



July 2025

## **Near-final staff draft**

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### **Disclosures about Uncertainties in the Financial Statements Illustrated using Climate-related Examples** Illustrative Examples

The International Accounting Standards Board (IASB) has not approved this near-final staff draft. The technical staff of the IASB is making this near-final draft of the illustrative examples available to give entities early sight of the examples expected to be issued in October 2025. This near-final draft is being made available for information only. The IASB is not requesting comments on it.

### **About this near-final staff draft of illustrative examples**

In June 2025, the International Accounting Standards Board (IASB) decided to finalise, with limited changes, its proposed examples illustrating how an entity applies the requirements in IFRS Accounting Standards to report the effects of uncertainties in its financial statements. The examples illustrate the reporting of the effects of uncertainties through climate-related fact patterns. However, the principles and requirements illustrated apply equally to all types of uncertainties.

The examples will be included as illustrative examples accompanying IFRS Accounting Standards. The IASB expects to issue them, together with accompanying bases for conclusions, in October 2025.

The technical staff of the IASB is making this near-final draft of the illustrative examples available to give entities early sight of the examples expected to be issued in October 2025. The illustrative examples are subject to change, but the staff does not expect significant changes before the IASB issues them.

This near-final draft is being made available for information only. The IASB is not requesting comments on this draft.

Further information about the illustrative examples is available on the [project's webpage](#).

## Illustrative examples

Examples 1–6 will be added to materials accompanying the IFRS Accounting Standards to which they relate. The paragraph numbering used in the examples will be adapted to conform with the numbering used in the materials to which they will be added.

IFRS 18 *Presentation and Disclosure in Financial Statements* is effective for annual reporting periods beginning on or after 1 January 2027. Paragraph references to requirements applicable for these reporting periods are included in brackets.

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## Example 1—Materiality judgements applying paragraph 31 of IAS 1 [paragraph 20 of IFRS 18]

### *Reporting periods before an entity applies IFRS 18*

This example is added as ‘Example 1—Materiality judgements applying paragraph 31 of IAS 1’ to a new part of the *Guidance on implementing IAS 1 Presentation of Financial Statements*, titled ‘Part IV: Disclosures about the effects of uncertainties’. The paragraph numbering will be adapted to conform with the numbering used in that document.

### *Reporting periods in which an entity applies IFRS 18*

This example is added as ‘Example IV-1—Materiality judgements applying paragraph 20 of IFRS 18’ after paragraph IE17 of the Illustrative Examples accompanying IFRS 18 under a new heading titled ‘Part IV—Disclosures about the effects of uncertainties’. The paragraph numbering will be adapted to conform with the numbering used in that document. Paragraph references to requirements applicable for these reporting periods are included in brackets.

- 1.1 This example illustrates how an entity applies the requirement in paragraph 31 of IAS 1 *Presentation of Financial Statements* [paragraph 20 of IFRS 18 *Presentation and Disclosure in Financial Statements*] and makes materiality judgements in the context of financial statements.<sup>1</sup> This example illustrates two scenarios: one scenario in which these judgements lead to additional disclosures beyond those specifically required by IFRS Accounting Standards and a second scenario in which they do not.

## **Scenario 1—Materiality judgements leading to additional disclosures**

### **Background**

- 1.2 Entity A is a manufacturer that operates in a capital-intensive industry. The entity is exposed to significant climate-related transition risks and operates in jurisdictions that have adopted climate-related policies that affect the entity’s operations. The entity has developed a climate-related transition plan to manage its climate-related transition risks. The plan is strategically important for the entity and is expected to significantly affect its future operations.

<sup>1</sup> IFRS Practice Statement 2 *Making Materiality Judgements* also provides non-mandatory guidance on making materiality judgements when preparing general purpose financial statements in accordance with IFRS Accounting Standards.

- 1.3 Entity A discloses information about its transition plan in a general purpose financial report accompanying the financial statements, including detailed information about how it plans to reduce its greenhouse gas emissions over the next 10 years. The entity explains that it plans to reduce these emissions by making future investments in more energy-efficient technology and changing some of its raw materials and manufacturing methods. The entity discloses no other information about its climate-related transition plan in its general purpose financial reports.

