

Feedback Statement

Climate-related and Other Uncertainties in the Financial Statements

Proposed illustrative examples

Final Comment Letter

29 November 2024

The UK Endorsement Board (UKEB) is responsible for endorsement and adoption of IFRS for use in the UK and therefore is the UK's National Standard Setter for IFRS. The UKEB also leads the UK's engagement with the IFRS Foundation on the development of new standards, amendments and interpretations.

The comment letter to which this feedback statement relates forms part of those influencing activities and is intended to contribute to the IFRS Foundation's due process.

The views expressed by the UKEB in its comment letter are separate from, and will not necessarily affect the conclusions in, any endorsement and adoption assessment on new or amended international accounting standards undertaken by the UKEB.

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Purpose of this document

This document presents the views of UK stakeholders on the UKEB's Draft Comment Letter on the IASB's Exposure Draft (ED) *Climate-related and Other Uncertainties in the Financial Statements - Proposed illustrative examples* and explains how the UKEB's Final Comment Letter addressed those views.

Background

- Stakeholders expressed strong concerns in the IASB Agenda Consultation that information about the effects of climate-related risks in the financial statements may be insufficient or inconsistent with information entities provide outside the financial statements.
- In March 2023, the IASB added a project to its work plan to explore targeted actions to improve the reporting of the effects of climate-related risks in the financial statements.
- Adopting a principles-based approach, the IASB proposed eight illustrative examples to accompany IFRS Accounting Standards that provided guidance for how entities should apply the requirements in those standards to report the effects of climate-related and other uncertainties in the financial statements.
- No effective date or transition requirements are proposed by the IASB as the illustrative examples will not form an integral part of IFRS Accounting Standards.
- The UKEB is commenting on the IASB's project in the interests of ensuring connectivity and high-quality reporting. However, the UKEB will not endorse or adopt the use of the illustrative examples as they are not proposed to form part of mandatory IFRS Accounting Standards.

The IASB's Exposure Draft

The [Exposure Draft](#) (ED) proposes eight examples illustrating how an entity may apply the requirements in IFRS Accounting Standards to report the effects of climate-related and other uncertainties in its financial statements. The examples are listed below for information:

- 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)
- Example 3—Disclosure of assumptions: specific requirements (IAS 36)
- Example 4—Disclosure of assumptions: general requirements (IAS 1/IAS 8)
- Example 5—Disclosure of assumptions: additional disclosures (IAS 1/IFRS 18)
- 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)

Outreach approach

Outreach began in March 2024 based on the IASB draft illustrative examples. Detailed stakeholder feedback was used to inform the Draft Comment Letter (DCL).

Outreach on the Exposure Draft (ED) was conducted from September to November 2024 to inform the Final Comment Letter. This included:

- A dedicated meeting with the UKEB Sustainability Working Group and discussions with all UKEB Advisory Groups.
- One-to-one meetings with a user, preparer and a regulator as well as discussions with preparer and user industry representative bodies.
- Public consultation on the UKEB’s DCL.

Stakeholders type	Engagements
UKEB Advisory and Working Groups ^{**}	5
Preparers <i>Industry bodies</i> [*]	3
Users <i>Industry bodies</i> [*]	1
Preparers	1
Users	1
Regulators	1

* The industry bodies have multiple members from a variety of stakeholder types.
** UKEB groups represented views from 45 members.

The DCL was shared with stakeholders via UKEB subscriber alerts and was made available on the UKEB website.

Three comment letters were received, two from accounting firms and one from an investment firm^{***}. These were in addition to the engagements shown in the table.

Where stakeholders agreed with the DCL position and where there has been no substantive change in drafting from the DCL, this feedback has been excluded from the summary of feedback presented on the following slides.

All comments and views were considered in reaching the final UKEB views on the questions raised by the IASB in the ED.

*** The investment organisation requested their letter be treated confidentially and therefore it was not published on the UKEB project webpage.

UKEB and stakeholder views

ED Question 1(a): Do you agree that providing examples would help improve the reporting of the effects of climate-related and other uncertainties in the financial statements?

UKEB draft position	Stakeholder views	UKEB final position
<p>Agreement that providing illustrative examples should help improve the reporting of the effects of climate-related and other uncertainties in the financial statements. However, potential unintended consequences were noted in relation to the use of paragraphs 31 and 125 of IAS 1.</p>	<ul style="list-style-type: none"> Stakeholders noted concerns regarding the potential over reliance on paragraph 31 of IAS 1 and the risks of unintended consequences. Stakeholders considered paragraph 125 of IAS 1 was generally applied effectively. 	<ul style="list-style-type: none"> The FCL was enhanced to reflect feedback that: <ul style="list-style-type: none"> qualitative materiality considerations are important to investors. the overarching requirements of IAS 1 should be referenced, in addition to paragraph 31 to ensure consistent understanding. Removal of references to potential unintended consequences from over reliance of paragraph 125, in IAS 1. Noted, that in principle, the UKEB considered that non-mandatory illustrative examples were not a substitute for standard setting.

UKEB and stakeholder views

ED Question 1(b): Do you agree with including the examples as illustrative examples accompanying IFRS Accounting Standards?

UKEB draft position	Stakeholder views	UKEB final position
The UKEB supported the approach taken by the IASB and suggested that the examples should also be published as a single document.	<ul style="list-style-type: none"> • Generally supportive 	<ul style="list-style-type: none"> • No change from draft position.

ED Question 2: Do you agree with the IASB's approach to developing the examples?

Stakeholder views	Stakeholder views	UKEB final position
<p>The UKEB supported the approach of standalone examples but also noted walk-through examples would be beneficial.</p> <p>The DCL suggested several areas to potentially improvements with the illustrations.</p>	<ul style="list-style-type: none"> • Example 1 & 2 – emphasis required to provide more specific context and explanation for the disclosure decisions. • Example 4 – request for the fact pattern to reflect the consideration of sensitivity and scenario analysis. • Example 7 – the type and significance of the ‘increasing risk’ in the fact pattern required clarification. 	<ul style="list-style-type: none"> • Enhanced the detail on fact patterns and technical content to reflect stakeholders' requests for improved selection of requirements and technical content in the examples. • Noted that the examples could be enhanced by including more scenarios where climate-related or other uncertainties that have an impact on the financial statements.

UKEB and stakeholder views

ED Question 3: Do you have any other comments on the Exposure Draft?

UKEB draft position	Stakeholder views	UKEB final position
<p>UKEB noted that it is unclear whether responses to the questions asked would provide the IASB with the evidence for any other actions which may be necessary.</p>	<ul style="list-style-type: none">• Stakeholders did not raise concerns regarding gathering evidence for any other actions.• Most stakeholders did not consider that any transition implementation requirements were necessary.	<ul style="list-style-type: none">• Transition implementation requirements noted as unnecessary as no accounting standards had been amended.

Disclaimer

This Feedback Statement has been produced to set out the UKEB's response to stakeholder comments received on the UKEB's Draft Comment Letter on the IASB's Exposure Draft *Climate-related and Other Uncertainties in the Financial Statements*.

The views expressed in this Feedback Statement are those of the UK Endorsement Board at the point of publication.

Any sentiment or opinion expressed within this Feedback Statement will not necessarily bind the conclusions, decisions, endorsement or adoption of any new or amended IFRS by the UKEB.

Contact Us

UK Endorsement Board

6th Floor | 10 South Colonnade | London | E14 4PU

www.endorsement-board.uk