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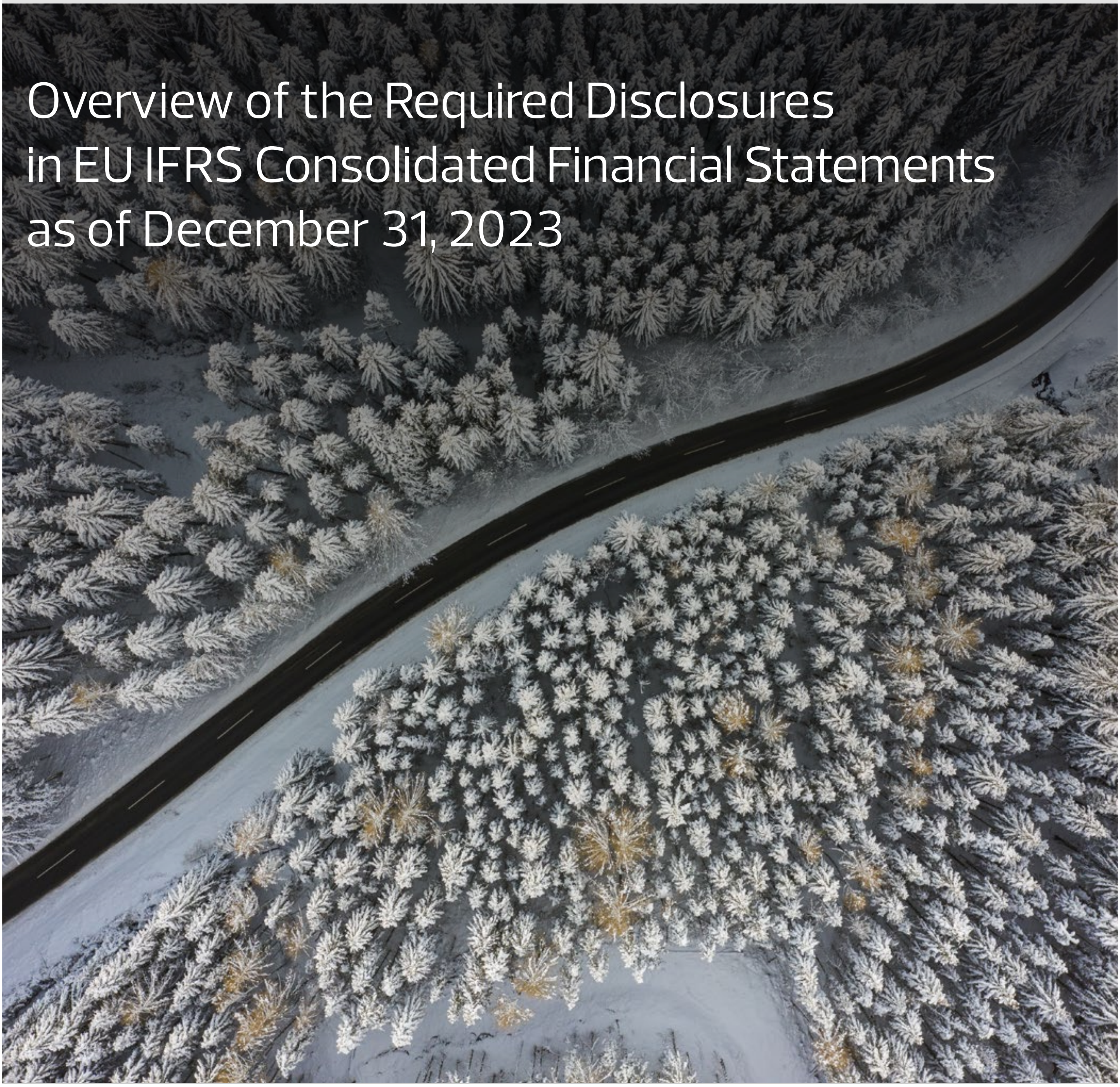
INTERNATIONAL ACCOUNTING (IFRS)

Overview of the Required Disclosures in EU IFRS Consolidated Financial Statements as of December 31, 2023



Editorial

Dear readers,

In our last edition for 2023, we have compiled for you the key disclosures that must be made in the notes to EU-IFRS consolidated financial statements as of December 31, 2023 with regard to standards and interpretations that have already been adopted. The amendments that are already mandatory for the 2023 financial year include the disclosure of accounting policies in accordance with IAS 1, which is likely to affect all IFRS preparers; amendments to IAS 8 regarding the definition of accounting estimates; and amendments to IAS 12 on deferred taxes relating to assets and liabilities arising from a single transaction.

We have also provided you with an overview of the IASB's publications. In addition to the exposure draft "Annual Improvements to IFRS Accounting Standards - Volume 11", which contains proposed amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7, the IASB has published amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability", which contain guidance on accounting for the lack of exchangeability of currencies, as well as amendments to IAS 12 as a result of the OECD's Pillar 2 model rules. In addition, the IASB has completed work on two ongoing projects and will issue two new IFRS accounting standards in 2024: "Primary Financial Statements", which is intended to replace the previous IAS 1 "Presentation of Financial Statements", and "Subsidiaries without Public Accountability: Disclosures", which is a new addition.

Another article deals with the enforcement priorities for financial reports 2023, which were published by the European Securities and Markets Authority (ESMA). The enforcement priorities relate to both financial and non-financial reporting and deal with climate-related and other environmental matters and the macroeconomic environment. In addition, Alternative Performance Measures (APM) and ESEF tagging are also addressed as enforcement priorities.

We wish you a wonderful Christmas season. If you have any questions on any of the topics, please do not hesitate to contact us.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IASB AND IFRS IC

ENFORCEMENT AUTHORITIES

REQUIRED DISCLOSURES PURSUANT TO IASB PUBLICATIONS

Overview of the Required Disclosures in EU IFRS Consolidated Financial Statements as of December 31, 2023

When preparing and auditing the consolidated financial statements, particular attention should be paid to complete disclosures in the notes on new or amended standards.

Disclosures must be made both for the newly applied standards and interpretations (IAS 8.28) and for the standards and interpretations that have been adopted but not yet applied (IAS 8.30). In the following, we provide an overview of the status of the standards and interpretations adopted by the IASB (as at November 27, 2023), which must be reported on in accordance with IAS 8.28 and IAS 8.30 in EU IFRS consolidated financial statements as at December 31, 2023.

