

Beyond the GAAP

Forvis Mazars' monthly newsletter on financial and sustainability reporting

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The drafting of the present issue was completed on 12 November 2026.

Editorial

As the 2026 financial year draws to a close, Beyond the GAAP presents a summary of the recommendations issued by the European regulator ESMA for the 2026 annual reports. This issue also features our traditional review of the IASB standards applicable as at 31 December 2026, taking account of the endorsement process at European level.

In terms of the financial statements, the regulators' recommendations focus in particular on geopolitical risks and uncertainties, as well as on operational and financial restructuring; for ESEF reporting, they relate to the presentation of the statement of changes in equity. Preparing for IFRS 18 is also a key priority ahead of its entry into force in 2027.

With regard to sustainability statements, ESMA's recommendations for the transitional year ahead of the mandatory application of the revised ESRS focus on making progress along the materiality learning curve and ensuring consistency of information across impacts, risks and opportunities (IROs), policies, actions and targets (PATs) and metrics.

IFRS Highlights

Revision of IAS 28: key features agreed by the IASB

As announced last month (see Beyond the GAAP No 213 of September 2026), the International Accounting Standards Board (IASB) has now concluded its technical discussions on the Equity Method project. The revision is intended to resolve application questions relating to the initial measurement of the cost of an investment, changes in an investor's ownership interest, transactions with equity-accounted entities, the recognition of losses, impairment and disclosures.

The key features of the revision, which remain tentative pending the publication of the final amendments, are summarised below.

Obtaining significant influence or joint control and purchases of additional ownership interests

On obtaining significant influence or joint control, the investment would be recognised at cost and the investor's share of the fair value of the associate's or joint venture's identifiable assets and liabilities would be determined, taking into account the related deferred tax effects. The cost would include, where applicable, the fair value of any previously held ownership interest and any contingent consideration. However, acquisition-related costs would be recognised as expenses, a matter not addressed in the 2024 Exposure Draft.

On purchasing an additional ownership interest while retaining significant influence or joint control, the carrying amount of the investment would be increased by the fair value of the consideration transferred, without remeasurement of the interest previously held. In principle, a new fair value exercise would be performed in connection with the additional purchase. However, a relief, introduced during redeliberations in response to cost-benefit concerns, would permit the investor to use an alternative measure if the investor reasonably expects that doing so would not result in a material difference in its financial statements in the current or future periods. A bargain purchase gain arising on the additional ownership interest would not be offset against existing goodwill, and previously unrecognised losses would not be immediately recognised by reducing the carrying amount of the additional ownership interest.

Conversely, a reduction in the ownership interest without loss of significant influence or joint control would result in the derecognition of a portion of the carrying amount of the investment, with the difference recognised in profit or loss.

These principles would also apply to changes in an investor's ownership interest arising from transactions by the associate or joint venture involving its own equity instruments.

Transactions with associates and joint ventures

The treatment would depend on whether the transaction involves the transfer of a business. Where a transaction with an associate or a joint venture involves the transfer of a business, the gain or loss would be recognised in full. For other transactions, the investor would have an accounting policy choice between recognising the gain or loss in full and restricting its recognition to the unrelated investors' interests.

The accounting policy selected, the nature of the transactions and the gains and losses recognised or restricted would be subject to specific disclosure requirements.

This approach represents a significant change from the initial proposal in the exposure draft, which would have required gains and losses on transactions with associates and joint ventures to be recognised in full.

Losses and impairment

Where the carrying amount of the investment has been reduced to nil, no previously unrecognised losses would be immediately recognised on purchasing an additional ownership interest. If both the investor's share of profit or loss and its share of other comprehensive income are losses and together exceed the available carrying amount of the investment, the investor would recognise its share of the loss in profit or loss first, followed by its share of the loss in other comprehensive income. The IASB has withdrawn the exposure draft proposal that would have required the investor to continue to recognise these components once the investment had been reduced to nil.

As a reminder, the existing requirement remains unchanged, whereby, if the associate or joint venture subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. However, the tentative decisions appear to provide no further clarification on how this requirement is to be applied.

