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CURRENT DEVELOPMENTS

Spotlight on IFRS

Q3 2026

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Quarterly update

KPMG Spotlight on IFRS: The Accounting and Financial Reporting milestones in the quarter ended on September 30, 2026.

The third quarter of 2026 saw continued activity across IFRS® Accounting Standards and sustainability reporting. As the January 1, 2027 effective date approaches, IFRS 18 implementation remained a key area of focus in Q3 2026, with the IFRS Interpretations Committee (the Committee) considering an additional application question. Tariff-related uncertainty and new tariff developments continued to create accounting and disclosure considerations for companies and sustainability reporting also continued to evolve.

The comment period for the tentative agenda decisions on IFRS 18 application questions issued by the Committee in Q2 2026 closed in September. In addition, the Committee issued an additional tentative agenda decision related to "assets that generate returns individually and largely independently of a company's other resources". Monitoring the developments of the Committee's discussions of these issues will be important as company's IFRS 18 implementation projects march toward the rapidly approaching effective date.

On the accounting standard setting front, the IASB continued to progress several projects, including the Equity Method project, Business Combinations - Disclosures, Goodwill and Impairment, Amortised Cost Measurement, Financial Instruments with Characteristics of Equity, the Post-implementation Review of IFRS 9 - Hedge Accounting and possible amendments to IFRS 18 on the presentation of specified tax charges.

The tariff landscape continued to evolve in the quarter. Although some importers of record have received refunds on some of the tariffs imposed in 2025 under the International Emergency Economic Powers Act (IEEPA), uncertainty remains for certain entries following the US Government's appeal of the Court of International Trade (CIT) refund order. For Canadian companies trading with the US, new tariffs also took effect on certain products. Companies should continue to monitor legal and administrative developments and assess the related accounting and disclosure implications, including the timing and recognition of any refund rights. Refer to our web article *Tariff refunds – Assessing the impact* for considerations on the accounting and financial reporting impact of tariff refunds.

Sustainability reporting continued to evolve in the quarter with the European Commission adopting the revised ESRS and the GHG Protocol and ISO announcing plans to combine their corporate GHG reporting standards into a single, co-branded standard.

Companies with a calendar year end are required to apply the Accounting Standards requirements effective from January 1, 2026, including amendments to IFRS 9 and IFRS 7 – *Classification and Measurement of Financial Instruments* and *IFRS 9 – Power Purchase Agreements,* as outlined in section *Requirements effective in 2026*. Refer to our *illustrative disclosures* and *disclosure checklist* for our guides to condensed interim financial statements that reflect Accounting Standards effective from January 1, 2026.

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Sustainability reporting update

In this section, we focus primarily on recent significant sustainability disclosure standard setting activities, sustainability-related regulatory updates and the potential impact of sustainability matters on financial statements. Note that this summary may not capture all of the sustainability-related reporting guidance and regulations to which a company may be subject.

Sustainability disclosure standards and regulatory update

ISSB developments

Nature-related reporting

The International Sustainability Standards Board (ISSB) continued to work on its nature-related disclosures project in the third quarter of 2026. The guidance will take the form of an IFRS Practice Statement, with an exposure draft expected to be published in October 2026.

Read our web article *Reporting on nature* for more information.

Workforce-related Disclosures

The ISSB decided to rename its 'Human Capital' project to 'Workforce-related Disclosures' to more clearly reflect the scope of the project. The project remains in the research phase.

Brazil's sustainability reporting requirements

On May 29, 2026, the Brazilian Securities and Exchange Commission (CVM) removed the planned requirement for listed companies to report under IFRS S1 and S2 (as adopted through the Brazilian CBPS standards) for periods beginning on or after January 1, 2026. Reporting is now voluntary. From 2027, companies that choose not to report must explain their reasons in a market notice by the date they file their annual financial statements.

UK's sustainability reporting requirements

On September 30, 2026, the UK Financial Conduct Authority (FCA) finalized rules replacing its TCFD-aligned listing rules with reporting under UK SRS S1 and S2 on a comply-or-explain basis, effective for periods beginning on or after January 1, 2027. Listed companies must apply the standards or explain where they do not. UK SRS S1 and S2 are largely the same as IFRS S1 and S2, with limited UK-specific amendments.

For further details on developments related to the IFRS Sustainability Disclosure Standards, refer to our *digital hub.*

For guidance, insights and examples to support clear and connected sustainability reporting, refer to our *IFRS Sustainability toolkit,* which includes our *IFRS Sustainability handbook*, published in September 2026.

GHG Protocol Standards

In July 2026, the Greenhouse Gas Protocol (GHG Protocol) and the International Organization for Standardization (ISO) announced plans to combine their corporate GHG reporting standards into a single, co-branded standard, aiming to reduce fragmentation and create a more coherent basis for measurement and reporting that would be suitable for mandatory reporting and consistent with target-setting initiatives.

A proposal for the new, combined standard is expected in Q2 2027, with a final standard anticipated by Q4 2028.

Read our web article *GHG Protocol and ISO to align standards* for more information.

US developments

On May 29, 2026, the SEC proposed the *rescission of climate related disclosure rules*; the comment period closed in August. The rules, originally adopted in March 2024, were met with legal challenges which prompted the SEC to issue a stay in April 2024.

Even with the stay and proposed rescission, climate-related disclosures may still be required under existing Regulation S-K requirements.

Refer to our *web article* for more details.

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California laws

California's climate disclosure regulation under SB 253 took effect on October 12, 2026, confirming November 10 as the deadline for first Scope 1 and 2 emissions reports, with no assurance required this year. Canadian companies with US subsidiaries doing business in California should check whether they are in scope.

Refer to our *California digital hub* for more details.

For further details on sustainability developments in the US, refer to our *US Quarterly Outlook* publications.

EU developments

Revised European Sustainability Reporting Standards (ESRS)

On July 3, 2026, the European Commission (EC) adopted the revised European Sustainability Reporting Standards (ESRS). Refer to *final revised standards*.

The revised ESRS will apply to companies above the new threshold of 1,000 employees and net turnover of EUR 450 million.

The revised ESRS are effective for reporting periods starting on or after January 1, 2027, with early adoption for fiscal year 2026 permitted for companies already applying ESRS.

Read our web article *Revised ESRS now final* for more information.

Also in July 2026, the EC adopted a voluntary standard for smaller companies that caps value chain information requests from larger companies applying ESRS.

ESRS for Non-EU Group (N-ESRS)

In July, the European Financial Reporting Advisory Group (EFRAG) released its exposure draft of ESRS for Certain Non-EU Undertakings (ESRS-40a) for public consultation. The proposed standard covers impact-only reporting by non-EU groups with significant EU activities, for financial years beginning on or after January 1, 2028. Comments are due October 31, 2026, and EFRAG expects to deliver its technical advice to the EC in January 2027.

Read our web article *EU sustainability reporting for non-EU companies* for more information.

For further details on sustainability developments in the EU, refer to our *Sustainability reporting in the EU* digital hub.

Sustainability in the financial statements

There has been a shift in the focus on climate change in financial reporting. However, broader stakeholder scrutiny of financial reporting continues with regulators, investors and the public focusing on how companies report on climate-related matters including net-zero commitments, emissions and green schemes. Many stakeholders are continuing to demand clarity about climate to inform investment decisions. We have launched our *Clear on climate reporting hub* to provide insights and guidance to help companies and their stakeholders understand how to be clear on climate in financial reporting.

The hub includes:

- *high-level guidance* on the actions companies need to take;
- FAQs to help identify the potential financial statement impacts of various transactions and arrangements; and
- videos and podcasts that explore the issues further – including by sector.

Climate-related disclosures in the financial statements

As the impact of climate change intensifies, investors and regulators are increasingly seeking greater transparency of climate-related information in the financial statements.

Accounting Standards do not refer explicitly to climate-related risks or climate-related matters, but they implicitly require relevant disclosures in the financial statements when climate-related matters considered in preparing the financial statements are material. Therefore, companies are required to consider materiality carefully in deciding what information to provide about these matters. Information may be material even though there is no current-period financial impact.

In late November 2025, the IASB issued a set of six new illustrative examples to help companies target areas of known investor and regulator concern. Although they use climate-related scenarios, they aim to drive clarity on uncertainty in financial reporting more broadly. The illustrative examples do not have an effective date or transition requirements. However, the IASB expects that companies will be entitled to sufficient time to implement any changes to disclosures as a result of the illustrative examples – similar to agenda decisions published by the Committee. Refer to our web article *Uncertainty Reflecting its impacts in financial reporting* and *Uncertain times – be clear in your financial reporting* for more details.