## Application

### *Considering the specific requirements in IFRS Accounting Standards*

- 1.4 In preparing its financial statements, Entity A assesses the effect of its climate-related transition plan on its financial position and financial performance. The entity determines that its transition plan has no effect on the recognition or measurement of its assets and liabilities and related income and expenses for the current reporting period because, for example:
- (a) the transition plan did not affect the useful lives of the affected manufacturing facilities. These facilities will not be replaced until the end of their current useful lives.
  - (b) the entity's existing inventory of raw materials will be fully consumed before the entity changes the raw materials used in its manufacturing process in accordance with the transition plan. The carrying amount of the raw materials is recoverable.
  - (c) the recoverable amounts of the affected cash-generating units (CGUs), after reflecting the effects of the transition plan where required by IAS 36 *Impairment of Assets*, exceed their carrying amounts.
  - (d) the transition plan did not affect the timing or amount of expenditure required to settle the entity's decommissioning and site-restoration obligations.
- 1.5 Entity A also assesses whether specific requirements in IFRS Accounting Standards—such as in IAS 2 *Inventories*, IAS 16 *Property, Plant and Equipment*, IAS 36 or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*—require it to disclose information about the effect (or lack of effect) of its transition plan on its financial position and financial performance. The entity determines that they do not.

*Considering the requirement in paragraph 31 of IAS 1 [paragraph 20 of IFRS 18]*

- 1.6 Paragraph 31 of IAS 1 [Paragraph 20 of IFRS 18] 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.
- 1.7 An entity applies paragraph 31 of IAS 1 [paragraph 20 of IFRS 18], for example, when reviewing its draft financial statements to determine whether all material information has been provided in those financial statements. This review gives the entity an opportunity to 'step back' and consider the information it provides in its financial statements from a wider perspective and in aggregate. This review might involve considering whether, without additional disclosures, information in its financial statements might appear inconsistent with information in its general purpose financial reports accompanying those financial statements.
- 1.8 As part of the assessment in paragraph 1.7, an entity draws on its knowledge and experience of its transactions and other events and conditions to identify whether all information that is material in the context of its financial statements taken as a whole has been provided in those financial statements. The entity considers primary users' common information needs—rather than the needs of individual users.
- 1.9 In applying paragraph 31 of IAS 1 [paragraph 20 of IFRS 18], Entity A applies judgement to determine whether additional disclosures to enable users of its financial statements to understand the effect (or lack of effect) of its transition plan on its financial position and financial performance would provide material information. That is, the entity considers whether omitting this information could reasonably be expected to influence the decisions that primary users of its financial statements make on the basis of those financial statements.
- 1.10 In making a judgement about whether such additional disclosures would provide material information, Entity A considers both quantitative and qualitative factors. Although the transition plan had no effect on the entity's financial position and financial performance for the current reporting period, the entity considers qualitative factors including:
  - (a) *entity-specific qualitative factors*—for example, Entity A considers:
    - (i) the nature and extent of its exposure to climate-related transition risks—the entity has significant exposure to climate-related transition risks and its transition plan contributes to mitigating those risks.
    - (ii) the significance of its transition plan to its operations—its transition plan is strategically important for, and is expected to significantly affect, the entity's future operations.

- (b) *external qualitative factors*—for example, Entity A considers whether the industry and jurisdictions in which it operates—including its market, economic, regulatory and legal environments—make the information more likely to influence the decisions that primary users of the entity’s financial statements make on the basis of those financial statements. The entity determines that they do because of the significance of climate-related transition risks to the business models of entities operating in the same industry and the climate-related policies adopted by the jurisdictions in which the entity operates.
- 1.11 Entity A also considers whether, without additional disclosures, information in its financial statements might appear inconsistent with information about its transition plan in its general purpose financial reports accompanying those financial statements. For example, information about the entity’s plans to change its manufacturing methods and invest in more energy-efficient technology might suggest that some of its assets might be impaired.
- 1.12 After considering its particular facts and circumstances, including those described in paragraphs 1.10–1.11, Entity A determines that additional disclosure to explain the lack of effect of its transition plan on its financial position and financial performance for the current reporting period would provide material information in the context of its financial statements taken as a whole. For example, the entity might explain why its transition plan had no effect on its financial position and financial performance for the current reporting period by disclosing the reasons explained in paragraph 1.4.

