AcSB
Accounting Standards Board

ASAF July 2025

Segment Reporting

The views expressed in this presentation are those of the presenter, not necessarily those of the AcSB.

Agenda

Overview of the IFRS 8 requirements

IFRS 8 PIR and subsequent amendments

FASB amendments

Examples of current practice in Canada

Feedback from Canadian users

Feedback from preparers and practitioners

Questions

Overview – IFRS 8

Background – Operating Segments

- IFRS 8, *Operating Segments* has been in effect since January 1, 2009 (and since adoption of IFRS in Canada in 2011)
- Applicable only for listed entities

Core principle

An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which is engages and economic environments in which it operates.

Determining operating segments

"Management approach"

Step 1: Identify the Chief Operating Decision Maker (CODM)

Identifies a function, not necessarily an individual with a specific title	Function is to allocate resources and assess performance of the operating segments

Step 2: Identify operating segments (2 criteria)

1) Engages in business activities from which is may earn revenue and incur expenses	2) Operating results are regularly reviewed by the CODM to make resource allocation decisions and assess its performance.

Step 3: Determine reportable segments

Reportable segments are operating segments, or can be aggregated operating segments when specified criteria are met	See next slide for aggregation criteria

AcSB

Reportable segments (continued)

What are the criteria for when an operating segment can be aggregated for reporting?

- Aggregation is consistent with core principles of the standard;
- The segments have similar economic characteristics; and
- Segments are similar in each of the following areas: nature of products and services, nature of production processes, type/class of customer, methods to distribute products and/or provide services, and regulatory environment (as relevant)

What about quantitatively-material segments?

- Segments, or aggregated segments when the criteria are met, <u>must be reported separately</u> if:
  - its reported revenue (including intersegment sales) is 10% or more of combined revenue;
  - its absolute reported profit/loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; or
  - its assets are 10% or more of the combined assets of all operating segments.

AcSB

Disclosures required: General information

- Factors used to determine reportable segments, including whether segments are based on products and services, geographical areas, regulatory environments or a combination of factors
- Judgments made by management in applying the aggregation criteria, including a description of the segments that have been aggregated
- Types of products/services from which the reportable segment derives revenue
- An explanation that enables users to understand the basis on which segmental information is measured, such as the basis of accounting for transactions between entities

Required quantitative information

For each reportable segment:

- A measure of profit or loss
- A measure of total assets, if provided to CODM
- A measure of total liabilities, if provided to the CODM

Management approach:

- Should reflect the information reported to the CODM
- May be different than information in the primary financial statements

The following amounts for each reportable segment, if included in the measure of profit or loss:

- Revenue from external customers
- Revenue from transactions with other operating segments
- Interest revenue
- Interest expense
- Depreciation and amortization
- Interest in the profit/loss of associates and JVs
- Income tax expense/income
- Material non-cash items
- Other material items reported in the statement of profit/loss

The following reconciliations:

- Total of reportable segments' revenue to the entity's revenue
- Total of the reportable segments' measure of profit/loss to the entity's profit and loss
- Total of the reportable segments' assets (if disclosed) to total asset of the entity, and the same for total liabilities
- The total of the reportable segment amounts for every other material item disclosed

Disclosure must include identification and descriptions of all reconciling items

AcSB

IFRS 8 – Post-implementation review

IFRS 8 Post-implementation Review

- The IASB conducted a post-implementation review of IFRS 8 in 2012-2013
- The purpose of a PIR is to assess whether a new standard is working as intended and achieved its objectives.
- The PIR of IFRS 8 concluded that the standard was generally functioning as anticipated.
- However, PIR respondents (including users) did raise concerns about the standard.

