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**IASB<sup>®</sup> Meeting**

Date	<b>June 2025</b>
Project	<b>Climate-related and Other Uncertainties in the Financial Statements</b>
Topic	<b>Project direction</b>
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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*.

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## Purpose

1. The purpose of this meeting is to provide the International Accounting Standards Board (IASB) with our recommendations on how to respond to the feedback on the [Exposure Draft](#) *Climate-related and Other Uncertainties in the Financial Statements*.
2. As explained in Agenda Paper 14, this paper:
  - (a) summarises the main comments from IASB and Accounting Standards Advisory Forum (ASAF) members on our preliminary analysis of the feedback on the Exposure Draft, together with our responses to these comments;<sup>1</sup> and
  - (b) asks whether the IASB agrees with our recommendations for the project's direction.

## Structure of the paper

3. This paper includes:
  - (a) providing illustrative examples (paragraphs 4–11);

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<sup>1</sup> This paper includes only a high-level summary of ASAF members' comments during their May 2025 meeting. However, the final summary of the meeting will be made available in our website in due course.

- (b) approach to developing the examples (paragraphs 12–16);
- (c) proposed illustrative examples (paragraphs 17–44);
- (d) connectivity (paragraphs 45–48);
- (e) transition and effective date (paragraphs 49–59); and
- (f) staff recommendations (paragraphs 60–61).

## Providing illustrative examples

4. [Agenda Paper 14A](#) for the May 2025 meeting includes our preliminary analysis of the feedback on:
  - (a) whether providing examples would help improve the reporting of the effects of climate-related and other uncertainties in the financial statements;
  - (b) whether including the examples as illustrative examples accompanying IFRS Accounting Standards is the best vehicle for the examples; and
  - (c) other actions suggested by respondents (except for actions related to connectivity).
5. IASB members and many ASAF members broadly supported proceeding with issuing the examples. They also broadly supported including the examples as illustrative examples accompanying IFRS Accounting Standards.
6. However, a few ASAF members reiterated the concerns expressed in their comment letters about including the examples as illustrative examples accompanying IFRS Accounting Standards. These ASAF members said that including the examples in the Standards or issuing them together with narrow-scope amendments to the Standards would allow for endorsement in their jurisdictions and reduce concerns about transition (see paragraphs 49–59). For this reason, one of these ASAF members suggested not proceeding with issuing the examples. Another ASAF member said that issuing illustrative example rather than including the examples in the Standards might not achieve the project’s objective.

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7. One ASAF member expressed a preference for publishing the examples as an educational material tailored to users of financial statements instead of issuing them as illustrative examples accompanying IFRS Accounting Standards. This ASAF member said that, in their view, illustrative examples should not change practice and some examples (such as Examples 1 and 4) are expected to do so.
8. We continue to recommend that the IASB proceed with issuing examples and include them as illustrative examples accompanying IFRS Accounting Standards. We considered the fact that some jurisdictions do not endorse illustrative examples when considering the best vehicle for the examples (see [Agenda Paper 14C](#) to the April 2024 meeting). However, we continue to think that illustrative examples achieve the best balance between:
- (a) *accessibility*—illustrative examples are available in our bound volumes and the IFRS Accounting Standards Navigator on our website, together with other accompanying guidance;
  - (b) *enforceability*—some stakeholders have told us that, even without endorsement, they are aware of and refer to illustrative examples when applying IFRS Accounting Standards; and
  - (c) *flexibility in content and format*—although the format and content of illustrative examples are not quite as flexible as educational materials, they can still include more detailed explanations than are usually included in examples incorporated into IFRS Accounting Standards.
9. Furthermore:
- (a) most respondents to the Exposure Draft agreed with the IASB’s proposal to include the examples as illustrative examples accompanying IFRS Accounting Standards for the same reasons explained in paragraph 8; and
  - (b) we disagree that illustrative examples should not change practice—although illustrative examples do not change the requirements in the Standards, they

might provide additional insights into how to apply those requirements and, as such, some change in practice is to be expected.