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The impact of climate-related matters on impairment testing of non-current assets

Climate-related matters can have a significant impact on the impairment testing of non-current assets. As such, investors and regulators are increasingly seeking more robust disclosures that explain whether and how they are reflected in the recoverable amount.

Companies should connect assumptions used in the impairment test and information provided outside the financial statements, such as other parts of the annual report. When there are inconsistencies between the information in the front part of the annual report and the assumptions used to calculate the recoverable amount, companies may need to be clear on the reason for the difference.

In addition, if there is a high level of estimation uncertainty, such as future carbon prices, then additional disclosures, such as sensitivity analyses, may be required.

For additional information on the impact of climate-related matters on impairment testing of non-current assets and how to drive clarity in the financial statements, refer to our web articles *The impact of climate-related matters on impairment testing of non-current assets* and *Climate change and impairment*.

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Major projects and new Accounting Standards

IFRS 18: Presentation and disclosure in financial statements

As the effective date nears, companies are advancing implementation of IFRS 18 *Presentation and Disclosure in Financial Statements* ("IFRS 18", issued in April 2024). IFRS 18 will replace IAS 1 *Presentation of Financial Statements*.

The new Accounting Standard does not add or change any recognition or measurement requirements - in other words, companies' net profit will not change. However, the implementation of IFRS 18 has led to several application issues from stakeholders (see Project updates in Q2 and Q3 2026 below). As a reminder, IFRS 18 will result in changes in how companies present their results on the face of the income statement and disclose information in the notes to the financial statements.

There are three primary elements of IFRS 18 that will change the way companies present and disclose their financial performance:

- A more structured income statement:
  - It introduces two new formally defined and required subtotals on the face of the income statement – 'operating profit' and 'profit or loss before financing and income tax'. However, companies providing financing to customers as their *only* main business activity (e.g., banks) typically do not present the latter subtotal.
  - All companies are required to classify income and expenses into three new distinct categories based on a company's main business activities – operating, investing and financing. Categories for income tax expense and profit or loss from discontinued operations remain as separate categories.
  - Operating expenses are analyzed directly on the face of the income statement – classified either by nature, by function, or on a mixed basis. Any items presented by function require more detailed disclosures about their nature in the notes.
- Management-defined performance measures (or MPMs) are now disclosed and subject to audit:
  - MPMs are defined as a subtotal of income and expenses used in public communications outside of the financial statements to communicate management's view of an aspect of the company's financial performance as a whole. As such, while there may be some overlap with a company's previous non-GAAP measures, MPMs and non-GAAP measures are not the same thing. For each MPM presented, companies will need to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under the Accounting Standards.
- New guidance regarding when additional disaggregation is needed for items presented on the face of the primary financial statements or in the notes:
  - IFRS 18 includes enhanced guidance on how companies group information in the financial statements. IFRS 18 also mandates meaningful descriptions for line items. Therefore, companies are discouraged from labelling items as 'other'.

IFRS 18 is effective from January 1, 2027 and applies retrospectively. Early application is permitted. Companies are encouraged to monitor the evolution of the Accounting Standard and stay informed of communications from regulatory bodies as the effective date approaches.

A reminder of the Q2 2026 project updates

The Committee was busy in the second quarter of 2026 and it issued seven tentative agenda decisions related to IFRS 18, including two tentative agenda decisions about MPMs. Although the comment period for these tentative agenda decisions closed on September 9, 2026, the Committee has not yet discussed the feedback received. It will be important for companies to monitor future discussions of the feedback received on these tentative agenda decisions.

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MPMs – Hypothetical income and expenses

The Committee discussed a request about whether a performance measure that includes hypothetical income and expenses can be an MPM.

The Committee concluded that a performance measure that includes hypothetical income and expenses can be an MPM if it meets the MPM criteria – that is, it is a subtotal of income and expenses and faithfully represents management's view of an aspect of financial performance of the entity as a whole.

MPMs – Public communications

The Committee discussed a request as to whether presentations provided to a small number of identifiable shareholders or potential investors, subject to various restrictions such as a confidentiality agreement and redistribution restrictions, are 'public communications' for the purpose of identifying an MPM.

The Committee concluded that such presentations described in the request are not public communications, noting that the reference to investor presentations in IFRS 18 should not be interpreted to mean that all investor presentations are public communications and that judgment is required in assessing whether a communication is a public communication.

Classification of income and expenses from cash and cash equivalents

The Committee discussed a request about how a company classifies income and expenses from cash and cash equivalents when it has more than one main business activity – investing in financial assets and providing financing to customers.

Classification of income and expenses when an entity has a main business activity of providing financing to customers

The Committee discussed a request about how a company with a specified main business activity of providing financing to customers classifies income and expenses from liabilities arising solely from raising finance.

Assessment of specified main business activities for a manufacturer-lessor

The Committee discussed a request about whether a manufacturer-lessor has a specified main business activity of providing financing to customers.

Labels of subtotals

The Committee discussed a request about the labelling of a subtotal presented in the statement of profit or loss when that subtotal also meets the definition of an MPM. Specifically, the request asked whether the label of the subtotal is required to explicitly identify all income and expense items that are included in or excluded from the measure.

Presentation of operating expenses

The Committee discussed a request about the presentation of operating expenses, specifically:

a) when a company is required to use a mixed presentation, presenting some operating expenses by nature and others by function; and

b) whether a company can disaggregate expenses of the same nature and present some of those expenses in line items aggregated by nature and others in line items aggregated by function.

A summary of the above noted agenda decisions is available on the Committee's June 2026 IFRIC Update *web page*. Also refer to our *video* and *transcript* for a summary of decisions made at the meeting.

Project updates in Q3 2026

At its September 2026 meeting, the Committee issued the below tentative agenda decision related to IFRS 18.

Assets that Generate a Return Individually and Largely Independently of an Entity's Other Resources (IFRS 18)

The Committee discussed a request about how a company should assess whether an asset it holds generates a return individually and largely independently of the company's other resources, as described in paragraph 53(c) of IFRS 18. The submission focused particularly on debt and equity investments held by investment funds.

A summary of the above noted agenda decision is available on the Committee's September 2026 IFRIC Update *web page*. Also refer to our *video* and *transcript* for a summary of decisions made at the meeting.

Presentation of taxes or other charges that are not tax expense or tax income applying IAS 12 Income Taxes (IFRS 18)

The IASB tentatively decided to propose amendments to IFRS 18 that would require specified tax charges imposed by a government as a direct substitute for income taxes to be

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classified in the income taxes category of the statement of profit or loss.

The IASB also tentatively decided:

- to require a company that classifies tax charges other than income taxes in the income taxes category:
    - to present those other tax charges separately from income taxes in the statement of profit or loss;
    - to disclose the nature and amount of those tax charges and the bases used to calculate them; and
    - to label the subtotal for profit before financing and income taxes or the subtotal for profit before income taxes in a way that faithfully represents the amounts included in those subtotals, applying paragraph 43 of IFRS 18;
- for management-defined performance measures:
    - to require a company to disclose the effect of other tax charges classified in the income taxes category for each item included in the reconciliation required by paragraph 123(c) of IFRS 18; and
    - to permit a company to use any reasonable method to determine the effect of those other tax charges for the reconciling items, similar to the requirements in paragraph B141 of IFRS 18; and
- to amend paragraphs B63–B64 of IFRS 18 so that they also refer to assets arising from tax charges other than income taxes that a company classifies in the income taxes category.

The IASB tentatively decided:

- to require a company to apply the proposed amendments retrospectively in accordance with IAS 8 Basis of Preparation of Financial Statements; and
- not to provide an exemption or exception from retrospective application for first-time adopters.

The IASB expects to publish the exposure draft in the fourth quarter of 2026 with a 120-day comment period.

For more information, refer to the *Presentation of Taxes or Other Charges that Are Not Tax Expense or Tax Income Applying IAS 12 Income Taxes* project page.

Canadian IFRS Accounting Standards Discussion Group

Canadian companies continue to consider aspects of IFRS 18, including the assessment of whether various non-GAAP measures disclosed outside the financial statements meet the definition of an MPM and the classification of income and expenses arising from various scenarios. In 2025 and 2026, there have been four discussions of IFRS 18 implementation issues at the Canadian IFRS Accounting Standards Discussion Group (IDG). Companies are encouraged to read the summaries of discussions held by the IDG for the meetings held in *May 2025*, *September 2025*, *December 2025* and *May 2026*.

