

## IASB<sup>®</sup> meeting

Date	<b>April 2024</b>
Project	<b>Climate-related and Other Uncertainties in the Financial Statements</b>
Topic	<b>Due process and permission to begin the balloting process</b>
	Karen Robson ( <a href="mailto:karen.robson@ifrs.org">karen.robson@ifrs.org</a> )
Contacts	Gustavo Olinda ( <a href="mailto:golinda@ifrs.org">golinda@ifrs.org</a> )
	Zicheng Wang ( <a href="mailto:zwang@ifrs.org">zwang@ifrs.org</a> )

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the 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<sup>®</sup> Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB<sup>®</sup> *Update*.

---

## Purpose

1. Agenda Paper 14A for this meeting includes our recommendations that the International Accounting Standard Board (IASB):
  - (a) provide examples illustrating how to apply requirements in IFRS Accounting Standards to report the effects of climate-related and other uncertainties in the financial statements;
  - (b) include the examples as illustrative examples accompanying IFRS Accounting Standards; and
  - (c) consult on this proposal through an exposure draft.
2. The purpose of this paper is to:
  - (a) provide our analysis regarding transition and effective date for the illustrative examples;
  - (b) explain the steps in the [IFRS Foundation Due Process Handbook](#) (the *Due Process Handbook*) that the IASB has taken in developing the illustrative examples;

- 
- (c) seek the IASB's permission to begin the process for balloting an exposure draft; and
    - (d) ask whether any IASB member plans to dissent from the proposals in the exposure draft.
  3. This paper is structured as follows:
    - (a) transition and effective date (paragraphs 5–6);
    - (b) due process steps for publication of an exposure draft (paragraphs 7–14); and
    - (c) questions for the IASB.
  4. There are two appendices to this paper:
    - (a) Appendix A—Due process steps taken; and
    - (b) Appendix B—Meetings with consultative bodies and the Committee.

## Transition and effective date

5. 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.<sup>1</sup>
6. We expect the illustrative examples will provide additional insights that might change an entity's understanding of how to apply disclosure requirements in IFRS Accounting Standards in reporting the effects of climate-related and other uncertainties in the financial statements. Entities will need time to assess the effect of those additional insights on the information they disclose in their financial statements. Consequently, although the illustrative examples would not have an effective date, we think entities should be entitled to sufficient time to implement any changes to the information disclosed in their financial statements. Determining how much time is sufficient is a matter of judgement that depends on an entity's particular facts and

---

<sup>1</sup> See paragraphs 6.30, 6.32 and 6.35 of the *Due Process Handbook*.

circumstances. Nonetheless, an entity would be expected to implement any change on a timely basis.

## Due process steps for publication of an exposure draft

### *Due process requirements*

7. Paragraphs 6.4 and 6.5 of the *Due Process Handbook* explain that:
  - (a) the development of an exposure draft takes place in public meetings;
  - (b) the technical staff prepares agenda papers containing research and recommendations on matters to be addressed and considered by the IASB; and
  - (c) the IASB also considers the comments received on any discussion paper, suggestions made by consultative groups and accounting standard-setters, and suggestions arising from consultation with other stakeholders.
  
8. Paragraph 6.6 of the *Due Process Handbook* states:

When the [IASB] has reached general agreement on the technical matters in the project and has considered the likely effects of the proposals (see paragraphs 3.76–3.81 [of the *Due Process Handbook*]), the technical staff presents a paper to the [IASB]:

  - (a) summarising the steps that the [IASB] has taken in developing the proposals, including a summary of when the [IASB] discussed the project in public meetings, public hearings held, outreach activities and meetings of consultative groups;
  - (b) ...; and
  - (c) recommending a comment period for the exposure draft.

---

***Due process steps taken***

9. Appendix A sets out the required due process steps in developing and publishing an exposure draft together with the current status of, and any planned action for, these steps.

***Comment period***

10. Paragraph 6.7 of the *Due Process Handbook* states that the IASB ‘normally allows a minimum period of 120 days for comment on an exposure draft’. However, if the matter is narrow in scope and urgent, the IASB may set a shorter comment period after consulting and obtaining approval from the Due Process Oversight Committee (DPOC).
11. The exposure draft proposes including illustrative examples to materials accompanying IFRS Accounting Standards that would not add or change requirements in these Standards. Therefore, a comment period of longer than 120 would seem unnecessary. Although stakeholders seek timely action to help improve the reporting of information about climate-related and other uncertainties in financial statements, publishing the illustrative examples is not so urgent that a comment period of less than 120 days is needed. We therefore recommend a comment period of 120 days.<sup>2</sup>

***Permission for balloting and intent to dissent***

12. This paper demonstrates that the IASB has completed all the applicable due process steps to date for balloting the exposure draft. Consequently, we request permission to begin the balloting process.
13. In accordance with paragraph 6.9 of the *Due Process Handbook*, we also ask if any IASB member intends to dissent from the proposals in the exposure draft.

---

<sup>2</sup> One or two days might be added to the comment period to avoid it ending on a weekend.

---

***Proposed timetable for balloting and publication***

14. We plan to begin the balloting process in the near future and expect the exposure draft to be published in the third quarter of 2024.

