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Activity Report for the year 2025

Luxembourg, ________________

Ladies and Gentlemen,

I have the honour of reporting to you on the activities of the Economic Interest Grouping (EIG) Accounting Standards Commission (CNC) during the financial year 2025.

- **Accounting Doctrine**

During 2025, the CNC, through its Working Group No. 1 (WG1) on "Accounting Doctrine", drafted and published two new Q&As of a doctrinal nature, namely:

- CNC Q&A 25/035 – Impact of the "Pillar 2" Law on annual and consolidated accounts presented under the LUX GAAP or LUX GAAP - FV regimes by a Luxembourg undertaking or group;
- Q&A CNC 25/036 – Interpretation of Article 1711-8 (3) 3° of the Law of 10 August 1915 on commercial companies in the specific case of companies operating in the alternative investment sector.

Furthermore, it is noted that, regarding the accounting treatment of restructuring transactions, two draft Q&As were still under development at the end of 2025, namely:

- Draft Q&A CNC 2X/XXX – Introduction to the accounting principles for mergers by absorption: the case of non-related companies using the LUX GAAP regime and the euro;
- Draft Q&A CNC 2X/XXX – Accounting principles for merger by absorption under LUX GAAP and LUX GAAP – JV: special cases.

As indicated in the previous activity report for the year 2024, it is envisaged – on the subject of restructuring transactions – to launch a public consultation with stakeholders in accounting information in order to ensure that the doctrinal solutions proposed in these Q&As are consistent with best practices observed in the field.

Furthermore, regarding the topic of hedge accounting for foreign exchange risk, it was decided to continue the partnership with the "Accounting Law and Legislative Studies" (DCEL) commission of the Order of Chartered Accountants (OEC) by inviting the latter to draft an initial Q&A of a primarily educational nature.

Furthermore, regarding the topic of accounts prepared for statutory purposes as opposed to those prepared for contractual or voluntary purposes, CNC had the opportunity in 2025 to meet with the Legislative studies commission in Company law (CEL-Soc.), established within the Ministry of Justice, during working meetings. These meetings and discussions, which were highly constructive, enabled progress to be made on this issue and are expected to lead to a revision of the draft Q&A on this subject, which is scheduled for publication in 2026.

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- **Proposed overhaul of Luxembourg accounting law**

Following a year in 2024 that was marked by the issuance of the opinion of the Council of State, as well as opinions from professional bodies (the Chamber of Commerce) and other professional organisations with an interest in accounting information (the Order of Chartered Accountants (OEC), the Luxembourg Bar (Lawyers)), not to mention the opinion of CNC, it must be noted that the legislative procedure relating to Law 8286[1] concerning the reform of Luxembourg accounting law applicable to undertakings made no progress during 2025.

This delay in the legislative process relating to Law 8286 is the result of the delay in the legislative process relating to draft bill of law 8370[2] concerning the transposition of the Corporate Sustainability Reporting Directive (CSRD)[3] . Indeed, the CSRD – which amends the Accounting Directive[4] – was the subject in February 2025 of a proposal for significant simplification known as "Omnibus I"[5] , on which political agreement was only reached in December 2025.

At the same time, in 2025, CNC's Working Group 1 concluded its work on defining the concept of "control" (consolidation) in Luxembourg accounting law, focusing primarily on the *"agent vs principal"* issue. Following this work, the CNC submitted to the Ministry of Justice a proposal to amend the definition of "control" as currently included in Law 8286.

- **Accounting derogations (Art. 27 of the law of 2002)**

During 2025, the CNC received 19 applications for derogations under Article 27 of the amended Law of 2002 (2024: 15; 2023: 16). These applications were processed by Working Group No. 3 (WG3), which deals with exemptions under Article 27 LRCS.

Of these 19 applications, 16 were applications for renewal of authorisation, whilst 3 were new applications for authorisation. 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 incorporated under Luxembourg law.

