

European Financial Reporting Advisory Group
35 Square de Meeûs (5th floor)
Brussels, Belgium

9 July 2024

Response to EFRAG's Draft Comment Letter on Exposure Draft on Business Combinations – Disclosures, Goodwill and Impairment

Dear Mr Wolf Klinz,

This letter has been drafted by the European Insurance CFO Forum ("CFO Forum") which represents the views of Europe's 22 largest insurance companies and Insurance Europe, representing 95% of the premium income of the European insurance market. Accordingly, it represents the consensus view of the European insurance industry.

European insurers welcome and appreciate the opportunity to comment on EFRAG's draft comment letter on the IASB's Exposure Draft IASB's Exposure Draft IASB/ED/2024/1 Business Combinations – Disclosures, Goodwill and Impairment, proposed amendments to IFRS 3 and IAS 36, issued by the IASB in March 2024 (the 'ED').

Europe's insurers acknowledge that the proposed amendments to IFRS 3 are a step forward to improve the assessment of the performance of a business combination from the perspective of users of financial statements.

European insurers welcome many of EFRAG's comments, however we would like to address some important concerns on some proposals in the IASB Exposure Draft, notably on the following aspects:

- targets of an acquisition (and information on their achievement) should not be disclosed in financial statements as this information does not support the measurement of financial statements' items. It is not consistent with the Conceptual Framework and such disclosures would clearly surpass the role of financial statements;
- the performance of a strategic business combination should only be disclosed in the financial statements if targets are not met or expected not to be met and if it has immediate or possible implications on the value of assets of the cash generating unit;
- regarding the identification of strategic business combinations, both quantitative and qualitative criteria should be considered, provided that a rebuttable presumption is added for the 10% threshold approach. We also recommend:
 - using metrics that are averaged over multiple reporting periods and enable the use of judgment,
 - removing the criteria based on the operating profit due to its volatility,
 - allowing simplifications when IFRS data are not available for the assessment.
- regarding expected synergies, presenting information only based on a qualitative way would be more appropriate than requiring quantitative information that would be difficult to estimate with sufficient reliability, and disclosure should be limited to material expected synergies when it provides useful information on goodwill;
- European insurers are sceptical about the feasibility of exemptions from disclosing certain information. It should not be limited to situations where there is serious prejudice to achieving any of the acquirer's key objectives for the business combination. It should also cover potential social, legal, and commercial prejudices and refer to future business combinations likewise. Disclosing the reason to apply the exemption can also be sensitive and hence should not be required;
- it should be clarified that the key management personnel as level of information review (to be considered in the context of the information disclosure) corresponds to the highest level of supervision in the senior management.

Our detailed comments and responses to these topics in the ED are set out below.

We would welcome an opportunity to discuss these issues with you and your team.

Yours sincerely,



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About the European Insurance CFO Forum and its work

The European Insurance CFO Forum ('CFO Forum') is a high-level discussion group formed and attended by the Chief Financial Officers of major European listed, and some non-listed, insurance companies. Its aim is to influence the development of financial reporting, value based reporting, and related regulatory developments for insurance enterprises on behalf of its members, who represent a significant part of the European insurance industry. The CFO Forum was created in 2002.

About the Insurance Europe and its work

Insurance Europe is the European insurance and reinsurance federation. Through its 37 member bodies — the national insurance associations — it represents all types and sizes of insurance and reinsurance undertakings. Insurance Europe, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers pay out over €1 000bn annually — or €2.8bn a day — in claims, directly employ more than 920 000 people and invest over €10.6trn in the economy.

Appendix 1 – Response to the IASB ‘Invitation to comment’:
Question 1—Disclosures: Performance of a business combination (proposed paragraphs B67A–B67G of IFRS 3)

In the PIR of IFRS 3 and in responses to the Discussion Paper the IASB heard that:

- users need better information about business combinations to help them assess whether the price an entity paid for a business combination is reasonable and how the business combination performed after acquisition. In particular, users said they need information to help them assess the performance of a business combination against the targets the entity set at the time the business combination occurred (see paragraphs BC18–BC21).
- preparers of financial statements are concerned about the cost of disclosing that information. In particular, preparers said the information would be so commercially sensitive that its disclosure in financial statements should not be required and disclosing this information could expose an entity to increased litigation risk (see paragraph BC22).

