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Climate-related and Other Uncertainties in the Financial Statements

Cover Note

Introduction and Objective

- 1 The objective of the session is:
 - (a) for EFRAG FRB and SRB to discuss the draft comment letter on the IASB's Exposure Draft *Climate-related and Other Uncertainties in the Financial Statements* - Proposed illustrative examples, issued by the IASB on 31 July 2024 (the 'ED'); and
 - (b) for EFRAG FRB to approve the draft comment letter as recommended by the EFRAG FR TEG (paper 02-02).

Background of the IASB project and introduction to the ED

- 2 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.
- 3 The IASB decided to work on this project because of strong demand from respondents to its Third Agenda Consultation. 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.
- 4 In September 2023, after outreach to stakeholders on the nature and causes of concern related to the reporting on climate-related risks in the financial statements, the IASB decided to respond to stakeholders' concerns by, inter alia, exploring possible illustrative examples. 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;

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, Accounting Standards Advisory Forum in December 2023 and March 2024.

- (b) to include the examples as illustrative examples that would accompany IFRS Accounting Standards; and
- (c) to publish an Exposure Draft (the ED) to obtain feedback from stakeholders about the examples with a 120-day comment period. The ED has been issued on 31 July 2024 with a comment period ending on 28 November 2024.

EFRAG FR TEG on 12 September

- 5 There was a joint EFRAG FR and SR TEG on 12 September whereby both EFRAG TEGs discussed the draft comment letter and EFRAG FR TEG recommended it for approval by EFRAG FRB, subject to changes.

Agenda Papers

- 6 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 02-02 – Climate-related and Other Uncertainties in the Financial Statements (COUFS) – Draft comment letter for approval (clean version); and
 - (b) Agenda paper 02-03 – Draft comment letter for approval (compared to the 12 September 2024 version presented to EFRAG FR and SR TEG)
- 7 Note that the following documents have also been provided to you:
- (a) Agenda paper 01-02 – Draft comment letter that was discussed by EFRAG FR and SR TEG on 12 September; and
 - (b) Agenda paper 01-03 – The IASB’s Exposure Draft *Climate-related and Other Uncertainties in the Financial Statements*.