
IASB–ISSB Joint Meeting

Date	February 2025
Project	Climate-related and Other Uncertainties in the Financial Statements
Topic	Approach to developing the examples
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Introduction and purpose

1. In July 2024, the International Accounting Standards Board (IASB) published the [Exposure Draft](#) *Climate-related and Other Uncertainties in the Financial Statements*. The Exposure Draft proposed 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.
2. Agenda Paper 14 sets out the structure of the agenda papers for this meeting, the background of the proposed illustrative examples and an overview of the feedback on the Exposure Draft.
3. This paper summarises feedback on the approach to developing the examples, including the selection of requirements and fact patterns illustrated in the examples and the technical content of the examples (Question 2 of the Exposure Draft).
4. However, this paper does not include:
 - (a) comments on how the examples facilitate connected general purpose financial reporting, which are included in Agenda Paper 14C; and

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- (b) specific comments on each of the illustrative examples (Examples 1–8), which are included in Agenda Paper 14D.
5. We are not asking the IASB or the International Sustainability Standards Board (ISSB) to make any decisions at this meeting.

Structure of this paper

6. This paper includes:
- (a) background information on the approach to developing the examples (paragraphs 7–16); and
 - (b) a summary of the feedback on this approach (paragraphs 17–42).

Approach to developing the examples

Background

7. The Basis for Conclusions on the Exposure Draft explains the overall considerations in developing the examples. In particular:
- (a) which requirements to illustrate (paragraphs 9–11);
 - (b) what types of uncertainties and fact patterns to illustrate (paragraphs 12–14); and
 - (c) whether the examples should be stand-alone or walk-through (paragraphs 15–16).
8. The following paragraphs reproduce the content from paragraphs BC10–BC18 of the Basis for Conclusion on the Exposure Draft.

Which requirements to illustrate?

9. In developing the Exposure Draft, the IASB noted that the effects of climate-related and other uncertainties are pervasive across financial statements. Therefore, there are many requirements that an entity might apply in reporting these effects that the IASB could illustrate with examples. The IASB decided to focus the examples on requirements:
- (a) that are among the most relevant for reporting the effects of climate-related and other uncertainties in the financial statements; and
 - (b) that are likely to address the concerns that information about the effects of climate-related risks is insufficient or appears to be inconsistent with information provided outside the financial statements.
10. The concerns in paragraph 9(b) relate mostly to the application of disclosure requirements in IFRS Accounting Standards. Therefore, the IASB concluded that the examples would be most helpful if they focused on illustrating the application of these requirements. In particular, the IASB concluded that the examples would help address the identified concerns if they illustrated how an entity:
- (a) determines whether information about how climate-related and other uncertainties affected its financial position and financial performance is material, including considering connections to information it provides in other general purpose financial reports (Examples 1–2);
 - (b) discloses information about how climate-related assumptions and other sources of estimation uncertainty affected the carrying amounts of its assets and liabilities (Examples 3–7); and
 - (c) disaggregates information about its assets and liabilities based on dissimilar climate-related risk characteristics (Example 8).
11. The IASB noted that, by their nature, examples cannot illustrate:
- (a) the application of all requirements in IFRS Accounting Standards that might be applicable to a fact pattern;

- (b) all facts and circumstances an entity would consider in making materiality judgements; or
- (c) all material information an entity is required to disclose in a specified fact pattern.

What types of uncertainties and fact patterns to illustrate?

12. The examples illustrate how an entity applies the requirements in IFRS Accounting Standards in specified fact patterns. The application of those requirements could result in an entity disclosing similar information in other fact patterns.
13. Stakeholders were mainly concerned about the reporting of the effects of climate-related uncertainties. The IASB therefore concluded that examples illustrating the application of IFRS Accounting Standards to climate-related uncertainties would be most helpful in responding to these concerns. However, the IASB noted that the principles and requirements illustrated apply equally to other types of uncertainties.
14. Climate-related uncertainties affect many industries, in various ways and to varying extents. Accordingly, the examples set out fact patterns at a sufficiently high level to be applicable to a variety of entities operating in various industries.

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

15. The IASB considered whether to develop:
 - (a) examples with narrow fact patterns illustrating particular requirements in an IFRS Accounting Standard (stand-alone examples); or
 - (b) examples with broad fact patterns illustrating several requirements in a selection of IFRS Accounting Standards (walk-through examples).
16. The IASB concluded that stand-alone examples would be more effective in helping to improve the reporting of the effects of climate-related and other uncertainties in the

financial statements. These examples can more precisely target particular matters or requirements that give rise to stakeholder concerns.

