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# IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

# Summary of the EFRAG's surveys and outreach results

## Objective

1 The objective of this paper is to provide EFRAG FR TEG with the summary of the results obtained from the EFRAG outreach activities on IFRS 19 which include:

(a) Surveys to estimate costs and benefits of the potential implementation of the Standard in EU/EAA; and

(b) Outreaches with the groups of preparers, standard-setters and other constituents.

## Structure of this paper

2 This paper is structured as follows:

(a) Executive summary of the results of EFRAG outreach activities;

(b) Results of the EFRAG's surveys on the expected costs and benefits of IFRS 19;

(i) Background;

(ii) Analysis of responses – preparers;

(iii) Analysis of responses – users;

(c) Results of the EFRAG's outreaches with constituents

(i) Accounting practices;

(ii) Application of IFRS 19;

(iii) Cost and benefit assessment;

(iv) Users' information needs.

## Executive summary of the results of EFRAG outreach activities

3 When IFRS 19 was published the IASB performed an effect analysis. In order to obtain feedback from European constituents on pros and cons of the implementation of IFRS 19 in Europe and in particular on the cost-benefit assessment for the purposes of its draft endorsement advice in response to the special request of the European Commission ('EC') the EFRAG Secretariat conducted various outreach activities. In order to improve the quality and level of feedback expected to be received, EFRAG organised a public educational event together with the IASB in the beginning of December 2024. Such educational session was followed by a panel discussion with representatives from eligible subsidiaries and group accounting departments[1]. EFRAG was informed from the effect analysis of the IASB and from EFRAG's working groups initial discussions that the quantification of the impact appeared to be difficult to most of the respondents at this stage as it was too early to quantify costs and benefits. Constituents nevertheless provided several qualitative expected costs and benefits. Therefore, EFRAG performed the analysis mainly on a qualitative basis.

4 The EFRAG Secretariat analysed the feedback from ten surveys and nine outreach meetings with various groups of constituents from different European jurisdictions and industries, with subsidiaries within and outside Europe.

5 All constituents expressed overall support for implementing IFRS 19, as it would allow significant workload reductions and reduce the reporting burden for eligible subsidiaries. The standard offers a voluntary option for eligible subsidiaries in jurisdiction where IFRS is required or permitted which will only be used when beneficial. Among the main benefits of applying IFRS 19 constituents noted cost and time savings from preparing financial statements with less disclosures for entities applying IFRS, no need for dual accounting records for entities applying local GAAP, better financial reporting quality, more streamlined consolidation process and improved relevance and comparability of subsidiaries' financial statements.

6 Among other benefits constituents noted that financial statements prepared in accordance with IFRS 19 are expected to better meet users' information needs, increase investor's trust and will be easier to analyse as users generally have better knowledge of IFRS than various local GAAPs.

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[1] https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/Summary%20Report%20-%20EFRAG-IASB%20joint%20educational%20event%20on%20IFRS%2019.pdf

7 The benefits might depend on scaling effects. The more subsidiaries would apply it the more beneficial it will be. The reason for that is that processes and systems can be aligned. Therefore, group accounting departments usually will be involved and decide together with the subsidiaries whether to apply IFRS 19.

8 The use of shared service centres might become much more beneficial when subsidiaries report under IFRS. Some groups use or might use shared service centres for processing transactions, events and other conditions. A shared service centre that supports several jurisdictions needs an understanding of the local GAAPs in the jurisdictions it serves. Transition to IFRS will eliminate this need and associated costs. In addition, when applying IFRS 19 further cost reductions are possible.

9 It was also highlighted by the NSS, national organisation and some preparers, that IFRS 19 approach aligns with some jurisdictions' efforts to simplify reporting and reduce reporting burden. In addition, the majority of constituents, notably preparers, noted that IFRS 19 could make possible the transition to IFRS Accounting Standards for smaller entities, currently reporting under local GAAP[2].

10 On the other hand, many constituents, including both preparers and users, noted a limited risk of potential information loss resulting from reduced disclosure requirements under IFRS 19. It was acknowledged that some voluntary disclosures could be needed to address specific needs of users. However, there was a general agreement that the level of disclosures required by IFRS 19 should be sufficient in most cases.