## **Scenario 2—Materiality judgements not leading to additional disclosures**

### **Background**

- 1.13 Entity B is a service provider that operates in an industry that has a low level of greenhouse gas emissions and has limited exposure to climate-related transition risks. The entity discloses in a general purpose financial report accompanying its financial statements that it has a low level of greenhouse gas emissions, explaining that, if possible, it uses renewable energy and avoids exposure to high-emission activities. The entity also explains how it plans to keep emissions low by maintaining its current greenhouse gas emissions policy.
- 1.14 Entity B’s greenhouse gas emissions policy is not expected to significantly affect its future operations. The entity discloses no other information about its greenhouse gas emissions policy in its general purpose financial reports.

## Application

### *Considering the specific requirements in IFRS Accounting Standards*

- 1.15 In preparing its financial statements, Entity B applies the recognition and measurement requirements in IFRS Accounting Standards. Applying those requirements, the entity determines that its greenhouse gas emissions policy has no effect on the recognition and measurement of its assets and liabilities and related income and expenses for the current reporting period.
- 1.16 Entity B also assesses whether specific requirements in IFRS Accounting Standards require it to disclose information about the effect (or lack of effect) of its greenhouse gas emissions policy on its financial position and financial performance. The entity determines that they do not.

### *Considering the requirement in paragraph 31 of IAS 1 [paragraph 20 of IFRS 18]*

- 1.17 In applying paragraph 31 of IAS 1 [paragraph 20 of IFRS 18] (see paragraphs 1.6–1.8), Entity B applies judgement to determine whether additional disclosures to enable users of its financial statements to understand the effect (or lack of effect) of its greenhouse gas emissions policy on its financial position and financial performance would provide material information. That is, the entity considers whether omitting this information could reasonably be expected to influence the decisions that primary users of its financial statements make on the basis of those financial statements.
- 1.18 In making that judgement, Entity B considers both quantitative and qualitative factors. The entity determines that there are no indications that an explanation about the lack of effect of its greenhouse gas emissions policy on its financial position and financial performance for the current reporting period might be material information in the context of its financial statements taken as a whole because, for example:
- (a) its greenhouse gas emissions policy is not expected to significantly affect its future operations; and
  - (b) it operates in an industry that has a low level of greenhouse gas emissions and has limited exposure to climate-related transition risks.
- 1.19 Therefore, Entity B determines that additional disclosure to explain the lack of effect of its greenhouse gas emissions policy on its financial position and financial performance for the current reporting period would not provide material information in the context of its financial statements taken as a whole. The entity therefore provides no such disclosures.



## Example 2—Disclosure of assumptions: specific requirements

This example is added as ‘Example 10 Disclosures of assumptions related to uncertainties’ after paragraph IE89 of the Illustrative Examples on IAS 36 *Impairment of Assets*. Paragraph 2.1 is added as introductory text in italics. Paragraph numbering will be adapted to conform with the numbering used in that document.

- 2.1 This example illustrates the requirements in paragraphs 134(d)(i)–(ii) and 134(f) of IAS 36 *Impairment of Assets*. In particular, it illustrates how an entity discloses information about the key assumptions it uses to determine the recoverable amounts of assets.

### Background

- 2.2 The entity’s operations result in a high amount of greenhouse gas emissions. The entity is subject to greenhouse gas emission regulations in some of the jurisdictions in which it operates. Those regulations require the entity to acquire emission allowances for some of its emissions, resulting in costs (emission allowance costs).<sup>2</sup> The entity expects such regulations to become more widespread in the future.
- 2.3 The entity has allocated a significant amount of goodwill to one of its cash-generating units (CGUs) and tests that CGU for impairment at least annually. The entity has concluded that the CGU’s recoverable amount is greater than its carrying amount and, therefore, recognises no impairment loss in the current reporting period. The entity has determined that its assumptions about future emission allowance costs are key assumptions—that is, they are among the assumptions to which the CGU’s recoverable amount is most sensitive.

