CURRENT DEVELOPMENTS

Spotlight on IFRS

Q4 2023

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Table of contents

Quarterly update

Each quarter, we provide a summary of newly effective and forthcoming standards as well as other significant accounting and financial reporting developments. This edition covers current developments in the quarter ended on December 31, 2023.

The macroeconomic environment today continues to face uncertainties. Sustainability and climate change continue to top the list of priorities for investors and other stakeholders with greater focus on driving better connectivity between the front and back of an annual report. Our latest *IFRS Today* webpage includes podcasts and articles where we cover emission schemes, net-zero commitments, climate related matters and other changes in the financial reporting landscape that are relevant for all companies.

In June 2023, the International Sustainability Standards Board (ISSB) issued its first two IFRS ® Sustainability Disclosure Standards. The standards are effective for fiscal years beginning on or after January 1, 2024 but individual jurisdictions will decide whether and when to adopt the standards into local requirements. In Canada, the effective date of adoption of the standards is not final yet. However, different institutions in Canada are working to determine how this landscape will shape up in Canada.

The Canadian Sustainability Standards Board (CSSB) expects to release draft requirements in March 2024 for public consultation. Superintendent of Financial Institutions (OSFI) has published its draft standardized climate scenario exercise methodology for public comments.

These standards will have a significant impact on companies across all sectors and mark the next step towards equal prominence for sustainability and financial reporting. We recommend leveraging our dedicated *Sustainability reporting resource centre*, which features a range of high-level visual overviews, video blogs, articles and analysis to help companies get ready for the new standards.

Refer to our financial reporting resource centres that are designed to help companies prepare financial statements: *Financial reporting in uncertain times resource centre* which features a range of articles, blogs and podcasts to explore the potential accounting and disclosure implications, and *Climate change financial reporting resource centre* which provides additional resources to help you identify the potential financial statement impacts for your business of climate-related risks and opportunities.

A number of new requirements are effective from January 1, 2023. Further information on these new requirements is provided in the section *Requirements effective in 2023*. Also take a look the section *Requirements effective in 2024 and beyond* for details around requirements that will be effective starting next year. Among other things, IASB is expected to publish IFRS 18, *General Presentation and Disclosure* in Q2 2024. The latest information on the new standard is provided in the section *General presentation and disclosure*.

Refer to our *Guides to financial statements* – which includes an update to interim financial statements for disclosure requirements effective in 2023.

Major projects and new standards

Sustainability (ESG[1]) reporting update

Today, general purpose financial reports are typically comprised of financial statements and management's discussion and analysis. With the introduction of sustainability disclosure requirements, financial reports will also soon include sustainability-related financial disclosures. In this section, we focus primarily on the newly released sustainability disclosure standards, other sustainability disclosure activities and the potential impact of sustainability matters on financial statements. For additional background and information, as well as a discussion on the connectivity in reporting, refer to this *article* by the International Accounting Standards Board (IASB) Chair Andreas Barckow and ISSB Chair Emmanuel Faber.

Sustainability disclosures

International Sustainability Standards Board developments

As part of its drive towards globally consistent, comparable and reliable sustainability reporting, the ISSB is developing IFRS Sustainability Disclosure Standards. In June 2023, the ISSB released two standards:

- IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (general requirements standard); and
- IFRS S2 *Climate-related Disclosures* (climate standard).

The two standards are designed to be applied together and alongside future topic- or industry-specific standards. The standards are effective for fiscal years beginning on or after January 1, 2024 but individual jurisdictions will decide whether and when to adopt the standards into local requirements (see below for commentary on the work of the Canadian Sustainability Standards Board).

In July 2023, the IFRS Foundation released a comparison of the requirements in the climate standard and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, which demonstrates that companies that apply the standards will meet the TCFD recommendations. The TCFD is winding down operations and the IFRS Foundation will take over monitoring of the progress on companies' climate-related disclosures from the TCFD.

Also in July, the International Organization of Securities Commissions (IOSCO) endorsed the standards and dozens of jurisdictions have adopted or are actively considering adopting or incorporating the standards.

Overview of the two intersecting standards

Companies will be required to report on all relevant sustainability topics (not just on climate) under a consistent global framework and focus on how these topics impact a company's prospects.

The general requirements standard sets the foundation for sustainability reporting, defining the scope and objectives of reporting and providing core content, presentation and practical requirements. It requires a company to disclose material information about sustainability-related risks and opportunities that could reasonably be expected to affect its prospects – across all relevant disclosure topics – not just on climate and includes suggested reference materials for topics other than climate.

The climate standard replicates the core content requirements and supplements them with climate-specific reporting requirements, including disclosure of risks, information on climate transition plans, greenhouse gas emissions and scenario analysis as well as general and industry-specific metrics.

Connected information

Companies will need to explain the connection between sustainability-related risks and opportunities and disclosures about sustainability-related risks and opportunities as well as the connection between sustainability-related financial information and the financial statements and MD&A.

[1] Environmental, Social, and Governance.

Sustainability-related information is to be reported for the same period and at the same time as the annual financial statements. Therefore, companies will need processes and controls in place so that they can provide sustainability information of the same quality, and at the same time, as their financial information.

Suite of optional transition reliefs

In response to practical concerns in adopting the new standards, a number of transition reliefs are available in the first year of adoption.

The full compliment of transition reliefs would allow companies in the first year of adoption to not:

- Provide disclosures about sustainability-related risks and opportunities beyond climate-related information;
- Provide annual sustainability-related disclosures at the same time as the related financial statements;
- Provide comparative information;
- Disclose Scope 3 greenhouse gas emissions; and
- Use the GHG Protocol to measure emissions, if they are currently using a different approach.

In addition, companies that only report on climate-related risks and opportunities in the first year of reporting will have relief from providing comparative information about their sustainability-related risks and opportunities beyond climate in their second year of reporting.

Future focus of the ISSB

With the first two standards being issued, the ISSB is now in the deliberation process of what to focus on next.

