

STAFF PAPER

27 January 2015

IFRS Interpretations Committee Meeting

IFRS IC September 2014

Project	Finalisation of agenda decision
Paper topic	IFRS 12 <i>Disclosure of Interests in Other Entities</i> —disclosures for a subsidiary with a material non-controlling interest and for a material joint venture or associate
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This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IFRS Interpretations Committee. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination. Decisions made by the IFRS Interpretations Committee are reported in *IFRIC Update*. The approval of a final Interpretation by the Board is reported in *IASB Update*.

Introduction

1. In September 2014, the IFRS Interpretations Committee (the ‘Interpretations Committee’) analysed the requirements in paragraph 12(e)–(g) of IFRS 12 *Disclosure of Interests in Other Entities* to disclose information about a subsidiary that has non-controlling interests that are material to the reporting entity.
2. The submitter asked whether the information required by paragraph 12(e)–(g) should be provided:
 - (a) at the subsidiary level and be based on the separate financial statements of the individual subsidiary; or
 - (b) at a subgroup level for the subgroup of the subsidiary together with its investees and be based either on (i) the amounts of the subgroup included in the consolidated financial statements of the reporting entity; or (ii) the amounts included in consolidated financial statements of the subgroup; noting that transactions and balances between the subgroup and other entities outside the subgroup would not be eliminated.

3. The Interpretations Committee was made aware of similar concerns to the ones raised by the submitter, on an issue relating to the disclosures required by paragraphs 21(b)(ii), B12 and B13 of IFRS 12 for joint ventures and associates. The question raised was whether the required summarised financial information for joint ventures and associates in accordance with those paragraphs should be presented for each material joint venture or associate on an individual basis, or whether this information should be disclosed for the subgroup of the joint venture or associate together with its investees.
4. The Interpretations Committee analysed these issues as well as the results of the outreach request performed by the staff. This outreach indicated that there was no significant diversity observed in practice on these two issues.
5. In the light of the existing IFRS requirements, the Interpretations Committee determined that sufficient guidance exists and that neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Interpretations Committee decided to issue a tentative agenda decision, which can be found in the [IFRIC Update of September 2014](#).

Purpose of the paper

6. The purpose of this paper is to:
 - (a) analyse the comments received on the tentative agenda decision; and
 - (b) set out the wording for the proposed final agenda decisions (see **Appendix A** and **Appendix B**).

Comment letter analysis

7. The comment period for the tentative agenda decision ended on 25 November 2014. We received three responses from:
 - (a) Deloitte;
 - (b) European Securities and Market Authority (ESMA); and

- (c) the Accounting Standards Committee of Germany (ASCG).
8. The first two respondents fully agree with the Interpretations Committee’s tentative decision not to add the issue raised into its agenda for the reasons set out in the tentative agenda decision. ESMA particularly welcomed “the reasoning included in the tentative agenda decision that the approach chosen to present the required disclosures should reflect the disclosure objective of a Standard”.
 9. The third respondent (the ASCG) supports the Interpretations Committee’s tentative agenda decision and the clarification it comprises. However this respondent has “concerns about not developing any formal clarification of the standard, but declaring that sufficient guidance would exist and neither a clarification nor an interpretation is needed”.
 10. The comment letters received are included in **Appendix D** of this paper.

Staff analysis

Should the Interpretations Committee amend IFRS 12 according to the ASCG?

11. We disagree with the ASCG’s view to propose an amendment to IFRS 12. This is because we observe that paragraph 10 of IFRS 12 contains a disclosure objective that requires entities to apply judgement in reaching an appropriate conclusion on how the information required in paragraphs 12 and 21(b)(ii) of IFRS 12 should be provided. We note that paragraphs B10 –B15 provide additional guidance on how to meet the disclosure objective of the Standard.

