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Luxembourg
Commission des Normes Comptables

Commission des normes comptables
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Activity report for the year 2021

Disclaimer: This document – provided as a courtesy – is an unofficial translation of the French original document. In case of discrepancy in interpretation, the French version shall prevail.

Luxembourg, ___________________

Ladies and Gentlemen,

I have the honour of reporting to you on the activities of the Economic Interest Grouping (GIE) "Commission des normes comptables (CNC)" (Accounting Standards Board) in 2021.

The year 2021 was again marked by the Covid-19 pandemic, and the meetings of CNC's Management Board and working groups were all held remotely.

- **Accounting doctrine**

During 2021, CNC published four Q&A with doctrinal scope, namely:

- Q&A CNC 21/022 – Going Concern and Liquidation Basis of Accounting under LUX GAAP and LUX GAAP-FV;
- Q&A CNC 21/023 – Sales subject to a condition precedent and sequestration of part of the sale price under LUX GAAP and LUX GAAP-FV;
- Q&A CNC 21/024 – Changes in accounting policies, valuation / measurement basis and accounting estimates under LUX GAAP and LUX GAAP-FV;
- Q&A CNC 21/025 – Corrections of errors under LUX GAAP and LUX GAAP-FV.

In the silence of the accounting law on these subjects, the preceding Q&A have the effect of filling the gaps and thus facilitating the task of undertakings preparing accounts as well as their auditors in charge of auditing the accounts. For users of accounts, this CNC doctrine clarifies the LUX GAAP and LUX GAAP - FV frameworks by specifying the range of possibilities.

In addition, as part of the collaboration on doctrine with the technical committees of GIE CNC member organisations, work has been carried out in cooperation with the "*Ordre des Experts Comptables*" (OEC) (Order of chartered accountants) on the issue of the accounting treatment of certain transactions denominated in a currency other than the currency of the LUX GAAP annual accounts[1]. Like the Accounting Directive 2013/34/EU, Luxembourg accounting, the law is silent on this issue.

One or more doctrinal publications on these topics are expected in the course of 2022.

[1] The research and identification of a doctrinal solution was carried out by the *Accounting Law and Legislative Studies* Committee *(DCEL)* of the Ordre des Experts Comptables (OEC). This work was presented to the CNC and its working group on accounting doctrine.

- **Proposed overhaul of Luxembourg accounting law**

During 2021, CNC's internal services – which were strengthened in 2021 – finalised a first draft of a "*preliminary draft law overhauling Luxembourg accounting law*". This first draft, which should be submitted during 2022 to an in-depth review by an *ad hoc* working group of CNC before being communicated to the services of the Ministry of Justice, is based on several key axes, including in particular:

- consolidation of accounting provisions into a single accounting law;
- adoption of a bottom-up approach and a list-based approach;
- partial exercise of the 'micro-undertaking' option and raising of the numerical thresholds for small undertakings;
- aligning with the Accounting Directive 2013/34/EU, adapting it to specific national circumstances and closing certain loopholes;
- maintaining and clarification of IFRS options;
- legislative technique to make the single accounting law easier to read.

Without prejudging the outcome and duration of the preliminary review or of the legislative procedure, the first application of the new single accounting law is envisaged for financial years beginning on or after 1 January 2025.

- **Standard chart of accounts (PCN)**

Following the first application of the new standard chart of accounts (PCN 2020) during financial year 2020, the year 2021 was marked by the first filings of accounting packages including the new PCN and its mapping table.

In this respect, it should be noted that the procedures for preparing the structured / standard elements of the accounting package (standard chart of accounts, balance sheet and profit and loss account) have been significantly modified for filers using the HTML online data entry (formerly PDF). From now on, the balance sheet (abridged or not) and the profit and loss account (abridged or not) will be generated automatically from the standard chart of accounts according to a standard or a custom transition mapping table chosen by the undertaking.

In this context, CNC has been monitoring developments in conjunction with the "*Centre des technologies de l'information*" de l'Etat (CTIE), which manages the electronic platform for collecting financial data (eCDF), and the "*Institut national de la statistique et des études économiques*" (STATEC), which manages the "*Centrale des bilans*" (Central Balance Sheet Data Office).

In addition, during the year 2021, CNC ran 5 training sessions designed to raise awareness among secondary school economics and social sciences teachers of the new principles relating to PCN 2020 and the new approach to annual accounts. This initiative has been carried out in partnership with the "*Institut de Formation de l'Education Nationale*" (IFEN) and the House of Training.

- **Accounting derogations (Art. 27 L.2002)**

During 2021, the received 19 requests for exemptions pursuant to Article 27 of the amended Law of 2002 (2020: 20; 2019: 26).

