Staff paper

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Project	**Climate-related and Other Uncertainties in the Financial Statements**
Topic	**Proposed illustrative examples—Examples 1–2**
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Accounting Standards Advisory Forum, May 2025, Agenda Paper 1D

This paper was discussed at the International Accounting Standards Board's (IASB's) May 2025 meeting as Agenda Paper 14D. The agenda papers referred to in this paper are the other agenda papers for the IASB's May 2025 meeting.

Introduction and purpose

1. The purpose of this meeting is to provide the IASB with the staff's preliminary analysis of the feedback on the Exposure Draft *Climate-related and Other Uncertainties in the Financial Statements*, published in July 2024.

2. Agenda Paper 14 sets out the structure of the agenda papers for this meeting.

3. This paper includes the staff's preliminary analysis of the feedback on Examples 1–2, including our preliminary recommendations on how to address that feedback.

4. As explained in Agenda Paper 14, at its meeting in April 2025, the IASB discussed possible responses to stakeholders' main concerns about Examples 1 and 2. A summary of the main themes from that discussion is included in Appendix B. We

considered comments from IASB members in developing the staff's preliminary analysis in this paper.

5. Agenda Paper 14G illustrates a possible drafting of Examples 1 and 2 incorporating the changes discussed in this paper.

6. We are not asking the IASB to make any decisions at this meeting. However, comments from IASB members on the preliminary analysis included in this paper will help us develop our recommendations for the direction of this project.

Structure of this paper

7. This paper includes:

   (a) a summary of staff's preliminary recommendations (paragraph 10); and

   (b) background information, a summary of feedback and our preliminary analysis of feedback on Examples 1 and 2 (paragraphs 11–60).

8. There are two appendices for this paper:

   (a) Appendix A—Other comments on Examples 1 and 2; and

   (b) Appendix B—Summary of the main themes from the April 2025 IASB meeting.

9. The paragraphs in this paper explaining the objective and rationale of each example summarise the content from paragraphs BC28–BC42 of the Basis for Conclusions on the Exposure Draft.

Summary of staff's preliminary recommendations

10. The staff's preliminary recommendation is that the IASB proceed with Examples 1 and 2 with changes to address respondents' concerns.

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

Objective and rationale

11. The IASB developed Examples 1 and 2 to respond to stakeholder concerns about a perceived disconnect between information about the effects of climate-related risks disclosed in the financial statements and information provided outside the financial statements. Stakeholders said they observed extensive discussion about climate-related strategy, risks and targets outside the financial statements, but the financial statements either:

    (a) made no reference to climate-related matters; or

    (b) included a statement that the effect of climate-related matters was immaterial without explaining the reason for that assertion.

12. The IASB noted that such situations may arise because of a focus on quantitative rather than qualitative factors in assessing the materiality of information. Therefore, the IASB decided to illustrate how an entity considers qualitative factors in making materiality judgements in a climate-related scenario.

13. Example 1 illustrates a situation in which an entity makes additional disclosures after applying judgement and considering its specific circumstances. To help address concerns that the consideration of qualitative factors could lead to excessive disclosures, the IASB also developed Example 2, which illustrates a situation in which the entity makes no additional disclosures.

Summary of feedback and staff's preliminary analysis

Feedback overview

14. Examples 1 and 2 generated the most feedback from respondents to the Exposure Draft. These respondents expressed mixed views about whether the IASB should

proceed with Examples 1 and 2. Some respondents expressed support for these examples. In particular, these respondents supported Example 1 because:

(a) it responds to concerns that information about the effect of climate-related risks in financial statements is sometimes insufficient or appears to be inconsistent with information entities provide outside their financial statements; and

(b) it illustrates how qualitative factors might be considered in assessing whether information is material.

15. However, many respondents expressed concerns, particularly about the technical analysis of how the entity applies paragraph 31 of IAS 1 *Presentation of Financial Statements* and the materiality assessment illustrated in the examples. Some of these respondents provided detailed drafting suggestions, while some others suggested that the IASB should not proceed with Examples 1 and 2 because of concerns that these examples might go beyond the requirements in paragraph 31 of IAS 1. These respondents were also concerned about the practical implications of applying the principles illustrated in Example 1 to all uncertainties.

