Commission des normes comptables
Groupement d'intérêt économique
R.C.S. Luxembourg C109
Centre administratif Pierre Werner
13, Rue Erasme
L-1468 Luxembourg
e-mail : cnc@mj.etat.lu

UNOFFICIAL TRANSLATION

Activity report for the year 2024

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 (EIG) "Commission des normes comptables (CNC)" (Accounting Standards Board) for the year 2024.

- **Accounting doctrine**

During 2024, CNC prepared and published four new doctrinal Q&A via its Working Group 1 (WG1) on "Accounting Doctrine":

- Q&A CNC 24/031 – Impact of the "Pillar 2" Law on the notes to the annual and consolidated accounts for financial year 2023 presented in accordance with LUX GAAP or LUX GAAP – FV;
- Q&A CNC 24/032 – "Pillar 2" Law and option to present in the notes to the annual accounts for financial year 2023 deferred tax assets and liabilities;
- Q&A CNC 24/033 – Impact of a change in a group's consolidation scope on the assessment of size criteria;
- Q&A CNC 24/034 – Increase in the size criteria of Articles 35 and 47 LRCS and Article 1711-4 LSC: practical application.

It should also be noted that two draft Q&A's on the accounting treatment of restructuring transactions were still under development at the end of 2024:

- Draft Q&A CNC 2X/XX – Introduction to merger accounting principles: the case of unrelated companies using LUX GAAP and the euro;
- Draft Q&A CNC 2X/XX – Accounting principles applicable to merger transactions in LUX GAAP and LUX GAAP – FV: special cases.

Once these drafts have been finalised, it is planned to launch a public consultation of stakeholders in accounting information in order to ensure that the proposed doctrinal solutions are consistent with best practices in the field.

With regard to the Q&A project(s) dedicated to hedge accounting of foreign exchange, it was proposed to continue the partnership initiated in 2023 with the Commission « Droit comptable et études législatives (DCEL) » (Accounting Law and Legislative Studies Commission) of the "Ordre des Experts Comptables (OEC)" (Order of chartered accountants).

UNOFFICIAL TRANSLATION

Another Q&A project is being developed on the following topic:

- Draft Q&A CNC 2X/XX - Concepts of statutory accounts vs. voluntary accounts: principles, articulation and implications.

As this is a subject that relates not only to accounting law but also to company law, it has been decided – prior to finalising the draft Q&A – to submit it for review by the Commission d'études législatives "Droit des sociétés" (CEL-Soc.) set up by the Ministry of Justice.

At the end of 2024, it was also decided to launch a project to modernise (or recast) CNC Opinion 09/002 interpreting Article 317 (3) c) LSC (now Article 1711-8, para 3, point 3 LSC) in the specific case of *venture capital/private equity* companies. This project is included in the WG1 work programme for 2025.

Similarly, and based on the needs expressed by practitioners, it has been decided to look again in the first quarter of 2025 at the accounting implications associated with the so-called "Pillar 2" law[1] , no longer limiting itself to the financial year 2023 as was the case in Q&A CNC 24/031 and Q&A CNC 24/032, but attempting to look ahead to any financial year prior to that as well as any financial year subsequent to the first application or transition year of the "Pillar 2" law.

- **Project to overhaul Luxembourg accounting law**

After 2023, which was marked by the adoption by the Government Council of draft law 8286 concerning accounting, annual financial statements and consolidated financial statements of undertakings as well as related reports and repealing the function of “commissaire” (supervisory auditor) in company law, 2024 was characterised by the issue of opinions by professional chambers (Chambre de Commerce) and other professional organisations with an interest in accounting information (Ordre des experts-comptables, Ordre des avocats du Barreau de Luxembourg). It should be noted that the Conseil d'État (Council of State) also issued its opinion on 29 March 2024.

As previously announced, CNC issued an opinion – prepared by WG1 "Draft bills of law" - on draft law 8286 on 26 March 2024 (see: doc. parl. 8286-2).

In addition, WG1 of CNC carried out work and consultations on the definition of the concept of "control" (consolidation) in Luxembourg accounting law, the idea being in particular to take into consideration the "*agent vs principal*" theme (agency theory). At the end of this work, which should be completed in 2025, CNC should present the Ministry of Justice with a proposal to amend the definition of "control" as currently included in draft law 8286.