11 Constituents also noted that the requirements in certain jurisdictions to maintain local GAAP records for taxation or dividends distribution purposes and obligatory audit for the entities reporting under IFRS where exemptions are granted under local GAAP may make implementation of IFRS 19 more costly and hence less attractive. As a result, the extent of benefits would differ between jurisdictions and depend on local rules and regulations in respect of the above matters.

12 The respondents from insurance industry highlighted their interest in applying IFRS 19 and called for further disclosure reductions, in particular for IFRS 17 *Insurance Contracts*. It was noted that the current scope of IFRS 19 could be a starting point for simplified reporting, but enlarging it in the future could be considered.

[2] See as well ASCG outreach report (please add link)

13 The feedback from the outreach activities showed an overall consensus that IFRS 19 achieves a fair balance between the costs for prepares and the information needs of users and its endorsement would be beneficial for the European entities. Furthermore, there was general agreement that benefits would outweigh costs, particularly given that IFRS 19 is a voluntary standard, and it will only be used if it is proven beneficial.

14 Some respondents mentioned that the level of reductions of disclosures is important for the overall relevance of the standard. Feedback received during the consultation on the ED *Amendments to IFRS 19* includes the proposal that the level of reductions could be rediscussed during an upcoming PIR. It was observed that for the new IFRS Accounting Standards or amendments the proposed disclosure reductions are relatively low. That might have an impact on the relevance of the standard over time.

15 Overall, it can be noted that the feedback received from EFRAG outreaches broadly confirms the messages included in the IASB's effect analysis.

## Results of the EFRAG's surveys on the expected costs and benefits of IFRS 19

*Background*

16 The objective of this survey was to provide information for a cost-benefit assessment of the implementation of IFRS 19 for the purposes of informing EFRAG endorsement advice and responding to the special request of the EC.

17 The survey for preparers consisted of 24 questions covering group structure, accounting practices and costs and benefits assessment including request for quantifiable information. The survey for users consisted of 14 questions covering user information needs and costs and benefits assessments of the resulting information. Both surveys were open from 3 December 2024 till 14 March 2025.

18 EFRAG received in total ten responses to its surveys, nine from preparers and one from users.

19 The detailed analysis of the responses is presented below. The following terms were used to describe the extent to which particular feedback was shared by respondents (both when referring to total respondents or a subset of respondents, for example respondents who provided an answer).

| Term | Extent of response among respondents |
|---|---|
| Almost all | 90%-100% |
| Most | 75%-89% |

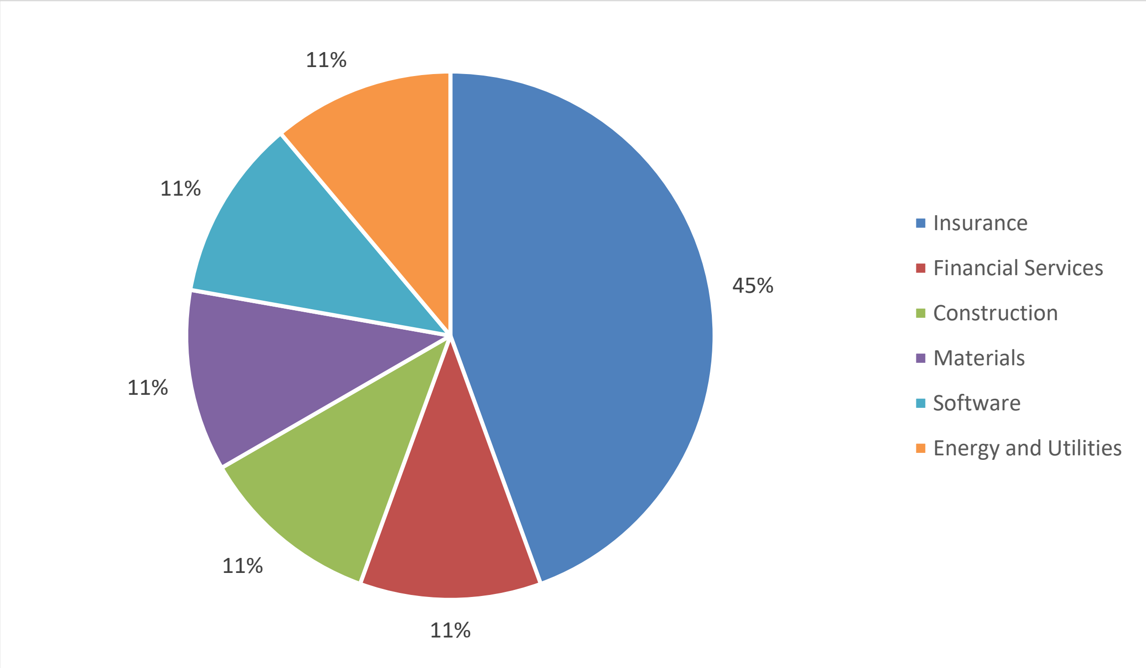
| | |
|---|---|
| Majority | 50%-74% |
| Many, significant | 25%-49% |
| Some, a few | 0%-24% |