Effects of New or Amended Standards or Interpretations (IAS 8.28)

IAS 8.28 requires the disclosure of new or amended standards and interpretations if their initial application has an impact on the reporting period or an earlier period.

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The scope of IAS 8.28 therefore includes all changes to accounting policies resulting from the initial application of a new or amended standard or interpretation. The disclosures in the notes must then include the following content in relation to the new standard or interpretation:

- title of the standard or interpretation
- a description of the transitional provisions (if applicable),
- type of and change in accounting policy,
- amount of change in each affected financial statement item (including earnings per share) for the beginning of the previous year, for the previous year and for the current year, where practicable.

It should also be noted that the disclosures in accordance with IAS 8.28 are also required in the event of early voluntary adoption of a new standard or interpretation.

Note: The following table provides an overview of potentially disclosable requirements under IAS 8.28 in EU IFRS consolidated financial statements as at December 31, 2023 and a general assessment of the impact on accounting practice.

It is not necessary to list all new or amended regulations. If necessary, after the explanation of the new standards and interpretations whose application has an impact on the IFRS consolidated financial statements, general language can be included stating that the other standards and interpretations whose application is mandatory in the EU for the first time as of January 1, 2023 have no material impact on the consolidated financial statements.

Standard	Title	IASB Effective date*	Date of First Application in the EU*	Impact**
Amend. IAS 1, IFRS Practice Statement 2	Disclosure of accounting policies	01.01.2023	01.01.2023	Fundamental importance
IAS 8	Accounting policies, changes in accounting estimates and errors – Definition of accounting estimates	01.01.2023	01.01.2023	Fundamental importance
Amend. IAS 12	Income taxes – Deferred taxes relating to assets and liabilities arising from a single transaction	01.01.2023	01.01.2023	Industry and company-specific significance
Amed. IAS 12	Income taxes – International tax reform – Pillar 2 model rules	Immediately and 01.01.2023	Immediately and 01.01.2023***	Industry and company-specific significance
IFRS 17, Amend. IFRS 17	Insurance contracts	01.01.2023	01.01.2023	Industry and company-specific significance
IFRS 17, Amend. IFRS 17	Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	01.01.2023	01.01.2023	Industry and company-specific significance

* For annual financial statements beginning on or after this date.
** The general assessment of the impact on accounting practice serves as a guide; the individual impact on the individual company must be explained independently of this.
*** The amendments to this standard were endorsed by the EU during the year 2023. In accordance with the corresponding EU Commission regulation, companies can apply the exemption immediately; the disclosure requirement applies to financial years beginning on or after January 1, 2023.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

On February 12, 2021, the IASB issued IAS 1 – Presentation of Financial Statements including amendments to the accompanying **IFRS Practice Statement 2** "Making Materiality Judgements".

The amendments to IAS 1 specify the extent to which accounting policies must be explained in the notes to the IFRS financial statements. While the disclosure requirement previously included all significant methods, in the future only material methods are to be disclosed (IAS 1.117). To be material, the accounting policy must be related to material transactions or other events. Secondly, there must be a reason for the presentation, such as a change in an accounting method as a result of exercising an option or the existence of a complex or highly discretionary method. Furthermore, the disclosure requirement may also include methods that were developed by the company in accordance with IAS 8.10-11 due to a loophole in the IFRS. In the future, the focus will be on company-specific explanations instead of standardized explanations. The guidelines in Practice Statement 2 have been adapted accordingly.

Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

Also on February 12, 2021, the IASB published amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments to IAS 8 introduce a **definition of the term "accounting estimate"** for the first time in order to better distinguish changes in accounting policies from changes in estimates. IAS 8 clarifies that an accounting estimate always relates to a measurement uncertainty of a financial measure in the financial statements. In addition to input parameters, an entity also uses valuation methods to determine an estimate. Valuation methods can be estimation methods or measurement techniques.

A distinction from accounting policies is crucial, as IAS 8 provides for different consequences for changes in estimates and accounting policies. While changes in accounting policies must be recognized retrospectively, changes in estimates must be recognized prospectively.

Amendments to IAS 12: Income Taxes – Deferred Taxes Relating to Assets and Liabilities Arising from a Single Transaction and International Tax Reform - Pillar 2 Model Rules

The IASB published **specific amendments** to IAS 12 on May 7, 2021. The amendments relate to the accounting treatment of deferred taxes that relate to assets and liabilities arising from a single transaction, e.g. the recognition of leases or the inclusion of decommissioning obligations in the initial measurement of an asset.

A new exception to the exceptions defined in IAS 12.15 b) and IAS 12.24 has been introduced. These provide that no deferred tax liability is to be recognized if it arises from the initial recognition of an asset or liability that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

These exceptions no longer apply to transactions that give rise to both deductible and taxable temporary differences for the reporting entity. IAS 12.22A was newly introduced and contains an explicit reference to leases as the main case of application of the revised regulation.

In addition, the IASB published **further amendments** to IAS 12 "Income Taxes" – "International Tax Reform – Pillar 2 Model Rules" on May 23, 2023. This introduces temporary relief in the accounting for deferred taxes resulting from the planned implementation of the OECD's international tax reform.

The introduction of a global minimum tax rate is intended to ensure that multinational companies with global consolidated revenues of more than EUR 750 million will in the future be subject to an effective income tax rate of at least 15% in every jurisdiction in which they operate.

The amendments adopted by the IASB include in particular the introduction of the following regulations:

- temporary exemption from the obligation to recognize deferred tax assets and liabilities in connection with the income taxes of the second pillar of the OECD,
- disclosure requirements for the use of the exemption for affected companies,
- separate disclosure of a company's actual tax expense (or income) in connection with second-pillar income taxes and
- further disclosure requirements to show how companies are affected by minimum taxation, particularly in reporting periods in which the legislation implementing the Pillar 2 model rules has not yet come into force.

Note: The exemption is to be applied immediately after publication of the amendments to IAS 12 "Income Taxes" and retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The additional disclosure requirements are to be applied to financial years beginning on or after January 1, 2023.

IFRS 17 "Insurance Contracts" and Amendments to IFRS 17

On May 18, 2017, the IASB published **IFRS 17 "Insurance Contracts"**, which is intended to replace IFRS 4 "Insurance Contracts".