10. If the IASB decides to proceed with issuing illustrative examples, we plan to also group the examples and publish them as a single document. Both IASB members and ASAF members supported such a publication. One IASB member suggested exploring translating this document into other languages to further increase its accessibility.
11. IASB members and ASAF members broadly supported (or did not object to) not taking other actions suggested by respondents at this stage (except for the actions related to connectivity).

## Approach to developing the examples

12. [Agenda Paper 14B](#) for the May 2025 meeting includes our preliminary analysis of the 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.
13. IASB members and most ASAF members generally supported (or did not object to) the staff's preliminary recommendation to:
  - (a) retain its approach to developing the examples but make changes to the examples to address specific concerns raised by respondents; and
  - (b) develop no additional examples.
14. IASB members also supported the staff's preliminary recommendation to retain the project's objective of covering climate-related and other uncertainties. However, if the IASB agrees with the proposal not to proceed with Example 5, all the examples the IASB would proceed with would be about climate-related uncertainties. One ASAF member specifically supported focusing on climate-related uncertainties rather than uncertainties in general. However, many ASAF members expressed concerns about

this approach. Many of these ASAF members would prefer to retain Example 5 for this reason (see paragraphs 38–40).

15. One IASB member suggested renaming the project to reflect the focus on climate-related fact patterns. One ASAF member also suggested renaming the project if the IASB decides not to proceed with issuing Example 5.
16. We continue to recommend retaining the project's objective of covering climate-related and other uncertainties for the reasons explained in paragraphs 27–29 of [Agenda Paper 14B](#) to the May 2025 meeting. However, if the IASB decides not to proceed with Example 5, it could clarify that the package of examples illustrate the reporting of the effects of uncertainties in financial statements through climate-related fact patterns.

## Proposed illustrative examples

17. [Agenda Papers 14D](#), [14E](#) and [14F](#) for the May 2025 meeting include our preliminary analysis of the feedback on Examples 1–2, Examples 3–5 and Examples 6–8, respectively. [Agenda Paper 14G](#) illustrates a possible drafting of the examples incorporating the changes discussed in those papers.
18. The following sections include our analysis of IASB and ASAF members' main comments on the staff's preliminary analysis of the feedback on:
  - (a) Examples 1–2 (paragraphs 20–34);
  - (b) Examples 3–4 (paragraphs 35–37);
  - (c) Example 5 (paragraphs 38–40); and
  - (d) Examples 6–8 (paragraphs 41–44).
19. IASB members and ASAF members also provided other drafting suggestions on the examples. If the IASB decides to proceed with issuing the examples, we will consider these suggestions during the drafting of the illustrative examples.

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**Examples 1–2**

Example 1—Materiality judgements leading to additional disclosures (IAS 1 / IFRS 18)

Example 2—Materiality judgements not leading to additional disclosures (IAS 1 / IFRS 18)

20. IASB members supported proceeding with Examples 1–2 with changes to address the main concerns of respondents to the Exposure Draft. Most ASAF members also generally supported proceeding with these examples and acknowledged the improvements made to address the concerns expressed by respondents to the Exposure Draft.

***Referencing IFRS Practice Statement 2***

21. IASB members expressed mixed views on whether to explicitly refer to IFRS Practice Statement 2 *Making Materiality Judgements* in Examples 1–2. Some IASB members said that such reference would be helpful to stakeholders. A few other IASB members preferred not to explicitly refer to IFRS Practice Statement 2 in these examples because Practice Statements, along with other non-mandatory guidance, are not endorsed and translated in some jurisdictions. One ASAF member said that, in their view, including references to IFRS Practice Statement 2 would change practice because many stakeholders are unaware of this guidance.
22. We continue to think it would be helpful to refer to IFRS Practice Statement 2 in a footnote to the examples to remind stakeholders of the non-mandatory guidance on making materiality judgements available in that Practice Statement. Illustrative Examples and IFRS Practice Statements are both non-mandatory guidance, included in our bound volumes and available on the IFRS Accounting Standards Navigator on our website. The examples are already closely aligned with the principles described in IFRS Practice Statement 2. Therefore, we think that referring to IFRS Practice Statement 2 will be helpful to stakeholders.