With regard to impairment, the IASB has confirmed the amendments proposed in the 2024 exposure draft (see **Beyond the GAAP No 192** of October 2024); the redeliberations have mainly resulted in further clarification of how indicators of impairment are assessed.

Disclosures and transition

Disclosures would be expanded to enable users to understand changes in the carrying amount of investments in associates and joint ventures. They would include a reconciliation between the opening and closing carrying amounts, information about contingent consideration, gains or losses arising from changes in ownership interests, the use of the relief for purchases of additional ownership interests, and the accounting policy adopted for transactions with associates and joint ventures.

On transition, any contingent consideration would be measured at fair value, with the adjustment recognised against the carrying amount of the investment. The accounting policy for recognising gains and losses on transactions with associates and joint ventures would be applied retrospectively, unless doing so requires undue cost or effort; the other requirements would generally be applied prospectively. Specific transition requirements would apply to previously unrecognised losses and when an investor presents more than one comparative periods.

Next steps

The revised IAS 28 is expected to be published in the first half of 2027 and to be effective for annual reporting periods beginning on or after 1 January 2029, with early application permitted.

Statement of cash flows project

At its October meeting, the IASB continued its deliberations on this project and made new tentative decisions on the disaggregation of specific cash flow information and the definition of cash equivalents.

Cash flows relating to leases

The IASB tentatively decided to propose amending IFRS 16 to improve the information provided on lessees' cash outflows. Lessees would be required to disclose the total cash outflows during the period for payments to a lessor relating to the right to use an underlying asset, together with the amounts of those payments classified as operating activities in the statement of cash flows and included in each related line item presented in the statement of cash flows as investing or financing activities. They would also be required to describe the types of payments classified as operating activities.

However, the IASB tentatively decided not to specifically require lessees to disclose the amounts of cash flows for lease payments made at or before the commencement date that are included in the cost of the right-of-use asset.

Cash equivalents: clarification of the three-month maturity criterion

Building on its previous work on the concept of cash equivalents (see **Beyond the GAAP No 209** of April 2026), the IASB has clarified the application of the three-month maturity criterion set out in paragraph 7 of IAS 7. As currently worded, IAS 7.7 states that an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. However, application questions have arisen regarding this threshold and, in particular, how maturity should be assessed when the contractual terms of the investment allow for repayment within that period though its contractual maturity is longer.

The IASB is now considering specifying that an investment normally qualifies as a cash equivalent only when an entity has a right to obtain the cash flow from the investment within three months of the date of acquisition, and that an entity considers all relevant contractual terms and conditions of the investment in assessing whether that condition is met.

Some IASB members also asked the staff to make clear in drafting the proposed amendments that this decision does not change the requirement for an investment to meet all aspects of the definition of a cash equivalent to qualify as one.

ISSB launches a consultation on nature-related disclosures

On 22 October 2026, the International Sustainability Standards Board (ISSB) officially launched a public consultation on its proposals for nature-related disclosures (see press release **here**). The consultation is open for 120 days, with comments due by 19 February 2027. This consultation follows the ISSB's April announcement of its plans to address nature-related risks and opportunities (see Beyond the GAAP nos. 209 and **210** of April and May 2026).

The proposals build on the requirements of IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, with a focus on nature-related disclosures to provide more detail on how companies can provide this information, improving the quality and comparability of nature-related financial information globally. These proposals draw extensively on the Taskforce on Nature-related Financial Disclosures (TNFD) framework.

The exposure draft (ED) sets out proposed requirements and guidance for disclosing information about nature-related risks and opportunities. The ISSB's proposals come in the form of a Practice Statement (i.e. no compliance requirement, unlike ISSB Standards). As part of the consultation, the ISSB is seeking feedback on whether the proposed nature-related disclosures should be finalised as a Practice Statement or issued in another form, such as a Standard.

In developing its proposals, the ISSB has sought to facilitate interoperability with the Global Reporting Initiative (GRI) Standards and the European Sustainability Reporting Standards (ESRS).

UK confirms 'comply-or-explain' approach to climate reporting

The UK's Financial Conduct Authority (FCA) published its final rules on 30 September 2026 , requiring listed companies in scope to report under the UK's new IFRS-based *Sustainability Reporting Standards* (UK SRS) – see related article **here**.