The objective of the new standard is to disclose relevant information to users through consistent and principles-based accounting and to ensure uniform presentation and measurement of insurance contracts. The new recognition, measurement and disclosure requirements are to be applied by companies with:

- insurance contracts and active reinsurance contracts,
- reinsurance contracts held and
- investment contracts with discretionary participation features held by a company, provided that the company also issues insurance contracts.

If the primary purpose of a contract that constitutes an insurance contract under IFRS 17 is the provision of services for a fixed fee, it may be accounted for in accordance with IFRS 15 "Revenue from Contracts with Customers" instead of IFRS 17.

The IASB published targeted **amendments and clarifications to IFRS 17** on June 25, 2020, together with an amendment to IFRS 4. This allows insurers that meet certain requirements to continue to apply IFRS 17 together with IFRS 9 for the first time from January 1, 2023. Until then, insurers are exempt from applying IFRS 9. Amendments and clarifications affect eight areas of IFRS 17 and are aimed overall at facilitating the implementation of the standard. This is to be made possible by the following amendments, among others:

- additional exemptions from the scope of IFRS 17 for certain contracts,
- additional simplifications in the application of the risk mitigation option,
- changes in the recognition, measurement and simplification of the presentation of insurance contracts and
- additional transitional relief, e.g. for business combinations.

Note: The basic principles of the standard have not been changed.

New or Amended Standards and Interpretations not yet Applied (IAS 8.30)

IAS 8.30 requires **reporting** on standards or interpretations of the IASB that have already been adopted, **provided that** they are not yet **mandatory** in the reporting period and have not been applied early.

For example, the following **disclosures** are required **in the notes**:

- title of the new standard or interpretation,
- nature of the impending change in accounting policy,
- date from which the application of the standard or interpretation is mandatory,
- date from which the company intends to apply the standard or interpretation,
- expected effects on the financial statements or, if these effects are unknown or cannot be reliably estimated, a statement to this effect.

Note: The following table provides an overview of the provisions potentially requiring disclosure in accordance with IAS 8.30 in EU-IFRS consolidated financial statements as at December 31, 2023.

The standards or interpretations shown in the table with an IASB effective date of January 1, 2024 have already been endorsed by the EU, meaning that their application is partially mandatory in the EU from January 1, 2024 (early voluntary application where applicable). The other standards and interpretations shown in the table have not yet been endorsed by the EU.

A general assessment of the impact on accounting practice is made for the potentially disclosable provisions presented. Standards and interpretations of fundamental importance and those that are expected to have an impact should be discussed in the notes. A complete presentation of the new or amended standards and interpretations that have not been applied is not required.

If several new standards or interpretations have no material impact on the company, wording can be used in which the relevant standards and interpretations with no material impact are neither described nor listed. This could, for example, take the form of a collective statement that, apart from the standards and interpretations described in detail, the other standards and interpretations adopted by the IASB are not expected to have a material impact on the consolidated financial statements.

Furthermore, at the time of application of the standards or interpretations by the company, a **collective statement** can also be made that early application of the new standards or interpretations is not planned.

Standard	Title	IASB Effective date*	Expected date of initial application in the EU*	Impact**
EU endorsement still pending (as of Nov. 27, 2023)				
Amend. IAS 1 (January 2020/ July 2020/ October 2022)	Presentation of financial statements – classification of liabilities as current or non-current, classification of liabilities as current or non-current – deferral of effective date and non-current liabilities with covenants	01.01.2024	Pending	Industry and company-specific significance
Amend. IAS 7 and IFRS 7 (May 2023)	Cash flow statement and financial instruments: Disclosures – Supplier financing agreements	01.01.2024	Pending	Industry and company-specific significance
Amend. IFRS 16 (September 2022)	Leasing liabilities from sale and leaseback transactions	01.01.2024	01.01.2024	Industry and company-specific significance
Amend. IAS 21 (August 2023)	Effects of changes in exchange rates – lack of exchangeability	01.01.2025	Pending	Industry and company-specific significance

* For annual financial statements beginning on or after this date.
** The general assessment of the impact on accounting practice serves as a guide; the individual impact on the individual company must be explained independently of this.

Amendments to IAS 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current

On October 31, 2022, the IASB published amendments to IAS 1 on the classification of liabilities with covenants in connection with long-term loans as current or non-current.

The amendment clarifies that only those covenants that an entity must comply with on or before the reporting date affect the classification of a liability as current or non-current.

A **liability** is classified as **non-current** if the reporting entity has a substantive right at the reporting date to defer settlement for at least twelve months. For these liabilities classified as non-current, certain information must be disclosed to enable users of the financial statements to assess the risk that this liability could become repayable within twelve months. The disclosure requirement includes the following information:

- the carrying amount of the liability,
- information about the covenants that the company must comply with (e.g. the type of covenant and the date by which the company must comply with it),
- facts and circumstances that indicate that the company may have difficulty complying with the covenants.

If the right to defer settlement of the liability by at least twelve months depends on conditions (covenants) being met within twelve months of the reporting date, these conditions have no effect on the classification as current or non-current.

A separate disclosure of liabilities classified as non-current that are linked to compliance with conditions within twelve months of the reporting date is no longer required.

The above amendment to IAS 1 amends the two amendments to IAS 1 on the same topic from January 2020 and July 2020 that are not yet mandatory.

Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures": Supplier Financing Arrangements

On May 25, 2023, the IASB published amendments to IAS 7 and IFRS 7 (Supplier Finance Arrangements), which contain additional disclosure requirements within the scope of IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" are included.

The additional disclosure requirements relate to the disclosure of financing arrangements granted to suppliers ("supplier finance arrangements"), which include reverse factoring agreements in particular. The amendment does not define these agreements; instead, it describes the characteristics of an agreement for which an entity must include the proposed disclosures. Examples of the various forms of such agreements are also provided.

The quantitative and qualitative disclosure requirements concern, among other things:

- the contractual terms of the Supplier Finance Arrangements (including extended payment terms, security interests or guarantees),
- for the agreements at the beginning and end of the reporting period
  - the carrying amount of the financial liabilities that are part of the agreement and
  - the carrying amount of those financial liabilities for which the suppliers have already received payments from the lender,
  - the range of due dates of the financial liabilities (e.g. 30 to 40 days after the invoice date) that are part of the agreement and
- the range of due dates for financial liabilities and comparable trade payables that are not part of a supplier finance arrangement.

According to the IASB's decision, aggregated information on these agreements is sufficient in most cases to meet the information requirements of users of financial statements; disclosures per supplier financing agreement are therefore not required.

