
IASB[®] meeting

Date **June 2025**

Project **Business Combinations—Disclosures, Goodwill and Impairment**

Topic **Situations to which the exemption applies**

Contacts Akshaya Megharikh (akshaya.megharikh@ifrs.org)

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB[®] *Update*.

Purpose and structure

1. As Agenda Paper 18 for this meeting explains, this paper analyses feedback on the proposed exemption from some disclosure requirements in the Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment* (Exposure Draft). This paper analyses whether to retain the exemption, and, if so, the situations in which the exemption would apply. Agenda Paper 18B analyses feedback on the application of the exemption.
2. The paper is structured as follows:
 - (a) background (paragraphs 3–8);
 - (b) whether to provide an exemption (paragraphs 9–12);
 - (c) situations to which the exemption would apply (paragraphs 13–40);
 - (d) summary of staff initial views and next steps (paragraphs 41–45); and
 - (e) question for the IASB.

Background

3. In March 2020 the International Accounting Standards Board (IASB) published the Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment*

(Discussion Paper). Many stakeholders, particularly preparers, expressed concerns that some of the information an entity would be required to disclose if the preliminary views were implemented would be so commercially sensitive that its disclosure in financial statements should not be required.

4. The IASB investigated these concerns with preparers to obtain a better understanding. The IASB also discussed with users to understand what information about business combinations users need. The IASB brought together both groups of stakeholders to find solutions that would balance users' need for information and respond to some preparer concerns.
5. Following these discussions, the IASB decided to propose in the Exposure Draft exempting an entity from disclosing some of the information (see paragraph 2 of Agenda Paper 18) in specific situations.
6. The IASB developed a principle underpinning the proposed exemption—that an entity be exempted from disclosing the information referred to in paragraph 5 if disclosure of that information can be expected to prejudice seriously the achievement of any of the entity's acquisition-date key objectives for a business combination. To ensure the proposed exemption would be operational and enforceable, the IASB also proposed application guidance.
7. As paragraphs 3–5 of [Agenda Paper 18F](#) for the IASB's December 2024 meeting (December agenda paper) explain:
 - (a) almost all respondents agreed with allowing an exemption from disclosing some of the information proposed in the Exposure Draft in specific situations. However, many of these respondents said the scope of the proposed exemption is restrictive and does not cover all situations for which an exemption is needed.
 - (b) a few respondents (including user groups, regulators and national standard-setters) said the proposed exemption would be subjective and open to

interpretation and possible misuse and suggested restricting the scope of the exemption.

- (c) a few respondents suggested providing no exemption.

8. This agenda paper covers our analysis of feedback on:

- (a) whether to provide an exemption (paragraphs 9–12); and
- (b) situations to which the proposed exemption applies (paragraphs 13–40).

Whether to provide an exemption

Feedback summary

9. As paragraphs 14–15 of the December agenda paper explain:

- (a) almost all respondents agreed with the need for an exemption to address preparers' concerns on commercial sensitivity. Users and user groups also agreed there could be situations in which disclosing information could harm an entity and that it would be appropriate to exempt an entity from disclosing that information.
- (b) a few respondents—including a few users and user groups—suggested not providing any exemption. They said the proposed exemption is likely to be misused because it would be difficult to assess its applicability to the entity and there would be diversity in how entities apply the exemption.

Staff analysis

10. Considering the feedback, we think:

- (a) the proposed disclosure requirements could lead to disclosure of commercially sensitive information, which could harm entities'—and consequently, investors'—interests;

- (b) an exemption could address preparers' concerns, while balancing investor needs.
11. We acknowledge concerns (see paragraph 9(b)) that the exemption could be difficult to apply—Agenda Paper 18B analyses feedback specific to the application of the exemption. As that paper notes, we will consider whether we can provide additional application guidance or examples to address particular concerns. Nonetheless, we think entities will be able to apply the exemption and that the exemption will be applicable in only the appropriate situations.
12. In our initial view, we think the IASB should continue to exempt entities from disclosing some of the information in specific situations.

