
FASB | IASB Education Meeting

Date	29 September 2023
Project	Climate-related Risks in the Financial Statements
Topic	Project update
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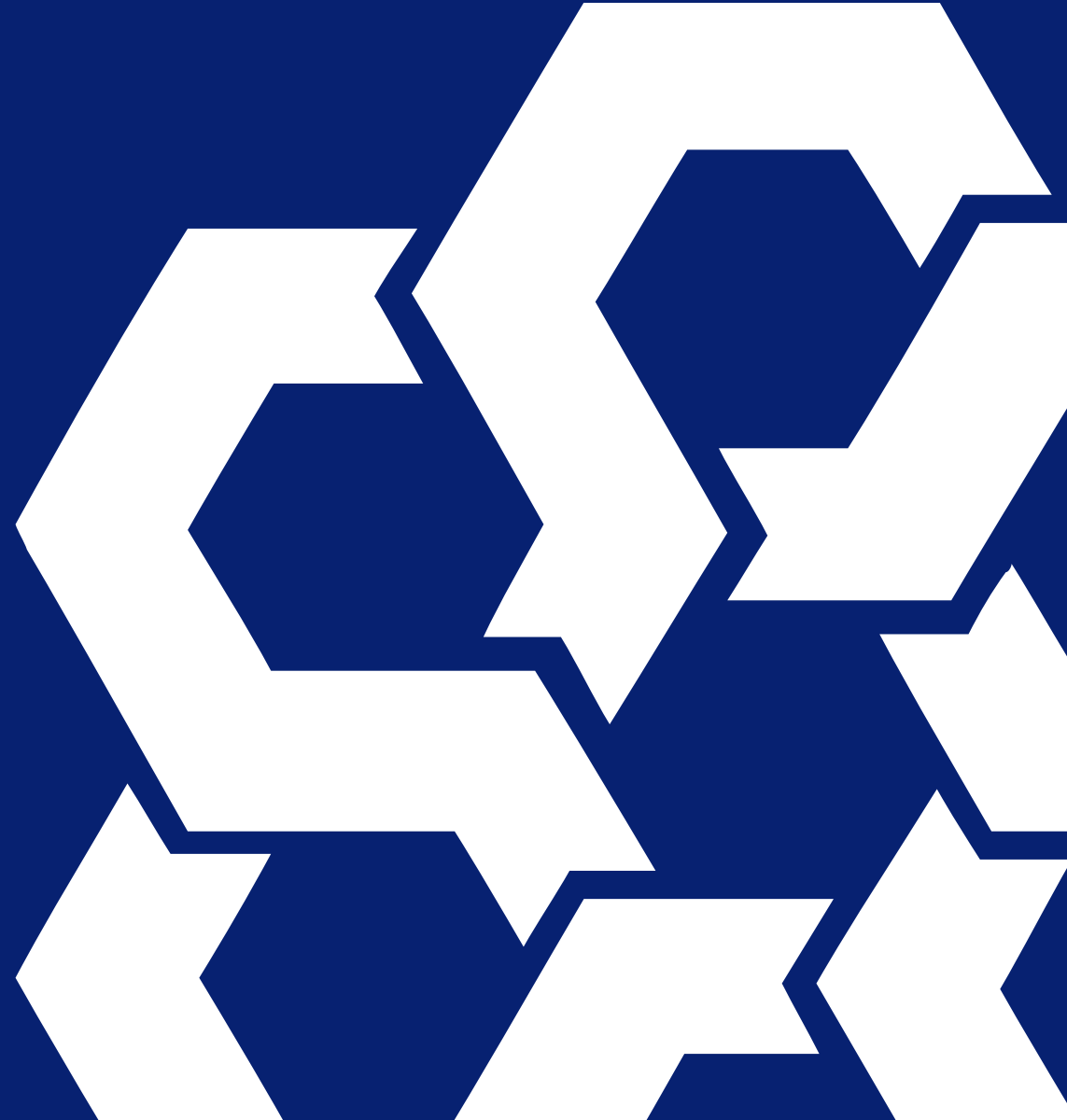
Climate-related risks in the financial statements

September 2023

Purpose of the meeting

- To provide an update on the IASB's project.
- To provide an opportunity for FASB and IASB members to discuss the project.