Companies must also disclose information that enables users of financial statements to assess the impact of supplier financing agreements on the company's liabilities and cash flows. This is because the amendments do not contain any specific requirements regarding the disclosure of the underlying obligations. The disclosure requirements also apply to the associated cash flows, regardless of whether these are reported in the cash flow statement as operating cash flows or as cash flows from financing activities.

The amendments to IFRS 7 Financial Instruments also include additional disclosures on the management of liquidity risk, taking into account existing supplier finance arrangements and the associated risks. These also include concentrations of risk arising from supplier finance arrangements. Companies must also show how they could be affected if the agreements were no longer available.

Note: No corresponding comparative information for the prior-year period is to be disclosed as part of initial application.

The IFRS IC had already explained existing disclosure requirements for supply chain financing arrangements (reverse factoring) in an agenda decision in December 2020.

Amendments to IFRS 16 "Leases": Lease Liability in a Sale and Leaseback

On September 22, 2022, the IASB published amendments to IFRS 16 "Leases", which relate to the requirements for accounting for lease liabilities from sale and leaseback transactions.

The amendment is intended to clarify that, following a sale, a lessee must measure the lease liability in such a way that it does not recognize an amount in profit or loss that relates to the retained right-of-use asset. In addition, various possible approaches, in particular for variable lease payments, are explained using examples.

Note: This does not change the accounting treatment of leases that do not arise as part of a sale and leaseback transaction.

Amendments to IAS 21: "The Effects of Changes in Foreign Exchange Rates" – Lack of Exchangeability

On August 15, 2023, the IASB published amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability", which contain guidance on accounting for the lack of exchangeability of currencies.

The clarifications are intended to support companies in their obligation to provide more useful information in their financial statements when a currency is not convertible into another currency. The clarifications thus close a regulatory gap that previously existed in IAS 21.

The amendments adopted by the IASB relate in particular to:

- A consistent approach to assessing whether a currency is exchangeable:

  A currency is considered exchangeable if, at the relevant reporting date, an entity is able to exchange one currency for another currency for a particular purpose through markets or exchange mechanisms, provided that enforceable rights and obligations are created without undue delay. On the other hand, a currency is not considered exchangeable into another currency if an entity is only able to obtain a currency in an immaterial amount.

- Requirements for determining the closing rate to be applied if exchange into another currency is not possible:

  If a currency is not exchangeable into another currency at the reporting date, the entity shall estimate the closing rate as the rate that would have applied to an orderly transaction between market participants to appropriately reflect prevailing economic conditions.

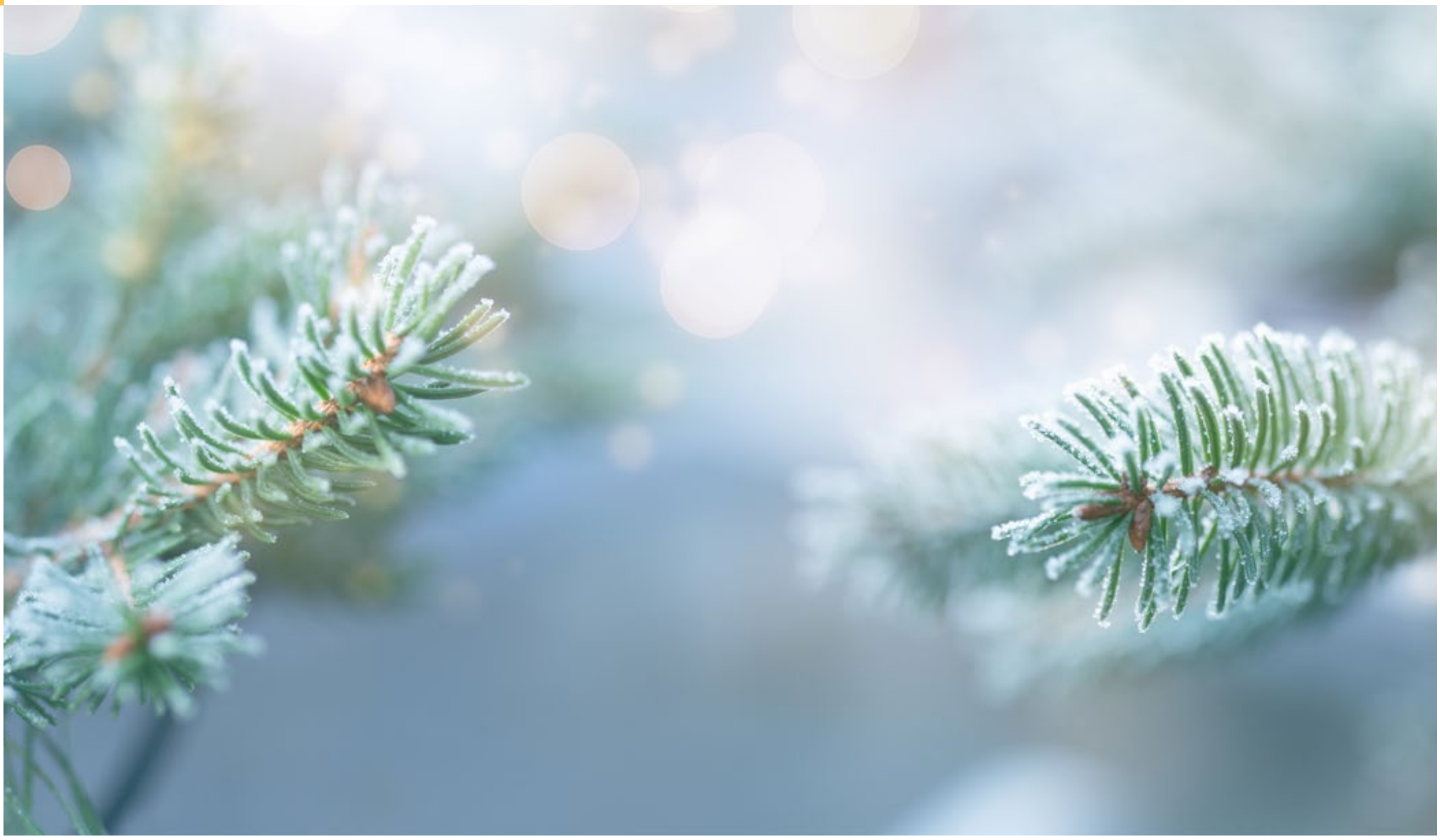
- Additional disclosure requirements when a currency is not convertible:

  The entity shall provide users of financial statements with information that enables an assessment of the impact on the entity's financial performance, financial position and cash flows when a currency is not convertible into another currency.