16. A few respondents suggested that the IASB consider standard-setting rather than providing illustrative examples to clarify the application of paragraph 31 of IAS 1. Similar to the respondents that suggested deleting Examples 1 and 2, these respondents were concerned that these examples might go beyond the requirements in paragraph 31 of IAS 1. They said that, in their view, standard-setting would allow for in-depth consultation, clearer requirements about when additional disclosure is required and a transition period for adopting any new requirements.

17. The following paragraphs further explain respondents' comments and provide our preliminary analysis. We grouped comments into the following categories:

(a) applying paragraph 31 of IAS 1 (paragraphs 19–29);

(b) assessing whether information is material (paragraphs 30–44);

(c) location and format (paragraphs 45–54); and

(d) interaction with sustainability-related financial disclosures (paragraphs 55–60).

18. Appendix A includes other comments raised by respondents and our preliminary analysis of these comments.

Applying paragraph 31 of IAS 1

Summary of feedback

19. Example 1 illustrates the application of paragraph 31 of IAS 1. That paragraph requires an entity to consider whether to provide additional disclosures when compliance with the specific requirements in IFRS Accounting Standards is insufficient to enable users of financial statements to understand the effect of transactions and other events and conditions on the entity's financial position and financial performance.

20. Many respondents—mainly standard-setters, preparers and accountants—expressed concerns about how Example 1 illustrates the application of paragraph 31 of IAS 1, saying it might go beyond the requirements in that paragraph or how these requirements are currently applied in practice. For example, the New Zealand's External Reporting Board says:

> Traditionally, preparers and users apply IAS 1 with an overarching perspective, assessing whether the financial statements, as a whole, are misleading or incomplete. …The ED may be pushing the interpretation of IAS 1, particularly paragraph 31, beyond its current application. The concern is that these examples imply a shift toward an item-by-item analysis, where each line item must be scrutinised individually for missing information…

21. These respondents said that the analysis implies that statements of 'no effect' (or 'negative confirmations') are required for a broad range of uncertainties. A few of these respondents also expressed concerns that Example 1 implies that an entity needs to anticipate the expectations of a wide range of users of financial statements in

applying paragraph 31 of IAS 1. Respondents said that Example 1 could lead to voluminous boilerplate disclosures that might obscure, rather than provide, material information.

22. A few respondents expressed concerns about applying paragraph 31 of IAS 1 in the way illustrated in Example 1 to *all* uncertainties an entity may face. They said doing so would be burdensome for entities and auditors and require entities to create new processes and controls.

23. A few respondents, mainly preparers, said that, in their view, paragraph 31 of IAS 1 does not require disclosure when there is a 'lack of effect'. However, one regulator said that paragraphs 49–51 of IFRS Practice Statement 2 *Making Materiality Judgements* explain why information about a 'lack of effect' could be material and suggested adding similar explanations to Example 1.[1]

Staff's preliminary analysis—changes to the examples

24. We agree with respondents that said paragraph 31 of IAS 1 should be applied with an overarching perspective. We recommend explaining in the example that an entity might apply paragraph 31 of IAS 1, for example, when reviewing its draft financial statements. This review gives the entity an opportunity to 'step back' and consider the information provided in its draft financial statements from a wider perspective and in aggregate. We also recommend clarifying that an entity considers whether information is material in the context of the financial statements as a whole. We think these changes will help clarify that an entity applies paragraph 31 of IAS 1 considering the financial statements as whole, rather than on an item-by item basis.[2]

25. We also agree that an entity is not expected to anticipate the expectations of a wide range of users of financial statements, nor is it expected to provide *all* the information

[1] Paragraphs 49–51 of IFRS Practice Statement 2 state that 'the relevance of information to the primary users of an entity's financial statements can also be affected by the context in which the entity operates' and that 'in some circumstances, if an entity is not exposed to a risk to which other entities in its industry are exposed, that fact could reasonably be expected to influence its primary users' decisions; that is, information about the lack of exposure to that particular risk could be material information'.

[2] See paragraph 62 of IFRS Practice Statement 2

that primary users might need. Therefore, we recommend explaining that in determining whether additional disclosures would provide material information, the entity:

(a) draws on its *own* knowledge and experience of its transactions, other events and conditions to identify whether all material information has been provided in the financial statements.[3]

(b) considers its primary users' common information needs—rather than the needs of individual users.[4]

26. We think these changes would help clarify that an entity focuses on the *common* information needs of *primary* users and that the entity is not expected to anticipate the information needs of individual users. These clarifications will help respond to concerns that entities will need to create new processes and controls to identify all risks that a hypothetical user might be interested in.