Canadian regulatory updates

For Canadian reporting issuers, financial measures presented outside of the financial statements have historically been subject to the requirements of National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* (NI 52-112).

On October 15, 2026, the Canadian Securities Administrators (CSA) published *final amendments* to NI 52-112. The primary objective of the amendments was to ensure that non-GAAP measures that have historically been subject to the requirements of NI 52-112 remain subject to its requirements following the adoption of IFRS 18. Subject to required approvals, the amendments will become effective on December 29, 2026.

On December 9, 2025, the Ontario Securities Commission published its *Corporate Finance Division 2025 Annual Report* and highlighted some of its observations and expectations of Canadian reporting issuers regarding IFRS 18 implementation, including the following reminders:

- *Disclosure prior to adoption:* as the effective date of IFRS 18 approaches, companies are expected to provide increasingly more company-specific information on the impact of IFRS 18 in the financial statements, especially around the statement of profit or loss, as required under IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- *Disclosure upon adoption:* starting from the first interim financial statements following the adoption of IFRS 18, companies will be required to provide a reconciliation explaining how line items in the statement of profit or loss have changed from the comparative period, as a result of adopting IFRS 18.
- *Disclosure of MPMs:* as the effective date of IFRS 18 approaches, companies should assess the nature, extent, and manner of non-GAAP measures currently disclosed in their public communications outside the financial statements; and

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- *Misleading non-GAAP measures:* before a non-GAAP measure can be disclosed *inside* the financial statements, a company must ensure that it has disclosed its non-GAAP measures *outside* the financial statements appropriately and in accordance with securities law; a company may not present or disclose a non-GAAP measure in a way that is misleading to users.

The Canadian Public Accountability Board (CPAB) also highlighted IFRS 18 implementation as an area of focus for audit committees. CPAB noted that preparedness varies across reporting issuers, with some companies performing dry runs while others have not yet fully assessed the impact. Audit committees may therefore want to focus on implementation plans, readiness for Q1 2027 reporting, the impact of MPM disclosures, and any new internal controls and reporting processes required by IFRS 18.

Read our *web article* and our *high-level guide* that provide an overview of IFRS 18. Our *First Impressions* publication provides our detailed insights and comprehensive analysis, with illustrative examples.

Reducing disclosures for subsidiaries

IFRS 19 *Subsidiaries without Public Accountability: Disclosures* was issued by the IASB in May 2024. It is a voluntary Accounting Standard that applies to subsidiaries without public accountability, but whose parents prepare consolidated financial statements under the Accounting Standards.

For in-scope companies, IFRS 19 simplifies disclosures on various topics, including leases, exchange rates, income taxes, statement of cash flows, etc.

Although the effective date of IFRS 19 is January 1, 2027, the application of the Accounting Standard is optional, even if a company is in the scope. Early adoption is also permitted.

Companies should monitor updates and communications from regulatory bodies pertaining to the application of IFRS 19. On the application of IFRS 19 in filings with the SEC, companies that meet the IFRS 19 eligibility requirements also need to be aware of additional disclosures that may be required for financial statements that are intended for use by investors in the US public capital markets. In Canada, the Ontario Securities Commission has commented in its *Corporate Finance Division 2024 Annual Report* that in certain situations, if the acceptability or application of IFRS 19 in a securities regulatory filing is unclear, companies and their advisors are encouraged to consult the OSC in advance of filing financial statements that apply IFRS 19.

The IASB intends to update IFRS 19 on an ongoing basis as new or amended disclosure requirements in Accounting Standards are issued. Because of the timing of IFRS 19's publication, disclosure requirements in new or amended Accounting Standards issued between February 2021 and May 2024 were initially included in IFRS 19 without any reductions.

Therefore, in August 2025, the IASB issued amendments to IFRS 19, reducing the disclosure requirements for new and amended Accounting Standards issued between February 2021 and May 2024.

Read our *web article* which provides an overview of the new Accounting Standard including some FAQs.

IFRS 20: Regulatory assets and regulatory liabilities

Some companies are subject to regulations that determine how much and when they can charge their customers for good and services supplied.

However, until now, IFRS Accounting Standards – unlike some national GAAPs – have not included comprehensive guidance on the accounting impacts of rate regulation. This gap is now addressed by IFRS 20 *Regulatory Assets and Regulatory Liabilities*, which was issued by the IASB in May 2026 and replaces IFRS 14 *Regulatory Deferral Accounts*.

IFRS 20 introduces a new accounting model under which a company subject to rate regulation that meets the scope criteria recognizes regulatory assets and liabilities. This accounting model aligns the total income recognized in a period under the Accounting Standards with the total allowed compensation the company is permitted to earn by the rate regulator, often reducing reported volatility in financial performance.

To achieve this, IFRS 20 uses an 'overlay' approach under which a company, first, applies the requirements of existing Accounting Standards – for example, to recognize and measure revenue from contracts with customers. Then, a company recognizes:

- a regulatory asset – when it has an enforceable present right to add an amount in determining the regulated rate to be charged to customers in future periods; and
- a regulatory liability – when it has an enforceable present obligation to deduct an amount in determining the regulated rate to be charged to customers in future periods.

Movements in regulatory assets and liabilities would give rise to regulatory income and expense.

The company would present regulatory income minus regulatory expense separately in the statement of financial performance, immediately below revenue. Regulatory assets and liabilities would be presented separately from other assets and liabilities.

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It is possible that some companies in the utility sector would not meet the scope criteria, whereas some outside the utility sector would be captured. A company would apply IFRS 20 if it meets the following conditions:

- the company and a regulator are parties to a regulatory agreement;
- the regulatory agreement prescribes the regulated rate that the company can charge for goods or services supplied to its customers; and
- part or all the total allowed compensation for regulatory goods or services supplied in one period is charged to customers through the regulated rate in a different period – thus creating a timing difference.

Companies that meet the scope criteria will recognize new assets and liabilities, as well as new items of income and expense. The impact on financial performance will depend on the facts and circumstances of the company, but common cases would include the following:

- If recognition of income under the Accounting Standards previously lagged total allowed compensation permitted by the regulator, then a company would see an increase in net assets on transition to IFRS 20.
- If a company previously experienced material short-term timing differences between recognition of income under the Accounting Standards and total allowed compensation permitted by the regulator, volatility in reported earnings would be reduced.

IFRS 20 is not sector-specific and, unlike IFRS 14, is not optional. Therefore, if a company meets these criteria, then it is required to apply it. Companies that applied IFRS 14 would transition to the new requirements. There is no option to automatically carry forward existing IFRS 14 accounting.

Companies are required to apply IFRS 20 for reporting periods beginning on or after January 1, 2029. Earlier application is permitted, subject to the endorsement by the Canadian Accounting Standards Board that may occur in late 2026 or early 2027.

For more information, refer to our *web article*. Our *First Impressions* publication provides detailed insights, using a step-by-step approach and illustrative examples to show how companies might apply IFRS 20.

Financial instruments projects

Financial instruments with characteristics of equity

IAS 32 *Financial Instruments: Presentation* sets out how an issuer distinguishes between a financial liability and equity. While IAS 32 works well for many, simpler financial instruments, classifying more complex financial instruments– e.g. those with characteristics of equity – can be more challenging, leading to diversity in practice.

In June 2019, the IASB released a discussion paper to respond to those challenges. After considering the feedback received on that discussion paper, the IASB has developed proposals meant to instead clarify and improve IAS 32's classification principles and requirements without undertaking an entire re-write of the Accounting Standard, and to add additional presentation and disclosure requirements to meet the requests of users.

The IASB issued its exposure draft in December 2023, which included proposals to address the following key areas:

- how to apply the 'fixed-for-fixed condition';
- when to reclassify instruments between equity and financial liabilities;
- how to reflect contingent settlement provisions in the classification of a financial instrument;
- how to account for obligations to purchase 'own equity' instruments;
- whether and when laws or regulations affect the presentation of a financial instrument;
- what factors to consider in determining whether a shareholder's right to decide can be treated as that of the issuing company.

Some companies could see changes in the classification of their financial instruments under the proposals. The proposals are retrospective, with restatement of the most recent comparative period. Additional transition provisions are also included in the exposure draft. For additional information, refer to our *web article.*

Project updates in Q3 2026

The IASB met in September 2026 to continue redeliberating the proposed requirements in the exposure draft related to the classification, measurement and presentation of financial instruments to purchase own equity instruments.