The new policy extends the comply-or-explain approach to all UK SRS reporting requirements – notably replacing the proposed mandatory reporting of climate disclosures under S2, while retaining a one-year transitional relief for Scope 3 emissions disclosures and a two-year relief for wider sustainability disclosures under UK SRS S1.

The FCA outlines that if a company does not provide a particular UK SRS disclosure, it must explain the disclosure requirement not met, the reason for the omission and any steps being taken to enable future disclosure.

The new reporting requirements will apply to accounting periods starting from January 1, 2027, with initial reporting to begin in 2028.

Sustainability disclosures must be included in annual financial reports, although cross-referencing to other reports is permitted where allowed by UK SRS.

Companies must disclose whether sustainability information has been subject to third-party assurance and provide details of any assurance obtained, although assurance itself remains voluntary.

European Highlights

ESMA: 31st extract from the IFRS enforcement decisions database

In mid-October, ESMA, the regulator and supervisor of the European Union's financial markets, published the 31st extract from its database (available **here**). This document brings together the decisions taken by enforcers in the European Economic Area (EEA) regarding the application of IFRS and of ESMA's Guidelines on Alternate Performance Measures (APMs).

ESMA's periodic publications have a twofold objective:

- strengthening supervisory convergence between the 38 national enforcers and supervisory authorities in the EEA that participate in the European Enforcers Coordination Sessions (EECS); and
- providing issuers and users of financial statements with relevant information on the appropriate application of IFRS and the ESMA Guidelines for APMs.

Nonetheless, ESMA emphasises that these published decisions:

- are not interpretations of IFRS, as this remains the prerogative of the IFRS Interpretations Committee;
- were issued in relation to the IFRS requirements in force at the publication date of the financial statements reviewed, and may be superseded by subsequent changes in IFRS.

ESMA clarifies that decisions are published if they fulfil one or more of the following criteria:

- they address complex accounting issues or divergent applications of IFRS;
- they relate to relatively widespread issues among issuers or particular issuer types;
- they address issues with inconsistent enforcer experiences; or
- they are based on positions not covered by accounting standards.

Lastly, ESMA specifies that these criteria apply. mutatis mutandis. to decisions relating to the ESMA Guidelines on APMs.

The decisions published in this 31st extract were taken between October 2024 and January 2026 and relate to the annual financial statements for 2023, 2024 and 2025. There are seven of them, covering the following topics:

- **Transfer of control in bill-and-hold arrangements (IFRS 15)**: the regulator questions the transfer of control where the criteria set out in IFRS 15 are not met (EECS/0127-01);

- **Fair value measurement of a stadium (IFRS 13)**: the regulator disputes the measurement due to a number of inconsistencies between the assumptions used, not least the exclusion of the tax effect from the calculation of cash flows with no use of a pre-tax discount rate, and cash flows projected in perpetuity despite a remaining useful life of 30 years (EECS/0127-02);
- **Disclosures on climate-related matters (IAS 1)**: the regulator criticises the issuer for failing to disclose or explain why climate-related issues have no material impact on its financial position and performance, given its sector of activity and its exposure to climate risks (EECS/0127-03);
- **Capitalisation of borrowing costs: general borrowing of funds (IAS 23)**: the regulator **approves** the non-capitalisation of borrowing costs in respect of eligible assets, as the issuer has neither taken out specific loans nor used its general borrowings to finance them. Despite the existence of general loans, the issuer has demonstrated that these assets were fully financed from other sources and that it had sufficient cash and cash equivalents for this purpose (EECS/0126-04);
- **Disclosures on deferred tax assets and government assistance (IAS 12/IAS 20**): the regulator notes incomplete compliance with IAS 12 and IAS 20, due to a failure to disclose (i) the nature and extent of government support recognised, (ii) any unfulfilled conditions or contingencies attached to that government support, and (iii) the nature of the evidence supporting recognition of a material deferred tax asset, the recoverability of which depended on future taxable government support (EECS/0126-05);
- **Application of the fair review principle to alternative performance measures (APM guidelines)**: the regulator objects to the use of a Management EBITDA measure that includes future interest income which will never be recognised by the issuer, on the grounds that this measure does not comply with the fair review principle and is likely to mislead users (EECS/0127-06);
- **Application of the fair review principle to alternative performance measures (APM Guidelines)**: the regulator disputes the calculation of two alternative performance measures which excluded certain negative effects while retaining positive effects of the same nature, considering that this treatment does not give a true and fair view and is likely to mislead users (EECS/0127-07).