[1] Law concerning the accounting, annual financial statements and consolidated financial statements of companies, as well as the related reports, and repealing the function of "commissaire" (supervisory auditor)

[2] Bill amending: 1° the amended Law of 19 December 2002 on the Trade and Companies Register and on the bookkeeping and annual accounts of undertakings; 2° the amended Law of 10 August 1915 on commercial companies; 3° the amended Law of 17 June 1992 on the accounts of credit institutions; 4° the amended Law of 5 April 1993 on the financial sector; 5° the amended Law of 8 December 1994 relating to: - the annual accounts and consolidated accounts of insurance and reinsurance undertakings governed by Luxembourg law - the obligations regarding the preparation and publication of accounting documents of branches of insurance undertakings governed by foreign law; 6° of the amended Law of 11 January 2008 on the transparency obligations of issuers; 7° of the amended Law of 7 December 2015 on the insurance sector; 8° of the amended Law of 23 July 2016 on the audit profession, with a view to transposing 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 the disclosure of sustainability-related information by undertakings, and Article 1 of Directive (EU) 2025/794 of the European Parliament and of the Council of 14 April 2025 amending Directives (EU) 2022/2464 and (EU) 2024/1760 as regards the dates from which Member States must apply certain obligations relating to the disclosure of sustainability-related information by companies and the duty of care of companies in relation to sustainability

[3] 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 the disclosure of sustainability-related information by companies

[4] Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC

[5] Proposal for a Directive [COM (2025) 81] of the European Parliament and of the Council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain obligations relating to the disclosure of sustainability-related information and the duty of care applicable to companies

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Furthermore, in 2025, CNC's Working Group 3 finalised the standard procedure for processing applications for derogations under Article 27 LRCS. This procedure is primarily designed to ensure the consistent and fair handling of applications for derogations by specifying the points subject to CNC's review and by distinguishing between areas for improvement and blocking issues. Areas for improvement are generally to be applied prospectively to the consolidated accounts for the next financial year to be closed, whilst blocking issues generally require an amendment to the consolidated accounts for the last financial year closed.

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

Following the reactivation of Working Group 4 (WG4), dedicated to European and international affairs, in 2024, WG4 was mobilised again in 2025 to review the *"EFRAG Discussion Paper on the Statement of Cash Flows – Objectives, Usages and Issues*".

As in the previous year, the work of WG4 was coordinated by a WG4 expert representing the accounting profession who is a member of the working group on IFRS standards within the sectoral association *"Accountancy* Europe"[6] .

As previously indicated, it should be noted that CNC does not aim to respond systematically to IASB exposure drafts or EFRAG calls for comments, but that it would take action in the event of the IASB publishing drafts of new IFRS standards or amendments to existing IFRS standards having a significant impact on the Luxembourg financial centre.

- **CSRD Directive and ESRS sustainability standards**

In substance, CNC notes that the so-called "Omnibus I" proposal[7] published in February 2025, which significantly simplifies the CSRD, led to a political agreement on 9 December 2025[8] and was published in the Official Journal of the European Union in February 2026[9] . Following this publication, draft bill of law 8370 transposing the CSRD Directive is expected to resume its course. Once draft bill of law 8370 has been adopted, the legislative procedure relating to draft bill of law 8286 on the overhaul of Luxembourg accounting law applicable to undertakings is also expected to resume, most likely during the year 2026.

It is also noted that, in 2025, CNC's Management Board voted in favour of disbanding its Contact Group No. 1 (CG1), which was dedicated to sustainability reporting standards. It is thus recalled that, when the CSRD Directive was adopted in 2022, it was deemed important to act as a conduit for information communicated by the European Commission and EFRAG to stakeholders interested in sustainability reporting in Luxembourg. However, it is now observed that stakeholders in sustainability reporting have now organised themselves, notably around the Chamber of Commerce's *House of Sustainability* (e.g. the CSRD Network). Consequently, in order to avoid duplication or confusion amongst the various stakeholders in the Luxembourg financial centre and to support the *House of Sustainability* in its work, it has been decided to wind up GC1. It should be noted that CNC will continue to share information obtained from EFRAG with the *House of Sustainability*, which will then be able to disseminate relevant information to its network and other interested parties.