Having considered this feedback, the IASB is proposing changes to the disclosure requirements in IFRS 3 that, in its view, appropriately balance the benefits and costs of requiring an entity to disclose this information. It therefore expects that the proposed disclosure requirements would provide users with more useful information about the performance of a business combination at a reasonable cost.

In particular, the IASB is proposing to require an entity to disclose information about the entity’s acquisition-date key objectives and related targets for a business combination and whether these key objectives and related targets are being met (information about the performance of a business combination). The IASB has responded to preparers’ concerns about disclosing that information by proposing:

- to require this information for only a subset of an entity’s business combinations strategic business combinations (see question 2); and
- to exempt entities from disclosing some items of this information in specific circumstances (see question 3).

(a) Do you agree with the IASB’s proposal to require an entity to disclose information about the performance of a strategic business combination, subject to an exemption? Why or why not? In responding, please consider whether the proposals appropriately balance the benefits of requiring an entity to disclose the information with the costs of doing so.

(b) If you disagree with the proposal, what specific changes would you suggest to provide users with more useful information about the performance of a business combination at a reasonable cost?

European insurers response

European insurers argue that information about targets of a business combination should not be disclosed in financial statements, as this information does not support the measurement of financial statements’ items. Providing detailed disclosures in the financial statements on the achievement of the performance of the business combinations, especially any quantitative measurement of it, is therefore also not appropriate.

Indeed, the scope of these proposed disclosures is much broader than the one defined for the financial statements, as such, it is not consistent with the objectives set in chapter 3 of the Conceptual Framework, which describe the particularities of IFRS financial statements in respect of information. Paragraph 3.2 notably states that the objective of financial statements is to provide financial information about the reporting entity’s assets, liabilities, equity, income, and expenses—that is useful to users of financial statements in assessing the prospects for future net cash inflows to the reporting entity and in assessing management’s stewardship of the entity’s economic resources. In this respect, targets and the performance of a strategic business combinations in the following years are not a piece of financial information limited to the acquirer’s assets, liabilities, equity, income, and expenses. Such disclosures would clearly surpass the role of financial statements.

European insurers argue that the management commentary (or other communications to the market) would be more appropriate to include this information. That would also be consistent with the objectives

set in chapter 1 of the Conceptual Framework that deal with financial reporting in general and not financial statements in particular.

European insurers also note that targets set by an acquirer are often non-GAAP measures; reconciliations with IFRS measures for disclosure or audit purposes could be operationally costly to perform.

European insurers also consider that disclosures of useful information are already required, and we advocate for leveraging the existing disclosure framework provided by paragraph 134 of IAS 36 *Impairment of Assets*, ensuring a balanced approach that promotes transparency while avoiding unnecessary complex reporting reconciliations and sensitive disclosures. Indeed, paragraph 134 of IAS 36 requires an entity to disclose information about the estimates used to measure the recoverable amount of a cash-generating unit when goodwill is included in the carrying amount of that unit. This requirement already provides stakeholders with information to gain insight into the underlying rationale behind the impairment assessments.

Finally, if the IASB still intends to require additional information in the financial statements, the performance of a strategic business combination must be disclosed in the financial statements only if targets are not met or expected not to be met and it has immediate or possible implications on the value of assets of the cash generating unit. This will be a way to warn users of financial statements that there is a risk to the recoverability of the value of the asset of the cash-generating unit. In other situations, there is no need to disclose actuals of the performance, just a statement that the current or expected performance is expected not to have a negative impact on the value of the assets in the cash-generating unit. As noted above, if there is no risk to recoverability of the value of the assets, there is no reason to add further disclosure in the financial statements.