*Analysis of responses - Preparers*

### *General information*

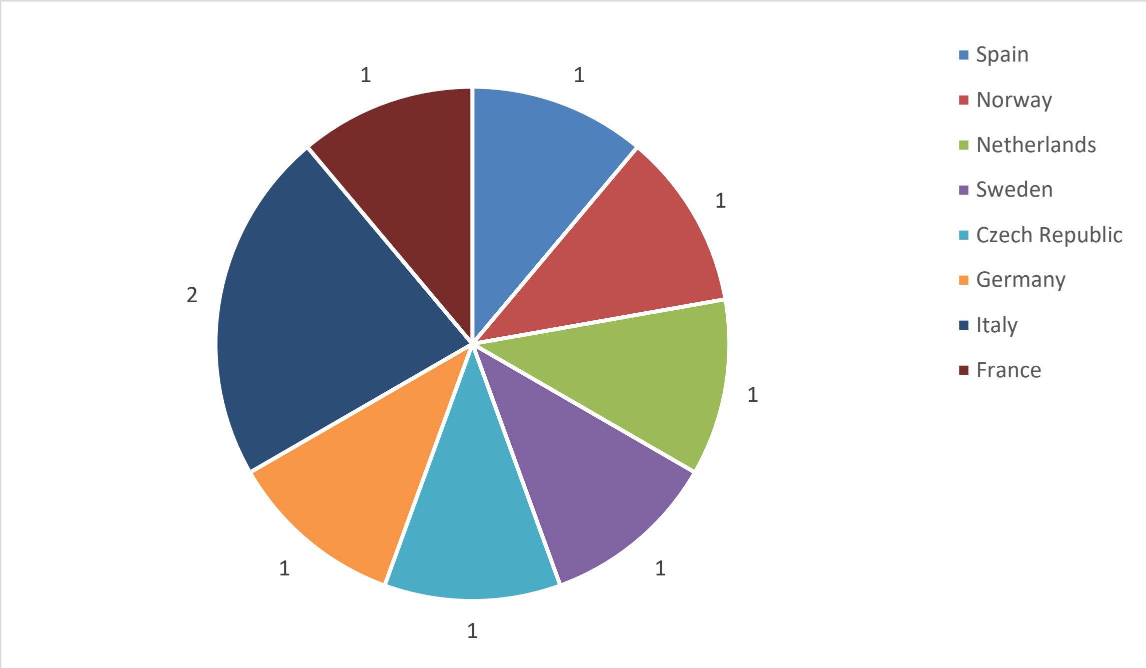
20 Respondents represented various sectors with four out of nine respondents being from the insurance industry. The sectors of activity of the respondents are represented below:

Chart 1: Respondents by sector




21 The respondents are located in eight European countries. The geographical distribution of the respondents by country of incorporation is presented below:

Chart 2: Geographical distribution of respondents




*Accounting practices*

22 By their role in the group five respondents represented ultimate parents, two - intermediate parents and two were subsidiaries. The number of subsidiaries in the group varied a lot and ranged from 55 to over a thousand.