Note: The background to the amendments was a request made to the IFRS IC as to which exchange rate an entity should use in the event of a long-term lack of exchangeability if the closing rate is unobservable. After examining the request, the IFRS IC recommended that the IASB make narrow-scope amendments to IAS 21. As a result, the IASB published the draft amendment ED/2021/4 Lack of Exchangeability in April 2021, which has now been finalized.

The amendments also relate to corresponding changes to IFRS 1, as it did not previously contain a definition of exchangeability.

Note: The amendments to IAS 21 are to be applied for financial years beginning on or after January 1, 2025. For EU-IFRS financial statements, this applies subject to prior EU endorsement. Early application of the amendment is permitted.



IASB: ONGOING STANDARDIZATION PROJECTS

IASB Publishes Draft Annual Improvements to IFRS

On September 12, 2023, the IASB published the Exposure Draft Annual Improvements to IFRS Accounting Standards – Volume 11.

The draft contains amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7. The IASB's annual improvements are limited either to clarifying amendments or to the correction of relatively minor, unintended consequences, oversights or conflicts between requirements in the standards.

The proposed amendments contained in the Exposure Draft relate to:

- IFRS 1 First-Time Adoption of International Financial Reporting Standards – Hedge Accounting by a First-Time Adopter
- IFRS 7 Financial Instruments: Disclosures – Gain or Loss on Derecognition – Implementation Guidance for IFRS 7: Introduction – Disclosure of the Deferred Difference between Fair Value and Transaction Price – Credit Risk Disclosures
- IFRS 9 Financial Instruments: Derecognition of lease liabilities – transaction price
- IFRS 10 Consolidated Financial Statements: Determination of a "de facto agent"
- IAS 7 Statement of Cash Flows: Cost Method.

Note: The comment period ended on November 11, 2023. The draft can be accessed at the following QR-Code:

Announcement by the IASB of Two New Accounting Standards for 2024

The International Accounting Standards Board (IASB) has completed work on two ongoing projects and decided at its meeting on July 26, 2023 to issue two new IFRS accounting standards in the 2024 calendar year: "Primary Financial Statements", which is to replace the previous IAS 1 "Presentation of Financial Statements", and "Subsidiaries without Public Accountability: Disclosures", which will be included for the first time.

Primary Financial Statements (probably IFRS 18) are intended to ensure that companies provide clearer information on their financial performance assessment.

This proposed new standard includes in particular the introduction of the following regulations:

- Companies should report on their financial performance more consistently and transparently, particularly in the area of profit and loss accounting,
- The aim is to make it easier for investors to compare companies,
- The aim is to strengthen trust between companies and investors and simplify the presentation of capital flows.

Based on the proposals published by the IASB in 2019, the new standard was improved by taking stakeholder feedback into account. The new standard is the result of the "Primary Financial Statements" project and will replace IAS 1 "Presentation of Financial Statement.

The second new accounting standard **"Subsidiaries without Public Accountability: Disclosures"** (probably IFRS 19) is intended to simplify the preparation of financial statements for subsidiaries of a listed (sub)group. This includes in particular the introduction of the following regulations:

- The disclosure requirements for subsidiaries whose shares are not traded on a public market and that do not hold assets on behalf of their customers are to be reduced.

- It should be possible to prepare complete IFRS financial statements for subsidiaries with the reduced information that is also reported to the parent company (applying the Group accounting guidelines).

This new standard is the result of the "Subsidiaries without Public Accountability" project and is not intended to replace any of the previously applicable IASs.

The approval process is now beginning for both projects to ensure that the new standards comply with the IASB's decisions. The new accounting standards are expected to be published in the first half of 2024 and will affect financial years beginning on or after January 1, 2027. For EU-IFRS financial statements, this is subject to prior EU endorsement. Early application of the amendment is permitted.

Note: The IASB's announcement and the history of the respective standard development are available here.

IFRS IC

Agenda Decisions of the IFRS Interpretations Committee

If, in the opinion of the Committee, an issue addressed to the IFRS IC is not suitable as a basis for an interpretation, the decision not to include it in the work program is published in the IFRIC Update.

This "Tentative Agenda Decision" contains a description of the facts of the case and a justification for the rejection. After a comment period of at least 30 days, the IFRS IC decides on the final wording of the decision, including the reasons.

Some of the IFRS IC's rejection decisions also contain material statements on IFRS accounting (non-interpretations, non-IFRICs). The agenda decisions are published by the IASB expressly for information purposes only. Nevertheless, in the IASB's view, users may not ignore these statements by the IFRS IC and may only deviate from them if there are important reasons to do so.

