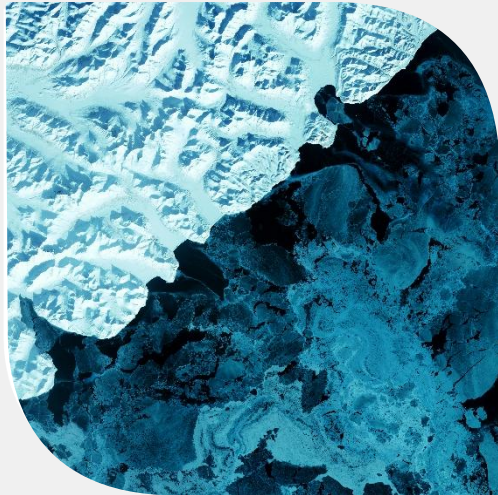


Climate-related and Other Uncertainties in the Financial Statements – Proposed illustrative examples

Feedback to respondents – EFRAG Final Comment Letter

March 2025



This Feedback Statement has been compiled by the EFRAG Secretariat to summarise the main comments received by EFRAG on its draft comment letter and explain how those comments were considered by EFRAG during its technical discussions leading to the publication of its final comment letter. The content of this Feedback Statement does not constitute any form of advice or opinion and does not represent the official views of EFRAG or any individual member of the EFRAG FRB or EFRAG FR TEG.

Summary of contents

Introduction.....	2
Objective of this feedback statement.....	2
Background to the ED.....	2
EFRAG’s draft comment letter	3
Comments received from respondents.....	3
EFRAG’s final comment letter.....	3
ED Question 1 – Providing illustrative examples	5
ED Question 2 – Approach to developing illustrative examples.....	9
ED Question 3 – Other comments.....	15
Appendix: List of respondents.....	17

Introduction

Objective of this feedback statement

EFRAG published its [final comment letter](#) on the Exposure Draft [Climate-related and Other Uncertainties in the Financial Statements – Proposed illustrative examples](#) issued by the IASB on 31 July 2024 (the ‘ED’), open for comment until 28 November 2024. This feedback statement summarises the main comments received by EFRAG on its draft comment letter and explains how those comments

were considered by EFRAG during its technical discussions leading to the publication of EFRAG’s final comment letter on 28 November 2024.

Background to the ED

In March 2023, the International Accounting Standards Board (IASB) added to its work plan a project to explore targeted actions to improve the reporting of the effects of climate-related risks in the financial statements. The IASB decided to work on this project because of a strong demand from respondents to its Third Agenda Consultation conducted in 2021. These respondents were concerned that information about the effects of climate-related risks in the financial statements was insufficient or appeared to be inconsistent with information entities provide outside the financial statements, particularly information reported in other general purpose financial reports.

In September 2023, after outreach to stakeholders on the nature and causes of concerns related to the reporting on climate-related risks in the financial statements, the IASB decided to respond to stakeholders’ concerns by, inter alia, exploring developing possible illustrative examples. The IASB also decided to broaden the project’s objective to cover climate-related and other uncertainties in the financial statements. Based on further outreaches¹ conducted in September 2023–March 2024, in April 2024 the IASB tentatively decided:

- (a) to provide examples to illustrate how an entity applies IFRS Accounting Standards to report the effects of climate-related and other uncertainties in its financial statements;
- (b) to include the examples as illustrative examples that would accompany IFRS Accounting Standards; and

¹ The IASB’s outreaches included the following meetings: Capital Markets Advisory Committee in October 2023, Global Preparers Forum in November 2023, IFRS Interpretations Committee in November 2023, and Accounting Standards Advisory Forum in December 2023 and March 2024.

- (c) to publish an Exposure Draft to obtain feedback from stakeholders about the examples within a 120-day comment period.

Further details are available on the IASB’s [website](#).

EFRAG’s draft comment letter

EFRAG published a [draft comment letter](#) (‘DCL’) on the proposals on 20 September 2024. In its draft comment letter, EFRAG considered the ED’s examples to be a helpful guide for the application of IFRS Accounting Standards in addition to existing IASB educational material. However, EFRAG considered that those examples should only be seen as an initial step in addressing stakeholders’ expectations and suggested that the IASB consider developing other examples and undertaking standard-setting activity where justified. In addition, EFRAG supported the suggested vehicle for the examples (i.e. as illustrative examples accompanying IFRS Accounting Standards).

