
IASB meeting

Date	April 2025
Project	Climate-related and Other Uncertainties in the Financial Statements
Topic	Possible ways forward for Examples 1–2
Contacts	Karen Robson (karen.robson@ifrs.org) Gustavo Olinda (golinda@ifrs.org)

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Purpose of this meeting

Purpose

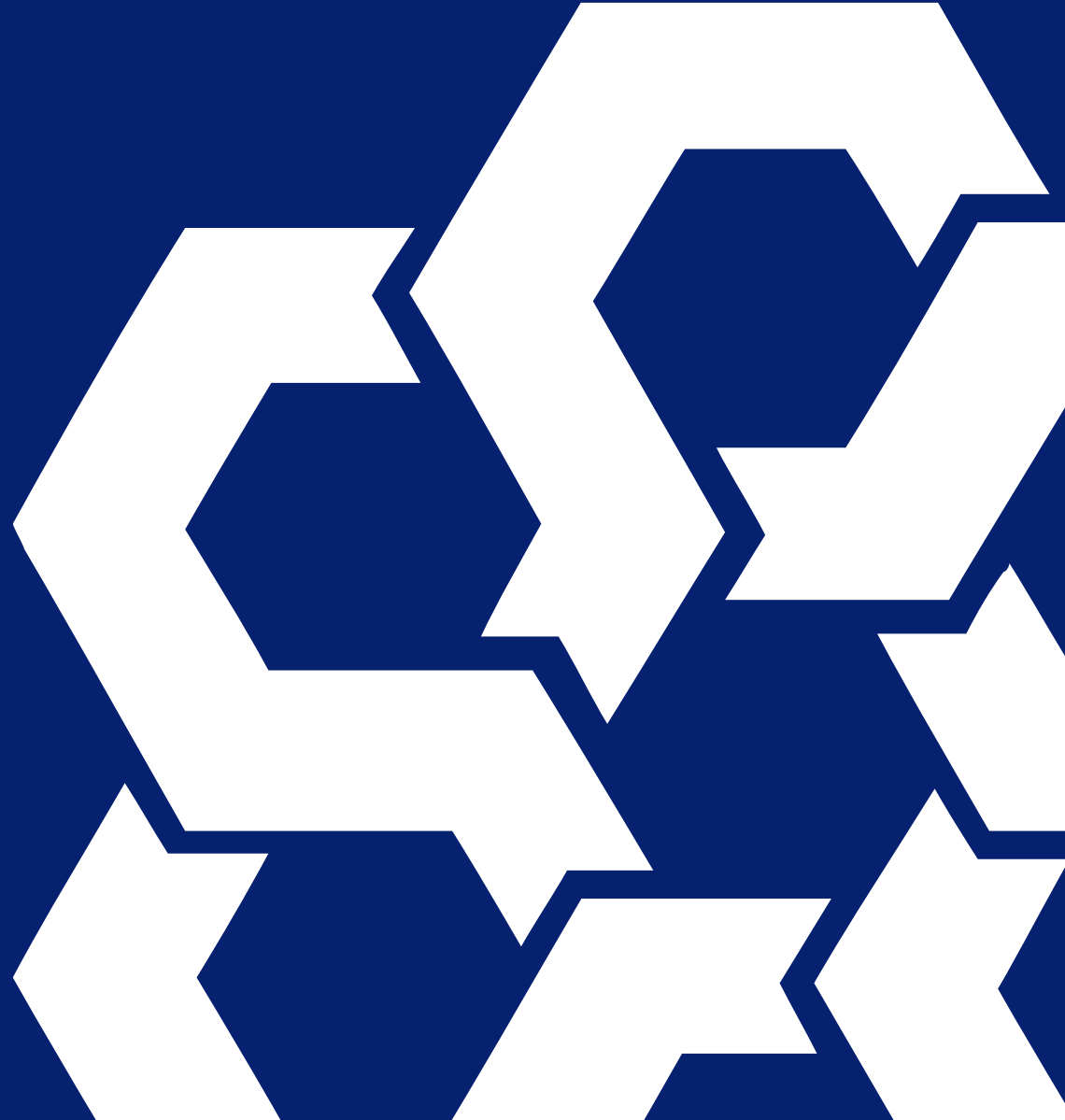
The purpose of this meeting is:

- a) to provide the IASB with a plan for the finalisation of this project; and
- b) to discuss possible ways to address the main concerns on Examples 1–2 proposed in the [Exposure Draft *Climate-related and Other Uncertainties in the Financial Statements*](#).