Question 2—Disclosures: Strategic business combinations (proposed paragraph B67C of IFRS 3)

The IASB is proposing to require an entity to disclose information about the performance of a business combination (that is, information about the entity’s acquisition-date key objectives and related targets for the business combination and whether these key objectives and related targets are being met) for only strategic business combinations—a subset of material business combinations. A strategic business combination would be one for which failure to meet any one of an entity’s acquisition-date key objectives would put the entity at serious risk of failing to achieve its overall business strategy.

The IASB is proposing that entities identify a strategic business combination using a set of thresholds in IFRS 3—a business combination that met any one of these thresholds would be considered a strategic business combination (threshold approach) (see paragraphs BC56–BC73).

The IASB based its proposed thresholds on other requirements in IFRS Accounting Standards and the thresholds regulators use to identify particularly important transactions for which an entity is required to take additional steps such as providing more information or holding a shareholder vote. The proposed thresholds are both quantitative (see paragraphs BC63–BC67) and qualitative (see paragraphs BC68 BC70).

- (a) Do you agree with the proposal to use a threshold approach? Why or why not? If you disagree with the proposal, what approach would you suggest and why?
- (b) If you agree with the proposal to use a threshold approach, do you agree with the proposed thresholds? Why or why not? If not, what thresholds would you suggest and why?

European insurers response

Please note that our answer should be read having in mind our comments to the previous question.

European insurers agree with introducing both quantitative and qualitative criteria, provided that a rebuttable presumption is added for the 10% threshold approach.

The introduction of a rebuttable presumption is important because, depending on facts and circumstances, the conclusion that a business combination is strategic, when one of the rule-based quantitative thresholds is exceeded, can be wrong. In this respect, we note that the IASB acknowledges that the defined quantitative thresholds are arbitrary to some extent.

European insurers also argue that the following considerations should complete the rebuttable presumption:

- quantitative criteria are point in time ones (calculated at the most recent annual reporting period before the acquisition date) and based on indicators that can vary significantly from a reporting period to another. In this case, using metrics that are averaged over multiple reporting periods and enable the use of judgment to exclude reporting periods that do not reflect the business-as-usual activity of the acquiree/acquirer is recommended;
- furthermore, operating profit is most likely to raise concerns due to its volatility (notably caused by movements on investments in the case of insurers), making it prone to fluctuations and undermining its reliability as a criterion for strategic acquisitions. In instances where the Group's operating profit is exceptionally nil or very low, an insignificant acquisition, may wrongly appear strategic. Hence, we advocate for the removal of the criteria based on the operating profit.
- It is also important to highlight that the proposed quantitative thresholds can be difficult to apply in practice when the acquired entity does not prepare IFRS financial statements. Due to cost and time constraints, especially for business combinations that occur at the end of a reporting period, a conversion project to obtain a threshold value in IFRS could not be feasible. Therefore, some simplifications should be allowed when IFRS data are not available, in particular the possibility to use the best available information such as statutory data;
- on a last note, in paragraph B67C of the ED, between criteria B67C(a) and B67C(b), it looks like there is missing an "or". Because without the "or" between B67C(a) and B67C(b), it looks like an entity has to achieve two quantitative thresholds to be considered as strategic business combination. We suggest reviewing the wording and adding the "or" between criteria.

Question 3—Disclosures: Exemption from disclosing information (proposed paragraphs B67D–B67G of IFRS 3)

The IASB is proposing to exempt an entity from disclosing some of the information that would be required applying the proposals in this Exposure Draft in specific circumstances. The exemption is designed to respond to preparers' concerns about commercial sensitivity and litigation risk but is also designed to be enforceable and auditable so that it is applied only in the appropriate circumstances (see paragraphs BC74–BC107).

The IASB proposes that, as a principle, an entity be exempt from disclosing some information if doing so can be expected to prejudice seriously the achievement of any of the entity's acquisition-date key objectives for the business combination (see paragraphs BC79–BC89). The IASB has also proposed application guidance (see paragraphs BC90–BC107) to help entities, auditors and regulators identify the circumstances in which an entity can apply the exemption.