### Application

#### Reasonable and supportable assumptions

- 2.4 The entity measures the value in use of the CGU when testing it for impairment. Applying paragraphs 33–38 of IAS 36 in measuring the CGU’s value in use, the entity bases its cash flow projections on reasonable and supportable assumptions that represent management’s best estimate of the range of economic conditions that will exist in the future. These assumptions include assumptions about future emission allowance costs.
- 2.5 The assumptions about future emission allowance costs include assumptions about the future price of emission allowances and future emission regulations. However, these assumptions do not reflect risk already reflected in the discount rate.

<sup>2</sup> This example illustrates only the entity’s consideration of emission allowance costs when testing an asset for impairment and its disclosure of information about related key assumptions. The example does not cover, for example, other costs an entity might incur in managing climate-related risks.

## Disclosures

### *Key assumptions and approach used to determine the values assigned to them*

- 2.6 Applying paragraph 134(d)(i)–(ii) of IAS 36, the entity discloses:
- (a) that its key assumptions include future emission allowance cost assumptions, such as the future price of greenhouse gas emission allowances and future emission regulations; and
  - (b) its approach to determining the values assigned to these key assumptions, including whether its assumptions about the future price of greenhouse gas emission allowances and future emission regulations are consistent with external sources of information and, if not, how and why they differ from such sources of information.

### *Sensitivity information*

- 2.7 Applying paragraph 134(f) of IAS 36, the entity also considers whether a reasonably possible change in a key assumption would cause the CGU's carrying amount to exceed its recoverable amount—that is, whether such a change in assumption would result in an impairment loss. For example, the entity considers whether an impairment loss would result from a reasonably possible change in the entity's assumptions about the future price of greenhouse gas emission allowances. If so, the entity discloses:
- (a) the amount by which the CGU's recoverable amount exceeds its carrying amount;
  - (b) the values assigned to the assumptions about the future price of greenhouse gas emission allowances; and
  - (c) the amount by which these values must change, after incorporating any consequential effects of that change on the other variables used to measure the recoverable amount, in order for the CGU's recoverable amount to be equal to its carrying amount.

### Example 3—Disclosure of assumptions: general requirements

#### *Reporting periods before an entity applies IFRS 18*

This example is added as ‘Example 2—Disclosures about assumptions’ to a new part of the *Guidance on implementing IAS 1 Presentation of Financial Statements*, titled ‘Part IV: Disclosures about the effects of uncertainties’. The paragraph numbering will be adapted to conform with the numbering used in that document.

#### *Reporting periods in which an entity applies IFRS 18*

This example is added as ‘Example 6 – Disclosures about assumptions’ after paragraph 5.5 of the *Guidance on implementing IAS 8 Basis of Preparation of Financial Statements*. Paragraph numbering will be adapted to conform with the numbering used in that document. Paragraph references to requirements applicable for these reporting periods are included in brackets.

- 3.1 This example illustrates the requirements in paragraphs 125 and 129 of IAS 1 *Presentation of Financial Statements* [paragraphs 31A and 31E of IAS 8 *Basis of Preparation of Financial Statements*]. In particular, it illustrates how an entity:
- (a) might be required to disclose information about assumptions it makes about the future even if the specific disclosure requirements in other IFRS Accounting Standards require no such disclosure;
  - (b) identifies the assumptions about which it is required to disclose information; and
  - (c) determines what information about these assumptions it is required to disclose.

### Background

- 3.2 The entity operates in a capital-intensive industry. The entity is exposed to climate-related transition risks that might affect its ability to recover the carrying amount of some of its non-current assets. The entity has no goodwill or intangible assets with indefinite lives.
- 3.3 At the end of the current reporting period, there are indications that some of the entity’s non-current assets might be impaired. Because the entity concludes it is not possible to estimate the recoverable amount of the individual assets, it tests the cash-generating unit (CGU) to which they belong for impairment. The entity concludes that the CGU’s recoverable amount is greater than its carrying amount, and therefore recognises no impairment loss. In determining the CGU’s recoverable amount, the entity makes several assumptions related to the climate-related transition risks to which it is exposed. Such assumptions include assumptions about future:
- (a) legal and regulatory developments;

- (b) consumer demands;
- (c) commodity prices; and
- (d) costs of acquiring greenhouse gas emission allowances.

