IFRS Accounting

Staff paper

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Project	**Business Combinations—Disclosures, Goodwill and Impairment**
Topic	**Exemption**
Contacts	Akshaya Megharikh (akshaya.megharikh@ifrs.org)

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Purpose and structure

1. As Agenda Paper 18 explains, this paper:

   (a) updates our analysis of the proposed exemption from some disclosure requirements in the Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment* (Exposure Draft); and

   (b) asks whether the International Accounting Standards Board (IASB) agrees with our recommendations as summarised in paragraphs 71–73.

2. The paper is structured as follows:

   (a) background (paragraphs 4–20);

   (b) structure of or analysis (paragraph 21);

   (c) situations to which exemption applies (paragraphs 22–58);

   (d) applying the exemption (paragraphs 59–70);

   (e) summary of staff recommendations and matters for future consideration (paragraphs 71–74);

   (f) question for the IASB;

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(g) Appendix A—Examples of situations in which disclosing information would breach legal or regulatory requirements or have negative social or operational consequences; and

(h) Appendix B—Possible examples shared with consultative groups.

3. As Agenda Paper 18 notes, whilst this agenda paper asks for tentative decisions on aspects of the package of proposed amendments, we will revisit the package of proposed amendments to IFRS 3 *Business Combinations* (IFRS 3) relating to performance and expected synergy information at a future IASB meeting to assess whether the expected benefits of that package outweigh the costs. We will consider, at that time, if any adjustments are needed to any of the tentative decisions made at this stage.

Background

Exposure Draft proposals

4. The Exposure Draft included proposals to amend IFRS 3:

(a) to require disclosure of performance and expected synergy information; and

(b) to add, amend and remove other disclosure requirements.

5. To address concerns raised by stakeholders, especially preparers, about commercial sensitivity of some disclosures, the Exposure Draft included proposals to exempt an entity from disclosing some of the information that would be required applying the proposals in specific situations.

6. The IASB developed a principle underpinning the proposed exemption—that an entity be exempted from disclosing particular items of information if disclosing 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. Paragraph BC90 of the Basis for Conclusions on the Exposure Draft (Basis for Conclusions) summarises the proposed application guidance.

7. As paragraphs 42–45 of Agenda Paper 18A for the IASB's July 2022 meeting note, regulators sometimes exempt entities from providing some information that would otherwise be required by local regulatory reporting if prescribed conditions are met. While the IASB is unaware of comprehensive research on the effectiveness of such exemptions, anecdotal evidence suggests the regulators' application guidance on applying those exemptions—which the IASB considered in developing the proposed exemption and the proposed application guidance—is effective at ensuring the exemptions are applied only in appropriate circumstances.

Litigation risk and the proposed exemption

8. As paragraphs BC82–BC85 of the Basis for Conclusions note, 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. If an entity failed to meet its objectives for a business combination and an investor relied on that information but subsequently suffers a loss, the entity might be sued. An entity might fail to meet its objectives for a business combination because:

   (a) disclosing the information resulted in the entity being unable to meet the objectives of the business combination;

   (b) there were factors outside the entity's control; or

   (c) management did not efficiently or effectively discharge its responsibilities.

9. In the IASB's view, litigation risk arising from an entity failing to meet its acquisition-date key objectives for a business combination because it disclosed the information would be addressed by the exemption. On the other hand, litigation risk arising from the factors described in paragraphs 8(b) and 8(c) results from an entity failing to meet its acquisition-date key objectives for a business combination for reasons other than the disclosure of the information. This risk is no different from

litigation risk that arises from disclosing forward-looking information required by other IFRS Accounting Standards.

10. The IASB saw no justification for an exemption that addresses litigation risks arising from the factors described in paragraphs 8(b) and 8(c) when other IFRS Accounting Standards do not exempt an entity from disclosing information affected by those factors. Consequently, the IASB decided not to propose an exemption to address litigation risk arising from the factors described in paragraphs 8(b) and 8(c).

Redeliberation status

11. Agenda Paper 18F for the IASB's December 2024 (December agenda paper) meeting summarised feedback on the proposed exemption.