27. We also recommend drafting changes to Example 2, to avoid implying that an entity is expected to create new processes and controls to identify all possible risks and consider whether information about these risks might be material. For example, we could clarify that because there are no indications that an explanation about the lack of effect of its greenhouse gas emissions policy on its financial position or financial performance for the current reporting period might be material information, the entity does not need to go through a process to determine whether additional disclosures would provide material information.

28. We disagree with respondents that say paragraph 31 of IAS 1 does not require disclosure when there is a 'lack of effect'. We think that, in some circumstances, if an entity is not affected by an event or condition that has affected other similar entities, information about that fact could reasonably be expected to influence primary users' decisions. Paragraphs 49–51 of IFRS Practice Statement 2 also explain that

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[3] See paragraph 61 of IFRS Practice Statement 2

[4] See paragraph 1.6 of the *Conceptual Framework* and paragraph 21 of IFRS Practice Statement 2

information about a *lack of exposure* to a particular risk could be material information because of the context in which that entity operates.

29. However, we recommend revising references to the entity disclosing that the transition plan had ‘no effect’ to help avoid the perception that an entity needs to provide ‘no effect’ statements for a variety of different risks. Instead, we recommend providing examples of the type of additional disclosures the entity might provide to explain the lack of effects of its transition plan on its financial position and financial performance. For example, the entity might explain:

    (a) why its transition plan had no effect on the useful lives of the affected manufacturing facilities, for example because these facilities will not be replaced until the end of their current useful lives; or

    (b) how it considered its transition plan in estimating the useful lives of its manufacturing facilities.

Assessing whether information is material

Summary of feedback

30. The definition of material in paragraph 7 of IAS 1 states that:

> Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

31. Respondents generally agreed that an entity should disclose information about the effect (or lack of effect) of climate-related uncertainties in its financial statements when that information is material. However, a few respondents of various types said that information about whether and why climate-related uncertainties had no effect could also be material in the fact pattern illustrated in Example 2 and similar fact

patterns (for example, for service providers with higher indirect greenhouse gas emissions).

32. Some respondents suggested enhancing the examples to further explain:

(a) why primary users of financial statements might expect—or might not expect—an effect on the entity's financial position and financial performance; and

(b) why information about the lack of such an effect is material.

33. A few respondents supported enhancing the examples to clarify that materiality assessments should encompass both qualitative and quantitative factors. Some respondents suggested that the IASB consider adding more qualitative factors to Examples 1 and 2 to help strengthen the conclusion about whether or not to provide additional disclosures.

34. A few respondents disagreed with considering disclosures an entity makes in a general purpose financial report outside its financial statements as a factor when assessing whether information is material. These respondents said that whether or not an entity discloses information outside its financial statements, should not affect whether information is material in the context of its financial statements. For example, HSBC said that:

> …this implies that the usefulness of information in the financial statements is increased for an event merely by having disclosed that event outside the financial statements.

35. A few respondents, mainly preparers, disagreed with considering the industry in which the entity operates as a factor when assessing whether information is material. In particular, these respondents said that generalisations about a whole industry's exposure to climate-related transition risks is overly broad and that those risks are not always industry specific. However, a few other respondents supported the inclusion of this factor in assessing whether information is material.

Staff's preliminary analysis—changes to the examples

36. We recommend enhancing the reasons why the primary users of the entity's financial statements might expect—or might not expect—an effect on its financial position and financial performance. For example, we think it would be helpful to explore changes to paragraph 1.3 of the Exposure Draft to clarify why, without additional disclosures, the entity's primary users might not understand why there is no effect on the entity's financial position and financial performance. We also think it might be helpful to enhance the conclusion in paragraph 1.9 of the Exposure Draft to describe the types of information the entity might provide to explain the lack of effect of its transition plan on its financial position and financial performance.

37. We also recommend further emphasising and explaining why information about a lack of effect might be material. For example, we could enhance the fact pattern in Example 1 to explain that the entity's transition plan is strategically important for the entity and will significantly affect its future operations. We could also clarify and expand the discussion of entity-specific qualitative factors that the entity considers when determining whether additional disclosures would provide material information.