IFRS 8 PIR – User feedback

- ✓ Some investors like having audited information based on management's view – enables better integration across all reporting (e.g. management commentary and other presentations)
- ✗ Segments are being improperly aggregated. Users are wary of a process based on management's view - allows management to obscure results or mask loss-making segments.
- ✗ Some users would prefer geographical segmentation be a separate, required disclosure
- ✗ The CODM approach makes comparison across entities difficult – both in the segments reported and metrics included. Non-IFRS metrics used may lack understandability.
- ✗ Changes in the basis of segmentation year-over-year results in the loss of trend information

Annual Improvements 2010-2012

In April 2011, the IASB received request to make improvements to IFRS 8 with the application of the aggregation criteria and the identification of the CODM

Resulted in a minor amendment to IFRS 8 to provide additional disclosure describing the operating segments that have been aggregated and the economic indicators that have been assessed to determine the operating segments that have similar economic characteristics

Amendments did not result in noticeable changes in practice

IFRIC Agenda Decision on Operating Segments (2024)

Disclosure Requirements: Entities must disclose specified amounts related to segment profit or loss for each reportable segment as per paragraph 23 of IFRS 8. These amounts must be disclosed if they are reviewed by the chief operating decision maker (CODM) or regularly provided to the CODM.

Aggregation of Information: Entities must ensure material information is not obscured by immaterial information. Aggregation should consider the nature or function of material items.

Material Items of Income and Expense: Paragraph 23(f) of IFRS 8 requires disclosure of material items of income and expense in accordance with paragraph 97 of IAS 1.

Judgment in Disclosure: Entities apply judgment to determine what information is material and should be disclosed for each reportable segment. The core principle of IFRS 8 is to enable users to evaluate the nature and financial effects of business activities and economic environments.

AcSB

US GAAP recent amendments

In 2023, the FASB published improvements to disclosures around reportable segments

Amendments require disclosure of:

Significant segment expenses that are provided to the CODM to be included in the segment measure	Amount for other segment items by segment (difference between segment revenue less significant expenses disclosed) and a description of its composition	Require all segment information to be included in interim financial statements	The title and position of the CODM and how the CODM uses the reported measure(s) in assessing segment performance and deciding how to allocate resources

AcSB

Current Practice in Canada

Examples in practice

- The following slides provide a few excerpts of segment disclosures provided by Canadian entities reporting under IFRS
- The excerpts are taken from a variety of industries to demonstrate the nature of disclosure across sectors and variation within sectors.

Excerpt 1: Food/pharmaceutical retailer

Note 33. Segment Information

The Company has two reportable operating segments, with all material operations carried out in Canada:

- The Retail segment consists primarily of corporate and franchise-owned retail food and Associate-owned drug stores, and includes in-store pharmacies, health care services, other health and beauty products, apparel and other general merchandise. This segment is comprised of several operating segments that are aggregated primarily due to similarities in the nature of products and services offered for sale in the retail operations and the customer base; and
- The Financial Services segment provides credit card and everyday banking services, the *PC Optimum* loyalty program, insurance brokerage services, and telecommunication services.

The Company's chief operating decision maker evaluates segment performance on the basis of adjusted operating income before depreciation and amortization ("adjusted EBITDA"), as reported to internal management, on a periodic basis.

	2023					2022				
(millions of Canadian dollars)	**Retail**	**Financial Services**	**Total Segment Measure**	**Elimi-nations[i]**	**Total**	Retail	Financial Services	Total Segment Measure	Elimi-nations[i]	Total
Revenue[ii]	**$58,345**	**$1,540**	**$59,885**	**$ (356)**	**$59,529**	$55,492	$1,338	$56,830	$ (326)	$56,504
Operating income	$ 3,500	$ 204	$ 3,704	$ —	$ 3,704	$ 3,260	$ 82	$ 3,342	$ —	$ 3,342
Net interest expense and other financing charges	660	143	803	—	803	599	84	683	—	683
Earnings before income taxes	**$ 2,840**	**$ 61**	**$ 2,901**	**$ —**	**$ 2,901**	$ 2,661	$ (2)	$ 2,659	$ —	$ 2,659
Operating income	**$ 3,500**	**$ 204**	**$ 3,704**	**$ —**	**$ 3,704**	$ 3,260	$ 82	$ 3,342	$ —	$ 3,342
Depreciation and amortization	**2,848**	**58**	**2,906**			2,746	49	2,795		
Adjusting items[iii]	**13**	**24**	**37**			(67)	111	44		
Adjusted EBITDA[iii]	**$ 6,361**	**$ 286**	**$ 6,647**			$ 5,939	$ 242	$ 6,181		