**Questions for the IASB**

Questions for the IASB

1. **Comment period**—does the IASB agree with our recommendation to allow a comment period of 120 days for the exposure draft?
2. **Dissent**—does any IASB member intend to dissent from the proposals in the exposure draft?
3. **Permission to begin the process for balloting the exposure draft**—is the IASB satisfied that it has complied with the applicable due process steps and that it should begin the process for balloting the exposure draft?

## Appendix A—Due process steps taken

A1. The following table summarises the required due process steps taken in developing the illustrative examples. The table does not list all of the optional steps.

Step	Actions
<b>IASB meetings held in public, with papers available for observers. All decisions are made in public sessions.</b>	The IASB discussed this project at its meetings in <a href="#">March 2023</a> , <a href="#">September 2023</a> , <a href="#">December 2023</a> , <a href="#">March 2024</a> and this meeting. Papers and recordings of these public meetings are available on the IFRS Foundation’s <a href="#">project webpage</a> .
<b>Analysis of the likely effects of the forthcoming exposure draft or major amendment, for example, initial costs or ongoing associated costs.</b>	This step is not applicable because the exposure draft does not propose to add or change requirements in IFRS Accounting Standards.
<b>Outreach meetings with stakeholders</b>	The project was discussed at: <ul style="list-style-type: none"> <li>(a) meetings of the IASB’s consultative bodies and the IFRS Interpretations Committee. Appendix B lists these meetings and the topics discussed.</li> <li>(b) outreach meetings with other stakeholders, including preparers, regulators, national standard-setters, academics, users of financial statements and accounting firms.</li> </ul> Feedback from these discussions was reported to and considered by the IASB when discussing the relevant topics.
<b>Due process steps reviewed by the IASB.</b>	This step is being met by this agenda paper.
<b>The forthcoming exposure draft has an appropriate comment period.</b>	This step is being met by this agenda paper—see paragraphs 10–11.

<b>Drafting</b>	
<b>Drafting quality assurance steps are adequate.</b>	The IASB as well as the IFRS Foundation's translations, taxonomy and editorial teams will review drafts during the balloting process.
<b>Publication</b>	
<b>Exposure draft published.</b>	The exposure draft will be available on our website when published.
<b>Press release to announce publication of the exposure draft.</b>	A press release will be published on our website with the exposure draft.

## Appendix B—Meetings with consultative bodies and the Committee

B1. The following table lists the meeting dates and topics discussed with consultative bodies and the IFRS Interpretations Committee since the commencement of the project in March 2023.

Accounting Standards Advisory Forum (ASAF)	
<b>July 2023</b>	<p>The purpose of this session was:</p> <ul style="list-style-type: none"> <li>(a) to provide ASAF members with an overview of the project; and</li> <li>(b) to seek ASAF members' views: <ul style="list-style-type: none"> <li>(i) on the reasons for stakeholder concerns about reporting climate-related risks in financial statements and on whether and how the IASB should take further action to address these concerns; and</li> <li>(ii) on whether the scope of the project should be generalised to cover other risks in addition to those posed by climate.</li> </ul> </li> </ul>
<b>December 2023</b>	<p>The purpose of the session was to update ASAF members on the project and to seek their feedback on the development of materiality examples and other examples.</p>
<b>March 2024</b>	<p>The purpose of this session was:</p> <ul style="list-style-type: none"> <li>(a) to provide an update on the project.</li> <li>(b) to seek ASAF members' views on the topics that were discussed at the IASB's March 2024 meeting.</li> </ul>
Joint Capital Markets Advisory Committee (CMAC) and Global Preparers Forum (GPF)	
<b>June 2023</b>	<p>The session provided CMAC and GPF members with an overview of this project. The staff sought CMAC and GPF members' views on the reasons for stakeholder concerns about the reporting of climate-related risks in financial statements and on whether and how the IASB should take further action to address these concerns.</p>



CMAC	
<b>October 2023</b>	We provided an update on the project and asked CMAC members for feedback on the direction of the project and whether and how disclosures about assumptions, judgements and estimates could be improved.
GPF	
<b>November 2023</b>	The purpose of this session was to update GPF members on the IASB's project on Climate-related and Other Uncertainties in the Financial Statements and provide an opportunity to comment on the direction of the project.
Emerging Economics Group (EEG)	
<b>May 2023</b>	The purpose of this session was to provide background about the project and to obtain EEG members' feedback on stakeholder concerns about the reporting of climate-related risks in the financial statements.
IFRS Interpretations Committee (Committee)	
<b>June 2023</b>	Committee members provided their views on the nature and cause of concerns about the reporting of climate-related risks in the financial statements, the possible courses of action and the scope of the project.
<b>November 2023</b>	Committee members provided input on: <ul style="list-style-type: none"> <li>(a) how entities reflect the potential for high variability in future cash flows over an extended time horizon when calculating the value in use of an asset; and</li> <li>(b) whether there is diversity in how entities understand and apply the requirements in IAS 36 <i>Impairment of Assets</i> in reflecting such variability in value in use calculations.</li> </ul>