Summary of feedback

Overview of the feedback

17. Most respondents generally agree with the IASB's approach to developing the examples. In particular, these respondents generally agree:
 - (a) that the examples focus on the requirements that are most relevant for reporting the effects of climate-related and other uncertainties in financial statements; and
 - (b) with the selection of requirements and fact patterns illustrated in the examples.
18. Most of these respondents either say they generally agree for the reasons explained in the Basis for Conclusion or do not explain further. A few respondents also say they generally agree because:
 - (a) the examples effectively address key concerns from users, including perceived inconsistencies between information in financial statements and other general purpose financial reports;
 - (b) the examples are presented at a sufficiently high level to be broadly applicable across different entities and industries; and
 - (c) the examples will help improve transparency by helping entities make appropriate materiality judgements and disclose information about assumptions and estimates.
19. Despite their overall agreement:
 - (a) many respondents comment and make suggestions on particular aspects of the approach to developing the examples. In particular, many respondents comment on:

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- (i) the balance between examples on climate-related uncertainties and examples on other uncertainties (see paragraphs 21–23);
 - (ii) the need for additional examples or illustrations (see paragraphs 24–28); and
 - (iii) the illustration of overarching requirements (see paragraphs 29–30).
- (b) many respondents disagree with particular aspects of the technical analysis or make specific suggestion on some of the examples. These comments are summarised in Agenda Paper 14D.
20. A few respondents disagree with the approach to developing the examples (see paragraphs 31–32).

Main themes

The balance between climate-related uncertainties and other uncertainties

21. Many respondents acknowledge the IASB’s decision to generalise the project’s scope. However, they say that the current set of examples does not offer the right balance between climate-related uncertainties and other uncertainties, noting that seven of the eight examples focus on climate-related uncertainties.
22. These respondents say that:
- (a) entities face many other uncertainties beyond climate-related uncertainties, such as geopolitical risks, technological disruption, cybersecurity and other sustainability-related risks (for example, nature-related risks); and
 - (b) the emphasis on climate-related uncertainties could create a perception that there is a lower materiality threshold for disclosing information about climate-related uncertainties or that climate-related uncertainties are more important than other uncertainties. This could lead to entities disclosing immaterial information about climate-related uncertainties while failing to disclose material information about other uncertainties.

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23. To address this matter, most of these respondents suggest expanding the examples or developing additional examples to cover other uncertainties. A few respondents suggest reversing the IASB's decision to generalise the project's objective or further clarifying that the examples also apply to other uncertainties.

Additional examples or illustrations

24. In addition to requesting the IASB to develop more examples on other uncertainties (see paragraph 23), many respondents suggest the IASB develops more examples covering other topics and fact patterns related to the effects of climate-related uncertainties. They suggest developing examples illustrating, for example:
- (a) the effects of climate-related physical risks, noting that the current examples focus mostly on climate-related transition risks;
 - (b) the effects of climate-related uncertainties on other areas of accounting, such as insurance contracts, fair value measurement and disaggregation of revenue;
 - (c) the effects of an entity's transition plan, for example, on the useful economic life and residual value of property, plant and equipment;
 - (d) the effects of climate-related uncertainties on specific industries—such as entities operating in the insurance or agriculture industries—or specific countries; and
 - (e) the accounting for climate-related commitments based on the IFRS Interpretations Committee's [Agenda Decision](#) *Climate-related Commitments* (IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*), published in April 2024.
25. A few respondents also suggest developing variations to the fact patterns in some examples or expanding the examples to cover additional aspects. Agenda Paper 14D includes specific suggestions.
26. Some respondents say that the IASB should develop further examples about the effects of climate-related uncertainties on the recognition and measurement of assets

and liabilities. For example, a few respondents say the IASB could provide guidance on the measurement of value in use when testing non-financial assets for impairment.¹

27. A few respondents suggest developing examples illustrating situations in which climate-related uncertainties have affected an entity's financial statements in the reporting period (for example, when there has been an impairment loss related to such uncertainties). They say such an example could help avoid a misperception that climate-related uncertainties affect only disclosure in financial statements.
28. Finally, a few respondents suggest the examples include illustrative disclosures (for example, in Example 6). They say that illustrative disclosures would help preparers understand what information they are expected to disclose.

Illustrating overarching requirements

29. In commenting about the overall approach, a few respondents express concerns about the focus on illustrating the application of the overarching disclosure requirements in paragraph 31 of IAS 1 *Presentation of Financial Statements* in Examples 1, 2 and 5. They say the examples seem to over-rely on these requirements or that the way in which the examples illustrate their application goes beyond the requirements or how they are currently applied in practice. However, a few respondents say referencing such requirements is useful. For example, the International Organization of Securities Commissions (IOSCO) says:

... Although enforcement of overarching requirements can pose some challenges compared to specific requirements, reference to such overarching requirements is nonetheless useful because it provides a foundational mechanism for motivating or soliciting material disclosure.