The letter also reiterated the importance of a focus on connectivity and for work to be done to clarify the boundaries between the information within and outside the financial statements and other reports. This could be done by including illustrative examples that better show the connectivity of information, developing a sustainability reporting conceptual framework, and updating the *Conceptual Framework for Financial Reporting* to encompass connectivity.

Comments received from respondents

EFRAG received and considered 13 comment letters from respondents². These comment letters are available on EFRAG’s [website](#).

A summary of the respondents’ comments can be found below for each ED question.

² The term ‘respondent(s)’ is used for comment letters received.

Term*	No. of entities as a %
Almost all	90% - 99%
Most	76% - 90%
Majority	51% - 75%
Many	24% - 49%
Some, a few	0% - 23%

* The above percentages are based on either the total number of respondents or the number of respondents to each question.

In addition, EFRAG performed the following outreach activities:

- (a) OIC-EY conference on connectivity between financial reporting and sustainability reporting held in Milan on 14 October 2024. EFRAG representatives shared EFRAG’s positions on the IASB ED on climate-related and other uncertainties in the financial statements;
- (b) Accountancy Europe meeting held on 29 October 2024;
- (c) EFRAG User Panel meeting held on 29 October 2024;
- (d) EFRAG IAWG meeting held on 13 November 2024; and
- (e) AFRAC-EFRAG-IASB joint event on international developments in financial and non-financial reporting held on 18 November 2024. The ED was one of the topics addressed at the event.

The outreach feedback from participants³ is incorporated below.

EFRAG’s final comment letter

EFRAG issued its [final comment letter](#) (‘FCL’) on 28 November 2024.

³ The term ‘participant(s)’ is used for feedback received from outreach events.

EFRAG considered that the ED’s proposed examples would complement existing IASB educational material in helping to improve the reporting, auditing, supervision and enforcement of climate-related and other uncertainties in the financial statements. EFRAG also supported these examples being included as illustrative examples accompanying IFRS Accounting Standards.

Overall, EFRAG considered the ED to be a pragmatic initial step towards addressing stakeholder expectations and suggested that the IASB finalise and issue the ED’s examples as soon as possible after taking into account EFRAG’s suggested targeted improvements and clarifying the interpretation of paragraph 125 of IAS 1 *Presentation of Financial Statements*⁴ through standard setting. As a further step after issuing the ED’s examples, EFRAG suggested that the IASB consider undertaking standard-setting activity under limited circumstances wherever justified. The IASB should also consider developing other examples including those related to non-climate-related uncertainties as well as recognition, measurement and presentation examples.

EFRAG also suggested further steps to foster the connectivity of reported information and clarify the boundaries between the information within and outside the financial statements, i.e. within the Annual Report. Among other things, this could be done by the IASB and ISSB jointly developing connectivity-related illustrative examples.

⁴ Paragraph 125 of IAS 1 states: ‘An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

- (a) their nature; and
- (b) their carrying amount as at the end of the reporting period.’

EFRAG’s tentative views expressed in the draft comment letter and respondents’ comments

ED Question 1 – Providing illustrative examples

Proposals in the ED

The IASB proposed to provide eight examples illustrating how an entity applies the requirements in IFRS Accounting Standards to report the effects of climate-related and other uncertainties in its financial statements. The IASB expects the examples will help to improve the reporting of these effects in the financial statements, including by helping to strengthen connections between an entity’s general purpose financial reports.

The IASB proposed to include the examples as illustrative examples accompanying IFRS Accounting Standards instead of publishing them as educational materials or including them in the Standards.

EFRAG’s tentative position

In its draft comment letter, EFRAG considered the ED’s examples to be seen as a pragmatic initial step and that further actions were needed to meet the project objectives from a financial reporting perspective. However, EFRAG’s DCL included concerns from some stakeholders about some possible unintended consequences arising from the illustrative examples, including that they may lead to increased disclosures by entities in a manner that obscures other material information already disclosed. These stakeholders also pointed to the risk of users double counting information that may be already disclosed outside the financial statements.

