IFRS® STANDARDS—APPLICATION AROUND THE WORLD

JURISDICTIONAL PROFILE: **European Union**

This Profile provides information about the application of IFRS® Accounting Standards (Standards) in European Union. The Standards are developed and issued in the public interest by the International Accounting Standards Board (IASB). The IASB is the standard-setting body of the IFRS Foundation (Foundation), an independent, private sector, not-for-profit organisation.

The Foundation has prepared this Profile based on information from various sources. The starting point was the answers provided by standard-setting and other bodies in response to surveys the Foundation conducted on the application of the Standards around the world. The Foundation drafted the profile and invited the respondents to the survey. The Foundation also invited others (including regulators and international audit firms) to review the drafts. Their comments are reflected in this Profile.

The purpose of the Foundation's Jurisdictional Profiles is to illustrate only the extent of implementation of the Standards across the globe. The Profiles do not reflect the intellectual property licensing status of the Standards within any given jurisdiction. The Standards are protected by copyright and are subject to licensing arrangements agreed upon within their jurisdiction. For further information, please contact permissions@ifrs.org.

Profile last updated: 22 December 2021

RELEVANT JURISDICTIONAL AUTHORITY

Organisation	European Union
Role of the organisation	For each new or amended IFRS Standard and IFRS Interpretation, the European Commission requests endorsement advice and an effects study from the European Financial Reporting Advisory Group (EFRAG). Taking into account EFRAG's advice, the European Commission prepares a draft Endorsement Regulation. The European Commission adopts this Regulation only after the Accounting Regulatory Committee of Member State experts indicated its support and favourable opinions of the European Parliament and the Council of the European Union. The European Commission publishes adopted IFRS standards and interpretations in the Official Journal of the European Union.

Note added by the IFRS Foundation: The European Union (EU) is an economic and political union between 27 European countries (Member States). The EU is based on the rule of law. The EU Member States countries have given final jurisdiction in matters of EU law to the European Court of Justice.

The 27 Member States are: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden. Three additional European countries (Iceland, Liechtenstein, and Norway), while not EU Member States, have agreed to abide by EU laws and regulations on the single market (freedom of goods, people, services and capital). The 30 countries together form the European Economic Area (EEA). The European Union is a member of the Group of Twenty (G20) group of countries.

In addition to financial reporting using IFRS, the European Union has enacted some accounting laws (Directives) for limited liability companies, banks and insurers that all EU Member States and EEA countries are required to comply with via their national laws and regulations. The most notable is 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. The IAS Regulation and the Accounting Directives can be found on the European Commission's 'Financial Reporting' page.

EU Member States and EEA countries may enact accounting laws and regulations that add to the requirements of the Directives, but they cannot override the requirements of the Directives.

This Profile explains the IFRS requirements established by the European Union that apply directly to all EU and EEA member states. The individual profiles of the EU and EEA member states explain the additional IFRS requirements that have been established in the individual member states.

Website	Financial Reporting
Email contact	FISMA-C1@ec.europa.eu

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?	Yes.
Has the jurisdiction made a public commitment towards IFRS Accounting Standards as that single set of high quality global accounting standards?	Yes.
What is the jurisdiction's status of adoption?	The EU has adopted IFRS Standards for the consolidated financial statements of all companies whose securities trade in a regulated market.

Additional comments provided on the adoption status?	In 2002, the European Union adopted IFRS Standards as the required financial reporting standards for the consolidated financial statements of all EU companies whose debt or equity securities trade in a regulated market in the EU/EEA, effective in 2005. The adoption of IFRS Standards was done by enactment of a regulation of the European Parliament and of the Council of 19 July 2002: EU 1606/2002 Regulation on the application of international accounting standards (IAS) (known as the IAS Regulation). The IAS Regulation includes a process for endorsing individual IFRS Standards and Interpretations for use in the European Union as directly applicable Commission Regulations. **June 2015 evaluation of IFRS Standards in the EU** In June 2015, the European Commission published a report of its evaluation of the 2002 Accounting Regulation following 10 years of adoption of IFRS Standards in the EU. The purpose of the evaluation was to assess whether the Regulation 'achieved what it set out to do' – namely 'harmonise the financial reporting of listed companies by ensuring a high degree of transparency and comparability of their financial statements in order to enhance the efficient functioning of EU capital markets and of the internal market'. The evaluation concluded: • the IAS Regulation has increased the transparency of financial statements; • the quality of financial statements prepared under IFRS Standards is good; • there are proper mechanisms in place to ensure adequate enforcement of IFRS Standards; • the Commission found evidence of improved capital market outcomes: higher liquidity; lower costs of capital; increased cross-border transactions; easier access to capital at EU and global level; improved investor protection and maintenance of investor confidence. In April 2021 the European Commission published a staff working document on fitness check on public reporting by companies that including reporting using IFRS Standards.
If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Accounting Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Accounting Standards in the jurisdiction.	Not applicable.

