
Accounting Standards Advisory Forum meeting

Date	September 2024
Project	Climate-related and Other Uncertainties in the Financial Statements
Topic	Proposed illustrative examples
Contacts	Karen Robson (karen.robson@ifrs.org) Gustavo Olinda (golinda@ifrs.org)

This paper has been prepared for discussion at a public meeting of the Accounting Standards Advisory Forum (ASAF). This paper does not represent the views of the International Accounting Standards Board (IASB) or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB[®] *Update*.

Purpose of this session

In July 2024, the IASB published the Exposure Draft *Climate-related and Other Uncertainties in the Financial Statements*. The Exposure Draft proposes eight examples illustrating how an entity applies the requirements in IFRS Accounting Standards to report the effects of climate-related and other uncertainties in the financial statements.

The purpose of this session is:

- a) to provide an overview of the Exposure Draft; and
- b) to ask ASAF members for preliminary feedback (see questions on slide 22).

Contents

1

Background

2

Approach to developing illustrative examples

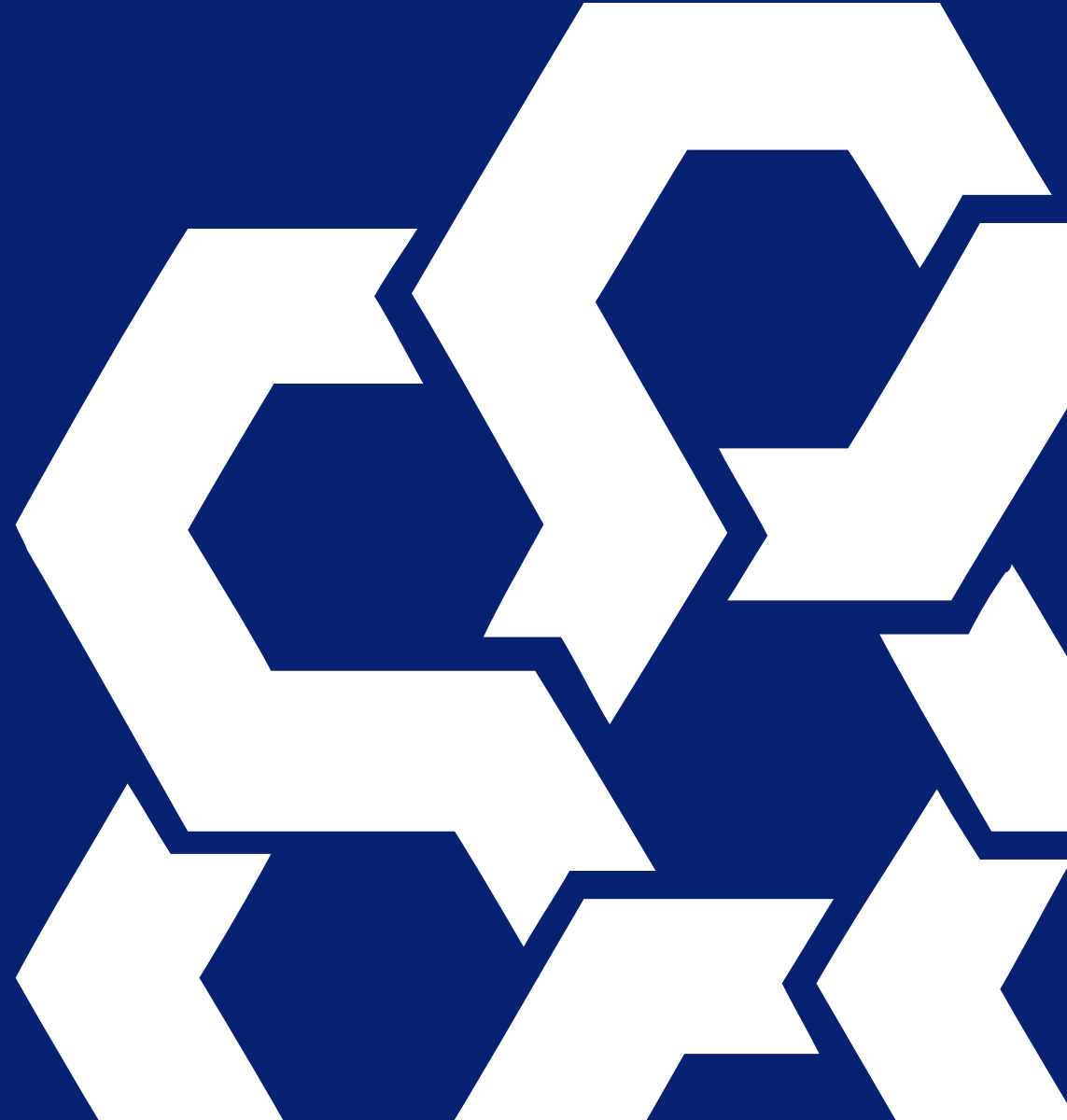
3

Proposed illustrative examples

4

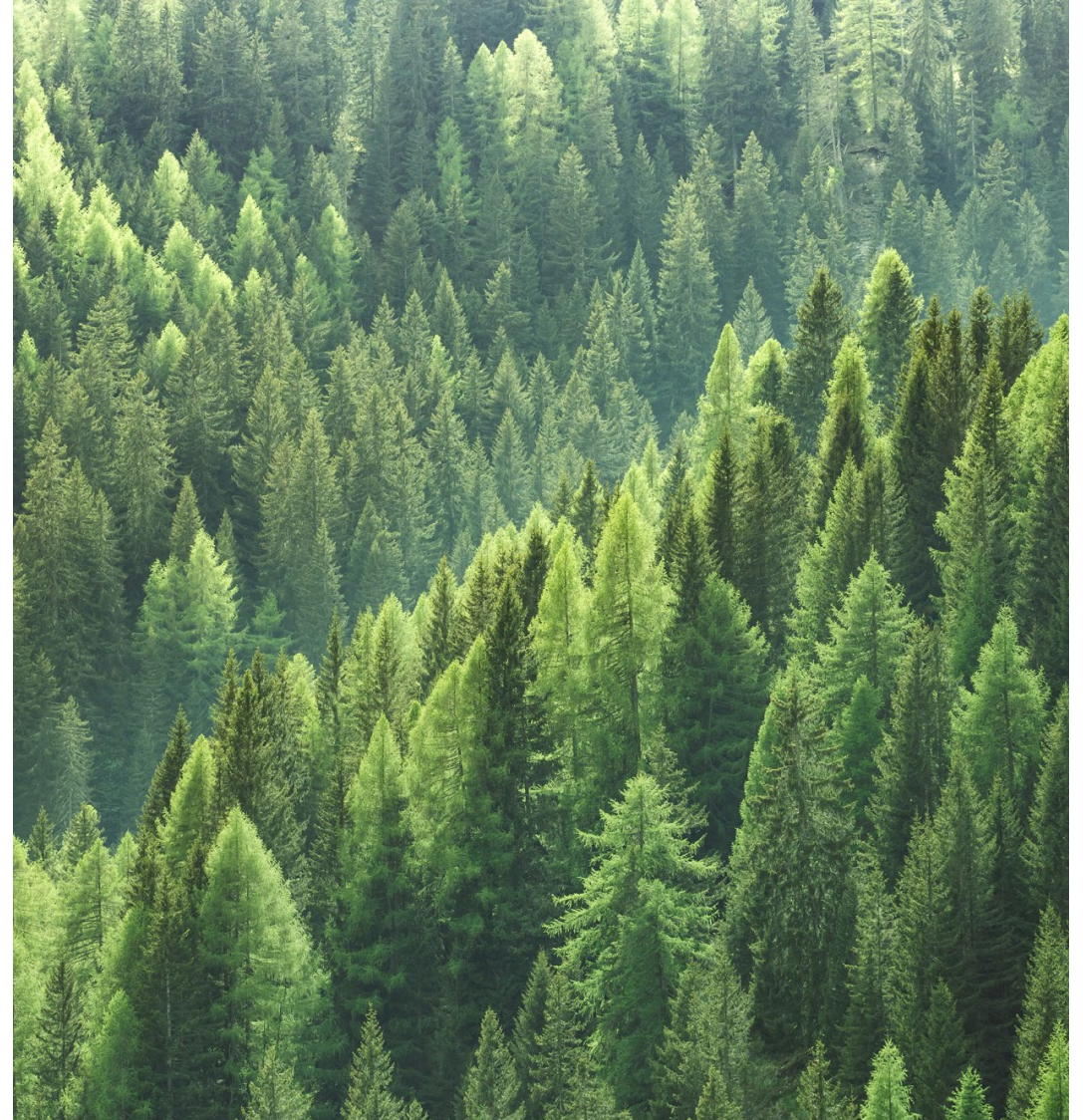
Questions

Background



Objective of the project

Explore **targeted actions** to improve the reporting of the effects of **climate-related and other uncertainties** in the financial statements