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

7 See note 5 above

8 https://www.consilium.europa.eu/fr/press/press-releases/2025/12/09/council-and-parliament-strike-a-deal-to-simplify-sustainability-reporting-and-due-diligence-requirements-and-boost-eu-competitiveness/

9 Directive (EU) 2026/470 of the European Parliament and of the Council of 24 February 2026 amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain sustainability-related disclosure requirements for companies and certain requirements relating to corporate sustainability due diligence

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- **Launch of CNC's new website**

As previously announced, in 2025, CNC continued the overhaul of its website, a process initiated in 2024. The new version of the website was launched on 1st July 2025. For the record, one of the objectives pursued is the ability to conduct public consultations with stakeholders interested in accounting information in Luxembourg.

It should also be noted that, from a linguistic perspective, an English version of CNC's website remains under development at the end of 2025 and is expected to go live in the second half of 2026.

- **Key figures for the CNC GIE** [10]

		2025	2024	2023
Profit and loss account				
State subsidy	(1)	€ 290 000	€ 290 000	€ 290 000
Other income	(2)	€ 0	€ 0	€ 11 160
Staff and similar expenses	(3)	€ (260 647)	€ (241 705)	€ (221 291)
Contribution to EFRAG ("NFM")	(4)	€ (20 000)	€ (20 000)	€ (20 000)
Amortisation of IT development costs	(5)	€ (13 993)	€ (2 461)	€ (1 231)
IT and related costs	(6)	€ (8 458)	€ (1 729)	€ (2 308)
Costs of organising the CNC conference		€ 0	€ 0	€ (13 041)
External audit fees		€ (5 284)	€ (5 281)	€ (5 367)
Training and related costs		€ (4 236)	€ 0	€ 0
Professional liability insurance premium		€ (1 750)	€ (1 711)	€ (1 651)
Meeting organisation costs		€ 0	€ 0	€ (1 617)
Other expenses	(7)	€ (1 138)	€ (1 003)	€ (2 145)
Net profit		**€ (25 506)**	**€ 16 110**	**€ 32 509**

	2025	2024	2023
Balance sheet			
Fixed assets	€ 58 892	€ 48 461	€ 6 153
Current assets	€ 170 503	€ 205 502	€ 232 094
Total assets	**€ 229 395**	**€ 253 963**	**€ 238 247**
Liabilities to third parties	€ 15 118	€ 14 180	€ 14 574
Equity	**€ 214 277**	**€ 239 783**	**€ 223 673**

(1) CNC is funded primarily by an annual state subsidy (Government grant) from the State budget, intended to cover investments and expenses arising from the tasks entrusted to the grouping by the Law.

(2) The caption "other income" corresponds to ancillary revenue generated by: (i) the organisation of information sessions on current accounting issues or accounting law for professional organisations and training bodies; and (ii) ad hoc assistance assignments for state institutions.

[10] **The key figures above constitute an abridged version of the annual accounts for the financial years ended 31 December 2023 and 2024 as filed with the Trade and Companies Register (RCS) and of the annual accounts for the financial year ended 31 December 2025 as submitted for approval to the general meeting of members of the GIE. These annual accounts have been subject to a statutory audit by a chartered accountant, who has issued an unqualified audit report for each of the three financial years.**

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(3) The caption "Staff and similar expenses" covers all remuneration paid to persons contributing directly to the work of the CNC GIE, including salaried staff costs, the Chairman's allowance and attendance fees paid to members and alternate observers of the Management Board and to working group experts.

(4) As a member organisation of EFRAG A.i.s.b.l., the GIE CNC makes a financial contribution (*"National Funding Mechanism (NFM)"*) amounting to €10 000 annually 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*"), making a total annual amount of €20 000.