The ISSB has agreed it needs to split its time between:

- embedding IFRS S1 and IFRS S2 through building capacity and supporting companies to apply the standards; and
- focusing on new areas through understanding where guidance is most urgently needed. Current priority areas being deliberated include: biodiversity, human capital, human rights, and integration in reporting.

In December, the IFRS Foundation published educational material designed to help companies consider ‘nature and social aspects’ of climate-related risks and opportunities when applying IFRS S2. The educational material does not affect any of the requirements of the standards, rather its purpose is to help companies apply the standards.

For more information about developments in this area, refer to our *Sustainability reporting resource centre* – which features a range of high-level visual overviews, video blogs, articles and analysis.

European Union developments

In July, the European Commission (EC) published the final text of its first set of European Sustainability Reporting Standards (ESRSs) for use by all companies subject to the Corporate Sustainability Reporting Directive (CSRD). The first set of ESRSs released includes two cross-cutting standards and ten topic-specific standards. Application of the ESRSs will be required for the first wave of companies as early as the 2024 reporting period.

Despite being an European Union (EU) directive, the CSRD does not apply solely for EU-based companies. Its scoping requirements capture a range of companies, including non-EU companies with significant operations in the EU and non-EU-based companies listed in the EU.

For more information about developments in this area, refer to our *ESRS resource centre.*

US ESG reporting update (including SEC activity)

The SEC’s climate rule proposal published in March 2022 would require investor-focused climate disclosures.

The SEC’s latest regulatory agenda, published in December, outlined the following planned ESG regulatory actions:

- the climate rule, scheduled to be finalized in April 2024;
- a proposal for human capital management disclosures, scheduled for April 2024; and
- a proposal for corporate board diversity, scheduled for October 2024

California Governor signed two climate disclosure laws that will shape climate disclosure practices beyond the state’s borders. The laws will apply to US businesses (including US subsidiaries of non-US companies) that meet specified revenue thresholds and do business in California. Under the climate disclosure laws, certain businesses will be required to disclose scope 1, 2 and 3 GHG emissions, with limited assurance requirements from 2026 (on fiscal year 2025 data).

For further details on ESG developments in the US – refer to our *US Quarterly Outlook* publication.

Canadian Sustainability Standards Board developments

The CSSB has been formed to support the adoption of developing IFRS Sustainability Disclosure Standards in Canada while considering supplemental requirements tailored to the Canadian market.

In August 2023, the CSSB responded to the ISSB Request for Information, *Consultation on Agenda Priorities* after performing a market outreach in Canada. Refer to the *update* on CSSB's website for more details.

The CSSB expects to release draft requirements in March 2024 for public consultation.

OSFI's Guideline B-15: Climate Risk Management

In March 2023, OSFI published Guideline B-15: Climate Risk Management, which sets out OSFI's expectations for the management of climate-related risks. Guideline B-15 will be effective fiscal year-end 2024 for Domestic Systemically Important Banks (DSIBs) and Internationally Active Insurance Groups (IAIGs) headquartered in Canada. For all other in-scope Federally Regulated Financial Institutions (FRFIs), Guideline B-15 will become effective fiscal year-end 2025.

In October, OSFI published its draft standardized climate scenario exercise methodology for public comment with comments due before the end of the year.

Comparing sustainability reporting requirements

There is commonality among the EU requirements, ISSB requirements and the SEC proposals, including that the TCFD framework forms a shared input. However, there are also areas where they are not aligned, which may create practical challenges for companies trying to design coherent and consistent reporting that meets the needs of both global investors and jurisdictional requirements. In addition to points of detail, this includes the greater scope and scale of the ESRSs with their wider stakeholder focus.

Refer to our *guide* which compares the requirements and gives our insight on some of the practical challenges companies may encounter as they prepare for the new sustainability reporting standards.

Sustainability in the financial statements

Climate-related disclosures in the financial statements

All companies are facing climate-related risks and opportunities. Some are affected more than others. As the impact of climate change intensifies, investors and regulators are increasingly seeking greater transparency of climate-related information in financial statements.

IFRS® 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 March 2023 the IASB added a narrow-scope maintenance project to its work plan to explore how companies can provide better information about climate-related risks in their financial statements. This project was initiated in response to feedback received on the IASB's most recent Agenda Consultation, and also builds on educational materials published by the IASB in 2020, and republished in *July 2023*. In September 2023, the IASB decided that the objective of the project is to explore whether and, if so, how targeted actions could improve the reporting of financial information about climate-related and other uncertainties in the financial statements. This project will continue to support the connectivity between the work of the ISSB and the IASB, and support the connectivity within general purpose financial reports.

The IASB met in December 2023 to discuss the status and next steps for the project. While the IASB did not make any decisions in this meeting, it will continue to discuss possible target actions.

For additional information about the potential financial statement impacts from climate-related risks, refer to our *web article*. For a more comprehensive discussion on potential impacts, including measurement and recognition impacts, see our *Climate change financial reporting resource centre.*

Green initiatives and carbon credits

To drive the move to a greener economy, companies across many different sectors have announced commitments to reduce greenhouse gas emissions and, in some cases, net-zero targets. This brings both challenges and opportunities as companies embark on new arrangements and operational changes to meet these commitments and targets.

These new green initiatives vary significantly by industry, company and by geography. Some initiatives may be driven by regulatory changes such as the introduction of emissions trading schemes (e.g. in Canada: (Federal) Clean Fuel Regulation, Alberta Technology Innovation and Emissions

Reduction (TIER) Regulation, Ontario Emissions Performance Standard, Quebec Cap-and-Trade System and BC Renewable and Low Carbon Fuel Requirements Regulation), or a price on carbon emissions in the form of a 'carbon tax'. Other initiatives may be driven by industry pressure (e.g. in the airline industry), and still others may be entirely voluntary in nature - which often results in the generation of carbon credits[2].

The accounting implications for such initiatives highly depends on the specific facts and circumstances of the arrangement itself, as well as the perspective or involvement of the company in the green initiative. In addition, many of the arrangements result in assets (carbon credits) for which there is limited specific guidance within accounting frameworks, leaving many companies looking to broad concepts and principles, or application of certain guidance by analogy.