23 All the ultimate parents and the majority of intermediate parents and subsidiaries applied IFRS in the consolidated financial statements, whereas approximately half of the ultimate and intermediate parents and the majority of the subsidiaries (six out of eight) applied local GAAP in the separate financial statements.

24 The table below shows the accounting frameworks used by the entities with the different roles in the group for different types of financial reporting.

Table 1: Accounting framework used

| Financial Statements type | IFRS | Local GAAPs |
|---|---|---|
| **Ultimate parents** | | |
| Consolidated FS | 9 | 0 |
| Separate FS | 5 | 4 |
| **Intermediate parents** | | |
| Consolidated FS | 5 | 1 |

| | | |
|---|---|---|
| Separate FS | 3 | 4 |
| **Subsidiaries** | | |
| Separate FS | 2 | 6 |

*Application of IFRS 19*

25 Two of the four respondents that responded to the question on the eligibility stated that they expected to be eligible to apply IFRS 19. The other two represented insurance industry and, therefore, answered negatively. In addition, one respondent stated that, their jurisdiction (Sweden) does not allow the use of IFRS Accounting Standards for separate financial statements.

26 Seven of nine respondents provided estimation on how many of their subsidiaries would be eligible to apply IFRS 19 with the results distributed quite evenly. Two of them considered that less than 10% of their subsidiaries would be eligible, the other two estimated that it would be between 10% and 30%, and the last two expected that it would be between 70% and 90%. One respondent, representing insurance industry believed that none of their subsidiaries would be eligible to apply the Standard.

27 Two out of three respondents (all from insurance industry), and hence not in the scope of IFRS 19, stated that they would be interested in applying it. In particular, one of them specified that even if the subsidiaries fall outside of the scope of IFRS 19, the simplifications introduced by the standard would reduce the workload significantly. Only one respondent was not sure if their subsidiaries outside of the scope would be interested in applying IFRS 19.

28 The majority of the respondents stated that they would apply IFRS 19 on application date.

29 One respondent from energy sector stated that their subsidiaries will not apply IFRS Accounting Standards, because either the jurisdictions in which its subsidiaries operate do not allow the use of IFRS, or local regulations or industry-specific requirements require more extensive disclosures. In addition, subsidiaries would be required to provide full IFRS disclosures to the parent for the consolidation purposes anyway.

30 One respondent with subsidiaries applying local GAAP stated that they would consider switching to IFRS Accounting Standards because of IFRS 19. Another respondent located in jurisdiction which does not allow the use of IFRS for individual financial statements replied that they would not switch to IFRS Accounting Standards.

31 The respondents noted the following reasons for electing to apply IFRS 19:

(a) cost and time savings from preparing IFRS financial statements with less disclosures (all five respondents who replied to this question);

(b) cost and time savings from removing the need for dual accounting records (two out of five respondents who replied to this question); and

(c) financial statements in accordance with IFRS 19 are expected to better meet users' information needs (one out of five respondents who replied to this question).

### *Cost and Benefit Assessment*

Benefits

32 Although five out of seven respondents who replied to this question, expected cost savings from the application of IFRS 19, only two of them provided an estimate of the cost reductions in percentages. One respondent noted that cost savings were difficult to estimate at this stage and a respondent from insurance industry did not expect neither any benefits nor any cost savings.

33 The table below provides the estimates of expected cost reductions reported by the two respondents, with the most significant reductions expected in employee and training costs.

