SOCPA
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للمراجـعين والمحـاسبين

VISION رؤية
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المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

November 26, 2024

IFRS Foundation
7 West ferry Circus
Canary Wharf
London E14 4HD, United Kingdom

RE: Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures

Dear Colleagues,

The Saudi Organization for Chartered and Professional Accountants (SOCPA) appreciates the efforts of the IASB and welcomes the opportunity to comment on the Exposure Draft, *Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures.*

Our detailed comments on the questions raised in the Exposure Draft are attached in the appendix to this letter.

Please feel free to contact Dr. Abdulrahman Alrazeen at (razeena@socpa.org.sa) for any clarification or further information.

Sincerely,

Dr. Ahmad Almeghames

SOCPA Chief Executive Officer

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Appendix: Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures

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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?

SOCPA Comments:

SOCPA agrees with the proposal to remove the requirements for management-defined performance measures from IFRS 19. SOCPA also agrees with the proposal to remove the disclosure objective in paragraph 137 of IFRS 19 relating to non-current liabilities with covenants.

However, SOCPA believes that eligible subsidiaries also should not be required to make the disclosures relating to "Capital" – paragraphs 126-130 of IFRS 18. These paragraphs require subsidiaries to disclose information about their capital management strategies, including objectives, policies, and how they manage capital. While capital management disclosures are relevant for publicly accountable entities, for eligible subsidiaries these disclosures may not provide useful information. The parent company often manages the subsidiary's capital, making such detailed disclosures redundant. Reducing these disclosures could simplify reporting for subsidiaries.

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.

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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.

SOCPA Comments:

SOCPA agrees that adding explanatory text in paragraph 167A, which includes a description of supplier finance arrangements from IAS 7 (paragraph 44G), would be helpful for eligible subsidiaries applying IFRS 19. The inclusion of this description provides clarity on what constitutes a supplier finance arrangement, especially since these arrangements can vary across entities and industries.

Additionally, SOCPA believes beyond the proposed amendments to paragraphs 167 and 168 related to supplier finance arrangements, the removal of IFRS 13 – "Fair Value Measurement" related disclosures for eligible subsidiaries will enhance its usability for subsidiaries without public accountability. IFRS 13 related disclosures require subsidiaries to disclose extensive information about fair value measurements, including the level of the fair value hierarchy, valuation techniques used, and significant inputs for Level 3 measurements. Simplifying or excluding such disclosures when the fair value measurements are straightforward could significantly reduce complexity for eligible subsidiaries.

In addition, please see our response to question 4 below which suggests simplified disclosures for eligible subsidiaries, if the subsidiary's operations in a jurisdiction with currencies that lack exchangeability are insignificant to the overall financial results.

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.

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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.

SOCPA Comments:

SOCPA agrees that the disclosure requirements in paragraphs 196–199 of IFRS 19, following the removal of the reference to the disclosure objective in paragraph 199, are sufficient and clear. The proposed deletion of paragraph 198, as well as the removal of the disclosure objective in paragraph 199, streamlines the standard without compromising on essential disclosures regarding deferred tax related 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.

SOCPA Comments:

SOCPA agrees that the proposed amendments to remove the disclosure objective from paragraphs 221–223 streamline IFRS 19 while maintaining the sufficiency and clarity of the disclosures provided. This approach reduces complexity without sacrificing important information about a subsidiary's exposure to foreign exchange risks.

SOCPA additionally believes if the subsidiary's operations in a jurisdiction with currencies that lack exchangeability are insignificant to the overall financial results, a simplified disclosure (such as a brief qualitative statement) could be sufficient for eligible subsidiaries. This would align the level of disclosure with the significance of the affected operations, making the financial statements more focused and relevant for users.

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.

SOCPA Comments:

SOCPA agrees with the IASB's proposal not to reduce the disclosure requirements introduced by the May 2024 amendments as these disclosures, as outlined in paragraphs 56A–56D of IFRS 19, are vital for understanding the potential impact of contingent events on short-term cash flows, solvency, and liquidity, especially where these terms introduce variability in cash flows not directly related to traditional risks like credit risk or time value of money.

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?

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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.

SOCPA Comments:

SOCPA agrees with the proposal to retain the full disclosure requirements for regulatory assets and liabilities in IFRS 19 as it ensures that users of financial statements receive comprehensive information about the financial impacts of rate regulation. However, a minor reduction in the details required from eligible subsidiaries could help maintain relevance and reduce the reporting burden without compromising the usefulness of the information provided.

SOCPA would like to suggest the following reductions:

- The requirement for a detailed reconciliation of changes in regulatory assets and liabilities may be simplified by allowing a summary reconciliation for eligible subsidiaries, focusing on material changes rather than detailed breakdowns.
- The qualitative explanation of risks could be tailored to focus only on material risks that have the potential to significantly impact cash flows or financial performance, avoiding unnecessary detail for eligible subsidiaries.

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