## Application

### Considering the specific requirements in IFRS Accounting Standards

- 3.4 IAS 36 *Impairment of Assets* does not require an entity to disclose information about the assumptions used in determining a CGU's recoverable amount if the CGU includes no goodwill or intangible assets with indefinite lives and the entity recognised no impairment loss for that CGU during the current reporting period. However, the entity considers whether paragraph 125 of IAS 1 [paragraph 31A of IAS 8] requires it to disclose information about these assumptions.

### Considering the requirements in paragraph 125 of IAS 1 [paragraph 31A of IAS 8]

- 3.5 Paragraph 125 of IAS 1 [Paragraph 31A of IAS 8] requires an entity to disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. That paragraph also requires an entity to disclose details of the nature and the carrying amount at the end of the reporting period of those assets and liabilities.
- 3.6 The entity concludes that some of the assumptions it made in determining the CGU's recoverable amount have a significant risk of resulting in a material adjustment to the carrying amount of the non-current assets within the next financial year. These include assumptions about uncertainties that will not be resolved within the next financial year, but that have a significant risk of resulting in a material adjustment to the carrying amount of those assets if the entity were to revise them in the next financial year. The entity reaches this conclusion after considering:
- (a) *the size of the CGU's carrying amount*—the CGU makes up a large portion of the entity's total assets. Therefore, a relatively small adjustment to the CGU's carrying amount might result in a material impairment loss.
  - (b) *the subjectivity or complexity of the judgements management made in determining the assumptions*—the judgements involve a high level of subjectivity and complexity because they reflect management's expectations about highly uncertain future events that will take place over the medium and long term, such as government actions to limit the effects of climate change and the timing of such actions. This high level of subjectivity and complexity increases the risk that the assumptions might change due to new information or new developments.

- (c) *the risk that new information or new developments in the next financial year might result in changes to the assumptions—frequent new climate-related market, economic, regulatory and legal developments increase the risk that the entity might have to review its assumptions within the next financial year (including assumptions about medium- and long-term uncertainties). The higher the likelihood of new information or new developments in the next financial year, the higher the likelihood that an entity might have to revise its assumptions.*
  - (d) *the sensitivity of the CGU's carrying amount to changes in the assumptions—the carrying amount of the CGU is highly sensitive to the assumptions. Relatively small changes in these assumptions could result in a reduction of the CGU's recoverable amount and a material impairment loss.*
- 3.7 Applying paragraph 125 of IAS 1 [paragraph 31A of IAS 8] to the assumptions identified in paragraph 3.6, the entity discloses:
  - (a) information about these assumptions; and
  - (b) details of the nature and carrying amount of the CGU's non-current assets at the end of the reporting period.
- 3.8 Paragraph 129 of IAS 1 [Paragraph 31E of IAS 8] requires an entity to provide these disclosures in a manner that helps users of financial statements to understand the judgements that management makes about the future and about other sources of estimation uncertainty. The nature and extent of the information an entity provides vary according to the nature of the assumption and other circumstances.
- 3.9 The entity therefore determines the nature and extent of the information it provides to meet the objective described in paragraph 129 of IAS 1 [paragraph 31E of IAS 8] for the assumptions it identified. For example, the entity discloses qualitative and quantitative information about the assumptions—including the nature of the assumptions, the sensitivity of the non-current assets' carrying amount to these assumptions and the reasons for the sensitivity—if doing so is necessary to meet that objective.

## Example 4—Disclosure about credit risk

This example is added after paragraph IG22 of the Guidance on implementing IFRS 7 *Financial Instruments: Disclosures* under a new heading titled ‘Disclosures related to the effects of particular risks’. Paragraph 4.1 is added as paragraph IG22A and paragraphs 4.2–4.4 and related headings are included in a box without numbering.

4.1 This example illustrates requirements in paragraphs 35A–38 of IFRS 7 *Financial Instruments: Disclosures*. In particular, it illustrates how an entity might disclose:

- (a) information about the effects of particular risks on its credit risk exposures and credit risk management practices; and
- (b) information about how these practices relate to the recognition and measurement of expected credit losses.