12. The IASB has redeliberated the exemption at two meetings:

    (a) June 2025—whether to provide an exemption, situations to which the exemption would apply and applying the proposed exemption (summarised in paragraphs 13–19); and

    (b) December 2025—which items of information the exemption would apply to (summarised in paragraph 20).

Whether to provide and exemption and situations to which the exemption would apply

13. Agenda Papers 18A and 18B for the IASB's June 2025 meeting (June paper 18A and June paper 18B) provided our initial analysis of feedback on:

    (a) whether to provide an exemption;

    (b) situations to which the exemption would apply; and

    (c) applying the proposed exemption.

14. It was our initial view that the IASB should continue to exempt entities from disclosing some of the information in specific situations.

15. As reported at the IASB's June 2025 meeting, 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 (paragraphs 18–22 of June Paper 18A);

    (b) breaches of non-disclosure / confidentiality agreements (paragraph 28 of June Paper 18A);

    (c) litigation risk arising from an entity failing to meet its objectives because of factors outside the entity's control or because management did not efficiently or effectively discharge its responsibilities (paragraphs 29–34 of June Paper 18A); and

    (d) other situations suggested by respondents to the Exposure Draft (paragraphs 37–38 of June Paper 18A).

16. As discussed at the IASB's June 2025 meeting, we consulted on:

    (a) 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 or operational consequences; and

    (b) developing and testing examples of situations in which an entity can apply the exemption.

17. We also consulted some stakeholders—particularly securities regulators—who expressed concerns about the lack of safe harbour protections for information disclosed applying the proposed disclosure requirements, on whether and how to respond to such concerns.

Applying the exemption

18. As June Paper 18B and Agenda Paper 18B for the IASB's December 2025 meeting state, in our initial view the IASB should:

(a) not define the term 'seriously prejudicial';

(b) not include a statement specifying that the exemption should be used only in 'extremely rare circumstances';

(c) remove its proposal requiring entities to disclose the reason for applying the exemption;

(d) retain its proposal requiring entities to reassess at the end of each reporting period whether a key objective or target (KOT) to which the exemption was previously applied still qualifies for the exemption; and

(e) not provide further clarifications in respect of clarification requests.

19. As June Paper 18B notes, we planned to:

(a) develop and test examples of specific situations in which an entity can apply the exemption with stakeholders (see paragraph 20 of June Paper 18B).

(b) develop and test examples of how an entity might be able to disclose information in a different way—for example, at a sufficiently aggregated level—instead of applying the exemption (see paragraph 31 of June Paper 18B).[1]

Which items of information the exemption would apply to

20. Agenda Paper 18B for the IASB's December 2025 meeting provided the IASB with our initial analysis of feedback on the items of information to which the exemption would apply. Because of interdependencies with other aspects of the package of proposed amendments to IFRS 3 relating to performance and expected synergy information, we will present our updated views and recommendations on which items of information the exemption should apply to together with our recommendations on what information to require.

[1] The Exposure Draft proposed—as part of the application guidance accompanying the proposed exemption—requiring an entity to consider whether, instead of applying the exemption, it is possible to disclose information in a different way—for example, at a sufficiently aggregated level—without prejudicing seriously the entity's key objectives for the business combination.

Structure of our analysis

21. This section presents additional feedback and our updated analysis for:

    (a) situations to which the exemption applies (paragraphs 22–58); and

    (b) applying the exemption (paragraphs 59–70).

Situations to which the exemption applies

22. This section discusses:

    (a) refining the exemption:

        (i) breach of statutory legal or regulatory requirements (paragraphs 23–31);

        (ii) negative social or operational consequences (paragraphs 32–38); and

        (iii) how to refine the exemption (paragraphs 39–48); and

    (b) litigation risk and lack of safe harbour protections (paragraphs 49–58).

Refining the exemption

Breach of statutory legal or regulatory requirements

Exposure Draft feedback and prior discussion

23. Respondents said the proposed exemption should also cover situations in which disclosure of information could breach statutory legal or regulatory requirements. We understood 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 or regulatory requirements—often essential for the success of a business combination—would often not be a key objective of a business combination.