38. We agree that Examples 1 and 2 could be enhanced by emphasising that the materiality assessments should encompass both qualitative and quantitative factors.[5]

39. Paragraph 1.8 of the Exposure Draft says that the entity reaches its conclusion about the materiality of the information after considering:

> … qualitative factors that make the information more likely to influence users' decision-making, including:
>
> (a) the disclosures in its general purpose financial report outside the financial statements (entity-specific qualitative factor); and

[5] Paragraph 41 of IFRS Practice Statement 2 states that 'an entity might conclude that an item of information is material for various reasons. Those reasons include the item's nature or magnitude, or a combination of both, judged in relation to the particular circumstances of the entity. Therefore, making materiality judgements involves both quantitative and qualitative considerations'.

(b) the industry in which it operates, which is known to be exposed to climate-related transition risks (external qualitative factor).

40. We agree that disclosing information outside an entity's financial statements, should not, on its own, affect whether information is material in the context of its financial statements. However, disclosing that information outside the financial statements might contribute to a user's understanding of the context in which an entity operates. We also agree that risks are not always industry-specific.

41. Therefore, we recommend:

(a) clarifying that the entity considers both quantitative and qualitative factors in determining whether additional disclosures would provide material information;

(b) changing the entity-specific qualitative factors the entity might consider to include the nature and extent of its exposure to climate-related transition risks and the significance of its transition plan (or greenhouse gas emissions policy) to its operations;

(c) enhancing the external qualitative factors an entity might consider in Example 1 to include the industry and jurisdictions in which it operates—including its market, economic, regulatory and legal environments; and

(d) clarifying, through drafting changes, that the listed factors are not an exclusive list of the factors an entity considers when making materiality judgements.

42. We think these clarifications will better illustrate the factors an entity would consider in determining whether additional disclosures would provide material information.

43. We also recommend clarifying that the entity also considers whether, without additional disclosures, its financial statements might appear inconsistent with information about its transition plan in its general purpose financial reports accompanying its financial statements.

44. We think that this clarification helps address one of the stakeholder concerns that gave rise to this project, that is, 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.

Location and format

Summary of feedback

45. Some respondents said that it would be helpful to clearly link Examples 1 and 2 together or to make Example 2 a variant of Example 1. These respondents said that this would help emphasise the contrasting outcomes of when additional disclosures might or might not be provided.

46. Some respondents, mainly accountants, said that Examples 1 and 2 should be included as part of IFRS Practice Statement 2 rather than IAS 1, because their main objective is to illustrate the application of materiality judgements.

47. A few respondents suggested either cross referencing to, or incorporating more guidance from, IFRS Practice Statement 2 into Examples 1 and 2 to provide stakeholders with more guidance on making materiality judgements.

48. A few respondents said that it would be helpful to align Examples 1 and 2 with the four-step process illustrated in IFRS Practice Statement 2.[6]

Staff's preliminary analysis—changes to the examples

49. We agree with respondents that say it would be helpful to clearly link Examples 1 and 2 together. We think this would help illustrate the contrasting outcomes of the different fact patterns when applying paragraph 31 of IAS 1. Therefore, we recommend linking these examples by making Examples 1 and 2 variants of the same example, for example, Example 1A and 1B.

[6] Paragraph 33 of IFRS Practice Statement 2 identifies the four steps that an entity may follow in making materiality judgements when preparing financial statements as identify, assess, organise and review.

50. We also considered combining the examples into a single example and contrasting the differences in the analysis and conclusions in each fact pattern, for example, Entity A and Entity B. However, we think that linking the examples as recommended in paragraph 49 would be simpler and equally as effective as combining the examples.

51. We disagree with including the examples in IFRS Practice Statement 2. This is because our outreach indicated that the usefulness of the existing examples in IFRS Practice Statement 2 is limited because many stakeholders are unaware of IFRS Practice Statement 2. We think that including examples as illustrative examples accompanying IFRS Accounting Standards will be more effective in addressing the stakeholder concerns discussed in paragraph 11 of this paper.

52. We also think that it is appropriate to include the examples as part of the guidance accompanying IAS 1 because it illustrates the application of paragraph 31 of that standard.

53. However, we agree that incorporating more guidance from IFRS Practice Statement 2 would be helpful to stakeholders. In particular, we recommend enhancing the examples as described in paragraphs 24–26 of this paper. We also think it could be helpful to explicitly refer to IFRS Practice Statement 2 in a footnote to the examples to provide stakeholders with more detailed guidance on making materiality judgements.

