September 2026

Observations on selected corporate reporting issues – years ending on or after 31 December 2026

IAASA
Irish Auditing & Accounting Supervisory Authority

Vision

Public trust and confidence in quality auditing and accounting

Mission

Upholding quality corporate reporting and an accountable profession

Our Values

Excellence

Striving to be the best we can be

Independence

Regulating impartially and objectively

Integrity

Being trustworthy and respectful

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1 Reporting environment

1.1 Introduction

In its role as Ireland's corporate reporting regulator, IAASA examines the following corporate reports to assess compliance with the relevant reporting frameworks:

- the annual financial statements and half-yearly financial reports of certain entities to ensure that those reports comply with the relevant reporting framework (i.e., International Financial Reporting Standards (IFRS) or Financial Reporting Standards (FRS) issued by the Financial Reporting Council), and

- the sustainability statements of those entities (where applicable) to ensure that those reports comply with the relevant reporting framework (i.e., European Sustainability Reporting Standards (ESRS) and the Taxonomy Regulation (i.e., Regulation (EU) 2020/852)).

This Paper identifies selected areas where IAASA expects issuers to exercise particular care when preparing annual financial reports and sustainability statements for reporting periods ending on or after 31 December 2026. It is intended to support high-quality, entity-specific reporting by highlighting current economic conditions, recent supervisory observations and upcoming developments in financial and sustainability reporting requirements.

1.2 Economic uncertainty and geopolitical risks

Uncertainty has continued in 2026, with increased geopolitical issues and sharp increases in energy costs.

A rekindling of global conflicts is inflicting fresh shocks to the world economy, with major uncertainty regarding their duration and impact. Renewed and broadened conflict in the Middle East has sparked volatility and uncertainty in energy markets, and large price spikes in oil and gas, which if prolonged could have more significant inflationary effects while also reducing growth. Europe and Asia are the regions that stand to be the most affected if this were to happen.

Central Bank of Ireland Quarterly Bulletin, No. 1 2026

Ireland's GDP is forecast to decline in 2026

Ireland's GDP is forecast to decline in 2026, largely reflecting the base effect of frontloading of pharmaceutical exports in 2025, before stabilising and growing again in 2027. Growth in domestically driven economic activity is expected to continue. However, the energy price shock is expected to push inflation higher, weighing on real income and growth. The outlook for public finances is positive but marked by significant risks to corporation tax revenues.

Ireland's public finances remain vulnerable to changes in US trade and tax policies, as well as shifts in the international tax environment, due to the significant concentration of tax revenues in a handful of companies in the pharmaceutical and ICT sectors. This continues to present a major risk.

European Commission, European Economic Forecast, Spring 2026

Middle East conflict casts shadow on global outlook

While the global economy showed considerable resilience in 2025 to shrug off the impacts of protectionist trade policies and heightened geopolitical uncertainty, the conflict in the Middle East and the closure of the Strait of Hormuz is set to severely test this resilience. Prior to the conflict, growth had steadied and disinflation began to become more engrained worldwide (IMF, 2026). Indeed, global trade had begun to re-orientate with Asian markets increasing activity while the US was taking a step back. A major component of this resilience was trade in the components needed in the AI economy and for AI-related merchandise. These goods also boosted US imports, which were otherwise falling back notably due to the Trump tariffs.

It is clear that in previous periods of global economic shock, such as the onset of the war in Ukraine or the COVID-19 pandemic, that trade through the Strait of Hormuz was relatively unaffected. The drop off following the war in Iran has effectively shut the Strait, with no rebound evident through until the latest date in June, despite the ceasefire in place since May.

The impact on energy prices has been dramatic and casts a long shadow on the global economy.

At the time of writing, a framework appears to have been agreed to set out a path towards a more sustained cessation of hostilities. However, the situation remains extremely uncertain and fluid, and it is unclear as to what the impact will be, whether this will continue to hold and how quickly normal economic activity will resume in the Persian gulf.