24. We acknowledged 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 disclosing information which would breach laws or regulations. We acknowledged 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 to allow entities to apply the exemption to situations in which disclosure of information would breach legal / regulatory requirements.

25. It was our initial view that the IASB should explore refining the exemption to cover breach of statutory legal or regulatory requirements. As discussed in the IASB's June 2025 meeting, we consulted on whether and how to refine the exemption.

Additional feedback and updated analysis

26. Almost all respondents, including users, agreed that entities should be able to apply the exemption if disclosing information would lead to breach of statutory legal or regulatory requirements.

27. A few respondents (including users) did not support expanding the scope of the exemption. One user said exempting entities from disclosing information because of jurisdiction specific statutory legal or regulatory requirements could lead to lack of comparability.

28. One national standard-setter said exemption should not be extended to also cover breach of commercial or contractual agreements.

29. We also asked if respondents have examples of situations in which disclosing performance and expected synergy information would breach statutory legal or regulatory requirements. Paragraph A1 of Appendix A lists the examples provided to us.

30. Having considered the additional feedback, we continue to think the exemption should be refined to include situations in which disclosure of performance or expected synergy information would breach statutory legal or regulatory requirements. However, and consistent with our view in paragraph 28 of Agenda Paper 18A for the IASB's June 2025 meeting, we think the exemption should not be refined to include breaches of non-disclosure / confidentiality or other contractual agreements.

Staff recommendation

31. We recommend refining the exemption to cover breach of statutory legal or regulatory requirements.

Negative social or operational consequences

Exposure Draft feedback and prior discussions

32. 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.

33. Consistent with breach of statutory legal or regulatory requirements (paragraphs 23–25):

    (a) it was our initial view that the IASB should explore refining the exemption to cover negative social or operational consequences beyond what would already be covered by the proposed exemption; and

    (b) as discussed in the IASB's June 2025 meeting, we consulted on whether and how to refine the exemption.

Additional feedback and updated analysis

34. Most respondents expressed concerns that refining the scope of the exemption to include situations where disclosing information would lead to negative social or operational consequences beyond what would already be covered by the proposed

exemption would unduly broaden the exemption's scope. One national standard-setter said the interpretation of 'negative social or operational consequences' might vary by jurisdiction. On the other hand, some respondents, including preparers, said the exemption should be refined to include negative social or operational consequences beyond what would already be covered by the proposed exemption.

35. If the IASB decides to refine the exemption to include negative social or operational consequences beyond what would already be covered by the proposed exemption:

    (a) some users suggested including criteria or guidance to help entities consistently assess negative social or operational consequences and one user suggested ensuring the exemption remains auditable; and

    (b) one national standard-setter suggested requiring an entity to be able to evidence negative social or operational consequences (similar to a breach of statutory legal or regulatory requirements) to ensure auditability and enforcement.

36. We also asked respondents for examples of situations in which disclosing information would have negative social or operational consequences beyond what would already be covered by the proposed exemption. Paragraph A2 of Appendix A lists the examples provided.

37. We considered the examples provided by respondents. We understand why some of the information that would be disclosed applying the proposals in those examples could be commercially sensitive and could, in some situations, have negative consequences for the entity. However:

    (a) depending on the facts and circumstances, an entity might already be able to apply the proposed exemption to the examples (if disclosure would seriously prejudice the achievement of a KOT); and

    (b) extending the exemption to cover potential negative social or operational consequences beyond what would already be covered by the proposed

exemption could result in the exemption being widely applied and investors not receiving useful information.

Staff recommendation

38. We recommend not refining the scope of the exemption to include situations in which disclosing performance and expected synergy information would lead to negative social or operational consequences beyond what would already be covered by the proposed exemption.

How to refine the exemption

Prior discussions

39. As paragraph 26 of June Paper 18A meeting notes, our initial view was that the IASB should explore refining the exemption to cover the situations discussed in paragraph 23. We suggested doing so 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.

