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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

on the activities of the IFRS Foundation, EFRAG and PIOB in 2024

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1. INTRODUCTION

On 28 April 2021, the European Union adopted the Single Market Programme[1] to support and strengthen the governance of the single market, with a total budget of EUR 4.21 billion for the period 2021-2027. The Single Market Programme Regulation included a budget envelope of EUR 220.5 million for standardisation processes, of which EUR 10.0 million was allocated in 2024[2] to support the development of international financial and non-financial reporting and auditing standards and to facilitate their integration into EU law.

Under the Single Market Programme, the Commission provides an annual grant to the International Financial Reporting Standards Foundation (IFRS Foundation) for the development of International Financial Reporting Standards (IFRS accounting standards), the European Financial Reporting Advisory Group (EFRAG), and the Public Interest Oversight Board (PIOB). These organisations play an important role in ensuring the quality, reliability and availability of financial and sustainability information in corporate reports through their work on developing international financial and non-financial reporting and auditing standards. This report summarises their activities in 2024, except for the activities of the IFRS Foundation on sustainability reporting as these are not co-financed by the EU grant.

2. IFRS FOUNDATION

2.1. GOVERNANCE

The IFRS Foundation is a non-profit organisation established to develop, promote and facilitate the use of a single set of high-quality, understandable, enforceable and globally recognised accounting and sustainability disclosures standards.

The IFRS Foundation is governed by a Board of 22 trustees that is collectively responsible for overseeing the governance and organisational strategy of the IFRS Foundation, overseeing due process, maintaining the IFRS Foundation's *Constitution* and *Due Process Handbook*, appointing members to the International Accounting Standards Board (IASB), International Sustainability Standards Board (ISSB), IFRS Interpretations Committee and various advisory bodies, and securing the funding of the IFRS Foundation. During 2024, Erkki Liikanen served as Chair of the Board of Trustees.

The Trustees are accountable to the Monitoring Board. The Monitoring Board, of which the Commission is a member, reinforces the public interest oversight function of the IFRS Foundation, promotes the development of high -quality standards, and appoints the trustees.

[1] Regulation (EU) 2021/690 establishing a programme for the internal market, and the competitiveness of enterprises (OJ L 153, 3.5.2021, p. 1, ELI: http://data.europa.eu/eli/reg/2021/690/oj).

[2] Annex I to Commission Implementing Decision C(2024)5420 amending Implementing Decision C(2023)8926 as regards the implementation of certain actions under the Single Market Programme.

The IFRS Foundation hosts the IASB, which is responsible for the development of IFRS accounting standards, and the ISSB, which is responsible for the development of IFRS sustainability disclosure standards. The IASB and ISSB each consist of 14 members. They are nominated for a five-year term, renewable once. In 2024, Andreas Barckow served as Chair of the IASB and Emmanuel Faber as Chair of the ISSB.

Under the IAS Regulation[3], the Commission may endorse new or amended IFRS accounting standards considering EFRAG's endorsement advice. Given the economic importance of IFRS accounting standards, the Commission provides financial support to the IFRS Foundation for the development of IFRS accounting standards. There is no legal mandate for the Commission to endorse (or adopt) global sustainability disclosure standards, but the Commission and EFRAG promote the interoperability of European Sustainability Reporting Standards (ESRS) with IFRS sustainability disclosure standards and other global standards, such as Global Reporting Initiative (GRI) standards.

2.2 ACTIVITIES

2.2.1. NEW AND AMENDED STANDARDS

In April 2024, the IASB issued the new IFRS 18 *Presentation and Disclosure in Financial Statements*, which aims to ensure that the financial performance presented in financial statements is more transparent and comparable globally. In turn, this will allow investors to make better investment decisions. Once IFRS 18 enters into force, it will replace the current IAS 1 *Presentation of Financial Statements*.

In May, the IASB issued the new IFRS 19 *Subsidiaries without Public Accountability: Disclosures*, which introduces an option for subsidiaries without public accountability but with a parent that complies with IFRS accounting standards, to apply reduced disclosure requirements to their individual financial statements. This voluntary standard is intended to generate savings by reducing information obligations, while maintaining the essential data from financial statements and ensuring their comparability for users.