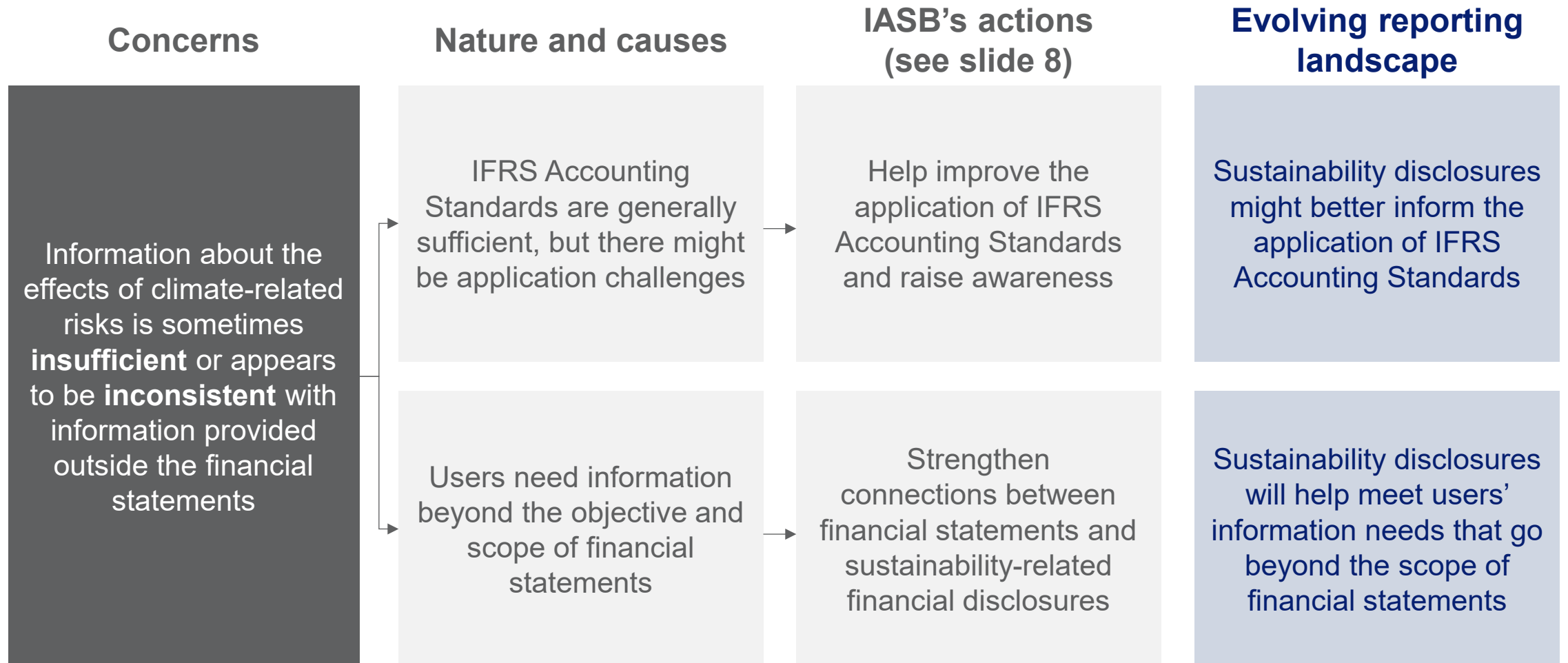
Generalising the project objective



The project objective was **generalised to cover climate-related and other uncertainties** because:

- IFRS Accounting Standards are principle-based
- generalising the objective ensures that various types of uncertainties are captured as they emerge
- it might not be possible to separately identify the effects of climate-related uncertainties

Findings from research and actions



Main actions to improve reporting



Improve the application of IFRS Accounting Standards