Table 2: Estimate of the reduction in costs

| | Nil | <1% | 1-5% | 5-10% | >10% | Responses |
|---|---|---|---|---|---|---|
| Employee and training costs | 0 | 0 | 0 | **1** | **1** | **2** |
| No need to maintain dual accounting records | **1** | 0 | 0 | **1** | 0 | **2** |
| Reduction in audit costs | 0 | **1** | **1** | 0 | 0 | **2** |
| Reduction in financing costs or cost of capital | 0 | **1** | 0 | 0 | 0 | **1** |
| Other cost-savings | 0 | **1** | 0 | 0 | 0 | **1** |
| **Totals** | **1** | **3** | **1** | **2** | **1** | **8** |

34 Concerning the benefits other than cost savings, most respondents (four out of five) noted that the application of IFRS 19 would result in improved relevance and comparability of subsidiaries' financial statements, lower risk of errors due to the use of the same accounting framework and overall time savings. The respondents from insurance industry did not expect any benefits from the application of IFRS 19. These respondents also noted that they would have to prepare their annual financial statements in accordance with full

requirements of IFRS 17 and therefore IFRS 19 will not result in major disclosure reductions for them.

Costs

35 Only a few of the respondents (three out of eight) who replied to this question, said they were able to quantify the current costs to prepare annual financial statements of their entity. Two of them stated that costs were an estimation, whereas one replied that costs were readily available.

36 The survey also had several questions aiming to see if there were any disadvantages and incremental costs from implementation of IFRS 19. None of the respondents was able to quantify these incremental costs.

37 Most of the respondents (six out of seven) who replied to this question, did not expect any disadvantages from the implementation of IFRS 19. One respondent from insurance industry noted that they would have to provide full IFRS disclosures to the parent for the consolidated financial statements anyway and therefore it would result in double work.

38 Regarding any expected **incremental one-off implementation costs** in the first year of application of IFRS 19, the majority of the respondents (four out of seven) replied that they did not expect any incremental on-off costs. A few of them (two out of seven) stated that they do expect one-off implementation costs but did not provide neither their description, nor quantification. Finally, one of the respondents said that costs would be difficult to assess at this stage.

39 Concerning expected **incremental recurring costs** due to the application of IFRS 19, the majority of the respondents (five out of seven) replied that they did not expect any incremental recurring costs. Two respondents from insurance industry stated that it would be difficult to assess these costs at this stage.

40 Finally, most of the respondents (five out of seven) considered that IFRS 19 achieves a fair balance between the costs for preparers and the information needs of users and provided the following reasons:

(a) Common disclosure framework across jurisdictions suitable for less complex entities and entities without public accountability where full IFRS for most are too costly to defend the benefits;

(b) The information to be provided for all the intermediate parents or small entities sometimes is not necessary at all levels;

(c) Investors focus on consolidated financial statements for an ultimate parent. Hence, the loss of information for users due to IFRS 19 is limited, while eligible entities can probably reduce their costs of preparing financial statements; and

(d) Reduced disclosure is appropriate for subsidiaries without public accountability, and it allows for cost savings in the preparation of the financial statements.

41 One respondent from insurance industry did not agree that IFRS 19 achieves a fair cost-benefit balance because, in his view, further simplifications need to be introduced. This respondent also considered that insurance companies should be eligible to IFRS 19 and the IFRS 17 disclosures should be reduced by this standard.

42 One respondent could not assess at this stage whether IFRS 19 achieves a fair balance between the costs for prepares and the information needs of users.

*Analysis of responses - Users*

*General information*

43 EFRAG received only one response. The respondent did not specify the type of user nor the field of activity.

44 The respondent is located in Italy and replied that they used financial statements of subsidiaries without public accountability in their decision-making or to provide professional advice to others.

*Cost and benefit assessment*

45 The respondent stated that they cannot quantify the costs incurred to analyse subsidiaries' financial statements in the past year. They do however expect benefits from the application of IFRS 19 in the form of improved efficiency in the analysis of the financial statements of the subsidiaries.

46 The respondent could not estimate the reduction in costs related to analysing reduced-disclosure financial statements prepared under IFRS 19.

47 As disadvantages from the application of IFRS 19 the respondent noted a potential reduction of the quality of subsidiaries' financial information.

48 The respondent could not assess whether they would expect additional costs to analyse the reduced-disclosure financial statements prepared under IFRS 19, nor they could indicate the type of incremental costs.

49 Finally, they stated that at this stage they could not assess whether IFRS 19 achieved a fair balance between the costs for prepares and the information needs of users.