Also in May, the IASB issued minor amendments to the scope of IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* (*Amendments to the Classification and Measurement of Financial Instruments*) to address the findings from the *Post-Implementation Review (PIR)* of the classification and measurement requirements in IFRS 9.

In July, the IASB issued *Annual Improvements to IFRS Accounting Standards – Volume 11*, a document intended to clarify the wording of different IFRS accounting standards or correct minor unintended consequences, oversights or conflicts related to the requirements in the IFRS accounting standards.

In December, the IASB issued amendments to IFRS 9 and IFRS 7 *(Contracts Referencing Nature-dependent Electricity)* to better reflect the impact of power purchase agreements on financial statements given that companies have been increasingly entering into such agreements for the procurement of renewable energy. Power purchase agreements help

[3] Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards (OJ L 243, 11.9.2002, p. 1, ELI: http://data.europa.eu/eli/reg/2002/1606/oj)

companies to mitigate the effects of climate change and to decarbonise their production processes and products.

Finally, the IFRS Foundation updated the IFRS taxonomy to reflect the implications of new standards and amendments[4].

2.2.2. PROJECTS

In March 2024, the IASB published the Exposure Draft *Business Combinations – Disclosures, Goodwill and Impairment* in order to improve the information companies disclose about the performance of business combinations and to amend the impairment test of cash-generating units containing goodwill.

In July, the IASB published the Exposure Draft *Climate-related and Other Uncertainties in the Financial Statements*, which included eight examples illustrating how an entity should apply IFRS accounting standards to report the effects of climate-related and other uncertainties in its financial statements.

Also in July, the IASB published the Exposure Draft *Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures*, which aimed to align IFRS 19 with new and amended IFRS standards issued between February 2021 and May 2024.

In July and September respectively, the IASB completed its post-implementation reviews of IFRS 9 *Financial Instruments – Impairment* and IFRS 15 *Revenue from Contracts with Customers*. It concluded that the requirements in both standards were working as intended.

In September, the IASB published the Exposure Draft *Equity Method of Accounting – IAS 28 Investments in Associates and Joint Ventures (revised 202x)* in order to supplement and clarify the application of the equity method.

In November, the IASB published the Exposure Draft *Provisions–Targeted Improvements.* It set out proposals for three improvements to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

During 2024, the IASB also completed its deliberations on the rate-regulated activities project and continued its work on the Exposure Draft *Dynamic Risk Management* in order to develop requirements for macro-hedging of interest rate risk in the banking book.

An overview of all activities and projects is available on the IFRS Foundation's website[5].

2.3. FUNDING

In 2024, the IFRS Foundation received a EUR 3.05 million grant from the Commission for IASB-related activities, representing 17% of total funding contributions to the IFRS Foundation for such activities. The Commission continued to be the largest contributor, applying a maximum co-financing rate of 20% of eligible costs.

[4] The IFRS taxonomy serves as input to the European Single Electronic Format as per Commission Delegated Regulation (EU) 2019/815.
[5] IFRS Foundation work plan: https://www.ifrs.org/projects/work-plan/; and completed projects: https://www.ifrs.org/projects/completed-projects/.

A breakdown of funding for IASB-related activities by main geographical areas and international accounting networks shows that in 2024 the EU and its Member States accounted for 32.8% of total contributions, Asia-Oceania for 34.8%, international accounting networks for 14.7%, Americas for 5.5%, Africa for 0.9% and others for 11.3%. The relative share of the Commission and Member States' funding increased compared to 2023 (from 32.0% to 32.8%).

3. EFRAG

3.1. GOVERNANCE

EFRAG is a publicly and privately funded organisation working in the European public interest and has the legal form of an AISBL (international non-profit organisation under Belgian law). Its activities are organised into two pillars: financial reporting and sustainability reporting.

In the area of financial reporting, EFRAG's mission is to serve the European public interest by developing and promoting European views in the field of financial reporting and ensuring that these views are properly considered in the IASB's standard-setting process and in related international debates. EFRAG provides advice to the Commission on whether new or revised IFRS accounting standards should be endorsed by the EU. In addition, EFRAG carries out proactive accounting research.