EFRAG launches public consultation on its sustainability reporting agenda for 2027–2029

On 16 October 2026, EFRAG launched a public consultation (press release available **here**) to set out the direction and priorities for its work on sustainability reporting from mid-2027 until the end of 2029.

This consultation takes place against a backdrop characterised by (i) the new reporting landscape resulting from the Omnibus I simplifications' package (ii) lessons learnt from the first two reporting cycles, and (iii) the growing interest in voluntary reporting.

Through this consultation, EFRAG is seeking feedback from stakeholders on:

- the strategic direction and balance of EFRAG's future sustainability reporting activities;
- the key features of EFRAG's future implementation support activities and deliverables;
- their needs and corresponding technical issues that could be addressed in these implementation support activities; and
- priority areas of research, particularly regarding emerging trends and issues.

EFRAG proposes to focus 50% of its activities on supporting the implementation of the revised ESRS and the sustainability reporting standards applicable to certain companies outside the EU (referred to as 'ESRS-40a' in reference to the relevant article of the Accounting Directive as amended by the revised Corporate Sustainability Reporting Directive), along with promoting and supporting voluntary reporting through the Voluntary Standard.

Topics listed in the consultation and likely to be covered by guidance under the revised ESRS include the principle of fair presentation, the reliefs provided under ESRS 1, and the top-down approach to double materiality assessment. EFRAG has already begun work to develop guidance on the reporting of anticipated financial effects, so this topic is excluded from the consultation.

This consultation is also part of a wider discussion on the interoperability of these European frameworks with other sustainability reporting frameworks, as well as on the scope of digital tools, including EFRAG's Knowledge Hub. Stakeholders are invited to respond using the questionnaire available **here**) by 15 February 2027.

Appointment of Kristian Koktvedgaard as Acting EFRAG SRB Chair

On 8 October 2026, EFRAG announced the appointment of Kristian Koktvedgaard as Acting Chair of its Sustainability Reporting Board (SRB), with immediate effect (see press release **here**). A member of the SRB since its establishment and with extensive experience in international standard setting, he will hold this post until a new Chair is appointed by the EFRAG General Assembly, on a proposal from the European Commission and following consultation with the European Parliament and the Council.

This appointment follows the departure of Kerstin Lopatta, who had been appointed Chair of the SRB in April 2026 for a three-year term commencing on 1 May 2026.

ESMA publishes the European common enforcement priorities for 2026 corporate reporting

On 13 October 2026, ESMA published its European common enforcement priorities for 2026 corporate reporting. They cover financial statements, sustainability statements and ESEF reporting.

Below, we present a summary of the European regulators' recommendations (available here).

The priorities for 2026 cover geopolitical risks and uncertainties, operational and financial restructuring, materiality and connectivity of sustainability information, and ESEF tagging in the statement of changes in equity. Preparation for IFRS 18 is also a key area of focus ahead of its mandatory application in 2027

Geopolitical risks and uncertainties

Geopolitical tensions, trade policies, sanctions, changes in trade flows and regional conflicts may have significant repercussions for entities' operations, financing conditions, asset valuations and cash flow projections. ESMA expects issuers to appropriately reflect the effects of these risk and uncertainties in their estimates, judgements and disclosures.

Financing and liquidity risk

ESMA emphasises the need to provide transparent, entity-specific information. Maturity analyses for financial liabilities, including lease liabilities and trade payables, should be based on undiscounted contractual cash flows. The time bands used should be sufficiently granular to avoid grouping significant repayment amounts within overly broad time bands.

