do not depend on an index or a rate. Similar to our comment above, there is

Reference in the ED	Reference in IFRS Standards	Comment
		inconsistency between the requirements for lessor and lessee. We suggest that the Board revisit this area with a view to eliminating the inconsistency.
IAS 12 *Income Taxes*		
N/A	IAS 12.82	We believe that the draft Standard should require disclosure of the nature of the evidence supporting the recognition of deferred tax assets, as this may be relevant information to users of the financial statements of subsidiaries without public accountability.
IAS 16 *Property, Plant and Equipment*		
148(e)	IAS 16.73(e)(viii)	The requirement in IAS 16 to disclose the net exchange differences arising on the translation of the financial statements from the functional currency into a different presentation currency has been omitted from the draft Standard. While we do not consider this to be a critical omission, it is not clear why it has been omitted from the IAS 16 disclosures but included in the IAS 41 disclosures (see paragraph 210 of the draft Standard). We therefore recommend that the Board consider whether there should be consistency between these two areas of the draft Standard.
IAS 19 *Employee Benefits*		
N/A	IAS 19.145–147	Disclosure requirements related to the amount, timing and uncertainty of future cash flows are not included in the draft Standard. We believe that an indication of the effect of the defined benefit plan on the entity's future cash flows will however be useful information to users of the financial statements, so should be included.
N/A	IAS 19.148	Where a subsidiary is a member of a multi-employer plan, the Board may wish to consider including the disclosures required by paragraph 148 of IAS 19 in the

Reference in the ED	Reference in IFRS Standards	Comment
		draft Standard, as this is relevant information to users of the subsidiary's financial statements.
IAS 27 ***Separate Financial Statements***		
175	IAS 27.17(c)	We find the text in paragraph 175 of the draft Standard confusing. We therefore suggest using the text from paragraph 17(c) of IAS 27.17 instead.
IAS 36 ***Impairment of Assets***		
193(d)	IAS 36.134(d)	We suggest adding the disclosures requirements from paragraphs 134(d)(ii) to 134(d)(v) of IAS 36 to the draft Standard; we believe that paragraphs 134(d)(iv) and 134(d)(v) of IAS 36 are particularly critical to users' understanding regardless of whether the subsidiary has public accountability. Disclosure of the growth rate and the discount rate are both very important and should be provided. Given they are not costly to disclose, we recommend that they are included in the draft Standard.
193(e)	IAS 36.134(e)	We similarly suggest adding the disclosure requirement in paragraph 134(e) of IAS 36; we believe that sub-paragraphs134(e)(iiB) and 134(e)(iv)-(v) are particularly critical.
N/A	IAS 36.130	We similarly suggest adding information about the reversal of impairment, as this will be useful information to users regardless of whether the subsidiary has public accountability or not.
IAS 37 ***Provisions, Contingent Liabilities and Contingent Assets***		
N/A	IAS 37.85(b)	We believe that the draft Standard should require disclosure about assumptions relating to future events in making provisions, because estimates and significant judgements made are likely to be relevant information for users of the financial statements of subsidiaries without public accountability.

Reference in the ED	**Reference in IFRS Standards**	**Comment**
IAS 40 *Investment Property*		
207(a)	IAS 40.75(e)	Under the draft Standard, eligible subsidiaries would disclose the extent to which the fair value of an investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property being valued or, if there has been no such valuation, that fact. This disclosure is based on that in paragraph 75(e) of IAS 40, however the draft Standard does not propose an equivalent disclosure to that in paragraph 77 of IAS 40 (which requires an entity to disclose when a valuation obtained for investment property is adjusted significantly for the purpose of the financial statements by providing a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements). This seems inconsistent and we therefore recommend that either both disclosures are included in the draft Standard or that neither are provided.
N/A	IAS 40.75(f)(i)	The draft Standard does not include an equivalent to paragraph 75(f) of IAS 40 which requires disclosure of rental income from investment property. We question the omission of this disclosure given the importance of rental yield as a metric in assessing investment property.
N/A	N/A	Another method of simplifying the disclosures relating to investment property measured under the cost model that the Board may wish to consider, is exempting subsidiaries from providing fair value disclosures for investment properties that are classified as owner-occupied in the consolidated financial statements at group level, but are classified as investment property by the subsidiary in its financial statements under paragraph 15 of IAS 40.

Reference in the ED	Reference in IFRS Standards	Comment
		To explain this point, there are usually two situations in which subsidiaries hold investment properties. 1) A subsidiary has been set up to hold an individual investment property. 2) A subsidiary holds an investment property which is rented out to another group company, meaning that it fails the definition of investment property at consolidated level due to own use, but qualifies as investment property in the subsidiary's individual financial statements. In relation to the second scenario, we suggest that if the subsidiary uses the cost model for the property, then the draft Standard could simply exempt the subsidiary from providing any of the fair value disclosures.
IAS 41 *Agriculture*		
N/A	IAS 41.40	In line with the *IFRS for SMEs*, the draft Standard omits the requirement in IAS 41 to disclose the aggregate gain or loss arising during the current period on initial recognition of biological assets and agricultural produce and from the change in fair value less costs to sell of biological assets. Given the significance of the information it provides, we recommend that the Board consider including an equivalent disclosure in the draft Standard.
N/A	IAS 41.49	In line with the *IFRS for SMEs*, the draft Standard omits the requirement in paragraph 49 of IAS 41. It is not clear why this type of disclosure is required for property, plant and equipment under paragraph 149 of the draft Standard and intangible assets under paragraph 202(d), but not for biological assets. We also note that the disclosure requirement in paragraph 49(a) of IAS 41 does not involve significant cost to prepare and provides important information to users when material. We therefore recommend that the Board consider including an equivalent disclosure in the draft Standard.

Reference in the ED	**Reference in IFRS Standards**	**Comment**
IFRIC 23 *Uncertainty over Income Tax Treatments*		
N/A	IFRIC 23.A4–A5	We believe that the draft Standard should require eligible subsidiaries to provide disclosures relating to the judgements and assumptions made in relation to uncertain income tax treatments as this may be relevant information to users.