

IAS 24

Related party disclosures

1. Objective

IAS 24 prescribes the disclosures to be made regarding transactions between related parties, and their impact on the financial statements.

2. Scope

IAS 24 defines related parties and transactions between related parties.

2.1 Definition of a related party

A party is considered to be related to another when:

- **it controls** another party, directly or indirectly, via one or several intermediaries, participates in its joint control or holds an interest in it;
- **it is controlled** by another party, directly or indirectly, via one or several intermediaries, either exclusively, or by sharing joint control, or by representing an interest for it;
- **it participates in another company** as an associate or in a joint venture or as a joint venturer;
- it is a member of the key management personnel of an entity, or the parent of that entity, key management personnel is defined as those persons **having authority and responsibility for planning**, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity;
- it is a **close member of the family** of a person referred to in the previous paragraph, or a person controlling the entity;
- it has **significant influence**, directly or indirectly, over the voting rights of another party, or another party has significant influence over its own voting rights.

In practical terms, related parties are considered to be those characterized by the following:

- **control** characterized by directly or indirectly holding:
 - ✓ over one-half of the voting rights,
 - ✓ a large proportion of the voting rights and the power to determine the financial and operational policies of the company;
- **Significant influence** characterized by participation in the financial and operational policies of the company that may, for example, result in:
 - ✓ representation in key management,
 - ✓ participation in defining company policies,
 - ✓ high inter-company dependence due to the nature or volumes of transactions.
- all of the companies controlling another company or being controlled by another company, exclusively or jointly;
- associates or companies exerting significant influence, including the investments entities as defined in the Standard IFRS 10 “Consolidated financial statements” (see p XXX);
- individuals holding, directly or indirectly, a percentage of the voting rights enabling significant influence to be exerted;
- key management personnel and their close family;
- companies of which a significant percentage of the voting rights is held, directly or indirectly, by the key management personnel, shareholders and/or their close family, or over whom these people may exert significant influence.

However, the following are not considered to be related parties:

- providers of finance, trade unions, public utilities, departments and agencies of the government, in the course of arm’s length dealings with the company;
- customers, suppliers, franchisers, distributors or general agents, in the course of arm’s length dealings with the company;
- companies with a director or key manager in common who does not exert any influence in their mutual transactions.

2.2 Definition of a related party transaction

This is a transaction that results in generating a **transfer of resources, services or an obligation** of one party towards another, regardless of whether such transaction results in the charging of a price or the transfer of cash.

Thus, this applies to purchases and sales of goods and services, purchases and sales of fixed or non-fixed assets and of financial or non-financial assets, leases, transfers of technology, financing contracts (loans, borrowings, current accounts), license agreements, use of patents, trademarks, software, concessions contracts, management contracts, equity contributions, commitments in terms of performance bonds, guarantees, pledges, collateral or other.

3. Disclosure

In the notes to the financial statements, the relevant information must be disclosed pertaining to the identification of the related parties and the relationships existing between them.

3.1 Related parties

The entity must disclose the list of the related parties, regardless of whether there are existing transactions.

3.2 Transactions between related parties

The following must be disclosed:

- the nature of the relationships between the related parties;
- the type of transactions;
- the main features of these transactions;
- value of transactions;
- the amount of outstanding balances, including guarantees given;
- the policy for setting financial terms (in particular price, payment terms and conditions);
- provisions for doubtful debts relating to outstanding balances;
- any additional information necessary for users of the financial statements to have sufficient information and a proper understanding of those financial statements;
- any type of information relevant to judging whether related party transactions were made on terms equivalent to transactions which would be made on an arm's length basis.

The above disclosures must be given for each of the following categories of related parties:

- the parent company;
- the parties with exclusive or joint control over the entity;
- the parties over which the entity has exclusive or joint control;
- the parties over which the entity has significant influence;
- the parties with significant influence over the entity;
- associates;
- joint ventures;
- key management personnel;
- any other related parties.

3.3 Remuneration of key management personnel

Specifically for the key management personnel, the entity must disclose:

- compensation granted to key management personnel on the administrative, executive or supervisory levels;
- commitments for pensions and benefits due to these persons, both realized or unrealized;
- advances granted to these persons and the related financial terms and conditions;
- contracts and specific benefits granted to these persons (including in particular termination benefits, guarantee of employment agreements, stock options), benefits in kind (housing, car, meals, etc.).