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*Referencing paragraph 17(c) of IAS 1*

23. One IASB member suggested replacing the reference to paragraph 31 of IAS 1 *Presentation of Financial Statements* with a reference to paragraph 17(c) of IAS 1. That IASB member suggested this because, although the wording in these paragraphs is aligned, paragraph 17(c) includes requirements related to achieving fair presentation, while paragraph 31 includes requirements related to providing material information in financial statements. Other IASB members disagreed with that suggestion because:
- (a) referencing paragraph 17(c) instead of paragraph 31 would be a substantial change from the Exposure Draft; and
  - (b) referencing paragraph 31 is more appropriate because Examples 1–2 illustrate how an entity makes materiality judgements.
24. One IASB member and one ASAF member suggested adding a reference to paragraph 17(c) of IAS 1 rather than replacing the reference to paragraph 31 of IAS 1.
25. We continue to think that it is unnecessary to refer to paragraph 17(c) of IAS 1. In our view, paragraph 31 of IAS 1 includes the most relevant requirement to illustrate how an entity makes materiality judgements. We think that adding a reference to paragraph 17(c) of IAS 1 might have unintended consequences because it is set in a different context to the requirement in paragraph 31 of IAS 1.

*Focus on disclosures outside financial statements*

26. One IASB member and one ASAF member expressed concern that the examples appear to focus on disclosures an entity makes outside its financial statements and, in particular, disclosures in another general purpose financial report. They said that such a narrow fact pattern might make it difficult for stakeholders to analogise to other uncertainties, particularly in jurisdictions where there are no requirements to report on those uncertainties outside the financial statements. The ASAF member suggested the

examples focus on the risks faced by an entity, rather than the disclosures an entity makes outside its financial statements.

27. Examples 1 and 2 were developed to respond to stakeholder concerns that the information an entity provides about the effects of climate-related risks in its financial statements appears inconsistent with information it provides outside its financial statements (apparent inconsistency). Therefore, we think it is important that the fact pattern illustrates this apparent inconsistency. However, we have proposed several drafting changes to the examples to reduce the emphasis on disclosures an entity provides outside its financial statements, while still retaining a reference to apparent inconsistencies to help address stakeholder concerns.

#### *Other comments*

28. A few IASB members and one ASAF member specifically supported enhancing the explanation included in paragraph BC32 of the Exposure Draft to clarify that, regardless of whether an entity applies IFRS Sustainability Disclosure Standards (or other similar frameworks), an entity should disclose in its financial statements all the information that is material in the context of those financial statements. Therefore, we continue to recommend replacing the explanation in paragraph BC32 of the Exposure Draft with this enhanced explanation.
29. One IASB member and one ASAF member continued to express concerns that Examples 1–2 could lead to voluminous boilerplate disclosures. The IASB member suggested exploring more ways to address these concerns. The ASAF member said that, in their view, some of the disclosures illustrated in the examples would be better placed in other general purpose financial reports outside the financial statements.
30. We have responded to concerns about voluminous boilerplate disclosures by:
- (a) developing Example 2, which illustrates a situation in which the entity makes no additional disclosures; and
  - (b) explaining that an entity:



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- (i) applies paragraph 31 of IAS 1 with an overarching perspective; and
    - (ii) considers its primary users' common information needs—rather than the needs of individual users.
  - 31. However, we will consider whether to make further refinements to the examples to address concerns about boilerplate disclosures during the drafting of the illustrative examples. For example, we could explain that material information shall not be obscured.
  - 32. One IASB member said that the current drafting of Example 1 emphasises the fact that these examples illustrate how an entity makes materiality judgements. This IASB member suggested refocusing the example to emphasise that these examples illustrate how an entity considers the requirement in paragraph 31 of IAS 1 and in doing so, the entity applies judgement to determine whether additional disclosures would provide material information. We continue to think that the focus of Example 1 should be on materiality. The requirement in paragraph 31 of IAS 1 is in the context of providing material information in financial statements.