Issuers should also explain changes in liquidity risk and how that risk is managed. They should clearly distinguish committed financing from financing that remains subject to conditions, negotiations or approvals. When an issuer faces significant pressures or financing difficulties, more granular disclosures are expected on its sources of financing and liquidity management measures.

Close attention should be paid to whether cash and cash equivalents are effectively available to the group. Entity-specific information should be provided on the assessment of their availability.

As regards covenants, disclosures should enable users of the financial statements to assess the risk that liabilities classified as non-current could become repayable within twelve months.

Fair value measurement

ESMA calls on issuers to ensure that uncertainties and risks are appropriately reflected in fair value measurements, particularly when discounted cash flows techniques are used. The use of relevant observable inputs should be maximised. A decrease in the volume or level of market activity is not, in itself, sufficient to conclude that a quoted price no longer represents fair value.

Disclosures should enable users to understand the valuation techniques and inputs used, together with significant judgements and estimation uncertainties. For Level 3 fair value measurements, ESMA emphasises the importance of including quantitative information about significant unobservable inputs and sensitivity analyses.

Assets held for sale

Where geopolitical developments lead to disposals of assets or exits from markets, ESMA reminds issuers that classification under IFRS 5 requires, among other conditions, that the sale be highly probable and normally expected to be completed within one year. The period may be extended in the circumstances specified by IFRS 5 when the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell.

Credit risk of financial institutions

ESMA calls on financial institutions to reassess whether their models, assumptions and management overlays adequately reflect the effects of increased uncertainty on expected credit loss estimates. Particular attention should be paid to developments that may affect exposures differently depending on the sector, geographical area or counterparty concerned.

Restructuring provisions and debt restructuring

ESMA's second priority is restructuring, as economic conditions may prompt entities to reorganise operations or renegotiate financing.

Restructuring provisions

A constructive obligation to restructure arises only the entity has a detailed formal plan and has raised a valid expectation in those affected that it will carry out the restructuring, either by starting to implement the plan or by announcing its main features. ESMA reminds issuers that restructuring provisions should include only expenditures that are directly attributable to the restructuring and are not associated with the entity's ongoing activities.

ESMA also reminds issuers that termination benefits, and any curtailments or settlements of defined benefit plans, should be recognised in accordance with the specific requirements of IAS 19.

Debt restructuring

Modifications of financial liabilities must be assessed in accordance with IFRS 9 to determine whether derecognition is required. This assessment should not be based solely on the quantitative 10% test: qualitative factors may also indicate that a modification is substantial.

ESMA reminds issuers of the importance of providing specific disclosures on the significant judgements and assumptions used in assessing such modifications.

Sustainability statements: continuing progress on materiality and connectivity of sustainability information

Against a background of simplification of sustainability information via Omnibus I, and regulatory transition at year-end 2026, ESMA has focused its priorities for sustainability statements on two key areas: continuing the progress along the materiality learning curve, and providing connected information on impacts, risks and opportunities (IROs); policies, actions and targets (PATs); and metrics[1].

First of all, ESMA emphasises the importance of clearly indicating the version of ESRS that issuers have used to prepare their sustainability statements at year-end 2026, from the three options set out in the Delegated Regulation of 3 July 2026 on the revised standards (see Forvis Mazars' guide, available **here**). ESMA notes that this information would be appropriately located in the basis for preparation. As regards the "hybrid"[2] approach, ESMA reminds issuers that the reliefs listed in Article 2(1)(b) of the aforementioned delegated regulation are exhaustive and may not be extended further.

It is interesting to note that ESMA's priorities apply no matter which reporting framework is used at year-end 2026, as they relate to topics that are treated similarly under both ESRS Set 1 and the revised ESRS.

[1] ESMA has not included specific recommendations on European Taxonomy disclosures in its priorities for 2026, as the various Delegated Regulations are currently undergoing revision. However, ESMA's priorities from previous years will still apply. Enforcers will also continue to supervise Taxonomy information included in 2026 sustainability statements.

[2] I.e. applying ESRS Set 1 as amended by the quick-fix delegated act and with additional reliefs permitted under the revised ESRS 1.