Debit entry on initial recognition

The IASB tentatively decided to continue with the proposed requirements dealing with the debit entry recognised when the financial liability is initially recorded, subject to some drafting changes and targeted improvements. These improvements would make clear that:

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- an entity evaluates whether an obligation issued over a non-controlling interest currently provides the entity with access to the returns connected with an ownership interest, applying the requirements in IFRS 10 *Consolidated Financial Statements*; and
- an entity whose obligation over a non-controlling interest does not currently provide access to the returns connected with an ownership interest:
    - does not derecognize the non-controlling interest but deducts the debit amount from non-controlling interest on initial recognition; and
    - presents, in the statement of financial position, the debit amount as a separate line item deducted from a gross line item for non-controlling interest, unless such separate presentation is unnecessary for the statement to provide a useful structured summary, as described in IFRS 18.

Remeasurement gains or losses

The IASB tentatively decided to move forward with the proposed clarification, that an entity would record any gains or losses arising from the remeasurement of the financial liability in profit or loss.

Measurement of the financial liability

The IASB discussed feedback on the proposed requirements related to the measurement of the financial liability, as well as potential changes to the proposed requirements. The IASB was not asked to make any decisions.

Other matters

The IASB tentatively decided to move ahead, subject to drafting refinements, with the proposed requirements relating to:

- the instruments that fall within the scope of paragraph 23 of IAS 32; and
- gross and net settlement.

The IASB also tentatively decided to continue with the proposed requirements concerning the expiry of written put options, subject to drafting refinements and one targeted clarification. That targeted clarification would explain that, when a put option over a non-controlling interest expires, an entity recognises in profit or loss the difference between:

- the carrying amount of the financial liability; and
- the original amount by which the non-controlling interest was reduced.

Information about project updates is available on the IASB's *Financial Instruments with Characteristics of Equity project page*.

Risk mitigation accounting

Banks are subject to interest rate risk, specifically repricing risk, as their financial assets and financial liabilities in a portfolio reprice with changing market interest rates at different times or amounts. Many banks manage their exposure to repricing risk on a net basis by aggregating repricing risk exposures across multiple financial instruments portfolios, instead of managing the risk for each instrument on an individual basis.

Although IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments* provide models for macro hedge accounting, current hedge accounting models are not designed for risk management strategies for dynamic portfolios of financial assets and financial liabilities. Without an accounting model that reflects the broader use of risk mitigation activities, banks have found it challenging to reflect how they dynamically manage repricing risk in their financial statements and how effective they are at doing so.

To address the challenges and limitations with the current hedge accounting models, the IASB developed the risk mitigation accounting (RMA) model (previously dynamic risk management (DRM) model). On December 3, 2025, the IASB published the exposure draft proposing the RMA model in IFRS 9.

Under the proposed RMA model, a company recognizes the effect of net repricing risk successfully mitigated through its risk management activities in a separate 'risk mitigation adjustment' line item in the balance sheet to provide investors with information on the extent to which the company is achieving its risk management objectives. The company is also required to provide new disclosures, including information on their risk management strategy and how that strategy is used to manage exposure to repricing risk.

While the application of the RMA model will be optional, companies would no longer be able to apply hedge accounting under IAS 39, because these requirements would be withdrawn once the proposals are finalized. Instead, companies could apply the RMA model and/or the general hedge accounting requirements under IFRS 9 or cease hedge accounting altogether.

Project updates in Q3 2026

There were no project updates in Q3 2026. Comments on the exposure draft remain due by November 30, 2026.

For more information, refer to our *web article* and IASB's *Risk Mitigation Accounting project page*.

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Amendments to the fair value option for associates and joint ventures

Under IAS 28, investments in associates and joint ventures are required to be accounted for using the equity method, unless a company qualifies for the exemption which allows for the company to elect to measure certain investments at fair value through profit or loss (the fair value option). Under IAS 28, the fair value option is available when an investment is held by "an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds."

The IASB was made aware that there is diversity in how companies, particularly those in the insurance industry, assess how the requirements for the fair value option are applied – some stakeholders interpreted the requirements narrowly, while others interpreted them more broadly. This diversity in the interpretation of the scope may result in presentation mismatches in the statement of profit or loss under IFRS 18, as investments accounted for applying the equity method under IAS 28 will be classified in the investing category, whereas investments measured at fair value through profit or loss will be classified in the operating category, if the company has a main business activity of investing these assets.

Accordingly, on June 26, 2026, the IASB issued targeted amendments to IAS 28, under which more companies may now be eligible to measure investments in associates and joint ventures at fair value through profit or loss. The amendments are narrow in scope and revise paragraphs 18 and 19 of IAS 28. Specifically, they:

- extend the fair value option to companies that have a main business activity of investing in particular types of assets (consistent with the concept of specified main business activities under IFRS 18); and
- remove the current example of an investment-linked insurance fund in IAS 28.

These amendments result in the fair value option being available to more companies upon transition to IFRS 18, because any company with a specified main business activity of investing in assets is eligible. Eligible companies would classify income and expenses from investments they elect to measure at fair value and invest in as a main business activity in the operating category.

Eligible companies can take advantage of a one-time opportunity to elect this option on transition to IFRS 18, which is effective for annual reporting periods beginning on or after January 1, 2027. Companies that elect to apply the option are required to do so retrospectively.

For more information, refer to our *web article* and our *video.*

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Other developments

New Canadian pensioner mortality tables

In 2026, the Canadian Institute of Actuaries (CIA) released updated Canadian pensioner mortality tables (CPM2024), following more than a decade of widespread use of the 2014 tables. Together with the mortality improvement scale released in 2024 (MI-2024), these developments provide new actuarial evidence regarding current mortality rates and expected future changes in life expectancy.

Companies that sponsor defined benefit plans will need to consider the potential implications for their financial reporting. Depending on the characteristics of the plan and existing assumptions, reflecting the updated mortality information could materially increase the defined benefit obligation.

Under IFRS Accounting Standards, IAS 19 Employee Benefits does not require the use of a particular mortality table. Rather, mortality assumptions must reflect management's best estimate of the mortality of plan members, including expected future changes. While plan-specific experience may support assumptions that differ from the new tables, management should consider the latest available mortality evidence when determining its assumptions.

If relevant, companies should discuss with their actuaries how this new mortality information has been considered in the accounting for defined benefit plans. Additional information can be found *here.*

Legislative changes in Alberta impacting employee sponsored benefit plans

Recent legislation introduced through Alberta's Health Statutes Amendment Act (Bill 11) changes the coordination of benefits between private and government-sponsored plans. Specifically, these changes make government coverage the payer of last resort for retirees aged 65+. As a result, employer-sponsored plans covering retirees age 65+ will generally be required to pay first for covered benefits that were previously funded, in whole or in part, by provincial programs. These structural changes are expected to increase the cost of providing post-employment health and drug benefits for employers with Alberta-based employees.

Employers that sponsor post-employment health and drug benefit plans with Alberta residents will need to consider the implications of these changes in their financial reporting. This may also require the involvement of actuaries. Accounting questions that may be considered include whether, applying IFRS Accounting Standards, the resulting increase in a defined benefit obligation should be accounted for as:

- an actuarial loss recognized in other comprehensive income (OCI); or
- a past service cost arising from a plan amendment, recognized immediately in profit or loss.

Companies may want to discuss the impacts with their advisors. Additional information can be found *here.*

Financial reporting in uncertain times

There continue to be a number of global events all contributing to rising uncertainties for Canadian businesses. For example, ongoing geopolitical developments in the Middle East, rising energy prices, the US Supreme Court’s decision to overturn the IEEPA tariffs and the continued complexity and uncertainty related to refunds of those tariffs, as well as new and continuing tariffs on Canadian goods.

Companies should continue to closely monitor these evolving developments and assess the potential impact of these uncertainties in the financial statements for various accounting and financial reporting areas including:

- revenue from contracts with customers;
- net realizable value of inventory;
- impairment of non-current assets (including goodwill) and financial assets;
- contingent assets in the form of potential tariff refunds;
- fair value measurement;
- income taxes;
- onerous contracts; and
- going concern.

Periods of heighted uncertainty lead to increased regulatory scrutiny and higher expectations from regulators and investors for companies to provide clear, entity-specific disclosures in the financial statements.