¹ See further details on the summary of feedback on Example 3 in Agenda Paper 14D.

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30. Many respondents also comment on illustrating paragraph 31 of IAS 1 in commenting on Examples 1, 2, and 5. We provide further details about these concerns in our summary of feedback on the examples in Agenda Paper 14D.

Disagreement with the approach

31. A few respondents, mainly preparers, disagree with the IASB's approach to developing the examples. They say that:
- (a) the examples suggest that financial statements should always include information about climate-related uncertainties or may be interpreted by auditors and regulators as setting minimum standards for disclosures.
 - (b) sustainability reporting frameworks, such as IFRS Sustainability Disclosure Standards, already require disclosures about climate-related uncertainties. The proposed examples could lead to redundant disclosures.
 - (c) the examples are overly simplified and do not address areas for which guidance is most needed.
 - (d) some of the examples go beyond the existing requirements (see Agenda Paper 14D).
32. Some of the respondents who disagree suggest the IASB:
- (a) develop examples, like Example 6, that illustrate what entities should consider when deciding what to disclose but do not conclude whether disclosure is required; and
 - (b) develop educational materials that explain how financial statements could complement the information required by sustainability reporting frameworks.

Other comments

33. A few respondents:
- (a) comment on other aspects of the approach (paragraph 34);

- (b) comment on the decision to develop stand-alone examples (paragraph 35); and
- (c) make other specific comments (paragraphs 36–42).

Comments on other aspects of the approach

34. In addition to the main themes summarised in paragraphs 21–30, a few respondents also made general comments about the IASB’s approach, saying:
- (a) the examples appear to be overly simplified and lack specificity. Respondents say the examples could be enhanced to better reflect the complexities and practical challenges entities face—for example, one accountant supports the examples but say they are somewhat theoretical and generic compared to examples in other IFRS Accounting Standards. However, a few other respondents state that examples should be sufficiently high-level to apply to various entities operating in various industries.
 - (b) some examples appear to simply repeat the requirements in IFRS Accounting Standards (for example, Example 6). Respondents suggest providing further guidance about how to apply the illustrated requirements or expanding the conclusions in each example.

Stand-alone or walk-through examples

35. Almost all respondents agree—or do not disagree—with the IASB’s decision to develop stand-alone examples. However, a few respondents say the IASB should also develop walk-through examples or adapt some existing examples to illustrate broader scenarios. For example, one standard-setter says that, although stand-alone examples are useful in addressing specific concerns, their narrow fact patterns provide limited context when considering the wider effects of climate-related and other uncertainties. One accountant suggests developing walk-through examples and publishing them as educational materials in addition to the illustrative examples.

Other specific comments

36. A few respondents suggest the IASB develops a decision tree illustrating the thought process for determining whether to disclose information about the effects of climate-related and other uncertainties. For example, the decision tree could illustrate the order of applying the specific, general and overarching disclosure requirements illustrated in the examples.
37. A few respondents express concerns that stakeholders could misunderstand the examples as providing comprehensive guidance on reporting the effects of climate-related uncertainties. In particular, they are concerned with the examples being understood as illustrating:
- (a) all the ways in which climate-related uncertainties could affect financial statements;
 - (b) all the applicable requirements and the effects of the uncertainty in the described fact pattern (for example, that there are no effects on other assets and liabilities); and
 - (c) all the relevant facts and circumstances an entity would consider in reaching the conclusion.
38. These respondents suggest adding caveats or reminders to avoid such misunderstandings. For example, they suggest including in each example a statement that the example does not illustrate the application of all requirements in IFRS Accounting Standards that might be applicable to the fact pattern and that it focuses only on a specific aspect of these requirements. One respondent notes that the footnote on Example 3 includes a similar disclaimer and suggests adopting a consistent approach across the examples.

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39. A few respondents note that paragraphs 17(c) and 112(c) of IAS 1 include similar requirements to those in paragraph 31 of IAS 1.² They suggest considering whether the examples should also refer to those requirements.
40. Some respondents suggest including cross-references between examples and the applicable requirements in other Standards. In particular, respondents suggest noting the need to consider the requirements in paragraphs 31 and 125 of IAS 1 in some examples (for example, Examples 6 and 7).
41. Some respondents suggest continually updating the examples and adding new ones as reporting practices evolve and new reporting challenges emerge.
42. A few respondents also suggest including the content of the Basis for Conclusions on the Exposure Draft either directly into the examples or in the Basis for Conclusions on the related IFRS Accounting Standards when finalising the examples.

Question for the IASB and ISSB

Question for IASB and ISSB members

Do you have any comments on the summary of feedback included in this paper?

² Paragraph 17(c) of IAS 1 states that fair presentation also requires an entity 'to provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance' and paragraph 112(c) of IAS 1 states that the notes shall 'provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.'