*Information needs*

50 The respondent provided the following order of relevance for the type of information used in their analyses:

(a) Information about liquidity;

(b) Information about solvency;

(c) Disaggregation of amounts presented in financial statements;

(d) Information on measurement uncertainties;

(e) Information about short-term cash flows and about obligations, commitments or contingencies, whether or not they are recognised as liabilities; and

(f) Information about an entity's accounting policy choices.

51 Finally, the respondent was not able to say whether the reduced disclosure requirements introduced by IFRS 19 would still meet users' information needs.

## Results of the EFRAG's outreaches with constituents

52 Since November 2024, the EFRAG Secretariat conducted nine outreach meetings that can be summarised as follows:

(a) Three meetings with three preparers;

(b) A meeting with two users (user sounding board);

(c) A meeting with one national organisation;

(d) Two meetings with two NSS;

(e) An educational event[3], with a panel discussion consisting of three preparers; and

(f) A meeting with EFRAG FR TEG-CFSS, where ASCG presented the results of their study on the evaluation of IFRS in Germany[4].

53 The profile of participants is provided below:

[3] The educational event's summary report can be consulted **here**.

[4] During the 10 March 2025 EFRAG FR TEG-CFSS meeting, an ASCG representative presented the results of their study on the application of IFRS in Germany. The presentation can be found **here**.

Chart 3: Participants by stakeholder group

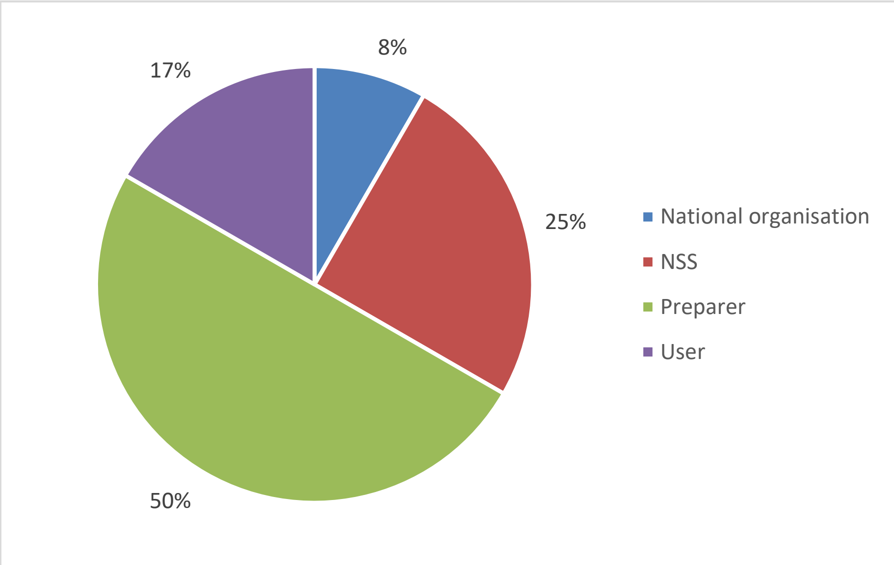
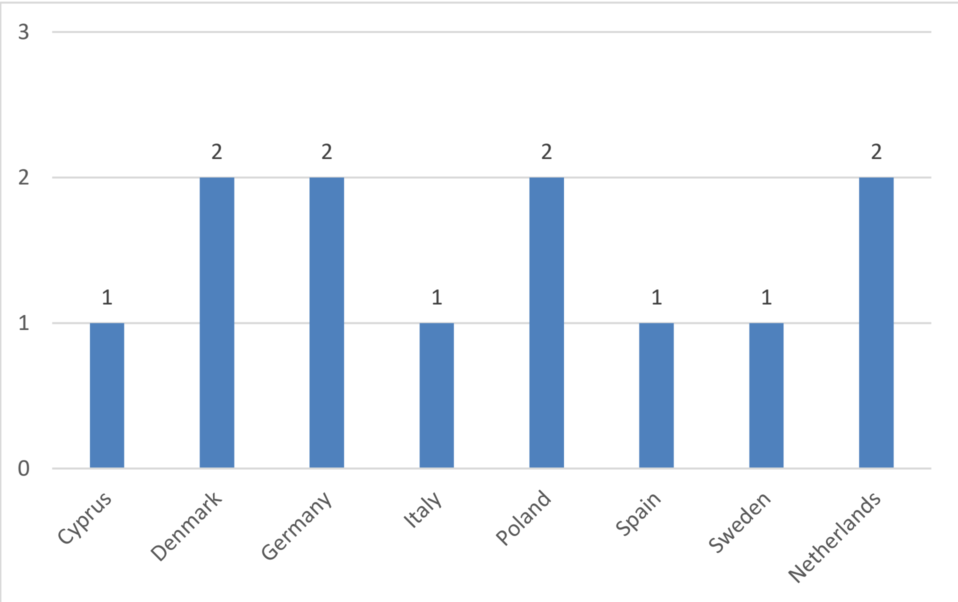