Other issues raised by the Interpretations Committee

12. At its November 2014 meeting the Interpretations Committee asked the staff to review the consistency of the views expressed:
 - (a) about the level of aggregation of the disclosures for joint ventures or associates that are material in the agenda decision analysed in this

paper¹ with the November 2014 final agenda decision for the ‘Disclosure of summarised financial information about material joint ventures and associates’ (which we reproduced in **Appendix C** for ease of reference); and

- (b) for the disclosures required for each subsidiary with a material non-controlling interest with those required for each material joint venture or associate.

Level of aggregation of the disclosures for joint ventures or associates that are material

- 13. We observe that the Interpretations Committee addressed different but related issues in the two agenda decisions regarding the level of disaggregation of the summarised information required for joint ventures or associates in paragraph 21(b)(ii) of IFRS 12 as we explain below.

First issue analysed

- 14. In its final agenda decision of November 2014 we observe that the issue addressed was:

Should the summarised information required by paragraph 21(b)(ii) be presented:

- a) for each individual joint venture or associate that is material; or
- b) in aggregate for groups of joint ventures or associates that are material?

- 15. We observe that this is a question about the interaction between paragraph 21(b)(ii) of IFRS 12 and the aggregation principle in paragraphs 4 and B2–B6 of IFRS 12. Such a principle allows a reporting entity to ‘aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have different characteristics’.

¹ This agenda decision is the second agenda decision relating to the guidance in IFRS 12 of the disclosure of summarised financial information about material joint ventures or associates that we present in **Appendix B** of this paper.

16. The Interpretations Committee noted that “it expected the requirement in paragraph 21(b)(ii) of IFRS 12 to lead to the disclosure of summarised information on an individual basis for each joint venture or associate that is material to the reporting entity. The Interpretations Committee observed that this reflects the IASB's intentions as described in paragraph BC50 of IFRS 12”.

Second issue analysed

17. On the other hand, in the Interpretations Committee’s September 2014 tentative agenda decision the issue addressed is:

In the case of a joint venture or associate that has subsidiaries or other investees, should the summarised information required by paragraph 21(b)(ii) for each material joint venture or associate be presented:

- a) on an individual basis? (ie on the basis of the separate IFRS financial statements of the joint venture or associate); or
- b) at a subgroup level (ie on the basis of the consolidated information of the subgroup of the joint venture or associate with its investees?).

18. We observe that this is a question about the basis of presentation of the summarised financial information about a joint venture or an associate –whether an entity should present the information of the joint venture or associate on its own or on the basis of the consolidated position of the joint venture or associate.
19. The Interpretations Committee observed that on the basis of paragraph B14(a) of IFRS 12 a reporting entity should present the summarised financial information about a joint venture or an associate that is material based on the consolidated financial statements for the joint venture or associate if it has subsidiaries. If it does not have subsidiaries, the presentation should be based on the financial statements of the joint venture or associate in which its own joint ventures or associates are equity-accounted.

Is the analysis of the two issues consistent?

20. We think that the views expressed by the Interpretations Committee in its two agenda decisions in respect of the level of aggregation of the disclosure of

summarised financial information about a joint venture or an associate that is material to the entity are consistent and supplement each other. This is because the summarised financial information about a joint venture or an associate that is material (whether based on the consolidated financial statements for the joint venture or associate if it has subsidiaries or on the equity-accounted financial statements of the joint venture or associate) would be presented separately for each material joint venture or associate. This means that if a reporting entity determines that a joint venture or associate is material based on an assessment of the joint venture's or associates' consolidated position then its summarised information cannot be combined with the results of other joint ventures or associates that are material.

Disclosures required for each subsidiary with a material non-controlling interest and for each material joint venture or associate

21. At the November 2014 meeting some Interpretations Committee members observed that paragraphs 21(b)(ii) and paragraph 12 use similar language when requiring the disclosure of information for joint ventures or associates and for subsidiaries that have non-controlling interests as shown below:
 - (a) paragraph 12 requires a reporting entity to disclose information: "*for each of its subsidiaries that have non-controlling interests that are material*"; and
 - (b) paragraph 21(b) refers to a requirement to disclose information: "*for each joint venture or associate that is material to the reporting entity*".