- **Exposure Draft with eight examples** illustrating how an entity applies the Standards to report the effects of climate-related and other uncertainties in its financial statements (see slides 9–23)
- IFRS Interpretations Committee considered a question about the **accounting for climate-related commitments**



Raise awareness of the requirements

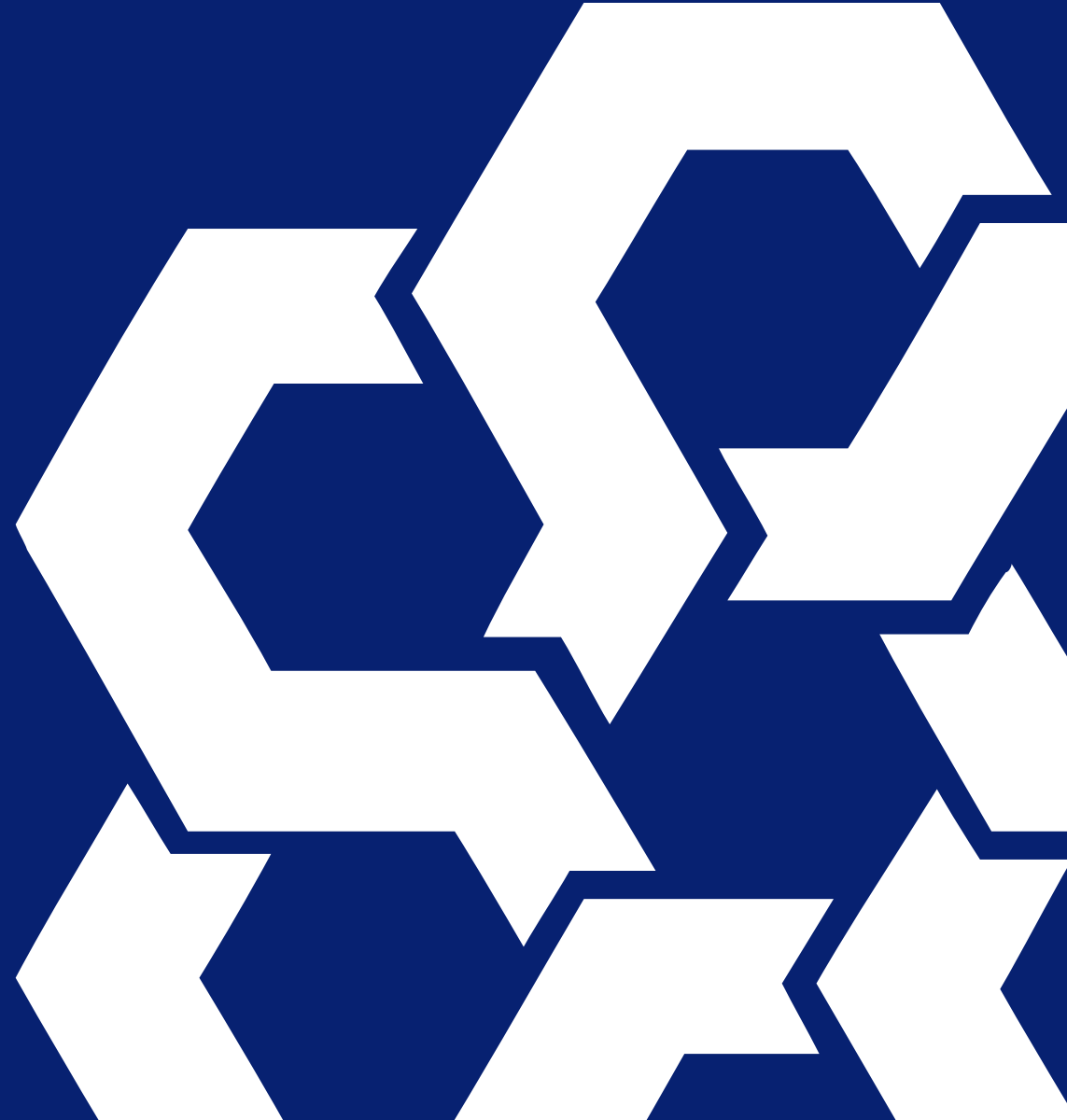
- Improved the **accessibility of supporting materials** about reporting the effects of climate-related and other uncertainties in the financial statements and exploring other ways to raise awareness



