CURRENT DEVELOPMENTS

Spotlight on IFRS

Q1 2024

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Quarterly update

This edition of our Spotlight on IFRS covers current developments in the quarter ended on March 31, 2024.

The financial reporting landscape continues to evolve. Largely being driven by macroeconomic factors as well as continuing demand from stakeholders and regulators for better, and more connected reporting by companies on sustainability matters, including climate change.

On March 6, 2024, the Securities and Exchange Commission (SEC) issued its final Climate Disclosure rule – *The Enhnacement and Standardization of Climate-Related Disclosures for Investors*. The final rule will generally apply to all US SEC registrants, including Foreign Private Issuers but will not apply to Canadian issuers that use the Multijurisdictional Disclosure system (MJDS).

A week later on March 13, 2024, the Canadian Sustainability Standards Board (CSSB) released exposure drafts of its first two proposed Canadian Sustainability Disclosure Standards (CSDS). The proposed standards are aligned with the International Sustainability Standards Board (ISSB) IFRS® Sustainability Disclosure Standards with the exception of a Canadian specific effective date and incremental transition relief.The proposed voluntary effective date is for annual reporting periods beginning on or after January 1, 2025.

The Sustainability Disclosure 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.

Our latest *IFRS Today* webpage also 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. Refer also 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.

We are at the start of a new year and companies with a calendar year end will already be required to apply the IFRS® Accounting Standards requirements effective from January 1, 2024 as outlined in section *Requirements effective in 2024*. In addition, although not effective until 2027, companies should be aware that the IASB published IFRS 18, *General Presentation and Disclosure (“IFRS 18”)* on April 9, 2024. IFRS 18 is expected to re-shape the presentation of financial statemenst and companies may see significant changes to their income statement. The latest information on the new standard is provided in the section *General presentation and disclosure.*

Also, refer to our *Guides to financial statements* – which includes an update to interim financial statements for disclosure requirements effective in 2024.

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Sustainability (ESG[1]) reporting update

Today, general purpose financial reports are comprised of financial statements and management's discussion and analysis. With the introduction of sustainability disclosure requirements, financial reports may also soon include sustainability-related financial disclosures. In this section, we focus primarily on recent sustainability disclosure standard setting 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

ISSB developments

As part of its drive towards globally consistent, comparable and reliable sustainability reporting, the ISSB is developing 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 and the Canadian Securities Administrators).

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. From 2024, the ISSB took over monitoring of the progress on companies' climate-related disclosures from the TCFD.

Also in July 2023, the International Organization of Securities Commissions (IOSCO) endorsed the standards and currently a number of jurisdictions have announced decisions to adopt the standards or are running consultation activities on adopting 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.

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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 will now 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 2023, 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.

Canadian Sustainability Standards Board developments

The CSSB has been formed to develop and support the adoption of sustainability disclosure standards in Canada.

On March 13, 2024, the CSSB released exposure drafts of its first two proposed Canadian Sustainability Disclosure Standards (CSDS): Exposure Draft CSDS 1, which covers general disclosure requirements and Exposure Draft CSDS 2, which covers climate-specific disclosures.

The proposed standards are aligned with IFRS S1 and IFRS S2, with the exception of a Canadian-specific effective date and incremental transition relief.

The proposed incremental transition relief is as follows:

- Relief from disclosures about sustainability-related risks and opportunities beyond climate is extended for an additional year.
- Amendments to relief for disclosing comparative information to align with the relief noted above; and
- Relief from disclosure of Scope 3 emissions has been extended to two years (up from the one-year relief that exists in the IFRS® Sustainability Disclosure Standards).

Importantly, the proposed standards would remain voluntary in Canada until regulators and/or legislators determine whether the CSDSs should be mandated. The proposed voluntary effective date is for annual reporting periods beginning on or after January 1, 2025, a one-year deferral from the effective date approved by the ISSB.

The CSSB has opened a public consultation with comment letters to be submitted by June 10, 2024.

Canadian Securities Administrators (CSA) developments

In parallel with the CSSB's exposure drafts release, the CSA issued a statement noting that they will seek consultation on their revised climate-related disclosure rule following the finalization of CSDS 1 and 2. The CSA stated that they anticipate adopting only those provisions of the standards that are necessary to support climate-related disclosures.

The CSA issued their original proposed rule, proposed National Instrument 51-107 Disclosure of Climate-related Matters (NI 51-107)) back in October 2021. Since publication of the proposed climate-related disclosure rule, important international developments have occurred, including the SEC's finalization of their rule and the issuance of IFRS S1 and S2.

