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27 November 2024

International Accounting Standards Board
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Board Members,

RESPONSE TO EXPOSURE DRAFT *Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures ("ED")*

ISCA sought views from its members through a 2-month public consultation and from the ISCA Financial Reporting Committee which comprises experienced technical professionals from audit firms, preparers of financial statements and other stakeholders.

We are supportive of the IASB's approach to updating IFRS 19 with the new and amended disclosures proposed in the IFRS Accounting Standards issued between February 2021 and May 2024.

We understand IASB's intention to exclude disclosure objectives (as explained in BC50 of IFRS 19) is to avoid the perception that entities are required to provide the same disclosures they would otherwise have provided, had they not applied IFRS 19 which would be contrary to the objective of IFRS 19. However, the lack of disclosure objectives may result in entities viewing this as a compliance exercise as there is no context or explanation for the need of entity-specific narrative information in the financial statements. For example, paragraph 58 of IFRS 19 includes a disclosure requirement for each category of risk exposure for hedging, which is a specific disclosure requirement in paragraph 22B but without its overall disclosure objective in paragraph 22A of IFRS 7 *Financial Instruments: Disclosures*. In addition, the application of specific disclosure requirements, without its overall disclosure objective, might result in a check-list approach by preparers, regulators and auditors. Hence, we recommend sharing the principles shared in paragraph BC33 of IFRS 19 in the standard itself to set a context for these specific disclosure requirements.

Our detailed comments to specific questions in the ED are set out below.

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?

Management-defined Performance Measures (MPMs)

We 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.

Non-current Liabilities with Covenants

We support the removal of the disclosure objective in paragraph 137 of IFRS 19 and paragraph B8 for Appendix B of IFRS 19, consistent with the approach taken for other disclosure objectives.

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 note IASB's intention for the explanatory text in paragraph 167A is to provide context to the disclosure requirements. However, the definition of supplier finance arrangements has already been stated in paragraph 44G in IAS 7 *Statement of Cash Flows*. Hence, it would not be necessary to reproduce this in IFRS 19 as reference could have been made directly to paragraph 44G of IAS

7 instead. Otherwise, IASB would have to update IFRS 19 as well in the event of any future amendments made to paragraph 44G of IAS 7.

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 that the disclosure requirements in paragraph 196-199 are sufficient and clear. Notwithstanding so, we suggest removing the specific reference for "qualitative and quantitative" information to allow more flexibility and the application of management judgment for the level of details to be disclosed for the exposure to Pillar Two income taxes. This would be helpful to entities where the assessment for Pillar Two income taxes might be performed at the group or parent level and the subsidiaries might not have sufficient information to provide quantitative disclosures on their exposures to Pillar Two income taxes.

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 proposed removal of the disclosure objective while retaining the specific disclosure requirements relating to the amendments for lack of exchangeability for IFRS 19. These would simplify the disclosures requirements in IFRS 19, without changing the meaning of relevant information that is expected from lack of exchangeability of exchange rates in the financial statements.

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 proposals not to reduce the disclosure requirements introduced by the amendments to IFRS 7 issued in May 2024.

Should you require any further clarification, please feel free to contact Ms Jezz Chew at jezz.chew@isca.org.sg or Ms Felicia Tay at felicia.tay@isca.org.sg.

Yours faithfully,

Mr Terence LAM
Director, Advocacy & Professional Standards