Economic and Social Research Institute, Quarterly Economic Commentary, Summer 2026

Global economic backdrop has become increasingly challenging

The global economic backdrop has become increasingly challenging. Barriers to cross-border trade – tariffs, export restrictions and other non-tariff barriers – have been raised this year, and this has triggered an increase in uncertainty to levels not seen before. Heightened uncertainty, in turn, is prompting firms to pause capital spending and households to increase precautionary saving – in Ireland and elsewhere. As these effects reverberate through the economy, forecasts for demand are being scaled back. The changing tariff landscape reinforces and amplifies trends that have been underway for some time, namely fragmentation, economic nationalism and, more broadly, de-globalisation.

In summary, the economic backdrop and outlook remains volatile and uncertain. When preparing corporate reports in the 2026 reporting season entities must embed this volatility and uncertainty in the recognition, measurement, presentation and disclosure of items.

Summer Economic Statement, July 2025

2 Financial reporting

2.1 Economic disruption and global turmoil

Against a volatile and uncertain macro-economic backdrop including tariffs, trade barriers, supply chain disruption, commodity price volatility, inflation, and the impact on consumer confidence – the preparation of corporate reports is increasingly challenging. The uncertainties facing entities will necessitate greater use of judgement by management.

The impact of this backdrop on financial reporting could be wide ranging depending on the nature, scale and geography of the entity's operations, and could potentially cover the full spectrum of reporting standards from IAS 1 through to IFRS 20.

However, some topics are expected to be especially worthy of more detailed consideration across a wide range of issuers. These areas include:

- **Liquidity risk**
  IFRS 7 *Financial Instruments: Disclosures* requires the disclosure of information regarding liquidity risk that enable the users of financial reports to evaluate the nature and extent of liquidity risks arising from financial liabilities [IFRS 7.31 et seq].

  Issuers should provide a maturity analysis for financial liabilities based on undiscounted contractual cash flows, including principal and interest payments. The maturity analysis should use appropriate time periods – disaggregated into shorter time spans if necessary – that will allow users to assess the timing of expected cash outflows and changes in liquidity risk.

  Furthermore, issuers should provide entity-specific qualitative and quantitative information on how liquidity risk is managed, including the tools and measures used to mitigate such risks.

  Given the possibility of increased liquidity risks in the current reporting period, issuers may need to provide more granular disclosure than in the past.

- **Fair value measurement and disclosures**
  Fair value measurements are required or permitted in many elements of financial reporting, including financial instruments (IFRS 9), impairment of assets (IAS 36), investment property (IAS 40), business combinations (IFRS 3) and non-current assets held for sale and discontinued operations (IFRS 5).

  Fair value measurements can be significantly affected by geopolitical factors and the global economic environment influencing valuation assumptions, observable inputs, and market expectations.

  Where valuation techniques based on discounted cash flow models are applied, issuers should ensure that such models incorporate uncertainty into the valuation. With inflationary pressures, volatile commodity prices and an increasingly difficult global trading environment, the range of reasonably possible future outcomes broadens and results in it being more difficult to forecast cash flow projections. The discount rate used should reflect assumptions that are consistent with risks inherent in the cash flows.

  IFRS 13 *Fair Value Measurement* mandates issuers to maximise the use of relevant observable inputs and minimise the use of unobservable inputs [IFRS 13.61]. Issuers should carefully assess whether market transactions continue to be orderly. Increased market volatility or reduced trading activity does not, of itself, automatically result in the conclusion that observable inputs are no longer available.

Issuers should provide entity-specific disclosures regarding:

- the valuation techniques applied,
- key assumptions,

- significant judgements and the related estimation uncertainty,
- where fair value measurements rely on significant unobservable inputs (i.e., Level 3), issuers should provide (among other disclosures required by paragraph 93 of IFRS 13) quantitative disclosures regarding significant unobservable inputs, the amount of gains or losses attributable to changes in unrealised gains or losses relating to Level 3 measurements, and sensitivity information.

- **Covenants**
  Paragraph 76ZA of IAS 1 *Presentation of Financial Statements* specifies disclosure requirements concerning covenants attached to borrowing arrangements. Those disclosures should allow users of financial reports to understand the risk that loan liabilities classified as non-current at the reporting date could become repayable within twelve months after the reporting period. Such disclosures are all the more important where covenant compliance may be affected by adverse economic conditions, increased interest rates or other market developments.