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The CSA will consider these developments in addition to where the CSSB lands on its final standards prior to publishing its revised rule.

US ESG reporting developments (including SEC activity)

On March 6, 2024, the SEC issued its final Climate Disclosure rule – *The Enhancement and Standardization of Climate-Related Disclosures for Investors* – initially proposed in March 2022. The final rule will generally apply to all U.S. SEC registrants, including Foreign Private Issuers but excluding Canadian issuers reporting under the MJDS.

Key changes from the proposed rule include:

- Scope 3: Eliminating Scope 3 disclosures for all registrants.
- Materiality: Using the standard materiality definition, with a specific disclosure threshold for the financial statement disclosures; The use of the 1% threshold has been significantly limited.
- Scopes 1 and 2: Limiting disclosure requirements to Large Accelerated Filers and Accelerated Filers and only when those emissions are material; Exempting Smaller Reporting Companies and Emerging Growth Companies.
- Compliance: Extending certain phase-in periods

Certain requirements of the final rule come into effect for Large Accelerated Filers beginning in calendar year 2025. Financial statement disclosures and most climate risk disclosures will be the first required disclosures; other disclosures, including GHG emissions, follow one year later and assurance on GHG emissions three years after that. Other filers trail by one to two years to the extent requirements apply.

Following numerous legal challenges filed after the release of the final rule, the SEC issued an order on April 4, 2024 staying its final rule pending the completion of judicial review. In its order issuing the stay, the SEC stated that it is not departing from its view that the climate rule is consistent with applicable law and within its long-standing authority to require the disclosure of information important to investors in making investment and voting decisions.

The SEC also expects to release proposed disclosure rules on human capital management in spring 2024 and corporate board diversity in fall 2024.

On October 7, 2023, the 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). The Governor also signed the California voluntary carbon market disclosures bill.

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

European Union developments

In July 2023, 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.

There are potentially considerable ESG reporting implications for Canadian entities – as most EU-listed companies and large subsidiaries of Canadian companies with significant operations in the EU are in scope. Non-EU parent entities with substantial activity in the EU may also be in scope, with separate standards to be developed for these entities, with an effective date of 2028 reporting periods.

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

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 2023, OSFI published its draft standardized climate scenario exercise methodology and invited public feedback until December 2023. After considering the feedback and conducting further consultations, OSFI updated Guideline B-15

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in March 2024 and introduced new Climate Risk Returns that will collect standardized climate-related data on emissions and exposures from FRFIs. OSFI will continue to review and amend Guideline B-15 as practices and standards evolve.

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.

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 March 2024 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 targeted 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.*

See also the discussion on the March 2024 decision by the IFRS Interpretations Commmittee (the Committee) on climate related commitments in the section *IFRS Interpretations Committee agenda decisions*.

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Major projects and Accounting Standards

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 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 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 and discuss issues identified in drafting IFRS 18 (the "Standard"). 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.

The IASB has completed all of its deliberations and has published the new Accounting Standard on April 9, 2024.

Read our *web article* which provides an overview of the new Accounting Standard. Keep an eye out for our upcoming talkbook and other detailed guidance scheduled to be released in Q2 of 2024.

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, Accounting Standards do not contain any equivalent comprehensive guidance. IFRS 14 *Regulatory Deferral Accounts* provides only temporary relief to first-time adopters of the 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.

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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 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.

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 Accounting Standards – 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 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 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 the new standard.
- 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.

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, 2023 and into 2024.

Project updates in Q1 2024

The IASB continued to redeliberate the proposals in Q1 of 2024. 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 February 2024 meeting:

- Boundary of a regulatory agreement:
    - the final Accounting Standard should acknowledge that a right to supply goods or services (i.e. a right to operate) might exist for an undefined period; and

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- to require a company that has an enforceable right to supply goods or services to include unrecovered or unfulfilled cash flows in the measurement of a regulatory asset or regulatory liability for which the company has either:
  - an enforceable right to recover or enforceable obligation to fulfil by adding amounts to or deducting amounts from future regulated rates charged; or
  - an enforceable right to receive, or obligation to pay, compensation on termination of the agreement.

- Amendments to IAS 36 *Impairment of Assets*
  - to retain the proposal to exclude regulatory assets from the scope of IAS 36;
  - to not retain the proposed amendments to paragraphs 43 and 79 of IAS 36; and
  - to provide no further guidance on applying IAS 36.
- to retain the overall disclosures objective proposed in the exposure draft, as well as a number of the other proposed disclosure requirements.

