RÉPUBLIQUE FRANÇAISE
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AUTORITÉ DES NORMES COMPTABLES

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Columbus Building
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Paris, 12 November 2024

Exposure Draft Climate-related and Other Uncertainties in the Financial Statements

Dear Chair,

The Autorité des Normes Comptables (ANC) welcomes the opportunity offered by the IASB to comment on its Exposure Draft published on 31 July 2024 on Climate-related and Other Uncertainties in the Financial Statements.

Uncertainties in the financial statements, and in particular climate-related uncertainties, are of interest to a wide range of stakeholders. In this respect, the illustrative examples proposed in the Exposure-Draft serve the useful educational purpose of facilitating dialogue between preparers and all stakeholders on what can be expected from the information disclosed in the financial statements. The ANC believes that such an expectation needs to be considered when finalising the proposals. In this respect, the ANC invites the IASB to express, in the form it deems most appropriate, what a user cannot expect to find in the financial statements.

The first merit of this Exposure Draft is to underline that relevant disclosures on uncertainties do not result from a checklist, but from a structured analysis that considers the information needs of users, the materiality of impacts and the hierarchy of applicable standards (paragraphs 1-2).

The ANC supports the form of illustrative examples accompanying IFRS Accounting Standards retained by the IASB (paragraph 5). The analytical approach that structures the proposed examples represents one of the most useful contributions of this project and could be formalised in a decision tree that could become either part of IAS 1 (IFRS 18) or an illustrative example "0" accompanying IAS 1 (IFRS 18) (paragraph 7 and Appendix B). The overarching purpose of this approach is all the more important to highlight within IAS 1 (IFRS 18), as this standard fundamentally structures financial statements and its requirements apply to all uncertainties, transactions, events and conditions, beyond the climate-related focus of this project.

The selected standards are relevant, the fact patterns generally appropriate (paragraphs 10-11), but their usefulness could be improved by grouping certain examples together, or developing further others by means of variations (paragraphs 12-15). Besides, the ANC suggests some improvements to the proposed illustrative examples (paragraphs 8-9 and 16-31).

Although improving the connections between financial statements and general-purpose financial reports is one of the benefits expected from the Exposure Draft, the proposed examples struggle to help understand the boundaries with sustainability reporting or otherwise disclosed sustainability related risks. The limitations and ambiguity of the Exposure Draft in terms of connectivity are particularly evident in paragraph BC32 of the Basis for Conclusions on examples 1 and 2 (paragraphs 3-4). The ANC therefore invites the IASB to improve the dimension of its proposals related to the connectivity between accounting and sustainability standards and to clarify paragraph BC32.

Should you wish to discuss our comments further, please do not hesitate to contact us.

Yours sincerely,

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Exposure Draft Climate-related and Other Uncertainties in the Financial Statements
ANC Comment Letter - Appendix A

Appendix A is structured as follows:
. Question 1 - Providing illustrative examples (paragraphs 1-6);
. Question 2 - Approach to developing illustrative examples (paragraphs 7-31); and
. Question 3 - Other comments (paragraphs 32-33).

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.

1. The ANC supports the IASB's objective of improving the quality of the information provided in the notes to the financial statements. This project is a useful reminder that the disclosures are as important as the recognition and measurement issues in the primary financial statements. In addition, the objective of strengthening the connections between financial statements and general-purpose financial reports is essential, both to ensure the completeness of the information provided and to avoid duplication.

2. The illustrative examples propose an approach to analysing climate-related uncertainties and other uncertainties in IFRS financial statements. The educational value of this approach is a useful contribution to improving the quality of the notes to the financial statements, which could usefully be taken further (paragraph 7). Besides, the illustrative examples have the merit of educating stakeholders at large, some of whom may be less familiar with the financial statements reporting framework, and of explaining what can and cannot be expected of these.