- (a) Do you think the proposed exemption can be applied in the appropriate circumstances? If not, please explain why not and suggest how the IASB could amend the proposed principle or application guidance to better address these concerns.
- (b) Do you think the proposed application guidance would help restrict the application of the exemption to only the appropriate circumstances? If not, please explain what application guidance you would suggest to achieve that aim.

European insurers response

Please note that our answer should be read having in mind our comments to the previous questions.

European insurers generally appreciate the exemption possibility, however we express scepticism about the feasibility and effectiveness of exemptions from disclosing certain information, as proposed in the Exposure Draft. The criteria for exemptions might prove challenging to apply in practice. Therefore, further evaluation of alternative approaches to balancing the need for transparency with potential sensitivities is recommended. Providing examples with specific scenarios would also be helpful to understand the requirement.

The exemption should not be limited to situations where there is serious prejudice to achieving any of the acquirer's key objectives for the business combination. This is very restrictive and subjective and, based on our experience, we foresee this will not be easy to implement. We consider the scope of the exemption should be enlarged to cover as well potential social, legal, and commercial prejudices of the acquirer.

As example, as reported by preparers to the Discussion Paper (and reported in BC75 of the Exposure Draft), certain commercially sensitive information such as pricing strategy, especially in case of strategically linked acquisitions, would not be covered by the current exemption of the Exposure Draft proposal. Entities that have a strategy to grow via acquisitions often participate in tender processes and submit non-binding or binding offers on potential business combinations. Disclosing information on related targets associated with previous business combinations may give competitors insights into how the acquirer determined its offer price on past acquisitions and is likely going to determine a possible range of offer prices in future tenders.

Additionally, coordinating the use of exemption provisions between auditors and acquirers during fast-close processes and time-critical transactions could be challenging. Therefore, reviewing and expanding the scope of the exemption is recommended.

Furthermore, according to paragraph B67E of the Exposure Draft, the acquirer shall disclose the reason why it has applied the exemption, but disclosing this reason can also be sensitive. Therefore, we argue the acquirer shall disclose only the fact that it applies the exemption without any additional explanation. The reason of applying the exemption should be discussed and agreed only with external auditors and not disclosed externally.

Question 4—Disclosures: Identifying information to be disclosed (proposed paragraphs B67A–B67B of IFRS 3)

The IASB is proposing to require an entity to disclose information about the performance of the entity's strategic business combinations (that is, information about its acquisition-date key objectives and related targets for a strategic business combination and whether these key objectives and related targets are being met) that is reviewed by its key management personnel (see paragraphs BC110–BC114).

The IASB's proposals would require an entity to disclose this information for as long as the entity's key management personnel review the performance of the business combination (see paragraphs BC115–BC120).

The IASB is also proposing (see paragraphs BC121–BC130) that if an entity's key management personnel:

- do not start reviewing, and do not plan to review, whether an acquisition-date key objective and the related targets for a business combination are met, the entity would be required to disclose that fact and the reasons for not doing so;
 - stop reviewing whether an acquisition-date key objective and the related targets for a business combination are met before the end of the second annual reporting period after the year of acquisition, the entity would be required to disclose that fact and the reasons it stopped doing so; and
 - have stopped reviewing whether an acquisition-date key objective and the related targets for a business combination are met but still receive information about the metric that was originally used to measure the achievement of that key objective and the related targets, the entity would be required to disclose information about the metric during the period up to the end of the second annual reporting period after the year of acquisition.
- (a) Do you agree that the information an entity should be required to disclose should be the information reviewed by the entity's key management personnel? Why or why not? If not, how do you suggest an entity be required to identify the information to be disclosed about the performance of a strategic business combination?
- (b) Do you agree that:
- i. an entity should be required to disclose information about the performance of a business combination for as long as the entity's key management personnel review that information? Why or why not?
 - ii. an entity should be required to disclose the information specified by the proposals when the entity's key management personnel do not start or stop reviewing the achievement of a key objective and the related targets for a strategic business combination within a particular time period? Why or why not?

European insurers response

Please note that our answer should be read having in mind our comments to the previous questions.