22. However, these Interpretations Committee members observed, with some concern, that the Interpretations Committee expressed different views about the level of aggregation for such disclosures. For instance they think that the Interpretations Committee appears to have:
 - (a) a more flexible view for the disclosures for subsidiaries with a material non-controlling interest, because the Interpretations Committee observed that an entity would use its judgement on a subsidiary-by-subsidiary basis in determining whether this information would be

disclosed on the basis of the subsidiary that is material together with its investees, or on the basis of the individual subsidiary that is material and the approach selected should be based on the one that best meets the disclosure objective in IFRS 12; whereas,

- (b) a more restricted view for the disclosures of summarised information for a joint venture or associate that is material, because they noted that this information should be based on the consolidated financial statements for the joint venture or associate if it has subsidiaries; or if not having subsidiaries, on the financial statements of the joint venture or associate in which its own joint ventures or associates are equity-accounted.

- 23. In our opinion the views expressed by the Interpretations Committee are consistent with the requirements in IFRS 12 and should not be changed.
- 24. In this respect, we observe that IFRS 12 does not provide specific guidance about whether the disclosures required in 12(e)-(g), should be disaggregated to the subgroup level or disaggregated to the individual subsidiary level. Consequently, we think that an entity should provide the level of aggregation that best meets the disclosure objective in paragraph 10(a) of IFRS 12.
- 25. In contrast, we observe that paragraphs B14 and B15 of IFRS 12 are more specific about the basis for presentation of the summarised information required in accordance with paragraph 21(b)(ii) for each joint venture or associate that is material to the reporting entity.
- 26. Moreover, we observe that the Interpretations Committee's views on the basis of presentation of summarised financial information about a joint venture or an associate that is material are consistent with the fact that the reporting entity only accounts for its interest in the joint venture or associate and does not have control over these or over the investees that the joint venture or associate might hold.
- 27. Furthermore, we note that respondents to the tentative agenda decision fully agreed with the views from the Interpretations Committee and did not suggest any further changes.

28. Based on the above we do not think that the Interpretations Committee should change its views about the level of aggregation for such disclosures.

Should we split the issues analysed in two separate agenda decisions?

29. We have observed that the views expressed by the Interpretations Committee in its two agenda decisions regarding the level of aggregation of summarised financial information for a joint venture or associate are consistent and supplement each other and we think that these views could potentially be combined in a single agenda decision.
30. We also think that the views expressed on the disclosures required for each subsidiary with a material non-controlling interest could potentially be presented separately from the views expressed regarding the level of aggregation of summarised financial information for a joint venture or associate.
31. Consequently we propose the Interpretations Committee, to present separate agenda decisions; one in respect of the issues relating to subsidiaries and the second in respect of the issues relating to joint ventures and associates.

Staff recommendation

32. We think that the November 2014 agenda decision regarding the “Disclosure of summarised financial information about material joint ventures or associates” should be combined in a single agenda decision with the section on “Joint ventures and associates” (included in the September 2014 tentative agenda decision), due to the complementary nature of these two agenda decisions.
33. Moreover, we think that the agenda decision on the “Disclosure of summarised financial information about material joint ventures or associates should make a direct reference to paragraphs B14 and B14(a) of IFRS 12 because the views expressed by the Interpretations Committee for the disclosure of summarised information for a joint venture or associate are consistent with these paragraphs.

34. We also recommend the Interpretations Committee to present separate agenda decisions for each one of the issues analysed; one in respect of the issues relating to subsidiaries and the second in respect of the issues relating to joint ventures and associates.
35. We have set out our proposed changes to the wording of the tentative agenda decision in **Appendix A** which we propose includes the views expressed on the disclosures required for each subsidiary with a material non-controlling interest.
36. In **Appendix B** we show the combined agenda decision on the “Disclosure of summarised financial information about material joint ventures or associates”. We have tracked the revisions made to the agenda decision published in November 2014.