EFRAG’s response to respondents’ comments

EFRAG’s final position

Whether providing examples would help improve reporting in the financial statements

Based on the discussions at the EFRAG FR and EFRAG SR TEG joint meeting and EFRAG FRB and EFRAG SRB joint meeting, to ensure clarity and a positive tone in EFRAG’s overall position the EFRAG FCL did not include the concerns raised by some stakeholders that were included in EFRAG’s DCL about the ED’s examples potentially obscuring other material information and leading to users double counting the information within and outside the financial statements. These concerns were not raised in the feedback to EFRAG’s DCL and it was considered that these concerns made EFRAG’s position ambiguous and too negative. Hence, the FCL emphasised EFRAG’s overall support for the illustrative examples and encouraged the IASB to finalise and issue these illustrative examples as soon as possible, taking into account the related suggestions for improvement.

In the discussions at the EFRAG FR and EFRAG SR TEG joint meeting and EFRAG FRB and EFRAG SRB joint meeting, there were mixed views on whether to retain paragraph BC49. Hence, based on these discussions and stakeholders’ feedback, EFRAG suggested rewording paragraph BC49 of the ED to indicate that entities should implement any changes to their reporting as soon as possible considering the examples as guidance. EFRAG conveyed that when considering these examples, certain preparers may have to change their current reporting practices, and this would require time to implement.

Whether illustrative examples should accompany IFRS Accounting Standards

Based on the support from the majority of comment letter respondents and outreach participants as well as discussions at the EFRAG FR and EFRAG SR TEG

EFRAG’s tentative views expressed in the draft comment letter and respondents’ comments

In addition, EFRAG was concerned that the wording in paragraph BC49⁵ of the ED may give the impression that entities would take a long time to provide information guided by the examples in the ED albeit no amendments are being made to IFRS Accounting Standards. Relatedly, EFRAG posed a question to constituents on whether they were aware of any obstacles towards immediately applying the guidance provided by the illustrative examples.

Furthermore, EFRAG supported the IASB’s proposals on the vehicle for illustrative examples, i.e. including the examples as illustrative examples accompanying IFRS Accounting Standards.

In addition to the ED’s objectives, EFRAG considered that there should be a greater focus on connectivity and recommended that the IASB and ISSB jointly and more formally focus on addressing the connectivity of reported information, including developing connectivity-related illustrative examples. EFRAG also recommended the development of a sustainability reporting conceptual framework and updating the *Conceptual Framework for Financial Reporting* to encompass connectivity.

Comment letter and outreach feedback

Comment letter feedback

Whether providing examples would help improve reporting in the financial statements

All the respondents supported or welcomed the illustrative examples as a first step. This is because these examples are a form of education for stakeholders, and

EFRAG’s response to respondents’ comments

joint meeting and EFRAG FRB and EFRAG SRB joint meeting, EFRAG maintained its initial position of supporting the proposed vehicle for the examples (i.e. as illustrative examples accompanying IFRS Accounting Standards), as these examples would still be useful for stakeholders, including preparers and auditors.

EFRAG considered the concerns raised by some respondents about the illustrative examples not being endorsed in the EU. However, at the EFRAG FR TEG and EFRAG SR TEG joint meeting, it was noted that these examples will have implied authority derived from the endorsed IFRS Accounting Standards. Furthermore, several IFRS Accounting Standards have accompanying illustrative examples (e.g. IFRS 15 *Revenue from Contracts with Customers*, IFRS 16 *Leases*, IFRS 17 *Insurance Contracts*).

Other comments (connectivity-related)

Based on respondents’ feedback, EFRAG retained most of the DCL recommendations related to connectivity and boundaries of information within and outside the financial statements. However, EFRAG recommended that the IASB include an explicit, overarching principle related to connectivity in IAS 1 (IFRS 18 *Presentation and Disclosure in Financial Statements*) replacing the EFRAG DCL’s suggestion for the updating of the *Conceptual Framework for Financial Reporting* to include connectivity.

Reorganisation of content in Q1 response

Relative to the DCL, the FCL was reorganised by placing EFRAG’s connectivity-related recommendations after the responses to the IASB’s explicit questions on changes in reporting practices and the vehicle for the examples.

⁵ Paragraph BC49 of the ED states: ‘The IASB expects entities to be entitled to sufficient time to implement any changes to the information disclosed in their financial statements as a result of the issuance of the illustrative examples. Determining how much time is sufficient is a matter of judgement that depends on an entity’s particular facts and circumstances. Nonetheless, an entity would be expected to implement any change on a timely basis.’