Strengthen connections

- **Collaborating with the ISSB** to help strengthen connections between financial statements and sustainability-related financial disclosures

Approach to developing illustrative examples



Overall considerations in developing examples

Which
requirements to
illustrate?

The examples focus on requirements that:

- are amongst the **most relevant** for the disclosure of the effects of climate-related and other uncertainties
- are **likely to address the identified concerns**

The examples focus on applying **disclosure requirements**. In particular:

- making materiality judgements
- disclosing information about assumptions and estimation uncertainty
- disaggregating information

Overall considerations in developing examples

What types of uncertainties to illustrate?

The examples:

- focus on **climate-related uncertainties**, but requirements apply equally to other types of uncertainties
- are sufficiently high level to apply to **various industries**

Should the examples be stand-alone or walk-through?

The examples are stand-alone to more precisely target **particular matters** or **requirements** that give rise to concerns

Overall considerations in developing examples

How to facilitate connected general purpose financial reporting?

The examples:

- focus on **strengthening connections** between financial statements and other general purpose financial reports
- use **concepts** and **terminology** consistent with those used in IFRS Sustainability Disclosure Standards
- **do not limit** connectivity considerations to when an entity applies IFRS Sustainability Standards but reinforce compatibility with them

Working together

In developing the examples, the IASB:

- **collaborated** with ISSB members and technical staff
- considered matters related to applying the **IASB** and **ISSB's Standards** together