Question for the Interpretations Committee

Questions for the Interpretations Committee

1. Does the Interpretations Committee agree with our recommendation to finalise the agenda decision?

2. Does the Interpretations Committee agree with our recommendation to present separate agenda decisions for each one of the issues analysed (ie one in respect of the issues relating to subsidiaries and the second in respect of the issues relating to joint ventures and associates) as well as our recommendation to combine in one single agenda decision the issues analysed on the “Disclosure of summarised financial information about material joint ventures and associates”?

3. Does the Interpretations Committee agree with our proposed changes to the wording of the tentative agenda decision and of the agenda decision published in November 2014?

Appendix A—Final agenda decision on disclosures for a subsidiary with a material non-controlling interest

A1. We propose the following wording for the final agenda decision:

IFRS 12 *Disclosure of Interests in Other Entities*—disclosures for a subsidiary with a material non controlling interest and for a material joint venture or associate (Agenda Paper 11)

The Interpretations Committee received a request for clarification in respect of the requirements in paragraphs 12(e)–(g) of IFRS 12 *Disclosure of Interests in Other Entities* to disclose information about a subsidiary that has non-controlling interests that are material to the reporting entity.

The submitter asked whether the information required by paragraphs 12(e)–(g) should be provided:

- (a) ~~should be provided~~ at the subsidiary level (ie the ‘legal’ entity) and be based on the separate financial statements of the individual subsidiary; or
- (b) ~~should be provided~~ at a subgroup level for the subgroup of the subsidiary together with its investees and be based either on (i) the amounts of the subgroup included in the consolidated financial statements of the reporting entity; or (ii) the amounts included in consolidated financial statements of the subgroup; noting that transactions and balances between the subgroup and other entities outside the subgroup would not be eliminated.

~~The Interpretations Committee was made aware of similar concerns to the ones raised by the submitter, on an issue relating to the disclosures required by IFRS 12 for joint ventures and associates. Some think that IFRS 12 does not specify the basis on which an entity should prepare the required summarised financial information for joint ventures and associates in accordance with paragraphs 21(b)(ii), and paragraphs B12 and B13. The question raised is whether this information should be presented for each material joint venture and associate on an individual basis, or whether this information should be disclosed for the subgroup of the joint venture or associate together with its investees. [Moved to the agenda decision in **Appendix B**].~~

Subsidiaries

The Interpretations Committee noted that, in the context of the disclosure objective in paragraph 10 of IFRS 12, materiality should be assessed by the reporting entity on the basis of the consolidated financial statements of the reporting entity. In this assessment, a reporting entity would consider both quantitative considerations (ie the size of the subsidiary) and qualitative considerations (ie the nature of the subsidiary).

The Interpretations Committee noted that the decision on which approach is used to present the disclosures required by paragraph 12(e)–(g) should reflect the one that best meets the disclosure objective of paragraph 10 of IFRS 12 in the circumstances. According to this objective, ‘An entity shall disclose information that enables users of its consolidated financial statements ~~(a)~~ to understand: (i) the composition of the group; and (ii) the interest that non-controlling interests have in the group’s activities and cash flows’.

The Interpretations Committee observed that this judgement would be made separately for each subsidiary or subgroup that has a material non-controlling interest.

Disclosures required by paragraphs 12(e) and (f) of IFRS 12

The Interpretations Committee observed that a reporting entity would meet the requirements in paragraphs 12(e) and (f) by disclosing disaggregated information from the amounts included in the consolidated financial statements of the reporting entity in respect of subsidiaries that have non-controlling interests that are material to the reporting entity. The Interpretations Committee further observed that a reporting entity should apply judgement in determining the level of disaggregation of this information; that is, whether:

- (a) the entity presents this information about the subgroup of the subsidiary that has a material non-controlling interest (i.e., present the required information on the basis of the subsidiary together with its investees); or
- (b) it is necessary in achieving the disclosure objective in paragraph 10 of IFRS 12 to disaggregate the information further to present information about individual subsidiaries that have material non-controlling interests within that subgroup.