Project background and update



Project timeline

March 2023



Project starts

- Origin of the project (see slide 5)
- Purpose and focus of the project (see slide 6)

April–August 2023



Research, outreach and analysis

- Summary of work (see slide 8)
- Summary of feedback (see slide 9)

September 2023



Possible actions and decisions

- [September IASB meeting](#) (see slide 11)
- Approach to potential actions (see slides 12–13)
- Package of potential actions (see slides 14–15)
- **The outcome of the September 2023 IASB meeting will be shared at the FASB-IASB Education Meeting**

Origin of the project



- Stakeholders, especially users of financial statements, are increasingly interested in the effects of climate-related risks on the financial statements
- Questions about why IFRS Accounting Standards do not explicitly refer to climate-related risks
- Concerns about possible inconsistencies between information reported in the financial statements and elsewhere and insufficient information about the effects of climate-related risks in financial statements



- Educational material published to explain how Accounting Standards already require entities to consider the effects of climate-related risks in the financial statements
 - November 2020 (republished July 2023) educational material on the [Effects of climate-related matters on financial statements](#)
 - November 2019 article [IFRS Standards and climate-related disclosures](#)



- In the Third Agenda Consultation, respondents attributed high-priority to a project on climate-related risks in the financial statements
- IASB added a narrow-scope maintenance project to its agenda

Purpose and focus of the project



- **Explore whether and how financial statements can better communicate information about climate-related risks.**
- Explore the nature and causes of stakeholder concerns about reporting on the effects of climate-related risks in the financial statements.
- Consider possible courses of action, if any.¹