Management review

European insurers are concerned by a potential dissymmetry between the definition of a strategic acquisition in the Exposure Draft, which is of the utmost importance for the Group, and the level of information review proposed being the key management personnel. It seems that the key management personnel could have a lower level of review than the chief operating decision maker, reviewing information at entity level and not at group level. However, if a business combination is not reviewed at group level by the highest level of supervision, it cannot be considered as strategic.

If the IASB intends to keep the key management personnel as level of information review, it would be useful to have some additional guidance to clarify which level of supervision and which seniority of management is targeted with this role. The concept already exists in IAS 24, *Related Party Disclosures* but with a different objective (i.e. to identify related parties). With the proposal of the Exposure Draft, the key management personnel will have a new role, therefore, guidance or examples in this new context is recommended to avoid interpretation issues and make clear that the notion relates to the highest level of supervision in the senior management.

Finally, if key management personnel delegates the review of post-acquisition performance to lower management levels, it is unclear if and how this should be disclosed.

Monitoring of information over time

European insurers generally do not support the proposed principle that the information should be disclosed “as long as”. The disclosure should be required for the core time period only (i.e., the period up to the end of the second annual reporting period after the year of acquisition). It is indeed a reasonable time period for the information to be provided. Furthermore, European insurers suggest the information to be disclosed when the key management personnel reviews it by making a comparison between the actual performance and the targets, as defined at the date of acquisition of the entity subject to the business combination. Then, the disclosure requirement should cease if these targets have been amended in the context of a new strategic plan set up for the whole Group.

Disclosure of non-reviewed information

There should also not be a disclosure requirement if this information is not reviewed by the highest level of management supervision either because information has not started to be reviewed or because its review was stopped.

European insurers argue that IAS 36 *Impairment of Assets* already provides an appropriate level of disclosure requirements that allows to avoid this IFRS 3 *Business Combinations* additional disclosure workload when the highest level of supervision of the entity considers the information is not useful to be reviewed.

Question 5—Disclosures: Other proposals

The IASB is proposing other amendments to the disclosure requirements in IFRS 3. These proposals relate to:

New disclosure objectives (proposed paragraph 62A of IFRS 3)

The IASB proposes to add new disclosure objectives in proposed paragraph 62A of IFRS 3 (see paragraphs BC23–BC28).

Requirements to disclose quantitative information about expected synergies in the year of acquisition (proposed paragraph B64(ea) of IFRS 3)

The IASB proposes:

- to require an entity to describe expected synergies by category (for example, revenue synergies, cost synergies and each other type of synergy);
- to require an entity to disclose for each category of synergies:
 - the estimated amounts or range of amounts of the expected synergies;
 - the estimated costs or range of costs to achieve these synergies; and

- the time from which the benefits expected from the synergies are expected to start and how long they will last; and
 - to exempt an entity from disclosing that information in specific circumstances.
- See paragraphs BC148–BC163.

The strategic rationale for a business combination (paragraph B64(d) of IFRS 3)

The IASB proposes to replace the requirement in paragraph B64(d) of IFRS 3 to disclose the primary reasons for a business combination with a requirement to disclose the strategic rationale for the business combination (see paragraphs BC164–BC165).

Contribution of the acquired business (paragraph B64(q) of IFRS 3)

The IASB proposes to amend paragraph B64(q) of IFRS 3 to improve the information users receive about the contribution of the acquired business (see paragraphs BC166–BC177). In particular, the IASB proposes:

- to specify that the amount of profit or loss referred to in that paragraph is the amount of operating profit or loss (operating profit or loss will be defined as part of the IASB's Primary Financial Statements project);
- to explain the purpose of the requirement but add no specific application guidance; and
- to specify that the basis for preparing this information is an accounting policy.

Classes of assets acquired and liabilities assumed (paragraph B64(i) of IFRS 3)

The IASB proposes to improve the information entities disclose about the pension and financing liabilities assumed in a business combination by deleting the word 'major' from paragraph B64(i) of IFRS 3 and adding pension and financing liabilities to the illustrative example in paragraph IE72 of the Illustrative Examples accompanying IFRS 3 (see paragraphs BC178–BC181).