3. However, the proposed examples struggle to illustrate the connections between the financial statements and general-purpose financial reporting. They are generally confined within the scope of IFRS, while the opening to the scope of sustainability reporting remains limited and its consequences unclear. In this respect, paragraph BC32 of the Basis for Conclusions on examples 1 and 2 illustrates the limitations and ambiguity of the Exposure Draft in terms of connectivity. Paragraph BC32 seems to imply that these examples are not relevant for an entity that applies IFRS Sustainability Disclosure Standards, whereas one of the objectives of the project is to illustrate the connection between financial statements and general-purpose financial reporting. Paragraph BC32 states that if the entity applied IFRS Sustainability Disclosure Standards, it would disclose, in its sustainability-related financial disclosures, information about the effects of climate-related risks and opportunities on its financial statements. This statement has given rise to many questions about its consequences on the financial statements. Is the reader to understand that the information disclosed under IFRS Sustainability Disclosure Standards exempts the entity from disclosing similar information in its financial statements? Or, on the contrary, does the information disclosed under IFRS Sustainability Disclosure Standards require a specific connection to the information required in the financial statements? Furthermore, paragraph BC32 refers only to IFRS sustainability reporting standards. But what consequences should be drawn from situations where the entity applies sustainability disclosure standards other than IFRS Sustainability Disclosure Standards, or even no sustainability disclosure standards at all?

4. The ANC acknowledges that risks may have an impact on financial statements independently of the disclosures provided in sustainability reports. However, clarifying the boundaries of both sets of information is key for preparers and users. The ANC therefore invites the IASB to propose an approach for implementing connectivity between accounting standards and sustainability standards, in the same way as it has been able to provide, through its illustrative examples, an approach for analysing uncertainties in financial statements. Illustrative examples 1, 2, 6 and 8 would be particularly relevant for implementing this connectivity approach. In order to avoid inappropriate interpretations, paragraph BC32 should be reviewed in order to convey a clear message that is consistent with the principle of autonomy of the financial statements, arising in particular from paragraphs 3.3(c) of the Conceptual Framework and 113 of IAS 1. In addition, adapting as an illustrative example the March 2024 IFRS-IC Agenda Decision on net zero commitment would be a useful response to this type of concern, either as part of the present illustrative examples project, or as part of the targeted amendments to IAS 37 project. Lastly, the ANC also encourages the IASB to strengthen its cooperation with the ISSB and other sustainability standard-setters, to show how these sets of requirements would apply to these fact patterns and thereby demonstrate how financial disclosures connect with sustainability-related disclosures, while reducing duplication.

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.

5. The ANC supports the IASB's choice of illustrative examples accompanying IFRS Accounting Standards. This choice provides a practical connection between the principles of the standard and its concrete application, and is an easily identifiable and effective vehicle for access, preferable to the form of a practice statement, whose isolation from the standard means that it is often ignored by users. The ANC also supports the possibility envisaged by the IASB in paragraph BC45 of the Basis for Conclusions of publishing the illustrative examples in the form of a single document, in addition to the publication accompanying IFRS Accounting Standards, in order to enable stakeholders to have an overview of the project and identify the connections between the examples.

6. The choice of illustrative examples also implies that existing standards are sufficient to address the situations proposed in the fact patterns. While agreeing with this position, the ANC would like to share two forward-looking observations. On the one hand, although this project is not intended to become a permanent work in progress, the IASB should not refrain from appending new illustrative examples to the standards, depending on the needs of stakeholders in the future, for example based on issues previously identified by the IASB in its Educational Material *Effects of climate-related matters on financial statements*. On the other hand, although the fact patterns selected for this Exposure Draft do not require any changes to existing standards, standard-setting needs do exist currently on certain sustainability-related issues (paragraph 32).

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.

<u>IASB's approach to developing the examples</u>

7. The approach applied by the IASB in developing the examples structures a helpful analysis of climate-related and other uncertainties through the reasoning underlying the treatment of the examples. This approach is based on a reasoning that takes into account users' expectations in terms of information, the existence of a risk, whether there is an impact on the primary financial statements, the information required by a specific standard and the overarching principles in IAS 1, while articulating paragraphs 125 and 129 on the one hand, and paragraph 31 on the other. The ANC considers that this reasoning is of genuine educational interest, particularly for preparers and users of financial statements, and recommends that it be formalised in a decision tree that could become either part of IAS 1 (IFRS 18) or an illustrative example "0" accompanying IAS 1 (IFRS 18). The diagram in Appendix B suggests what such a decision tree might look like.

8. The proposed illustrative examples are based on specific fact patterns, leading to specific conclusions. Such specificity, inherent in the principle of illustrative examples, is well known and most of the illustrative examples present in the IFRS literature do not include any preliminary disclaimer intended to highlight this specificity. However, as the Exposure Draft currently stands, a disclaimer has been included for one of the illustrative examples, in the form of footnote 1 in example 3, but does not exist in any of the other examples. The ANC therefore invites the IASB to consider the overall consistency of its approach on the question of disclaimers.