Excerpt 2: Food/pharmaceutical retailer

Determination of the aggregation of operating segments

The Corporation uses judgment in determining the aggregation of business segments. The operating segment comprises the food operations segment and the pharmaceutical operations segment. The Corporation has aggregated these two business segments due to the similar nature of their goods and services and similar economic characteristics: operations are carried on primarily in Québec and Ontario and are therefore subject to the same regulatory environment and competitive and economic market pressures, use the same product distribution methods and serve the same customers.

AcSB

Excerpt 3: Financial institution

(Millions of Canadian dollars)	Personal Banking (1)	Commercial Banking (1)	Wealth Management (1)	Insurance	Capital Markets (1), (2)	Corporate Support (2)	Total	Canada	United States	Other International
	For the year ended October 31, 2024									
Net interest income (3)	$ 12,438	$ 6,061	$ 4,979	$ –	$ 3,183	$ 1,292	$ 27,953	$ 22,281	$ 4,268	$ 1,404
Non-interest income	4,904	1,321	14,647	1,224	8,829	(1,534)	29,391	13,566	10,766	5,059
Total revenue	17,342	7,382	19,626	1,224	12,012	(242)	57,344	35,847	15,034	6,463
Provision for credit losses	1,802	975	29	2	424	–	3,232	2,876	276	80
Non-interest expense	7,485	2,512	15,312	285	7,016	1,640	34,250	17,321	12,553	4,376
Net income (loss) before income taxes	8,055	3,895	4,285	937	4,572	(1,882)	19,862	15,650	2,205	2,007
Income taxes (recoveries)	2,134	1,077	863	208	(1)	(659)	3,622	4,384	(675)	(87)
Net income	**$ 5,921**	**$ 2,818**	**$ 3,422**	**$ 729**	**$ 4,573**	**$ (1,223)**	**$ 16,240**	**$ 11,266**	**$ 2,880**	**$ 2,094**
Non-interest expense includes:										
Depreciation and amortization	$ 1,105	$ 62	$ 1,223	$ 6	$ 528	$ (11)	$ 2,913	$ 1,747	$ 846	$ 320
Impairment of other intangibles	21	–	23	2	22	–	68	44	22	2
Total assets	**$ 555,029**	**$ 187,142**	**$ 184,503**	**$ 29,288**	**$ 1,127,661**	**$ 87,959**	**$ 2,171,582**	**$ 1,205,561**	**$ 615,747**	**$ 350,274**
Total assets include:										
Additions to premises and equipment and intangibles	$ 2,274	$ 740	$ 887	$ 11	$ 494	$ 680	$ 5,086	$ 4,005	$ 769	$ 312
Total liabilities	**$ 554,970**	**$ 187,135**	**$ 183,055**	**$ 29,158**	**$ 1,127,564**	**$ (37,492)**	**$ 2,044,390**			

