Beyond the GAAP

Forvis Mazars’ monthly newsletter on financial and sustainability reporting

Contents

The drafting of the present issue was completed on 8 September 2026.

Editorial

The autumn of 2026 begins with a packed IFRS agenda, featuring a number of major IASB initiatives: the withdrawal of the agenda decision on reverse factoring; a draft amendment to IFRS 18 on the presentation of certain tax expenses; the completion of the post-implementation review of IFRS 16; and preparations for the post-implementation review of IFRS 9 on hedge accounting. Aside from their technical nature, these developments confirm the focus on the readability of financial statements, the consistency of classifications and the costs of implementing the standards.

In terms of sustainability, work is also continuing apace at the European level. This issue looks in particular at the initial findings of the 2026 EFRAG report on sustainability statements, the consultation on the ESRS-40a standards applicable to certain non-European entities, and the release of new interactive resources for use with the revised ESRS.

IFRS Highlights

IFRS 18: IASB withdraws the agenda decision on Supply Chain Financing Arrangements – Reverse Factoring

Readers will recall that in light of the impending entry into force of IFRS 18, the IASB had approved the updating of a number of IFRS IC agenda decisions which simply involved replacing references to IAS 1 with references to IFRS 18 (see Beyond the GAAP no. 206 of January 2026). As more work was required to update the agenda decision on Supply Chain Financing Arrangements – Reverse Factoring, the IFRS Interpretations Committee (IFRS IC) had recommended its withdrawal to the IASB.

Published in December 2020, this decision had established a framework for analysing the application of IFRS provisions to this type of transaction (see, in particular, Beyond the GAAP No. 146 of July – August 2020). In May 2023, amendments to IAS 7 and IFRS 7 then clarified the disclosures to be provided in the notes to the financial statements regarding Supplier Finance Arrangements.

After considering feedback from targeted outreach on potential accounting implications of withdrawing the agenda decision on Supply Chain Financing Arrangements – Reverse Factoring, the IASB decided at its July meeting to withdraw the decision.

IFRS 18: presentation of tax charges imposed by a government as a direct substitute for income taxes

At its July meeting, the IASB tentatively decided to propose an amendment to IFRS 18 to require an entity to classify, in the income taxes category of the statement of profit or loss, tax charges imposed by a government as a direct substitute for income taxes, if legislation specifies that an entity pays either an income tax or a specified tax charge.

This amendment would be accompanied by further guidance on the presentation of such tax charges and the associated disclosures (in particular, their effect on management-defined performance measures).

This decision is intended to address stakeholders' concerns regarding the implications of applying the provisions of IFRS 18 to certain taxes or other charges that do not constitute either a tax expense or tax income under IAS 12.

The exposure draft containing the proposed amendments is expected to be published in the fourth quarter of 2026.

Post-implementation Review of IFRS 16: IASB completes its discussions

At its July meeting, the IASB completed its discussions on stakeholder feedback received as part of the post-implementation review (PiR) of IFRS 16 Leases.

It concluded that the standard was working overall as intended and confirmed its previous tentative decisions:

- to add a research project to its project pipeline to explore how to mitigate the application costs for lessees of applying the measurement requirements in IFRS 16 relating to:
  - remeasurements of the lease liability (for example, by reducing their frequency and simplifying the requirements in respect of variable lease payments that are linked to an index or a rate);
  - discount rates (for example, by requiring or permitting lessees to use a simplified discount rate instead of an incremental borrowing rate and an unchanged discount rate for some remeasurements of the lease liability);
- to add a narrow-scope project to clarify how a lessee applies IFRS 16 and IFRS 9 to account for a rent concession granted by the lessor where this concession is the only change to the lease contract;
- to consider, in its next agenda consultation, the priority of a project to explore the effects of applying the requirements in IFRS 16 and IFRS 10 to account for a sale and leaseback transactions of an asset in a single-asset entity together with other corporate wrapper matters;
- to explore, in its project on the statement of cash flows, the option of requiring lessees to disclose the components of the total cash outflow for leases together with the line item in the statement of cash flows in which each component is presented.

The IASB will publish a project summary and feedback statement on the Post-implementation Review of IFR 16 in the fourth quarter of 2026.