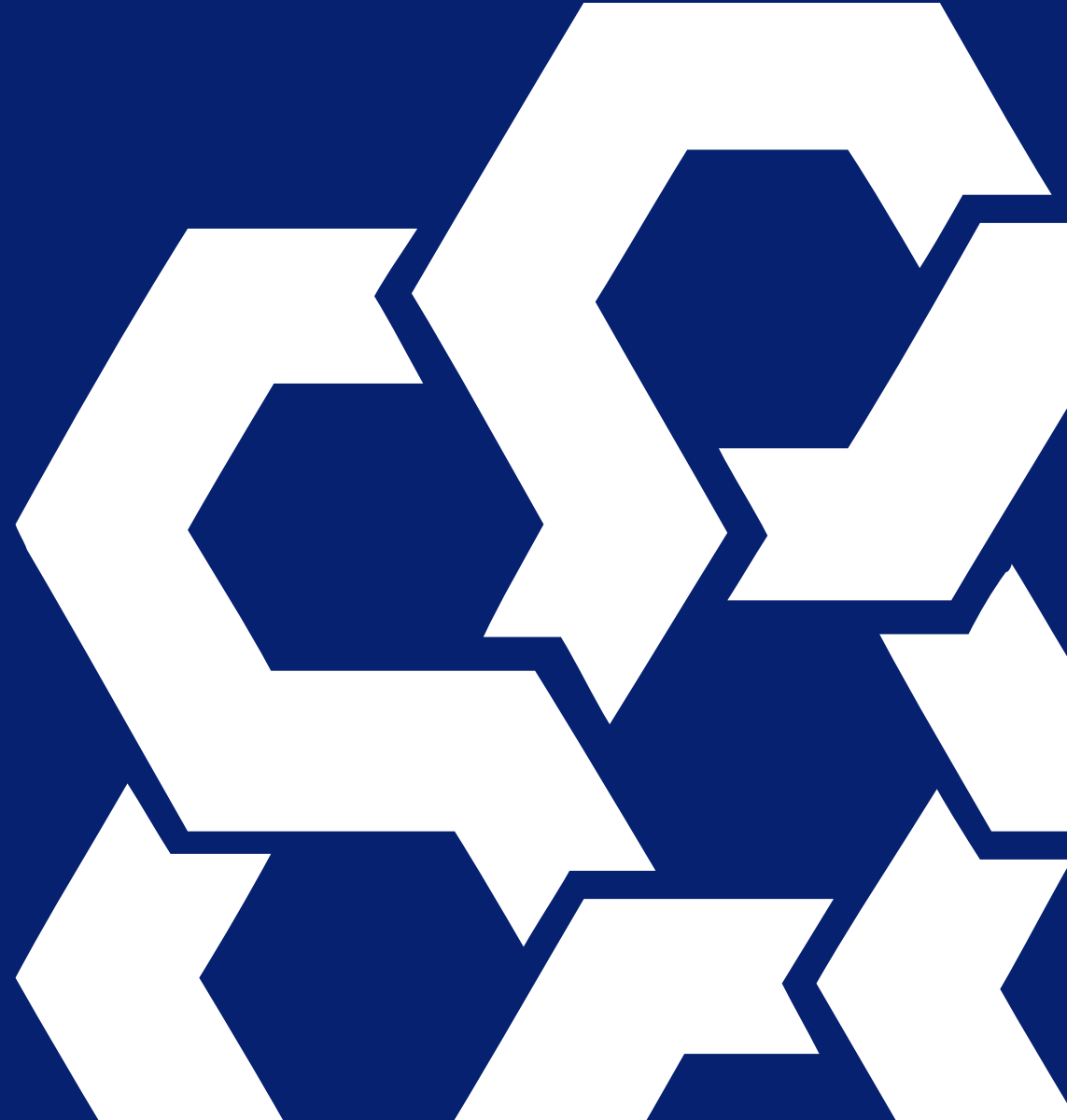


- This project will not seek to:
 - develop an Accounting Standard on climate-related risks, or extensive application guidance on how to consider the effects of such risks when applying Accounting Standards;
 - broaden the objective of financial statements or change the definitions of assets and liabilities; or
 - develop accounting requirements for pollutant pricing mechanisms.²

¹ At its September 2023 meeting, the IASB will discuss a staff recommendation to generalise the objective of this project to cover the effects of climate-related and other uncertainties in the financial statements.

² *Pollutant Pricing Mechanisms* is on a reserve list of projects that may be added to the IASB's work plan if stakeholders and the IASB have sufficient capacity.

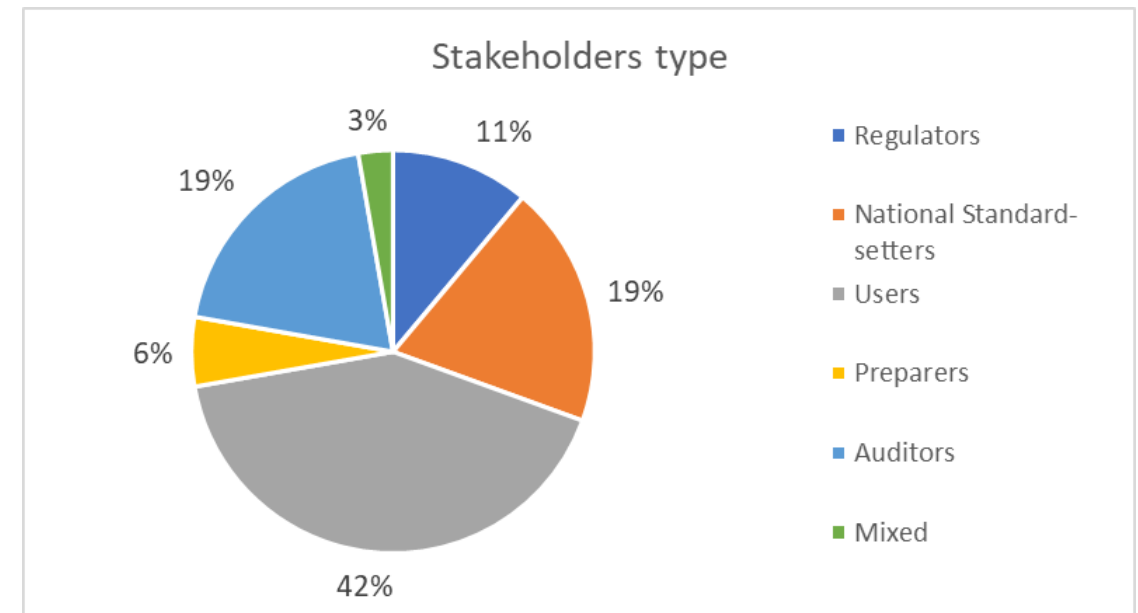
Research, outreach and analysis



Summary of work

- Outreach with the IASB's consultative bodies and other stakeholders.
- Reviewed academic research and other publications on the effects of climate-related risks in the financial statements.
- Reviewed IFRS Accounting Standards to identify potential gaps, unclear requirements or limitations that may impede reporting on the effects of climate-related risks in the financial statements.

Outreach by type of stakeholder



Summary of feedback

Concerns about

Insufficient information about the effects of climate-related risks in the financial statements.
For example, insufficient information about estimates, assumptions, judgments.

Inconsistencies in the information about climate-related risks reported within the financial statements as well as across the financial statements and other general purpose financial reports.