On the other hand, the emission regulations and the net-zero commitments made by companies require analysis of when a liability should be recognized. Historically, there have been challenges in applying IFRS Accounting Standards to determine whether a liability should be recognized in some emission trading schemes. In addition, many companies don't realize that a net-zero commitment could also result in the recognition of a liability when certain criteria are met. The IASB is considering these challenges as part of the climate-related risks project, but also as part of a project that is considering targeted amendments to the principles on provisions, including IAS 37 *Provisions, Contingent liabilities and Contingent Assets ("IAS 37").* This project on targeted amendments is in the early stages, however the IASB is starting to make some tentative decisions. During its November 2023 meeting, the IFRS Interpretations Committee ('Committee') concluded not to add as standard setting project to its workplan in relation to this issue because IFRS Accounting Standards provide adequate guidance on recognizing a provision for such commitments.

For additional information about accounting for carbon credits under IFRS Accounting Standards, refer to our web articles on *Accounting for green initiatives – investing in credits, Carbon offsets and credits under IFRS Accounting Standards* and *What might a company that purchases carbon credits voluntarily need to consider*. In addition, for a discussion of some of the initiatives and financial reporting implications, refer to our series of podcasts on emissions: *Green initiatives in the airlines industry, How do voluntary green schemes work* and *Generating carbon credits under voluntary schemes.*

For additional information on net-zero commitments, refer to our *web article* and *podcast.*

Update on rate-regulated activities project

Some companies are subject to regulations that say how much and when they can charge their customers. Although some national accounting bodies provide specific guidance on accounting for the effects of rate regulation, IFRS Accounting Standards do not contain any equivalent comprehensive guidance. IFRS 14 *Regulatory Deferral Accounts* provides only temporary relief to first-time adopters of IFRS Accounting Standards that are subject to rate regulation.

Companies use different accounting models to report the effects of this rate regulation. Some of these models reflect incomplete information about how rate regulation affects a company's underlying financial position, performance and cash flows.

In January 2021, the IASB published its exposure draft *Regulatory Assets and Regulatory Liabilities*. The exposure draft proposes a new accounting model under which a company subject to rate regulation that meets the scope criteria would recognize regulatory assets and liabilities. This accounting model would align the total income recognized in a period under IFRS Accounting Standards with the total allowed compensation the company is permitted to earn by the rate regulator, often reducing reported volatility in financial performance.

The key proposal in the exposure draft is that a company that is subject to rate regulation should report in its financial statements the total allowed compensation it is permitted to earn by the rate regulator for goods and services supplied in the period.

To achieve this, the exposure draft proposes an 'overlay' approach under which a company would, first, continue to apply the requirements of existing IFRS Accounting Standards

[2] ISSB initially proposed using the general term 'carbon offset', which it defined as: "An emissions unit issued by a carbon crediting programme that represents an emission reduction or removal of a greenhouse gas emission. Carbon offsets are uniquely serialised, issued, tracked and cancelled by means of an electronic registry. However, in responding to feedback, the ISSB is using the general term 'carbon credit'.

– for example, to recognize and measure revenue from contracts with customers. Then, a company would recognize:

- 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. Broadly speaking, the total revenue recognized under existing IFRS Accounting Standards plus regulatory income minus regulatory expense under the proposed new Standard would align with the total allowed compensation determined by the rate regulator.

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.

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 will fall within the scope of the proposals if it meets the following conditions:

- the company is a party to a regulatory agreement;
- the regulatory agreement determines the regulated rate that the company can charge for goods or services supplied to its customers; and
- the regulated rate is determined in a such a way that some or all the total allowed compensation for goods or services supplied in one period is charged to customers in a different period.

The proposed standard provides some guidance for these conditions. If a company meets these criteria, then it would be required to apply the accounting model in the exposure draft. Unlike the approach in IFRS 14, the new accounting model would not be optional.

Companies covered by the proposals who did not apply IFRS 14 would recognize new assets and liabilities, and 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 IFRS Accounting Standards previously lagged total allowed compensation permitted by the regulator, then a company would see an increase in net assets on transition to the new standard.
- If a company previously experienced material short-term timing differences between recognition of income under IFRS Accounting Standards and total allowed compensation permitted by the regulator, volatility in reported earnings would be reduced.

Companies that applied IFRS 14 would transition to the new requirements. There is no option to automatically carry forward existing IFRS 14 accounting.

The IASB received 128 comment letters on the exposure draft when the comment period closed in July 2021.

In December 2021, the IASB discussed a plan for redeliberation to address the feedback received in the comment letters. In accordance with the plan, aspects of the proposals were redeliberated throughout 2022 and into 2023.

Project updates in Q4 2023

The IASB continued to redeliberate the proposals in Q4 of 2023. The exposure draft and information about project updates are available on the IASB's *Rate-regulated Activities project page*.

The IASB made the following tentative decisions at the October 2023 meeting:

- Survey on the direct (no direct) relationship concept
  - to include guidance on regulatory returns that compensates an entity for capitalized borrowing costs on an asset not yet available for use. This would illustrate how an entity accounts for such regulatory returns if:
    - the entity calculates the capitalized borrowing costs at a level higher than the individual asset level; or
    - the regulator uses a real basis to determine regulatory returns
- Boundary of a regulatory agreement
  - to retain the proposed guidance on rights (implicit or explicit) to renew/ cancel a regulatory agreement and compensation for cancellation or termination of a regulatory agreement
  - to include principles from IFRS 15.35(c) related to entity's right to payment for performance to date to be used by entity to determine whether there is an enforceable present right (obligation) to receive (pay)

compensation on termination of a regulatory agreement for an amount comprising unrecovered regulatory assets and unfulfilled regulatory liabilities
  - to retain proposes requirements on reassessment/ change to the boundary of a regulatory agreement
  - to not add more guidance on an entity's practical ability to renew or another parties' practical ability to cancel a regulatory agreement

The IASB met again in December 2023 and made the following tentative decisions:

- Unit of account and offsetting
  - to clarify that a right or obligation arising from a difference in timing or from a group of differences in timing is the unit of account. The differences included would be created by the same regulatory agreement, have similar expiry patterns and be subject to similar risks
  - to remove the proposal in the Exposure Draft that would have permitted offsetting of regulatory assets and regulatory liabilities
- Presentation
  - to require classification as revenue all regulatory income minus all regulatory expense, but also to present regulatory income or regulatory expense as a separate line in the statement of financial performance
  - to require an entity to include regulatory interest income (expense) within regulatory income (expense)
  - to amend the prospective IFRS Accounting Standard IFRS 18 *Presentation and Disclosure in Financial Statements* to clarify classification of regulatory interest in the operating category
  - to require an entity to present line items for regulatory assets and liabilities (including current non-current classification per IAS 1, *Presentation of Financial Statements*) in its statement of financial position, except when an entity presents all assets and liabilities in order of liquidity
- Items affecting regulated rates on a cash basis
  - to retain the proposed concept that differences in timing arising from difference in regulatory and accounting criteria represent enforceable present rights (obligations)
  - to retain measurement requirements for items that affect regulated rates only when cash is paid (received)
  - to retain the proposed requirements for presentation of regulatory income (expense) in other comprehensive income
  - to clarify the requirement for reclassification of regulatory income or expense from other comprehensive income to profit or loss if IFRS Accounting Standards require the reclassification
  - to not include any additional presentation requirements for other comprehensive income

The IASB will continue to redeliberate the project proposals at future meetings.

Read our *web article* and *New on the Horizon* publication which contain detailed analysis and insights.

Update on 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 and works well for many, simpler financial instruments. However, classifying more complex financial instruments under IAS 32 – 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 clarify and improve IAS 32's classification principles and requirements without undertaking an entire re-write of the IFRS Accounting Standard, and to add additional 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 shareholders' right to decide can be treated as that of the issuing entity.

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.

The IASB is now calling for feedback on the proposals in the exposure draft. The exposure draft is open for comment until March 29, 2024.

Dynamic risk management

Although IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments* provide models for macro hedge accounting, these contain restrictions that limit companies' ability to reflect some common dynamic risk management (DRM) activities in their accounting (i.e. when the risk position being hedged changes frequently and is hedged by an open portfolio of changing assets and liabilities). Moreover, some of these models deal specifically with interest rate risk management rather than other types of risk. Without an accounting model that reflects the broader use of dynamic risk management activities, some have asserted that it can be difficult to faithfully represent these activities in financial statements.

In response to these issues, in April 2014 the IASB published the discussion paper *Accounting for Dynamic Risk Management – a Portfolio Revaluation Approach to Macro Hedging* as the first due process document for the project.

Based on the feedback received from respondents on the discussion paper, the IASB decided to prioritize the consideration of interest rate risk and consider other risks at a later stage in the project.

In November 2017, the IASB tentatively decided that the dynamic risk management accounting model should be developed based on cash flow hedge accounting mechanics.

Some of the key areas discussed by the IASB in past meetings were the following:

- the role of the asset profile within the Dynamic Risk Management Accounting model (the Model); in particular, the application of qualifying criteria to the asset profile, as well as designation of items within the asset profile and documentation requirements.
- the role of the target profile within the Model; in particular, what is a target profile, how it is determined, consistency of the asset profile and target profile and the time horizon of the target profile.
- the application of qualifying criteria to the target profile, as well as designation of items within the target profile, core demand deposits and the documentation requirements.
- derivative financial instruments, including designation and de-designation of derivatives.
- the information that should be provided in situations of imperfect alignment (i.e. when the asset profile, in conjunction with the designated derivatives, are not aligned with the target profile).
- misalignments that could result in an accounting outcome inconsistent with the purpose of the Model, economic relationship between the target profile and the combination of the asset profile and designated derivatives.
- how derivatives designated within the Model should be presented in financial statements.
- negative balances within the target profile.
- documentation of and changes in risk management strategy.

Between October 2020 and April 2021, to assess the viability and operability of the Model, the IASB carried out outreach with financial institutions (mainly banks) that manage interest rate risk using dynamic risk management strategies, and received feedback on core elements that are central to the Model.

The key areas for improvement in the Model that were identified from the outreach include:

- target profile;
- designation of expected cash flows and impact on imperfect alignment; and
- recognition of fair value changes in other comprehensive income.

Since April 2021, at its meetings, the IASB has discussed potential refinements to the Model to address the three main challenges identified from the outreach.

At its May 2022 meeting, the IASB decided to move the project to the standard-setting programme.

Project updates in Q4 2023

At its October 2023 meeting, the IASB met to discuss risk management activities where use of DRM would be appropriate. The IASB did not make any decisions in this meeting.

The discussion paper and information about project updates are available on the IASB's *Dynamic Risk Management* project page.

At its future meeting, the IASB will continue its deliberations on the areas and topics identified in the project plan.

General presentation and disclosure

The IASB published an exposure draft *General Presentation and Disclosures* in December 2019. The exposure draft proposes to improve how information is communicated in the financial statements, with a focus on financial performance. The proposals would result in a new IFRS Accounting Standard, replacing IAS 1, and would amend some other IFRS Standards.

The proposals would introduce significant changes to the structure of a company's income statement, more discipline and transparency in presentation of management's own performance measures (commonly referred to as 'non-GAAP measures,') and less aggregation of items into large, single numbers.

Presentation choices in the cash flow statement would also be reduced, improving comparability.

The IASB proposes requiring:

- additional subtotals in the income statement, including 'operating profit';
- disaggregation to help a company to provide relevant information;
- disclosure of some management-defined performance measures – that is, performance measures not specified by IFRS Accounting Standards; and
- limited changes to the statement of cash flows to improve consistency in classification by removing options.

Based on the feedback received on its exposure draft, the IASB continue to redeliberate the proposals. The topics discussed in its previous meetings include:

- subtotals and categories in the statement of profit or loss;
- classification in categories;
- companies with specified main business activities (i.e. companies that invest or provide financings as a main business activity);
- subtotals and categories related to associates and joint ventures;
- roles of primary financial statements and notes;
- principles of aggregation and disaggregation;
- principles for presentation;
- unusual income and expenses;
- management performance measures and related disclosures;
- amendments to the statement of cash flows; and
- presentation and disclosure of operating expenses.