In determining the extent of covenant disclosures, issuers should consider disclosing, for example,, the ratios or performance measures, applicable thresholds, the frequency of testing, the outcome of covenant assessments during the reporting period, available headroom and management's assessment of compliance risks. Issuers should also consider whether it is necessary to disclose whether covenant waivers have been obtained during the reporting period or after the reporting date.

Matters for consideration by management, Directors, and Audit Committees
Management, Directors, and Audit Committees should ensure that:

(a) detailed consideration is given to the impact of economic turmoil and uncertainty on the financial statements

(b) disclosures are entity specific and sufficient to allow users understand the impact of the judgements made by management and the uncertainties facing the entity

(c) liquidity risks, fair value measurement and disclosure, and covenants, are specifically considered and that the models used are updated to reflect current factors

2.2 Impairments – recognition, measurement and disclosure

In the current volatile and uncertain macro-economic environment, impairment of assets will likely be a key matter for management, Directors, and Audit Committees to consider when preparing and approving financial statements.

Recognition and measurement

In relation to the measurement of the value-in-use (VIU), paragraph 33 of IAS 36 *Impairment of Assets* states that:

> *'In measuring value-in-use an entity shall:*
>
> *(a) base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight shall be given to external evidence.*
>
> *(b) base cash flow projections on the most recent financial budgets/forecasts approved by management, but shall exclude any estimated future cash inflows or outflows expected to arise from future restructurings or from improving or enhancing the asset's performance. Projections based on these*

budgets/forecasts shall cover a maximum period of five years, unless a longer period can be justified.

(c) *estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate shall not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.'*

Paragraph 35 states that:

> '*Detailed, explicit and reliable financial budgets/forecasts of future cash flows for periods longer than five years are generally not available. For this reason, management's estimates of future cash flows are based on the most recent budgets/forecasts for a maximum of five years. Management may use cash flow projections based on financial budgets/forecasts over a period longer than five years if it is confident that these projections are reliable and it* ***can demonstrate its ability, based on past experience, to forecast cash flows accurately over that longer period*** [bold emphasis added].'

Paragraph 44 states that:

> '*Future cash flows shall be estimated for the asset in its current condition. Estimates of future cash flows shall not include estimated future cash inflows or outflows that are expected to arise from: (a) a future restructuring to which an entity is not yet committed; or (b) improving or enhancing the asset's performance.*'

In 2026, IAASA continued to examine the VIU calculations of a number of issuers to establish:

(a) whether the cash flow projections were based on assumptions that were reasonable and supportable. For example, whether issuers used growth rates that were consistent with the issuer's past performance and the performance of other operators in the same sector and were reflective of the growth in the wider economy,

(b) in instances where issuers used cash flow projections over a period longer than five years, whether the issuer was able to demonstrate its ability, based on past experience, to forecast cash flows over that longer period, and

(c) whether future cash flows were estimated for the assets in their current condition, and whether cash flows relating to future restructuring and improving or enhancing the assets performance were excluded from the VIU calculations.

In certain instances, IAASA has challenged issuers' VIU calculations following a change in assets' useful lives or where growth rates were not considered reasonable to confirm that no impairment provision was required to be recognised.

Disclosure

IAS 36 requires specific disclosures about the measurement of impaired assets (or a group of assets). These requirements are consistent with some of the disclosure requirements in IFRS 13 *Fair Value Measurement* and are aimed at ensuring that balanced disclosures are made for fair value less costs of disposal and value-in-use.

Where the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to a cash generating unit (CGU) (or group of CGUs) is **significant** in comparison to the total carrying amount of goodwill or intangible assets with indefinite useful lives, issuers are reminded that paragraphs 134(a) to 134(f) set out disclosure requirements to be provided for **each** CGU (or group of CGUs).

IAASA encourages issuers to carefully assess whether each CGU (or group of CGUs) is significant and, if so, to ensure that each of the disclosure requirements are met.

Matters for consideration by management, Directors, and Audit Committees
Management, Directors, and Audit Committees should ensure that:

(a) the VIU calculations are based on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset, and

(b) future cash flows are estimated for the asset in its current condition and exclude cash flows from future restructurings and cash flows from improving or enhancing the asset's performance.

Management, Directors, and Audit Committees should consider the disclosure requirements of IAS 36.134(a) – 134(f).