54. We think that aligning the example to the four-step approach in IFRS Practice Statement 2 is unnecessary. The four-step approach described in IFRS Practice Statement 2 is one possible approach to assessing whether information is material in the context of an entity’s financial statements. We think that changing the format of the example to align with this the four-step approach would require significant redrafting and provide little additional benefit. We also think that the example is already closely aligned with the principles described in IFRS Practice Statement 2.

Interaction with sustainability-related financial disclosures

Summary of feedback

55. Paragraph BC32 of the Exposure Draft says that it is assumed in Examples 1 and 2 that the entity does not apply IFRS Sustainability Disclosure Standards. Some respondents, mainly standard-setters and accountants, said that it would be helpful for the IASB to explain whether or how the conclusions in Examples 1 and 2 would change if the entity applies IFRS Sustainability Disclosure Standards (or other similar frameworks).

56. A few of these respondents asked the IASB to clarify whether the additional information that the entity in Example 1 would disclose could be provided in the financial statements through cross-referencing to information provided outside the financial statements.

Staff's preliminary analysis—changes to the examples

57. As explained in paragraph 11 of this paper, the IASB developed Examples 1 and 2 to respond to stakeholder concerns about a perceived disconnect (apparent inconsistency) between information about the effects of climate-related risks disclosed in the financial statements and information provided outside the financial statements.

58. The explanation in paragraph BC32 of the Exposure Draft intended to clarify that the entity in Example 1 did not disclose—in its general purpose financial reports outside the financial statements—the lack of financial effect of sustainability-related risks and opportunities as required by IFRS Sustainability Disclosure Standards.[7] If these disclosures had been provided, there would not be an apparent inconsistency to consider in determining whether additional disclosure in the financial statements would provide material information. However, an entity would still consider all other relevant qualitative and quantitative factors when determining whether additional disclosure in financial statements would provide material information.

[7] Paragraph 34 of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*

59. We think 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 suggest replacing the explanation in paragraph BC32 with an enhanced explanation about how the IASB considered these matters in developing the examples.

60. We have considered comments about providing information in the financial statements through cross-referencing to information provided outside the financial statements in Agenda Paper 14C.

Question for the IASB

Question for IASB members
Do you have any comments on the staff's preliminary analysis included in this paper?

Appendix A—Other comments on Examples 1 and 2

A1. The table below includes other comments raised by respondents and our preliminary analysis of these comments.

Comment	Staff preliminary analysis
1. *Expanding the conclusion in Example 1* Some respondents suggested expanding the conclusion in Example 1 to provide more guidance on the types of disclosure that the entity might provide.	*We recommend changes to the examples* We agree that it would be helpful to enhance the conclusion of Example 1 to describe the types of information an entity might provide when explaining how it has considered the effects of its transition plan on its financial position and financial performance.
2. *Referring to other IFRS accounting requirements* A few respondents suggested enhancing the technical analysis with references to other requirements in IFRS Accounting Standards. For example, a few respondents suggested that Example 1 explain that any additional disclosures should not obscure material information. A few respondents also suggested incorporating more language from the definition of material in paragraph 7 of IAS 1. For example, a few respondents suggested explaining that primary users have a reasonable knowledge of business and economic activities and review and analyse the information diligently.	*We recommend no changes to the examples* We think it is unnecessary to refer other requirements in IFRS Accounting Standards. We also think that adding more language from the definition of material is unnecessary. In particular, we do not think it is necessary to explain in Example 1 that additional disclosures should not obscure material information. This is because any additional disclosures are only provided if doing so would provide material information. See also, Appendix A to Agenda Paper 14B for this meeting for further discussion on referring to other IFRS accounting requirements such as paragraphs 17(c) and 112(c) of IAS 1.

3. Fact patterns A few respondents said the fact patterns in Examples 1 and 2: (i) are not realistic because it is unlikely for an entity's 10-year transition plan or greenhouse gas emissions policy to have no impact on its financial position and financial performance; and (ii) could be enhanced to also consider climate-related physical risks or climate-related risks as a whole.	*We recommend no changes to the examples* We disagree with respondents that say the fact patterns in Examples 1 and 2 are unrealistic. In developing the examples, our research and outreach activities indicated that these fact patterns are similar to existing scenarios faced by entities. However, we recommend clarifying in the examples that the entity determines that its transition plan has no effect *for the current reporting period*. Whilst we agree that the examples could be enhanced to consider other scenarios, we think that there is a limit to how many scenarios the IASB could develop in the context of this project. We think that the current examples are generally appropriate to meet the objective of this project.

