



Nov 22, 2024

Mr. Muhamed Imran Khan
AOSSG Chair Secretariat Accounting Standards Board
The Institute of Chartered Accountants of Pakistan,
Chartered Accountants Avenue,
Block 8 Clifton,
Karachi-75600

Dear Mr. Muhamed Imran Khan,

Response on IFRS Accounting Standards Exposure Draft ED/2024 – Climate-related and Other Uncertainties in the Financial Statements (Proposed illustrative examples)

The Federation of Accounting Professions would like to show our appreciation on the opportunity to respond on **IFRS Accounting Standards Exposure Draft ED/2024 – Climate-related and Other Uncertainties in the Financial Statements (Proposed illustrative examples)**. Overall, we agree with the proposed amendments to the exposure draft as well as the examples given to the financial statement preparer as it helps enhancing the clarity on application of this standard. However, we have some suggestions on the examples and the application of this standard.

Please find our responses to the specific survey raised in **IFRS Accounting Standards Exposure Draft ED/2024 – Climate-related and Other Uncertainties in the Financial Statements (Proposed illustrative examples)** in an attachment. We believe that these responses will help the practitioners in the future and that our response will contribute positively to the IASB's due process. Should you need more information, please kindly contact the Federation of Accounting Professions.

The Federation of Accounting Professions avails itself of this opportunity to the International Accounting Standards Board the assurances of its highest consideration.

Yours sincerely,

Associate Professor Dr. Vorasak Toommanon
Chairman of Thai Accounting Standards Board
Federation of Accounting Professions
Bangkok, Thailand



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Nov 22, 2024

Dr. Andreas Barcko
Chairman
International Accounting Standards Board (IASB)
Columbus Building
7 Westferry Circus, Canary Wharf,
London E14 4HD, United Kingdom

Dear Dr. Andreas Barckow

Response on IFRS Accounting Standards Exposure Draft ED/2024 – Climate-related and Other Uncertainties in the Financial Statements (Proposed illustrative examples)

The Federation of Accounting Professions would like to show our appreciation on the opportunity to respond on **IFRS Accounting Standards Exposure Draft ED/2024 – Climate-related and Other Uncertainties in the Financial Statements (Proposed illustrative examples)**. Overall, we agree with the proposed amendments to the exposure draft as well as the examples given to the financial statement preparer as it helps enhancing the clarity on application of this standard. However, we have some suggestions on the examples and the application of this standard.

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Associate Professor Dr. Vorasak Toommanon
Chairman of Thai Accounting Standards Board
Federation of Accounting Professions
Bangkok, Thailand



**IFRS Accounting Standards Exposure Draft ED/2024 – Climate-related and Other
Uncertainties in the Financial Statements (Proposed illustrative examples)**

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.

TFAC:

- a) We agree that providing examples would greatly clarify the application of the Standard's requirements. This approach will also promote consistency in the information disclosed outside the financial statements.



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- b) We are in agreement with the proposal to include the examples accompanying IFRS Accounting Standards rather than publishing them as separate educational material. We believe that this approach will simplify the process of updating or amending the examples in the future, as any changes can be seamlessly integrated. Additionally, this will be more convenient for preparers, as they will have the examples readily available when applying the requirements of the standards.



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.

TFAC:

We agree with the approach taken in developing the examples. They serve as a good starting point for the preparers in applying the standard’s requirements for the climate–related risks and opportunities that may impact the financial statements, particularly in terms of key judgments and estimations.

The selection of requirements and fact patterns align well with the practical challenges entities faced when applying the Standard requirements. The technical content provides clear guidance on implementation of the requirements.

However, we have suggestion on Example 6 and Example 7.

[Example 6]

The example only covers climate–related physical risks, which are:

1. Paragraph 6.2 (a): Loans to agricultural customers affected by droughts.



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2. Paragraph 6.2 (b): Loans to corporate real estate customers secured by properties in flood-prone low-lying areas.

Since the IFRS Sustainability Disclosure Standard relates to both physical and transition risks, we suggest adding an example related to climate-related transition risk to make the illustrative example complete and comprehensive. For instance, if relevant, the entity may identify portfolio of loans to companies in high-carbon industries, such as coal-fired power plants. These companies could have a reduced ability to repay the loan due to increased operating costs or asset impairment as governments implement stricter climate-related policies and regulations, such as carbon taxes or emissions regulations.

Paragraph 6.3 (a) – (c) of Example 6 explains how the entity determines the materiality of the effects of climate-related risks on credit risk exposure on the portfolios. We suggest referring such materiality judgement to paragraph 31 of IAS1 Presentation of Financial Statements [paragraph 20 of IFRS 18 Presentation and Disclosure in Financial Statements] before applying the requirements in paragraphs 35A–38 of IFRS 7.

[Example 7]

We would like to share some thoughts regarding the example provided about the carrying amount of the decommissioning and site restoration obligation. As mentioned, the example states that this amount is immaterial. However, considering the nature of the business in this example which is a petrochemicals manufacturer (an asset-intensive industry), it is reasonable to expect that the decommissioning and site restoration obligation would be more than an immaterial amount.

Additionally, the example does not clearly indicate whether the entity has recognised this provision in its financial statements. This lack of clarity could potentially mislead the preparer into thinking that disclosing uncertainties is sufficient without actually recording the obligation.

To avoid any confusion and to better align with industry expectations, we would like to suggest revising the example. It would be beneficial to reflect a more realistic amount of obligation and to clearly state whether the obligation has been recognised.



Question 3—Other comments

Do you have any other comments on the Exposure Draft?

TFAC:

It would be great if this ED can shed some light on the linkage to IFRS S1 and IFRS S2.

In addition, since some countries (e.g. Thailand) have yet to apply IFRS S1 and IFRS S2 so we would like the IASB to add more explanation for the scope of this Illustrative Examples, to clearly clarify whether the practitioners shall apply this guidance even the IFRS S1 and IFRS S2 have not been applied.