IFRS Accounting Standards are generally sufficient

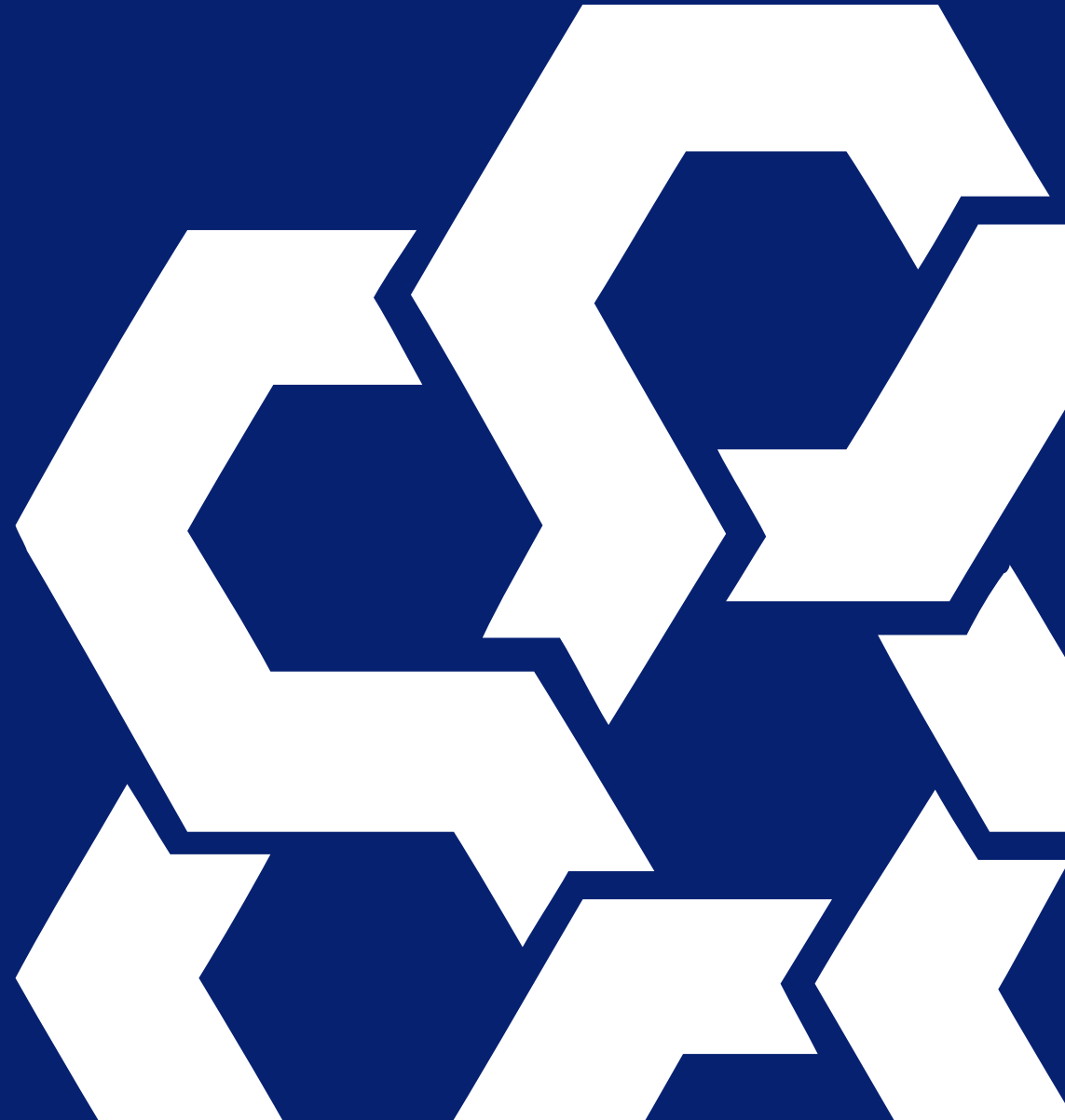
In many cases, investor information needs go beyond the objective of financial statements.
For example, investors seek information that will be provided by sustainability-related financial disclosures.

Many stakeholders noted that IFRS Accounting Standards already require consideration of the effects of climate-related and other risks.
However, targeted amendments might be necessary.

Evolving area

Evidence of some improvements in the quality of information about the effects of climate-related risks provided in the financial statements over the last few years.
However, reporting on the effects of climate-related risks (and, in general, sustainability-related risks) is an evolving area and developments need to be monitored

Potential actions and decisions



September 2023 IASB meeting

AP14A Project objective

Decision paper

Discusses whether to generalise the objective of this project to explore whether and how financial statements can better communicate information about climate-related and other uncertainties.

