Deutsches Rechnungslegungs Standards Committee e.V.

Accounting Standards Committee of Germany

DRSC

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Berlin, 30 July 2025

Dear Wolf,

Re: EFRAG's Draft Letter to the European Commission Regarding Endorsement of IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

On behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to comment on EFRAG's Draft Letter to the European Commission Regarding Endorsement of IFRS 19 *Subsidiaries without Public Accountability: Disclosures*. We appreciate the opportunity to comment on EFRAG's assessments on IFRS 19 *Subsidiaries without Public Accountability: Disclosures*.

We support EFRAG's overall conclusion to recommend IFRS 19 *Subsidiaries without Public Accountability: Disclosures* for endorsement.

Like EFRAG, we consider that IFRS 19 meets the qualitative characteristics of relevance, reliability, comparability and understandability required to support economic decisions and the assessment of stewardship, raises no issues regarding prudent accounting, and that it is not contrary to the true and fair view principle. We also agree that endorsing IFRS 19 is conducive to the European public good.

As part of our discussion of EFRAG's Draft Endorsement Advice, we considered the following aspects in addition to the arguments put forward by EFRAG:

Cost-benefit assessment (Appendix 3, paragraphs 145 sqq.)

We agree with EFRAG's overall assessment that IFRS 19 achieves a fair balance between the costs for preparers and the information needs of users and that its endorsement would be beneficial for European entities.

As regards the cost-benefit assessment for preparers, we have received feedback from large multinational issuers from our constituency that IFRS 19 can result in increased efficiency in the preparation of subsidiaries' financial statements, provided that applying IFRS Accounting Standards is permitted or mandatory for the annual financial statements in the country in which the subsidiary is domiciled. For instance, large multination groups referred to the significantly reduced disclosures on financial instruments under IFRS 19 (when compared to the disclosures under IFRS 7). From a group perspective, efficiencies will further increase for more centralized reporting structures (e.g., organised in shared service centers).

IFRS 19 is not expected to result in significant implementation costs, as eligible subsidiaries already apply IFRS Accounting Standards for separate financial statements and/or group reporting purposes (i.e., subsidiaries prepare IFRS Reporting Packages for group reporting purposes). IFRS 19 does not introduce any new disclosure requirements, meaning that the information to be disclosed under IFRS 19 is already available on these subsidiaries' level.

Albeit the fact that preparing separate financial statements in accordance with IFRS Accounting Standards does not exempt German subsidiaries from their duty to prepare statutory financial statements in accordance with German Commercial Code, feedback from preparers of financial statements from our constituency is supportive for an endorsement of IFRS 19. This even applies to those entities that are not eligible to apply IFRS 19 as they are publicly accountable (e.g., banks and insurance entities).

Further, we believe that financial statements prepared in accordance with IFRS 19 are expected to meet users' information needs. Albeit disclosures under IFRS 19 are reduced when compared to the disclosure requirements under full IFRS Accounting Standards, disclosures under IFRS 19 are adapted to the specific information needs of users of (non-publicly accountable) subsidiaries. The primary users of these financial statements are the parent entity, other holders of non-listed shares or lenders that do not necessarily need all the disclosures required under full IFRS Accounting Standards.

Overall, we therefore believe that IFRS 19 meets the needs of users of subsidiaries' financial statements, whilst eliminating the need for disproportionate disclosures and the associated costs.

Interaction of IFRS 19 with the EU Accounting Directive disclosure requirements (Appendix 3, paragraphs 99 sqq.)

As requested by the European Commission, EFRAG has prepared an analysis of the disclosure requirements included in the Accounting Directive that are not required by IFRS 19. EFRAG has split its analysis into those disclosure requirements that are required by the Accounting Directive, but not by (full) IFRS Accounting Standards (Table 1) and those that are required by the Accounting Directive, but not required by IFRS 19 or (full) IFRS Accounting Standards (Table 2).

In order to make the results of that analysis more understandable, we recommend EFRAG state more explicitly that most of the disclosure requirements that are not required by IFRS 19 is due to the fact that (full) IFRS Accounting Standards do not require these disclosures either, i.e. disclosure requirements included in Table 1 are not a lack of disclosure requirements in IFRS 19 itself. Furthermore, as explained by EFRAG in paragraph 107 of Appendix 3, many of the disclosure requirements included in Table 1 are mandatory for listed entities (applying

IFRS Accounting Standards), because these disclosures are required by the national law of the Member States transposed from the Accounting Directive.