9. As the illustrative examples are intended to accompany different standards, cross-references between the standards and the examples, and also between the examples, would be useful. Furthermore, the proposed illustrative examples are accompanied, as part of the publication of the Exposure Draft, by Basis for Conclusions that are helpful. The ANC encourages the IASB to incorporate the Basis for Conclusions on the Exposure Draft into the Basis for Conclusions on the related standards.

<u>Requirements, fact patterns and technical content illustrated in the examples</u>

10. The requirements selected for the proposed illustrative examples are relevant and address application issues that are sufficiently prevalent to be considered. The following comments on fact patterns (paragraph 11) and technical content (paragraphs 12-15) show that the illustrative examples focus on disclosures, which could usefully be supplemented by proposing recognition or measurement impacts.

11. The fact patterns proposed in the examples addressing climate-related uncertainties refer either to specific risk exposure profiles, independent of any specific business sector (examples 1-4 and 8), or to specific business sectors (examples 6 and 7). Only the fact pattern dealing with other uncertainties (example 5) neither mentions any risk profile nor any business sector. The ANC considers that the context elements relating to risk profiles and business sectors are useful for understanding the examples. However, care should be taken to ensure that this contextualisation be sufficiently precise, particularly with regard to the description of the resources dedicated by the entity to manage the risk and inform its stakeholders, to avoid that some entities be systematically associated with a profile that would impose (example 1) or exempt from (example 2) certain disclosure requirements, solely on the basis of their business sector. As a consequence, sufficiently specific fact patterns and the use of a preliminary disclaimer (paragraph 8) should help the illustrative examples achieve their objective, while avoiding unintended consequences.

12. The technical content of an illustrative example is useful if its content is sufficiently developed, both in terms of fact pattern, analytical approach and conclusions. In their current state, some of the examples proposed appear to be very close. In particular examples 1 and 2 present fact patterns that mirror each other so much, that no separate developments are needed. These examples could therefore be grouped together into one single example structured in the form of variations.

13. Other examples could be structured through a base case, from which different situations or characteristics could be subsequently derived, leading to different judgements and conclusions for each of the variations. This format would make it possible to enrich the content of the examples and usefully highlight the similarities or differences between related situations, as well as outcomes in terms of disclosures. This form would also make it possible to propose impacts in terms of recognition or measurement, for example the recognition of an impairment loss or an additional provision, which is not currently the case for any of the proposed examples.

14. The development of variations would make it possible to enhance the interest of certain fact patterns, whose schematic nature limits their educational interest. For example, the fact patterns considered in examples 3, 4, 5 and 7 provide relevant starting points from which interesting variations could be proposed. Example 6, currently applied to a financial institution, could be the subject of sectoral variations.

15. Finally, some of the conclusions, which are too short, could be expanded, particularly for examples 1, 2, 3 and 7, in order to fill the expectation gap between preparers and users by guiding the identification of the relevant information to disclose.

<u>Examples</u>

Example 1 (IAS 1 - IFRS 18)

16. The proposed fact pattern considers an entity that operates in a capital-intensive industry exposed to climate-related transition risks. The climate-related transition plan described in the general purpose financial report outside the financial statements has no impact on the financial statements. In its notes to the financial statements, the entity discloses a justification of this absence of impact in accordance with paragraph 31 of IAS 1, based on qualitative factors specific to the entity – the information published in the general purpose financial report outside the financial statements– and external factors – users' awareness of the entity's exposure to climate-related transition risks.

17. Example 1 is relevant in that it highlights the need for disclosure in the notes, despite the fact that the climate-related transition plan has no impact on the financial statements. The areas for improvement applicable to example 1 relate in particular to clarification of the connectivity approach between accounting and sustainability standards (paragraphs 3-4), the risk of assigning an entity to a disclosure profile based solely on its business sector (paragraph 11), grouping with example 2 in the context of a single example structured in the form of variations (paragraph 12), and enriching the conclusion (paragraph 15) with examples of disclosures, e.g., consequences or absence of consequences on the useful lives of items of property, plant and equipment, impairment tests and their underlying assumptions, provisions, or deferred tax assets.