AcSB

Excerpt 4: Investment management

AS AT AND FOR THE YEAR ENDED DEC. 31, 2023 (MILLIONS)	Asset Management	Insurance Solutions[2]	Renewable Power and Transition	Infrastructure	Private Equity	Real Estate	Corporate Activities	Total Segments
External revenues	$ 10,219	n/a	$ 5,310	$ 18,234	$ 55,683	$ 6,169	$ 309	$ 95,924
Inter-segment and other revenues[1]	4,820	n/a	—	6	56	35	32	4,949
Segmented revenues	15,039	n/a	5,310	18,240	55,739	6,204	341	100,873
DE	3,135	740	n/a	n/a	n/a	n/a	n/a	n/a
FFO[1]	n/a	n/a	418	653	1,876	n/a	(463)	n/a
NOI	n/a	n/a	n/a	n/a	n/a	3,616	n/a	n/a
Common Equity	19,484	6,144	4,887	2,537	3,291	22,413	(17,082)	41,674

Excerpt 5: Commercial REIT

25. Segmented information

As at December 31, 2023, the Trust has one reportable segment, which comprises the development, ownership, management and operation of investment properties located in Canada. In measuring performance, the Trust does not distinguish or group its operations on a geographical or any other basis and, accordingly, has a single reportable segment for disclosure purposes.

AcSB

Excerpt 6: Office REIT

IFRS 8, *Operating Segments*, requires reportable segments to be determined based on internal reports that are regularly reviewed by the chief operating decision maker ("CODM") for the purpose of allocating resources to the segment and assessing its performance. Allied has determined that its CODM is the Chief Executive Officer. Allied's operating segments are managed by use of properties and cities. The urban office properties are managed by geographic location consisting of four groups of cities.

YEAR ENDED DECEMBER 31, 2024	MONTRÉAL & OTTAWA	TORONTO & KITCHENER	CALGARY & EDMONTON (1)	VANCOUVER	JOINT VENTURE (THE TELUS SKY PARTNERSHIP) (2)	TOTAL
Rental revenue	$214,625	$285,189	$38,550	$61,392	$(7,716)	$592,040
Property operating costs	(111,271)	(113,670)	(22,515)	(21,349)	5,239	(263,566)
Operating income	**$103,354**	**$171,519**	**$16,035**	**$40,043**	**$(2,477)**	**$328,474**
Interest income						45,069
Interest expense						(116,467)
General and administrative expenses						(24,333)
Condominium marketing expenses						(134)
Amortization of other assets						(1,538)
Transaction costs						(1,722)
Net income from joint venture						1,842
Fair value loss on investment properties and investment properties held for sale						(557,569)
Fair value gain on Exchangeable LP Units						35,782
Fair value loss on derivative instruments						(13,675)
Impairment of residential inventory						(38,259)
Net loss from continuing operations						**$(342,530)**

(1) *Includes Allied's proportionate share of revenue and expenses of its investment in the TELUS Sky Partnership.*
(2) *This is an adjustment to remove the impact of the TELUS Sky Partnership joint venture from the Calgary and Edmonton results, to arrive at the equity method of accounting.*

AcSB

Excerpt 7: Mining Company

In order to determine reportable operating segments, management reviews various factors, including geographical location and managerial structure. It was determined by management that a reportable operating segment generally consists of an individual mining property managed by a single general manager and management team.

	Operating segments						Non-operating segments[a]		
Year ended December 31, 2024	Tasiast	Paracatu	La Coipa	Fort Knox[b]	Round Mountain	Bald Mountain	Great Bear	Corporate and other[c]	Total
Revenue									
Metal sales	$ 1,456.5	1,258.9	573.3	912.5	506.8	438.2	-	2.6	$ 5,148.8
Cost of sales									
Production cost of sales	415.4	548.6	231.3	452.5	328.3	220.3	-	0.7	2,197.1
Depreciation, depletion and amortization	357.1	189.3	118.3	140.9	193.2	143.0	0.5	5.2	1,147.5
Reversal of impairment charge	-	-	-	-	(74.1)	-	-	-	(74.1)
Total cost of sales	772.5	737.9	349.6	593.4	447.4	363.3	0.5	5.9	3,270.5
Gross profit (loss)	$ 684.0	521.0	223.7	319.1	59.4	74.9	(0.5)	(3.3)	$ 1,878.3
Other operating (income) expense	(21.6)	7.5	9.6	0.5	(9.7)	0.9	6.2	20.6	14.0
Exploration and business development	9.6	7.9	3.3	11.6	54.1	6.0	37.1	68.2	197.8
General and administrative	-	-	-	-	-	-	-	126.2	126.2
Operating earnings (loss)	$ 696.0	505.6	210.8	307.0	15.0	68.0	(43.8)	(218.3)	$ 1,540.3
Other income - net									14.3
Finance income									18.2
Finance expense									(91.4)
Earnings before tax									$ 1,481.4
Capital expenditures for the year ended December 31, 2024[d]	$ 377.4	142.0	74.9	332.6	143.1	59.4	103.9	12.8	$ 1,246.1