Situations to which the exemption would apply

Background

13. As paragraph 6 explains, the Exposure Draft proposed exempting an entity from disclosing some information if disclosure of that information can be expected to prejudice seriously the achievement of any of the entity's acquisition-date key objectives for a business combination.
14. As paragraph 16 of the December agenda paper explains, the IASB designed the exemption primarily to respond to preparers' concerns about commercial sensitivity. The IASB considered whether to allow an entity to apply the exemption if the entity might be exposed to litigation risks that arise from disclosing what some stakeholders regard as forward-looking information. In the IASB's view, litigation risk arising from an entity being unable to meet the objectives of the business combination because it disclosed the information would be addressed by the exemption.

Feedback summary

15. Paragraphs 18–19 of the December agenda paper summarise feedback on extending the exemption to cover more situations. As those paragraphs note:
- (a) many respondents say the proposed exemption should also cover other situations, including situations in which disclosing the required information would:
 - (i) affect the entity’s negotiating position for future business combinations, contingent consideration, or restructuring initiatives.
 - (ii) breach legal / regulatory requirements or non-disclosure / confidentiality agreements.
 - (iii) expose the entity to litigation risk, including risks arising from an entity failing to meet its objectives (a) because of factors outside the entity’s control or (b) because management did not efficiently or effectively discharge its responsibilities.
 - (iv) expose the entity, or other entities within the group, to social or operational risks; for example, loss of a key supplier or key employees.
 - (v) damage or disadvantage the acquiree (see paragraph 37).
 - (b) Respondents from one jurisdiction said to avoid duplication an entity should be able to apply the exemption if relevant information is disclosed outside the financial statements in accordance with local regulations.
16. Paragraph 20 of the December agenda paper summarises feedback on restricting the scope of the exemption. As that paragraph notes, a few respondents suggested restricting the scope of the proposed exemption. For example, one accounting professional body agreed with the use of the exemption to address concerns about litigation risk arising from disclosing the information. However, the respondent said the exemption could be applied broadly in some jurisdictions where litigation risk is high and suggested providing application guidance and illustrative examples.

Analysis

17. We have grouped our analysis of the feedback as follows:
- (a) effect on future transactions (paragraphs 18–22);
 - (b) breach of legal/ regulatory requirements (paragraphs 23–27);
 - (c) non-disclosure / confidentiality agreements (paragraph 28);
 - (d) litigation risk (paragraphs 29–34);
 - (e) social/operational risks (paragraphs 35–36);
 - (f) other suggestions to expand the exemption’s scope (paragraphs 37–38); and
 - (g) suggestions to restrict the exemption’s scope (paragraphs 39–40).

Effect on future transactions

18. As paragraph 15(a)(i) notes, respondents suggested extending the exemption to situations in which disclosing the information would affect an entity’s negotiating position for future business combinations. These respondents said:
- (a) information about, for example, the acquisition-date key objectives and targets for a business combination might provide insight into how an entity prices its business combinations and disclosing this information could affect an entity’s negotiating position for a future business combination; and
 - (b) the exemption as proposed would not apply to these situations—that is situations in which disclosure of information would affect negotiating position for future business combinations—because the exemption would be available only if disclosure of a specific piece of information about a business combination would seriously prejudice the acquisition-date key objectives for that particular business combination (and not for future business combinations).
19. We agree that the exemption as proposed might not apply to situations in which disclosing a specific item of information could affect an entity’s negotiating position

- for a future transaction. This would be the case if disclosing that information would not seriously prejudice any of the entity's acquisition-date key objectives for the business combination.
20. However, in situations in which the achievement of an acquisition-date key objective for a business combination depends on a subsequent transaction, for example, the entity closing a second business combination, disclosing information about the initial business combination might seriously prejudice the achievement of the key objective by negatively affecting an entity's negotiating position for the second business combination. If this is the case, the entity would be able to apply the proposed exemption.
21. We also acknowledge some of the proposed information could provide information about how an entity has priced that particular business combination. However, we think:
- (a) each business combination is unique and the negotiated price for a business is based on the facts and circumstances relating to that specific transaction and at that specific point in time. For example, the hurdle rate for a real estate transaction may be affected by the cost of capital at that time, which could change for future negotiations.
 - (b) extending the exemption to situations that might affect an entity's negotiating position for a future business combination could result in the exemption being widely applied, which would undermine the effect of introducing new disclosure requirements. Respondents have not suggested, and we have not found, a way in which to modify the exemption to capture these situations without also opening up the exemption to wide application.
22. Consequently, our initial view is that the IASB should not extend the exemption to cover situations in which disclosing the information would affect an entity's negotiating position for future business combinations beyond what would already be covered by the proposed exemption (see paragraph 20).