Overall considerations in developing examples

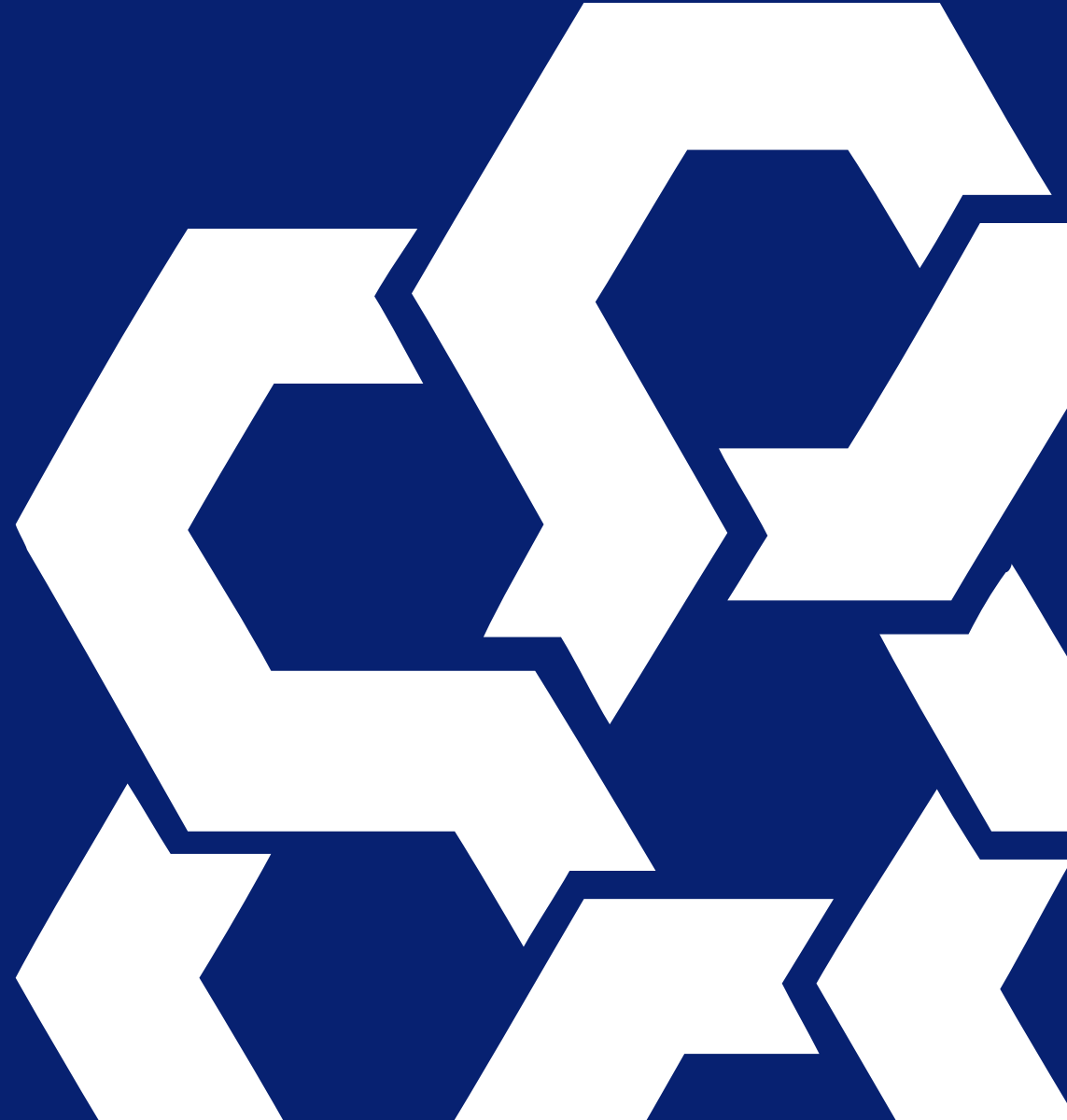
What is the best vehicle for the examples?

The IASB is proposing **illustrative examples** accompanying IFRS Accounting Standards because they:

- are easily accessible
- are useful to preparers and helpful to auditors and regulators
- allow flexibility in content and format

The illustrative examples **do not** add or change requirements in IFRS Accounting Standards

Proposed illustrative examples



Main areas illustrated by the examples



**Making materiality
Judgements**

Examples 1–2



**Disclosing information
about assumptions and
estimation uncertainty**

Examples 3–7



**Disaggregating
information**

Example 8

Illustrative Examples

Objective of the example

Example 1

Materiality judgements leading to additional disclosures (IAS 1 / IFRS 18)

To illustrate how an entity makes materiality judgements applying the requirement in paragraph 31 of IAS 1 [paragraph 20 of IFRS 18]. In particular, how an entity considers **qualitative factors** in making these judgements. In this example, these judgements lead to an entity **disclosing additional information**