[Link to AP14A](#)

AP14B Results of work on the nature and causes of concern

Feedback paper

Summarises the results of the work performed and provides an initial analysis of possible actions the IASB could take to help address concerns raised by stakeholders (see slide 9)

[Link to AP14B](#)

AP14C Potential Actions

Decision paper

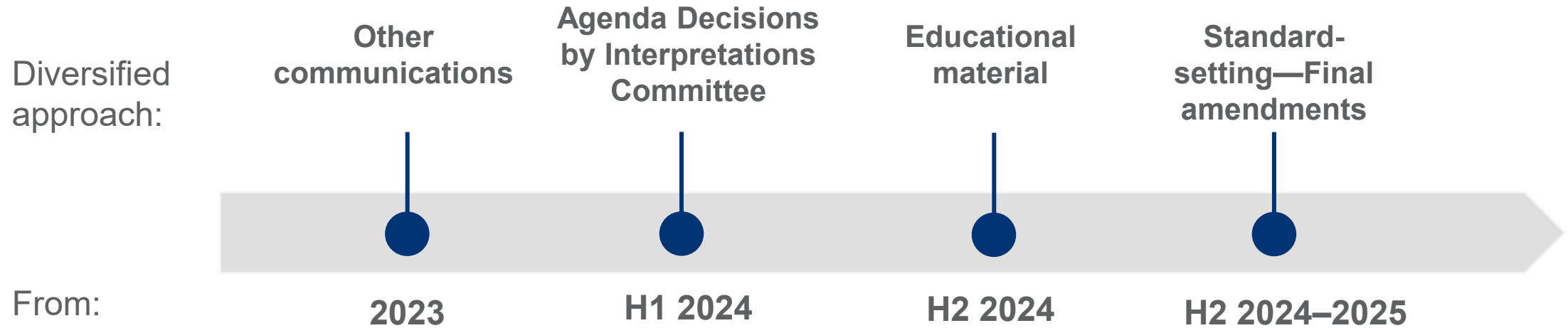
Discusses a package of potential actions the IASB could *explore* to help address concerns about reporting the effects of climate-related risks in the financial statements (see slides 12–15).¹

[Link to AP14C](#)

[Link to September IASB meeting](#)

¹ The analysis in this paper would equally apply to other uncertainties that would be in the scope of the project if the IASB agrees with the staff recommendation in AP14A to generalise the objective of this project.

Approach to potential actions



Categories of potential actions

Categories of potential actions

Improving application of IFRS
Accounting Standards

Addressing an expectations gap

Raising awareness

Disclosures

Recognition and
Measurement

Focused improvements on IAS 1

- IAS 1 sets out overarching requirements applied in *addition* to specific requirements in other Accounting Standards.
- More efficient approach than improvements to specific Accounting Standards because concerns are pervasive and affect multiple Standards.
- Consistent with the principle of treating similar items in a similar way embedded in the Conceptual Framework

Package of potential actions (1 of 2)

Action		Vehicle	Estimated timing
Improving application of IFRS Accounting Standards— Disclosure	Estimates	Standard-setting	2025
	Connected information	Standard-setting	2025
	Disaggregation	Standard-setting and educational material	H1 2024
	Materiality	Standard-setting	2025
	‘Catch-all’ disclosure requirement	Standard-setting	2025
	Overarching requirements in IAS 1	Educational material	H2 2024
Improving application of IFRS Accounting Standards— Recognition and measurement	Recognition of liabilities for climate-related commitments	Agenda decision, followed by standard-setting	Agenda decision—Apr 2024 Standard-setting—2025
	Impairment—measurement of value in use	Agenda decision	Agenda decision – Apr 2024
	Environmental, social and governance (ESG)-linked financial instruments	Standard-setting	H2 2024
	Expected credit losses	TBD	TBD
	Power purchase agreements	Standard-setting	TBD
	Cross-cutting examples	Educational material	H2 2024

Package of potential actions (2 of 2)

Action		Vehicle	Estimated timing
Addressing an expectations gap	The role of financial statements	Article	Nov 2023
	Practical tips for reporting estimates in financial statements	Article	Nov 2023
Raising awareness	Central source of information	Enhanced communication	Sep 2023
	Translations	Enhanced communication	Varies, beginning Sep 2023

Refer to [AP14C](#) for more information on potential actions

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