THE 100 GROUP

Stakeholder Communications and Reporting Committee

IASB,
7 Westferry Circus
London
E14 4HD

20 January 2022

Dear Andreas Barckow,

Please find below our response to your Exposure Draft: Subsidiaries without Public Accountability: Disclosures.

This response has been prepared by the 100 Group Stakeholder Communications and Reporting Committee and is intended to speak on behalf of the Group as a whole. The 100 Group membership represents around 90% of the FTSE100 market cap as well as a number of equally significant sized unlisted businesses. We note that whilst this letter expresses the views of the 100 Group as a whole, these views are not necessarily those of individual members nor their respective employers. We thank you for the opportunity to comment on your proposal and are happy to have any follow up discussion if helpful.

Overall, we are supportive of the intentions of this project: to reduce costs for subsidiaries without public accountability while maintaining the usefulness of financial statements for users of those subsidiaries' financial statements.

It is important for corporate reporting to evolve to meet the expanding set of users' needs, to provide information that is relevant, reliable and comparable. We are supportive of proposals which reduce the reporting burden in areas of low interest and therefore allow for greater focus on the areas of high interest, which drives benefits from both a preparer and a user's perspective.

To that end, we see great value in a reduced disclosure framework with recognition and measurement requirements aligned to IFRS, however we have some broad concerns around this proposal's ability to meet these needs and objectives.

The objective

With regard to the objective of the proposal - maintaining the usefulness of financial statements for users of those subsidiaries' financial statements – we are unclear on who the users are and are therefore unable to determine what would be useful.

In the case of wholly owned subsidiaries (without public accountability) for example, which must represent the significant majority of entities impacted by the proposal, the users must also be the owners who we would expect to already have access to all such reporting information. Anything within subsidiary accounts of note to shareholders of the ultimate parent company should, by definition, already be disclosed in the Group Consolidated IFRS accounts. We therefore challenge whether there would be any users of the financial statements, and therefore any purpose other than to fulfil the regulatory filings requirement. If meeting the needs of the regulatory filing requirement is the sole objective then we would suggest that even this reduced disclosure framework is still in excess of what would be considered 'useful'.

If the scope of disclosures is being kept broader in order to meet specific needs of a small number of users of unique company structures then we would suggest that they be better considered separately and this set of standards be refined to meet the very simple filing needs of wholly owned subsidiaries, where significant time is currently spent in fulfilling statutory obligations.

Approach to development

Given the proposal is designed to align reduced disclosure with full IFRS accounting and measurement we were surprised to see that IFRS for SMEs had been used as a basis for the proposed standards. This seems to risk creating unnecessary divergence and confusion, in particular over time as standards develop and IFRS for SMEs inevitably moves closer towards IFRS. Given the primary objective of the proposal was to reduce costs for subsidiaries without public accountability – by eliminating the need to maintain accounting records in line with two different financial reporting standards – this goal would surely have been more cleanly achieved by starting with IFRS as the basis. Requiring companies to consider the differences between IFRS and IFRS for SMEs as a basis for the subsidiary accounts, creates a burden that will absorb some, if not all, of the benefits of the reduced disclosure framework.

We hope you find our comments helpful as you move to the next stage of the project. Please do contact our secretariat Cat Hoad at secretariat@the100group.co.uk, who would be happy to put you in touch with us should you wish to discuss any of our comments in further detail.

Yours sincerely,

Iain MacKay,
Chair of the 100 Group Stakeholder Communications and Reporting Committee