EXTENT OF IFRS APPLICATION

For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Accounting Standards in their consolidated financial statements?	IFRS Standards as adopted by the EU are required for the consolidated financial statements of all EU/EEA companies whose debt or equity securities trade in a regulated market in the EU/EEA—that is, a regulated exchange. IFRS Standards as adopted by the EU are IFRS Standards as issued by the IASB Board with two limited modifications.

	Most major securities exchanges in the EU are regulated exchanges, but there are many small securities exchanges in addition to the regulated exchanges. Individual EU/EEA Member States / counties have an option to require or permit IFRS Standards as adopted by the EU (Member State Option) for the individual financial statements of listed companies, and the consolidated or individual financial statements of non-listed companies. The European Commission periodically surveys the EU member states regarding its decisions about the use of the above options. The reports of those surveys may be found on the European Commission's website: https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/monitoring-and-enforcing_en.
If YES, are IFRS Accounting Standards REQUIRED or PERMITTED?	Required for some companies and permitted for others, as described above.
Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?	The IFRS Standards requirement applies to the consolidated financial statements of all EU/EEA companies whose debt or equity securities trade on a regulated exchange in the EU/EAA.
Are IFRS Accounting Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?	Yes, in some EU/EEA member states (see the discussion of Member State Options above).
For instance, are IFRS Accounting Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?	Permitted in some EU/EEA member states, not permitted in others (see the discussion of Member State Options above).
For instance, are IFRS Accounting Standards required or permitted for companies whose securities do not trade in a public market?	Permitted in some EU/EEA member states, not permitted in others (see the discussion of Member State Options above).
If the jurisdiction currently does NOT require or permit the use of IFRS Accounting Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Accounting Standards for such companies in the future?	Not applicable.
For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:	
Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Accounting Standards in their consolidated financial statements?	Yes.
If YES, are IFRS Accounting Standards REQUIRED or PERMITTED in such cases?	Required for some and permitted for others. Foreign companies whose securities are publicly traded in the EU/EAA are required to report under IFRS Standards as adopted by the EU for their consolidated financial statements unless the European Commission has deemed their accounting standards to be equivalent to IFRS Standards, in which case they may use their local standards. Equivalence of that third country’s GAAP with IFRS is determined under the criteria of Regulation (EC) 1569/2007.

	Currently, the following standards are considered as equivalent to IFRS Standards as adopted by the EU: • IFRS Standards as issued by the IASB Board, provided that the notes to the audited financial statements contain an explicit and unreserved statement that those financial statements comply with IFRS Standards. • Generally Accepted Accounting Principles (GAAP) of Japan. • GAAP of the United States of America. • GAAP of the People's Republic of China. • GAAP of Canada. • GAAP of the Republic of Korea. More information can be found on the 'Financial Reporting' page of the European Commission's website.
Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?	All.

IFRS ENDORSEMENT

Which IFRS Accounting Standards are required or permitted for domestic companies?	IFRS Standards as adopted by the European Union, which are IFRS Standards as issued by the IASB except IFRS 14 and with some limited modifications.
The auditor's report and/or the basis of presentation footnote states that financial statements have been prepared in conformity with:	IFRS Standards as adopted by the European Union.
Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Accounting Standards and the jurisdiction's GAAP)?	This is not prohibited by the EU Directives or the IAS Regulation. Some EU/EEA member states permit dual reporting. Some EU/EEA companies assert compliance with IFRS Standards in addition to compliance with IFRS Standards as endorsed in the EU.
Are IFRS Accounting Standards incorporated into law or regulations?	Yes.
If yes, how does that process work?	In 2002, the European Union adopted IFRS Standards as the required financial reporting standards for the consolidated financial statements of all European companies whose debt or equity securities trade on a regulated market in Europe, effective in 2005. The adoption of IFRS Standards was done by enactment of a regulation of the European Parliament and of the Council of 19 July 2002: EU 1606/2002 Regulation on the application of international accounting standards (IAS) (known as the IAS Regulation). The IAS Regulation establishes a process for endorsement of IFRS Standards for use in the European Union. After the Regulation was adopted, all IFRS Standards at that time were endorsed in bulk. Subsequently, new and amended IFRS Standards and Interpretations are individually subject to the endorsement process and are adopted as directly applicable EU law. EFRAG maintains an Endorsement Status Report.
If no, how do IFRS Accounting Standards become a requirement in the jurisdiction?	Not applicable.

Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Accounting Standards (including Interpretations) in place?	Yes.
If yes, what is the process?	After the IFRS Foundation has issued a standard or an amendment to an IFRS Standard, or the IFRS Interpretations Committee has issued an interpretation, the European Commission requests an endorsement advice from EFRAG. Additionally, the European Commission requests an effects study on the pronouncement under consideration for endorsement. During the process EFRAG holds a number of consultations with interest groups and finally publishes the advice to the European Commission concerning whether the standard meets the criteria for endorsement for use in the European Union. Taking into account EFRAG's endorsement advice the European Commission prepares a draft Endorsement Regulation. This Regulation is adopted only after the Accounting Regulatory Committee (ARC) has indicated its support, and after favourable opinions of the European Parliament and the Council of the European Union. Following adoption, the Regulation is published in the *Official Journal of the European Union*, at which time it becomes effective.
If no, how do new or amended IFRS Accounting Standards become a requirement in the jurisdiction?	Not applicable.

Has the jurisdiction eliminated any accounting policy options permitted by IFRS Accounting Standards and/or made any modifications to any IFRS Accounting Standards?	Yes.
If yes, what are the changes?	There are currently two modifications to IFRS Standards that a company may opt to apply: (i) Declaration by the Commission on the 'carve-out' concerning fair value hedge accounting for portfolio hedges of interest rate risk in IAS 39 *Financial Instrument: Recognition and Measurement*; and. (ii) a temporary extension of the scope of *Applying IFRS 9* Financial Instruments *with IFRS 4* Insurance Contracts allowing a deferral of the application of IFRS 9 for some insurers (the scope extension increases the population of companies eligible for such a deferral in accordance with IFRS Standards as adopted by the EU until annual reporting periods beginning on or after 1 January 2023 when IFRS 17 and IFRS 9 become mandatory); or an option for companies not to apply the annual cohort requirement of IFRS 17 *Insurance Contracts* to groups of insurance contracts that are specified in the Commission Regulation. If a company applies the option, it is required to disclose that fact and provide information about the contracts affected. The Commission will review the need to retain this option by 31 December 2027. The modifications are optional and affect only a limited number of companies. Therefore, companies not applying the options can still state compliance with IFRS Standards.
Other comments regarding the use of IFRS Accounting Standards in the jurisdiction?	None.

TRANSLATION OF IFRS ACCOUNTING STANDARDS

Are IFRS Accounting Standards translated into the local language?	Yes. The European Union has 24 official and working languages. They are: Bulgarian, Croatian, Czech, Danish, Dutch, English, Estonian, Finnish, French, German, Greek, Hungarian, Irish, Italian, Latvian, Lithuanian, Maltese, Polish, Portuguese, Romanian, Slovak, Slovene, Spanish and Swedish. Before IFRS are adopted by the Commission and published in the Official Journal of the European Union, and therefore become binding EU law, individual IFRS Standards must be translated into those languages (other than English and Irish).
If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Accounting Standards?	Pursuant to a copyright waiver agreement with the European Commission, the Commission takes care of the translation into the official languages according to their own translation process. The translation only covers the standards and mandatory application guidance, which is then published in the *Official Journal of the European Union*. In addition, some countries (usually the standard-setter or institute) have a translation contract with the IFRS Foundation to produce an 'official translation' for publication of a bound volume of IFRS Standards and publication, in some cases, of individual Standards and exposure drafts.

APPLICATION OF THE IFRS FOR SMEs ACCOUNTING STANDARD

Has the jurisdiction adopted the *IFRS for SMEs* Accounting Standard for at least some SMEs?	No.
If no, is the adoption of the *IFRS for SMEs* Accounting Standard under consideration?	No.
Did the jurisdiction make any modifications to the *IFRS for SMEs* Accounting Standard?	Not applicable.
If the jurisdiction has made any modifications, what are those modifications?	Not applicable.
Which SMEs use the *IFRS for SMEs* Accounting Standard in the jurisdiction, and are they required or permitted to do so?	Not applicable.
For those SMEs that are not required to use the *IFRS for SMEs* Accounting Standard, what other accounting framework do they use?	Not applicable.
Other comments regarding use of the *IFRS for SMEs* Accounting Standard?	The *IFRS for SMEs* Standard was assessed to be incompatible with the Accounting Directives in a few respects.