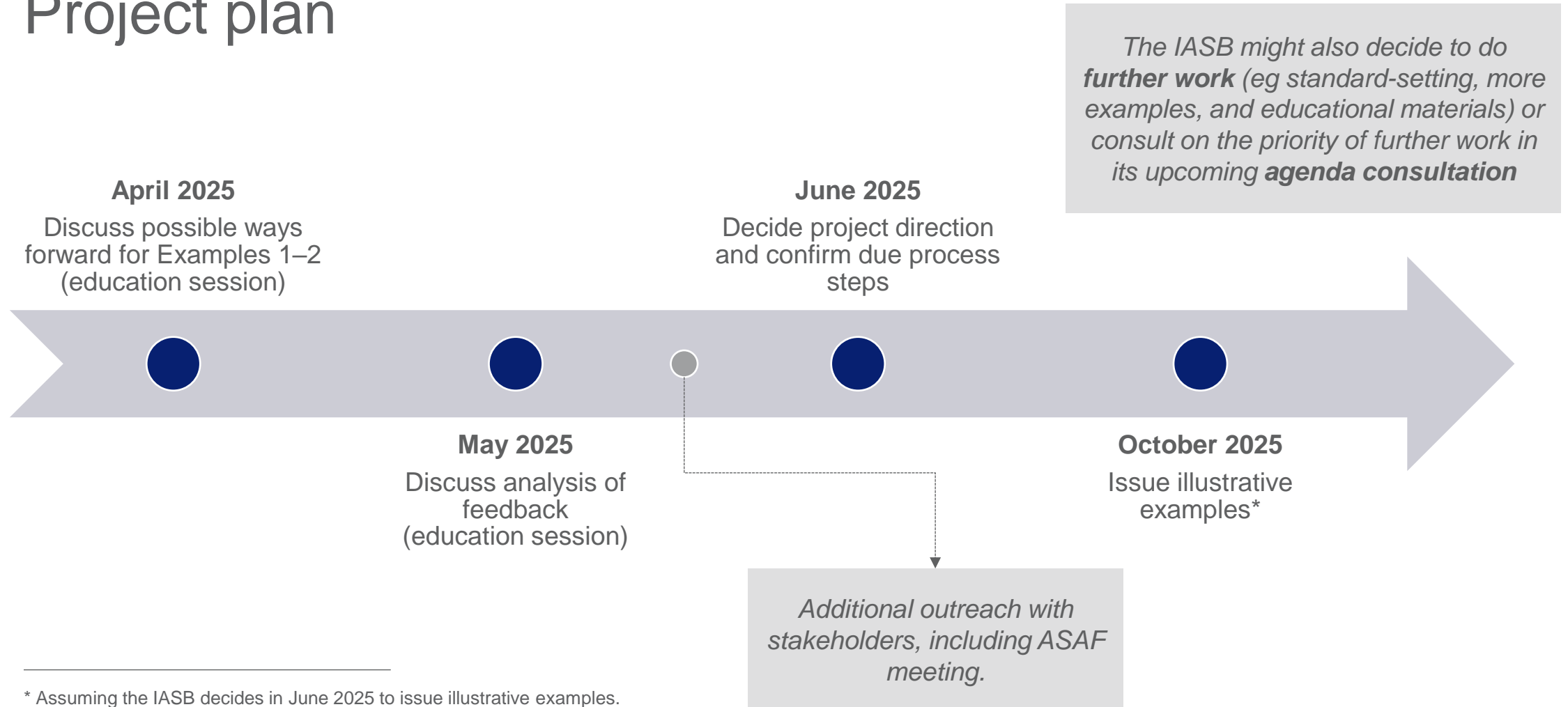
Education session

We are not asking the IASB to make decisions at this meeting. However, comments from IASB members on the matters discussed in this paper will help us develop our recommendations for the project's direction.