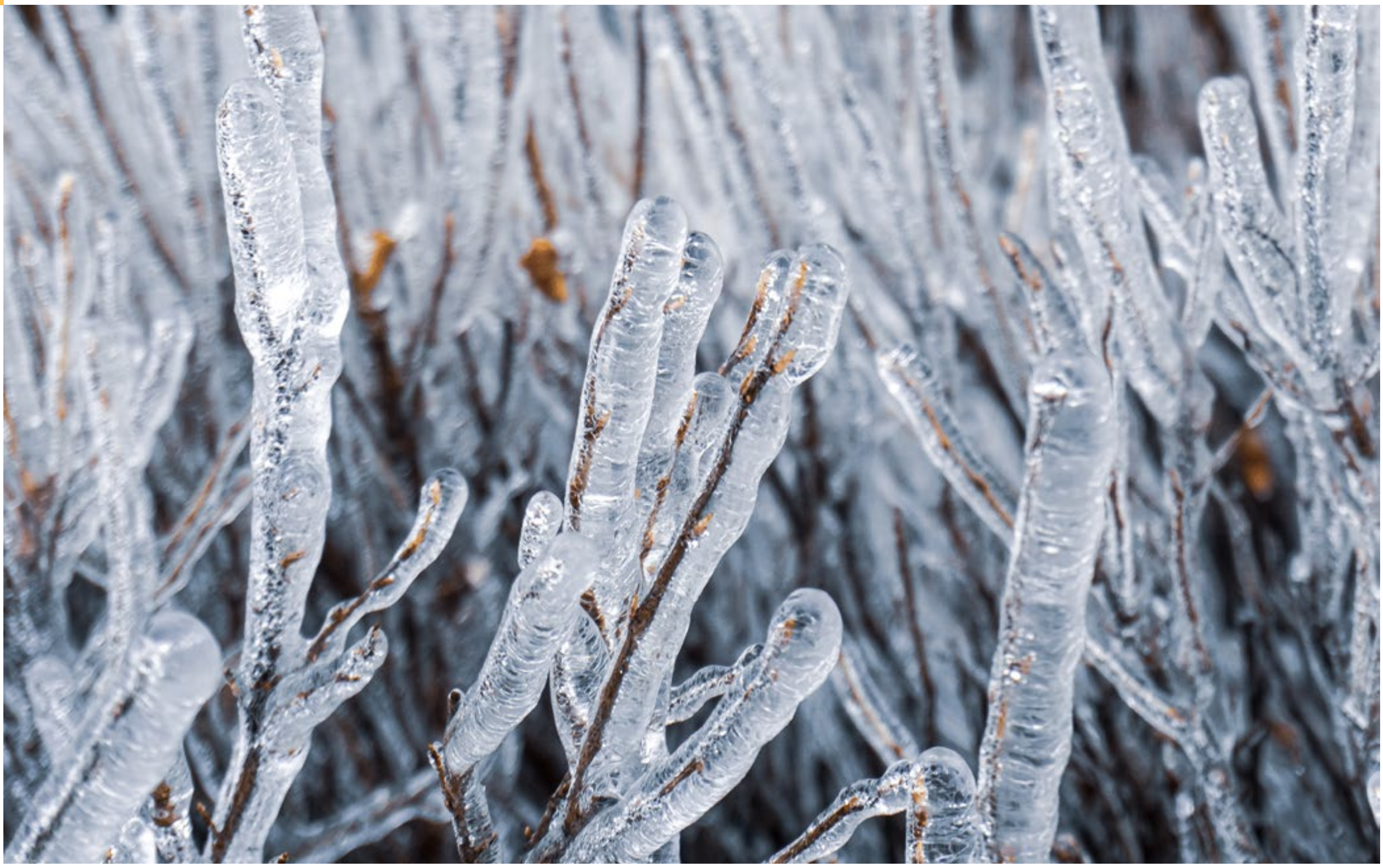
Note: The following table provides a brief overview of the topics of the preliminary agenda decisions of the IFRS Interpretations Committee in the period from June 7, 2023 to November 27, 2023. The detailed description of the facts and the decision are published as an IFRS IC agenda decision in the IFRIC Update.

IFRIC Update September 2023

Standard/Topic	Excerpts from the key agenda decisions
IFRS 3: Business Combinations ▶ Payments contingent on continued employment during handover periods	With regard to the question of how an entity accounts for payments (as part of the acquisition agreement) to the sellers of an acquired entity, the Committee concluded that no further action is required. The payments and continued employment are aimed at ensuring an appropriate transfer of knowledge from the sellers to the new company management. The sellers receive remuneration for their services that is comparable to that of other senior management. However, part of the remuneration for the shares is retained until the transfer is completed and is forfeited if the person leaves the company before the transfer is completed. The sellers are also entitled to additional payments contingent on the achievement of a certain level of financial performance and continued employment for a limited period of time. The IFRS IC was asked whether the company can split the accounting treatment of the additional payments into remuneration for post-combination services and additional consideration for the business combination. The Committee did not identify any difference in accounting treatment. It appears that the accounting treatment described in the agenda decision published in January 2013 is the treatment enforced by the auditors and regulators, although some respondents said they disagreed with the outcome because it does not always reflect the substance of the arrangement and could even result in recognizing a gain on a bargain purchase. The IFRS IC decided to publish a tentative agenda decision stating that no further action is required.

IFRIC Update June 2023

Standard/Topic	Excerpts from the key agenda decisions
IAS 27: Separate Financial Statements ▶ Merger between a parent and its subsidiary in separate financial statements	With regard to how an entity applies IAS 27 to account for a merger with its subsidiary in its separate financial statements and whether the parent should apply the business combination accounting requirements in IFRS 3, the Committee concluded that the "book value method" (i.e. the parent recognizes the assets and liabilities of the subsidiary at their previous carrying amounts) is the predominant method in practice and no accounting inconsistencies were identified in this regard.



ISSB

International Sustainability Standards Board: IFRS S1 and IFRS S2 published

On June 26, 2023, the International Sustainability Standards Board (ISSB) published the first two IFRS Sustainability Disclosure Standards: IFRS S1 "General Requirements for the Disclosure of Sustainability-Related Financial Information" and IFRS S2 "Climate-Related Disclosures".

The two standards contain requirements for the disclosure of material information on the significant sustainability-related risks and opportunities of a company and – in addition to financial information – are intended to enable globally standardized reporting.

IFRS S1 contains **general** requirements aimed at requiring an entity to disclose information about its sustainability-related risks and opportunities that is useful to the primary users of general purpose financial reporting in making decisions about resources to be allocated to the entity.

IFRS S2 sets out specific climate-related disclosures and includes requirements for identifying, assessing and disclosing information about climate-related risks and opportunities that are useful to the primary users of general purpose financial reporting.

Both standards take full account of the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

The two standards are to be applied for reporting periods beginning on or after January 1, 2024. Earlier application is permitted, provided that IFRS S2 is also applied. However, application of the ISSB standards is not yet mandatory in Europe and is dependent on their adoption by a jurisdiction into applicable law. Voluntary (additional) application of the standards is possible.

Note: The standards and other accompanying documents (e.g. Basis for Conclusions, Accompanying Guidance, Effects Analysis, etc.) are available on the ISSB website at the following QR-Code.

IPTF

International Practices Task Force (IPTF): Watch List on Hyperinflationary Economies Updated

With the publication of the updated watch list for hyperinflationary economies on May 10, 2023, the International Practices Task Force (IPTF) added Haiti to the list for the first time, as it has had a cumulative inflation rate of over 100% in the last three years.

The watch list currently includes the following 11 countries where cumulative inflation has exceeded 100% in the last three years:

- Argentina
- Ethiopia
- Haiti (new in March 2023)
- Iran
- Lebanon
- Sudan
- South Sudan
- Suriname
- Turkey
- Venezuela
- Zimbabwe.

