

IFRS 19 *Subsidiaries Without Public Accountability: Disclosures*

Cover Note

Objective

- 1 The objectives of the session are to:
 - (a) Inform EFRAG FRB and EFRAG FR TEG members about the request for endorsement advice on IFRS 19 *Subsidiaries without Public Accountability: Disclosures* received from the European Commission ('EC'); and
 - (b) Present to EFRAG FRB and EFRAG FR TEG members EFRAG Secretariat's proposed endorsement plan and receive feedback on the endorsement activities' content and timing.

Background of the IASB project

- 2 On 9 May 2024, the International Accounting Standards Board issued IFRS 19 *Subsidiaries without Public Accountability: Disclosures*, which permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures.
- 3 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](#).
- 4 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"](#)
- 5 In July 2024, the IASB published its Exposure Draft *Amendments to IFRS 19*, 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 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.

Endorsement advice request

- 6 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.

EFRAG's endorsement plan

Workplan

7 The EFRAG Secretariat is proposing a workplan for its endorsement activities, which is expected to encompass the additional items included in the EC's endorsement request and provide its final endorsement advice within the specified timeframe (by the end of Q3 2025).

- (a) **Preliminary identification of issues (September-December 2024):** through
 - (i) analysing and summarising previous targeted outreaches;
 - (ii) discussions with EFRAG FR TEG and the User Sounding Board for IFRS 19 to identify an approach for a survey;
- (b) Finetuning of the **desktop research** for determining the **number of entities** that could be impacted by the endorsement of IFRS 19 in the EU (September-December 2024);
- (c) **Educational event (November 2024):** to educate interested stakeholders on the new requirements introduced by IFRS 19. This will be a joint event with the IASB and it is also an opportunity to advertise participation in the surveys that will be launched for the cost-benefit assessment;
- (d) **Surveys to preparers and users (November 2024 – launched with the announcement of the educational event):** to collect feedback for supporting the cost-benefit assessment accompanying EFRAG's endorsement advice (as listed in paragraph 6(a)); and
- (e) **Targeted outreaches and other activities (November 2024-February 2025):** to assess the endorsement criteria and whether IFRS 19 is conducive to the European public good.

Proposed timeline

- (a) **September 2024-February 2025:** Gather feedback based on the proposed steps outlined in paragraph 7;
- (b) **January 2025-February 2025:** Preparation of the Draft Endorsement Advice ('DEA') by the EFRAG Secretariat, which would include the list of remaining disclosure requirements despite the endorsement of IFRS 19, as stated in paragraph 6(c), as well as the assessment about whether a potential carve-out could be made in IFRS 19, as stated in paragraph 6(d);
- (c) **February-March 2025:** Input from EFRAG FR TEG; Review and approval from EFRAG FRB;

- (d) **No later than mid-April 2025:** Publication of DEA and consultation period of up to 100 days;
 - (e) **Q3 2025:** Review of feedback received on the DEA and preparation of the Final Endorsement Advice (FEA); and
 - (f) **September 2025:** Presentation of the feedback received on the DEA to EFRAG FR TEG, and collection of input from EFRAG FR TEG; Review and approval from EFRAG FRB and submission of the FEA to the EC.
- 8 The proposed timeline aims to facilitate the implementation process of eligible subsidiaries. Therefore, EFRAG plans to submit its endorsement advice to the EC, independently of the anticipated amendments to IFRS 19. As noted in paragraph 5, the final amendments to IFRS 19, following the IASB’s ED consultation and redeliberations are expected to be completed and published by the first half of 2025. EFRAG intends to publish its DEA for these amendments, along with a 30-day comment period, shortly after the final amendments are issued. Since the exact publication date of the final amendments is uncertain, EFRAG aims to finalise its endorsement advice for IFRS 19 (excluding the amendments to IFRS 19) by the end of September 2025. This ensures that the submission of the endorsement advice to the ED will not be delayed by the timing of the amendments’ publication. This approach allows the EC to begin working on the main issues related to IFRS 19’s endorsement. The endorsement advice for the amendments to IFRS 19 is expected to be sent to the EC within 3 months after their publication, supporting the endorsement of the complete IFRS 19 package, including the amendments.
- 9 Recently, EFRAG has received limited feedback regarding the disclosure requirements in IFRS 19. To encourage more engagement, EFRAG established a new sounding board. On 15 July, EFRAG invited users of subsidiaries’ financial statements applying IFRS Accounting Standards to join this community, which will serve as a sounding board to assist EFRAG in assessing the usefulness of financial statements from eligible subsidiaries. Participants may include credit analysts, banks or minority shareholders. Input from this group will be used to assess IFRS 19 against endorsement criteria in the EU. Given the ongoing need for amendments to IFRS 19, this group will also provide input on future amendments to IFRS 19. Although the number of participants is still low, it is expected to grow over time.

Questions for EFRAG FRB and FR TEG

- 10 Does EFRAG FRB and EFRAG FR TEG have any comments on EFRAG Secretariat’s proposed endorsement activities and timing?
- 11 Does EFRAG FRB and EFRAG FR TEG have any suggestions for endorsement activities in order to encompass the additional items included in EC’s endorsement request?
- 12 Does EFRAG FRB approve the proposed workplan?

Next steps

- 13 The EFRAG Secretariat will present to EFRAG FR TEG the two surveys that will be addressed to users and preparers and request members’ input.
- 14 The EFRAG Secretariat will organise an educational event jointly with the IASB.

- 15 The EFRAG Secretariat will continue working on the endorsement activities for gathering input, that will support its assessment on the technical endorsement criteria.