

Invitation to Comment

Call for comments on the UKEB Draft Comment Letter on the Exposure Draft *Climate-related and Other Uncertainties in the Financial Statements* - Proposed illustrative examples

Deadline for completion of this Invitation to Comment:

Midday on 11 November 2024

Please submit to:

UKEndorsementBoard@endorsement-board.uk

Introduction

The objective of this Invitation to Comment is to obtain input from stakeholders on the UKEB Draft Comment Letter (DCL) on the [Exposure Draft \(ED\) *Climate-related and Other Uncertainties in the Financial Statements* – Proposed illustrative examples](#), published by the International Accounting Standards Board (IASB) on 31 July 2024.

UK endorsement and adoption process

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 (Foundation) on the development of new standards, amendments, and interpretations. This letter is intended to contribute to the IASB's due process. The views expressed by the UKEB in this 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.

Who should respond to this Invitation to Comment?

Stakeholders with an interest in the quality of accounts prepared in accordance with international accounting standards.

How to respond to this Invitation to Comment

Please download this document, answer any questions on which you would like to provide views, and return it together with the 'Your Details' form to UKEndorsementBoard@endorsement-board.uk by midday on 11 November 2024.

Brief responses providing views on individual questions are welcome, as well as comprehensive responses.

Privacy and other policies

The data collected through responses to this document will be stored and processed by the UKEB. By submitting this document, you consent to the UKEB processing your data for the purposes of influencing the development of and adopting IFRS for use in the UK. For further information, please see our [Privacy Statements and Notices](#) and other Policies (e.g. Consultation Responses Policy and Data Protection Policy)¹.

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¹ These policies can be accessed from the footer in the UKEB website here: <https://www.endorsement-board.uk>

Questions

1. The UKEB's DCL suggests that the IASB may wish to consider standard setting solutions, for example where the guidance goes beyond current understanding of the requirements of paragraph 31 of IAS1 *Presentation of Financial Statements*. Do you agree with this position? Please explain why or why not.

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
<p>The UKEB is, in our view, raising a valid challenge on whether paragraph 31 of IAS 1 only applies when there is a material impact on the financial statements, or as implied in the proposed illustrative examples, it also applies when there is a lack of effect on the financial statements. The UKEB suggests to the IASB to consider the disclosure requirements of paragraph 112(c), instead, but without being clear whether in its view it does address this situation, or not.</p> <p>Clarification around whether disclosures about the lack of impact of transactions on financial statements are required or not could be the subject of debate, but in practice we usually do not find resistance from preparers to disclose that climate related risks did not have an impact on the financial statements, but it is helpful for the IASB to clarify in what situations such disclosure would be expected.</p> <p>We find Examples 1 and 2 could be more helpful in identifying alternative factors to consider in the qualitative assessment of whether without additional disclosures insufficient information is provided to users, to meet requirement in paragraph 31 of IAS 1. For example, as proposed preparers would consider financial reports outside financial statements, but it would be helpful to be more specific about the information a preparer should consider, or indeed what the impact is when no other financial reports containing climate related risk disclosures are produced by the entity. Other factors that may also affect the disclosure decision could be identified, e.g. regulator and market expectations.</p>			

2. The UKEB's DCL agrees that providing illustrative examples should help improve the reporting of the effects of climate-related and other uncertainties in the financial statements, and is generally supportive of the approach taken by the IASB to developing the examples. Do you agree with this position? Please explain why or why not.

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
<p>We are supportive of the IASB's project to provide more guidance around the disclosure decisions in financial statements about climate-related risks and other uncertainties.</p> <p>We also believe that opting for illustrative examples is a better option than other forms of IASB endorsed educational material. However, it is not clear from the ED why in this case the IASB believes it should rely on generic disclosure requirements in IAS 1 to drive disclosure decisions, whilst in other situations, e.g. supplier finance</p>			

arrangements, it opted for standard setting instead, and prescribed specific new disclosures.

The illustrative examples are limited to situations where climate related risks are assessed as material, but it is unclear whether the same or similar disclosures would be expected for other uncertainties.

We also note the risk that the proposed disclosures could become part of disclosure checklists and will be included, even if they are cluttering the financial statements. Developing decision trees that consider key factors which then drive certain disclosure outcomes, may be a better alternative to avoid that risk.

3. Do you have any comment on potential costs and benefits in relation to the illustrative examples.

Intentionally left blank

4. Do you have any other comments on the Exposure Draft or the DCL you would like to share?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
<p>The IASB has focused on the impact on the current year financial statements in its examples. In practice, however, often the key issue is the future impact, for example the investment and the financing of climate related initiatives.</p> <p>In the interest of connectivity, it would be helpful to include references to the ISSB’s Sustainability Disclosure Standards, i.e. where these standards would drive disclosure in financial statements, or identify additional disclosure requirements that may apply under the IFRS Sustainability Disclosure Standards outside the financial statements. Given these are illustrative examples and are placed outside endorsed IFRS this should not give rise to compliance issues, even if the IFRS Sustainability Standards are not (yet) mandated in the UK.</p>			

Thank you for completing this Invitation to Comment

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