Project plan



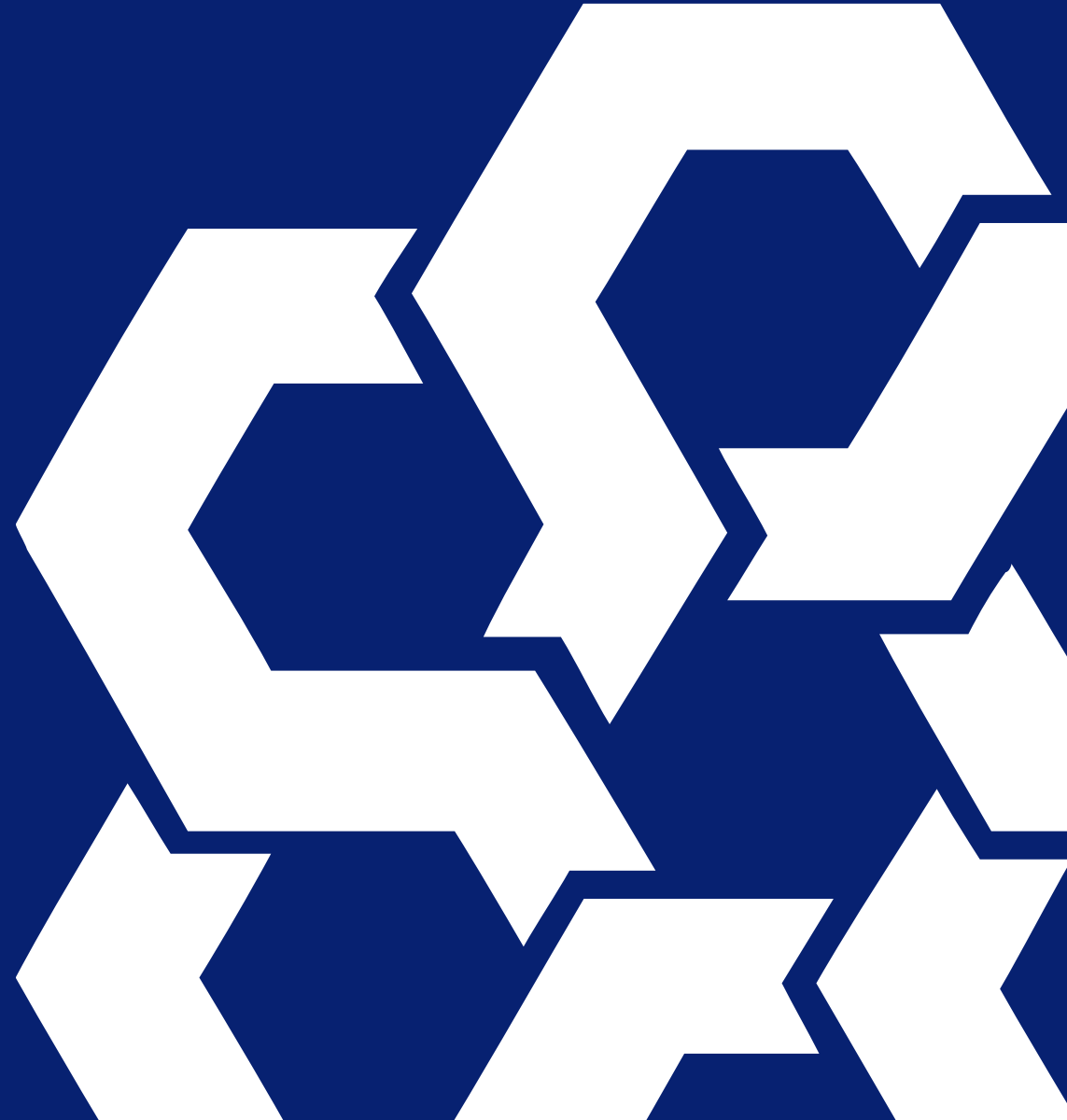
Project plan



* Assuming the IASB decides in June 2025 to issue illustrative examples.

Examples 1–2

Materiality judgements leading to (or not leading to) additional disclosures



Objective and overall feedback

Objective of the examples

- The IASB developed Examples 1–2 to respond to stakeholder concerns about a **perceived disconnect** between information about the effects of climate-related risks disclosed in the financial statements and information provided outside the financial statements.
- Examples 1–2 illustrate how an entity makes materiality judgements in applying the requirements in paragraph 31 of IAS 1. In particular, the examples illustrate how an entity considers **qualitative factors** in making these judgements.

