

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG FR TEG-CFSS. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG FRB or EFRAG FR TEG-CFSS. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG FRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

Cover Note

Objective

- 1 The objectives of this session are:
 - (a) To present the results of the ASCG study on the evaluation of the application of IFRS in Germany;
 - (b) To provide EFRAG FR TEG-CFSS with the updated endorsement plan for IFRS 19; and
 - (c) To ask EFRAG CFSS members for any critical points to be mentioned in the DEA.

ASCG Study on Evaluation of the Application of IFRS in Germany

- 2 In 2023 – 2024 the ASCG conducted a study to evaluate the application of IFRS in Germany. The study followed a two-phase approach to examine the acceptance and application of IFRS as a standard for financial reporting in Germany.
- 3 The objective of the study is to objectively collect and record the various stakeholder perspectives on the application of IFRS in Germany. In addition to the motivation for the application and the associated challenges from the perspective of the preparers, the user perspective, as well as the conceptual interactions with the diverse functions of financial reporting are also included.
- 4 The results of this study are particularly relevant in the light of potential endorsement of IFRS 19, allowing simplified disclosures framework for eligible subsidiaries, in the EU.

Background of the IASB project

- 5 On 9 May 2024, the IASB issued [IFRS 19 Subsidiaries without Public Accountability: Disclosures](#), which permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures.

- 6 IFRS 19 is a voluntary standard and has an effective date of 1 January 2027, with permitted early application. More information on IFRS 19 can be found [here](#).
- 7 In June 2024, the EFRAG Secretariat updated its briefings covering the application and scope of IFRS 19 in the EU landscape and the differences in the disclosure requirements between IFRS 19 and the EU Accounting Directive. The updated briefings can be found here: [Briefing - "AN EU PERSPECTIVE ON THE SCOPE OF IFRS 19"](#) and [Briefing - "STUDY ON COMPATIBILITY OF THE EU ACCOUNTING DIRECTIVE WITH IFRS 19"](#).
- 8 In July 2024, the IASB published its Exposure Draft [Amendments to IFRS 19](#) ('Catch-up ED'), which includes whether and how to reduce the new and amended disclosures proposed in the IFRS Accounting Standards issued between February 2021 and May 2024. On 24 September 2024, EFRAG has published its [draft comment letter](#) ('DCL') on the IASB's Catch-up ED. Overall, EFRAG supports the IASB's approach to updating IFRS 19 with all the new and amended disclosures proposed in the IFRS Accounting Standards issued between February 2021 and May 2024. In December 2024, the IASB published [IFRS 19 disclosure tracker](#) where it maps the reduced-disclosure requirements to their equivalents in other IFRS Accounting Standards.

Endorsement advice request

- 9 In September 2024, the EC submitted to EFRAG a [request for endorsement advice on IFRS 19](#). The endorsement advice request included additional items, beyond the assessment of the endorsement criteria, including:
- (a) A more in-depth cost-benefit analysis of how high the potential savings would be and how many companies, i.e. number of companies, would be affected in total within the EU;
 - (b) The outreach effects of the EU endorsement outside the EU;
 - (c) A list of disclosure requirements that will remain, despite the endorsement of IFRS 19, to be done by companies using the standard, where the EU Accounting Directive would apply in conjunction; and
 - (d) An examination about whether a carve-out could be made in IFRS 19, or whether general information of companies about this would suffice.
- 10 The EFRAG FRB has confirmed the endorsement advice work plan proposed by the EFRAG Secretariat in its meeting on [8 October 2024](#).

- 11 The endorsement request of the European Commission requires to make quantitative assessments wherever possible. While most of the benefits can be assessed on a qualitative basis, the number of entities eligible to apply IFRS 19 can be quantified.

Endorsement Plan

- 12 The updated endorsement plan for the EFRAG Secretariat activities related to the preparation and publication of the endorsement advice for IFRS 19 is presented below:

- (a) **December:** educational event and publication of two surveys (preparers and users surveys) on the costs and benefits of implementation of IFRS 19, addressing a specific request of the EC.
- (b) **January – February:** to finalise the Orbis research regarding the number of entities potentially impacted by IFRS 19, addressing specific request of the EC and to present the results at the **EFRAG FR TEG meeting of 11 March**.
- (c) To present the updated endorsement plan to **EFRAG FRB** at its meeting **on 27 February**.
- (d) **January – March:** to continue outreach activities with selected stakeholders.
- (e) **March:** to complete the analysis of the results of preparers and users surveys on the costs and benefits of implementation of IFRS 19.
- (f) ASCG to present the results of the study on the use of IFRS in Germany to EFRAG FR TEG-CFSS. To present the project plan to EFRAG CFSS members and ask for critical points to be included in the DEA at **EFRAG FR TEG-CFSS meeting on 10 March**.
- (g) To discuss the structure of the endorsement advice and initial drafting of Appendix 1 of the Draft Endorsement Advice ('DEA'), together with the results of Orbis research at **EFRAG FR TEG and EFRAG FRB meetings on 11 and 27 March** respectively.
- (h) To discuss the analysis of surveys' results and initial drafting of Appendices 2 and 3 of the DEA at **EFRAG FR TEG and EFRAG FRB meetings on 16 and 29 April**.
- (i) To recommend for approval and to approve the DEA at the **joint EFRAG FR TEG-FRB meeting on 14 May** (first tentative) or at **EFRAG FRB meeting on 5 June** (fallback). To set the comment period for DEA **by 3 September**.
- (j) To recommend for approval and to approve Final Endorsement Advice ('FEA') at **EFRAG FR TEG and EFRAG FRB meetings on 19 and 25 September 2025**, respectively.
- (k) To submit FEA to the EC **by 30 September 2025**.

Questions for EFRAG FR TEG-CFSS

- 13 Does EFRAG FR TEG-CFSS have any questions on the presentation by the ASCG?
- 14 Are EFRAG FR TEG-CFSS members aware about any initiatives similar to the ASCG study undertaken or planning to be undertaken in your jurisdictions?
- 15 What would limit the use of IFRS from your point of view?
- 16 In those jurisdictions where IFRS can be applied:
 - a) Is the payment of dividends based on the financial information prepared in accordance with IFRS?
 - b) Is the tax law close to requirements in accordance with IFRS or are there major differences?
- 17 Does EFRAG FR TEG-CFSS have any comments on the EFRAG endorsement plan?
- 18 Do EFRAG CFSS members have any critical points to be mentioned in the DEA?
- 19 The current level of feedback received on the outreach related to costs and benefits of implementation of IFRS 19, addressing a specific request of the EC is relatively low. Are you aware of any (business) organisations/ entities that could provide feedback on that aspect of the endorsement request?

Agenda Papers

- 20 In addition to this cover note, the following agenda papers are provided for this session:
 - (a) 07-02 – ASCG presentation – IFRS Evaluation Results; and
 - (b) 07-03 – ASCG Summary report - Evaluation of the Application of IFRS in Germany.