### Background

4.2 The entity is a financial institution that provides a range of products to various types of customers. As part of its credit risk management practices, the entity considers the effects of various risks on its credit risk exposures, including climate-related risks. The entity identifies two portfolios of loans for which climate-related risks have a significant effect on its credit risk exposures, requiring it to monitor and take action to mitigate credit risk arising from its customers’ exposure to climate-related risks. Those portfolios are:

- (a) loans to agricultural customers for which climate-related events such as droughts could affect the borrowers’ ability to repay their loans; and
- (b) loans to corporate real estate customers that are secured by properties in low-lying areas subject to flood risk.

### Application

4.3 Paragraphs 35A–38 of IFRS 7 include disclosure requirements about credit risk arising from financial instruments. In considering these requirements, the entity determines that information about the effects of climate-related risks on its exposure to credit risk on the two identified portfolios is material. The entity reaches this conclusion after considering, among other factors:

- (a) *the size of the portfolios*—the two portfolios make up a large portion of the entity’s overall lending portfolio.
- (b) *the significance of the effects of climate-related risks*—climate-related risks have a significant effect on the entity’s exposure to credit risk compared with other factors affecting that exposure. The effects depend on factors such as loan maturities and the nature, likelihood and magnitude of the climate-related risks.

- (c) *external climate-related qualitative factors*—the market, economic, regulatory and legal environments in which the entity operates, as well as climate-related developments (for example, an increase in the occurrence and severity of weather-related events and long-term shifts in climatic patterns), make the information more likely to influence the decisions that primary users of the entity’s financial statements make on the basis of the financial statements.
- 4.4 Applying the requirements in paragraphs 35A–38 of IFRS 7, the entity considers what information to provide about the effects of climate-related risks on its exposure to credit risk on the two identified portfolios. This information might include, for example:
- (a) an explanation of the entity’s credit risk management practices related to climate-related risks and how those practices relate to the recognition and measurement of expected credit losses.
  - (b) an explanation of how the entity incorporated climate-related risks in the inputs, assumptions and estimation techniques it used to apply the requirements in Section 5.5 of IFRS 9 *Financial Instruments*. This explanation might include, for example, information about how the entity incorporated those risks in the modelling of expected credit losses or information about the use of judgement-based adjustments (also referred to as ‘post-model adjustments’ or ‘management overlays’).
  - (c) information about collateral held as security and other credit enhancements. This information might include, for example, information about properties held as collateral that are subject to flood risk and whether that risk is insured.
  - (d) information about concentrations of climate-related risks if not apparent from other disclosures the entity makes. This information might include, for example, the carrying amount of the two identified portfolios.

## Example 5—Disclosure about decommissioning and restoration provisions

This example is added as ‘Example 2A Decommissioning costs’ in section ‘D Examples: disclosures’ of the *Guidance on implementing IAS 37 Provisions, Contingent Liabilities and Contingent Assets*. Paragraph 5.1 is added as introductory text in italics and paragraphs 5.2–5.4 and related headings are included in a box without numbering.

- 5.1 This example illustrates the requirements in paragraph 85 of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. In particular, it illustrates how an entity might disclose information about plant decommissioning and site restoration obligations even if their effect on the carrying amount of the entity’s plant decommissioning and site restoration provision is immaterial.

### Background

- 5.2 The entity is a manufacturer and has plant decommissioning and site restoration obligations for its facilities. The entity assumes it will continue to maintain and operate some of its facilities for an extremely long time. Consequently, the costs required to settle the obligations related to these facilities will be incurred so far into the future that, when discounted to their present value, their effect on the carrying amount of the entity’s plant decommissioning and site restoration provision is immaterial. However, the costs to settle the obligations relating to these facilities will be high and there is a significant and increasing risk that the entity might be required to close the facilities earlier than it expects. This risk stems from efforts to transition to a lower-carbon economy, which might include shifting consumer demand for the entity’s products and possible regulatory and policy actions to reduce greenhouse gas emissions in the jurisdictions in which the entity operates.