Note: Staff note that many mining companies similarly present segments by property. Geographic information is also provided.

AcSB

User feedback

User Feedback

Segment reporting was discussed with the AcSB's User Advisory Committee (UAC) at its February 2025 meeting.

UAC members were asked:

- issues they experience with existing segment disclosures; and
- feedback on how segment disclosures could be improved to provide more useful information.

Overall, feedback was mixed. Many UAC members had concerns with current disclosures, but not all.

Users Concerns with IFRS 8

The CODM concept

- Provides too much flexibility.
- Doesn't work in a modern context when CODMs have access to different info/data. There is less reliance on traditional "reporting packages".
- CODM view may not align to what users find useful.

AcSB

Users Concerns with IFRS 8 (continued)

Is the standard the problem, or is it bad application?

- Decisions about segment disclosures are made by Finance department – CODM is often not involved.
- Entities may change segments year-to-year to achieve more favorable disclosures.
- Segments disclosures outside the F/S may not align F/S disclosures. Often more granular information provided outside the F/S.

User concerns with IFRS 8 (continued)

Other concerns/comments

- Too easy for entities to have one segment
- More granularity is helpful in current AI world (i.e. there are more tools available to help users analyze/ aggregate as they see fit)
- However, granular disclosures may cause concerns of competitive/sensitive info for some entities
- Segment disclosures aren't being updated for business changes

Potential Improvements- User recommendations

Replace CODM approach with an alternative model

- Consider other approaches based on factors such as executive compensation, capital allocation or investor needs
- CODM could be one consideration, but not the only one
- More input from an entity’s Board to avoid potential bias from CODM or finance team

Focus on what must be disaggregated vs. what can be aggregated

- May better ensure key segments are disclosed separately

Require disclosure around geographic segments and/or product/service lines

- Current standard does include some disclosures, but they are not required if it would be too costly

Potential Improvements- User Recommendations (continued)

Requiring longer-term trend information when segments change

- Users need more than 1 year of comparative information when segments change
- May be a barrier to companies changing segments – which could be good and bad

More rigor/detail around information disclosed for each segment

- Examples of information that would be useful include cash flows, capex, common equity as well as more granular income/expense information for all entities

AcSB

Preparer and practitioner feedback

Preparer and practitioner feedback

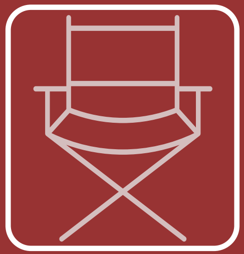
Outreach was conducted in May 2025 with several preparers and practitioners with experience across a variety of industries.

Consulted individuals were asked:

- any issues they experience in practice with existing segment disclosures requirements; and
- opportunities and recommendations for improvement to IFRS 8.

Overall, while some feedback suggested IFRS 8 is working effectively, individuals raised a variety of concerns and opportunities for improvement.

Preparer/practitioner concerns with IFRS 8



The CODM concept

- Similar feedback to users – concept is challenging in modern environment.
- Reporting package is often high level with detailed information available as needed.
- Some entities change internal reporting to achieve desired external reporting outcomes.
- Requires judgment, which can be difficult to audit.