2.3 Cash flow statements in the absence of cash balances

IAASA has examined a small number of issuers which have recognised assets but have no bank accounts or cash inflows/cash outflows. These issuers' cash and bank arrangements are carried out by another entity or party, for example, an arranger. IAASA noted that these issuers have presented a cash flow statement in their financial statements.

IAASA engaged with these issuers to determine whether or not:

(a) it was appropriate for these issuers to present cash flow statements given they did not have a bank account or any cash inflows and cash outflows,

(b) the issuers in question were directing another entity to act as its agent to collect its cash inflows and pay cash outflows on its behalf, and

(c) these issuers were acting as principals, rather than agents, in the underlying transactions.

IAASA has examined issuers' legal agreements with other entities or parties that manage the issuers' cash flows. Where the issuer can demonstrate that it is in control of the process, directs another entity to make payments or accept cash receipts, and acts as a principal, IAASA considers it appropriate for the issuer to present these cash flows in its cash flow statement.

Matters for consideration by management, Directors, and Audit Committees
Management, Directors, and Audit Committees of issuers who do not have a bank account should ensure that the issuer has the relevant legal agreements in place to ensure that it can control and direct its cash flow process when presenting the cash flow statement.

2.4 IFRS 8 *Operating Segments* – entity wide disclosures

IFRS 8 requires certain entity-wide disclosures to be provided. These entity-wide disclosures are required irrespective of whether an issuer reports one or multiple operating segments. Paragraphs 31 to 34 of IFRS 8 set out disclosure requirements relating to products and services, geographical areas and major customers.

IAASA continues to identify instances where issuers did not provide all of the disclosures required by these paragraphs.

Issuers are reminded to carefully consider the requirements of each of paragraphs 31 to 34. While a particular disclosure requirement may not be applicable in a specific set of circumstances, this does not, of itself, mean that the remaining requirements within these paragraphs do not apply. Issuers should ensure that all applicable entity-wide disclosures are provided.

Matters for consideration by management, Directors, and Audit Committees
Management, Directors, and Audit Committees should carefully assess each of the disclosure requirements in IFRS 8.31 to 34. The fact that one disclosure requirement may not be applicable does not remove the obligation to consider and provide the remaining applicable disclosures.

2.5 IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

IAS 37 sets out the requirements for the recognition and measurement of restructuring provisions.

Restructuring provisions are an area involving significant management judgement. In particular, careful assessment is required in determining the point at which a restructuring gives rise to a present obligation and in identifying those costs that qualify for inclusion in a provision.

A restructuring provision should be recognised only when the requirements of IAS 37 are met. In particular, a constructive obligation arises only when an issuer has both a detailed formal restructuring plan and has raised a valid expectation among those affected that the restructuring will be carried out, either by commencing implementation of the plan or by communicating its principal features to those affected.

Issuers should provide transparent and entity-specific disclosures about the restructuring programme, including the nature of the activities undertaken, the principal categories of costs recognised within the provision and the significant judgements applied in determining that the recognition criteria in IAS 37 have been met. Such disclosures assist users in understanding the financial impact of the restructuring.

The determination of amounts included in a restructuring provision also requires particular attention. Only expenditures that arise directly from the restructuring and are necessarily entailed by it and are not associated with the ongoing activities of the entity, are eligible for inclusion in a restructuring provision.

Employee termination benefits arising as part of a restructuring programme are accounted for in accordance with IAS 19 *Employee Benefits*. When accounting for such benefits, issuers should carefully assess the requirements of IAS 19, including the appropriate recognition, classification and measurement of the benefits.

Issuers should also consider whether broader financial reporting implications arise from restructuring activities, including the application of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* where the restructuring involves the disposal, planned disposal or closure of a significant component of the business.

Matters for consideration by management, Directors, and Audit Committees
Management, Directors, and Audit Committees should carefully evaluate the basis for recognising restructuring provisions, including the existence of a constructive obligation, the costs included in the provision and the appropriateness of related disclosures.

2.6 IFRS developments

A summary of new and amended IFRS Accounting Standards with effective dates from 2026 are set out below.