The IASB met again in March 2024 and made the following tentative decisions:

- Discounting estimated future cash flows
  - to retain the following proposals:
    - a company is required to discount estimates of future cash flows that arise from a regulatory asset or regulatory liability;
    - a company is required to use the regulatory interest rate for a regulatory asset or regulatory liability as the discount rate for the respective regulatory asset or regulatory liability;
    - the definition of a regulatory interest rate as proposed in the exposure draft;
  - if the company expects the period between recognition of that regulatory asset or regulatory liability and its recovery or fulfilment to be 12 months or less, then the company would be exempt from applying the proposed requirement to discount estimates of future cash flows from a regulatory asset or regulatory liability;
  - to require a company that elects to apply the above exemption to disclose that fact the carrying amount of regulatory assets and regulatory liabilities at the end of the reporting period to which the company has applied that exemption;
  - not to exempt a company from applying the proposed requirement to discount estimates of future cash flows from a regulatory asset or regulatory liability for which the regulatory agreement does not specify a time frame for recovery or fulfilment;
  - to retain the proposal that when a regulatory agreement specifies, at initial recognition, different regulatory interest rates over the life of a regulatory asset or regulatory liability, a company is required to compute a single discount rate. However, the IASB would not to provide guidance on the computation of the single discount rate;
  - to exempt a company that measures regulatory assets or regulatory liabilities to discount estimates of future cash flows for the period between recognition and the date from which regulatory interest starts to accrue, if the company expects that period to be 12 months or less; and
  - to clarify that the proposed requirement to compute a sngle discount rate does not apply to a regulatory asset or regulatory liability that attracts regulatory interest rates that depend on an interest rate benchmark, and not to provide further guidance on measuring such a regulatory asset or regulatory liability.

With regards to the potential development of reduced disclosures for rate-regulated entities that could be included in the prospective draft IFRS regarding disclosures for subsidiaries without public accountability, the IASB decided:

- not to develop reduced disclosures for rate-regulated entities at this time; and
- to include a question seeking stakeholders' views on the decision not to develop reduced disclosures in the 'catch-up' exposure draft the IASB plans to publish after it issues the prospective draft IFRS regarding disclosures for subsidiaries without public accountability.

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.

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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 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 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.

The IASB is now calling for feedback on the proposals in the exposure draft. The exposure draft was open for comment until March 29, 2024 and discussion of the feedback received on the exposure draft is now expected to begin in May 2024.

The exposure draft and project updates are available on the IASB's *Financial Instruments with Characteristics of Equity project page*. For additional information on this projdect, refer to our *web article*.

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).

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- 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, and the IASB is working toward publishing an exposure draft which is expected to be issued in the first half of 2025.

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.

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Other developments

Uncertain times – The impact of external events on interim financial statements

Many companies are likely to be facing challenges as a result of external events – e.g. natural disasters, geopolitical events, climate-related effects or inflationary pressures – which may cause economic uncertainty.

Depending on the industry and the economic environment in which a company operates, external events could affect the recognition and measurement of companies' assets, liabilities, income and expenses. Also, as a consequence of these events, companies may be facing going concern difficulties due to liquidity pressures.

IAS 34 *Interim Financial Reporting* generally requires that all events and transactions are recognised and measured as if the interim period were a discrete stand-alone period – i.e. there are generally no recognition or measurement exemptions for interim financial reporting.

Condensed interim financial statements (hereafter referred to as 'interim financial statements') typically focus on changes since the last annual financial statements. In times of economic uncertainty, preparing the interim financial statements is likely to involve more than the usual update since the last annual financial statements. Investors and other users may also expect information above and beyond what is typically disclosed.

Although many disclosures required by other Accounting Standards are not mandatory in interim financial statements, in uncertain circumstances companies may need to provide these disclosures to ensure that the interim financial statements provide relevant information to the users of those statements.

For more information, refer to our *web article*. Also refer to our financial reporting in uncertain times *resource centre* for more detailed guidance on a broad range of topics covering the financial reporting impacts of operating in changing environments, which is relevant to both annual and interim financial statements.

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 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 *Business Combinations* 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.

The exposure draft is open for comment until July 15, 2024.

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

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Amendments to IFRS 9 – Classification and measurement of financial instruments

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.

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

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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.