Preparer/practitioner concerns with IFRS 8 (continued)

Segment changes

- In practice, it is common for entities to change segment disclosures – sometimes every 2-3 years.
- Preparing comparative information for new segments can be very challenging and costly.
  - Identifying inter-segment transactions is a key concern.
- Restructuring can happen in stages. Can be challenging to identify when segments should change.
- CODM typically focuses on comparisons to budget/plan, not prior year(s) / trends

Preparer/practitioner concerns with IFRS 8 (continued)

Interaction with other standards

- Concerns with how segment disclosures interact with other standards. For example, segment revenue disclosure requirements and IFRS 15, and goodwill impairment/CGSs.
- Interaction between segment measures and IFRS 18 requirements around MPMs a key concern for many. (See Notes from the AcSB's IFRS Discussion Group discussion of this topic in May 2025).

AcSB

Preparer/practitioner concerns with IFRS 8 (continued)

Commercial sensitivity

- Preparers expressed concerns about commercial sensitivity for some segmented information
- Certain key metrics, such as gross profit, can be commercially sensitive
- Management may also be sensitive to disaggregating certain segments depending on where they are in their life cycle. For example, newer investments

Preparer/practitioner concerns with IFRS 8 (continued)

Consistency and comparability of information

- **Lack of comparability/consistency within industries/sectors**.
  - For example, for REITs, segments can be based on geography, property type, customer, etc.
- **Inconsistent information between financial statements and management reporting.**
  - Management uses reporting outside the financial statement to present information without the parameters of IFRS 8. Management reporting can be less aggregated, more aggregated, or cut differently from F/S disclosures.

Preparer/practitioner concerns with IFRS 8 (continued)

Practitioners and preparers highlighted the following areas that require significant judgments and/or where application of the requirements is challenging:

Aggregation

- Applying aggregation criteria can be challenging
- Some concerns whether quantitative thresholds are meaningful

Allocation of shared costs

- Not done well and/or can be challenging to audit.
- Many entities are matrix-style and/or have significant shared costs

Allowable segment measures

- Some entities are unable to disclose important segment metrics because they don’t fit standard requirements

Line items to be included

- Unclear what needs to be disclosed for other/corporate segment(s).
- IFRIC Agenda Decision from July 2024 is impractical and inconsistent with core CODM approach.

Potential improvements

Overall, feedback suggested that core aspects of IFRS 8 are working as intended, but additional guidance would be helpful for certain areas:

Clarifications on CODM approach

- For example, additional guidance on topics like determining what is reviewed by the CODM and how to determine the CODM in some instances
- Standard could include additional indicators to guide judgments, such as management compensation or disclosures outside the F/S

Guidance on changes in segments

- For example, guidance on how to determine if cost to develop comparative information would be viewed as “excessive”.

AcSB

Potential improvements (continued)

Introduce more flexibility around segment measures

- This would address concerns around important metrics that don't fit within the parameters of the standard
- Could still align with management approach

Enhance the guidance in the standard on line items required

- Replace IFRIC AD with standard setting
- Recent US GAAP changes were viewed as helpful

Consider segments implications for all standard-setting projects

- To be addressed on a go forward basis developing new disclosure requirements on various projects.
- Can also consider whether changes are needed to existing requirements (e.g. IFRS 15) to clarify interactions.

AcSB

Feedback on segmented cash flow information

Most individuals consulted did not support mandated disclosure of cash flow information.

- Working capital is very challenging to produce at a segmented level.
- Information may not be very meaningful or can be open to manipulation (e.g. inter-segment transfers by management).

If a cash flow measure is required, it should be entity specific.

- One approach may be to disclose segment cash flows if it is something the CODM reviews (like segment assets currently under IFRS 8)

Some entities do currently present cash flow information for segments.

- Cash generated by segments key information for some users – particularly for investment entities where users are focused on cash/dividend generation.

Questions?