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Refer to our web article *Tariff refunds – Assessing the impact* for considerations on the accounting and financial reporting impact of tariff refunds, and our *Financial reporting in uncertain times* resource centre for guidance on the financial reporting impacts of operating in changing environments, including our new *Be clear in times of uncertainty* guide. Also refer to our *Import tariffs – what's the impact on your financial reporting?* webpage for key considerations and resources on the impact of tariffs and counter-tariffs across a broad range of financial reporting topics.

Global minimum top-up tax under BEPS 2.0

Many jurisdictions have implemented a global minimum top-up tax under the OECD's BEPS 2.0 initiative (Pillar Two), with related reforms under Pillar One. For many jurisdictions, Pillar Two amendments were effective as at January 1, 2024. However, because enactment dates and the specific rules and implementation details vary by country, companies need to monitor where they operate to determine the potential impact on current and deferred tax accounting and related disclosures.

For practical guidance on accounting, presentation and disclosures related to Pillar Two taxes, refer to our *web article*, *illustrative disclosures* and *disclosure checklist.*

Canada — status update on Pillar Two (GloBE)

Effective for fiscal years beginning on/after December 31, 2023: Canada's Income Inclusion Rule (IIR) and Qualified Domestic Minimum Top-up Tax (QDMTT) apply to qualifying multinational groups.

August 12, 2024: Draft legislation for the proposed *Global Minimum Tax Act*, including Undertaxed Profits Rule (UTPR) provisions, was released for public consultation. Based on the draft, the UTPR was intended to apply to fiscal years beginning on/after December 31, 2024; the consultation period ended September 11, 2024.

August 15, 2025: Further draft legislation for the *Global Minimum Tax Act* was released, including updates on allocating covered taxes for tax-transparent entities, controlled foreign operations, and hybrid and flow-through entities. The proposals did not include a framework for the UTPR.

May 6, 2026: Bill C-31 received first reading[1], which proposes several amendments to the *Global Minimum Tax Act* and Income Tax Act in respect of the Pillar Two regime. Key changes that apply to qualifying multinational enterprise (MNE) groups include:

- a new framework for the UTPR that applies to fiscal years that begin on or after December 31, 2025;
- a new transitional 'side-by-side' safe harbour rule that applies to fiscal years that begin on or after January 1, 2026;
- a de-consolidation rule for certain qualifying MNE groups that include one or more private investment entities (defined as a private entity that owns a controlling interest in a publicly listed Canadian corporation) effective for fiscal years that begin on or after December 31, 2023;
- updated rules for allocating covered taxes in respect of certain entities (e.g., tax transparent entities), effective for fiscal years that begin on or after December 31, 2023;
- new provisions for deferred tax assets and liabilities, including pre-Global Anti Base Erosion (GloBE) arrangement deferred tax assets, effective for fiscal years that begin on or after December 31, 2023;
- transitional rules for constituent entities' pre-GloBE transactions in fiscal years before their GloBE transition year, effective for fiscal years that begin on or after December 31, 2023; and
- changes to the *Income Tax Act* related to foreign accrual tax, foreign tax credits, and foreign affiliate surplus accounts associated with Domestic Minimum Top-Up Tax (DMTT) regimes in foreign jurisdictions.

Refer to our *web article* for more information on the details of Bill C-31.

For global administrative and legislative developments, see *BEPS 2.0: state of play* and our *web article*.

[1] The proposed changes in Bill C-31 are considered substantively enacted as at May 6, 2026 as Canada has a majority government.

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Applying the equity method

In September 2024, the IASB issued an exposure draft with targeted amendments to IAS 28 *Investments in Associates and Joint Ventures* to address application issues in the equity method.

The proposed amendments to IAS 28 include:

- initial measurement of cost when an existing investment becomes an equity-accounted investee;
- accounting for changes in an investor's interest when the investee continues to be accounted for under the equity method;
- accounting for the purchase of an additional interest in the investment when the investor has reduced its interest to zero due to losses;
- recognition of full gains or losses from all 'upstream' and 'downstream' transactions with equity-accounted investees;
- inclusion of deferred tax in the investment's carrying amount on initial recognition of the investment;
- measurement of contingent consideration at fair value; and
- impairment assessment based on fair value compared with the investment's carrying amount.

The proposals also introduce new disclosure requirements, including:

- a reconciliation of the carrying amount of equity-accounted investments detailing the reconciling items;
- gains or losses from other ownership changes and downstream transactions; and
- information on contingent consideration arrangements.

The proposals would generally apply prospectively; except for the requirements for the recognition of gains and losses on transactions with equity-accounted investees, which would apply retrospectively.

The comment period closed on January 20, 2025 and the IASB continues to redeliberate the proposals in the exposure draft.

Project updates in Q3 2026

The IASB met in July and September 2026 to continue redeliberating the proposals. Specifically, the IASB discussed proposed requirements related to transactions with associates, disclosure requirements, transition requirements, sweep issues, implications for separate financial statements and IFRS 19, and the effective date and early application of the revised Accounting Standard.

Transactions with associates – disclosure requirements and implications for IAS 27 Separate Financial Statements

The IASB continued its redeliberations on gains and losses arising from transactions with associates, tentatively requiring disclosure of an entity's accounting policy choice and targeted disclosures about gains and losses from upstream and downstream transactions, depending on the accounting approach applied – i.e. full or restricted gain recognition. The Board also agreed to enhance the IFRS 12 disclosure objective, require disclosure of the nature of transactions with associates, and retain the proposed reconciliation of restricted gains and losses.

In addition, the IASB decided not to proceed with its proposal to require disclosure of gains and losses from downstream transactions with subsidiaries accounted for using the equity method in separate financial statements under IAS 27. Instead, companies would disclose only their accounting policy for recognizing gains and losses from transactions with equity-accounted investees, with no further IAS 27 disclosure requirements proposed.

The proposals aim to improve transparency regarding transactions with equity-accounted investees while limiting incremental disclosure requirements, particularly in separate financial statements.

Transactions with associates - implications for IFRS 19 Subsidiaries without Public Accountability: Disclosures

The IASB tentatively decided that eligible subsidiaries applying IFRS 19 would be required to disclose their accounting policy for recognizing gains and losses from transactions with associates, joint ventures and, where applicable, equity-accounted investees in separate financial statements.

However, consistent with IFRS 19's reduced-disclosure objective, the IASB decided not to require most of the additional disclosures being proposed for other companies, including detailed disclosures about upstream and downstream transactions, the nature of those transactions, or a reconciliation of restricted gains and losses. Where gains and losses are subject to restriction, eligible subsidiaries would disclose only the amount restricted at the reporting date and where it is presented in the statement of financial position.

Transition requirements and first-time adoption

The IASB continued redeliberations on the transition requirements for its proposed amendments to IAS 28 and tentatively confirmed that changes to the accounting policy for recognizing gains and losses from transactions with associates

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would generally be applied retrospectively. The Board also agreed to provide practical relief where retrospective application would involve undue cost or effort.

The IASB further confirmed its proposed transition requirements for contingent consideration and impairment. On transition, contingent consideration would be recognized and measured at fair value, but only for outstanding contingent consideration obligations existing at the transition date. For impairment, investors would be permitted to estimate the recoverable amount of an investment in an associate at the transition date when applying the new requirements. The Board also retained prospective application for most other amendments and provided relief from restating additional comparative periods and certain transition disclosures.

In addition, the IASB clarified the transition requirements for companies with previously unrecognized losses and confirmed that the transition approach for gains and losses from transactions with associates would apply consistently in both consolidated and separate financial statements.

For first-time adopters, the IASB tentatively decided to clarify the application of an existing IFRS 1 exemption for investments in associates but not to introduce any additional transition requirements.

Sweep issues

The IASB discussed a number of sweep issues arising from its proposed amendments to IAS 28 and largely confirmed its intention to keep the amendments narrowly focused. The Board tentatively decided not to introduce additional requirements relating to transfers of businesses in separate financial statements, the measurement of retained interests when control of a non-business subsidiary is lost to an associate, or "sidestream" transactions. The IASB also confirmed its proposal to remove the requirement to present bargain purchase gains in determining an investor's share of an associate's or joint venture's profit or loss.

In addition, the IASB confirmed that many procedures used in applying the equity method are similar to the consolidation procedures in IFRS 10. The Board also decided that companies using the proposed exemption from disclosing gains or losses from transactions with associates would be required to disclose that they have applied the exemption.