Post-implementation Review of IFRS 9 on Hedge Accounting: preparing a request for information

In the first half of 2026, the IASB launched the preparatory phase of the post-implementation review of IFRS 9 on hedge accounting (see **Beyond the GAAP no. 207** of February 2026).

At its July 2026 meeting, the IASB assessed stakeholder feedback in order to identify the topics to be included in its Request for Information (RFI), based on the staff analysis summarised below.

In general, the IASB staff found that most stakeholders said that the hedge accounting requirements in IFRS 9 are working as intended. By comparison with IAS 39, these requirements made it easier to reflect in the financial statements the accounting effects of hedging transactions on risk management activities. However, stakeholders expressed mixed views on the hedge accounting disclosure requirements in IFRS 7.

Further analysis showed that, although the feedback did not question whether the requirements are working overall as intended, stakeholders reported a number of implementation difficulties, which the staff analysed in more detail:

- the importance of applying judgment to determine whether a forecast transaction is ‘highly probable to occur’, whether an economic relationship exists between a hedged item and a hedging instrument, or whether specific disclosures provide decision-useful information to users;
- the cost or operational complexity associated with certain requirements, for example, determining the cost of the hedge between the ‘aligned’ and ‘unaligned’ portions of a hedging instrument, applying a basis adjustment to inventory when individual items are not tracked, or preparing certain disclosures required by IFRS 7;
- the need for more application guidance or educational material about some topics, such as regarding the rebalancing requirements or the reconciliation to be disclosed between ineffectiveness and the difference between the

changes in the fair value of the hedged item and of the hedging instrument;

- the desire to expand the scope of eligible items, for example to include planned transactions whose completion is deal-contingent or whose volume is likely to vary.

On this basis, the IASB appears to be accepting the staff recommendation not to include in the RFI questions relating to specific requirements. The tentative decision taken following its July meeting suggests that the request for information should be limited to the usual general questions designed to assess whether:

- those requirements are meeting their objectives;
- the benefits to users of the information arising from applying those requirements are as expected; and
- the costs of applying those requirements, and of auditing and enforcing their application, are as expected.

Update to the IPTF watch list on hyperinflationary economies

In July, the International Practices Task Force (IPTF), part of the SEC Regulations Committee at the Centre for Audit Quality (CAQ), published an update to its watch list identifying the economies considered to be hyperinflationary (available **here**).

The countries with three-year cumulative inflation rates exceeding 100% are Argentina, Haiti, Iran, Lebanon, Malawi, Nigeria, South Sudan, Sudan, Türkiye, Venezuela, and Zimbabwe.

Note that since the last edition (see **Beyond the GAAP no.206** of January 2026) Burundi, Ethiopia, Ghana, Lao P.D.R, Myanmar, Sierra Leone and Suriname have dropped out of this category.

As in previous editions, the IPTF points out that this list has been drawn up on the basis of available data and recommends consulting official sources and documents when exercising professional judgement to determine whether there is sufficient evidence to conclude to conclude that a country should, or should no longer, be classified as highly inflationary.

IFRS Foundation: new Chairs appointed to the Trustees and the IASB

In early August **the Trustees of the IFRS Foundation announced the appointments** of Steven Maijoor as Chair of the Trustees and Sam Woods as next chair of the IASB.

Steven Maijoor is the former Chair of ESMA and is currently a member of the Executive Board of De Nederlandsche Bank and of the Supervisory Board of the European Central Bank. He will succeed Erkki Liikanen on 1 January 2027 for a three-year term.

Sam Woods previously served as Deputy Governor of the Bank of England and Chief Executive Officer of the UK Prudential Regulation Authority (PRA), and will succeed Andreas Barckow. His five-year term begins on 1 October 2026.

This reorganisation of governance is accompanied by **the appointment of Laura Forzani** as managing director of the IFRS Foundations IFRS with effect from 1 September.

Publication of an exposure draft proposing Targeted Amendments to the IFRS Foundation Constitution

In August, the IFRS Foundation published **an exposure draft** proposing a number of targeted amendments to its Constitution. These are primarily intended to incorporate into the Foundation's Constitution certain governance decisions announced by the Trustees (for example, in **June 2025**).