Breach of legal/ regulatory requirements

23. As paragraph 15(a)(ii) notes, respondents said the proposed exemption should also cover situations in which disclosure of information could breach legal / regulatory requirements. We understand from respondents that they think the exemption as currently worded might not apply to such situations. This is because the exemption applies only when the achievement of an acquisition-date key objective is prejudiced and compliance with legal and regulatory requirements—often essential for the success of a business combination—would often not be a key objective of a business combination.
24. In developing the exemption, the IASB considered legal obligations. Paragraph BC81 of the Basis for Conclusions states:
- An item of information might qualify for the exemption, and therefore the entity may elect not to disclose that item of information if, for example:
- ...
- (b) legal obligations prevent the entity from disclosing a particular item of information, and the breach of those obligations can be expected to result in consequences that would prevent the entity from achieving any of its acquisition-date key objectives for the business combination.
25. We accept respondents' arguments that compliance with legal and regulatory obligations, while essential for the success of a business combination, might not always be identified as a key objective for that business combination. For example, an entity's only key objective for a business combination might be to increase revenue growth which might be unaffected by financial penalties that might result from failing to comply with laws and regulations. We agree that in this situation, an entity would not be able to apply the exemption as currently drafted. However, in drafting the Exposure Draft we intended—and think the IASB should explore—allowing entities

to apply the exemption to situations in which disclosure of information could breach legal / regulatory requirements.

26. In our initial view the IASB should explore refining the exemption to cover the situation discussed in paragraph 23. We think this could be done by changing the wording of the exemption to, for example, allow an entity to not disclose some of the required information if doing so can be expected to ‘prejudice seriously the success of a business combination’ and specifying that the achievement of an acquisition-date key objective is one—but not the only—example of the success of a business combination. We will also consider referring to or including an example of a breach of legal or regulatory requirements in the application guidance.
27. We will consult on the appropriateness of refining the exemption to explicitly capture legal and regulatory obligations and on how we might amend the exemption to do so (for example, testing revised wording) with appropriate stakeholders before making a final recommendation.

Non-disclosure / confidentiality agreements

28. Some respondents suggested extending the exemption to cover breaches of non-disclosure / confidentiality agreements. We think no specific extension or refinement is needed in this respect. In particular:
- (a) in situations in which breach of a non-disclosure/ confidentiality agreement would be a breach of legal or regulatory provisions, that would be captured by the change discussed in paragraph 26; and
 - (b) explicitly exempting entities from disclosing information due to non-disclosure / confidentiality agreements could lead to potential misuse, with entities including non-disclosure / confidentiality clauses in agreements only to avoid disclosure of performance and expected synergy information.

Litigation risk

29. Respondents said the proposed exemption should cover situations in which an entity is exposed to litigation risk arising from an entity failing to meet its objectives (a) because of factors outside the entity's control or (b) because management did not efficiently or effectively discharge its responsibilities.
30. A few respondents also said the forward-looking nature of the information required to be disclosed could result in undue litigation risks and that entities may not be able to benefit from 'safe-harbour' protections in some jurisdictions which provide entities with protection from legal action in respect of forward-looking information disclosed in documents other than financial statements.
31. The IASB's considerations of whether to allow an entity to apply the exemption in situations in which an entity is exposed to litigation risk were in response to concerns about the lack of 'safe harbour' protections (see paragraphs 17–23 of [Agenda Paper 18C](#) of the IASB's September 2022 meeting). As those paragraphs explain, the IASB considered the underlying causes for an entity being litigated against in respect of failing to meet its objectives and designed the exemption to apply to situations in which it is the disclosure of information that could result in the entity being unable to meet its objective and consequently being litigated against.
32. Paragraphs BC84–85 of the Basis for Conclusions discuss the IASB's rationale for not allowing an entity to use the exemption in other situations—that is, the specific situations discussed in paragraph 29. We think this rationale remains valid because:
- (a) in these situations, the disclosure of information is not what causes the entity to fail to achieve its acquisition-date key objectives; and
 - (b) this risk is no different from litigation risk that arises from disclosing forward-looking information required by other IFRS Accounting Standards.
33. We think extending the exemption to cover litigation risk arising from the situations discussed in paragraph 29 could result in the exemption being widely applied, which

would undermine the effect of introducing new disclosure requirements. Hence, we think the exemption should not be extended to those situations.