Project updates in Q4 2023

At its October 2023 meeting the IASB met to discuss issues identified in drafting IFRS 18 (the "Standard") including the topics of aggregation and disaggregation, as well as other topics. The following tentative decisions were made:

- to require presentation of cost of sales as a separate line item in the income statement when an entity classifies its operating expenses by function
- to clarify that characteristics of duration and timing of recovery and settlement should be used to classify assets and liabilities as current or non-current; similarly characteristics of liquidity should be used to classify assets and liabilities by order of liquidity
- to clarify that characteristics of nature and function should be used to aggregate assets and liabilities into separate line items. Further, when identifying the nature or function of assets and liabilities, an entity may consider characteristics like duration, liquidity, measurement bases, type and tax effects.
- to not provide transitional relief from retrospective application other than for the annual period preceding initial period of application
- to confirm that for each line item in the operating category, an entity will be required to disclose the amounts for expenses included in a single note. This is required for entities that present one or more function line items in their profit or loss. Further, for each specified expense the entity will need to disclose:
  - total of the expense by nature
  - provide a qualitative explanation of which items, not within the operating category, account for any difference between the total amounts in the operating category line items and the total above

The IASB met again in November 2023 to discuss other issues identified in drafting IFRS 18. The following tentative decisions were made:

- Issues related to subtotals and categories
  - to clarify that income and expenses from assets classified in the investing category include:
    - income generated by the assets
    - income and expense from measurement, initial and subsequent, of the assets, and
    - incremental expenses directly attributable to acquiring and disposing of the assets
  - to maintain consistency between the investing and financing categories, to clarify that income and expenses from liabilities related to financing comprise :
    - the income and expense from measurement (initial and subsequent) of those liabilities
    - incremental expenses that are directly attributable to issuing and disposing those liabilities
  - to add application guidance with examples of assets that generate returns individually and independently of an entity's other resources, and those that do not. This guidance replaces application guidance the IASB had previously tentatively decided to add on income and expenses from financial assets arising from providing financing to customers.
- Issues related to aggregation and disaggregation and other topics
  - to clarify that no assessment is required by an entity on whether classification requirements to determine the financial statement's structure will result in a useful structured summary
  - to clarify that a separate line item need not be included if it is not necessary for the statement to provide a useful structured summary (even if specifically required by other IFRS Accounting Standards)
  - to remove the proposed application guidance stating that typically, displaying the list of items detailed in the draft standard in the operating section of the profit or loss statement would not likely diminish the statement's effectiveness in providing a useful structured summary
  - to make revisions to application guidance examples on aggregation (and disaggregation) of operating expenses

The IASB will continue the balloting process for the new IFRS Accounting Standard.

The exposure draft and other materials are available on the IASB's *Primary Financial Statements* *project page*. Read our *web article* and *New on the Horizon* publication which contains detailed analysis and insights.

Other developments

Uncertain times – Impact on impairment

Inflation continues to be at very high levels and central banks in many countries are continuing to raise interest rates. Many companies are also experiencing the effects of soaring commodity prices and labour costs (and in some cases, a significantly lower share price). All of these factors are indicators of possible impairment.

In previous quarters, we highlighted the potential impacts of these factors on companies using a discounted cash flow (DCF) model to estimate the recoverable amount of their assets or cash-generating units (CGUs). The impacts may be significant – e.g. affecting key inputs to the model such as the forecasted revenues, profitability and the discount rate and may be a key area of focus for regulators. Refer back to our previous editions of this *publication* for a more detailed reminder of the key impacts to be considered.

Supplier finance arrangements

In response to investors' calls for more transparency of supplier finance arrangements' impacts on the financial statements, the IASB has amended IAS 7 and IFRS 7. The amendments introduce additional disclosure requirements for companies that enter into these arrangements. However, they do not address the classification and presentation of the related liabilities and cash flows.

The IASB's amendments apply to supplier finance arrangements, which have the following characteristics:

- a finance provider pays amounts a company (the buyer) owes its suppliers.
- a company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid.
- the company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

The amendments do not apply to arrangements for financing receivables or inventory.

The amendments introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk.

Under the amendments, companies also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in IFRS 7 on factors a company might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

Companies need to collect additional information to meet the new disclosure requirements because some of the information may not always be readily available – i.e. the carrying amount of financial liabilities for which suppliers have already received payment from finance providers. Companies may need to obtain this information from their finance providers directly.

The IASB expects that finance providers will generally be able to make this information available, at least on an aggregated and anonymized basis – e.g. where restrictions may exist.

The amendments are effective for periods beginning on or after 1 January 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.

For more information refer to our *web article*.

Classification of debt with covenants as current or non-current

Under the amendments to IAS 1 the classification of certain liabilities as current or non-current may change (e.g. convertible debt). In addition, companies may need to provide new disclosures for liabilities subject to covenants.

A company will classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement.

After reconsidering certain aspects of the 2020 amendments, the IASB reconfirmed that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.

The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with early application permitted. They also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments.

For more information about the amendments, refer to our web article.

Amendments to IFRS 9

These amendments related to classification of financial assets and accounting for electronic payments respond to feedback received from a post-implementation review of the classification and measurement requirements in IFRS 9.

Amendments to IFRS 9 - Classification of financial assets

In response to feedback on its post-implementation review (PIR) of the classification and measurement requirements in IFRS 9, the IASB is proposing to amend IFRS 9 and IFRS 7. The proposals include guidance on the classification of financial assets, including those with ESG-linked features.

The proposals address a number of matters arising from the PIR, including:

- the classification and disclosures of financial assets with an ESG-linked feature;
- financial assets with non-recourse features
- the classification of contractually linked instruments (CLIs); and
- disclosures on investments in equity instruments.

Classifying financial assets with an ESG-linked feature

The proposed amendments clarify how a company would assess the solely payments of principal and interest (SPPI) condition for the contractual cash flows arising from a financial asset with contingent features.