Priority 1: Continuing the progress along the materiality learning curve

ESMA reminds issuers of the importance of reporting on the materiality of IROs and the double materiality assessment (DMA) process, as these provide the foundation for the information included in the rest of the sustainability statement.

Assessing impacts rigorously

ESMA notes that disclosures on positive impacts are often more detailed than those on negative impacts, whereas the qualitative characteristics of sustainability information set out in ESRS 1 specify a neutral depiction. ESMA has therefore provided targeted recommendations, encouraging issuers to:

- assess positive and negative impacts with the same level of rigour;
- provide clear information on any impact materiality thresholds, particularly if the entity users different thresholds for assessing the materiality of their positive and negative impacts;
- disclose positive and negative impacts with a comparable level of granularity.

Providing clear disclosures on the DMA process

ESMA emphasises the importance of high-quality reporting when describing the process used by the entity to identify, assess and determine its IROs. It reminds issuers that this process should cover both the entity's own activities and its whole upstream and downstream value chain.

ESMA encourages issuers to ensure that information on this process is (i) concise, (ii) entity-specific, and (iii) clearly linked to the sustainability topic for which material IROs have been identified (for example, explaining any significant differences in how the DMA process is implemented depending on the topic).

Ensuring comparability of IRO disclosures

While ESMA acknowledges the obligation to provide entity-specific disclosures when a material IRO is not covered or insufficiently covered by ESRS, it also emphasises that issuers should only make use of the "entity-specific" category when they have excluded all possibilities of relying on the ESRS categorisation of sustainability topics and sub-topics (and sub-sub-topics for Set 1). It is expected that this list will generally cover most of the material IROs identified.

Priority 2: Providing connected information on IROs, PATs and metrics

Drawing on the lessons learned from the first two years of reporting under ESRS, ESMA encourages preparers to provide connected information on IROs, PATs and the associated metrics. This priority applies to both the content of sustainability statements and the links with information presented in other parts of the annual financial report (hereafter AFR), and in the sustainability statements from previous years.

While this priority applies to all sustainability topics, enforcers will focus in 2026 on climate change (ESRS E1) and own workforce (ESRS S1) due to the advanced maturity of reporting on these topics.

Enhancing connectivity within the 2026 sustainability statement

ESMA encourages preparers to draw clear links between IROs, PATs and the corresponding metrics, particularly emphasising the importance of:

- explaining clearly how their PATs address the various IROs described under DRs SBM-3 and IRO-2, and clearly describing any limits on the extent to which the material IROs are covered by the PATs (for example: issuers should explain if a PAT only covers their own operations whereas the corresponding IROs also relate to the value chain, or if a target for GHG emissions does not cover the issuer's full GHG inventory);

- aiming for a comparable level of granularity when describing their policies and the associated IROs (for example: issuers should explain if a single broad policy covers various material IROs related to ESRS S1);
- explicitly stating if there are no PATs for a given material IRO;
- explaining how key actions help to reach the corresponding policy objectives, and being transparent about current and future significant financial resources (CapEx/OpEx) allocated (or not) to these actions. If there are no significant financial resources allocated to completing key actions, ESMA encourages preparers to consider whether it would be material to explain the reasons for this;
- ensuring that, if a summary is presented in the sustainability statement, any information disclosed therein meets the qualitative characteristics, notably as regards faithful representation and neutrality, presenting favourable and unfavourable elements in a balanced way.

Improving connectivity between the sustainability statement and other parts of the AFR

Having identified some cases of inconsistencies between the material IROs presented in accordance with DR SBM-3 and the risks described in other parts of the AFR, ESMA encourages preparers to improve consistency between these two areas.

It also reminds issuers of the importance of providing disclosures on the current financial effects of material IROs in accordance with the applicable requirements, to support links with the information published in the financial statements.

Improving consistency between the 2026 sustainability statement and previous reporting periods

ESMA emphasises the importance of consistency of sustainability reporting over time. It encourages preparers to pay close attention to the ESRS requirements regarding the presentation of comparative information, changes in the preparation or presentation of information, and material errors in prior periods.