Pronouncement	Date issued	EU endorsed?	EU effective date
Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	30 May 2024	✔	1 Jan 2026
Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	18 Dec 2024	✔	1 Jan 2026
Annual Improvements Volume 11	18 Jul 2025	✔	1 Jan 2026
IFRS 18 *Presentation and Disclosure in Financial Statements*	9 Apr 2024	✔	1 Jan 2027
IFRS 19 *Subsidiaries without Public Accountability: Disclosures*	9 May 2024	✘	
Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*	21 Aug 2025	✘	
Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates: Translation to a Hyperinflationary Presentation Currency*	13 Nov 2025	✘	
IFRS 20 *Regulatory Assets and Regulatory Liabilities*	27 May 2026	✘	

Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7

The amendments to IFRS 9 and IFRS 7 for the classification and measurement of financial instruments, effective from 1 January 2026, include:

- clarifications on the determination of the date of recognition and derecognition of financial assets and liabilities, particularly for financial liabilities settled through electronic payment systems
- introduction of an accounting policy option to derecognise financial liabilities before the settlement date if specified criteria are met

- additional guidance on the classification of financial assets with environmental, social, and corporate governance (ESG) features, addressing how these features impact measurement.

- Disclosure requirements for financial instruments with contingent features and equity instruments classified at fair value through other comprehensive income

These amendments aim to enhance the consistency and clarity of the classification and measurement requirements in financial reporting.

The adoption of these amendments has the potential to impact a broad range of entities and such entities may need to change their existing accounting practices for derecognition of financial assets such as trade receivables and recognition of cash received via modes of payments such as electronic transfers, cheques or debit/credit cards.

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

The IASB issued these narrow scope amendments to IFRS 9 and IFRS 7 to improve accounting and disclosure for contracts referencing nature-dependent electricity, effective for annual periods beginning 1 January 2026. The amendments apply exclusively to contracts referencing nature-dependent electricity, which are contracts where the electricity generation depends on uncontrollable natural conditions, such as wind or solar power. This includes both physical and virtual power purchase agreements (PPAs) and financial instruments linked to such electricity. Contracts outside this scope, such as those for biofuel-generated electricity or renewable energy certificates (RECs), are not covered.

The amendments clarify the application of the own-use requirements to such contracts and circumstances in which unused electricity must be sold. They also permit qualifying contracts to be used in hedge accounting, including the designation of a variable volume of forecast electricity as the hedged item, and introduce targeted disclosures about the effects of these contracts on financial performance and cash flows as well as the nature and extent of related risks.

Annual Improvements Volume 11

The IASB's annual improvements project provides a mechanism for dealing with non-urgent but necessary amendments to IFRSs. The main objective of the annual improvements project is to enhance the quality of IFRSs, by amending existing IFRSs to clarify guidance and wording, or to correct for relatively minor unintended consequences, conflicts or omissions.

IFRS 18 *Presentation and Disclosure in Financial Statements*

IFRS 18, issued by the IASB in April 2024 and effective for reporting periods beginning on or after 1 January 2027, replaces IAS 1 *Presentation of Financial Statements* (albeit with some requirements retained or moved to IAS 8 and IFRS 7) and introduces new presentation and disclosure requirements, the more significant being new profit-or-loss subtotals, five income/expense categories, and mandatory disclosures for management-defined performance measures (MPMs).

IFRS 18:

- introduces five categories for classifying income and expenses, viz. operating, investing, financing, income taxes, and discontinued operations

- mandates that entities present two new subtotals - operating profit or loss, and profit or loss before financing and income taxes

- requires disclosure of MPMs – subtotals used in public communications but not defined in IFRS – which must be disclosed in a single note and must include reconciliations to IFRS-defined subtotals.

IFRS 18 specifies rules for when items must be aggregated or separately disclosed.

IFRS 18 applies retrospectively. Accordingly, entities applying the Standard from 1 January 2027 will need to present 2026 comparative information on an IFRS 18 basis. The Standard also applies to 2027 half-yearly financial reports. Entities should assess at an early stage whether systems, processes and data capture need to be adapted for implementation.

In the year of initial application, entities will also need to provide a reconciliation between amounts presented under IAS 1 and the corresponding amounts presented under IFRS 18.