Our responses to the complete set of questions raised in the invitation to comment are laid down in the appendix to this letter. If you would like to discuss our comments further, please do not hesitate to contact me (morich@drsc.de).

Yours sincerely,

Sven Morich

Vice President

INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS ON IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

Once filled in, this form should be submitted by 3 September 2025 using the 'Comment publication link' available at the bottom of the respective news item. All open consultations can be found on EFRAG's website: [Open consultations: express your views](#).

EFRAG has been asked by the European Commission to provide it with advice and supporting material on IFRS 19 *Subsidiaries without Public Accountability: Disclosures* ('IFRS 19'). In order to do so, EFRAG has been carrying out an assessment of IFRS 19 against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the European Union (the EU) and European Economic Area (EEA).

Background information about IFRS 19 is set out in Appendix 1 of the accompanying *Draft Letter to the European Commission* regarding endorsement of IFRS 19.

Before finalising its assessment, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interests of transparency, EFRAG will wish to discuss the responses it receives in a public meeting, so it is preferable that all responses can be published.

EFRAG's initial assessments, summarised in this questionnaire, will be updated for comments received from constituents when EFRAG is in the process of finalising its *Letter to the European Commission* regarding endorsement of IFRS 19.

Your details

1 Please provide the following details:

(a) Your name or, if you are responding on behalf of an organisation or company, its name:

Accounting Standards Committee of Germany (ASCG)

(b) Are you a:

☐ Preparer ☐ User ☒ Other (please specify)

National Standard Setter

(c) Please provide a short description of your activity:

The ASCG is the National Standard-setter in the area of group financial reporting in Germany. It has been formally acknowledged by the Ministry of Justice as the private standardisation organisation pursuant sec. 342q of the GCC.

(d) Country where you are located:

Germany

(e) Contact details, including e-mail address:

info@drsc.de

EFRAG's initial assessment with respect to the technical criteria for endorsement

2 EFRAG's initial assessment concluded that IFRS 19 meets the qualitative characteristics of relevance, reliability, comparability and understandability required to support economic decisions and the assessment of stewardship, and raises no issues regarding prudent accounting. EFRAG has also assessed that IFRS 19, as disclosure-only standard for eligible subsidiaries, does not create any distortion in its interaction with other IFRS Accounting Standards and that all necessary disclosures are required. Therefore, EFRAG has concluded that IFRS 19 is not contrary to the true and fair view principle. EFRAG's reasoning is explained in Appendix 2 of the accompanying *Draft Letter to the European Commission* regarding endorsement of IFRS 19.

(a) Do you agree with this assessment?

☒ Yes ☐ No

If you do not agree, please provide your arguments and what you believe the implications of this could be for EFRAG's endorsement advice.

(b) Are there any issues that are not mentioned in Appendix 2 of the accompanying Draft Letter to the European Commission regarding endorsement of IFRS 19 that you believe EFRAG should take into account in its technical evaluation? If so, what are those issues and why do you believe they are relevant to the evaluation?

The European public good

3 In its assessment of the impact of IFRS 19 on the European public good, EFRAG preliminary conclusion suggests that IFRS 19 would improve financial reporting and would reach an acceptable cost-benefit trade-off for eligible subsidiaries. EFRAG has not identified that IFRS 19 could have any adverse effect on the European economy, including financial stability and economic growth. Accordingly, EFRAG assesses that endorsing IFRS 19 is conducive to the European public good. EFRAG's reasoning is explained in Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of IFRS 19.

Interaction with the EU Accounting Directive

4 EFRAG has conducted a comparative analysis of the requirements in the AD and IFRS 19, together with a high-level overview of the varying disclosure requirements in the AD for different sizes of entities. As a result of this assessment, EFRAG believes that the provisions of IFRS 19 and its limited scope will not result in a material departure from the disclosure requirements specified in the AD for the eligible entities and will continue to lead to high-quality financial reporting (see paragraphs 99 to 128 of Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of IFRS 19).

Do you agree with the assessment?

