

## IFRS 19 *Subsidiaries Without Public Accountability: Disclosures*

### Cover Note

#### Objective

- 1 The objectives of this session are to:
  - (a) obtain EFRAG FR TEG input on the draft surveys for preparers and users developed by the EFRAG Secretariat. The aim of the surveys is to assess costs and benefits of implementation of IFRS 19 in the EU for the purposes of informing EFRAG's draft endorsement advice; and
  - (b) seek EFRAG FR TEG's views on whether it would be necessary to reach out to some constituents, following a different approach (other than the surveys) in order to further support EFRAG's cost-benefit assessment (e.g., to better understand shared service-centres impact).

#### 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](#) ('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.

#### 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.
- 7 The EFRAG FRB has confirmed the endorsement advice work plan proposed by the EFRAG Secretariat in its meeting on [8 October 2024](#).

### The role of the surveys

- 8 As mentioned in paragraph 6(a), EFRAG was tasked to provide an in-depth cost-benefit analysis of the potential savings and the resulting benefits of applying the voluntary standard. The primary goal of the surveys is to collect feedback for supporting the cost-benefit assessment accompanying EFRAG's endorsement advice.
- 9 They are planned to be launched shortly before or on the day of the educational event expected to take place end of November – beginning of December 2024 and will be open for comments until the end of February 2025.
- 10 The EFRAG Secretariat included in the surveys an introduction into IFRS 19 in order to support respondents that are not familiar with the Standard.

#### Questions for EFRAG FR TEG

- 11 Does EFRAG FR TEG agree with the structure of the surveys (e.g., order of questions, and various sections)?
- 12 Surveys addressed to preparers and users include a section 'Cost and benefit assessment', with questions to quantify cost and benefits (baseline cost and % of baseline cost). Given that quantifying costs and benefits may prove challenging, does EFRAG FR TEG recommend alternative approaches for addressing the questions within the 'Cost and benefit assessment' sections of both surveys?
- 13 Does EFRAG FR TEG have any other input, comments or drafting suggestions for the two draft surveys prepared by the EFRAG Secretariat?

### Other ways to receive feedback from preparers

- 14 In its effect analysis the IASB mentions shared service centres. Some groups might use shared service centres for processing transactions, events and other conditions. Such a shared service centre that supports several jurisdictions needs an understanding of the local GAAPs in the jurisdictions it serves. Transition to IFRS 19 will eliminate this need and associated costs. The EFRAG Secretariat intends to reach out to some group accounting departments that are using shared service centres to include more details on the expected benefits in the endorsement advice letter.

- 15 Another option could be to discuss the benefits with a limited sample of group accounting departments that are willing to engage with EFRAG.

**Questions for EFRAG FR TEG**

- 16 Do you agree contacting individual group departments to gain a better understanding of the expected effects of applying IFRS 19? Do you have any proposals on who to contact?

**Next steps**

- 17 The EFRAG Secretariat will finalise the surveys and publish them.
- 18 The EFRAG Secretariat will organise an educational event jointly with the IASB.
- 19 The EFRAG Secretariat will continue working on the endorsement activities for gathering input, that will support its assessment of the technical endorsement criteria.

**Agenda papers**

- 20 In addition to this Cover Note, the following agenda papers are presented for this meeting:
- (a) 04-02 - EFRAG's survey on the expected costs and benefits – Preparers; and
  - (b) 04-03 - EFRAG's survey on the expected costs and benefits - Users.