40. We consulted with our consultative bodies on whether changing the wording of the exemption to 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' would address concerns.

Additional feedback

41. Most respondents said the term 'success of a business combination' might be too broad and is not defined by IFRS Accounting Standards. One preparer said the term 'success' is vague.

42. A few respondents agreed that changing the wording would be an improvement and could resolve some of the concerns, however one of these respondents said the wording would remain subjective and be challenging to apply.

43. A few respondents said breach of statutory legal or regulatory requirements should not be linked to the 'success of a business combination'.

44. We asked for suggestions to refine the scope of the exemption in a way that would accommodate the examples identified in paragraphs A1 and A2 without unduly extending the exemption to other situations. Respondents provided the following suggestions:

    (a) a more targeted refinement for example, 'commercial, social and legal prejudices';

    (b) using the phrase 'have a significant negative effect on the entity'; and

    (c) allowing an entity to apply the exemption if disclosing the information would create an obligation or liability (e.g. penalties or lead to an impairment/ provide an indication of impairment).

Updated analysis

45. As explained in each section, we think the exemption:

    (a) should be refined to include situations in which disclosure of performance or expected synergy information would breach statutory legal or regulatory requirements (paragraphs 23–31); and

    (b) should not be refined to include situations in which disclosing performance and expected synergy information would lead to negative social or operational consequences beyond what would already be covered by the proposed exemption (paragraphs 32–38).

46. Based on updated feedback, we think it would be inappropriate to change the wording to 'success of a business combination' because it could unduly broaden the scope of the exemption and lead to fewer disclosures and less useful information. Respondents'

other suggestions to refine the scope in paragraph 44 could also unduly broaden the scope of the exemption in a similar manner.

47. While we will consider the wording when drafting the amendments, we think the exemption could be refined to specifically exempt entities from disclosing information that would either:

    (a) result in an entity seriously prejudicing the key objectives for a business combination (consistent with the proposed exemption); or

    (b) result in an entity breaching statutory legal or regulatory requirements.

Staff conclusion

48. We think it is possible to reflect our recommendations in paragraphs 31 and 38 by refining the wording of the proposed exemption as noted in paragraph 47 and will do so when drafting the amendments.

Litigation risk and lack of safe harbour protections

Exposure Draft feedback and prior discussions

49. A few respondents said the forward-looking nature of some of the information required to be disclosed could result in that information meeting local regulations' definitions of forward-looking information.[2] They said disclosing the information 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.

[2] The analysis in this paper assumes the proposed disclosures would meet local regulations' definitions of forward-looking information. Paragraphs 8–18 of Agenda Paper 18A for the IASB's March 2025 meeting consider feedback that the proposed disclosures should not be required in financial statements because the information is forward-looking and why we continue to think the information can be required in financial statements.

50. As discussed in paragraphs 33–34 of June paper 18A:

(a) our initial view was that extending the exemption to cover litigation risk arising from the situations discussed in paragraph 29 of June paper 18A could result in the exemption being widely applied, which would undermine the effect of introducing new disclosure requirements.

(b) nonetheless, we were investigating these concerns further to assess whether and how to respond to these concerns.

Additional feedback

51. We asked respondents who raised concerns about the lack of safe harbour protections (particularly securities regulators):

(a) how the proposed disclosures differ from existing disclosure requirements in other IFRS Accounting Standards that might similarly have forward-looking elements (for example, disclosure of assumptions used in determining the recoverable value of a cash-generating unit for purposes of impairment testing in accordance with IAS 36 *Impairment of Assets*); and

(b) why they think the proposed exemption does not address situations in which an entity might need safe harbour protections.

52. On disclosures relating to other IFRS Accounting Standards that might similarly have forward-looking elements, respondents said:

(a) such disclosures reflect information at a point in time which in their view, is not forward-looking and, differs from KOTs and expected synergy information which they view as management's expectation of the future performance of the acquisition;

(b) there might be similarities between KOTs and expected synergy information and other disclosures that might have forward-looking elements but said those other disclosures tend to be more qualitative in nature than would be expected for KOTs and expected synergy information;

(c) other IFRS Accounting Standards have a framework for determining the information disclosed, unlike KOTs and expected synergy information which can be aspirational in nature and depend on management's view of the business; and

(d) inputs used in the determining the disclosures required by other IFRS Accounting Standards are often macro-economic (e.g. inflation rate, vacancy rates).