The proposed amendments include:

- a reduction in the size of the IASB and the ISSB from the current 14 members to between 8 and 12 members;
- clarification of the rules governing the geographical allocation of members of the two boards;
- certain changes to voting arrangements.

The consultation is open until 16 November 2026.

Upcoming publication by the ISSB of an Exposure Draft on Nature-related Disclosures

The ISSB discussed the due process steps for developing an Exposure Draft (ED) of the proposed IFRS Practice Statement on Nature-related Disclosures, including consideration of the likely effects, during its July meeting (see ISSB Update available **here**).

The ISSB consecutively planned to publish this ED in October 2026, for a 120-day comment period.

European Highlights

EFRAG publishes a report on 2025 sustainability statements prepared under ESRS

On 1 July 2026, EFRAG published a report entitled ***2026 State of Play*** providing an overview of corporate sustainability reporting practices for the 2025 reporting period. It is based on an analysis of 905 assured sustainability statements prepared in accordance with the European Sustainability Reporting Standards (ESRS) as adopted in July 2023 (*Set* 1) and which were published between 1 January and 20 April 2026. It follows the report published by EFRAG covering the first year of mandatory application of the CSRD (see Beyond the GAAP No. 201 of July–August 2025). This year's study expands the scope of the analysis with new insights into companies' Double Materiality Assessment (DMA) methodology, the linkage of material topics with executive incentive schemes, and the geographical disaggregation of environmental metrics.

This publication is once again accompanied by two tools available on EFRAG's interactive online platform:

- a **report repository**;
- an **interactive statistic dashboard** enabling users to explore and filter the analysed data by a range of criteria (country, financial or non-financial companies, industry, size based on turnover for non-financial companies or total assets for financial companies).

The key lessons advanced in EFRAG's **press release** are as follows:

- **DMA**: reporting practices remain broadly stable, with E1 Climate Change (99%), S1 Own Workforce (99%), and G1 Business Conduct (95%) continuing to be the most frequently identified material topics across all sectors and countries. 82% of companies have updated their Double Materiality Assessment. 67% have adopted a hybrid approach, combining top-down and bottom-up methodologies;
- **Climate transition**: the share of companies disclosing a Climate Transition Plan has increased from 55% to 69%, while 57% report near and long-term decarbonisation targets aligned with a 1.5°C pathway;
- **Integration into corporate strategy**: companies identify on average 6.4 material ESRS topics, but set measurable targets for only 3.3 of them. 63% link sustainability performance to executive incentive schemes;
- **Length of sustainability statements**: since last year, the average sustainability statement has decreased from 115 to 95 pages, suggesting increased familiarity with the ESRS framework and a maturing approach, while sustainability statements continue to represent around one-third of annual reports;
- **Insights into social and governance reporting**: companies reported an average unadjusted gender pay gap of 14.3%. There was also widespread disclosure of human rights policies (89% of companies). Finally, companies reported increasing use of ESG criteria in supplier selection (81%).

EFRAG publishes exposure draft on the ESRS-40a

23 July 2026 marked the start of the public consultation on the draft sustainability reporting standards applicable to certain companies based outside the EU (standards referred to as 'ESRS-40a' in reference to the relevant article of the Accounting Directive as amended by the CSRD), with the publication by EFRAG of an exposure draft, which is open for comments until 31 October (press release and documentation accessible **here**).

The cumulative criteria for identifying companies based outside the EU that are required to prepare a sustainability report under the ESRS-40a for financial years beginning on or after 1 January 2028 (i.e. first publication in 2029), recently revised by the Content Directive (see Forvis Mazars guides accessible **here**), are as follows:

- generating a net turnover of more than €450m in the EU (at individual, or where appropriate group, level) for each of the last two consecutive financial years, bearing in mind that the revised CSRD, like the original text, provides no details on how to calculate this amount (e.g. by destination or by origin);
- having at least one subsidiary in the EU generating a net turnover of more than €200m in the preceding financial year or one branch located in the EU generating a net turnover of more than €200m in the preceding financial year. In the case of a subsidiary, this threshold must be assessed solely at the individual level, even if the subsidiary is itself an intermediate parent company.

This reporting requirement aims to ensure a level playing field for all companies operating in the EU market, as well as to ensure transparency regarding the impacts – on both people and the environment – of non-EU companies carrying out significant activities in the EU.