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Of these 19 applications, 16 were for authorisation renewals and 3 were for new authorisations. All of these applications were for authorisation to use an alternative set of accounting standards (US GAAP or IFRS as published by the IASB) to prepare and publish statutory consolidated accounts.

As a reminder, only requests submitted by undertakings that are in compliance with their accounting obligations may be examined and, where appropriate, granted authorisation.

- **European affairs: European sustainability standards**

On the European front, as announced last year, 2021 was marked by the publication by the European Commission of the proposal for a directive of the European Parliament and of the Council on the publication of sustainability information by undertakings (COM(2021) 189 final).

As anticipated, the draft directive envisages a significant broadening of the scope of sustainability reporting by no longer targeting only large public interest entities (PIEs) but also large (unlisted) undertakings. As far as Luxembourg is concerned, the obligation to draw up and publish a sustainability report could thus concern several hundred Luxembourg undertakings, without prejudice to the exemptions from which subsidiary undertakings may benefit, under certain conditions.

Furthermore, given the great diversity of non-financial reporting frameworks and the resulting lack of harmonisation, the European Commission is proposing – as announced in 2020 – to entrust EFRAG with the task of drawing up draft sustainability standards, which would then be submitted to the European Commission for validation by means of delegated acts.

In practice, this implies a reform of the governance and financing of EFRAG, which should in future have two pillars, the first dedicated to the review of IFRS standards developed by the IASB (EFRAG's historical mission) and the second dedicated to the development of draft sustainability standards (EFRAG's new mission).

In this context, it should be noted that in view of the ambitious timetable set by the European Commission, EFRAG's work on draft sustainability standards has already begun in a working group called the *Project Task Force (PTF) on European Sustainability Reporting Standards (ESRS)*.

CNC has agreed to participate in this second pillar of EFRAG and to take part in the work of the PTF ESRS. As CNC does not have its own experts in sustainability standards, it has entered into a partnership with the National Institute for Sustainable Development and Corporate Social Responsibility (INDR), under which CNC is represented on the PTF-ESRS by the Secretary General of INDR, who reports regularly to CNC's Management Board.

During 2022, EFRAG's PTF-ESRS should finalise the development of the draft sustainability standards. The proposal for a directive on sustainability reporting by undertakings should also be adopted in 2022 by the European co-legislators (European Parliament and Council). The provisions of this directive should be applied progressively from 2024, 2025 and 2026, depending on the category of undertaking concerned.

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- **Key figures for GIE CNC** [2]

		2021	2020	2019
Profit and loss account				
State subsidy	(1)	€ 290 000	€ 290 000	€ 290 000
Other income	(2)	€ 1 200	€ 1 815	€ 3 150
Staff costs and similar expenses	(3)	€ (211 476)	€ (196 182)	€ (197 113)
Recruitment fees	(4)	€ (36 036)	€ 0	€ 0
INDR partnership ("Sustainability standards")	(5)	€ (15 000)	€ 0	€ 0
Contribution to EFRAG ("NFM")	(6)	€ (10 000)	€ (10 000)	€ (10 000)
Other expenses	(7)	€ (10 265)	€ (11 911)	€ (13 298)
Net profit		**€ 8 423**	**€ 73 722**	**€ 72 739**

	2021	2020	2019
Balance sheet			
Fixed assets	€ 0	€ 0	€ 533
Current assets	€ 314 231	€ 291 019	€ 220 285
Total assets	€ 314 231	€ 291 019	€ 220 818
Liabilities	€ 20 191	€ 5 403	€ 8 924
Shareholders' equity	**€ 294 040**	**€ 285 616**	**€ 211 894**

(1) CNC is mainly financed by an annual subsidy (Government grant) from the State budget to cover the investments and expenses generated by the tasks entrusted by law to the group.

(2) "Other income" corresponds to ancillary income generated by providing information sessions on current accounting issues to professional organisations and training bodies.

(3) "Personnel and similar expenses" includes all remuneration paid to persons contributing directly to the work of the CNC, including the expenses of salaried staff, the Chairman's allowances and the attendance fees paid to the members and observers of the Management Board and to the experts of the working groups.

(4) During financial year 2021, CNC used the services of a recruitment firm to identify candidates likely to strengthen the CNC's services. Following this procedure, CNC hired an employee specialised in accounting technical standards who joined the CNC in September 2021.

(5) In July 2021, CNC entered into a partnership with INDR to participate in EFRAG's work on draft European sustainability standards. Following this partnership, INDR provides CNC with a sustainability standards expert who represents the CNC in EFRAG's working group dedicated to sustainability standards (PTF-ESRS).