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 company'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

Project updates in Q1 2024

The IASB made the following tentative decisions at the February 2024 meeting:

- The disclosure requirements relating to contractual cash flows:
  - limiting the requirements to contractual terms that could alter the cash flows based on a contingent event not directly tied to a change in basic lending risks or costs; and
  - modifying the requirement of quantitative information disclosure, allowing companies to disclose information other than the range of possible adjustments to contractual cash flows
- The effective date and transition requirements:
  - to set an effective date of annual reporting periods beginning on or after January 1, 2026;
  - to finalize the transition requirements proposed in the exposure draft; and
  - to permit early application of the amendments to the requirements related to solely payments of principal and interest and the disclosure requirement in IFRS 7 relating to changes in contractual cash flows, separately from the other amendments

The IASB expects to issue the amendments in Q2 2024.

Refer to IASB's *Amendments to the Classification and Measurement of Financial Instruments* *project page* and the *publication* for more details.

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

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

Project updates in Q1 2024

The IASB met again in March 2024 and made the following tentative decisions:

- Scope of the PPA exposure draft:
  - to limit the scope of the PPA exposure draft to 'contracts for renewable electricity' that are contracts for which:

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        - the source for production of the renewable electricity is nature-dependent – examples include wind-, solar- and hydroelectricity. In these cases, the supply cannot be guaranteed at particular times or in particular volumes;
        - the purchaser is exposed to substantially all of the volume risk under the contract through pay-as-produced features. Volume risk is the risk that the volume of electricity produced does not coincide with the purchaser's demand at the time of production

- Proposed amendments to the own-use requirements:
    - from renewable electricity contract's inception and throughout its duration, to propose that, the purchaser under such contract be required to consider:
        - the contract's purpose, design and structure, and whether the volume expected to be delivered aligns with the company's expected purchase or usage requirements for the contract's remaining duration;
        - the reasons for past and expected sales of unused renewable electricity and whether such sales aligns with the company's expected purchase or usage requirements. A sale is consistent with the company's expected purchase or usage requirements if:
            - the sale results from mismatches between the delivered renewable electricity and the company's demand at the time of delivery;
            - the design and operation of the market where the renewable electricity is traded limits the company's practical ability to determine the timing or price of such sales; and
            - the company expects to repurchase the sold volumes of renewable electricity within a reasonable timeframe following the sale
- Proposed amendments to the hedge-accounting requirements:
    - for cash-flow-hedging relationships where a renewable electricity contract (within the scope of the proposed amendments) is designated as a hedging instrument, to propose that a company be permitted to designate a variable nominal volume (or quantity) of anticipated renewable electricity sales or purchases as the hedged item under the following conditions:
        - the volume of the hedged item is specified as a proportion of the variable volume of the hedging instrument;
        - the hedged item is measured using the same volume assumptions as those used for the hedging instrument. (All other assumptions used to measure the hedged item should reflect its nature and should not incorporate the features of the hedging instrument, such as the pricing structure.)
        - the designated forecasted sales or purchases of electricity are:
            - for purchasers—highly probable if the company has sufficient highly probable forecasted purchases that surpass the estimated variable volume (or quantity) to be designated by the company as the hedged item
            - for sellers—not required to be highly probable as the designated quantity of sales is certain to be hedged if it occurs
- Disclosures objectives and requirements:
    - To require a company to disclose information that enables users of financial statements to assess the effects of contracts for renewable electricity omits financial performance; and the amount, timing and uncertainty of the its future cash flows;
    - To require disclosure of the following for all contracts for renewable electricity:
        a. the terms and conditions (e.g. duration, type of pricing, minimum or maximum quantities, cancellation clauses and whether they include Renewable Energy Credits (RECs)).
        b. the net volume purchased or the total volume for which amounts were net-settled for the reporting period, and an explanation of any significant variances in the volume, as well as the average market price per unit of electricity for the reporting period.
        c. either the fair value of the renewable electricity contracts at the reporting date accompanied by the information required by

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IFRS 13 *Fair Value Measurement*, or:

i. the volume of renewable electricity the company expects to sell or purchase over the remaining duration of the contracts

ii. the methods and assumptions used in preparing the analysis including information about changes in those methods and assumptions from the previous period and the reasons for such changes

- Transition requirements:
  - to apply the proposed amendments:
    - retrospectively for own-use requirements, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, but not to require restatement of prior periods
    - prospectively for the hedge-accounting requirements. However, during the annual reporting period in which a company first applies the proposed amendments, the company would be permitted to alter the designation of hedged items in already-designated cash hedging relationships. Such alterations would not discontinue the hedging relationship
  - to exempt a company from disclosing, for the current period and for each prior period presented, the quantitative information required by IAS 8;
  - to permit early application of the proposed amendments from the date the final amendments are issued and require a company that applies the amendments early to disclose that fact; and
  - to provide no transition relief for first-time adopters