Example 2 (IAS 1 - IFRS 18)

18. The proposed fact pattern considers an entity that operates in a service activity with limited exposure to climate-related transition risk. The climate-related transition risk is managed through a policy disclosed in a general purpose financial report outside the financial statements and has no impact on the financial statements. In its notes to the financial statements, the entity does not disclose the justification for this absence of impact in accordance with paragraph 31 of IAS 1 because of qualitative factors specific to the entity – the information disclosed in the general purpose financial report outside the financial statements– and external – users' awareness of the entity's limited exposure to climate-related transition risk.

19. The ANC acknowledges that among the proposed illustrative examples, example 2 leads to the conclusion that no disclosure is to be provided. However, the specific fact pattern should be defined in such a way as to avoid unintended applications. Beyond the business sector and risk profile, a more precise contextualisation and a better articulation of the reasoning leading to the conclusion would make it possible to avoid this risk (paragraph 11). Furthermore, example 2, which is mirroring example 1 and with which it could be grouped together in the context of a single example structured in the form of variations (paragraph 12), shares with the latter the need to clarify the approach to connectivity between accounting and sustainability standards (paragraphs 3-4). Finally, the fact pattern of example 2 could be enriched by a variant in which the exposure to sustainability-related risks would arise indirectly, for example through the entity’s supply chain in a specific jurisdiction.

Example 3 (IAS 36)

20. The proposed fact pattern considers an entity whose activities are increasingly subject to emission regulations. In its notes to the financial statements, the entity discloses the future cost and scope of emission regulations as key assumptions in the impairment test, as well as the approach for determining these, in accordance with paragraph 134(d)(i)-(ii) of IAS 36. In addition, to the extent that a reasonably possible change in one of these key assumptions would lead to the recognition of an impairment loss, the entity also discloses the headroom of the test for the Cash Generating Unit (CGU) concerned, the values of the key assumptions, and the amount by which they would have to change to zero out the headroom, in accordance with paragraph 134(f) of IAS 36.

21. Example 3 provides a useful reminder that the disclosures required for impairment tests are not limited to the discount and perpetual growth rates assumptions. However, the conclusion, which does not go beyond a reminder of the required disclosures, could be enriched, for example by specifying whether the considered risk has been factored into the value in use calculation through the cash flows or through the discount rate, or by illustrating how uncertainties affect the extent of reasonably possible changes in the test assumptions (paragraph 14). Furthermore, paragraph 3.6, which illustrates the application of paragraph 134(f) of IAS 36, refers only to the future price of greenhouse gas emission allowances, and should also mention the regulations scope assumption, which appears to be a key assumption of the test according to paragraph 3.2. Lastly, the relevance of footnote 1, which is unique to this example, should be reconsidered as part of the broader issue on disclaimers (paragraph 8).

Example 4 (IAS 1 - IAS 8)

22. The proposed fact pattern considers an entity that operates in a capital-intensive industry exposed to climate-related risks that could affect the recoverability of some of its material non-current assets. No goodwill or intangible assets with indefinite useful lives are present. The impairment test integrating several assumptions about climate-related risks did not result in the recognition of any impairment loss. In its notes to the financial statements, the entity discloses information about these assumptions and about the nature and carrying amount of the non-current assets of the CGU concerned, in accordance with paragraph 125 of IAS 1, because of: (a) the materiality of the carrying amount of the CGU; (b) the subjectivity or complexity of the judgements made in the assumptions; (c) the risk of changes in assumptions within the next financial year; and (d) the sensitivity of the carrying amount of the CGU to changes in assumptions. The nature and sensitivity of these assumptions, as well as the reason for this sensitivity are determined in accordance with paragraph 129 of IAS 1.

23. Example 4 was appreciated for several reasons. Like example 1, example 4 highlights the need for disclosure in the notes, despite the absence of an impact on the financial statements, here for the result of an impairment test. Paragraph 4.6 clarifies the application of paragraph 125 of IAS 1 on the obligation to provide information where there is a risk of a material adjustment to an item in the financial statements as a result of a change in assumption that is likely to occur within the next financial year. Example 4 provides a useful illustration of the fact that, despite the absence of requirement in IAS 36 to provide disclosures for a CGU that does not contain goodwill or intangible assets with an indefinite useful life, IAS 1 states if and how disclosures on the assumptions used in an impairment test should be provided. However, paragraph 4.7 could be expanded to illustrate the types of information to be disclosed, in particular the assumptions relevant to the considered fact pattern, or whether multiple test scenarios are applied, or whether the assumptions of sensitivity analyses are disclosed on a stand-alone or a combined basis.