Overall feedback

- Respondents to the Exposure Draft expressed **mixed views** about whether to proceed with Examples 1–2. While some respondents expressed support for these examples, many respondents expressed concerns.
- In particular, respondents were concerned about the **technical analysis** of how the entity applies paragraph 31 of IAS 1 and the **materiality assessment** illustrated in the examples.

Staff's preliminary views

The staff's preliminary view is that the IASB should proceed with Examples 1–2. We think these examples are important to address stakeholders' concerns and achieve the objective of the project.

We think the IASB can change the examples to help address the main concerns raised by respondents. The following slides include possible changes the staff is exploring to address these main concerns, together with a brief rationale for these changes.

The **appendix** to this paper illustrates a possible drafting of Example 1 incorporating the changes explored in this paper.*

Feedback summary

This paper should be read together with [Agenda Paper 14D](#) to the IASB–ISSB February 2025 meeting, which includes further details about the main concerns on Examples 1–2.

* The possible drafting of Example 1 illustrated in the appendix also includes other changes made as a consequence of the changes explored in this paper.

Main concerns and possible changes

Main concern	Possible changes the staff is exploring
<p data-bbox="239 725 690 805">Applying paragraph 31 of IAS 1</p> <p data-bbox="239 861 777 1119">Many respondents expressed concerns that Example 1 might go beyond the requirements in paragraph 31 of IAS 1 or how these requirements are currently applied in practice.</p> <p data-bbox="239 1142 728 1222"><i>(see paragraphs 17–21 of the feedback summary)</i></p>	<ul data-bbox="810 768 2333 1058" style="list-style-type: none"><li data-bbox="810 768 2333 939">• Explain that an entity applies paragraph 31 of IAS 1, for example, when reviewing the financial statements and taking a ‘step-back’ to consider information provided from a wider perspective and in aggregate (see paragraphs 61–62 of IFRS Practice Statement 2 <i>Making Materiality Judgements</i>).<li data-bbox="810 979 2333 1058">• Explain that an entity considers whether information is material in the context of the financial statements as a whole. <p data-bbox="868 1096 2333 1176"><i>Rationale:</i> <i>These changes would help clarify that an entity applies paragraph 31 of IAS 1 considering the financial statements as a whole, instead of on a ‘line-by-line’ basis.</i></p>

Main concerns and possible changes

Main concern	Possible changes the staff is exploring
<p>Applying paragraph 31 of IAS 1 (continued)</p> <p>Many respondents expressed concerns that Example 1 might go beyond the requirements in paragraph 31 of IAS 1 or how these requirements are currently applied in practice.</p> <p><i>(see paragraphs 17–21 of the feedback summary)</i></p>	<ul style="list-style-type: none"> • Explain that, in determining whether additional disclosures would provide material information, the entity draws on its knowledge and experience of its transactions and other events and conditions. • Explain that, in determining whether additional disclosures would provide material information, the entity might consider whether primary users ask questions about the effects of its transition plan on its financial position and financial performance. In doing so, the entity considers its primary users' common information needs—rather than the needs of individual users. <p>Rationale: <i>These changes would help clarify that an entity focuses on the common information needs of primary users and is not expected to anticipate the information needs of individual users. They would also clarify that questions from primary users might indicate that information is material.</i></p>

Main concerns and possible changes

Main concern	Possible changes the staff is exploring
<p>Applying paragraph 31 of IAS 1 (continued)</p> <p>Many respondents expressed concerns that Example 1 might go beyond the requirements in paragraph 31 of IAS 1 or how these requirements are currently applied in practice.</p> <p><i>(see paragraphs 17–21 of the feedback summary)</i></p>	<ul style="list-style-type: none">• Revise references to the entity disclosing that the transition plan had ‘no effect’. Instead, explain that the entity provides additional disclosures to explain the lack of effect of its transition plan on its financial position and financial performance for the current reporting period. For example, the entity might explain that the transition plan did not affect the useful lives of the affected manufacturing facilities because these facilities will be replaced only at the end of their current useful lives. <p><i>Rationale:</i> <i>Avoid the perception that an entity needs to provide ‘no effect’ statements for a variety of different risks.</i></p>