Chart 4-: Participants by country




*Accounting practices*

54 All preparers reported that consolidated financial statements of their group are prepared in accordance with IFRS Accounting Standards, and most of the preparers' subsidiaries submit their reporting packages in accordance with IFRS to the parent entity. One preparer noted that the statutory reporting process in their group is centralised.

55 Many of their group's subsidiaries prepare separate financial statements using local GAAP, for the following main reasons:

(a) Cost considerations of applying full IFRS Accounting Standards for the preparation of annual financial statements (e.g., training costs, audit costs);

(b) Under local GAAP, simplifications in reporting requirements may exist;

(c) The use of IFRS Accounting Standards is not permitted for the preparation of separate financial statements in jurisdictions where some of the subsidiaries are located;

(d) In some jurisdictions, tax reporting requirements and/or the payment of dividends are based on financial information prepared in accordance with local GAAP.

56 At the same time, ASCG's survey on the application of IFRS in Germany, which involved more than 800 companies, indicated a general willingness to adopt IFRS Accounting Standards more widely in Germany.

*Application of IFRS 19*

57 All preparers remarked that there are hundreds of subsidiaries within the group, however, the extent to which the group's subsidiaries would be able to apply IFRS 19 varied across respondents. The application of IFRS 19 would mainly depend on whether their respective jurisdictions permit the use of IFRS Accounting Standards for preparing annual financial statements and cost-benefit considerations.

58 Many preparers noted that the decision on whether to apply IFRS 19 would be made centrally, together with subsidiaries, particularly giving the importance of scalability. Without widespread application of IFRS 19 the benefits of it would be significantly reduced.

*Cost and benefit assessment*

59 All constituents that provided a view, including both preparers and users, were unable to provide a precise quantification of the expected costs and benefits associated with the implementation of IFRS 19. However, there was broad consensus that benefits would outweigh costs, especially provided that IFRS 19 is a voluntary standard and would be used in cases where it is beneficial.

60 The expected costs and benefits were largely consistent across stakeholder groups. Tables 3 and 4 outline the costs and benefits by category for preparers and users respectively, based on respondents' assessments.

Table 3: Cost-benefit assessment - Preparers

| | Costs | Benefits |
|---|---|---|
| Implementation and transition | • Costs associated with changes to ERP systems and accounting software to accommodate the new reporting requirements. | • IFRS 19 reduces the burden of disclosures and makes the transition to IFRS Accounting Standards possible for subsidiaries. |