34. Notwithstanding the IASB's considerations of litigation risk in designing the exemption, respondents continue to raise concerns about the loss of safe harbour protections (see paragraph 30 **Error! Reference source not found.**). We are investigating these concerns further and will assess whether and how to respond to these concerns once we have completed our investigations.

Social/operational risks

35. For reasons similar to those discussed in paragraph 23, respondents said the proposed exemption might not—but should—cover situations that could expose the entity to social or operational risks (including those arising from restructuring initiatives)—for example, loss of a key supplier or key employees.
36. Consistent with our analysis in paragraphs 24–27, we think the IASB should explore refining the exemption to cover the situation discussed in paragraph 35. We think the refinement proposed in paragraph 26 could also cover these situations. As paragraph 27 notes, we will consult on the appropriateness of refining the exemption to explicitly capture such situations and on how we might amend the exemption to do so (for example, testing revised wording) with appropriate stakeholders before making a final recommendation.

Other suggestions to expand the scope

37. As paragraph 15(a)(v) notes, one respondent said the exemption should cover situations that could damage or disadvantage the acquiree. The respondent who suggested this says '...if the acquiree is a public company, there is a risk of causing confusion among investors and stakeholders and affecting the activities of the acquiree in the capital markets from the perspective of consistency between the disclosure of the acquiree's own financial results and those of the acquirer.' We see no reason to extend the exemption to cover this situation. Applying IFRS 3, an entity

might already be required to disclose information about the acquiree that differs from what an acquiree might report in its own financial statements. Disclosures about the performance of a business combination and expected synergy information would, similar to other information required to be disclosed applying IFRS 3, be required from the perspective of the reporting entity—the acquirer.

38. As paragraph 15(b) notes, respondents from one jurisdiction said to avoid duplication an entity should be able to apply the exemption if relevant information is disclosed outside the financial statements in accordance with local regulations because it will lead to duplication of information. We think the exemption is not an appropriate tool to address concerns about the duplication of information. We will consider at a later stage whether to allow an entity to incorporate by cross-reference information disclosed outside financial statements in relation to the performance of a business combination or expected synergy.

Suggestions to restrict the scope of the exemption

39. As paragraph 7(b) notes, a few respondents suggested restricting the scope of the proposed exemption.
40. These suggestions arise mainly from concerns that the exemption could be difficult to apply—Agenda Paper 18B analyses feedback specific to the application of the exemption. As that paper notes, we will consider whether we can provide additional application guidance or examples to address particular concerns. Nonetheless, we think entities will be able to apply the exemption and that the exemption will be applicable in only the appropriate situations. We therefore think it is unnecessary to consider further restricting the exemption.

Summary of staff initial views and next steps

41. In our initial view, the IASB should continue to exempt entities from disclosing some of the information in specific situations and that it is unnecessary to consider further restricting the exemption.
42. In our initial view, the IASB should not extend the exemption to cover:
 - (a) situations in which disclosing the information would affect an entity's negotiating position for future business combinations beyond what would already be covered by the proposed exemption;
 - (b) breaches of non-disclosure / confidentiality agreements;
 - (c) litigation risk arising from situations discussed in paragraph 29; and
 - (d) other situations suggested by respondents to the Exposure Draft.
43. In our initial view the IASB should consider refining the scope of the exemption to allow entities to apply the exemption in situations in which disclosing the information could result in negative legal, regulatory, social and operational consequences (paragraphs 29–36).
44. As paragraph 27 explains, we plan to consult on our view in paragraph 26 on how the IASB could refine the scope. We will use feedback from consultations to inform further analysis and reach a recommendation. We will present the feedback, our updated analysis and our recommendation at a future IASB meeting.
45. We will consider at a later stage:
 - (a) whether and how to respond to concerns about the loss of safe harbour protections; and
 - (b) whether to allow an entity to incorporate by cross-reference information disclosed outside financial statements in relation to the performance of a business combination or expected synergy.

Questions for the IASB

Do IASB members have any questions or comments on the analysis in this agenda paper?

Specifically:

- (a) is there anything IASB members would like us to research, consult on or analyse further, apart from matters summarised in paragraph 44?
- (b) do IASB members have any other comments or questions on the analysis in this paper or the initial staff views summarised in paragraphs 41–45?