☒ Yes ☐ No

If you do not agree, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

Costs and benefits

5 EFRAG has conducted more in-depth cost-benefit analysis of the potential impacts from implementation of IFRS 19 in the EU through various outreach activities with its constituents. EFRAG also estimated the number of entities potentially impacted by the implementation of IFRS 19 in the EU. Some initial work has been carried out, and the responses to this invitation to comment will be used to complete the assessment.

6 The results of the initial assessment of costs are set out in paragraphs 150 to 160 of Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of IFRS 19. To summarise, EFRAG's initial assessment is that the implementation of IFRS 19 will result in limited and mainly one-off incremental costs for preparers, which will be mostly offset by efficiency gains resulting either from preparing annual accounts with fewer disclosures for IFRS preparers or from no need to have dual records for former local GAAP preparers. However, the extent of these costs will differ among jurisdictions and will depend on the local requirements in respect of taxation, dividend distribution and audit, as well as on how the internal reporting processes are organised within a group. EFRAG also highlights that the standard is optional and is expected to be applied only by those who see benefits in it. Regarding costs for users, EFRAG's initial assessment is that implementation of IFRS 19 will not result in increased costs, apart from those resulting from some initial familiarisation efforts.

Do you agree with this assessment?

☒ Yes ☐ No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

7 In addition, EFRAG is assessing the benefits that are likely to be derived from IFRS 19. The results of the initial assessment of benefits are set out in paragraph 161 to 169 of Appendix 3 of the accompanying *Draft Letter to the European Commission* regarding endorsement of IFRS 19. To summarise, EFRAG's initial assessment is that users are likely to benefit from IFRS 19, as it will increase the relevance of the information and comparability between eligible subsidiaries and therefore enhance their analysis. The preparers will also benefit from IFRS 19, as it will reduce the reporting burden and costs for the entities that will opt to apply the Standard.

Do you agree with this assessment?

☒ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

Please refer to our additional comments in our cover letter.

8 EFRAG's initial assessment is that the benefits to be derived from implementing IFRS 19 in the EU, as described in paragraph 7 above, are likely to outweigh the costs involved, as described in paragraphs 5 and 6 above. The feedback received from the outreach activities showed an overall consensus that IFRS 19 achieves a fair balance between the costs for preparers and the information needs of users and that its endorsement would be beneficial for European entities. Furthermore, there was general agreement that the benefits would outweigh the costs, particularly given that IFRS 19 is a voluntary Standard that will only be applied by those entities and groups for which it is proven beneficial.

9 EFRAG also highlights that costs and benefits will vary across jurisdictions and entities. The benefits of comparability of financial statements and the cost savings from the use of a uniform accounting framework with fewer disclosures will increase with wider acceptance of IFRS Accounting Standards across Europe.

Do you agree with this assessment?

☒ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

Other factors

10 EFRAG has identified a number of other factors that could be considered in assessing whether the endorsement of IFRS 19 is conducive to the European public good (as set out in paragraphs 173 to 186 of the accompanying *Draft Letter to the European Commission*). For understanding the potential effects to the European economy, and particularly the effect on competitiveness, a comparison between the requirements under IFRS 19 and U.S. GAAP has been conducted. EFRAG preliminarily assessed that overall, IFRS 19 is expected to have a positive impact on competitiveness, as it reduces disclosure burden for eligible subsidiaries. Even though, there are differences in approach between IFRS 19 and U.S. GAAP they are not expected to result in competitive disadvantage for European entities. EFRAG has not identified any adverse effects that IFRS 19 could have on the European economy, including financial stability and economic growth.

Do you agree with the assessment of these factors?

☒ Yes ☐ No

If you do not agree, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

Do you agree that there are no other factors to consider in assessing whether the endorsement of the Amendments is conducive to the European public good?

☒ Yes ☐ No

If you do not agree, please identify the factors, provide your views on these factors and indicate how this could affect EFRAG's endorsement advice.

Overall assessment with respect to the European public good

11 EFRAG has initially concluded that endorsement of IFRS 19 would be conducive to the European public good (see paragraphs 187 to 189 of Appendix 3 of the accompanying *Draft Letter to the European Commission*).

Do you agree with this conclusion?

☒ Yes ☐ No

If you do not agree, please explain your reasons.
