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## IASB–ISSB Joint Meeting

Date	<b>February 2025</b>
Project	<b>Climate-related and Other Uncertainties in the Financial Statements</b>
Topic	<b>Transition</b>
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB). This paper does not represent the views of the IASB, ISSB or any individual member of either board. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS<sup>®</sup> Accounting Standards or IFRS<sup>®</sup> Sustainability Disclosure Standards. The technical decisions of the IASB and the ISSB are made in public and are reported in the IASB<sup>®</sup> *Update* and ISSB *Update*, respectively.

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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 related to transition and effective date.
4. We are not asking the IASB or the International Sustainability Standards Board (ISSB) to make any decisions at this meeting.

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## Structure of this paper

5. This paper includes:
  - (a) background on transition and effective date (paragraphs 6–10); and
  - (b) a summary of the feedback on these considerations (paragraphs 11–16).

## Transition and effective date

### *Background*

6. Paragraphs BC46–BC49 of the Basis for Conclusions on the Exposure Draft explain the considerations regarding transition and effective date of the proposed illustrative examples. These paragraphs are reproduced below.
7. Materials accompanying IFRS Accounting Standards, including illustrative examples, are not an integral part of those Standards and, as such, do not have an effective date or transition requirements.
8. The IASB expects that the illustrative examples might:
  - (a) help entities make materiality judgements and provide information in financial statements that meets the needs of users of those financial statements; and
  - (b) provide additional insights into how to apply the disclosure requirements in IFRS Accounting Standards.
9. The IASB noted that an entity applies judgement in determining which information is material and, therefore, is required to be disclosed in its financial statements. An entity reassesses these judgements at each reporting date. Information that was previously immaterial might become material, or the other way around, as an entity's circumstances or its external environment change.
10. 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.

### **Summary of feedback**

11. Some respondents provide feedback on transition and effective date. Most of these respondents appreciate the IASB's explanation that it expects entities to be entitled to sufficient time to implement any changes resulting from the issuance of the illustrative examples. However, a standard-setter asks the IASB to clarify what 'sufficient time' means.
12. Some respondents say that the expectation that entities would be entitled to sufficient time to implement any changes is similar to that regarding the implementation of agenda decisions published by the IFRS Interpretations Committee. An accountant suggests that the IFRS Foundation consider amending its *Due Process Handbook* to clarify whether this expectation extends to explanatory material contained in illustrative examples.
13. A few standard-setters suggest setting an effective date and transition requirements to ensure entities have sufficient time to respond to any changes resulting from issuing illustrative examples. In particular, one of these standard-setters says that ensuring entities have sufficient time is important because, in that standard-setter's view, some of the proposed illustrative examples provide interpretations that are different from existing practice.
14. However, a few regulators and a standard-setter suggest clarifying that entities should implement any changes to their reporting as soon as possible. In their view, preparers will not face substantial challenges when implementing any changes resulting from issuing the illustrative examples.

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15. A few respondents suggest clarifying that providing additional disclosures after considering the illustrative examples would not be considered the correction of an error.
  16. A few respondents suggest that the IASB carefully consider when to issue any illustrative examples to avoid undue disruption to entities with varying reporting dates.

### 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?