53. Respondents said safe harbour protections are designed to protect entities from litigation risks arising due to information disclosed outside financial statements that is considered forward-looking. This protection encourages entities to be more transparent and forthcoming with such information which in turn, results in better information for users while reducing costs for preparers. Consequently, in their view, it would be better to require disclosure of KOTs and expected synergy information outside financial statements (for example, in management commentary). They also said the term 'seriously prejudicial' as used in the proposed exemption indicates a high threshold for non-disclosure.

54. We understand safe harbour protections generally include requirements such as the entity having a reasonable and supportable basis for the disclosed information. We asked what additional litigation risk an entity could face if it had a reasonable and supportable basis for any performance and expected synergy information it disclosed in financial statements (compared to disclosing that information in management commentary to which safe harbour protections would apply). Stakeholders did not provide specific examples of such situations beyond those the IASB decided not to allow an entity to use an exemption for (see paragraph 8(b)–8(c)), however they said the lack of safe harbour protections could also result in frivolous lawsuits which could require time and cost to settle.

Updated analysis

55. Both safe harbour protections and the proposed exemption are designed to provide an entity with protection from litigation risk. They are different mechanisms and operate differently. In particular:

    (a) we understand that safe harbour protections generally apply to information considered to be 'forward-looking' that is disclosed in some documents other than financial statements.

    (b) as paragraph 31 of June Paper 18A notes, 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.

56. We agree with feedback that applying the Exposure Draft proposals, some information would be disclosed in the financial statements which would be viewed as forward-looking in some jurisdictions and would not be covered by safe harbour protections (where they exist). This could result in entities facing litigation for disclosing information in financial statements in situations in which they would otherwise be protected if safe harbour protections were available which could result in additional costs for entities. These include litigation arising from an entity failing to meet its objectives for a business combination because:

    (a) there were factors outside the entity's control;

    (b) management did not efficiently or effectively discharge its responsibilities: or

    (c) litigation that lacks legal merit (frivolous lawsuits).

57. We think the exemption appropriately addresses litigation risk arising from an entity failing to meet its acquisition-date key objectives for a business combination because it disclosed the information. The IASB already considered the appropriateness of extending the exemption to the litigation an entity could face in paragraphs 56(a) and 56(b) in developing the proposed exemption and decided not to do so. The additional feedback does not provide new information in this respect and consequently, we continue to agree with the IASB and think it should not extend the exemption to these situations for reasons previously considered by the IASB (see paragraph 9). We think the IASB's considerations for why the exemption should not be extended to the litigation risk discussed in paragraphs 8(b)–8(c) also apply to frivolous litigation and we think no specific change is needed in this respect.

Conclusion

58. In our view the exemption appropriately addresses litigation risk arising from an entity failing to meet its acquisition-date key objectives for a business combination because it disclosed the information and should not address other litigation risk and no further change to the exemption is needed in this respect.

Applying the exemption

59. This section covers:

(a) Exposure Draft feedback and prior discussions (paragraphs 60–62);

(b) additional feedback and updated analysis (paragraphs 63–69); and

(c) staff recommendation (paragraph 70).

Exposure Draft feedback and prior discussions

60. As paragraph 25 of the December agenda paper notes, some respondents said the proposed exemption would be subjective, involve judgement and be difficult to apply.

Many respondents across all stakeholder groups requested illustrative examples / application guidance to ensure consistent application in appropriate circumstances.