Deleting disclosure requirements (paragraphs B64(h), B67(d)(iii) and B67(e) of IFRS 3)

The IASB proposes to delete some disclosure requirements from IFRS 3 (see paragraphs BC182–BC183).

Do you agree with the proposals? Why or why not?

Please note that our answer should be read having in mind our comments to the previous questions.

European insurers response

Synergies

For the same reasons as those provided in our response to Question 1, European insurers argue that the financial statements are not the correct location for disclosing quantitative information about expected synergies.

European insurers also would like to point out the subjectivity and the difficulty of quantifying such information. Generally, European insurers are not opposed to the presentation of more detailed qualitative information about synergies (or other benefits) expected from an acquisition when it provides explanation on a new recognised goodwill, but we disagree with any requirement to provide quantified estimates in this respect.

Expected synergies are estimates which are difficult to measure, especially on a detailed level, as many factors can be interlinked. They are part of detailed financial plans and forecasts compared to financial statements, which are historically based. Estimates may also be prepared based on principles and assumptions that are not consistent with IFRS principles. For all these reasons, they would also be difficult to audit.

Presenting information only based on a qualitative way would therefore be more reasonable when expected synergies are material and provide useful information on the nature of the goodwill.

Depending on the type of the business combination, the expected synergies may or may not be material. For example, if an entity expands into a new line of business or a new geographical region where it was not previously operating, the business combination is unlikely to generate significant synergies, except some cost synergies, for example, due to economies of scale from combining central functions. Therefore, it would be meaningful to limit the disclosures on additional qualitative information about expected synergies to

business combinations, where these expected synergies are material, i.e. a dominant factor that make up the purchase price and, hence, are crucial to the success of the business combination.

Finally, disclosing the information about expected synergies can also be sensitive (see our response to Question 3) and even forbidden by some regulations (e.g. social plans not yet announced).

Contribution of the acquired business

The Exposure Draft proposes to specify that the basis for preparing the pro forma information (revenue and operating P&L) is an accounting policy. Instead of developing an accounting policy, it would be more appropriate to disclose the basis of preparation of this pro forma information. Indeed, depending on if the acquiree is already disclosing financial statements in IFRS, or if the acquisition occurs at the beginning or at the end of the reporting period, the effort to produce this information is not the same. That is why preparers should have the possibility to use the best information available such as statutory accounts.

Having said that, our preference would be that this pro forma information requirement is removed considering its cost of preparation, which is much higher than the benefit for users (who do not seem, based on our experience, showing strong interest in this disclosure, knowing the practical limitations to provide users with meaningful pro forma information, notably because of the PGAAP adjustments have to be done at the date of acquisition under the IFRS 3 acquisition method and not at the start of the accounting period).

Question 6—Changes to the impairment test (paragraphs 80–81, 83, 85 and 134(a) of IAS 36)

During the PIR of IFRS 3, the IASB heard concerns that the impairment test of cash-generating units containing goodwill results in impairment losses sometimes being recognised too late.

Two of the reasons the IASB identified (see paragraphs BC188–BC189) for these concerns were:

- shielding; and
- management over-optimism.

The IASB is proposing amendments to IAS 36 that could mitigate these reasons (see paragraphs BC192–BC193).

Proposals to reduce shielding

The IASB considered developing a different impairment test that would be significantly more effective at a reasonable cost but concluded that doing so would not be feasible (see paragraphs BC190–BC191).

Instead, the IASB is proposing changes to the impairment test (see paragraphs 80–81, 83 and 85 of IAS 36) to reduce shielding by clarifying how to allocate goodwill to cash-generating units (see paragraphs BC194–BC201).

Proposal to reduce management over-optimism

The IASB's view is that management over-optimism is, in part, better dealt with by enforcers and auditors than by amending IAS 36. Nonetheless, the IASB is proposing to amend IAS 36 to require an entity to disclose in which reportable segment a cash-generating unit or group of cash-generating units containing goodwill is included (see paragraph 134(a) of IAS 36). The IASB expects this information to provide users with better information about the assumptions used in the impairment test and therefore allow users to better assess whether an entity's assumptions are over-optimistic (see paragraph BC202).