If comparative information has been revised or restated, this should be clearly communicated. Similarly, if the comparability between the 2026 financial period and the previous reporting periods is affected by the application of the revised ESRS (hereafter “Set 2”) or by the use of the hybrid approach including some of the reliefs permitted by the Set 2, the entity must indicate this clearly, and identify the information concerned.

ESMA also states that, for entities in the first wave that are applying Set 2 for the 2026 financial year, the option of omitting comparative information only applies to quantitative metrics and amounts that are different from those required under ESRS Set 1.

Ensuring clarity on targets

ESMA reminds issuers that targets permit users to monitor the company’s progress and assess how it has performed against its commitments. It therefore encourages preparers to:

- disclose measurable, time-bound and outcome-oriented targets, using clear terminology;
- disclose specific methodological information for each target and, if several targets are presented, to use a structured presentation format such as a table to improve clarity. If the metrics used to monitor a target are not covered by the ESRS (i.e. entity-specific metrics), ESMA reminds issuers that methodological information on those metrics should be provided;
- clearly disclose the entity’s progress towards meeting its targets, particularly if performance has changed significantly from previous years. An entity should notably disclose when a previously-published target has been met, or a target has been abandoned or missed during the period. Transparency is also required when an entity believes that it will not be able to meet a target by the set date;
- explain methodological changes that could affect users’ assessment of the progress made towards the target, particularly any change in the baseline year or value, the target year or value, the scope or the calculation methodology of a metric used to track progress;

- for ESRS E1:
  - pay particular attention to the use of certain terms for GHG emission reduction targets, such as “1.5°C” or “science-based”, which must be used appropriately and justifiably (stating whether and how the targets meet these criteria);
  - disclose absolute values for GHG emission reduction targets, unless specified otherwise in the ESRS, and distinguish them clearly from other targets which are expressed as net values because they incorporate offsetting or absorption mechanisms;
- for ESRS S1:
  - comply with the disclosure requirements set out in ESRS 2 (MDR-T/GDR-T);
  - clearly distinguish between broad commitments and actual targets, which must be measurable, time-bound and outcome-oriented;
  - link these targets to material IROs and the associated policies and key actions.

ESEF: the statement of changes in equity

After focusing in previous years on the statement of financial position and the statement of cash flows, ESMA’s 2026 recommendations address common tagging errors in the statement of changes in equity:

- the accuracy of the tags selected and whether they appropriately reflect the accounting meaning of the line items and movements presented;
- the completeness and consistency of tagging across equity components, reporting periods and financial statements;
- the correct representation of signs, scales, decimals and dates;
- the structure of the presentation and calculation relationships, so that the statement can be reconstructed and reconciled using the XBRL data;
- the creation of extensions only when no appropriate element is available in the taxonomy, together with their appropriate anchoring.

IFRS 18: preparing for implementation in the 2026 financial statements

Although IFRS 18 is not a 2026 common enforcement priority in the strict sense, ESMA draws attention to its forthcoming mandatory application for annual reporting periods beginning on or after 1 January 2027.

In accordance with IAS 8, issuers should provide entity-specific disclosures in their 2026 financial statements on the expected effects of applying IFRS 18. These disclosures could include changes to the presentation of the statement of profit or loss, the outcome of the assessment of specified main business activities and measures expected to meet the definition of management-defined performance measures (MPMs)

For performance measures based on hypothetical income and expenses, ESMA refers issuers to Q&A 1884 and emphasises that, before modifying an existing measure or introducing a new one, issuers should assess whether this would provide the market with transparent and useful information.

Finally, ESMA highlights the implications of IFRS 18 for ESEF reporting and encourages issuers to monitor the IFRS Interpretations Committee’s ongoing discussions.

Standards and interpretations applicable at 31 December 2026

As companies prepare for the 2026 closing of accounts, Beyond the GAAP presents an overview of the most recent standards and interpretations published by the IASB, indicating where they are in the EU endorsement process.

For each text, we clarify whether it is mandatory for this closing of accounts, or whether early application is permitted, based on the EU endorsement status report (position as at 24 September 2026, available here).