The proposals address a specific call for clarification on how to classify 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). However, rather than creating an exemption for financial assets that are ESG-linked, the proposals address all contingent features, not just ESG-linked features.

Financial assets with non-recourse features

The proposals include clarifications on determining whether a financial asset is non-recourse such that it is primarily exposed to the underlying asset's performance risk rather than the debtor's credit risk. The proposals aim to 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.

Similarly, the proposals include additional disclosures not only for these financial assets but also for all financial assets and financial liabilities that have particular types of contingent cash flows and are not measured at fair value through profit or loss.

Classifying contractually linked instruments (CLI)

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

Disclosures on investments in equity instruments

The IASB is proposing additional disclosures for equity instruments that are measured at fair value and whose gains or losses are presented in other comprehensive income (FVOCI). It is not proposing any change to the measurement or presentation requirements for such investments in equity instruments.

The IASB met in October 2023 to discuss stakeholder feedback on the exposure draft. The IASB was not asked to make any decisions. The IASB met again in November 2023 and made the following tentative decisions:

- derecognition of of financial liabilities through electronic transfer
  - to replace the reference to 'settlement date accounting' in exposure draft to 'settlement date' and to add an explanation for the meaning of settlement date, i.e. the date on which the right to receive (or obligation to pay) is established (or extinguished);
  - to align requirements in related to the derecognition of financial liabilities to consistently refer to the entity's'practical ability'
- equity instruments and other comprehensive income
  - to amend disclosure requirements to apply per class of equity investment
  - to the requirement to disclose any transfers of cumulative gains or losses within equity and the reasons theretofore, similar to those currently required by IFRS 7

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

Amendments to IFRS 9 - Accounting for electronic payments

Current accounting practices for the settlement of financial assets or financial liabilities using electronic payment systems could change under the exposure draft issued by the IASB. Under the exposure draft, companies that derecognize receivables or payables on the payment initiation date could see a change to their accounting.

The question on when to derecognize a trade receivable when it is settled using an electronic 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.

When the Committee considered the issue, its view was that the receivable would be derecognized when the contractual right to receive cash expires. The Committee also indicated that cash would be recognized only when it is received and did not discuss the payer's accounting. However, the Committee's decision was not finalised because the IASB decided to address the issue by proposing amendments to the relevant standards.

The IASB is proposing 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 that meets specific criteria. In other words, the general requirements (i.e. derecognition on settlement date) would apply for:

- all payables, except for those that meet the proposed criteria; and
- all receivables without exception.

The exposure draft, however, does not change the accounting for regular way contracts. For more information, refer to our *web article* and the *publication*.

Other Potential amendments to IFRS 9 – Power purchase agreements

In June 2023, IASB decided to undertake a project to clarify how companies apply the own-use exemption in IFRS 9 to physical Power Purchase Agreements ("PPA"). The objective is to determine whether narrow-scope amendments may be made to IFRS 9 to reflect the impact of PPAs in which the underlying item cannot be stored economically and is required to be consumed or sold within a short period of time.

IASB will focus on applying the own-use exemption in IFRS 9 to physical PPAs and applying hedge accounting requirements using a virtual PPA as the hedging instrument.

The IASB met in December 2023 to discuss its approach. The IASB made the following tentative decisions:

- to amend IFRS 9 with the issuance of an exposure draft as the next milestone
- to amend the 'own use' and hedge accounting requirements in IFRS 9

Refer to IASB's *Power Purchase Agreements* *project page* for more details.

Issued financial guarantee contracts

Under a financial guarantee contract, the issuer is required to reimburse a loss incurred by the holder. A common example of a financial guarantee contract is a parent company providing a guarantee over its subsidiary's borrowings.

Because these contracts transfer significant insurance risk, they typically meet the definition of an insurance contract.

With the replacement of IFRS 4 *Insurance Contracts* by IFRS 17 *Insurance Contracts*, the accounting for these contracts may change significantly. Companies now need to apply either IFRS 17 or IFRS 9 Financial Instruments to these contracts.

The impact on the financial statements will differ depending on whether a company applies IFRS 17 or IFRS 9.

The key impacts include:

- the measurement of the contract liability; and
- the timing of profit recognition.

Refer to the *publication* for details.

Digital services tax

Large businesses should consider how they may be affected by recent revised draft legislative proposals for the new 3% digital services tax (DST). These revised proposals, which were released on August 4, 2023, introduce a new election businesses can make to simplify their calculations of digital services revenues for the 2022 and 2023 calendar years, clarify how affected businesses can determine their amounts of in-scope revenue and introduce measures that apply to partnerships, among other changes and clarifications.

As a reminder, starting January 1, 2024, large businesses may be subject to the new DST on certain online revenues earned effective January 1, 2022, if the OECD's Pillar One approach to international tax reform has not yet come into force.

Given the proposed DST is not a tax on a company's taxable profits it is not within the scope of IAS 12 *Income Taxes*. Instead, companies should look to the guidance in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to determine the recognition and measurement of this liability.

Refer to this *web article* for more details.

IFRS Interpretations Committee agenda decisions

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

The Committee did not issue any final agenda decisions during the quarter.

Requirements effective in 2023

New requirements effective for annual reporting periods beginning on or after January 1, 2023[3].

Insurance contracts (IFRS 17)

Insurer's and non-Insurers (see below) have been applying IFRS 17 for the first time as of January 1, 2023. As a reminder, IFRS 17 brings fundamental changes to insurance accounting. IFRS 17 introduces a single:

- measurement model based on a current fulfillment value that incorporates available information in a way that is consistent with observable market information; and
- revenue recognition principle to reflect services provided.

Benefits of the new standard include increased transparency about the profitability of new and in-force business which will provide more insight into an insurer's financial health. Other effects may include greater volatility in financial results and equity due to the use of current discount rates and assumptions around future cash flows.

Other changes include:

- separate presentation of underwriting and finance results, providing information surrounding the sources of profit and quality of earnings;
- premium volumes will no longer drive the 'top line' as investment components and cash received are no longer considered to be revenue; and
- accounting for options and guarantees will be more consistent and transparent.

