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Subsidiaries without Public Accountability Cover Note

Objective

- 1 The objective of the session is to provide the EFRAG FR TEG members with the updated Briefing *Subsidiaries without Public Accountability: Disclosures. Compatibility study of the EU Accounting Directive with IFRS 19*.

Redeliberation Phase

- 2 The key topics discussed by the IASB during the redeliberation phase and EFRAG's related discussions can be found in the redeliberation phase and Appendix of EFRAG paper [04-01 SWPA - Cover note - EFRAG FR TEG-CFSS 24-03-13](#).
- 3 In July 2023, the IASB concluded its decision-making on the project and gave the permission to start the balloting process of the Standard.
- 4 The IASB issued the new Standard IFRS 19 *Subsidiaries without Public Accountability: Disclosures* on the 9th of May 2024. The Standard will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. Some [educational material](#) on the new Standard were made available by the IASB.

Compatibility study of the EU Accounting Directive with IFRS 19.

- 5 In February 2022, the EFRAG Secretariat has published a [study on compatibility of the EU Accounting Directive with the IASB's Exposure Draft](#). The main objective of the study was to help European stakeholders and the European Commission to assess whether the draft Standard would ensure an equivalent level of protection of users of financial statements when compared to the Accounting Directive 2013/34/EU.
- 6 The assessment focused on:
 - (a) whether there are different disclosure requirements in the Accounting Directive 2013/34/EU and the ED as a result of different measurement and recognition requirements
 - (b) whether there are any disclosures in the Accounting Directive 2013/34/EU that are not required in the IASB's ED. In particular, whether the reduced disclosure requirements of the ED when compared to full IFRS, implies losing disclosures that are required by the Accounting Directive 2013/34/EU.
- 7 As stated above, the IASB has issued IFRS 19 in May 2024, and therefore since the publication of the ED, certain disclosure requirements have been amended, added or removed from the final IFRS 19.

- 8 Therefore, the EFRAG Secretariat has updated the compatibility study, with the objective of identifying any differences compared to the original study, as a consequence of the decisions taken by the IASB during its redeliberation process. The following changes have been identified:
- (a) a maturity analysis for non-derivative financial liabilities that shows the remaining contractual maturities (as required by paragraph 39 of IFRS 7 Financial Instruments: Disclosures) – **now required by paragraph 72 of IFRS 19;**
 - (b) disclosures on any current commitments or intentions to provide financial or other support to an unconsolidated subsidiary, including commitments or intentions to assist the subsidiary in obtaining financial support (as stated in paragraph 19D of IFRS 12) – **now required by paragraph 85(b) of IFRS 19;**
 - (c) disclosures on any contractual arrangements that could require the entity or its unconsolidated subsidiaries to provide financial support to an unconsolidated, controlled, structured entity, including events or circumstances that could expose the reporting entity to a loss (as stated in paragraph 19F of IFRS 12) – **now required by paragraph 87 of IFRS 19;**
 - (d) disclosures on the nature of expenses when an entity classifies expenses by function, including depreciation and amortisation expense and employee benefits expense (as stated in paragraph 104 of IAS 1 Presentation of Financial Statements) – **now required by paragraph 133 of IFRS 19;** and
 - (e) disclosures on the amounts of dividends proposed or declared before the financial statements were authorised for issuance but not recognised as distribution to owners, and the related amount per shares (as stated in paragraph 137(a) of IAS 1) – **now required by paragraph 162 of IFRS 19.**
- 9 Other differences still remain, as identified by the original study back in 2022. Please refer to agenda paper 07-02 for more information.

Next steps

- 10 The EFRAG Secretariat to publish the updated Briefing *EFRAG Secretariat study on compatibility of the EU Accounting Directive with the IFRS 19 Standard as soon as possible.*

Agenda Papers

- 11 In addition to this cover note, the agenda papers are provided:
- (a) 07-02 – updated Briefing *EFRAG Secretariat study on compatibility of the EU Accounting Directive with IFRS 19.*
 - (b) 07-03 – Background document - updated Briefing with Track Changes *EFRAG Secretariat study on compatibility of the EU Accounting Directive with IFRS 19*

Questions for EFRAG FR TEG-CFSS

- 12 Does EFRAG FR TEG have any comments on the updated Briefing provided within the agenda paper 07-02?
- 13 Does EFRAG FR TEG have any comments on the structure of Chapter 2 (inclusion of bullet points and the detailed table) within the agenda paper 07-02?

14 Does EFRAG FR TEG agree with the EFRAG Secretariat proposal to publish the updated Briefing?