EFRAG's public consultation seeks the views of stakeholders on the following four topics in particular:

- deletions from and additions to the revised ESRS reporting requirements (see the link to the relevant Forvis Mazars guide in the 'Publications' section at the end of this issue), including the removal of information relating to sustainability risks, opportunities and dependencies, as well as the company's resilience to these risks;
- the use of references to EU laws and regulations, as set out in the revised ESRS, where these apply to activities carried out outside the EU;
- feasibility of the option, described as a 'mixed approach', to limit the reporting to EU-related impacts only (that is, excluding those not related to the EU), subject to certain conditions being met and to ensuring transparency in the report as to the application of this option, in particular regarding the methodology adopted by the company (assumptions and limitations) and the level at which the option has been applied (topic, sub-topic or impact groups). According to ESRS-40a 1, this option applies to impacts other than climate-related impacts: (i) arising from products and services that were, or can reasonably be assumed to be sold or provided in the EU market, including by third parties (e.g. distributors and traders), and (ii) which arise from the company's activities carried out within the EU (if not already taken into account under (i) above);
- Interoperability of ESRS-40a with ISSB (IFRS S1 and IFRS S2), with regard to the disclosure requirements and the conditions for applying the mechanism of incorporation by reference.

EFRAG is then expected to submit its technical opinion to the European Commission in January 2027, once stakeholders' feedback has been taken into account. The Commission is expected to adopt the corresponding delegated act in mid-2027.

Interactive version of the revised ESRS and the Voluntary Standard now available on the EFRAG *ESRS Knowledge Hub*

On 28 July 2026, the revised ESRS and the Voluntary Standard (VS), as adopted by the European Commission on 3 July 2026 by means of delegated acts (available **here**), were incorporated into EFRAG's interactive online platform (*ESRS Knowledge Hub*), which centralises the available resources on sustainability reporting. A Forvis Mazars guide on the revised ESRS is available **here**.

The following are now available in the platform:

- The revised ESRS and the VS:
  - the text of the standards contained in the annexes to the delegated acts;
  - interactive glossary and list of defined terms;
- regarding the revised ESRS (*Set* 2):
  - links to the corresponding paragraphs of ESRS *Set* 1, as adopted in July 2023 and published in the Official Journal of the EU

    - (OJEU) in December 2023, accessible via the interactive sidebar (where relevant);
    - a comparison feature enabling users to view how the text has changed in relation to EFRAG's technical advice on the draft revised standards submitted to the European Commission on 3 December 2025;
- regarding the ESRS *Set* 1 (July 2023): explanations of the changes to each paragraph, also accessible via the interactive sidebar. Note that these explanations are based on the 'log of amendments' published by EFRAG alongside its technical advice.

Note also that the delegated acts relating to the revised ESRS and the VS will not enter into force until they have been published in the OJEU. This is expected to take place no sooner than September 2026 (the European Parliament and the Council of the EU are currently in a two-month scrutiny period during which an objection may be raised; this period may be extended for a further two months).

EFRAG's press release (accessible **here**) also notes that Implementation Guidance (IGs) for the revised ESRS is not yet available. However, EFRAG has since published an updated list of datapoints for the revised ESRS in Excel format (see the article below).

Lastly, EFRAG notes that guidance to the VS is currently being updated and that the national standard-setters are involved for its translations. These translations will be released in different batches in the EFRAG's *ESRS Knowledge Hub*.

EFRAG releases a draft list of datapoints for the revised ESRS

On 28 August 2026, EFRAG published an Excel Workbook containing the draft list of datapoints for the revised ESRS, as adopted by the European Commission on 3 July 2026 (see the press release and documentation **here** and **here**). It is now open for public fatal-flaw review until 23 October 2026.

This draft list has been prepared using the same methodology as the IG 3, **the list of ESRS *Set* 1 datapoints** published in 2024. There are a number of enhancements:

- datapoints are categorised using distinct data types;
- references to the interactive ESRS available through EFRAG's *ESRS Knowledge Hub* have been embedded as hyperlinks (see the article above);
- a separate 'mapping version' based on IG 3 establishes a link with the ESRS *Set* 1 datapoints adopted in July 2023.

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