Appendix B—Summary of main themes from the April 2025 meeting

B1. At its meeting in April 2025, the IASB discussed Agenda Paper 14 and Agenda Paper 14 (Appendix) which described possible ways to address stakeholders' main concerns about Examples 1 and 2 proposed in the Exposure Draft *Climate-related and Other Uncertainties in the Financial Statements*. This appendix summarises comments made by IASB members at that meeting.

Overall feedback

B2. The IASB discussed respondents' concerns about whether to proceed with Examples 1–2.

B3. IASB members broadly supported (or did not object to) our proposal to proceed with Examples 1–2 because we think these examples are important to address the stakeholder concerns explained in BC1 of the Exposure Draft and to achieve the objective of the project.

Applying paragraph 31 of IAS 1

B4. The IASB discussed respondents' concerns that Example 1 might go beyond the requirements in paragraph 31 of IAS 1 or how these requirements are currently applied in practice (see paragraphs 19–23 of this paper).

B5. IASB members broadly supported (or did not object to) our proposals to:

(a) explain that an entity applies paragraph 31 of IAS 1, for example, when reviewing the financial statements and taking a 'step-back' to consider information provided from a wider perspective and in aggregate;

(b) explain that an entity considers whether information is material in the context of the financial statements as a whole;

(c) explain that, in determining whether additional disclosures would provide material information, the entity draws on its knowledge and experience of its transactions and other events and conditions;

(d) explain that, the entity considers its primary users' common information needs—rather than the needs of individual users; and

(e) revise references to the entity disclosing that the transition plan had 'no effect' and, instead, explain that the entity provides additional disclosures to explain the lack of effect of its transition plan on its financial position and financial performance for the current reporting period.

B6. A few IASB members preferred not to include questions asked by the entity's primary users as a consideration when determining whether additional disclosures would provide material information because in practice such questions generally do not drive materiality considerations.

Assessing whether information is material

B7. The IASB discussed concerns expressed by some respondents about how materiality assessments are illustrated in the examples, particularly regarding making materiality judgements and the specific factors considered (see paragraphs 30–35 of this paper).

B8. IASB members broadly supported (or did not object to) our proposal to clarify and expand the discussion of qualitative factors the entity considers in reaching its conclusion that additional disclosures would provide material information. IASB members had mixed views about how and whether to include as a factor, inconsistencies that might appear to exist between information an entity provides in its financial statements and information it provides in a general purpose financial report outside its financial statements.

Location and format

B9. The IASB discussed the suggestions from some respondents that Examples 1 and 2 should be linked together (see paragraphs 45–48 of this paper).

B10. IASB members supported our proposal to make the link between the two examples clearer.

Interaction with sustainability-related financial disclosures

B11. The IASB discussed the request from some respondents for the IASB to clarify whether and how conclusions would change if the entity applied IFRS Sustainability Disclosure Standards (see paragraphs 55–56 of this paper).

B12. IASB members broadly supported our proposal to delete paragraph BC32 of the Exposure Draft and instead explore providing explanations in the Basis for Conclusions that, as part of the IASB's considerations in developing the examples, it considered that:

(a) an entity discloses in financial statements all the information that is material in the context of financial statements, regardless of whether that information is also provided elsewhere;

(b) an entity might consider whether any inconsistencies might appear to exist between information provided in the entity's financial statements and information provided elsewhere when determining whether additional disclosures would provide material information in the context of the entity's financial statements (apparent inconsistency); and

(c) the apparent inconsistency described in the example would not exist if the entity had applied IFRS Sustainability Disclosure Standards because the entity would have disclosed the lack of current financial effect of sustainability-related risks and opportunities. However, an entity would still consider all relevant qualitative and quantitative factors when determining whether additional disclosure in financial statements would provide material information.

Alternative approach

B13. The IASB also discussed changing Example 1 so that it would not include the entity's conclusion as to whether additional disclosures would provide material information.

B14. IASB members expressed a preference for including a conclusion to the example because this would be a more effective way of meeting the objective of the example.