As a reminder, the following principles govern the first application of the IASB's standards and interpretations:

- the IASB's draft standards cannot be applied as they do not form part of the published standards;
- the IFRS IC's draft interpretations may be applied if the two following conditions are met:
  - the draft does not conflict with currently applicable IFRSs;
  - the draft does not modify an existing interpretation which is currently mandatory;
- standards published by the IASB but not yet endorsed by the European Union as of 31 December may be applied if the European endorsement process is completed before the date when the financial statements are authorised for issue by the relevant authority (i.e. usually the board of directors);
- IFRS IC interpretations published by the IASB but not yet endorsed by the European Union at the date when the financial statements are authorised for issue may be applied unless they are in conflict with standards or interpretations currently applicable in Europe.

Remember that in accordance with paragraphs 30 and 31 of IAS 8, if a new standard has been published but has not yet come into effect and has not been applied early by the entity, the entity shall disclose known or reasonably estimable information relevant to assessing its possible impact on initial application. These disclosures should include an estimate of this impact or, if it is not reasonably estimable, a statement to that effect.

Regarding minor amendments and interpretations, it seems appropriate to limit this list to only those amendments and/or interpretations that are likely to apply to the entity's activities.

Standard	Subject	Effective date according to the IASB	Date of publication in the OJEU	Application status at 31 December 2026
IFRS 14	Regulatory Deferral Accounts (issued on 30 January 2014)	1 – January 2016 Early application permitted	No endorsement (The EC has decided not to launch the endorsement process of this interim standard)	Not permitted
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014) and effective date (issued on 17 December 2015)	Postponed Early application permitted	Deferred	Permitted[3]
Amendments to IFRS 9 and IFRS 7	Classification and Measurement requirements for financial Instruments (issued on 30 May 2024)	1 – January 2026 Early application permitted (apply all the amendments or only the amendments to classification)	28 – May 2025	Mandatory
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent (issued on 18 December 2024)	1 – January 2026 Early application permitted	1 July 2025	Mandatory
Annual Improvements Volume 11	Amendment to IFRS 7, IFRS 7, IFRS 9, IFRS 10 and IAS 7 (issued on 18 July 2024)	1 – January 2026 Early application permitted	10 July 2025	Mandatory

[3] Provided that the entity did not previously apply a different accounting policy in this area. Before reaching a decision, however, consideration should be given to the direction currently agreed by the IASB as part of its project to revise IAS 28.

Standard	Subject	Effective date according to the IASB	Date of publication in the OJEU	Application status at 31 December 2026
IFRS 18	Presentation and Disclosure in Financial Statements (issued on 9 April 2024)	1 – January 2027 Early application permitted	16 February 2026	Permitted
IFRS 19	Subsidiaries without Public Accountability: Disclosures (issued on 9 May 2024)	1 – January 2027 Early application permitted subject to adoption in local jurisdiction	Awaiting endorsement by the EU (expected Q3/Q4 2026)	Permitted[4]
Amendments to IFRS 19	Subsidiaries without Public Accountability: Disclosures (published 21 August 2025)	1 – January 2027 Early application permitted subject to adoption in local jurisdiction	Awaiting endorsement by the EU (expected Q3/Q4 2026)	Permitted[5]
IFRS 20	Regulatory Assets and Regulatory Liabilities (issued on 27 May 2026)	1 – January 2029 Early application permitted	Awaiting endorsement by the EU (date not yet announced)	Not permitted
Amendments to IAS 21	The Effects of Changes in Foreign Exchange Rates: Translation to a Hyperinflationary Presentation Currency (issued on 13 November 2025)	1 – January 2027 Early application permitted	Awaiting endorsement by the EU (expected Q4 2026)	Permitted[5]
Amendments to IAS 28	Fair Value Option in IAS 28 – Investments in Associates and Joint Ventures (issued on 26 June 2026).	1 – January 2027	Awaiting endorsement by the EU (expected Q4 2026 /Q1 2027)	Permitted[5]

[4] Provided the standard has been endorsed by the European Union before the date when the financial statements are authorised for issue (see EFRAG report)
[5] Provided the standard has been endorsed by the European Union before the date when the financial statements are authorised for issue (see EFRAG report). The amendments come into effect from first-time application of IFRS 18.

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