In the area of sustainability reporting, pursuant to the Corporate Sustainability Reporting Directive (CSRD)[6], EFRAG provides technical advice to the Commission in the form of draft ESRSs elaborated following robust due process. Furthermore, it supports the effective implementation of ESRSs.

The EFRAG Administrative Board is responsible for due process oversight of all technical bodies. It is supported in this work by a Due Process Committee. In 2024, Wolf Klinz served as Chair of the EFRAG Financial Reporting Board and Patrick de Cambourg as Chair of the EFRAG Sustainability Reporting Board. Until June 2024, Hans Buysse was President of the EFRAG Board of Directors, and since July 2024, Benoit Jaspar.

3.2. FINANCIAL REPORTING PILLAR

In 2024, EFRAG's work on financial reporting remained largely driven by the work programme of the IASB, the IFRS Interpretations Committee and the IFRS Foundation.

It issued endorsement advice on amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability)*, on amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures (Amendments to the Classification and Measurement of Financial Instruments)*, and on the *Annual Improvements to IFRS Accounting Standards – Volume 11*.

EFRAG prepared endorsement advice on IFRS 18 *Presentation and Disclosure in Financial Statements* and IFRS 19 *Subsidiaries without Public Accountability: Disclosures*.

[6] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (OJ L 322, 16.12.2022, p. 15, ELI: http://data.europa.eu/eli/dir/2022/2464/oj).

EFRAG also issued six comment letters and two feedback statements and published a research paper on the connectivity between financial reporting and sustainability reporting.

In addition, EFRAG closely monitored important ongoing IASB projects that are expected to result in IASB standard-setting which will require EU endorsement in the near future. These projects include *Rate-regulated Activities*, *Financial Instruments with Characteristics of Equity* and *Dynamic Risk Management*. In 2024, EFRAG organised outreach activities and roundtables to identify whether and to what extent the accounting treatments proposed by the IASB would work for European constituents or pose application challenges. EFRAG subsequently informed the IASB of the potential issues which European stakeholders could face.

Through its Academic Panel and Academic Network, EFRAG enhanced its cooperation with academics.

3.3. SUSTAINABILITY REPORTING PILLAR

In 2024, EFRAG focused on providing implementation support (Q&As and implementation guidelines) to large companies subject to ESRS and on developing simplified reporting standards for SMEs.

In January, EFRAG conducted a public consultation on the development of two standards for SMEs, namely a simplified standard to reduce the reporting burden on listed SMEs (the 'LSME standard'), and a voluntary standard to support non-listed SMEs in providing information to banks or larger groups whose value chains they are a part of (the 'VSME standard').

On 2 May, EFRAG and the IFRS Foundation published interoperability guidance describing the very high degree of alignment between ESRS and ISSB and explaining how companies can apply both sets of standards. The guidance also included a detailed analysis of how climate-related disclosures are aligned.

Also in May, EFRAG published three implementation guidance documents for companies preparing their sustainability statements according to the ESRS, covering the materiality assessment, value-chain reporting, and setting out a list of datapoints.

EFRAG also started work on a guidance document for companies' transition plans and managed its ESRS Platform Q&A for supporting the implementation of ESRS.

In August 2024, EFRAG submitted to the Commission its technical advice for the digital *ESRS Set 1 XBRL Taxonomy* to help companies to digitally tag the information that they report.

In November, EFRAG finalised its draft LSME standard, but did not take a formal vote, pending political clarity on whether the standard would be a requirement of the CSRD following the adoption of the Omnibus Directive[7].

[7] On 26 February 2025, the Commission adopted the Omnibus I package, including two proposals to amend, among others, the CSRD (COM(2025) 80 and COM(2025) 81), Omnibus I - European Commission.

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In December, EFRAG submitted the draft VSME standard to the Commission. In response to multiple requests, EFRAG also started to develop guidance and support for SMEs aiming to apply the VSME standard.