EFRAG’s tentative views expressed in the draft comment letter and respondents’ comments

they would help strengthen connectivity between information within and outside of the financial statements and enhance the quality of information disclosed.

In relation to the implementation timeframe expressed in paragraph BC49 of the ED, some respondents suggested that this paragraph be deleted and that there was no need for specific transition rules or an effective date, as the examples illustrate the application of current requirements. Moreover, the respondents to EFRAG’s question to constituents did not reveal any barriers to entities immediately considering these examples as guidance while preparing financial statements.

Whether illustrative examples should accompany IFRS Accounting Standards

The majority of respondents supported illustrative examples accompanying IFRS Accounting Standards because it will allow a timelier delivery of guidance material compared to their inclusion in the standards. It also allows for more contextual details to be included in the examples than would be the case if they were within specific standards.

However, many respondents who provided feedback did not agree with or questioned having the illustrative examples accompanying the IFRS Accounting Standards because they would not be endorsed in the EU and therefore might not affect practice as warranted. Many of these respondents suggested that the IASB include the examples in the IFRS Accounting Standards, e.g. in an Appendix, so they would be endorsed in the EU.

Some of the respondents agreed with the IASB to publish the illustrative examples in the form of a single document in order to enable stakeholders to have an overview of the project and identify the connections between the examples.

EFRAG’s response to respondents’ comments

Other comments (connectivity-related)

Many respondents agreed with EFRAG’s DCL recommendation that the IASB and ISSB should jointly and more formally address connectivity and develop related examples.

Moreover, respondents expressed mixed views with respect to the DCL’s recommendation for connectivity requirements within IFRS Accounting Standards, with a few suggesting including an overarching principle addressing the concepts of consistency, coherence and connectivity in IAS 1 (IFRS 18). Respondents also expressed mixed views in relation to the recommendation to develop a sustainability reporting conceptual framework.

Some respondents also indicated that clarifying the boundaries of both sets of information within and outside the financial statements was key to connecting the different reporting elements and avoiding duplicative reporting requirements.

Outreach feedback

Outreach participants generally agreed with the illustrative examples being an initial step to addressing concerns related to reporting climate-related uncertainties in the financial statements. Some outreach participants, however, questioned where to draw a line on the number of examples.

On the proposed vehicle for the illustrative examples, one outreach participant suggested that the IASB consider publishing an IFRS Practice Statement to explain the approach it considers that an entity could take when looking at its risks, i.e. being more principle-based.

EFRAG’s tentative views expressed in the draft comment letter and respondents’ comments

EFRAG’s response to respondents’ comments

ED Question 2 – Approach to developing illustrative examples

Proposals in the ED

Examples 1–8 mostly focus on climate-related uncertainties, but the principles and requirements illustrated apply equally to other types of uncertainties.

EFRAG’s tentative position

General comments on the examples

In its DCL, EFRAG welcomed the eight illustrative examples in the ED covering a range of disclosures related to general and specific IFRS Accounting Standards requirements. EFRAG agreed that the topics addressed by these examples include the main areas where climate-related and other long-term uncertainties would be expected to be reflected in the financial statements but where challenges could be currently arising. Furthermore, EFRAG made some general suggestions, including that the IASB consider providing additional examples of recognition and measurement requirements as well as adding variants to some of the examples using their basic fact patterns. EFRAG also suggested that examples specifically for small and medium-sized enterprises (SMEs) would be useful.

Moreover, EFRAG noted that the illustrative examples make generic reference to the information in other general purpose financial reports and that the analysis of whether to disclose is circumscribed to the application of IFRS accounting requirements. EFRAG suggested that more specificity about the information that could be disclosed in sustainability reports and/or other sections of the management report/management commentary would help make the guidance within these examples more realistic and helpful for stakeholders.

