
Connectivity webcast series

Episode 3

Example—Climate-related opportunities and changes in product mix

Presenters



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Agenda

Episode 1

IFRS Standards—Complementary and connected information

Episode 2

Example—Climate-related risks and impairment of non-financial assets

Episode 3

Example—Climate-related opportunities and changes in product mix

Episode 4

Example—Climate-related commitments

Housekeeping

The examples:

- provide **basic illustrations** of how **applying IFRS Standards together** results in **complementary and connected information** in an entity's financial statements and in its sustainability-related financial disclosures
- specifically focus on illustrating how information about **current and anticipated financial effects** in sustainability-related financial disclosures expands on and complements the information in the financial statements
- highlight **other** sustainability-related financial **disclosures and requirements** in IFRS Sustainability Disclosure Standards that are of particular interest in the fact patterns discussed in illustrating complementary and connected information

The examples do **not**:

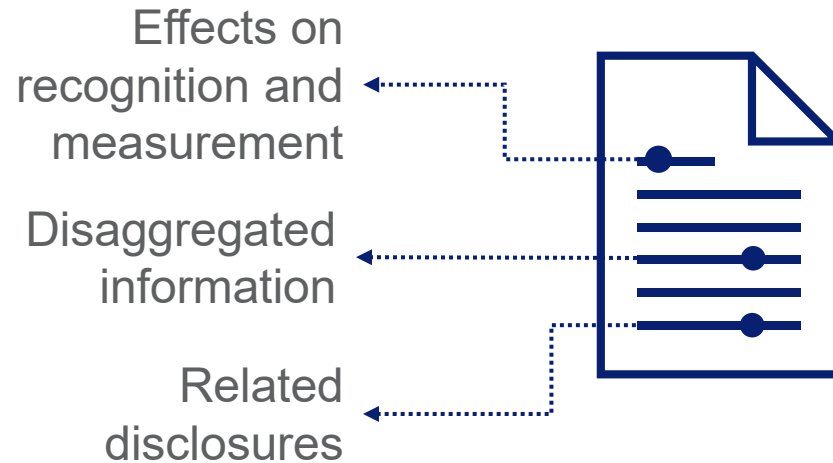
- illustrate the application of all requirements in IFRS Standards that might be relevant in the fact patterns discussed
- provide complete illustrative disclosures

While IFRS Accounting Standards and IFRS Sustainability Disclosure Standards could be applied with different sustainability-reporting standards or different GAAPs, respectively, the examples focus on IFRS Standards applied together

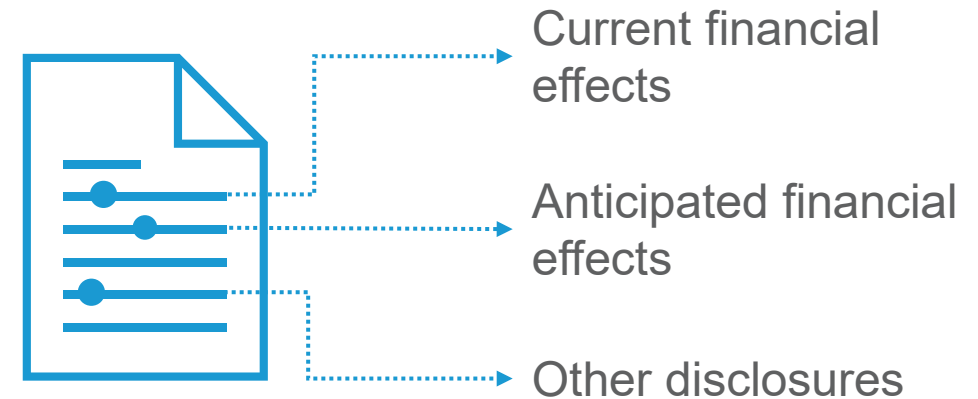
Structure of the examples

In illustrating complementary and connected information reported in financial statements and in sustainability-related financial disclosures, the examples are presented using a consistent structure

Financial Statements



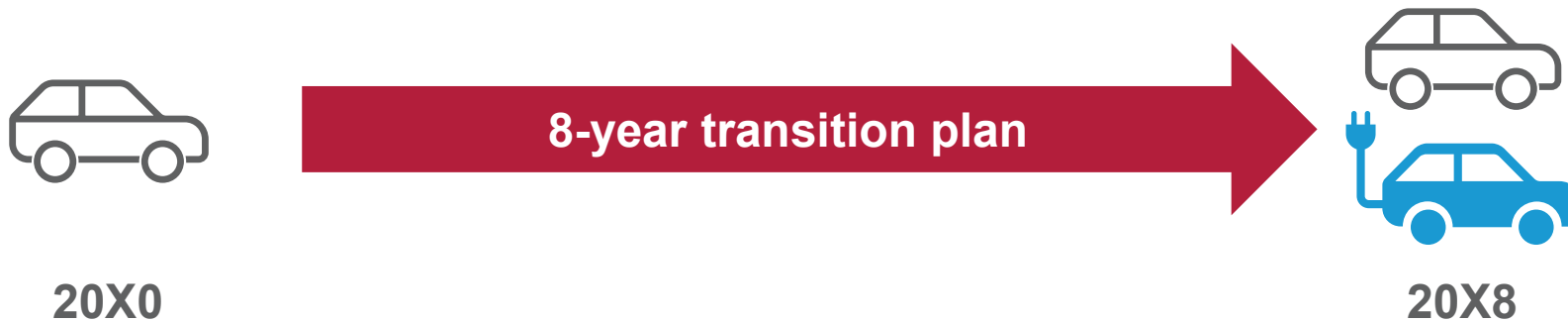
Sustainability-related Financial Disclosures



Example
***Climate-related
opportunities and
changes in product
mix***



Key facts



- An entity manufactures and sells a range of **internal combustion engine (ICE) vehicles**. To support ongoing sales of the vehicles, the entity also sells spare parts and provides financing services to customers
- In 20X0, the entity identifies a climate-related opportunity to change the mix of vehicles it sells and decides to move towards selling **electric vehicles (EVs)** in addition to ICE vehicles
- The entity sets a **target** to achieve 60% of vehicles sold being EVs by 20X8. The entity plans to modify its manufacturing processes to increase its EV production. Sales of EVs begin in 20X3 but are small relative to total vehicle sales

Illustrating reported information—20X3—Accounting

Effects on recognition and measurement

The entity recognises revenue for vehicles sold and inventory for vehicles not sold (both EVs and ICE vehicles)

Related disclosures

The entity provides other related revenue and inventory disclosures

Disaggregated information

The entity disaggregates:

- revenue applying the requirements in IFRS 15, for example by its major product lines (vehicles, spare parts and financing). Revenue might need to be disaggregated into more than one type of category to meet those requirements (for example, revenue from sales of EVs and ICE vehicles)
- inventories' carrying amount into appropriate classifications

Illustrating reported information—20X3—Sustainability

Current financial effects

The entity discloses:

- the amount of revenue attributable to sales of EVs and ICE vehicles
- the carrying amount of EVs and ICE vehicles inventory

Anticipated financial effects

The entity discloses:

- that revenue from EV sales is expected to grow and replace ICE vehicle sales and that inventory is expected to change accordingly
- the expected investment to modify its manufacturing processes to increase its production of EVs

Other disclosures

The entity discloses information about:

- the climate-related opportunity—including current and anticipated effects on its business model
- the target to achieve 60% of sales being EVs
- capital investment and funding plans to implement its strategy

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