Disclosures required by paragraph 12(g) of IFRS 12

The Interpretations Committee observed that:

- (a) paragraph 12(g) requires summarised information about the subsidiaries that have non-controlling interests that are material to the reporting entity;
- (b) paragraph B10(b) states that an entity shall disclose 'summarised financial information about the assets, liabilities, profit or loss and cash flows of the subsidiary that enables users to understand the interest that non-controlling interests have in the group's activities and cash flows. That information might include but is not limited to, for example, current assets, non-current assets, current liabilities, non-current liabilities, revenue, profit or loss and total comprehensive income'; and
- (c) paragraph B11 states that the 'summarised financial information required by paragraph B10(b) shall be the amounts before inter-company eliminations'.

The Interpretations Committee observed that in order to meet the disclosure objective in paragraph B10(b), that information would need to be prepared on a basis consistent with the information included in the consolidated financial statements of the reporting entity. The Interpretations Committee understood this to mean that the information would be prepared from the perspective of the reporting entity. For example, if the subsidiary was acquired in a business combination, the amounts disclosed should reflect the effects of the acquisition accounting.

The Interpretations Committee further observed that in providing the information required by paragraph 12(g) the entity would apply judgement in determining whether:

- (a) the entity presents this information about the subgroup of the subsidiary that has a material non-controlling interest (i.e., present the required information on the basis of the subsidiary together with its investees); or
- (b) it is necessary in achieving the disclosure objective in paragraph 10 of IFRS 12 to disaggregate the information further to present information about individual subsidiaries that have material non-controlling interests within that subgroup.

However, the Interpretations Committee noted that the information provided in respect of paragraph 12(g) would include transactions between the subgroup/subsidiary and other members of the reporting entity's group without elimination in order to meet the requirements in paragraph B11 of IFRS 12. The transactions within the subgroup would be eliminated.

Joint ventures or associates

~~The Interpretations Committee further observed that a reporting entity should present the summarised financial information about a joint venture or an associate that is material to the reporting entity required by paragraph 21(b)(ii) based on the consolidated financial statements for the joint venture or associate if it has subsidiaries. If it does not have subsidiaries, the presentation should be based on the financial statements of the joint venture or associate in which its own joint ventures or associates are equity-accounted. [Moved to the agenda decision in **Appendix B**].~~

On the basis of this analysis ~~above~~, the Interpretations Committee determined that, in the light of the existing IFRS requirements, sufficient guidance exists and that neither an Interpretation nor an amendment to a Standard was necessary. Consequently, the Interpretations Committee decided not to add this issue to its agenda.

Appendix B—Final agenda decision on summarised financial information about material joint ventures and associates

B1. Below is the proposed final agenda decision on the issue raised regarding the disclosure of summarised financial information about material joint ventures or associates. Changes made to the agenda decision issued in November 2014 have been tracked.

IFRS 12 *Disclosure of Interests in Other Entities*—Disclosure of summarised financial information about material joint ventures ~~and~~ or associates

The Interpretations Committee received a request to clarify the requirement to disclose summary financial information on material joint ventures ~~and~~ or associates in paragraph 21(b)(ii) of IFRS 12 and its interaction with the aggregation principle in paragraphs 4 and B2–B6 of IFRS 12.

The submitter asserts that there are two ways to interpret the application of those paragraphs. Either the information required in paragraph 21(b)(ii) of IFRS 12 can be disclosed in aggregate for all material joint ventures or associates or such information should be disclosed individually for each material joint venture or associate.

The submitter ~~also~~ asked the Interpretations Committee to clarify the requirements in paragraph 21(b)(ii) of IFRS 12 when the information relates to a listed joint venture or associate, and local regulatory requirements would prevent the investor from disclosing such information until the joint venture or associate has released its own financial statements. Would the investor be excused from disclosing the information?

The Interpretations Committee noted that it expected the requirement in paragraph 21(b)(ii) of IFRS 12 to lead to the disclosure of summarised information on an individual basis for each joint venture or associate that is material to the reporting entity (ie this information should not be presented in aggregate for groups of joint ventures or associates that are material). The Interpretations Committee observed that this reflects the IASB's intentions as described in paragraph BC50 of IFRS 12.