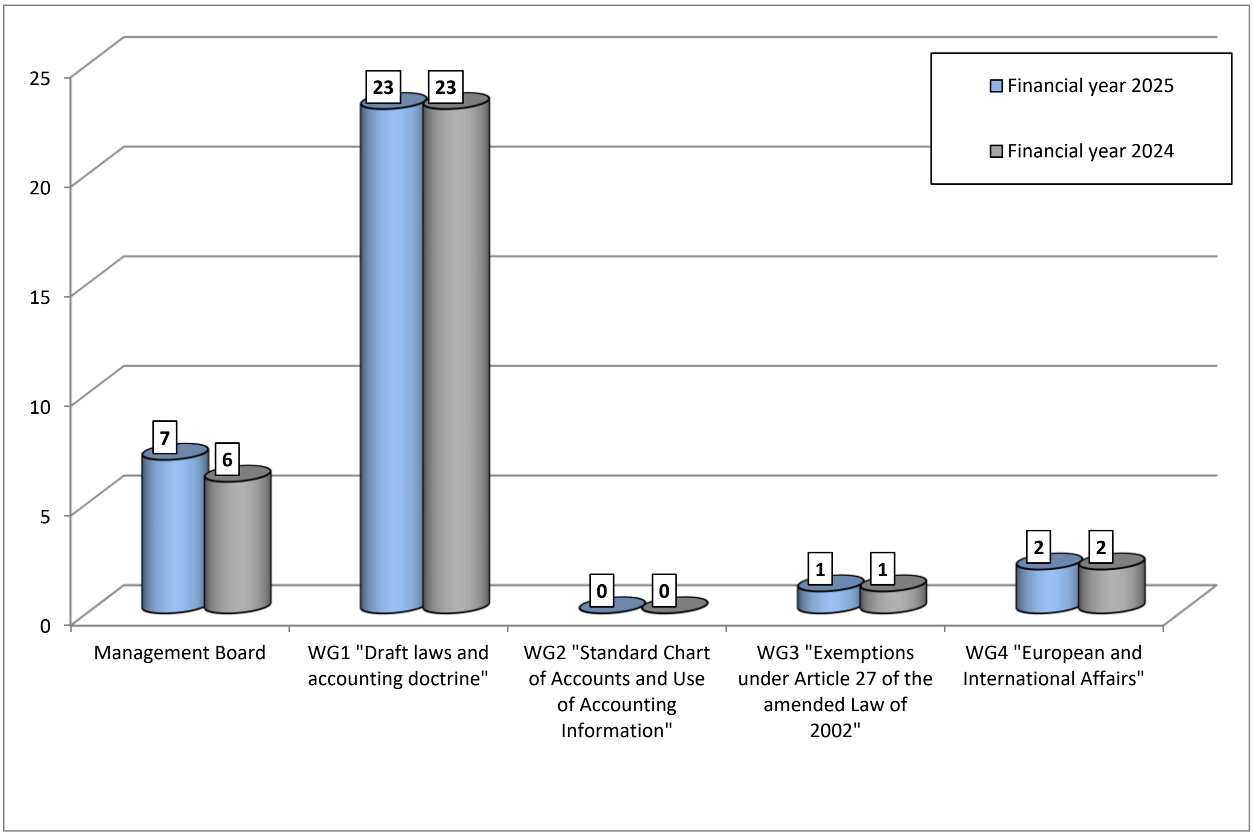
(5) Following the launch of CNC's new website on 1 July 2025, the 36-month amortisation plan was implemented. A half-yearly amortisation charge was therefore recognised for the 2025 financial year.

(6) IT costs include maintenance costs for CNC's new website as well as any other development costs that do not increase the value of the website.

(7) The caption "other expenses" mainly comprises travel expenses and other administrative costs. Furthermore, GIE CNC benefits from logistical support from the Ministry of Justice, which provides free of charge with a fully equipped office, IT infrastructure and administrative support.

- **CNC meetings in 2025**

During 2025, the CNC's Management Board and working groups met on 33 occasions (2024: 32).



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

Alphonse KUGELER

Chairman of the Governing Board