The IASB further clarified how companies would apply the proposed undue cost or effort relief on transition, including allowing assessments to be made either collectively or individually for affected transactions and requiring prospective application of the new accounting policy for associates where the exemption is used. The Board also agreed to withdraw several legacy agenda decisions that would be superseded by the amendments and update the 2018 agenda decision on contributions of property, plant and equipment to an associate.

Effective date and early application

The IASB tentatively decided that the revised IAS 28 would become effective for annual reporting periods beginning on or after 1 January 2029, assuming the final Accounting Standard is issued in the first half of 2027. Early application would be permitted, with companies required to disclose when they have adopted the revised requirements before the mandatory effective date.

Refer to our *web article* and the IASB's *Equity Method project page* for more details on the project as well as the tentative decisions reached during Q3 2026.

Business combinations – Disclosures, goodwill, and impairment

In response to investors' requests for improved information on business combinations (as defined in the Accounting Standards) and concerns over the impairment tests under IAS 36 *Impairment of Assets* being costly and complex, in March 2024, the IASB issued its Exposure Draft *Business Combinations – Disclosures, Goodwill and Impairment*.

The proposed changes to IFRS 3 would:

- result in companies providing information to investors about the performance of an acquisition by requiring both quantitative and qualitative information about expected synergies – e.g. total revenue synergies – as well as information on the benefits expected start date and their duration.
- allow investors to directly assess the performance of acquisitions, rather than using goodwill impairment as a proxy indicator.

The proposals would also result in increased disclosures for 'strategic' business combinations including disclosure of specific acquisition-date key objectives and related targets and progress to meeting those targets in the acquisition year and subsequent periods.

While the proposals do not reintroduce an amortization model for goodwill, the proposed changes to the IAS 36 value-in-use testing requirements aim to simplify and clarify the impairment test.

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Project updates in Q3 2026

The IASB continued its redeliberations of the proposals focusing on disclosures about the subsequent performance of acquired businesses. During its July and September 2026 meetings, the Board discussed a revised package of performance-related disclosures and explored what information would be most useful to investors in assessing whether an acquisition is achieving its intended objectives. The IASB asked staff to undertake further analysis of the types of post-acquisition performance information that entities may be required to disclose.

The IASB was not asked to make any decisions at the meetings.

The IASB will continue redeliberating the proposals in the Exposure Draft.

For more information, refer to our *web article*, and also refer to IASB's *Business Combinations—Disclosures, Goodwill and Impairment project page*.

Amendments to IAS 37 – Provisions

To address the challenges companies are encountering when accounting for provisions, the IASB is proposing to clarify the related requirements in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and withdraw related interpretations, including IFRIC 21 *Levies*.

The IASB issued its exposure draft in November 2024, which included proposals to address the following three key areas:

- how to determine if a present obligation exists and when to recognize a provision;
- which costs to include in measuring a provision; and
- which discount rate to use in discounting a long-term provision.

When to recognize a provision

One of the challenges in applying IAS 37 is determining when to recognize a provision, specifically how to determine if a company has a present obligation and what constitutes a 'past event'. These questions have become more prominent with the rise of climate-related commitments and threshold-based obligations. In response, the proposals to amend IAS 37 include:

- three new tests to determine whether a present obligation exists, including:
  - *Obligation test*: does the company have an *obligation*?
  - *Transfer test:* is the obligation to *transfer* an economic resource? and
  - *Past event test*: is it a present obligation as a result of a *past event*?
- specific guidance for threshold-based obligations; and
- new illustrative examples to replace IFRIC 6 *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment* and IFRIC 21.

Under the proposals, companies may need to start recognizing some provisions sooner if they expect to exceed a specific threshold. This would require management to make new judgments.

Costs to include in measuring a provision

IAS 37 does not provide specific guidance on which costs to include in measuring a provision, leading to varying approaches across companies. Under the proposals, a company would include all direct costs when measuring any provision. These costs would include:

- incremental costs; and
- an allocation of other costs that relate directly to settling the obligation.

The proposals may cause some provisions that are currently measured using incremental costs to become larger. As such, companies may need new processes to identify all direct costs, as well as an allocation method.

Discount rate to be used when discounting a long-term provision

The approach to determining the discount rate for long-term provisions varies between companies due to the lack of detailed guidance under IAS 37. Consequently, some companies use a risk-free rate, while others adjust the rate for non-performance or their own credit risk.

The IASB proposes to use a risk-free discount rate in measuring a long-term provision and make no further adjustments made. Depending on the company's current accounting policy, some provisions may become larger.

The exposure draft also proposes to add disclosure of the discount rates used in measuring the provision.

Project updates in Q3 2026

The IASB met in September 2026 to continue redeliberating the proposals in the Exposure Draft Provisions - Targeted Improvements, which proposed amendments to IAS 37. Specifically, the IASB discussed proposed amendments

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related to the recognition criteria for provisions, including application requirements for levies and other aspects of the past-event condition.

Recognition - consequences of omitting paragraph 14Q

At its May 2026 meeting, the IASB tentatively decided not to include in IAS 37 the requirement proposed to clarify when a past event creates an obligation if multiple actions are required, and the entity has no practical ability to avoid the remaining actions after one action has been completed (paragraph 14Q of the Exposure Draft). At the September 2026 meeting, the IASB tentatively decided on the implications of removing that proposed requirement. The main implication was whether the supporting requirement that sought to clarify that an entity has no practical ability to avoid an action if doing so would require it to liquidate or cease trading (paragraph 14R of the Exposure Draft) should also be removed or instead repositioned.

The IASB tentatively decided to move that supporting requirement from the application requirements for the past-event condition for recognising a provision to the application requirements for the obligation condition.

Recognition-Other aspects of the past-event condition

The IASB tentatively decided on other aspects of the proposed requirements relating to the past-event condition for recognising a provision. The IASB tentatively decided:

- not to amend the proposed requirements for threshold-triggered costs; and
- to retain the statement in IAS 37 that a provision is not recognised for costs that a company needs to incur to operate in the future.

Other matters

The IASB tentatively decided on other matters related to executory contracts, which remain outside the scope of IAS 37 unless they are onerous.

The IASB tentatively decided to retain the proposal to revise the wording of the definition of an executory contract in IAS 37 so that it is aligned with the wording used in the Conceptual Framework for Financial Reporting.

The IASB also tentatively decided:

- to retain the scope exclusion for executory contracts in paragraph 3 of IAS 37; and
- to add a sentence to that paragraph connecting the scope exclusion with the proposed explanation of the transfer condition in paragraph 14L of the Exposure Draft.

Project updates and the exposure draft are available on the IASB's *Provisions—Targeted Improvements project page.* Refer to our *web article* and *talkbook* to understand the potential changes and their impact on your company's provisions.

IFRS Interpretations Committee agenda decisions

Companies applying Accounting Standards are required to reflect the explanatory material included in final agenda decisions made by the Committee. Bookmark our IFRIC agenda decisions *web page* to keep up to date with the latest discussions.

March 2026 final agenda decisions

At its March 2026 meeting, the Committee voted to finalize the first five agenda decisions related to IFRS 18. The IASB agreed to publish the agenda decisions at its April 2026 meeting, with the exception of one agenda decision related to the presentation of taxes or other charges that are not tax expenses or tax income applying IAS 12 (see above section : *IFRS 18: Presentation and disclosure in financial statements*).

Disclosure classification of a foreign exchange difference from an intragroup monetary liability (or asset)

The Committee discussed a request about the presentation of foreign-exchange differences that remain in the consolidated financial statements after the elimination of intra-group loans.

The Committee concluded that a company can make an accounting policy choice, either to:

- classify all of the foreign exchange differences as operating; or
- classify each foreign exchange difference separately in the same category in which the related income or expense was classified prior to elimination upon consolidation.

Scope of the requirement to disclose expenses by nature

The Committee discussed a request about the requirements of paragraph 83 of IFRS 18, which requires a company to present line items in the statement of profit or loss, including:

- operating expenses (paragraph 75(a)(ii)); and
- amounts required by IFRS 9 and amounts required by IFRS 17 *Insurance Contracts* (paragraphs 75(b)-(c)).

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Classification of gains and losses on a derivative managing a foreign currency exposure

The Committee discussed a request about how a company classifies a gain or loss on a derivative financial instrument in the statement of profit or loss.