(a) Do you agree with the proposals to reduce shielding? Why or why not?

(b) Do you agree with the proposal to reduce management over-optimism? Why or why not?

European insurers response

European insurers overall agree with the proposals of the Exposure Draft clarifying that goodwill should not be allocated for goodwill impairment testing to operating segment as a default.

European insurers support the proposal to disclose in which segment a CGU or group of CGUs containing goodwill is included. Nevertheless, European insurers do not endorse the presumption that management over-optimism is the key issue in the context of goodwill accounting and impairments being recognised systematically too late. Business forecasts are based on established and robust management processes and are constantly challenged by responsible auditors. In addition, the current disclosure requirements in IAS

36 *Impairment of Assets* already provide a good basis for dealing with the situation by auditors and enforcers. We do not believe that additional disclosure requirements are necessary.

Question 7—Changes to the impairment test: Value in use (paragraphs 33, 44–51, 55, 130(g), 134(d)(v) and A20 of IAS 36)

The IASB is proposing to amend how an entity calculates an asset's value in use. In particular, the IASB proposes:

- to remove a constraint on cash flows used to calculate value in use. An entity would no longer be prohibited from including cash flows arising from a future restructuring to which the entity is not yet committed or cash flows arising from improving or enhancing an asset's performance (see paragraphs BC204–BC214).
 - to remove the requirement to use pre-tax cash flows and pre-tax discount rates in calculating value in use. Instead, an entity would be required to use internally consistent assumptions for cash flows and discount rates (see paragraphs BC215–BC222).
- (a) Do you agree with the proposal to remove the constraint on including cash flows arising from a future restructuring to which the entity is not yet committed or from improving or enhancing an asset's performance? Why or why not?
- (b) Do you agree with the proposal to remove the requirement to use pre-tax cash flows and pre-tax discount rates in calculating value in use? Why or why not?

European insurers response

European insurers agree with the proposed changes to IAS 36 *Impairment of Assets*, particularly regarding the removal of constraints on including certain cash flows and the use of post-tax cash flows and discount rates in calculating value in use as it is aligned with commonly used valuation methodology and these changes are expected to result in a better representation of future cash flows in line with management estimates.

Question 8—Proposed amendments to IFRS X Subsidiaries without Public Accountability: Disclosures

The IASB proposes to amend the forthcoming IFRS X Subsidiaries without Public Accountability: Disclosures (Subsidiaries Standard) to require eligible subsidiaries applying the Subsidiaries Standard to disclose:

- information about the strategic rationale for a business combination (proposed paragraph 36(ca) of the Subsidiaries Standard);
- quantitative information about expected synergies, subject to an exemption in specific circumstances (proposed paragraphs 36(da) and 36A of the Subsidiaries Standard);
- information about the contribution of the acquired business (proposed paragraph 36(j) of the Subsidiaries Standard); and
- information about whether the discount rate used in calculating value in use is pretax or post-tax (paragraph 193 of the Subsidiaries Standard).

See paragraphs BC252–BC256.

Do you agree with the proposals? Why or why not?

European insurers response

European insurers agree with the amendment related to the information about the discount rate. However European insurers argue that the other disclosures are not useful in the financial statements of entities applying the Subsidiaries standard, for the reasons explained in the responses to the previous questions on these different topics.

Question 9—Transition (proposed paragraph 64R of IFRS 3, proposed paragraph 1400 of IAS 36 and proposed paragraph B2 of the Subsidiaries Standard)

The IASB is proposing to require an entity to apply the amendments to IFRS 3, IAS 36 and the Subsidiaries Standard prospectively from the effective date without restating comparative information. The IASB is proposing no specific relief for first-time adopters. See paragraphs BC257–BC263.

Do you agree with the proposals? Why or why not? If you disagree with the proposals, please explain what you would suggest instead and why.

European insurers response

European insurers agree with the prospective application of these amendments.