### *Summary of staff recommendations*

- 33. Based on our analysis, we continue to recommend proceeding with Examples 1–2 with changes to address respondents' concerns. In particular, after considering the IASB and ASAF members' comments, we continue to recommend:
  - (a) explicitly referring to IFRS Practice Statement 2 in a footnote to the examples;
  - (b) not referring to paragraph 17(c) of IAS 1; and
  - (c) reducing the emphasis on the disclosures an entity provides outside its financial statements.
- 34. However, we will explore drafting changes to address IASB and ASAF members' comments in paragraphs 28–32.

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**Examples 3–4**

Example 3—Disclosure of assumptions: specific requirements (IAS 36)

Example 4—Disclosure of assumptions: general requirements (IAS 1 / IAS 8)

35. IASB members and most ASAF members broadly supported (or did not object to) the staff's proposal to proceed with Examples 3 and 4 with limited changes to address respondents' concerns.
36. However, regarding Example 4, one ASAF member said that stakeholders have different views about how to apply paragraph 125 of IAS 1. Therefore, it is inappropriate to illustrate a particular way of applying that paragraph through an illustrative example.
37. We continue to recommend proceeding with Examples 3 and 4 with limited changes to address respondents' concerns. In particular, we continue to think Example 4 appropriately illustrates the application of the requirements in paragraph 125 of IAS 1 to assumptions about long-term uncertainties. The fact that the example might provide additional insights that might change how some entities understand these requirements does not mean standard-setting is necessary.

**Example 5**

Example 5—Disclosure of assumptions: additional disclosures (IAS 1 / IFRS 18)

38. Most IASB members supported (or did not object to) the staff's proposal not to proceed with Example 5 because of concerns from respondents to the Exposure Draft that the example's fact pattern is unrealistic. However, a few IASB members disagreed with this proposal because, in their view, the example illustrates a fact pattern that is realistic in some jurisdictions, for example in emerging economies.
39. Many ASAF members expressed a preference to retain Example 5 because it is the only example that is not about a climate-related uncertainty. A few of those ASAF

members suggested changing the fact pattern to address respondents' concerns. However, a few ASAF members supported not proceeding with the example.

40. We continue to recommend the IASB does not proceed with Example 5 for the reasons explained in paragraphs 67–73 of [Agenda Paper 14E](#) to the May 2025 meeting. In particular, we note that:
- (a) although we think that situations in which there is uncertainty about the effective date of announced regulations might not be uncommon, what makes the fact pattern in Example 5 appear unrealistic is the assumption that there would be no new information and new developments in the next two years. We continue to think it would be difficult to identify a fact pattern in which it would be sufficiently clear that paragraph 125 of IAS 1 is not applicable—so as to not undermine its application—while at the same time ensuring that such fact pattern is sufficiently realistic.
  - (b) many ASAF members suggested retaining Example 5 because it is the only example that is not about a climate-related uncertainty. We do not recommend retaining Example 5 for that reason only. As explained in paragraph 16, we think the IASB could explain that the examples illustrate the reporting of the effects of uncertainties in financial statements through climate-related fact patterns, and that the principles and requirements illustrated apply equally to any type of uncertainty. We also note that, because the illustrative examples would be included in the guidance accompanying different IFRS Accounting Standards among other illustrative examples that are not about climate-related uncertainties, the focus on climate-related uncertainties would be less apparent.