Assessment of a specified main business activity for the purposes of the separate financial statements of a parent

The Committee also discussed a request about how a parent that holds investments in unconsolidated subsidiaries that are accounted for at cost in accordance with IAS 27 *Separate Financial Statements* assesses its main business activities in those separate financial statements.

We expect this fact pattern to not be as relevant to Canadian companies.

In addition, the Committee voted to finalize on the following agenda decisions, which the IASB agreed to publish at its April 2026 meeting:

Economic benefits from use of a battery under an offtake arrangement (IFRS 16)

The Committee discussed requests on the application of paragraph B9(a) of IFRS 16 *Leases*, specifically how a company determines whether a customer obtains substantially all of the economic benefits from the use of an identified asset.

Fair presentation and compliance with IFRS Accounting Standards (IAS 1)

The Committee discussed a request about how the fair presentation requirements in IAS 1 (paragraphs 15–24) apply when a company departs from an Accounting Standard. In the fact pattern, the company relies on IAS 1 paragraph 19 to justify departing from a specific Accounting Standard requirement.

A summary of the agenda decisions is available on the Committee's March 2026 IFRIC Update *web page*. Also refer to our *video* and *transcript* for a summary of decisions made at the meeting.

June 2026 tentative agenda decisions

At its June 2026 meeting, the Committee issued 7 tentative agenda decisions related to IFRS 18 - refer to the *IFRS 18: Presentation and disclosure in financial statements* section above.

In addition, the Committee issued the following tentative agenda decision:

Control Assessment for a Single-investor Fund (IFRS 10)

The Committee discussed a request about how a company should assess whether a fund manager has been delegated decision-making authority by an investor. The fact pattern involved a fund with a single investor (other than the fund manager), where the fund manager acts as an agent and does not control the fund.

The tentative agenda decisions issued by the Committee will be open for comment until September 9, 2026.The Committee will reconsider the tentative decisions at a future meeting.

September 2026 final agenda decisions

At its September 2026 meeting, the Committee issued one tentative agenda decision related to IFRS 18 - refer to the *IFRS 18: Presentation and disclosure in financial statements* section above. There were two other tentative agenda decisions also issued by the Committee which can be found in the *September 2026 IFRIC update.*

In addition, the Committee issued the following final agenda decision:

Reassessment of Control (IFRS 10 Consolidated Financial Statements)

The Committee considered comments received on the tentative agenda decision published in the March 2026 IFRIC Update related to whether an entity reassesses whether it retains control of an investee when the investee's governing document is amended.

The Committee's decisions will be considered by the IASB at a future meeting.

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Requirements effective in 2026

The below are amendments to Accounting Standards effective for annual reporting periods beginning on or after January 1, 2026.

Amendments to IFRS 9 and IFRS 7– Classification and measurement of financial instruments

Amendments to IFRS 9 - Classification of financial assets

Over the past years, questions have arisen regarding how to classify some financial assets, especially on the application of the solely payments of principal and interest (SPPI) test. The amendments to IFRS 9 address the classification of the following financial assets:

- financial assets with contingent features such as ESG linked features;
- financial assets with non-recourse features; and
- contractually linked instruments (CLIs).

The amendments introduce additional disclosure requirements for the following:

- investments in equity instruments that are measured at fair value through other comprehensive income; and
- financial instruments with contingent features.

Classifying financial assets with an ESG-linked feature

The amendments address a specific call for clarification on whether contractual cash flows of some financial assets with an ESG-linked feature – e.g. a feature that adjusts the interest rate on an asset by a specified number of basis points depending on whether the borrower achieves a pre-determined ESG or sustainability-related target(s) – represent SPPI. The new amendments introduce an additional SPPI test which applies to all contingent features, not just ESG-linked features.

Under the amendments, financial assets with contingent features that are not directly related to a change in basic lending risks or costs could meet the SPPI criteria, as long as the following conditions are met:

- The contractual cash flows, both before AND after the contingent event meet the SPPI criterion;
- The contractual cash flows are NOT significantly different from an identical financial asset without such a contingent feature.

Financial assets with non-recourse features

The amendments include clarifications on determining whether a financial asset is non-recourse such that it is primarily exposed to an underlying asset's performance risk rather than the debtor's credit risk. The amendments clarify the requirement to look through to the underlying assets or cashflows to determine whether the financial asset qualifies as SPPI by providing a list of factors to consider.

Classifying CLIs

To address questions on applying the SPPI requirements to CLIs, the amendments clarify their key characteristics and how they differ from financial assets with non-recourse features.

Disclosures on investments in equity instruments

The amendments require additional disclosures for equity instruments that are measured at fair value and whose gains or losses are presented in other comprehensive income. Companies would be required to disclose the change in the fair value separately related to (1) investments derecognized during the reporting period and (2) investments held at the end of the reporting period.

There is no change to the measurement or presentation requirements for such investments in equity instruments.

Disclosures on financial instruments with contingent features

The amendments require companies to provide additional disclosures for all financial assets and financial liabilities that:

- have contingent features that are not directly related to a change in basic lending risks or costs; and
- are not measured at fair value through profit or loss.

For such financial instruments, companies should disclose:

- a qualitative description of the nature of the contingent event;

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- quantitative information about the possible changes to contractual cash flows; and
- the gross carrying amount of financial assets and the amortized cost of financial liabilities.

Amendments to IFRS 9 - Accounting for cash transfers

The question on when to recognize or derecognize a trade receivable or payable when it is settled using a payment system seems relatively simple on the surface. However, it has generated a significant amount of debate because there is diversity in practice for both the receivable and payable sides of the transaction.

Following the amendments to IFRS 9, companies that recognize or derecognize financial assets or financial liabilities on the payment initiation date could see a change to their accounting as a general requirement is added that reiterates the following requirements:

- financial instruments are recognized when a company becomes a party to a contract;
- a financial asset is derecognized when rights to the cash flows expire, or the asset is transferred; and
- a financial liability is derecognized when it is settled, which is the date on which the liability is extinguished.

However, the amendments allow an exception that would apply only for financial liabilities. The exception would allow a company to derecognize a financial liability before the settlement date, when it uses an electronic payment system and, after initiating the payment:

- it has no practical ability to withdraw, stop or cancel the payment instruction;
- it has no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
- the settlement risk associated with the electronic payment system is insignificant.

Note that the exception does not apply to payments by cheques. Companies can choose to apply the exception for electronic payments on a system-by-system basis. Given the widespread use of electronic payment systems and the variety of terms, determining whether the exception criteria are met for each one may require significant time and effort. If the derecognition exception criteria are not met, determining the settlement date may also present challenges and companies may be required to change their existing systems and processes.

For more information, refer to our web articles – *Classification of financial assets* and *Accounting for electronic payments*.

Amendments to IFRS 9 – Power purchase agreements

Nature-dependent electricity contracts, often referred to as Power Purchase Agreements (“PPA”), help companies secure electricity supply from renewable sources such as wind and solar power. Under these contracts, the amount of electricity produced can fluctuate due to unpredictable factors such as weather conditions. In light of the increased use of PPAs and common challenges faced by companies entering into such contracts, the IASB observed that existing accounting standards may not adequately capture the impact of these contracts on a company’s financial performance and cash flows. The IASB also noted that application questions were also raised for purchases of renewable energy through virtual PPAs.

On December 18, 2024, the IASB issued amendments to IFRS 9 and IFRS 7 which include the following:

- clarification on the application of the own-use exemption for purchasers of PPAs;
- the ability to apply hedge accounting using a PPA as a hedging instrument, subject to certain conditions; and
- new disclosure requirements aimed to help investors gain a better understanding of the effect of PPAs on a company’s financial performance and cash flows.

Note that the amendments only apply to PPAs in which a company is exposed to variability in the underlying amount of electricity because the source of electricity generation depends on uncontrollable natural conditions.

Application of the own-use exemption for purchasers of PPAs

It is not always clear whether a company that purchases electricity through PPAs can apply the own-use exemption under IFRS 9. If the own-use exemption does not apply, PPAs would need to be accounted for as derivatives measured at fair value through profit or loss (FVTPL), which can potentially create significant volatility in the income statement.

To apply the own-use exemption to a physical PPA, the current IFRS 9 standards require companies to assess whether the

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contract is for receipt of electricity in line with the company's expected purchase or usage requirements. Due to the unique characteristics of electricity (including the difficulty to store it) and its market structure, a company may not be able to use the electricity within a short period and the electricity may have to be sold back to the market. While this occurs due to the market structure, it has been unclear as to whether a company can apply the own-use exemption under existing requirements.