61. The proposed application guidance includes examples of situations in which an entity would be unable to apply the exemption (for example, if the information is already publicly available). As paragraph 26 of the December agenda paper notes, some respondents suggested listing or illustrating specific situations in which an entity is able to apply the exemption. A few respondents said this approach could be more useful than providing application guidance highlighting situations in which an entity is unable to apply the exemption. We acknowledged such examples could complement the application guidance proposed in the Exposure Draft and noted that paragraph BC103 of the Basis for Conclusions already includes an example about the launch of a new product. We nonetheless noted that we would consider developing and testing examples of specific situations in which an entity can apply the exemption (see paragraph 20 of June Paper 18B).

62. The proposed application guidance accompanying the proposed exemption required an entity to consider whether, instead of applying the exemption, it is possible to disclose information in a different way—for example, at a sufficiently aggregated level—without prejudicing seriously the entity's key objectives for the business combination. We noted that we would consider developing and testing examples to help an entity apply this requirement.

Additional feedback and updated analysis

63. As discussed with the IASB at its June 2025 meeting, we consulted on developing examples of situations in which an entity can apply the exemption. We also asked for examples of situations for which we can consider developing examples and tested a possible example with our consultative bodies (reproduced in Appendix B).

64. Respondents had mixed views on whether to provide examples and acknowledged the difficulty of developing appropriate examples. Some respondents said examples would be helpful and suggested including additional illustrative examples. Some

respondents (including all preparers who commented) did not support providing examples. They said:

(a) it would be challenging to develop examples that are generic and relevant enough to apply to a large number of entities across multiple jurisdictions, and the costs and risks of developing the examples would outweigh the benefits (a few respondents);

(b) examples would not be helpful because the disclosures are based on a management approach and are not prescribed (a few respondents); and

(c) there is a risk the examples will be used as a rule to apply the exemption and could lead to disagreements between auditors and preparers (a few respondents).

65. On what any example should illustrate:

(a) many respondents said examples should illustrate the principle underpinning the exemption;

(b) many respondents said the possible example (reproduced in Appendix B) was overly simplistic and unrealistic and any example should illustrate a more realistic scenario; and

(c) some respondents also suggested illustrating:

(i) disclosure of aggregated information as mentioned in paragraph B67E of the Exposure Draft (for example, information aggregated in total for all categories of expected synergies);

(ii) application of the exemption from disclosing expected synergy information; and

(iii) application of the exemption from disclosing only some, but not all, of the KOTs.

66. Examples of situations for which respondents suggested developing illustrative examples included situations in which a business combination is expected to result in:

(a) disruption to labour—for example, restructuring / automation / offshoring; and

(b) disruption to an entity's supply chain.

67. We acknowledge feedback requesting examples. However, the exemption is by nature designed to be highly entity and fact specific and consequently:

(a) it would be difficult to develop examples that are generic and relevant enough to apply to a large number of entities across multiple jurisdictions.

(b) there is a risk of an entity inappropriately analogising the example to its situation without appropriately considering all the relevant facts and circumstances. For example, if we included 'product launch' as an example of a situation in which the exemption could apply, it could result in entities applying the exemption every time there is a product launch without fully considering the need for the exemption in that specific situation.

(c) developing and listing only a few situations / examples in which an entity can apply the exemption might make it more challenging for entities to apply the exemption in other situations. The examples might be seen as the only allowable situations in which the exemption can be used and could lead to more challenging discussions on why an entity might need to use the exemption in other situations.

68. Whilst we did not develop and test a specific example to help an entity consider whether, instead of applying the exemption, it is possible to disclose information in a different way (see paragraph 19(b)), we think the same considerations as those listed in paragraph 67 also apply to such an example.

69. Overall, we think the cost of developing examples would outweigh the benefits.

Staff recommendation

70. Based on our analysis, we recommend not including additional examples of:

(a) situations in which an entity can apply the exemption; or

(b) situations in which an entity might be able to, instead of applying the exemption, disclose information in a different way.

Summary of staff recommendations and matters for future consideration

Whether to provide an exemption

71. We recommend continuing to exempt entities from disclosing some of the information in specific situations (paragraph 14).

