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## **Subsidiaries without Public Accountability: Disclosures**

### **Cover note**

#### **Objective**

- 1 The objective of the session is to discuss and obtain EFRAG TEG members' views on the EFRAG Secretariat study on compatibility between the IASB's Exposure Draft *Subsidiaries without Public Accountability: Disclosures* (ED) and the Accounting Directive 2013/34/EU.

#### **Introduction**

- 2 In July 2021 the IASB issued an *Exposure Draft: Subsidiaries without Public Accountability: Disclosures* (ED or draft Standard), open for consultation until the 31 January 2022.
- 3 If, following this consultation,
  - (a) the IASB decides to issue a reduced-disclosure IFRS Standard (draft Standard) for eligible subsidiaries;
  - (b) the European Union ("EU") decides to endorse such an IFRS Standard; and
  - (c) EU Member States permit or require the use of IFRS Standards in accordance with the [Article 5](#) of the EU Regulation 1606/2002,then several subsidiaries may decide to move away from full disclosures in IFRS Standards or move from national GAAP to IFRS Standards in jurisdictions where EU Member States allow or require IFRS Standard for non-listed entities<sup>1</sup>.
- 4 Therefore, the IASB's draft Standard could be seen, to a certain extent, as "competing" with national GAAPs and the Accounting Directive 2013/34/EU, even if in a limited way (when considering the narrow scope proposed by the IASB and the number of EU Member States that allow or require the use of EU-endorsed IFRS Standards for non-listed entities).
- 5 In the context of the IASB consultation on the ED, the EFRAG Secretariat undertook a high-level analysis of:
  - (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 (e.g. disclosures on amortisation of goodwill)

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<sup>1</sup> In accordance with the Article 5 of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

- (b) whether there are any disclosures in the Accounting Directive 2013/34/EU that are missing or insufficient 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 AD.
- 6 Such an assessment is expected to help European stakeholders and the European Commission to assess, among other things, whether the Draft Standard ensures an equivalent level of protection of shareholders (including non-controlling shareholders), creditors, members and other third parties as the Accounting Directive 2013/34/EU.
- 7 Such an assessment will also help the EFRAG Secretariat to assess whether there are there are any disclosures that are missing or insufficient in the ED (particularly when considering the AD, ED and IFRS Standards altogether).

**Questions for EFRAG TEG**

- 8 Does EFRAG TEG agree with the EFRAG Secretariat analysis?
- 9 Are there any other disclosures not identified by the EFRAG Secretariat that are missing in the ED and imply losing disclosures that are required by both the AD and IFRS Standards?
- 10 Do you agree to issue this study together with EFRAG Final Comment Letter as a basis for EFRAG request for additional disclosures in the ED? (the EFRAG Secretariat identified a number of disclosures that are required in IFRS Standards and aligned with the Accounting Directive 2013/34/EU but not required in the ED in paragraph 37 of agenda paper 05-02)

**Agenda Papers**

- 11 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 05-02 – Compatibility Study; and
  - (b) Agenda paper 05-03 – Accounting Directive 2013/34/EU