- **Standard collection of accounting information**

During 2024, CNC – via the Ministry of Justice – wished to raise awareness among the “Centre des technologies de l'information de l'État (CTIE)”, manager of the electronic platform for the collection of financial data (eCDF), and Luxembourg Business Registers (LBR), manager of the register of trade and companies (RCS), of the implications of the application of the CSRD[2] and ESAP[3/4] directives with regard to the electronic format of annual and consolidated accounts and the (consolidated) management report.

---

1 Law of 22 December 2023 on minimum effective taxation with a view to transposing Council Directive (EU) 2022/2523 of 15 December 2022 to ensure a worldwide minimum level of taxation for multinational undertakings and large domestic groups within the Union.

2 Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014 and Directives 2004/109/EC, 2006/43/EC and 2013/34/EU as regards publication of sustainability information by undertakings

3 ESAP stands for "*European single access point*".

4 Directive (EU) 2023/2864 of the European Parliament and of the Council of 13 December 2023 amending certain Directives as regards the establishment and operation of the European single access point

UNOFFICIAL TRANSLATION

The (consolidated) sustainability information to be included in the (consolidated) management report is to be prepared and filed in xHTML format with iXBRL markup. At present, (consolidated) management reports are filed with the RCS in PDF format.

Similarly, certain categories of undertakings may be required – in the medium term – to prepare and file their annual or consolidated accounts in ESAP using the ESEF file[5], also based on xHTML format and iXBRL mark-up. It should be noted that undertakings whose securities are admitted to trading on a regulated market must already file their annual report using the ESEF file, which is currently filed with the Luxembourg Stock Exchange as an "OAM"[6] .

As the annual and consolidated accounts and their related reports are currently prepared and filed in XML (standard chart of accounts, (abridged) balance sheet and (abridged) profit and loss account and PDF (notes to the annual accounts and related reports and consolidated accounts and related reports) formats, the RCS electronic portal will have to be adapted to allow undertakings to file in alternative formats (xHTML and iXBRL).

If necessary, Working Group 2 (WG2), which is dedicated to the PCN and the standard collection of accounting information, could be mobilised to address these issues in an expanded formation in which the CTIE and the LBR would participate.

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

In 2024, CNC received 15 requests for exemptions pursuant to Article 27 of the amended law of 2002 (2023: 16; 2022: 20). These applications were dealt with by Working Group 3 (WG3), which is dedicated to derogations under Article 27 of the LRCS.

Of these 15 applications, 13 were for authorisation renewals and 2 were for new authorisations. Almost all of these applications concerned authorisation to use an alternative set of accounting standards (US GAAP or IFRS as published by the IASB) for the preparation and publication of statutory consolidated accounts by a parent undertaking governed by Luxembourg law.

Among the new requests received was a non-standard request concerning the possibility for a Luxembourg undertaking to prepare its (individual) annual accounts in accordance with an alternative set of accounting standards. It should be noted that CNC issued a negative opinion in response to this request, considering that the annual accounts of undertakings serve as a basis for the preparation of tax returns as well as for the use of data for statistical purposes and that, in this context, Luxembourg accounting legislation already offers sufficient flexibility by authorising undertakings to use one of the following three regimes, namely: LUX GAAP, LUX GAAP - FV and IFRS - EU.

In addition, CNC's WG3 has formalised a standard procedure for handling requests for derogations under Article 27 LRCS, i.e. derogations relating mainly to the option of preparing and publishing statutory consolidated accounts in accordance with a derogatory set of accounting standards. This procedure aims to ensure consistent and fair treatment of applications by specifying the points subject to CNC's review and distinguishing areas for improvement from blocking factors. The areas for improvement are generally to be applied prospectively to the consolidated accounts for the next financial year to be closed, while the blocking items generally require an amendment to the consolidated accounts for the last financial year closed.

[5] ESEF stands for "*European single electronic format*".

[6] OAM stands for *"Officially* appointed *mechanism*".

UNOFFICIAL TRANSLATION

- **Exposure drafts and participation in the IASB *due process***

In 2024, CNC also reactivated its Working Group 4 (WG4) on European and international affairs.

For the record, WG4 was created in order to mobilise CNC's experts on the process of drafting IFRS by the international standard-setter, the IASB[7] . In practice, however, CNC has focused mainly on the doctrinal aspects of the LUX GAAP and LUX GAAP – FV accounting regimes (WG1) and has only responded to the IASB's exposure draft on the overhaul of the IASB's conceptual framework in 2013 and 2014.