| | Costs | Benefits |
|---|---|---|
| | • Increased costs of staff training on IFRS Accounting Standards and/or IFRS 19 disclosure requirements.<br>• Additional costs for adapting/developing reporting templates for subsidiaries.<br>• Early-adoption of IFRS 19 would be challenging, provided that IFRS 18 requirements need to be applied first. Therefore, benefits associated with early adoption cannot be realised. | |
| Financial reporting practices | • Tax reporting and dividend distribution reporting requirements may still need to be prepared in accordance with local GAAP.<br>• It could be challenging to ensure that ERP systems can accommodate both local reporting requirements and financial reporting in accordance with IFRS.<br>• Ongoing staff training costs associated with the application of IFRS 19. | • Uniform financial reporting framework that promotes consistency in accounting practices across subsidiaries and the parent entity.<br>• Removes the need to maintain dual accounting records, which in turn improves efficiency of the consolidation process.<br>• No risk of errors when converting local GAAP data to IFRS.<br>• Greater efficiency in reporting, as it allows greater use of automation and standardised templates that accelerate reporting timelines.<br>• Scalability and efficiency when using shared service centres and leveraging their knowledge. Streamlined consolidation process.<br>• Group support for subsidiaries for complex accounting transactions.<br>• No longer need to have specialised knowledge in local GAAPs.<br>• Reduced financial reporting costs for subsidiaries in jurisdictions where IFRS is required/permitted due to reduced disclosures or no need to keep dual accounting records. |
| Faithful representation, usefulness relevance and comparability | • Concerns on data quality, as the additional layer of verification at subsidiary level may be removed.<br>• Risk of omitting critical details due to reduced disclosure requirements.<br>• Reduced disclosures may not meet the expectations of users and additional reporting could still be required. | • The focus is shifted on more useful and relevant disclosures for users, avoiding disclosure overload.<br>• More faithful representation of transactions and improved comparability. Similar transactions within the group would be accounted in a consistent way. |

| | Costs | Benefits |
|---|---|---|
| | | • More complex accounting policies that better reflect transactions and not permitted by local GAAP could be applied.<br>• Better reflection of the actual financial situation. |
| Other | • For subsidiaries already applying IFRS, reduced disclosures could lead to discussions with auditors, particularly if a 'checklist approach' is used to identify missing disclosures.<br>• Regulators may question the appropriateness of reduced disclosures for subsidiaries in certain sectors, etc (e.g., high risk).<br>• Potential increase in audit costs, for jurisdictions where audit is mandated for financial statements prepared in accordance with IFRS. | • Potential reduction in audit costs, due to synergies achieved by implementing a shared service centre approach and increase efficiency of audit processes.<br>• Increased trust of investors and regulators because of increased transparency of the subsidiaries' operations, which may have a positive impact on the market's perception of the company's financial stability and improve its access to capital. |

Table 4: Cost-benefit assessment - Users

| | Costs | Benefits |
|---|---|---|
| Financial and credit analyses | • Costs associated with the adaptation of systems to the new requirements.<br>• Increased one-off training costs to understand IFRS 19 requirements. | • The wider adoption of IFRS, as a result of implementation of IFRS 19, reduces inconsistencies arising from the application of different accounting frameworks.<br>• Increased efficiency of analysing and comparing financial data across subsidiaries. Analysts have better knowledge of IFRS financial statements and consider them more reliable.<br>• Financial analyses could be simplified when using standardised financial data, compared to when dealing with different local GAAPs. |
| Faithful representation, usefulness relevance and comparability | • Potential loss of useful information due to reduced disclosures. | • Improved comparability of subsidiaries' financial statements.<br>• Overall improvement in the relevance of information provided with a focus on key information.<br>• Increased usefulness of financial statements for primary users as they concentrate on material aspects of the |

| | | |
|---|---|---|
| | | business without detailed disclosures that are not relevant. |

*Users' information needs*

61 All constituents with a user background agreed that the principles for reducing disclosure requirements would effectively provide information tailored to users' needs. In particular, one user emphasised that, from their perspective, information regarding obligations and their fulfilment, as well as information about accounting policies applied, is very important.

62 However, all users expressed concerns about the potential loss of information resulting from the reduced disclosure requirements under IFRS 19. In parallel, one user, while acknowledging the potential for information loss, stated that they expect the information provided under IFRS 19 to be sufficient.

63 Similarly, many preparers expressed concerns about potential information loss and noted the reduced disclosure requirements may not fully meet users' expectations:

(a) It was noted that subsidiaries may focus on the reduced disclosures, potentially overlooking key information that would be valuable to users;

(b) It was also highlighted that some users might question the appropriateness of reduced disclosure requirements, which could potentially raise the need for additional reporting.

**Questions to EFRAG FR TEG:**

64 Do you have any comments on the EFRAG Secretariat analysis of the EFRAG's surveys and outreach results?