Example 2

Materiality judgements not leading to additional disclosures (IAS 1 / IFRS 18)

Similar to Example 1. However, in this example, materiality judgements **do not lead** to an entity disclosing additional information

Illustrative Examples

Objective of the example

Example 3

Disclosure of assumptions: specific requirements (IAS 36)

To illustrate how an entity, applying the **specific requirements** in IAS 36, discloses information about climate-related assumptions used to determine the recoverable amount of assets

Example 4

Disclosure of assumptions: general requirements (IAS 1 / IAS 8)

To illustrate how an entity discloses information about climate-related assumptions applying the **general requirements** in IAS 1 / IAS 8, even if specific requirements in other Standards do not require such disclosure. In particular, how an entity identifies the assumptions about which to disclose information and determines what information to disclose

Illustrative Examples

Objective of the example

Example 5

Disclosure of assumptions: additional disclosures (IAS 1 / IFRS 18)

To illustrate how an entity might need to disclose information about assumptions **even if** other IFRS Accounting Standards do not require such disclosure

Example 6

Disclosure about credit risk (IFRS 7)

To illustrate how an entity might need to disclose information about the **effects of climate-related risks** on its credit risk exposures and credit risk management practices, and how these practices relate to ECL

Illustrative Examples

Objective of the example

Example 7

Disclosure about decommissioning and restoration provisions (IAS 37)

To illustrate how an entity might need to disclose **information about decommissioning and site restoration obligations** even if the carrying amount of the associated provision is immaterial

Example 8

Disclosure of disaggregated information (IFRS 18)

To illustrate how an entity might **disaggregate** the information it provides about a class of PP&E based on dissimilar risk characteristics

Effective date and transition

Materials accompanying IFRS Accounting Standards, including illustrative examples, **do not have** an effective date or transition requirements



The illustrative examples might:

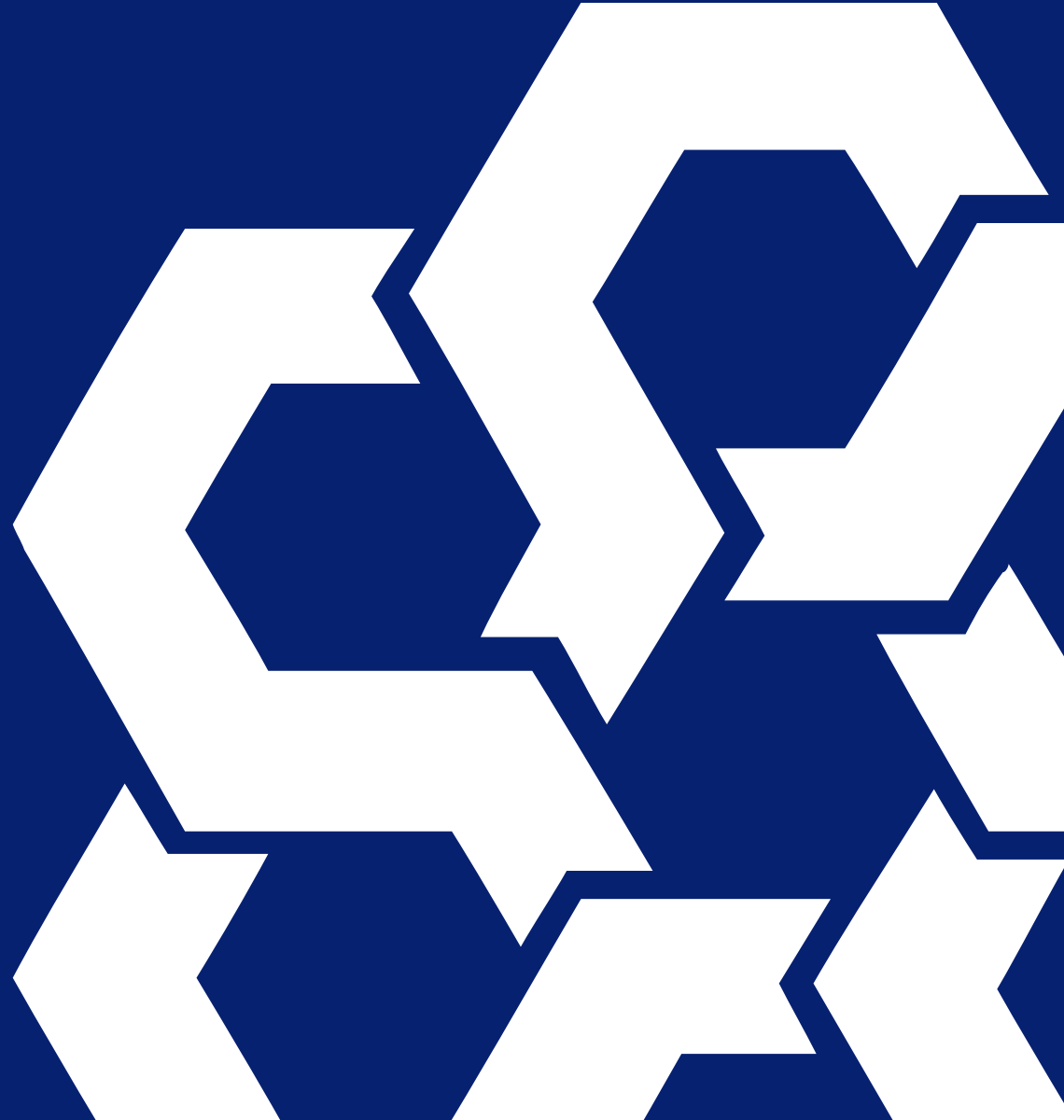
- help entities make materiality judgements
- provide additional insights into IFRS Accounting Standards