The Interpretations Committee also noted that there is no provision in IFRS 12 that permits the non-disclosure of the information required in paragraph 21(b)(ii) of IFRS 12.

The Interpretations Committee was made aware of another concern relating to the disclosures required by IFRS 12 for joint ventures or associates in paragraphs 21(b)(ii), and paragraphs B12 and B13. Some think that these paragraphs do not specify the basis on which an entity should prepare the required summarised financial information for joint ventures and associates. The question raised is whether this information should be presented for each material joint venture or associate on an individual basis, or whether this information should be disclosed for the subgroup of the joint venture or associate together with its investees.

The Interpretations Committee observed that a reporting entity should present the summarised financial information about a joint venture or an associate that is material to the

reporting entity required by paragraph 21(b)(ii) based on the consolidated financial statements for the joint venture or associate if it has subsidiaries. If it does not have subsidiaries, the presentation should be based on the financial statements of the joint venture or associate in which its own joint ventures or associates are equity-accounted. The Interpretations Committee noted that these views are consistent with paragraph B14(a) which states that 'the amounts included in the IFRS financial statements of the joint venture or associate shall be adjusted to reflect adjustments made by the entity using the equity method, such as fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies'.

The Interpretations Committee analysed the results of the outreach request performed by the staff. This outreach indicated that there was no significant diversity observed in the application of IFRS 12 related to ~~this~~ these issues.

~~In the light of the existing IFRS requirements, and on the basis of the outreach results received,~~ On the basis of this analysis, the Interpretations Committee determined that neither an Interpretation nor an amendment to a Standard was necessary and therefore decided not to add this issue to its agenda.

Appendix C—Original agenda decision (November 2014): disclosure of summarised financial information about material joint ventures and associates

- C1. Below is the final agenda decision on the issue raised regarding the disclosure of summarised financial information about material joint ventures and associates.

IFRS 12 *Disclosure of Interests in Other Entities*—Disclosure of summarised financial information about material joint ventures and associates (Agenda Paper 7)

The Interpretations Committee received a request to clarify the requirement to disclose summary financial information on material joint ventures and associates in paragraph 21(b)(ii) of IFRS 12 and its interaction with the aggregation principle in paragraphs 4 and B2–B6 of IFRS 12.

The submitter asserts that there are two ways to interpret the application of those paragraphs. Either the information required in paragraph 21(b)(ii) of IFRS 12 can be disclosed in aggregate for all material joint ventures or associates or such information should be disclosed individually for each material joint venture or associate.

The submitter also asked the Interpretations Committee to clarify the requirements in paragraph 21(b)(ii) of IFRS 12 when the information relates to a listed joint venture or associate, and local regulatory requirements would prevent the investor from disclosing such information until the joint venture or associate has released its own financial statements. Would the investor be excused from disclosing the information?

The Interpretations Committee noted that it expected the requirement in paragraph 21(b)(ii) of IFRS 12 to lead to the disclosure of summarised information on an individual basis for each joint venture or associate that is material to the reporting entity. The Interpretations Committee observed that this reflects the IASB's intentions as described in paragraph BC50 of IFRS 12.

The Interpretations Committee also noted that there is no provision in IFRS 12 that permits the non-disclosure of the information required in paragraph 21(b)(ii) of IFRS 12.

The Interpretations Committee analysed the results of the outreach request performed by the staff. This outreach indicated that there was no significant diversity observed in the application of IFRS 12 related to this issue.

In the light of the existing IFRS requirements, and on the basis of the outreach results received, the Interpretations Committee determined that neither an Interpretation nor an amendment to a Standard was necessary and therefore decided not to add this issue to its agenda.

