

This paper has been prepared by the EFRAG Secretariat for discussion at a joint public meeting of EFRAG FRB. 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 FR TEG. 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 18 Draft Endorsement Advice – Cover Note

Objective

- 1 The objectives of the session are:
 - (a) to consider the feedback received in response to EFRAG's [Draft Endorsement Advice](#) ('DEA') on IFRS 18 *Presentation and Disclosure in Financial Statements*, published on 15 November 2024 with a comment period ending on 26 March 2025;
 - (b) to finalise and approve EFRAG's Final Endorsement Advice ('FEA').

Structure of the cover note

- 2 This cover note contains:
 - (a) Background information;
 - (b) Overview of outreach and comment letters received after the publication of EFRAG's DEA;
 - (c) Summary of feedback and changes to the Final Endorsement Advice (FEA);
 - (d) Updates to Appendix 3 – Potential effects on competitiveness;
 - (e) Agenda papers (FEA; clean and track changes);
 - (f) Questions to EFRAG FRB; and
 - (g) Final steps.

Background information

- 3 On 9 April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*, which can be found [here](#). Shortly after, on 29 April 2024, EFRAG received an [Endorsement Advice Request](#) from the European Commission. The European Commission did not request EFRAG to assess any additional topics, therefore the typical endorsement advice structure is followed.

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- 4 EFRAG's [DEA](#) was prepared based on extensive outreach activities with a wide range of stakeholders. For the purposes of outreach activities, EFRAG organised several educational sessions/events in order to gather more extensive feedback. These activities included gathering input and views on the assessment of the technical endorsement criteria, cost and benefit considerations and the effects on the European economy. An overview of the outreach activities performed can be found in the following [document](#).
- 5 The [DEA](#) was published on 15 November 2024. Stakeholders were invited to submit comments by 26 March 2025. EFRAG's preliminary conclusion was that IFRS 18 satisfies the criteria for endorsement for use in the EU, and therefore recommended IFRS 18 for its endorsement for use in the EU.

Overview of Outreach and Comment Letters received after the publication of the DEA

- 6 Since the publication of EFRAG's DEA, the Secretariat performed the following outreach activities:
- (a) EFRAG User Panel on 28 November 2024;
 - (b) ESBG meeting on 3 December 2024;
 - (c) EFRAG IAWG Webcast Meeting on 5 February 2025;
 - (d) EAA Workshop on IFRS 18 Meeting on 24 February 2025;
 - (e) EFRAG FIWG Webcast Meeting on 28 February 2025; and
 - (f) EFRAG TEG-CFSS Webcast Meeting on 10 March 2025
- 7 EFRAG also received 13 comment letters: six letters from national standards setters, three letters from organisations of preparers, two letters from preparers and two letters from other stakeholders / independent consultants.
- 8 The summary of both outreach feedback and comment letter analysis, together with the list of respondents, can be found [here](#).

Summary of feedback and changes to the Final Endorsement Advice

- 9 Overall positive feedback was collected by EFRAG during outreach on the DEA as participants of various outreaches were generally satisfied with how stakeholders' views, including those from preparers and users, were presented. For the comment letters received, the majority of the respondents (eleven) agreed with EFRAG's assessment that IFRS 18 meets the technical criteria for endorsement, is conducive to the European public good and can be therefore recommended for the EU endorsement. Several respondents (during outreach and through comment letters) provided additional considerations or information which were analysed and, following the tentative decision of EFRAG FR TEG on 15 April 2025, were incorporated in the FEA where appropriate.
- 10 Further, additional considerations were provided by EFRAG FR TEG at its 15 April 2025 meeting and were incorporated in the FEA. Those comments were in relation to implementation challenges or costs or to fine tune some of the statements already included in the DEA. The summary of changes to the FEA compared to the DEA is included in [the Appendix 1 of this agenda paper](#).
- 11 Although constituents did not provide feedback on Appendix 3 '*Potential effects on competitiveness*' section, the EFRAG Secretariat enhanced this section comparing IFRS 18

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requirements with US GAAP and SEC guidance. These revisions that were considered necessary by the EFRAG Secretariat primarily aim to clarify the rationale behind considering both US GAAP and SEC guidance in the comparison, as well as to offer additional details on specific requirements under US GAAP and SEC guidance. In its assessment, the EFRAG Secretariat used the opportunity of availability of a US GAAP specialist to verify the statements made in Appendix 3. The changes to the FEA resulting from this revision are not included in the Appendix 1 of this paper for the conciseness' sake.