EFRAG made additional recommendations on including additional examples about other uncertainties, an example on net-zero commitment disclosures, additional guidance on sources of climate-related assumptions and input, and a caveat

EFRAG’s final position

General comments on the examples

Based on the discussions at the EFRAG FR TEG and EFRAG SR TEG meeting and EFRAG FRB and EFRAG SRB joint meeting, EFRAG also suggested a prioritisation of IASB actions whereby the IASB completes and publishes the ED’s proposed examples as soon as possible and only thereafter develops additional examples and undertakes standard-setting activity where needed. However, as an exception to the recommendation to only undertake standard-setting activity later, and to avoid having to change the fact pattern of Example 4 so that the example is not misconstrued as an interpretation, in the FCL EFRAG encouraged the IASB to finalise the illustrative examples as soon as possible and, in parallel, to clarify the interpretation of paragraph 125 of IAS 1 (related to disclosures of sources of estimation uncertainty) through standard-setting activity to facilitate the finalisation of all the ED examples.

Moreover, based on the feedback to its DCL, EFRAG suggested that the IASB make it clear that the proposed examples (including Examples 6 and 7) can be relevant for entities operating across sectors. Additionally, EFRAG did not include the DCL’s suggestion for the IASB to develop a specific illustrative example for SMEs. Instead, EFRAG recommended that the ED’s examples be considered through the lens of the requirements of IFRS for SMEs. There was no evidence that the underlying issues addressed in the ED’s illustrative examples would necessitate separate illustrative examples for SMEs.

Specific comments on the ED examples

Based on stakeholders’ feedback and the discussions at the EFRAG FR TEG and EFRAG SR TEG joint meeting as well as the EFRAG FRB and EFRAG SRB joint meeting, no changes were made in EFRAG’s responses on Examples 4 and 5.

EFRAG’s tentative views expressed in the draft comment letter and respondents’ comments

clarifying that the purpose of the ED is to illustrate only some of the most relevant disclosure requirements in IFRS Accounting Standards that are applicable to the illustrated fact patterns.

Specific comments on the ED examples

EFRAG provided the following specific comments on the ED’s proposed examples.

- Examples 1 and 2 – Materiality judgements and the disclosure of additional information (IAS 1/IFRS 18): EFRAG supported these examples albeit considering Example 1 more useful than Example 2, as it showed that entities should explain why there is no disclosure when users would expect that to be the case. EFRAG suggested that Example 2 be used as a variant of Example 1. EFRAG further noted concerns surrounding non-exposure statements.
- Example 3 – Disclosure of assumptions: specific requirements (IAS 36): EFRAG supported the example and suggested including the disclosure of key assumptions on the discount rate.
- Example 4 – Disclosure of assumptions: general requirements (IAS 1 / IAS 8): EFRAG noted the multiple stakeholder interpretations of the time horizon requirements of paragraph 125 of IAS 1 relating to disclosures of sources of estimation uncertainty. EFRAG considered that clarification of IFRS requirements should not be done through examples. A question was

EFRAG’s response to respondents’ comments

EFRAG’s DCL positions and drafting for the rest of the examples (1,2,3,6,7 and 8) were mostly retained except for the following changes.

- Examples 1 and 2 – Based on respondents’ feedback and views expressed at the joint meetings, the FCL’s drafting ensured EFRAG’s support for non-exposure disclosures was not decoupled from EFRAG’s acknowledgement of stakeholder concerns about these disclosures (e.g. might obscure material information). Relatedly, based on the discussion at the joint meetings, EFRAG highlighted the call from stakeholders for the IASB to add additional commentary in the ED examples on when non-exposure disclosures would be necessary to avoid the impression that these disclosures are a general requirement under IFRS Accounting Standards. Finally, an example related to transition plans was referred to in EFRAG’s recommendation for the IASB to add an example where an entity has to disclose the information it deems material for investors.
- Example 3 – Based on comment letter respondents’ feedback, EFRAG’s FCL noted that although paragraph BC34(a)⁹ of the ED explains that the example illustrated disclosures about potential future increases in the scope of greenhouse gas emissions regulations, it was not clear whether that refers to the scope of existing regulations or expected new regulations.
- Example 4 – Based on the comment letter respondents’ feedback, EFRAG’s FCL suggested that the IASB clarify the interpretation of

⁹ Paragraph BC34(a) of the ED states that ‘The IASB developed Examples 3, 6 and 7 to illustrate specific requirements in IFRS Accounting Standards that require entities to disclose information about assumptions. These examples illustrate areas of accounting that are among the most relevant to reporting the effects of climate-related and other uncertainties, specifically impairment of financial and non-financial assets and provisions. In particular: (a) Example 3 illustrates the disclosure of assumptions about the costs of acquiring allowances for greenhouse gas emissions in measuring the recoverable amount of a cash-generating unit. Stakeholders said that entities operating in various industries are subject to greenhouse gas emissions regulations and that information about the assumptions used in estimating the related costs is often material. The example also illustrates the disclosure of an entity’s assumptions about potential future increases in the scope of these regulations. Those are among the assumptions an entity might have to make in estimating future cash flows to measure the recoverable amount of an asset (or cash-generating unit).’