Appendix D—comment letters submitted

(included in the following page)

Wayne Upton
Chairman
IFRS Interpretations Committee
30 Cannon Street
London
United Kingdom
EC4M 6XH

25 November 2014

Dear Mr Upton

Tentative agenda decision – IFRS 12 *Disclosure of Interests in Other Entities*: Disclosures for a subsidiary with a material non-controlling interest and for a material joint venture or associate

Deloitte Touche Tohmatsu Limited is pleased to respond to the IFRS Interpretations Committee's publication in the September IFRIC Update of the tentative decision not to take onto the Committee's agenda a request for guidance on the requirements of IFRS 12 to disclose information about a subsidiary that has non-controlling interests that are material to the reporting entity and summarised financial information about an associate or joint venture that is material to the reporting entity.

We agree with the IFRS Interpretations Committee's decision not to add this item onto its agenda for the reasons set out in the tentative agenda decision.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884.

Yours sincerely



Veronica Poole
Global IFRS Leader

**Wayne Upton
IFRS Interpretations Committee
30 Cannon Street
London
EC4M 6XH
United Kingdom**

Ref: The IFRS Interpretations Committee's tentative agenda decision on IFRS 12 Disclosure of Interests in Other Entities — disclosures for a subsidiary with a material non-controlling interest and for a material joint venture or associate

Dear Mr Upton,

The European Securities and Markets Authority (ESMA) thanks you for the opportunity to respond to the IFRS Interpretations Committee's (IFRS IC) publication in the September 2014 IFRIC Update of the tentative decision related to the application of IFRS 12 *Disclosure of Interests in Other Entities*. We are pleased to provide you with the following comments with the aim of improving the consistent application and enforceability of IFRSs.

ESMA has considered the IFRS IC's tentative decision not to add to its agenda a request for clarification in respect of the requirements in paragraphs 12(e)–(g) of IFRS 12. These requirements concern the disclosure of information about a subsidiary that has non-controlling interest that is material to the reporting entity.

ESMA agrees with the decision of the Interpretations Committee that, in the light of the existing IFRS requirements, sufficient guidance exists and that neither an Interpretation nor an amendment to a Standard is necessary.

ESMA particularly welcomes the reasoning included in the tentative agenda decision that the approach chosen to present the required disclosures should reflect the disclosure objective of a Standard. ESMA in particular believes that the tentative agenda decision contributes to the enforceability of IFRS 12 and enables to provide the most relevant information to users of financial statements.



Furthermore, ESMA believes that, by referring to the presentation of disclosures that best reflects the disclosure objective, IFRS IC could help to address the perceived problem of disclosure overload and contribute to making disclosures more relevant.

We would be happy to discuss these issues further with you.

Yours sincerely,

A handwritten signature in blue ink, consisting of a stylized 'S' followed by a vertical line and a horizontal stroke ending in a dot.

Steven Maijor
Chair
European Securities and Markets Authority



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Berlin, 21 November 2014

Dear Wayne,

IFRS IC tentative agenda decisions in its September 2014 meeting

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to comment on three IFRS IC tentative agenda decisions, published in the September 2014 *IFRIC Update*. Further, we comment on one issue of IFRS IC's work in progress. Please find our detailed comments in appendices A and B to this letter.

If you would like to discuss our views further, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr

President



Appendix A – Comments on recent tentative agenda decisions

Note from the IFRIC staff: only the relevant section of Appendix A has been reproduced below.

IFRS 12 – Disclosure for a subsidiary with a material NCI

We appreciate and support the IFRS IC's tentative agenda decision and the clarification it comprises. However, we have concerns about not developing any formal clarification of the standard, but declaring that sufficient guidance would exist and neither a clarification nor an interpretation is needed.

Moreover, the wording of the tentative decision actually represents that clarification which IFRS 12 is lacking, stating that the entity would apply judgement in determining whether:

- (a) the entity presents this information about the subgroup of the subsidiary that has a material non-controlling interest (i.e. present the required information on the basis of the subsidiary together with its investees), or
- (b) it is necessary in achieving the disclosure objective in IFRS 12.10 to disaggregate the information further to present information about individual subsidiaries that have material non-controlling interests within that subgroup.

Thus, we urge the IFRS IC to hold onto its view, but to revise the decision by proposing a narrow scope amendment which would add guidance to IFRS 12, relying on the wording of the current tentative agenda decision.