When a new expert was appointed to WG4 – a member of the IFRS working group within *Accountancy Europe* ([8]) – it was proposed that WG4 should be reactivated to work on the following exposure drafts:

- IASB/ED/2024/6: "*Climate-related and Other Uncertainties in the Financial Statements – Proposed illustrative examples*";
- IASB/ED/2024/7: "*Equity Method of Accounting – IAS 28 Investments in Associates and Joint Ventures*".

At this stage, it has been decided that CNC will not systematically respond to the IASB's exposure drafts, but will focus primarily on draft new IFRS standards or amendments to existing IFRS standards that have a significant impact on the Luxembourg financial centre.

- **CSRD Directive and ESRS sustainability standards**

While continuing to monitor the CSRD and its revisions (the so-called "omnibus" project) as well as the ESRS sustainability standards, it was decided – at the end of 2024 – to close Contact Group 1 (CG1) dedicated to sustainability standards. Indeed, while it was important at the time of the adoption of the CSRD in 2022 to act as a relay for the information collected from the European Commission and from EFRAG to stakeholders in Luxembourg, it has to be said that more than two years later, the stakeholders have now organised themselves, in particular around the *House of Sustainability* of the Chamber of Commerce (e.g. CSRD Network). In addition, the Chamber *of Commerce*'s *House of Training* has launched a certification course on the CSRD directive, the ESRS standards and sustainability reporting.

It is therefore important not to create duplication or confusion among the various players in the Luxembourg marketplace and to support the *House of Sustainability* in its missions. Consequently, CNC will continue to share the information obtained from EFRAG with the *House of Sustainability*, which can then disseminate the relevant information to its network and other interested parties.

- **Redesign of the CNC website**

After 10 years in use, CNC's current website is now undergoing a complete overhaul. One of the objectives is to bring the site closer to the stakeholders in accounting and financial information. As part of this, CNC's new website will be used to launch public consultations when draft doctrinal Q&A are posted online.

From a linguistic point of view, an English version of the CNC's website should also be available to facilitate consultation of CNC's accounting doctrine by non-French-speaking stakeholders. In principle, the CNC's new website should be online in 2025.

[7] The IASB, or *International Accounting Standards Board*, is the accounting standard-setter of the IFRS foundation.

[8] *Accountancy Europe* – formerly the "*Fédération des experts-comptables européens*" (FEE) – is the professional organisation that represents the interests of auditors and accountants at European level.

UNOFFICIAL TRANSLATION

- **Key figures for GIE CNC** [9]

		2024	2023	2022
Profit and loss account				
State subsidy	(1)	€ 290 000	€ 290 000	€ 290 000
Other income	(2)	€ 0	€ 11 160	€ 2 895
Staff costs and similar expenses	(3)	€ (241 705)	€ (221 291)	€ (349 213)
INDR partnership ("Sustainability standards")		€ 0	€ 0	€ (10 000)
Contribution to EFRAG ("NFM")	(4)	€ (20 000)	€ (20 000)	€ (20 000)
Costs of organising the CNC conference		€ 0	€ (13 041)	€ 0
External audit costs		€ (5 281)	€ (5 367)	€ (4 862)
Professional indemnity insurance premium		€ (1 711)	€ (1 651)	€ (1 573)
Meeting organisation costs		€ 0	€ (1 617)	€ (6 465)
Amortisation of IT development costs		€ (2 461)	€ (1 231)	€ 0
Other expenses	(5)	€ (2 732)	€ (4 453)	€ (3 659)
Net profit		**€ 16 110**	**€ 32 509**	**€ (102 877)**

		2024	2023	2022
Balance sheet				
Fixed assets	(6)	€ 48 461	€ 6 153	€ 0
Current assets		€ 205 502	€ 232 094	€ 208 696
Total assets		€ 253 963	€ 238 247	€ 208 696
Liabilities		€ 14 180	€ 14 574	€ 17 533
Shareholders' equity		**€ 239 783**	**€ 223 673**	**€ 191 163**

(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: (i) organising information sessions on accounting news and accounting law for professional organisations, training bodies and other institutions; and (ii) providing ad hoc assistance to government institutions.

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

(4) As a member organisation of EFRAG Aisbl, GIE CNC pays - as from the 2022 financial year - a financial contribution (*"National funding mechanism (NFM)"*), the annual amount of which is € 10 000 for the first pillar dedicated to IFRS standards ("*Financial Reporting Pillar*") and € 10 000 for the second pillar dedicated to European sustainability standards ("*Sustainability Reporting Pillar*"), i.e. a total annual amount of € 20 000.