### Application

- 5.3 Paragraph 85 of IAS 37 requires an entity to disclose information for each class of provision. The entity concludes that, although some of its plant decommissioning and site-restoration obligations have an immaterial effect on the carrying amount of its plant decommissioning and site-restoration provision (see paragraph 5.2), information about these obligations is material. The entity reaches this conclusion after considering, among other factors:
- (a) *the size of the costs required to settle the obligations*—the costs of settling the obligations are high.
  - (b) *the risk of early settlement*—the risk that the entity might be required to settle the obligations earlier than expected is significant and is increasing.



- (c) *external climate-related qualitative factors*—the industry and jurisdictions in which the entity operates (including the entity’s market, economic, regulatory and legal environments) make the information about the obligations more likely to influence the decisions that primary users of the entity’s financial statements make on the basis of the financial statements.
- 5.4 In applying paragraph 85 of IAS 37, the entity discloses information about its plant decommissioning and site-restoration provision. This information includes information about the obligations that have an immaterial effect on the carrying amount of the provision. The information the entity discloses includes:
- (a) a brief description of the nature of the obligations and the expected timing of the outflows of economic benefits required to settle them.
  - (b) an indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, the entity also discloses the major assumptions made concerning future events. These assumptions could include assumptions about the future use of each of the entity’s main facilities—for example, when the entity expects to close the facilities.

## Example 6—Disclosure of disaggregated information in the notes

This example is added as ‘Example IV-2—Disclosure of disaggregated information in the notes’ after paragraph IE17 of the Illustrative Examples accompanying IFRS 18 under a new heading titled ‘Part IV—Disclosures about uncertainties’. The paragraph numbering will be adapted to conform with the numbering used in that document.

- 6.1 This example illustrates requirements in paragraphs 41–42 and B110 of IFRS 18 *Presentation and Disclosure in Financial Statements*. Specifically, it illustrates how an entity might disaggregate the information it provides in the notes about a class of property, plant and equipment (PP&E) on the basis of dissimilar risk characteristics if necessary to provide material information.

### Background

- 6.2 The entity owns PP&E with long useful lives whose use results in high amounts of greenhouse gas emissions. The entity has invested in alternative PP&E of the same class with lower greenhouse gas emissions but it still uses the high-emission PP&E for a large part of its operations. The entity operates in an industry with a high degree of exposure to climate-related transition risks. The two types of PP&E make up a large portion of the entity’s total assets.
- 6.3 The entity concludes that these two types of PP&E have significantly different vulnerabilities to climate-related transition risks. For example, possible future regulations to reduce greenhouse gas emissions or changes in consumer demands could affect these two types of PP&E in significantly different ways, including:
- (a) how long the entity would be able to use them;
  - (b) how their residual values would be affected; and
  - (c) whether the entity would be able to recover their carrying amounts.

### Application

- 6.4 Paragraphs 41–42 of IFRS 18 include principles for aggregating and disaggregating information in financial statements. In particular, these paragraphs require an entity to disaggregate items based on characteristics that are not shared whenever the resulting information is material. Paragraph B110 of IFRS 18 explains that an entity uses its judgement to do this and includes examples of such characteristics, which include the risks associated with an item.

- 6.5 After considering its particular facts and circumstances, the entity determines that the two types of PP&E have sufficiently dissimilar risk characteristics that disaggregating information about these types of PP&E would result in material information. The entity reaches this conclusion after considering, among other factors:
- (a) *the size of the PP&E's carrying amount*—the carrying amount of the two types of PP&E make up a large proportion of the entity's total assets.
  - (b) *the significance of climate-related transition risks to the entity's operations*—the entity operates in an industry with a high degree of exposure to climate-related transition risks and those risks might significantly affect the way in which the entity will use each type of PP&E and recover their carrying amounts.
  - (c) *external climate-related qualitative factors*—the industry and jurisdictions in which the entity operates (including its market, economic, regulatory and legal environments) make the information more likely to influence the decisions that primary users of the entity's financial statements make on the basis of the financial statements.
- 6.6 Applying paragraphs 41–42 and B110 of IFRS 18, the entity disaggregates information it provides in the notes about the PP&E between the two types of PP&E whenever the resulting disaggregated information is material. For example, the entity determines that disaggregating the carrying amount of the related class of PP&E between these two types of PP&E would provide material information.