3.4. FUNDING

For 2024, EFRAG's total operating costs were EUR 15.1 million, which included an estimated EUR 3.2 million in contributions in kind provided by third parties. Funding from the Commission combined with the release and deferral of EFRAG Member Organisations matched the association's expenses. EFRAG's retained earnings were EUR 4.9 million as at end 2024. Contributions in kind include the time given by members of EFRAG's Financial Reporting Board, Sustainability Reporting Board and technical expert groups (only the Chairs are paid), as well as temporary secondments to the EFRAG secretariat.

The Commission increased the EU's contribution for 2024 from EUR 6.3 million to EUR 6.6 million split into two action grants, one for financial reporting (EUR 2 million) and one for sustainability reporting (EUR 4.6 million). The Commission provided co-financing for up to 60% of EFRAG's eligible costs for financial reporting and up to 90% of EFRAG's eligible costs for sustainability reporting. For financial reporting, cash contributions also came from European stakeholder organisations (EUR 0.6 million) and national organisations from France, Germany, Italy, Belgium, the Netherlands, Denmark, Spain, Sweden and Luxembourg (EUR 1.6 million). For sustainability reporting, European stakeholder organisations contributed EUR 0.5 million, national organisations contributed EUR 1 million, Friends of EFRAG contributed EUR 0.3 million and civil society organisations contributed EUR 0.1 million.

4. PUBLIC INTEREST OVERSIGHT BOARD (PIOB)

4.1. GOVERNANCE

The PIOB is the global independent oversight body that ensures the quality and public interest focus of the standard-setting process for international audit, assurance and ethics standards formulated by the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA). Its main role is to ensure that the IAASB and IESBA follow due process when developing standards and strategies, in line with the public interest framework. Since 2022, the PIOB has been responsible for the selection and nomination of members to the IAASB and IESBA.

The Monitoring Group[8], of which the Commission is a member, monitors how the PIOB delivers on its public interest mandate regarding the PIOB's oversight of the standard setting process. It appoints the ten PIOB members, but not the Chair, who is appointed by the IOSCO.

4.2. ACTIVITIES

In 2024, the PIOB oversaw the activities of the IAASB and the IESBA. The PIOB approved three IESBA standards, one IAASB standard, and the strategies and work plans of both boards

[8] The Monitoring Group (iosco.org)

for 2024-2027. The PIOB published three Public Interest Issues in addition to supporting oversight publications[9].

The PIOB also completed the third cycle of nominations to the IAASB and IESBA, successfully since 2021 achieving a multi-stakeholder composition with improved geographic and gender diversity in line the Monitoring Group Recommendations.

4.3. FUNDING

For 2024, the PIOB's total budget was EUR 2.5 million. The PIOB received 18 monetary contributions, including EUR 350 000 from the European Commission, subject to a maximum co-financing rate of 30% of eligible costs. The Spanish government provides office premises for the PIOB valued at EUR 199 928.

The International Federation of Accountants (IFAC) remained the largest contributor, but in line with the recommendations of the Monitoring Group to reduce the dependence of the audit profession on the audit standard-setting system, IFAC's contribution has steadily decreased (from EUR 1.4 million (or 63.56%) in 2022 to EUR 950 000 (or 41.37%) in 2023 to EUR 650 000 (or 26.16%) in 2024). Despite continuous efforts to attract sponsors to replace IFAC's contributions, the PIOB faced a funding shortfall in 2024. The Global Public Policy Committee (GPPC), representing the six largest international accounting networks, bridged this gap with a one-off payment of EUR 500 000.

2025 is the final year IFAC will contribute (amounting to EUR 500 000). Unless other sponsors are found, the PIOB will again face a shortfall. There is thus an urgent need for the Monitoring Group and the PIOB to address the structural funding gap and ensure the long-term sustainability of the PIOB's oversight and nomination responsibilities, which are critical to the quality and independence of the international standard-setting system.

5. CONCLUSIONS

For many years now the EU has contributed financially to the IFRS Foundation, EFRAG and the PIOB. Its continuous support has been indispensable to these organisations, enabling them to carry out their respective tasks in the public interest and, in turn, contributing to high quality standards that ensure the EU internal market functions effectively.

[9] On 14 July 2025, the PIOB published its 20th annual public report (for the year 2024) on its website: https://ipiob.org/.