The IASB expects to publish its exposure draft *Power Purchase Agreements* in May 2024. Refer to IASB's *Power Purchase Agreements* project page for more 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, large businesses may be subject to the new DST on certain online revenues earned retrospectively to January 1, 2022, if the OECD's Pillar One common approach to international tax reform has not yet come into force globally. The Canadian government anticipates the enactment of the new DST in 2024, although the exact timeline remains uncertain. Therefore, considering the fact that Canada's proposed DST would apply to in-scope revenues earned since January 1, 2022, affected businesses should begin to prepare for the DST's potential implementation.

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* and the below *Global minimum top-up tax under BEPS 2.0* for more details.

Global minimum top-up tax under BEPS 2.0

Many countries have amended their local laws to introduce a global minimum top-up tax as part of the international tax reform. This reform includes a two-pillar solution.

- Pillar One aims to ensure a fairer distribution of profits and taxing rights among countries.
- Pillar Two aims to ensure that large multinational groups pay at least the minimum rate of 15 percent on income arising in each jurisdiction in which 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 May 2023, the IASB issued amendments to IAS 12 which 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 amendments were effective immediately upon their release in 2023.

The rules and regulations surrounding the calculation of top-up tax and the mechanisms for collection are complex.

In our *web article,* the following key issues are summarized to help companies prepare their financial statements:

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- *Disclosures*: To compensate for the potential loss of information resulting from the mandatory deferred tax accounting relief, companies are required to provide relevant disclosures in their financial statements from December 31, 2023 onwards.
- *Impairment assessment*: Companies may need to reflect the impact of upcoming changes in tax laws in their impairment assessments.
- *Interim reporting*: To determine how to reflect the current top-up tax and what information to disclose, companies need to consider the status of Pillar Two implementation in the countries where the group operates at the interim reporting date. This is because different countries are at different stages of implementing the legislation.
- *Recharges of Pillar Two taxes*: Companies within a group may enter into 'recharge arrangements' for Pillar Two taxes that are levied on one company, but triggered by another company. The Accounting Standards do not specifically address the accounting for these recharge arrangements in a company's separate financial statements, and companies will need to develop an accounting policy, to be applied consistently.

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 and 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*.

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 2024 final agenda decision

Climate-related commitments (IAS 37)

At its March 2024 meeting, the Committee voted to finalize its agenda decision on climate-related commitments about the circumstances in which a company recognizes a provision for the costs of fulfilling a commitment to reduce or offset its greenhouse gas emissions.

The Committee confirmed that the company would apply a two-part test under IAS 37:

- whether the company's statement has created a constructive obligation (i.e., a valid expectation); and
- whether the company recognizes a provision for its constructive obligation: the key to the criteria is identifying the past event (i.e., the company will recognize a provision only when it emits the pollutants in the future).

The agenda decision was subject to discussion in March 2024 by the Trustees of the IFRS Foundation as to whether the Committee followed the required due process. The Trustees concluded that due process was in fact followed and therefore the agenda decision will be considered by the IASB in its April 2024 meeting.

For more information, refer to our *podcast* and the *March 2024 IFRIC update.* We also have additional resources discussing a variation on these commitments that my be referred to as 'net-zero' targets or commitments. See our *web article* and *podcast* for additional background.

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Requirements effective in 2024

The below are new requirements effective for annual reporting periods beginning on or after January 1, 2024. The implementation and the effective dates of Sustainability Disclosure Standards are subject to local regulation and the latest information can be found in the section *sustainability disclosures*.

Classification of liabilities as Current or Non-Current (Amendments to IAS 1)

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.

However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

The amendments also clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.

When a liability includes a counterparty conversion option that involves a transfer of the company's own equity instruments, the conversion option is recognised as either equity or a liability separately from the host liability under *IAS 32 Financial Instruments: Presentation*. The IASB has now clarified that when a company classifies the host liability as current or non-current, it can ignore only those conversion options that are recognised as equity.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 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*.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

Amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The core requirement to include variable lease payments in a lease liability arising from a sale-and-leaseback transaction remains a significant departure from the general model in IFRS 16.

The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019. IFRS 16 will now require a seller-lessee to estimate the variable lease payments it expects to make over the lease term to ensure that the initial gain or loss recognized relates only to the rights transferred to the buyer-lessor.

The amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains.

The seller-lessee would reduce the lease liability as if the 'lease payments' estimated at the date of the transaction had been paid. It would recognize any difference between those

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lease payments and the amounts actually paid in profit or loss. It could determine the lease payments to be deducted from the lease liability in a number of ways – e.g. as 'expected lease payments' or as 'equal periodic payments' over the lease term.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with retrospective application required dating from the initial application of IFRS 16.

For additional information, refer to our *web article.*

In addition, KPMG's Sale and leaseback *publication* also covers the new amendments to IFRS 16, with detailed worked examples showing how to account for sale-and-leaseback transactions that feature variable payments on initial recognition and subsequently.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

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 all of 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 January 1, 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*.

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Appendix 1: Accounting Standards effective in 2025 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, 2025	Lack of exchangeability (Amendments to IAS 21)	*Insights into IFRS (2.7.390), Web article*
January 1, 2027	Presentation and Disclosure in Financial Statements (IFRS 18)	*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
Business combinations – disclosures, goodwill and impairment	Exposure draft feedback	H2 2024	*Web article*
Dynamic risk management	Exposure draft	H1 2025	
Financial instruments with characteristics of equity	Exposure draft feedback	May 2024	*Web article*
Management commentary	Decide project direction	June 2024	*Web article*
Equity method	Exposure draft	Q3 2024	
Rate-regulated activities	Accounting Standard	2025	*Web article*
Primary financial statements	Accounting Standard	April 2024	*Web article*
Disclosure initiative – subsidiaries without public accountability: disclosures	Accounting Standard	May 2024	*Web article*
Second comprehensive review of the IFRS for SMEs accounting standard	IFRS for SMEs ® Accounting Standard	H2 2024	

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Research projects	Next milestone	Expected date	KPMG's guidance
Business combinations under common control	Project Summary	April 2024	*Web article*
Post-implementation review of IFRS 15 Revenue from Contracts with Customers	Feedback Statement	Q3 2024	
Post-implementation review of IFRS 9 – impairment	Feedback Statement	Q3 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 Feedback	H2 2024	
Amendments to the Classification and Measurement of Financial Instruments	Final Amendment	May 2024	
Annual Improvements to IFRS® Accounting Standards—Cost Method (Amendments to IAS 7)	Final Amendment	Q3 2024	
Annual Improvements to IFRS® Accounting Standards—Derecognition of Lease Liabilities (Amendments to IFRS 9)	Final Amendment	Q3 2024	
Annual Improvements to IFRS® Accounting Standards—Determination of a 'De Facto Agent' (Amendments to IFRS 10)	Final Amendment	Q3 2024	
Annual Improvements to IFRS® Accounting Standards—Disclosure of Deferred Difference between Fair Value and Transaction Price (Amendments to Guidance on implementing IFRS 7)	Final Amendment	Q3 2024	
Annual Improvements to IFRS® Accounting Standards—Gain or Loss on Derecognition (Amendments to IFRS 7)	Final Amendment	Q3 2024	
Annual Improvements to IFRS® Accounting Standards—Hedge Accounting by a First-time Adopter (Amendments to IFRS 1)	Final Amendment	Q3 2024	
Annual Improvements to IFRS® Accounting Standards—Introduction and Credit Risk Disclosures (Amendments to Guidance on implementing IFRS 7)	Final Amendment	Q3 2024	
Annual Improvements to IFRS® Accounting Standards—Transaction Price (Amendments to IFRS 9)	Final Amendment	Q3 2024	
Climate-related and Other Uncertainties in the Financial Statements	Decide Project Direction	April 2024	

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Maintenance projects	Next milestone	Expected date	KPMG's guidance
Power Purchase Agreements	Exposure Draft	May 2024	
Provisions—Targeted Improvements	Exposure Draft	H2 2024	
Updating the Subsidiaries without Public Accountability: Disclosures Standard	Exposure Draft	Q3 2024	
Use of a Hyperinflationary Presentation Currency by a Non-hyperinflationary Entity (IAS 21)	Exposure Draft	Q3 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	
Payments Contingent on Continued Employment during Handover Periods (IFRS 3)	Agenda Decision	April 2024	

Other projects	Next milestone	Expected date	KPMG's guidance
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	

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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 governance project	Next milestone	Expected date	KPMG's guidance
ISSB Consultation on Agenda Priorities	Feedback Statement	Q2 2024	

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

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