EFRAG’s tentative views expressed in the draft comment letter and respondents’ comments

posed to constituents on whether standard-setting activity would be needed to clarify the requirements of paragraph 125 of IAS 1.

- Example 5 – Disclosure of assumptions: additional disclosures (IAS 1 / IFRS 18): EFRAG suggested improvements to this example due to its unrealistic fact pattern.
- Example 6 – Disclosure about credit risk (IFRS 7): EFRAG supported the example but also noted the risk of providing boilerplate disclosures due to data availability limitations. EFRAG also suggested the IASB develop a similar example tailored to insurance entities’ circumstances.
- Example 7 – Disclosure about decommissioning and restoration provisions (IAS 37): EFRAG supported the example considering that the proposed disclosures applying paragraph 85 of IAS 37 would provide useful information on decommissioning and site restoration costs. EFRAG also suggested disclosing the undiscounted amounts of future costs as the carrying amount of long-term provisions discounted in their present value may be immaterial.
- Example 8 – Disclosure of disaggregated information (IFRS 18): EFRAG supported the example and suggested ways of better illustrating the disaggregation in the income statement while showing connectivity and without conflicting or adding to the IAS 16 *Property, Plant, and Equipment* disclosure requirements.

Comment letter and outreach feedback

Comment letter feedback

Respondents generally agreed with the position expressed in the EFRAG DCL and supported the IASB approach to developing illustrative examples.

Many comment letter respondents noted that the ED’s examples focused excessively on disclosures and suggested several areas where climate matters

EFRAG’s response to respondents’ comments

paragraph 125 of IAS 1 through standard setting activity and not through examples.

- Example 6 – Based on the comment letter respondents’ feedback, the FCL suggested that the examples include quantitative information with respect to the collateral, as per paragraph 35K of IFRS 7, which relates to disclosures enabling users of financial statements to understand the effect of collateral and other credit enhancements on the amounts arising from expected credit losses. The FCL also did not include the EFRAG DCL’s suggestion for the IASB to provide an additional example tailored to insurance entities’ circumstances. Instead, as noted in the general comments on this question, EFRAG suggested that the IASB make it clear that all the ED examples would also be relevant for entities across all sectors.
- Example 7 – Based on the comment letter respondents’ feedback, the EFRAG FCL suggested that the IASB disentangle recognition and measurement considerations from disclosure considerations and clarify whether the disclosures are based on paragraph 85 of IAS 37 or paragraph 125 of IAS 1. In addition, based on the discussion at the EFRAG FR TEG and EFRAG SR TEG joint meeting, EFRAG suggested that the proposed disclosures applying paragraph 85 of IAS 37 would also provide useful information on decommissioning and site restoration costs if the entity considers a reasonably possible change in one of the key assumptions used to measure the provision.
- Example 8 – Based on the comment letter respondents’ feedback, the EFRAG FCL included a suggestion for the IASB to consider explaining why IFRS 18 disclosure requirements, but not its presentation requirements, were addressed by the example.

EFRAG’s tentative views expressed in the draft comment letter and respondents’ comments

could affect the recognition, measurement and presentation of assets, liabilities, revenue, expenses and cash flow.

Some respondents indicated that the IASB should include more examples to address other long-term uncertainties in the financial statements (e.g. social aspects).

Many respondents agreed with EFRAG’s DCL position to either include a general caveat or a systematic footnote in each example to flag that only some, and not all, requirements within a standard are covered.

In general, most respondents agreed with EFRAG’s position on the various examples, and below are specific points from both the comment letters received and the outreaches.