Audit committees may still be interested in the key areas highlighted in our web articles on published guidance by the Global Public Policy Committee (GPPC)*:* Insurers – Guidance for audit committees on IFRS 17 implementation *and* Insurers – Further guidance for audit committees on applying IFRS 17

IFRS 17 for non-insurers

The new standard applies to all contracts that may meet the definition of an insurance contract, regardless of the issuer, and therefore all companies could be affected, not just insurers.

The definition of an insurance contract has changed from IFRS 4 *Insurance Contracts*. Some contracts issued by companies could meet the definition of an insurance contract, even if they are not called insurance contracts.

Common examples of contracts that may meet the definition of an insurance contracts are as follows (not an exhaustive list):

- Surety or fidelity bonds, such as those common in the construction industry
- Third party warranties written on products not manufactured by the company
- Specific contracts that require a payment depending on changes in climatic, geological or other physical variables that are specific to a party to the contract, such as those common to agriculture and other biological industries

It is important for a company to determine now whether it issues any insurance contracts in the scope of IFRS 17 as the requirements of IFRS 17 may be challenging for companies to meet.

For additional information, refer to our web article and our IFRS 17 for non-insurers guide.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

Companies make materiality judgements not only when making decisions about recognition and measurement, but also when deciding what information to disclose and how to

[3] Requirements for Global minimum top-up tax under BEPS 2.0 are applicable for year end financial statements dated December 31, 2023 and not to interim financial statements prepared during 2023.

present it. However, management are often uncertain about how to apply the concept of materiality to disclosure, and find it easier to defer to using the disclosure requirements within IFRS Accounting Standards as a checklist.

The IASB had previously refined its definition of 'material' and issued non-mandatory practical guidance on applying the concept of materiality. The new definition reads '*Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity*'

As the final piece of the materiality improvements, the IASB has issued amendments on the application of materiality to the disclosure of accounting policies. The amendments are effective from January 1, 2023.

For additional information, refer to KPMG's *web article*.

Definition of Accounting Estimate (Amendments to IAS 8)

Distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively. The approach taken can therefore affect both the reported results and trends between periods.

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments are effective for periods beginning on or after January 1, 2023 and apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

For additional information, refer to KPMG's *web article*.

Global minimum top-up tax under BEPS 2.0

To address concerns about uneven profit distribution and the tax challenges of the digitalization of the economy, various agreements have been reached globally, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15 percent (referred to as "GloBE").

These jurisdictions are expected to use the Organisation for Economic Co-operation and Development's (OECD) draft legislative framework and detailed guidance to amend their local tax laws. Once changes to local tax laws are enacted or substantively enacted, companies may be subject to the top-up tax.

The GloBE rules apply to multinational groups that have consolidated revenues of EUR 750 million or more in at least two out of the last four years. Multinational groups in the scope of the rules will be required to calculate their GloBE effective tax rate for each jurisdiction where they operate. If the blended GloBE effective tax rate for all companies in a specific jurisdiction is below the 15 percent minimum rate, then they will be liable to pay a top-up tax for the difference. In many cases, the group company liable for the top-up tax will differ from the group company that triggered it.

Top-up tax differs from income taxes that arise under 'traditional' tax regimes. Traditional income taxes are generally based on a company's taxable profit; top-up tax will arise only if a group pays an insufficient amount of income taxes at a jurisdictional level. This has led to questions particularly about the accounting for deferred tax impacts such as the following:

- What is the tax base of assets and liabilities for the purposes of GloBE?
- Do the GloBE model rules create additional temporary differences?
- Does a company need to remeasure its existing temporary differences in relation to deferred tax recognized?
- How will companies determine the rate for measuring the deferred tax impacts of top-up tax?

To address these concerns, the IASB has amended IAS 12 to:

- provide a temporary mandatory relief from deferred tax accounting for top-up tax: companies are effectively exempt from providing for and disclosing deferred tax related to top-up tax. However, they need to disclose that they have applied the relief. The relief is effective immediately and applies retrospectively in accordance with IAS 8. It will apply until the IASB decides either to remove it or to make it permanent
- require companies to provide new disclosures to compensate for the potential loss of information resulting from the relief:

- *Once tax law is enacted but before top-up tax is effective*: The company is required to disclose information that is known or can be reasonably estimated and helps users of the financial statements to understand the company's exposure to Pillar Two income taxes at the reporting date. This information does not need to reflect all the specific requirements in the legislation – companies can provide an indicative range. Disclosures may include quantitative and qualitative information.
  - Quantitative information: The proportion of profits that may be subject to Pillar Two income taxes and the average effective tax rate applicable to those profits, or how the average effective tax rate would have changed if Pillar Two legislation had been effective.
  - Qualitative information: How the company is affected by Pillar Two taxes and in which jurisdictions the exposure arises – e.g. where the top-up tax is triggered and where it will need to be paid.

  If information is not known or cannot be reasonably estimated at the reporting date, then a company discloses a statement to that effect and information about its progress in assessing the Pillar Two exposure.
- *After top-up tax is effective:* Only one disclosure is required – i.e. current tax expense related to top-up tax

These new disclosure requirements apply only to financial statements from December 31, 2023. No disclosures are required in interim periods ending on or before December 31, 2023. However, investors may expect disclosures about the potential impacts before then, particularly from group companies that expect to be liable for the top-up tax.

Additional information about the impact of GloBE in the 2023 annual reports can be found in the following resources:

- *Global minimum top-up taxes in 2023 reports*
- *Global minimum top-up tax – Relief from deferred tax accounting* including accompanying *talkbook*.

Update on GloBE in Canada

On August 4, 2023, draft legislation was released by the Department of Finance in Canada which propose to implement two key measures of the OECD's Pillar Two global minimum tax in Canada. These measures are the income inclusion rule as well as a domestic minimum top-up tax that is intended to be a qualified domestic minimum top-up tax as defined in the GloBE Model Rules. These rules, if an when enacted, will apply to fiscal years of qualifying multinational groups beginning on or after December 31, 2023 in line with the OECD's recommended timing.