The following countries are expected to become hyperinflationary in 2023, as they are predicted to have a cumulative three-year inflation rate of over 100 % in 2023:

- Ghana
- Sierra Leone
- Sri Lanka.

Yemen has cumulative inflation of over 100% in recent years, but only cumulative inflation of between 70% and 100% last year.

In addition, the following two countries are on the watch list (reason: (predicted) cumulative inflation of between 70% and 100% or significant increase (more than 25%) in inflation (expected)):

- Angola
- Burundi (new in April 2023)
- Egypt (new in April 2023)
- Lao People's Democratic Republic (new in April 2023)
- Malawi (new in April 2023)
- Moldova
- Pakistan (new in April 2023)
- São Tomé and Príncipe (new in April 2023)
- Ukraine
- Yemen.

The IPTF is a task force of the US Center for Audit Quality and prepares the watch list of hyperinflationary economies primarily for the purpose of applying US GAAP. As the criteria for identifying such countries under US GAAP are similar to the criteria for identifying "hyperinflationary economies" under IAS 29, IFRS users should also take this classification into account.

Note: The IPTF watch list dated May 10, 2023 with detailed explanations of the calculation can be found at the following QR-Code:

ESMA

European Securities and Markets Authority ESMA: Common European Enforcement Priorities 2024

On October 26, 2023, the European Securities and Markets Authority (ESMA) published the European Common Enforcement Priorities (ECEP) for 2023 corporate reporting. These relate to both financial and non-financial reporting and concern climate-related and other environmental matters and the macroeconomic environment.

Every year, ESMA publishes enforcement priorities that the European national enforcers will focus on when auditing annual reports. Therefore, publicly-traded companies and their auditors should pay particular attention to these issues when preparing and auditing the consolidated and annual financial statements:

- Influence of Climate-Related and Environmental Issues

  In particular, consistency between the information in the IFRS financial statements and in the non-financial statements or sustainability reports, the recognition of emissions trading systems and certificates for renewable energies, the impairment of non-financial assets and power purchase agreements (PPAs) are listed by ESMA as priorities.

  ESMA expects financial institutions to disclose information about their involvement in green finance and to take climate risk into account when measuring the provision.

  ESMA also refers to its report "Disclosures of Climate-Related Matters in the Financial Statements", which contains practical examples of how to improve disclosures on climate-related matters in IFRS financial statements, as well as to educational materials from the IASB.

- Macroeconomic Environment

  ESMA also points out that the current macroeconomic environment (in particular rising interest rates and inflation) must be taken into account in reporting. This affects not only the recognition and measurement of financial instruments, but also the risk situation with regard to financing and liquidity risk, among other things.

- Enforcement priorities in non-financial reporting

  - disclosures in connection with Article 8 of the EU Taxonomy,
  - reporting on climate-related targets,
  - measures and progress as well as reporting on Scope 3 – greenhouse gas emissions.

ESMA is thus continuing the 2022 priorities for the 2023 financial year. In addition, reference is also made to the consistent determination and assessment of Alternative Performance Measures (APMs) and the digital labeling of financial statements in accordance with the ESEF Regulation. When publishing alternative performance measures, ESMA points out that its own APM guidelines are observed. In addition, it is of particular importance to ESMA that any adjustments must be adequately explained and a reconciliation to the consolidated financial statements must be possible.

Note: In contrast to most other European countries, BaFin's financial reporting enforcement procedure in Germany will continue to be limited to a formal review of non-financial reporting. Please note, however, that the non-financial reporting of publicly-traded companies under the CSRD will also be subject to a substantive audit by BaFin in Germany from the 2024 financial year.

Enforcement Decisions Published

The European national enforcement bodies audit the financial statements of companies whose securities are traded on a regulated market in Europe or are in the process of being admitted to trading. The financial statements are prepared in accordance with IFRS and examined to determine the extent to which they comply with IFRS and other applicable reporting requirements, including the relevant national legislation.

ESMA has developed an anonymized database of enforcement decisions made by each European enforcement body as a source of information to promote the proper application of IFRS and to provide IFRS reporting entities and their auditors with insights into the European enforcement body's decision-making process.

Due to the uniform application of IFRS, it can be assumed that these decisions will also be taken into account by the BaFin as part of the financial reporting enforcement and that audit procedures ordered by the BaFin after January 1, 2022 (takeover of financial reporting enforcement from the German Financial Reporting Enforcement Pan FREP) will also be made available for anonymized publication in the ESMA database. This means that the decisions are also relevant for companies in Germany.

The following overview shows the most recent publications (June 2022 to July 2023, report dated October 9, 2023), which are available on the ESMA website.

Affected standard	Overview of facts	Source
IFRS 3	Earn-out payments in connection with business combinations	Decision ref EECS/0124-01
IAS 32, IFRS 3	Classification of a liability for a put option in connection with a business combination	Decision ref EECS/0124-02
IAS 38	Recognition and measurement of distribution rights	Decision ref EECS/0124-03
IFRS 10	Loss of control	Decision ref EECS/0124-04
IFRS 10	Assessment of control	Decision ref EECS/0124-05
IFRS 15	Principal vs. agent	Decision ref EECS/0124-06
IFRS 9	Own-use exemption	Decision ref EECS/0124-07
IFRS 7	Disclosures on hedge accounting	Decision ref EECS/0124-08
IFRS 16	Disclosures in connection with leases	Decision ref EECS/0124-09

FEDERAL FINANCIAL SUPERVISORY AUTHORITY

Federal Financial Supervisory Authority: Error Findings

The error findings of the German Federal Financial Supervisory Authority (BaFin) published from June 7, 2023 to November 27, 2023 are listed below.

The aim is to avoid errors in these areas.

Note: BaFin's publications on the error findings are available online at www.bafin.de under "Stock Exchanges & Markets" – "Transparency" – "Financial Reporting Enforcement".