- 12 Moreover, there were changes related to the template update between the draft endorsement advice and final endorsement advice. For example, paragraph 37 of Appendix 1 about monitoring and subsequent retrospective evaluation through PIR process after the implementation of IFRS 18. These changes are also not included in the Appendix 1 of this paper to keep the Appendix clear and concise focusing on the substantial changes.

Questions for EFRAG FRB

- 13 Do you have any questions or comments on the changes incorporated to the FEA?
- 14 Do you agree to approve the FEA for publication?

Agenda Papers

- 15 In addition to this 06-01 cover note, agenda papers for this session are:
- (a) Agenda paper 06-02 – Final Endorsement Advice (clean version); and
 - (b) Agenda paper 06-03 – Final Endorsement Advice (in track changes).

Final steps

- 16 Subject to and following the approval of EFRAG FRB, the EFRAG Secretariat will submit the Endorsement Advice to the European Commission, publish it on EFRAG's website and update the Endorsement Status Report.

Appendix 1: Changes to the FEA compared to DEA

<i>Reference</i>	<i>Change</i>	<i>Reason</i>
Cover Letter, Costs and Benefits	Highlighting that the implementation costs are still being assessed, and preparers of financial statements note significant implementation costs. On the other hand, users continue to emphasise the improvements brought about by IFRS 18 compared to the current requirements and reporting practices.	EFRAG FR TEG recommendation following the review of the feedback obtained during the DEA consultation phase.
Appendix 1, paragraph 5 (c)	Clarification that the useful structure summary is applicable to line items as well as sub-totals.	EFRAG FR TEG comment.
Appendix 1, paragraph 18 (b) and throughout the document	When referencing the requirements related to grouping of information, clarification is added that it relates to both aggregation and disaggregation of information.	EFRAG FR TEG comment.
Appendix 2, paragraph 38	Clarification and enhancement of considerations related to separate financial statements.	EFRAG FR TEG comment.
Appendix 2, paragraph 54	Additional considerations raised by preparers within banking industry related to additional subtotals appearing on the face of the statement of profit or loss but failing the definition of subtotals similar to gross profit.	Issue raised in the comment letters from 2 constituents representing banking industry.
Appendix 2, paragraph 74	Additional considerations raised by preparers within insurance industry related to the results of equity-accounted investments and distinction between the contracts with or without participation features.	Issue raised in the comment letters from 2 constituents representing financial institutions and EFRAG FR TEG comment.
Appendix 2, paragraph 118	Additional statement that understandability will be further improvement by the fact that the MPMs are presented in a single note	EFRAG FR TEG comment provided in writing after the meeting.

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Appendix 2, paragraph 119	Additional considerations related to the fact that MPMs is a subcategory of APMs focusing on the P&L related measures, which may be not the most relevant for financial institutions and users need to understand that other APMs (not subject to IFRS 18 requirements) are equally important.	Issue raised in the comment letters from 2 constituents representing financial institutions and EFRAG FR TEG comment.
Appendix 3, paragraph 27	Additional area of cost identified by some of the preparers related to the FX gains or losses on local tax and VAT transactions (which are always in local currency and not in functional and bookkeeping currency).	Feedback gathered during TEG-CFSS meeting.
Appendix 3, paragraph 31	Additional area of cost identified by some preparers of financial institutions related to the split of results from investment activities between operating and investing categories for an entity with specified main business activity. The results falling outside of the operating category are however expected to not be significant.	Issue raised in one comment letter from a preparer representing financial institution. EFRAG FR TEG however considered that the associated results falling outside of the operating category would generally not be significant for a financial institution.
Appendix 3, paragraph 52	Rephrasing the wording to highlight the costs associated with the requirements of local regulators for financial institutions.	EFRAG FR TEG comment.
Appendix 3, paragraph 94	Highlighting costs associated with the presentation by nature for insurance entities and complexity related to the split between attributable and non-attributable expenses required by IFRS 17.	EFRAG FR TEG comment.
Appendix 3, paragraph 97 and 98	Change of order between paragraphs 97 and 98	EFRAG FR TEG comment provided in writing after the meeting.
Appendix 3, paragraph 117	Emphasising significant implementation costs for financial institutions.	Based on the feedback obtained in FIWG and IAWG meetings.
Appendix 3, paragraph 202	Highlighting that IFRS 18's MPMs are audited compared to their US GAAP counterparts, providing additional comfort to users.	EFRAG FR TEG comment provided in writing after the meeting.