Example 5 (IAS 1 - IFRS 18)

24. The proposed fact pattern considers an entity that operates in a jurisdiction where a draft regulation will not be discussed within the next two years. When enforced, the regulation could restrict the entity's profitability and affect the recoverability of a deferred tax asset for the carry-forward of unused tax losses. In its financial statements, the entity recognises the full amount of this deferred tax asset on the assumption that the losses carried forward will be used before the regulation becomes enforceable. As it is unlikely that this assumption will change within the next financial year, the entity does not have to justify its recognition assumption in accordance with paragraph 125 of IAS 1. However, in accordance with paragraph 31 of IAS 1, and because of the materiality of the potential impact, the entity describes its assumption that carried forward tax losses will be used before the regulation becomes enforceable, justifying the recognition of the deferred tax asset, and discloses the carrying amount of that asset.

25. This example is considered as relevant, but its fact pattern is extremely narrow. Its interest could be enriched by considering one or more variations (paragraph 14) presenting uncertainties leading to other consequences, for example the situation where all of the carry-forward tax losses would not have been consumed when the regulation becomes enforceable. Furthermore, it would be useful to clarify the fact pattern: is the question the entity has to consider through its judgements, *whether* and *when* the regulation will become enforceable, or only *when*? To help the reader follow the entity in the exercise of its judgment, the analysis could expose firstly the time horizons over which the carry-forward tax losses are likely to be consumed, as well as the time horizons over which the regulation may become enforceable; and secondly, explain how the entity forms a judgment, as well as the impacts in the event of a change in the estimate of the enforcement date of the regulations, including a sensitivity analysis. Finally, the fact pattern should indicate that the entity has no other deductible temporary differences.

Example 6 (IFRS 7)

26. The proposed fact pattern considers a financial institution whose credit risk management practices allows it to identify, within its customers, two portfolios whose exposures to climate-related risks generate a material credit risk due to: (a) the relative size of the two portfolios compared to the entity's total exposure; (b) the relative importance of climate risks compared to other risk factors impacting credit risk; and (c) the external dimension of qualitative climate-related factors which contributes to users' awareness of the entity's exposure to climate-related transition risks. In accordance with paragraphs 35A-38 of IFRS 7, the entity provides information on the effects of climate-related risks on the credit risk of the two portfolios: (a) the way in which the credit risk management practices integrate climate-related risks; (b) how models for assessing expected credit losses take climate-related risks into account; (c) collateral held as security, particularly for assets exposed to climate-related risks; and (d) concentrations of climate-related risks.

27. This example is generally considered relevant, particularly insofar as it considers a fact pattern with a financial activity. The development of sectoral variations (paragraph 14) considering for example a corporate entity holding long-term receivables would enrich the content of example 6. Whatever the sectoral variations considered, the realism of the base case could be improved by integrating in paragraph 6.2, in addition to physical climate-related risks, consequences of climate-related risks on customers' lines of business. If this suggestion were not retained, the IASB could highlight that the proposed example would also be relevant to entities operating in other sectors. Besides, it is important to underline that in practice, the quality of disclosures provided in contexts similar to those in example 6 largely depends on the robustness of the models used to assess expected credit losses. The integration of sustainability-related risks in these models may be emerging and rely on underlying data whose availability may also be limited. The conclusion should therefore not imply that the disclosures to be provided under this example, and in particular at the level of granularity indicated, is routine information that could be easy to obtain. Finally, the clarification of the approach to connectivity between accounting and sustainability standards (paragraphs 3-4) would be particularly useful in the context of this example, in order to minimize the risk of disclosure overload in the financial statements.

Example 7 (IAS 37)

28. The proposed fact pattern considers a petrochemical manufacturer whose facilities are subject to decommissioning and site restoration obligations. Despite the materiality of the gross obligations, their remote maturities result in immaterial discounted amounts of provisions. These could increase if some of the facilities were closed earlier as a result of an effort to transition to a lower-carbon economy. Although the amounts of provisions are immaterial, the entity concludes that the information related to these obligations is material due to its business environment, the risk of changes in the timing and the materiality of the obligations. In accordance with paragraph 85 of IAS 37, the entity discloses information in its notes to the financial statements on the nature of the obligations, their timing, as well as the uncertainties and future events likely to affect the timing.