Related amendments and implementation considerations

- IAS 7 *Statement of Cash Flows* is amended to require operating profit or loss as the starting point for the indirect method. The amendments also standardise the classification of interest and dividends, with different requirements applying to entities for which investing in assets or providing financing to customers is a main business activity.

- IAS 8 has been renamed *Basis of Preparation of Financial Statements*. Certain requirements previously contained in IAS 1 have moved to IAS 8, including requirements relating to fair presentation, going concern, the accrual basis of accounting, accounting policies, judgements and sources of estimation uncertainty.

- IAS 33 *Earnings per Share* has been amended by the introduction of restrictions on the numerators used for additional earnings-per-share amounts and links relevant measures to the IFRS 18 requirements for MPMs.

- IAS 34 requires MPM information to be provided in interim financial reports.

- The IASB issued targeted *Amendments to the Fair Value Option for Investments in Associates and Joint Ventures* concerning the interaction between IAS 28 and IFRS 18. The amendments clarify the circumstances in which entities may elect to measure investments in associates or joint ventures using the IAS 28 fair value option.

IFRS 19 *Subsidiaries without Public Accountability: Disclosures* and Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

IFRS 19, issued by the IASB in May 2024, is designed for subsidiaries without public accountability. Its main objective is to reduce the disclosure burden for these entities while ensuring that financial statements remain useful for users. Subject to EU endorsement, this Standard is effective for annual reporting periods on or after 1 January 2027, with earlier application permitted.

A subsidiary may elect to apply IFRS 19 if it meets a number of conditions, namely:

- it is a subsidiary, including intermediate parents, as defined in IFRS 10 *Consolidated Financial Statements*

- it does not have public accountability (i.e., its equity or debt instruments are not publicly traded, it is not in the process of issuing such instruments, and it does not hold assets in a fiduciary capacity for a broad group of stakeholders)

- its parent undertaking prepares consolidated financial statements available for public use that comply with IFRS.

Eligible subsidiaries can apply IFRS 19 in their consolidated, separate, or individual financial statements, including both annual and interim reporting.

IFRS 19 allows subsidiaries to apply all the recognition, measurement, and presentation requirements of other IFRS standards but replace the detailed disclosure requirements with simplified disclosures as set out in IFRS 19.

The amendments to IFRS 19 issued in August 2025 are designed to assist eligible subsidiaries by reducing disclosure requirements for IFRSs and amendments issued between February 2021 and May 2024, including IFRS 18 *Presentation and Disclosure in Financial Statements*.

Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates: Translation to a Hyperinflationary Presentation Currency*

The amendments to IAS 21, effective for annual periods beginning on or after 1 January 2027, address translation issues when an entity's presentation currency is hyperinflationary. The IASB amendments clarify that when translating financial statements from a non-hyperinflationary functional currency into a hyperinflationary presentation currency, all amounts, including comparatives, should be translated using the closing rate at the latest reporting date.

IFRS 20 *Regulatory Assets and Regulatory Liabilities*

IFRS 20, issued by the IASB in May 2026 and with an IASB effective date of 1 January 2029, will affect entities subject to rate regulation, which determines how much they can charge customers and when they can charge them. Entities that supply services such as electricity, water and gas are often subject to this type of regulation.

If there is a difference between when an entity supplies regulatory goods and services and when it charges customers for those goods and services under a regulatory agreement, the revenue reported by applying IFRS 15 *Revenue from Contracts with Customers* may not fully reflect the entity's performance for the period. IFRS 20 refers to this as a 'difference in timing'.

The key principle of IFRS 20 is that an entity should recognise the total allowed compensation for regulatory goods or services in the same reporting period in which the entity supplies those regulatory goods or services. IFRS 20 requires entities to account for the effects of differences in timing in their financial statements by recognising regulatory assets and regulatory liabilities and the resulting regulatory income and regulatory expense.

IFRS 20 replaces IFRS 14 *Regulatory Deferral Accounts* which allowed a first-time adopter to continue applying its previous accounting policies for the recognition and measurement of regulatory deferral accounts on first-time adoption of IFRS.

Matters for consideration by management, Directors, and Audit Committees
Management, Directors, and Audit Committees should assess the impact of these financial reporting changes - particularly both IFRS 18 which has universal application and Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 – and plan for their adoption.