- Examples 1 and 2: Many respondents cautioned that non-exposure statements should be applicable only in very rare circumstances rather than being a general requirement under IFRS Accounting Standards and asked for clarification on when such confirmations would (not) be necessary. Moreover, many respondents affirmed the need for a better articulation of paragraph BC32⁶ of the ED on the interaction between the illustrative Examples 1 and 2 and ISSB Standards.
- Example 3 – A few respondents considered that it is not clear whether the example refers to the scope of existing regulations or expected new regulations. They suggested expanding the example to illustrate in more detail how the entity incorporates its expectations and makes

EFRAG’s response to respondents’ comments

Reorganisation of content in Q 2 response

Unlike EFRAG’s DCL, in the FCL, the general comments in the response to Question 2 were ordered according to EFRAG’s suggested prioritisation of IASB actions (i.e. steps to finalise the ED examples first, and then possible next steps for the IASB after finalising the ED examples). EFRAG’s comments on the interaction of Examples 1 and 2 with paragraph BC32 of the ED were included in the response to these examples instead of Question 3, as was the case in EFRAG’s DCL.

⁶ Paragraph BC32 of the ED states: ‘Examples 1 and 2 assume that the entity does not apply IFRS Sustainability Disclosure Standards. If those Standards were applied, the entity would be required to disclose in its sustainability-related financial disclosures information about the effects of climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period.’

EFRAG’s tentative views expressed in the draft comment letter and respondents’ comments

EFRAG’s response to respondents’ comments

judgements about expected future climate-related regulations, including how anticipated regulations are factored into value-in-use calculations.

- Example 4 – The majority of respondents, including the respondents to EFRAG’s question to constituents, suggested that there were doubts about the appropriate application of paragraph 125 of IAS 1 in practice and suggested that the IASB clarify the application of paragraph 125 of IAS 1 through standard-setting activities and not through examples.
- Example 6 – A few respondents suggested specifying the inclusion of quantitative information with respect to the collateral in paragraph 6.4(c) of the ED⁷ (e.g. the fair value of the collateral, the restrictions to its disposal and quantification of those restrictions).
- Example 7 – A majority of respondents supported the example. A few respondents also suggested distinguishing between aspects in the fact pattern that relate to recognition and/or measurement and the disclosures. In addition, some respondents considered it unclear whether the factors considered in the conclusion include the uncertainty of timing, the materiality of the gross obligation and/or qualitative factors such as users’ awareness of the entity’s exposure.
- Example 8 – The majority of respondents suggested that there was a need to clarify how the disaggregation in this example interacted with the disaggregation at an asset class level required by paragraph 73⁸ of IAS 16.

⁷ Paragraph 6.4(c) of the ED states: ‘information about collateral held as security and other credit enhancements, including information about properties held as collateral that are subject to flood risk and whether that risk is insured.’

⁸ Paragraph 73 of IAS 16 states: ‘The financial statements shall disclose, for each class of property, plant and equipment ...’

EFRAG’s tentative views expressed in the draft comment letter and respondents’ comments

EFRAG’s response to respondents’ comments

Outreach feedback

Example 4: Outreach participants also confirmed the diversity in interpretation of paragraph 125 of IAS 1 in practice.

Example 6: Some outreach participants disagreed with EFRAG DCL’s suggestion for the IASB to tailor this example to also reflect insurance entities’ circumstances. However, a few participants considered information on the effects of climate risk on insurance liabilities in the financial statements to be useful.

Example 7: Some outreach participants expressed concern that for every provision that is long-term and therefore small in quantitative terms, when discounting to present value, there would be a need for additional disclosures on the time horizon even though there are no significant changes to the time estimates.

EFRAG’s tentative views expressed in the draft comment letter and respondents’ comments

ED Question 3 – Other comments

EFRAG’s tentative position

In its draft comment letter (DCL), EFRAG highlighted that future standard-setting activities may be necessary in relation to both specific IFRS Accounting Standards and general IFRS Accounting Requirements (i.e. paragraph 31¹⁰ of IAS 1 and paragraph 125 of IAS 1). EFRAG also noted problems arising from voluntary guidance in specific IFRS Accounting Standards and recommended the deletion of all voluntary paragraphs in IFRS Accounting Standards.

In addition, EFRAG called for a clearer articulation between the IFRS Accounting Standards’ proposed illustrative examples and disclosures under sustainability reporting requirements, including ISSB Standards and ESRS, and recommended that the IASB clarify conceptual questions surrounding other uncertainties.

