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21 November 2024

Mr Andreas Barckow  
Chairman  
International Accounting Standards Board  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London E14 4HD

By e-mail only - [commentletters@ifrs.org](mailto:commentletters@ifrs.org)

## **Re: Comment – Exposure Draft Climate-related and Other Uncertainties in the Financial Statements**

Dear Mr Barckow,

On behalf of RSM International Limited, a worldwide network of independent audit, tax and consulting firms, we are pleased to comment on the IASB's Exposure Draft Climate-related and Other Uncertainties in the Financial Statements ("ED").

Our comments and detailed responses to the questions set out in the Invitation to Comment section of the ED are set out in the appendix to this letter.

We are supportive of the IASB's proposal to provide examples illustrating how an entity applies the requirements in IFRS Accounting Standards to report the effects of climate-related and other uncertainties in its financial statements.

We welcome the inclusion of illustrative examples accompanying IFRS Accounting Standards and would be supportive of publishing them in a single additional document for climate related and other uncertainties for ease-of-use.

We agree with the IASB's analytical approach to developing the examples, and particularly the articulation of paragraphs 125, 129 and 31 of IAS 1.

We would be supportive of expanding the illustrative examples to include either (i) all the required disclosures listed; (ii) additional examples; or (iii) variances to the examples proposed, to address accounting and measurement impacts beyond the disclosure issues. If the examples are not expanded, we would suggest adding a comment indicating that the examples focus only on selected accounting issues, their impact on financial statement disclosures and the connection to sustainability reporting.

We would be pleased to respond to any questions the Board or its staff may have about any of our response. If you have any questions or comments, please do not hesitate to contact Monique Cole (+1 6172411461) or me (+44 (0)207 601 1842).

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Yours faithfully,

A handwritten signature in black ink that reads "Marion Hannon".

Marion Hannon  
**Global Leader, Quality & Risk**  
**RSM International**



## Appendix

### Question 1— Providing illustrative examples

The IASB is proposing to provide eight examples illustrating how an entity applies the requirements in IFRS Accounting Standards to report the effects of climate-related and other uncertainties in its financial statements. The IASB expects the examples will help to improve the reporting of these effects in the financial statements, including by helping to strengthen connections between an entity’s general purpose financial reports.

Paragraphs BC1–BC9 of the Basis for Conclusions further explain the IASB’s rationale for this proposal.

- (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? Why or why not? If you disagree, please explain what you would suggest instead and why.

The IASB is proposing to include the examples as illustrative examples accompanying IFRS Accounting Standards instead of publishing them as educational materials or including them in the Standards.

Paragraphs BC43–BC45 of the Basis for Conclusions further explain the IASB’s rationale for this proposal.

- (b) Do you agree with including the examples as illustrative examples accompanying IFRS Accounting Standards? Why or why not? If you disagree, please explain what you would suggest instead and why.

We agree on (a) and support the IASB’s proposal to provide examples to help improve the reporting of the effects of climate-related and other uncertainties in the financial statements. Illustrative examples are generally useful because they help preparers to apply general requirements to specific facts and circumstances. They may also help users of financial statements and other stakeholders who are not familiar with accounting principles to understand how specific events or transactions are accounted for or disclosed in practice.

We noted several areas where potential confusion might arise related to the application of the examples to an entity’s general purpose financial reports, as follows:

- The concept of “other general purpose financial report” in the introduction on page 4 is not clear, neither is it clear whether it is the same concept as the one used in the Conceptual Framework. Paragraph 1.2 in Example 1 indicates that the entity is preparing a “general purpose financial report outside the financial statements”. We suggest defining this concept to provide clarity as to which forms of reporting should be included (for example, sustainability information disclosed in the management commentary).
- The illustrative examples are an opportunity to highlight the connectivity between financial statements and sustainability reporting. There is an opportunity to increase the linkage within the document and we would recommend reviewing the examples to emphasize the connections (particularly with qualitative sustainability disclosures that extend beyond the short-term horizon), as well as need to avoid duplication. With this context, we would suggest considering expanding the illustrative examples to clarify the comments in paragraph BC32. Additional guidance on how the following information fits together without duplication would be useful:
  - Climate-related disclosures under IFRS S1 and S2, for those entities subject to those standards.
  - Climate-related disclosures published under the Corporate Sustainability Reporting Directive and ESRS in the European Union.