(5) Other expenses mainly include IT costs, travel expenses and other administrative costs. The GIE CNC also benefits from logistical support from the Ministry of Justice, which provides it with a fully equipped office, an IT infrastructure and administrative support free of charge.

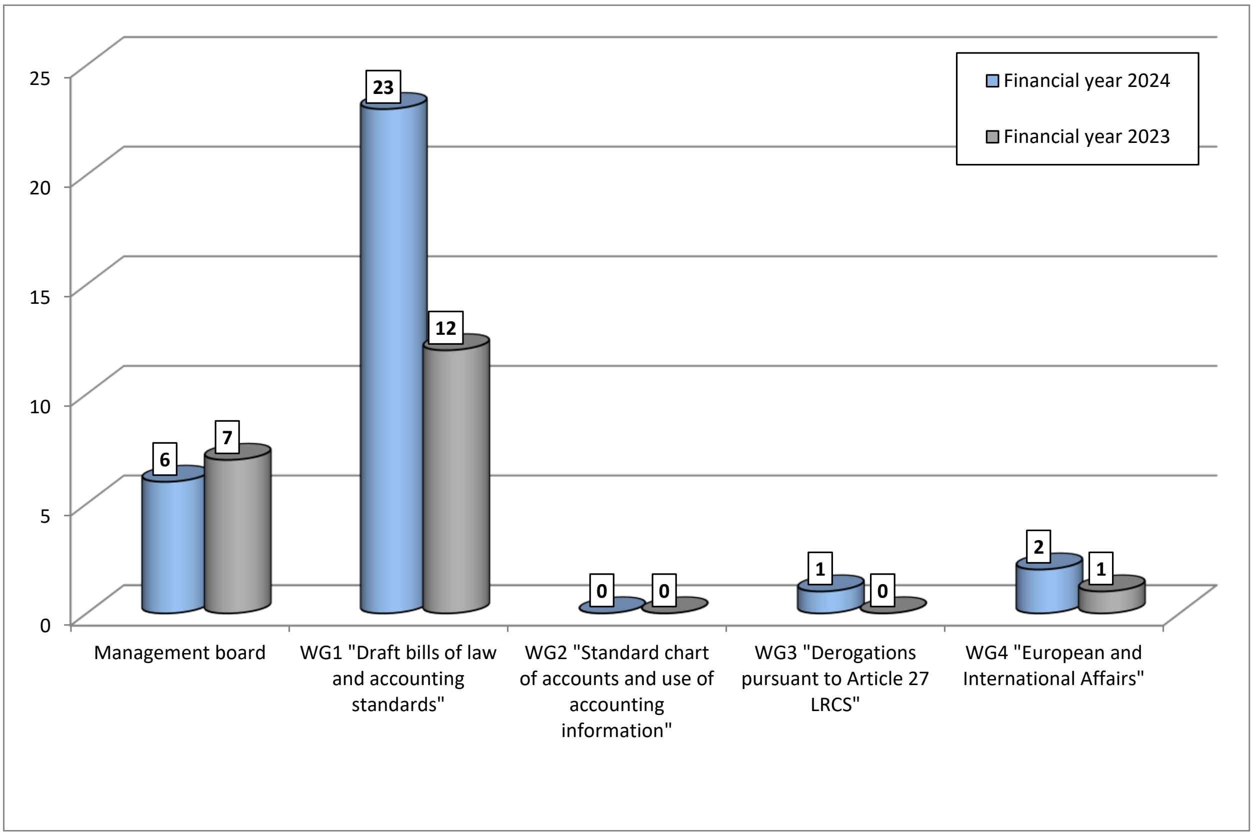
(6) The significant increase in non-current assets during the 2024 financial year corresponds to the development costs incurred in redesigning CNC's website.

[9] **The above key figures are an abbreviated version of the annual accounts for the financial years ending 31 December 2022 and 2023 as filed with the "*Registre de Commerce et des Sociétés*" (RCS) and the annual accounts for the financial year ending 31 December 2024 as submitted to the General Meeting of EIG members for approval. These annual accounts have been subject to contractual audit by an approved statutory auditor who has issued an unqualified opinion for each of the three financial years.**

UNOFFICIAL TRANSLATION

- **CNC meetings in 2024**

During 2024, CNC's Management Board and working groups met 32 times (2023: 20).



*

I would like to thank all the members of the Management Board and their deputy observers, as well as the experts in the working groups, for their support and contribution to CNC's activities and missions during the past year.

Alphonse KUGELER

President of the Management Board