The IASB noted that:

- materiality judgements evolve over time
- entities are entitled to sufficient time to implement changes

Questions



Questions for ASAF members

Question 1—Providing illustrative examples

- a) Do you agree that providing examples would help improve the reporting of the effects of climate-related and other uncertainties in the financial statements?
- b) Do you agree with including the examples as illustrative examples?

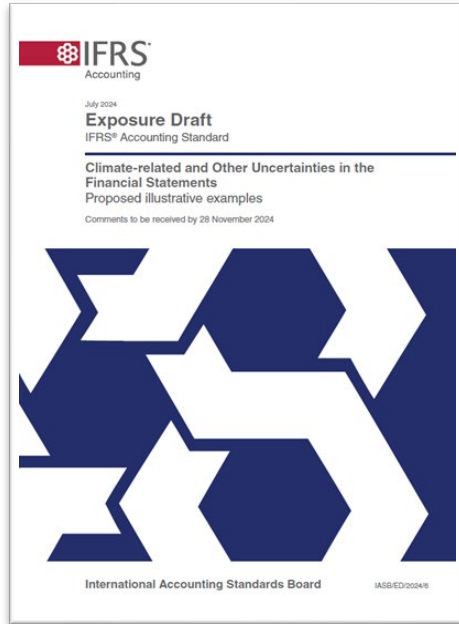
Question 2—Approach to developing illustrative examples

Do you agree with the approach to developing the examples, including the selection of requirements, fact patterns and technical content?

Question 3—Other comments

Do you have any other comments?

Share your views



The Exposure Draft can be accessed on our [website](#)



Please send your comment letter by
28 November 2024

Follow us online

 [ifrs.org](https://www.ifrs.org)

 [@IFRSFoundation](https://twitter.com/IFRSFoundation)

 [IFRS Foundation](https://www.youtube.com/IFRSFoundation)

 [International Accounting
Standards Board](https://www.linkedin.com/company/ifrs-foundation)