### **Examples 6–8**

Example 6—Disclosure about credit risk (IFRS 7)

Example 7—Disclosure about decommissioning and restoration provisions (IAS 37)

Example 8—Disclosure of disaggregated information (IFRS 18)

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41. IASB and ASAF members broadly supported (or did not object to) the staff's proposal to proceed with Examples 6–8 with limited changes to address respondents' concerns.
42. A few IASB members and one ASAF member commented on the staff's proposed changes to the drafting of Example 6. In particular, these members suggested:
- (a) retaining some of the examples of detailed information an entity might disclose about the effects of climate-related risks on its exposure to credit risk on the affected portfolios (paragraphs 6.4(a)(i)–(ii) and 6.4(b)(i)–(iii)). However, a few other IASB members specifically supported removing the detailed information to respond to respondent's concerns about quantifying the effects of climate-related risks.
  - (b) considering whether or how to incorporate references to reflecting climate-related risks through the modelling of expected credit losses, in addition to referencing the possible use of post-model adjustments.
43. A few IASB members and a few ASAF members commented on the staff's proposed changes to the drafting of Example 8 of the Exposure Draft. In particular:
- (a) one IASB member said that adding to the fact pattern of the example that responding to climate-related transition risks is 'strategically important' to the entity might either: (i) set too high a threshold for disaggregating information applying paragraphs 41–42 and B110 of IFRS 18, or (ii) suggest that information beyond the carrying amount might have to be disaggregated. However, another IASB member argued that examples should not be viewed as setting particular thresholds. In their view, this change responded effectively to concerns from respondents to the Exposure Draft.
  - (b) a few ASAF members also expressed concerns about possible unintended consequences of using the phrase 'strategically important' in Example 8 because that phrase is not defined and stakeholders might interpret it in different ways.

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44. We continue to recommend proceeding with Examples 6–8 with limited changes to address respondents’ concerns. However, if the IASB agrees with this recommendation, we will consider whether to make changes to these examples in response to IASB and ASAF members’ comments during the drafting of the illustrative examples. In particular, we will:
- (a) consider whether it is necessary to retain the fact that responding to climate-related transition risks is ‘strategically important’ to the entity in the fact pattern of Example 8; and
  - (b) clarify in that example that an entity shall also consider whether disaggregating other information about property, plant and equipment (that is, information beyond their carrying amount) would result in material information.

## Connectivity

45. [Agenda Paper 14C](#) for the May 2025 meeting includes our preliminary analysis of the feedback on connectivity.
46. IASB members supported (or did not object to) the staff’s preliminary recommendation to develop a written educational material based on the content of the [webcast series](#) *Connectivity between financial statements and sustainability-related financial disclosures* (written educational material).
47. IASB members and ASAF members also supported (or did not object to) the staff’s preliminary recommendation that the IASB seek feedback as part of its Fourth Agenda Consultation on the priority of additional work to facilitate connected financial reporting beyond developing the written educational material.
48. Given the broad support from both IASB and ASAF members, we continue to recommend the actions described in paragraphs 46–47.

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## Transition and effective date

49. [Agenda Paper 14H](#) for the May 2025 meeting includes our preliminary analysis of the feedback related to transition and effective date.
50. Many IASB members and a few ASAF members agreed with the staff's preliminary analysis. In particular, they agreed with our view that illustrative examples accompanying IFRS Accounting Standards are not an integral part of those Standards and, as such, do not have an effective date or transition requirements. A few of these IASB members said that it would be helpful to carry forward the explanations in the Basis for Conclusion on the Exposure Draft into the Basis for Conclusions on the examples—in particular, the explanation that 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.
51. However, a few IASB members disagreed with the staff's preliminary analysis that illustrative examples cannot have an effective date. These IASB members said that setting an effective date would ensure entities have sufficient time to respond to any changes resulting from issuing the illustrative examples. One of these IASB members disagreed with analogising to the notion of 'sufficient time' in paragraph 8.6 of the *Due Process Handbook* because the handbook refers to that notion only in the context of implementing an accounting policy change as a result of an agenda decision.
52. One ASAF member suggested that the IASB clearly communicate that, although there is no change to the requirements in IFRS Accounting Standards, the way those Standards are applied might change.
53. A few IASB and ASAF members suggested exploring ways to further support stakeholders when implementing any changes resulting from the issuance of the illustrative examples. For example:
- (a) one IASB member suggested making a near final draft of the examples available on the website before the illustrative examples are issued to provide