For additional information on the administrative and legislative developments in jurisdictions around the world related to the implementation of Pillar Two please refer to *BEPS 2.0: state of play*.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12

Targeted amendments to IAS 12 clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

For example, a company may be entitled to a tax deduction on a cash basis for a lease transaction that involves recognizing a right-of-use (ROU) asset and a corresponding lease liability under IFRS 16 *Leases*. A temporary difference may then arise on initial recognition of the ROU asset and the lease liability. Previously there was diversity in practice on how the future tax impacts of these types of transactions were reflected.

The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

For additional information, refer to KPMG's *web article*.

Appendix 1: IFRS Accounting Standards effective in 2024 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
Newly effective standards		
January 1, 2024	Classification of liabilities as current or non-current (Amendments to IAS 1) and Non-current Liabilities with Covenants (Amendments to IAS 1)	*Web article* (with links to in-depth analysis)
January 1, 2024	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	*Web article*
January 1, 2024	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	
Standards available for early adoption		
01 Jan 2025	Lack of exchangeability (Amendments to IAS 21)	*Insights into IFRS (2.7.390),* 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.

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
Business combinations – disclosures, goodwill and impairment	Exposure draft	March 2024	
Dynamic risk management	Exposure draft	H1 2025	
Financial instruments with characteristics of equity	Exposure draft feedback	Q2 2024	*Web article*
Management commentary	Decide project direction	Q2 2024	*Web article*
Equity method	Exposure draft	H2 2024	
Rate-regulated activities	IFRS Accounting Standard	2025	*Web article*
Primary financial statements	IFRS Accounting Standard	Q2 2024	*Web article* *New on the Horizon*
Disclosure initiative – subsidiaries without public accountability: disclosures	IFRS Accounting Standard	Q2 2024	*Web article*
Second comprehensive review of the IFRS for SMEs accounting standard	IFRS for SMEs Accounting Standard	H2 2024	

Research projects	Next milestone	Expected date	KPMG's guidance
Business combinations under common control	Project Summary	Q2 2024	*Web article*
Post-implementation review of IFRS 15 Revenue from Contracts with Customers	Request for Information Feedback	January 2024	
Post-implementation review of IFRS 9 – impairment	Project Summary	H2 2024	

Maintenance projects	Next milestone	Expected date	KPMG's guidance
Addendum to the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard	Exposure Draft	Q2 2024	
Amendments to the Classification and Measurement of Financial Instruments	Final Amendment	Q2 2024	
Annual Improvements to IFRS Accounting Standards—Cost Method (Amendments to IAS 7)	Exposure Draft Feedback	February 2024	
Annual Improvements to IFRS Accounting Standards—Derecognition of Lease Liabilities (Amendments to IFRS 9)	Exposure Draft Feedback	February 2024	
Annual Improvements to IFRS Accounting Standards—Determination of a 'De Facto Agent' (Amendments to IFRS 10)	Exposure Draft Feedback	February 2024	
Annual Improvements to IFRS Accounting Standards—Disclosure of Deferred Difference between Fair Value and Transaction Price (Amendments to Guidance on implementing IFRS 7)	Exposure Draft Feedback	February 2024	
Annual Improvements to IFRS Accounting Standards—Gain or Loss on Derecognition (Amendments to IFRS 7)	Exposure Draft Feedback	February 2024	
Annual Improvements to IFRS Accounting Standards—Hedge Accounting by a First-time Adopter (Amendments to IFRS 1)	Exposure Draft Feedback	February 2024	
Annual Improvements to IFRS Accounting Standards—Introduction and Credit Risk Disclosures (Amendments to Guidance on implementing IFRS 7)	Exposure Draft Feedback	February 2024	
Annual Improvements to IFRS Accounting Standards—Transaction Price (Amendments to IFRS 9)	Exposure Draft Feedback	February 2024	
Climate-related and Other Uncertainties in the Financial Statements	Decide Project Direction	Q2 2024	

Maintenance projects	Next milestone	Expected date	KPMG's guidance
Power Purchase Agreements	Exposure Draft	Q2 2024	
Provisions—Targeted Improvements	Exposure Draft	H2 2024	
Updating the Subsidiaries without Public Accountability: Disclosures Standard	Exposure Draft	Q2 2024	
Use of a Hyperinflationary Presentation Currency by a Non-hyperinflationary Entity (IAS 21)	Exposure Draft	H2 2024	

Application questions	Next milestone	Expected date	KPMG's guidance
Climate-related Commitments (IAS 37)	Tentative Agenda Decision Feedback	March 2024	
Disclosure of Revenues and Expenses for Reportable Segments (IFRS 8)	Tentative Agenda Decision Feedback	March 2024	
Merger between a Parent and Its Subsidiary in Separate Financial Statements (IAS 27)	Agenda decision	January 2024	
Payments Contingent on Continued Employment during Handover Periods (IFRS 3)	Tentative Agenda Decision Feedback	March 2024	

Other projects	Next milestone	Expected date	KPMG's guidance
IFRS Accounting Taxonomy Update—Amendments to IAS 12, IAS 21, IAS 7 and IFRS 7	Proposed IFRS taxonomy update feedback	January 2024	
IFRS Accounting Taxonomy Update—Common Practice (Financial Instruments) and General Improvements	Proposed IFRS taxonomy update feedback	February 2024	
IFRS Accounting Taxonomy Update—Primary Financial Statements	Proposed IFRS Taxonomy Update	Q2 2024	
IFRS Accounting Taxonomy Update—Subsidiaries without Public Accountability: Disclosures and Amendments to IFRS 7 and IFRS 9	Proposed IFRS Taxonomy Update	H2 2024	

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 governance project	Next milestone	Expected date	KPMG's guidance
ISSB Consultation on Agenda Priorities	Request for Information Feedback	January 2024	

Taxonomy project	Next milestone	Expected date	KPMG's guidance
IFRS Sustainability Disclosure Taxonomy	IFRS Sustainability Disclosure Taxonomy	Q2 2024	

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