3 Sustainability reporting

During 2026, IAASA continued to examine sustainability statements and observed developing reporting practices among issuers. These included refined approaches to the presentation of impacts, risks and opportunities (IROs), the use of appendices and cross-references, links to strategy and disclosures relating to targets and transition pathways.

IAASA observed that a number of issuers refined their double materiality assessments, streamlined the presentation of impacts, risks and opportunities (IROs), enhanced connectivity between sustainability matters and strategy, and improved the integration of sustainability reporting within the broader annual report. Other issuers availed of reliefs available under the European Commission's quick-fix amendments, resulting in changes in the nature and extent of certain sustainability disclosures.

IAASA observed that some issuers restated sustainability information reported in previous statements. Such restatements arose for a variety of reasons, including:

- acquisitions and disposals;
- refinements to methodologies;
- replacement of estimates with actual data; and
- corrections of prior-period errors.

Issuers are reminded that where comparative sustainability information is restated, the nature of the restatement and its effect on previously reported information should be clearly disclosed. Transparent disclosure enhances user understanding and supports comparability between periods.

For most issuers, 2026 will be the third year of reporting under sustainability reporting standards. However, 2026 is also a transitional year in terms of the standards issuers may use to prepare their sustainability statements.

Article 2(1) of the Commission Delegated Regulation (i.e., the Commission Delegated Regulation and its annexes), including ESRS Set 2, was issued on 3 July 2026 and is undergoing scrutiny by the European Parliament and the Council. The Regulation will enter into force only when published in the Official Journal of the European Union. Article 2(1) permits issuers to prepare their sustainability statements based on:

(a) ESRS Set 1 (i.e., the original ESRSs) as amended by the quick-fix delegated act [Commission Delegated Regulation (EU) 2025/1416], or

(b) ESRS Set 2 (i.e., the revised ESRSs), or

(c) ESRS Set 1 as amended by the quick-fix delegated act and with those reliefs from ESRS Set 2 which are listed in Article 2(1)(b) of the Commission Delegated Regulation.

Affected issuers should be transparent about the version of the ESRS they have used to prepare their sustainability statement, as required by Article 2(2) of the Commission Delegated Regulation.

Should an issuer choose to report under ESRS Set 1 and avail of the ESRS Set 2 reliefs, it must not apply Set 2 reliefs which are not included in the list in Article 2(1)(b).

IAASA reminds issuers that sustainability statements should remain entity-specific, balanced and clearly linked to the matters identified through the issuer's double materiality assessment. Particular attention should be given to the consistency of disclosures relating to impacts, risks and opportunities, policies, actions and targets, and to the connectivity between sustainability reporting and the financial statements.

IAASA will continue to examine sustainability statements. It is IAASA's expectation that issuers will use the experience gained from prior years and from the sustainability statements of other issuers in preparing their sustainability statements for 2026.

Matters for consideration by management, Directors, and Audit Committees

Management, Directors, and Audit Committees should:

(a) explicitly state which version of the ESRSs have been applied in 2026,

(b) ensure that policies, actions, targets and metrics are clearly linked to material impacts, risks and opportunities,

(c) critically assess the quality and robustness of the double materiality assessment and clearly disclose annual refresh activities,

(d) provide transparent explanations of changes to material topics, IROs, targets and methodologies,

(e) ensure that restatements are clearly identified and explained, and

(f) consider the connectivity between sustainability disclosures and the financial statements.

Appendix: Corporate reporting publications

Readers may find it helpful to refer to other IAASA corporate reporting publications, available on the IAASA website, including:

Observations paper	Observations on selected financial reporting issues – years ending on or after 31 December 2025 (September 2025)
Financial reporting decisions	Financial reporting decision (June 2025) Financial reporting decision (June 2025) Financial reporting decision (April 2025) Financial reporting decision (March 2025)
Corrective public notices	Corrective public notice (March 2026) Corrective public notice (January 2026)
Thematics	Observations on wave 1 CSRD reporting (December 2025)
Other publications	Outcome of financial statement examinations completed in 2025 (February 2026) Financial reporting supervision activities 2025 & 2024 (April 2026)
Annual reports	2025 Annual Report (June 2026) 2024 Annual Report (June 2025)

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