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- entities with more time to consider any changes resulting from the illustrative examples; and
- (b) a few ASAF members suggested considering the timing of issuing illustrative examples or being more specific about how much time would be sufficient to implement any changes resulting from the examples.
54. We continue to agree with the explanations included in Basis for Conclusions on the Exposure Draft. Specifically, we agree with the explanations that:
- (a) illustrative examples accompanying IFRS Accounting Standards do not change the requirements in the Standards and, as such, do not have an effective date or transition requirements; but
- (b) because the illustrative examples might provide new insights into how to apply disclosure requirements in the Standards, entities should 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.
55. We also continue to think that, if the IASB decides to proceed with issuing illustrative examples, it would be helpful to carry forward its explanations in the Basis for Conclusions on the examples.
56. In our view, it is appropriate to analogise to explanations related to the agenda decisions because, like agenda decisions, the illustrative examples:
- (a) cannot add or change requirements in IFRS Accounting Standards. Instead, illustrative examples explain how the applicable principles and requirements in these Standards apply to the fact pattern described in the examples.
- (b) might provide additional insights that might change an entity's understanding of the principles and requirements in IFRS Accounting Standards.
57. We think including the explanations in paragraph 54 would not have unintended consequences to the implementation of agenda decisions because these explanations

would be based on, and would not go beyond, the explanations included in the *Due Process Handbook* related to the implementation of agenda decisions.

58. As suggested by IASB and ASAF members, we will continue to explore ways to further support stakeholders when implementing any changes resulting from the issuance of these illustrative examples. At a minimum, we will make a near final draft of the examples available on our website before the issuance of the illustrative examples. We plan to do so during the third quarter of 2025.
59. We think that the recommendations in paragraphs 55–58 will help address respondents’ main concerns about the lack of effective date for illustrative examples.

## Staff recommendations

60. Feedback from IASB members indicates general support for our preliminary recommendations for the project’s direction included in [Agenda Paper 14](#) for the May 2025 meeting. Furthermore, although a few ASAF members expressed concerns with some of these recommendations, many ASAF members generally supported the preliminary recommendations.
61. Therefore, our recommendations in this paper are generally consistent with and based on the analysis presented in May 2025. We recommend that the IASB:
- (a) proceed with issuing Examples 1–4 and Examples 6–8 with changes to address specific concerns raised by respondents;
  - (b) not proceed with issuing Example 5;
  - (c) include the examples as illustrative examples accompanying IFRS Accounting Standards;
  - (d) retain the project’s objective of covering climate-related and other uncertainties and develop no additional examples;
  - (e) seek feedback as part of its Fourth Agenda Consultation on the priority of additional work to facilitate connected financial reporting; and



- (f) explain that the illustrative examples would not have an effective date but that the IASB expects an entity to be entitled to sufficient time to implement any changes to the information disclosed in its financial statements as a result of their issuance.

## Question for the IASB

### Question for the IASB

Do you agree with our recommendation to:

- (a) proceed with issuing Examples 1–4 and Examples 6–8 with changes to address specific concerns raised by respondents?
- (b) not proceed with issuing Example 5?
- (c) include the examples as illustrative examples accompanying IFRS Accounting Standards?
- (d) retain the project's objective of covering climate-related and other uncertainties and develop no additional examples?
- (e) seek feedback as part of its Fourth Agenda Consultation on the priority of additional work to facilitate connected financial reporting?
- (f) explain that the illustrative examples would not have an effective date but that the IASB expects an entity to be entitled to sufficient time to implement any changes to the information disclosed in its financial statements as a result of their issuance?