Publication	Subject area
Publication dated November 27,2023	▶ Disclosure of errors in the management report. ▶ The course of the company's business and its position were not adequately presented because it was not stated that the company's business activities also included entering the solar industry through work on the acquisition and financing of the operating activities of an overindebted, unlisted company. Instead, the company presented itself merely as a shell company looking for operational business. It described itself as an investment company with a focus on investments in liquid listed securities. ▶ This violates Section 289 (1) sentence 1 HGB, pursuant to which the management report must present the course of business, including the business performance and the position of the company, in such a way that a true and fair view is conveyed. ▶ The expected development of the company and its material risks were not adequately reported. It was not stated that a non-listed bond with a nominal value of EUR 800,000 issued by a company to finance the operating activities of a company operating in the solar industry may not be repaid. However, this circumstance represented a material company-specific risk. On the one hand, non-repayment was not unlikely. The bond was only collateralized with shares of a company also active in the solar industry, which were traded over the counter with a low trading volume. Secondly, a negative deviation from the forecast was to be expected in the event of non-repayment. The nominal value of the bond amounted to up to eight times the forecast net loss for the year. ▶ This violates Section 289 (1) sentence 4 HGB, pursuant to which the management report must assess and explain the expected development with its material opportunities and risks.
Publication dated August 10, 2023	▶ Disclosure of errors in the management report. ▶ The expected development of the company is not adequately presented in the report on expected developments contained in the management report and because there is a lack of explanations, comments, clarifications and assessments for the net assets and results of operations and also because inadmissible purely comparative forecasts or qualitative statements are used. ▶ This violates Section 289 (1) sentence 4 HGB, pursuant to which future developments must be assessed and explained in the management report. ▶ The potential impact of the opportunities and risks presented on the expected development of the company is not adequately presented in the report on opportunities and risks contained in the management report. ▶ This violates Section 289 (1) sentence 4 HGB, pursuant to which the management report must assess and explain the expected development with its material opportunities and risks.

Publication	Subject area
Publication dated August 3, 2023	▶ Notice of errors in the approved consolidated financial statements. ▶ Revenue was overstated in the consolidated financial statements because the company recognized transfer payments received from the transfer of soccer players, for which a transfer payment made in previous years was capitalized as an intangible asset, as revenue. ▶ This violates IAS 38.113, pursuant to which the difference between the net disposal proceeds and the carrying amount of the intangible asset is to be recognized as a gain or loss on derecognition, but a gain is not to be recognized as revenue. This means that the gross disposal proceeds – in this case in the form of the transfer payments received – are also not to be recognized as revenue. ▶ In the consolidated financial statements, the cash flow from operating activities was overstated and the cash flow from investing activities was understated by the same amount because payments received in the form of transfer payments from the transfer of soccer players were recognized as cash flows from operating activities instead of cash flows from investing activities. ▶ This violates IAS 7.10 in conjunction with IAS 7.6, pursuant to which disposals of non-current assets are classified as investing activities, and the associated proceeds must be reported in the cash flow statement as cash flows from investing activities. The payments received from the transfer of soccer players are proceeds from the disposal of non-current assets in the form of intangible "player registrations", which are therefore to be allocated to investing activities and not to operating activities. ▶ In the consolidated financial statements, of the future payments to players' agents that are disclosed in the notes to the consolidated financial statements as "variable payment obligations from existing contracts with conditions precedent", those for which all conditions precedent for the remuneration claim have been fulfilled except for the existence of an employment contract with the player at the due date of the respective payment to the agent were not recognized as a liability. ▶ This violates IAS 39.14 in conjunction with IAS 32.19, pursuant to which a liability must be recognized if the company becomes a contractual party to a financial instrument and cannot fully avoid a payment obligation.
Publication dated July 12, 2023	▶ Disclosure of errors in the published consolidated financial statements. ▶ In its cash flow statement, the company overstated the cash flow from operating activities and understated the cash flow from financing activities by the same amount. The company incorrectly recognized payments received from taking out a bank loan as cash flow from operating activities. ▶ This violates IAS 7.10 in conjunction with IAS 7.17(c), pursuant to which proceeds from borrowings are to be allocated to cash flow from financing activities. ▶ The company also overstated the cash flow from operating activities and understated the cash flow from investing activities by the same amount. The company incorrectly recognized payments received from the sale of shares as cash flow from operating activities. ▶ This violates IAS 7.10 in conjunction with IAS 7.16(d), pursuant to which proceeds from the sale of equity instruments of other companies are to be allocated to cash flow from investing activities.

Publication	Subject area
Publication dated June 13, 2023	▶ Notice of errors for the condensed financial statements. ▶ Goodwill is overstated in the consolidated balance sheet. This violates IAS 8.42 in conjunction with IAS 36.104(a). In accordance with IAS 8.42, an entity must retrospectively correct material errors from previous periods and, in accordance with IAS 36.104(a), recognize an impairment loss for a cash-generating unit (CGU) initially against goodwill if its recoverable amount is less than its carrying amount. ▶ The omitted impairment of goodwill is incorrect because, contrary to IAS 36.44 in conjunction with IAS 36.74, did not base the calculation of the recoverable amount on the current status of the relevant CGU when calculating the value in use. Instead, it took into account future cash inflows and outflows based on an expansion of business activities and thus an increase in operating performance beyond the current status. As the recoverable amount is the higher of the fair value less costs of disposal and the value in use, and the value in use reduced by the corresponding cash inflows and outflows was lower than the fair value less costs of disposal, the latter was to be compared with the carrying amount as the recoverable amount.
Publication dated June 13, 2023	▶ Notice of errors in the approved consolidated financial statements. ▶ Goodwill is overstated in the consolidated balance sheet. The omitted impairment violates IAS 36.104(a), pursuant to which an impairment loss for a cash-generating unit (CGU) must first be recognized as a charge to goodwill if its recoverable amount is lower than its carrying amount. ▶ Contrary to IAS 36.44 in conjunction with IAS 36.74, the company did not base the calculation of the recoverable amount on the current status of the relevant CGU when calculating the value in use. Instead, it took into account future cash inflows and outflows that are based on an expansion of business activities and thus an increase in operating performance beyond the current status. As the recoverable amount is the higher of fair value less costs of disposal and value in use, and the value in use reduced by the corresponding cash inflows and outflows was lower than the fair value less costs of disposal, the latter was to be compared with the carrying amount as the recoverable amount. ▶ The company failed to develop and apply an accounting method for the presentation in the consolidated financial statements for a put option granted to the Chairman of the Management Board by the majority shareholder for his shares in the company. The exercise of the put option was linked to the CEO's continued employment with the company for a certain period of time and therefore, from an economic perspective, was to be assessed as remuneration. ▶ The failure to develop and apply an accounting policy to reflect the put option in the 2019 consolidated financial statements violates IAS 8.10, which requires management to decide which accounting policy to develop and apply in the absence of an IFRS that specifically applies to a transaction or other event or condition in order to provide reliable and relevant information.

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