- Climate risk disclosures in the director’s report or in the management commentary.
- Climate-related disclosures within the financial statements itself.

As for (b), we agree with including the examples as illustrative examples accompanying IFRS Accounting Standards. We would also be supportive of centralizing them in a single document.

**Question 2—Approach to developing illustrative examples**

**Examples 1–8 in this Exposure Draft illustrate how an entity applies specific requirements in IFRS Accounting Standards. The IASB decided to focus the examples on requirements:**

- (a) that are among the most relevant for reporting the effects of climate-related and other uncertainties in the financial statements; and**
- (b) that are likely to address the concerns that information about the effects of climate-related risks in the financial statements is insufficient or appears to be inconsistent with information provided in general purpose financial reports outside the financial statements.**

**Paragraphs BC10–BC42 of the Basis for Conclusions further explain the IASB’s overall considerations in developing the examples and the objective and rationale for each example.**

**Do you agree with the IASB’s approach to developing the examples? In particular, do you agree with the selection of requirements and fact patterns illustrated in the examples and the technical content of the examples?**

**Please explain why or why not. If you disagree, please explain what you would suggest instead and why.**

We agree with the IASB’s approach to developing the examples. We find the discussion of facts and circumstances, as well as the description of the reasoning applied in the different fact patterns selected (particularly as it relates to the discussions related to paragraphs 125, 129 and 31 of IAS 1) useful to the application of IFRS when identifying and disclosing uncertainties in the financial statements.

We would suggest expanding the examples to include:

- Variations of the present fact patterns to illustrate the consideration of accounting and measurement impacts in addition to disclosures.
- Providing actual examples of the illustrative disclosures, in addition to listing the information that is required to be disclosed.

Regarding the specific examples included within the ED, we note the following for consideration:

- Examples 1 and 2 - these examples may benefit from being presented as a merged base case with a variation. As we mentioned above in our response to Question 1(a), additional or expanded discussions to clarify the comments in paragraph BC32 would be helpful. Example 2 may benefit from some additional context to allow the users to better understand why there is no need for disclosures.
- The discussion within examples 3 and 4 could be expanded to include the specific types of information to be disclosed. This would provide a fuller illustration for users. Some specific examples that would be useful include:
  - Disclosure of sensitivity analysis when the sensitivity is linked with future legislative or regulatory change, rather than a change in a numerical input.
  - Illustration of how to identify a “relatively small adjustment” in paragraph 4.6 (a).

- Similar to our comments above for examples 1-4, examples 5, 6, 7 and 8, may benefit from being expanded to provide:
  - More context of the base case facts - additional facts would assist with understanding how the conclusion was determined.
  - Presentation of a base case, then with variations in facts that highlight the application of the guidance.
  - Example disclosure of sensitivity analysis.
  - Specific comments on examples 5-8 are listed below:
    - Example 5 – additional data related to the time horizons for recoverability of the tax losses and the date when the regulation becomes enforceable.
    - Example 6 – providing another variation for other than a financial institution (perhaps an insurance company).
    - Example 7 – providing another variation for an entity with recognized decommissioning or restoration provisions, or a contingent liability.
    - Example 8 – additional clarification regarding whether the disaggregation should be provided in the financial statements in addition to the sustainability reporting. An additional example related to disaggregation of revenue under IFRS 15 would also be useful.

### **Question 3—Other comments**

#### **Do you have any other comments on the Exposure Draft?**

We have no further comments on the Exposure Draft.

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