Comment letter and outreach feedback

Comment letter feedback: Many respondents agreed with EFRAG’s position in the DCL that future standard setting may be needed in relation to specific IFRS Accounting Standards and provided specific references (i.e. IAS 12 *Income Taxes*, IAS 36 *Impairment of Assets*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, IAS 38 *Intangible Assets*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 9 *Financial Instruments*, IFRS 13 *Fair Value Measurement*, and the accounting for pollutant pricing mechanisms).

EFRAG’s response to respondents’ comments

EFRAG’s final position

Based on stakeholders’ feedback, in its FCL EFRAG was more specific on the areas where standard-setting activity may be necessary in respect of general and specific IFRS Accounting Standards (i.e. IAS 1, IAS 36, IAS 37, IAS 38, IFRS 7, IFRS 9, IFRS 13, and the accounting for pollutant pricing mechanisms). Moreover, as noted earlier, based on the discussions and agreement at the EFRAG FR and EFRAG SR TEG joint meeting and EFRAG FRB and EFRAG SRB joint meeting, EFRAG recommended that the IASB clarify the interpretation of paragraph 125 of IAS 1 through standard setting in parallel with finalising the first set of illustrative examples and that standard-setting activity on IAS 36 and IAS 38 be prioritised.

In addition, based on the comment letter respondents’ feedback, EFRAG’s FCL did not include the DCL’s suggested deletion of all voluntary guidance in IFRS Accounting Standards. Instead, EFRAG noted the mixed views expressed on this aspect and suggested that a case-by-case analysis was needed prior to the removal of any voluntary paragraph in IFRS Accounting Standards. In this regard, EFRAG suggested that the IASB undertake narrow-scope standard setting to remove paragraph 132 of IAS 36 (which is voluntary) or make it mandatory.

Finally, EFRAG’s FCL included several editorial suggestions made by comment letter respondents.

¹⁰ Paragraph 31 of IAS 1 states: ‘Some IFRSs specify information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material. This is the case even if the IFRS contains a list of specific requirements or describes them as minimum requirements. An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance.’

EFRAG’s tentative views expressed in the draft comment letter and respondents’ comments

In addition, mixed views were expressed with respect to the DCL’s suggested deletion of voluntary disclosures in IFRS Accounting Standards. Some respondents considered that they should either be made mandatory or deleted. A respondent considered them beneficial if applied consistently.

Moreover, some respondents made editorial suggestions in relation to either all the illustrative examples (e.g. to align the wording in the examples with that in IFRS Accounting Standards) or to specific examples.

Outreach feedback: Some outreach participants questioned what was meant by ‘other uncertainties’ being encompassed by the project, indicating that the term was too broad.

EFRAG’s response to respondents’ comments

Reorganisation of content

As noted in Question 2, EFRAG’s comments on the interaction of Examples 1 and 2 with paragraph BC32 of the ED were included in the response to these examples instead of Question 3, as was the case in EFRAG’s DCL.

Appendix: List of respondents

Table 1: List of respondents

Name of respondent¹¹	Country	Type / Category
Accountancy Europe	Europe	Professional Organisation
Accounting Standards Committee of Germany (ASCG)	Germany	National Standard Setter
Autorité des Normes Comptables (ANC)	France	National Standard Setter
Austrian Financial Reporting and Auditing Committee (AFRAC)	Austria	National Standard Setter
Dutch Accounting Standards Board (DASB)	Netherlands	National Standard Setter
El Instituto de Contabilidad y Auditoría de Cuentas (ICAC)	Spain	National Standard Setter
European Federation of Financial Analysts Societies (EFFAS)	Europe	User Organisation
European Savings and Retail Banking Group (ESBG)	Europe	Preparer Organisation
European Securities and Markets Authority (ESMA)	Europe	Regulator/Enforcer
German Insurance Association (GDV)	Germany	Preparer Organisation
Ludwig-Maximilians-Universität München (LMU)	Germany	Academic
Norwegian Accounting Standards Board (NASB)	Norway	National Standard Setter
Organismo Italiano di Contabilità (OIC)	Italy	National Standard Setter

¹¹ Respondents whose comment letters were considered by the EFRAG FRB before finalisation of the comment letter.