The amendments allow a company to apply the own-use exemption to certain PPAs if the company has been, and expects to be, a net-purchaser of electricity for the contract period.

The amendments apply retrospectively using facts and circumstances at the beginning of the reporting period of initial application (without requiring prior periods to be restated).

Hedge accounting requirements for purchasers and sellers of PPAs

Virtual PPAs and PPAs that do not meet the own-use exemption are accounted for as derivatives and measured at FVTPL. Applying hedge accounting could help companies to reduce profit or loss volatility by reflecting how these PPAs hedge the price of future electricity purchases or sales.

Buyers and sellers of PPAs face challenges when applying cash flow hedge accounting because of a mismatch between the fair value of the hedging instrument (PPA) and the hedged transaction, combined with the 'highly probable' requirements, which could lead to the hedging relationship not qualifying for hedge accounting.

Subject to certain conditions, the amendments permit companies to designate a variable nominal volume of forecasted sales or purchases of renewable electricity as the hedged transaction, rather than a fixed volume based on highly probable estimates. This would facilitate more economic offset between the hedging instrument and the hedged transaction, enabling companies to apply hedge accounting.

The amendments apply prospectively to new hedging relationships on or after the date of initial application. They also allow companies to discontinue an existing hedging relationship if the same hedging instrument is designated in a new hedging relationship applying the amendments.

New disclosure requirements

The amendments also require disclosures of further information such as:

- contractual features exposing the company to variability in electricity volume and risk of oversupply;
- estimated future cash flows from unrecognized contractual commitments to buy electricity in appropriate time bands;
- qualitative information about how the company assessed whether a contract might become onerous; and
- qualitative and quantitative information about the costs and proceeds associated with purchases and sales of electricity, based on the information used to determine whether the company is a net-purchaser of electricity for the contract period.

Refer to our *web article* and IASB's *Power Purchase Agreements project page* for more details.

Annual Improvements to IFRS Accounting Standards (includes Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7)

The IASB's annual improvements process aims to improve the clarity and internal consistency of the Accounting Standards. In July 2024, the IASB issued amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 7, IFRS 1, IAS 7, and IFRS 9, which are effective for annual reporting periods beginning on or after January 1, 2026.

The amendments to IFRS 9 address:

- a conflict between IFRS 9 and IFRS 15 *Revenue from Contracts with Customers* over the initial measurement of trade receivables; and
- how a lessee accounts for the derecognition of a lease liability under paragraph 23 of IFRS 9.

Recognition of trade receivables

The amendments remove the conflict between IFRS 9 and IFRS 15 over the amount at which a trade receivable is initially measured. Under IFRS 15, a trade receivable can be recognized at an amount that differs from the transaction price, for instance, when the transaction price is variable. Conversely, IFRS 9 requires companies to initially measure trade receivables without a significant financing component at the transaction price. The amendments to IFRS 9 require

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companies to initially measure a trade receivable without a significant financing component at the amount determined by applying IFRS 15.

Derecognition of lease liabilities

When a lease liability is derecognized, the derecognition is accounted for under IFRS 9. However, when a lease liability is modified, the modification is accounted for under IFRS 16 *Leases*. Under the amendment, when lease liabilities are derecognized under IFRS 9, the difference between the carrying amount and the consideration paid is recognized in profit or loss.

Refer to our *web article* for more details on the amendments.

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Appendix 1: Accounting Standards effective in 2027 and beyond

A reminder of standards and amendments to published standards not yet effective, but available for early adoption are listed in this table.

Effective for periods beginning on or after	Standards and amendments	KPMG's guidance
January 1, 2027	Presentation and Disclosure in Financial Statements (IFRS 18)	*Web article*
	Subsidiaries without Public Accountability: Disclosure (IFRS 19)	*Web article*
	Hyperinflationary Presentation Currency (Amendments to IAS 21)	*Web article*
	Fair Value Option for Investments in Associates and Joint Ventures (Amendments to IAS 28)	*Web article*
January 1, 2029	Regulatory Assets and Regulatory Liabilities (IFRS 20)	*Web article*
NA*	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	

**The IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still permitted.*

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Appendix 2: IASB work plan

These tables are intended to act as an outlook of current IASB projects that may impact your financial statements in the future. More information about the projects is available on the IASB's *work plan page*.

Standard-setting projects	Next milestone	Expected date	KPMG's guidance
Amortized Cost Measurement	Exposure Draft	2027	
Business Combinations – Disclosures, Goodwill and Impairment	Decide Project Direction	Q1 2027	*Web article*
Risk Mitigation Accounting	Exposure Draft Feedback	Q1 2027	*Web article*
Financial Instruments with Characteristics of Equity	Final Amendments	H2 2027	*Web article*
Statement of Cash Flows and Related Matters	Exposure Draft	H2 2027	
Equity Method	Final Amendments	Q1 2027	*Web article*

Research projects	Next milestone	Expected date	KPMG's guidance
Intangible Assets	Decide Project Direction	November 2026	
Post-implementation Review of IFRS 16 Leases	Project Summary and Feedback Statement	November 2026	*Web article*
Post-implementation Review of IFRS 9 – Hedge Accounting	Request for Information Feedback	Q1 2027	

Maintenance projects	Next milestone	Expected date	KPMG's guidance
IFRS for SMEs Accounting Standard – Consolidation Exception	Exposure Draft Feedback	October 2026	
Presentation of Taxes or Other Charges that Are Not Tax Expense or Tax Income Applying IAS 12 Income Taxes (IFRS 18)	Exposure Draft	December 2026	
Provisions—Targeted Improvements	Final Amendments	H1 2027	*Web article*

Application questions	Next milestone	Expected date	KPMG's guidance
Updates to Committee's agenda decisions for IFRS 18	Agenda Decision	May 2026	

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Application questions	Next milestone	Expected date	KPMG's guidance
Control Assessment for a Single-investor Fund (IFRS 10)	Tentative Agenda Decision Feedback	November 2026	
Reassessment of Control (IFRS 10)	Tentative Agenda Decision Feedback	September 2026	
Assessment of Specified Main Business Activities for a Manufacturer-Lessor (IFRS 18)	Tentative Agenda Decision Feedback	November 2026	
Assets that Generate a Return Individually and Largely Independently of an Entity's Other Resources (IFRS 18)	Tentative Agenda Decision Feedback	Q1 2027	
Classification of Income and Expenses from Cash and Cash Equivalents (IFRS 18)	Tentative Agenda Decision Feedback	November 2026	
Classification of Income and Expenses when an Entity Has a Main Business Activity of Providing Financing to Customers (IFRS 18)	Tentative Agenda Decision Feedback	November 2026	
Labels of Subtotals (IFRS 18)	Tentative Agenda Decision Feedback	November 2026	
Management-defined Performance Measures – Hypothetical Income and Expenses (IFRS 18)	Tentative Agenda Decision Feedback	November 2026	
Management-defined Performance Measures – Public Communications (IFRS 18)	Tentative Agenda Decision Feedback	November 2026	
Presentation of Operating Expenses (IFRS 18)	Tentative Agenda Decision Feedback	November 2026	
Estimating Residual Value (IAS 16)	Tentative Agenda Decision Feedback	Q1 2027	
Sale of Equity Investments Measured at Fair Value through Other Comprehensive Income (IFRS 9)	Tentative Agenda Decision Feedback	Q1 2027	

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Appendix 3: ISSB work plan

These tables are intended to act as an outlook of current ISSB projects that may impact your financial statements in the future. More information about the projects is available on the ISSB's *work plan page*.

IFRS Sustainability standard-setting projects	Next milestone	Expected date	KPMG's guidance
Enhancing the SASB Standards – Phase 1	SASB Standards Amendments	H1 2027	
Enhancing the SASB Standards – Phase 1 – Continued	Exposure Draft Feedback	December 2026	
Nature-related Disclosures	Exposure Draft	October 2026	*Web article*
Amendments to the IFRS S2 Industry-based Guidance – Phase 1	IFRS Industry-based Guidance Amendments	H1 2027	

IFRS Sustainability research projects	Next milestone	Expected date	KPMG's guidance
Workforce-related Disclosures	Decide Project Direction	December 2026	

IFRS Sustainability taxonomy projects	Next milestone	Expected date	KPMG's guidance
IFRS Sustainability Disclosure Taxonomy Update – Amendments to Greenhouse Gas Emissions Disclosures	Proposed IFRS Taxonomy Update Feedback	November 2026	

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