29. This example is useful because it illustrates a fact pattern where the materiality of the gross obligation underlying the measurement of a discounted provision is material and requires a disclosure in the notes, although the discounted amount of the provision is immaterial. The reasons leading to the disclosure of this information should however be clarified, in order to specify whether it results from the direct application of paragraph 85 of IAS 37, or from an indirect application based on paragraph 125 of IAS 1. Indeed, among the reasons provided to justify disclosures, paragraph 7.3 mentions the risk of a change in timing. However, the risk that this assumption could change does not appear in paragraph 7.4, which implies, in application of paragraph 125 of IAS 1, that this change is unlikely to occur within the next financial year. It is unclear whether the factors considered in the conclusion include uncertainty of the timing, and/or the materiality of the gross obligation, and/or qualitative factors such as users' awareness of the entity's exposure. If the former, the ANC suggests that the fact pattern be clarified in regards of whether a transition plan changing the timing exists or is to be adopted in the near future. The conclusion of this example should thus specify which assumptions fall within the qualitative or quantitative dimensions of materiality and how paragraphs 125 of IAS 1 and 85 of IAS 37 lead to the conclusion reached. Finally, this example could be subject to interesting variations (paragraph 14), in order to illustrate the disclosures to be provided for a material provision and a contingent liability.

Example 8 (IFRS 18)

30. The proposed fact pattern applies to an entity that operates in an industry exposed to climate-related transition risks, comprising two types of material items of property, plant and equipment, one with high greenhouse gases emissions and the other, more recent, with lower emissions. The entity considers that these two types are exposed differently to climate-related risks, in particular due to changes in regulations on the reduction of greenhouse gases or changes in consumer demand. In its notes to the financial statements, in accordance with paragraphs 41-42 and B110 of IFRS 18, the entity disaggregates these two types of items of property, plant and equipment to provide the information required by paragraph 73 of IAS 16.

31. Example 8 usefully illustrates the disaggregation of financial information related to a climate-related transition risk and highlights the need for clarification of the approach to connectivity between accounting and sustainability standards (paragraphs 3-4). However, the choice of a fact pattern related to items of property, plant and equipment may pose a difficulty in the articulation between the concept of class of assets in IAS 16 and the disaggregation principles in IFRS 18. While the conclusion of example 8 recommends disaggregating information at a level of granularity below the asset class, paragraph B111 of IFRS 18 does not appear to go below the asset class. A fact pattern on the disaggregation of revenue, as required by IFRS 15, would present fewer technical difficulties, address a genuine need for practical illustration and provide, through a fact-pattern related to the profit or loss, a welcome diversification within a series of examples currently focussed to the statement of financial position.

Question 3 - Other comments

Do you have any other comments on the Exposure Draft?

32. The fact patterns selected for this Exposure Draft do not require any additional standard-setting work (paragraph 6), unless the IASB decides to retain the ANC's suggestion to add a decision tree to IAS 1 (IFRS 18) (paragraph 7).

33. Nevertheless, certain existing sustainability-related issues require standard-setting. In this respect, the issue of pollutant pricing mechanisms, which is on the IASB's reserve list, deserves the opening of a full-fledged standard-setting project, covering both mandatory and voluntary mechanisms, including carbon offsets. The rapid development of these mechanisms, their prevalence, the existence of a diversity in practice resulting from the absence of applicable standard and stakeholders' expectations highlighted in the ESMA Public Statement dated 8 October 2024[1], argue in favour of opening such a project.

[1] ESMA, Public Statement, 8 October 2024: *Clearing the Smog: Accounting for Carbon Allowances in Financial Statements*.

Exposure Draft Climate-related and Other Uncertainties in the Financial Statements
ANC Comment Letter - Appendix B

In paragraph 7 of Appendix A, the ANC recommends that the approach applied by the IASB in developing the illustrative examples be formalised in a decision tree that could become either part of IAS 1 (IFRS 18) or an illustrative example "0" accompanying IAS 1 (IFRS 18)." The diagram below suggests what such a decision tree might look like. Besides, if the IASB were choosing to publish the illustrative examples as a single document, in addition to the publication accompanying IFRS Accounting Standards (paragraph 5), it could be useful to reference the critical path followed along the decision tree with each of the illustrative examples.