Main concerns and possible changes

Main concern	Possible changes the staff is exploring
<p>Assessing whether information is material</p> <p>Some respondents expressed concerns about how materiality assessments are illustrated, particularly regarding making materiality judgements and the specific factors considered.</p> <p><i>(see paragraphs 22–33 of the feedback summary)</i></p>	<ul style="list-style-type: none"> • Clarify and expand the discussion of qualitative factors the entity considers in reaching its conclusion that additional disclosures would provide material information, as follows: <ul style="list-style-type: none"> a) <i>entity-specific qualitative factors</i>—for example: <ul style="list-style-type: none"> i. the nature and extent of its exposure to climate-related transition risks; ii. the significance of its transition plan to its operations; and iii. any inconsistencies that might appear to exist between information about its transition plan in its general purpose financial reports outside financial statements and information about the effects of that plan in its financial statements (apparent inconsistencies). b) <i>external qualitative factors</i>—for example, the industry and jurisdictions in which it operates—including its market, economic, regulatory and legal environments. <p>Rationale: <i>The revised discussion better illustrates the factors an entity would consider in determining whether additional disclosures would provide material information.</i></p>

Main concerns and possible changes

Main concern	Possible changes the staff is exploring
<p>Location and format</p> <p>Some respondents suggested clearly linking Examples 1 and 2 together or including them in IFRS Practice Statement 2 rather than IAS 1.</p> <p><i>(see paragraphs 34–37 of the feedback summary)</i></p>	<ul style="list-style-type: none"> • Change the structure of the examples in one of the following ways: <ul style="list-style-type: none"> a) making Examples 1 and 2 variants of the same example (eg Example 1A and 1B); or b) combining the two fact patterns into a single example and contrasting the differences in the analysis and conclusions in each fact pattern.* <p><i>Rationale:</i> <i>Make the link between the two examples clearer.</i></p>

* For simplicity, we have not illustrated combining the two fact patterns in the appendix. The appendix illustrates the drafting changes discussed in this paper for Example 1 only.

Main concerns and possible changes

Main concern	Possible changes the staff is exploring
<p>Interaction with sustainability-related financial disclosures</p> <p>Some respondents requested the IASB clarify whether and how conclusions would change if the entity applied IFRS Sustainability Disclosure Standards.</p> <p><i>(see paragraphs 38–39 of the feedback summary)</i></p>	<ul style="list-style-type: none"> • Delete paragraph BC32. Instead, the IASB could explain in the Basis for Conclusions that, as part of its considerations in developing the examples, it considered that: <ol style="list-style-type: none"> (a) an entity discloses in financial statements all the information that is material in the context of financial statements, regardless of whether that information is also provided elsewhere. (b) information provided elsewhere might be a factor in determining whether a particular piece of information is material in the context of financial statements—for example, because without that particular piece of information financial statements might appear inconsistent with the information provided elsewhere (see slide 11). (c) the apparent inconsistency described in the example would not exist if the entity had applied IFRS Sustainability Disclosure Standards because the entity would have disclosed the lack of current financial effect of sustainability-related risks and opportunities. In that case, an entity would consider whether additional disclosures in financial statements would provide material information based on the other factors in the example. <p>Rationale: <i>We think the explanations above would improve the clarity of how the IASB considered these matters in developing the examples.</i></p>

Main concerns and possible changes

Alternative approach

- The staff is also considering changing the example so that it would **not include the entity's conclusion** as to whether additional disclosures would provide material information.
- This approach could help emphasise that an entity needs to exercise judgement and consider its specific facts and circumstances when deciding whether additional disclosures are needed. This approach could also help address the concerns about illustrating the application of paragraph 31 of IAS 1 (see [slides 8 to 10](#)). However, it could make the example less effective in addressing the stakeholders' concerns discussed in [slide 6](#).
- The staff thinks this approach might be unnecessary if the other changes discussed in this paper sufficiently address respondents' concerns.

Questions for IASB members



Questions for IASB members

Question 1—Project plan

Do you have any comments on the project plan proposed in [slide 4](#)?

Question 2—Possible ways forward for Examples 1–2

Do you have:

- a) any comments or suggestions about the possible changes the staff is exploring?
- b) any other suggestions about how to address respondents' concerns?

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