(6) As a member organisation of EFRAG Aisbl, GIE CNC pays a financial contribution (*"National funding mechanism (NFM)"*) of € 10 000 per annum to support the activities of EFRAG, whose historical mission is to advise the European Commission on the adoption of international financial reporting standards ("*Financial reporting pillar*") and whose expanded mission is currently being considered ("*Sustainability reporting pillar*").

(7) "Other expenses" mainly include the cost of contractual audit, liability insurance, IT costs, travel expenses and other administrative costs. GIE CNC also benefits from logistical support from the Ministry of Justice, which provides it with a fully equipped office, IT infrastructure and administrative support free of charge.

[2] **The key figures above are an abbreviated version of the annual accounts for the financial years ending 31 December 2019 and 2020 as filed with the Trade and companies register (RCS) and the annual accounts for the financial year ending 31 December 2021 as submitted for approval by the General Meeting of GIE members. Said annual accounts have been subject to a contractual audit by an approved statutory auditor who has issued an unqualified opinion for each of the financial years.**

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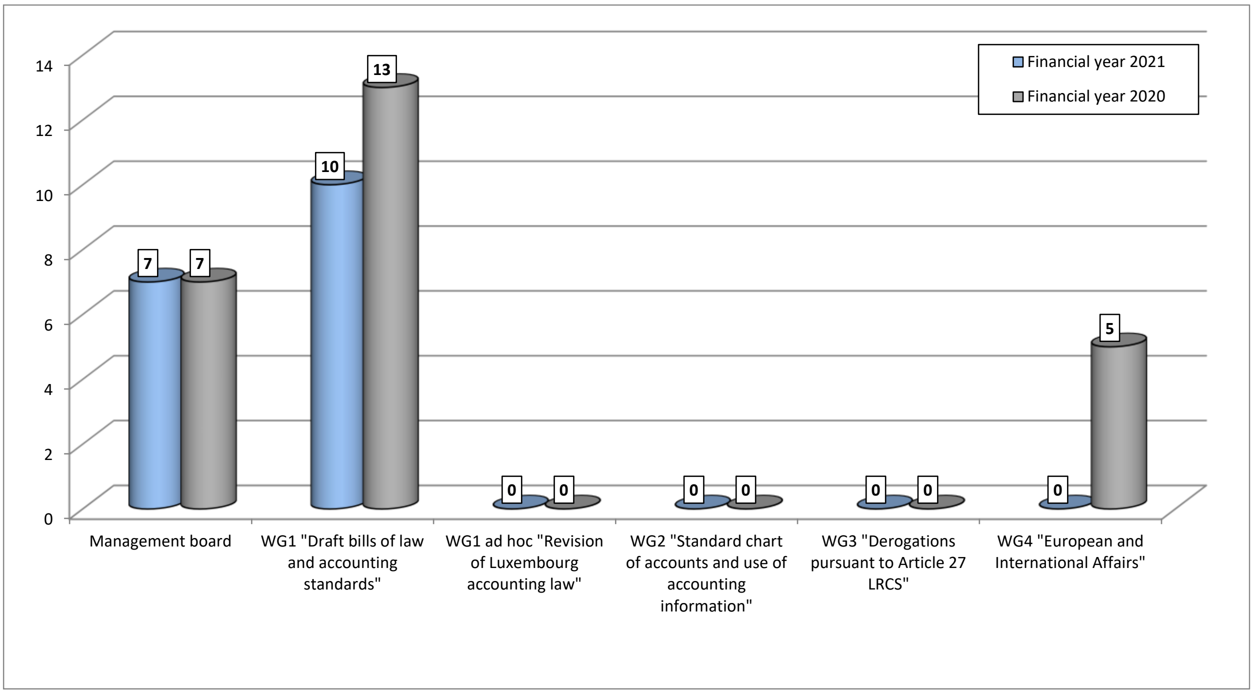
- **CNC meetings in 2021**

During 2021, CNC's Management Board and working groups met 17 times (2020: 25).



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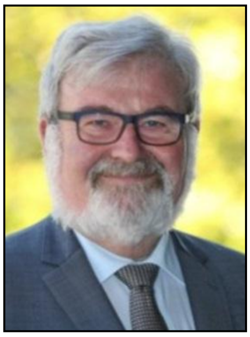
I would like to thank all the members of the Management Board and their deputy observers, as well as the experts of the working groups, for their support and contribution to the CNC's activities and missions during the past financial year, despite the particular context of the Covid-19 pandemic and related restrictions.



Alphonse KUGELER

President of the Management Board