Situations to which the exemption applies

72. We recommend:

(a) refining the exemption to exempt entities from disclosing information that would result in breach of statutory legal or regulatory requirements (paragraph 31); and

(b) not refining the exemption for other situations suggested by respondents including for situations in which disclosing performance and expected synergy information would lead to negative social or operational consequences beyond what would already be covered by the proposed exemption (paragraphs 15 and 38).

Applying the exemption

73. We recommend:

(a) not defining the term ‘seriously prejudicial’ (paragraph 18);

(b) not including a statement specifying that the exemption should be used only in 'extremely rare circumstances' (paragraph 18);

(c) removing the proposal to require entities to disclose the reason for applying the exemption (paragraph 18);

(d) retaining the proposal to require entities to reassess at the end of each reporting period whether a key objective or target to which the exemption was previously applied still qualifies for the exemption (paragraph 18);

(e) not provide further clarifications in respect of clarification requests (paragraph 18); and

(f) not including additional examples of:

   (i) situations in which an entity can apply the exemption; or

   (ii) situations in which an entity might be able to, instead of applying the exemption, disclose information in a different way (paragraph 70).

Matters for future consideration

74. As paragraph 20 notes, we will consider which items of information the exemption would apply to at a future meeting.

Question for the IASB
Do IASB members have any questions or comments on the analysis in this agenda paper or the staff recommendations summarised in paragraphs 71–73?

Appendix A—Examples of situations in which disclosing information would breach legal or regulatory requirements or have negative social or operational consequences

A1. We asked for examples of situations in which disclosing performance and expected synergy information would breach statutory legal or regulatory requirements. Respondents provided the following examples:

(a) announcing a restructuring plan prior to consultation with employees, which would breach laws in some jurisdictions;

(b) anti-trust regulations; and

(c) disclosing information about government contracts or information that could result in repayment of government grants.

A2. We asked for examples of situations in which disclosing performance and expected synergy information would have negative social or operational consequences and would not already be captured by the proposed exemption. Respondents provided the following examples:

(a) disclosure of information in key public services industries which have only a few providers (for example, natural gas or electricity) where information about a business combination could trigger public concern about increases in price;

(b) situations in which a competitor acquires a brand or trademark with an intention to sell that brand and disclosing information about the planned sale could devalue the brand; and

(c) disclosing price-sensitive information.

Appendix B—Possible examples shared with consultative groups

B1. This appendix reproduces the examples we developed and shared with consultative groups.

> Scenario 1—entity might be able to apply the exemption
>
> Entity A acquires a business. Its key objective for the business combination is to leverage the acquiree's research and development work to launch a new unique product in 20X3 that is not currently available in the market. Information about the acquiree's prior research and development work on the new product is not publicly available.
>
> The entity assesses that if it discloses information about its key objective—i.e. to launch the new product in 20X3—a competitor could use that information and develop and launch its own competing product before the entity can do so.
>
> In this situation the entity might be able to use the exemption from disclosing its key objective for the product launch. In particular, in applying proposed paragraph B67D of IFRS 3 (see Exposure Draft), the entity considers, amongst other things:
>
> - effect of disclosing the information—a competitor could use that information and develop and launch its own competing product before the entity can do so;
> - public availability of the information—information about the new product is not publicly available.
>
> The entity would still need to consider other applicable requirements and application guidance (for example, would disclosing the information result in a 'seriously prejudice') before concluding on whether it can use the exemption.

Scenario 2—entity might not be able to apply the exemption

Entity A acquires a business. The acquiree is developing a pharmaceutical product that is undergoing public trials. Entity A's key objective from the business combination is to obtain regulatory approval for, and launch, the new product by 20X3.

Information about the acquiree's research and development work and the trials is publicly available. Due to the nature of the R&D, competitors are unlikely to be able to develop, test and gain regulatory approval to launch first.

In this situation, the entity is unlikely to be able to use the exemption from disclosing its key objective for the product launch. In particular, in applying proposed paragraph B67D of IFRS 3 (see Exposure Draft), the entity considers, amongst other things:

- effect of disclosing the information—competitors are unlikely to be able to develop, test and gain regulatory approval to launch first;
- public availability of the information—information about the new product is publicly available.