



iGAAP in Focus

Financial reporting

IASB publishes illustrative examples for disclosures of uncertainties in the financial statements using climate-related scenarios

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This *iGAAP in Focus* outlines *Disclosures about Uncertainties in the Financial Statements*, published by the International Accounting Standards Board (IASB) on 28 November 2025.

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- The IASB added six examples to IFRS Accounting Standards that illustrate how an entity applies the requirements in those standards to report the effects of uncertainties in its financial statements
- The examples mostly focus on climate-related uncertainties, but the principles and requirements illustrated apply equally to other types of uncertainties
- No effective date or transition requirements are provided as the illustrative examples are not an integral part of IFRS Accounting Standards but rather provide additional insight into existing disclosure requirements
- The IASB expects entities to be entitled to sufficient time to implement any changes to the information disclosed in financial statements resulting from the illustrative examples but, nonetheless, expects that implementation will be on a timely basis.

Background

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.

The IASB decided to work on this project because of strong demand from respondents to its agenda consultation. These respondents were concerned that information about the effects of long-term risks (related to climate or to other factors) in the financial statements was insufficient or appeared to be inconsistent with information entities provide outside the financial statements.

Following research to understand the nature and causes of respondents' concerns, the IASB decided to take action to help improve the reporting of the effects of these uncertainties in the financial statements, including developing examples using climate-related scenarios.

For more information please see the following websites:

www.iasplus.com

www.deloitte.com

Observation

Throughout its work on this project, the IASB has collaborated with members and technical staff of the International Sustainability Standards Board (ISSB), which develops IFRS Sustainability Disclosure Standards. The purpose of this collaboration was to help strengthen the connections between the information an entity provides in its financial statements and the information it provides in other parts of its general purpose financial reports.

The examples

The IASB published six examples illustrating how an entity applies the requirements in IFRS Accounting Standards to disclose uncertainties in the financial statements using climate-related scenarios. While the examples focus on climate-related uncertainties, the principles and requirements illustrated apply equally to other types of uncertainties.

The IASB decided to focus the examples on requirements:

- that are among the most relevant for reporting the effects of uncertainties in the financial statements
- that are likely to address the concerns that information about the effects of uncertainties in the financial statements is insufficient or appears to be inconsistent with information provided in general purpose financial reports outside the financial statements.

Materiality judgements applying IAS 1 *Presentation of Financial Statements* [IFRS 18 *Presentation and Disclosure in Financial Statements*]

Scenario 1—Materiality judgements leading to additional disclosures

In this example, a manufacturer operates in a capital-intensive industry. The entity is exposed to significant climate-related transition risks and operates in jurisdictions that have adopted climate-related policies that affect the entity's operations. However, the entity determines that its transition plan will not have a material effect on recognised items in its financial statements because, for example, it does not affect the useful lives of affected manufacturing facilities or result in impairment of those assets.

The example illustrates how the entity makes materiality judgements in the context of financial statements in accordance with the requirement in IAS 1:31 [IFRS 18:20]. In the example, these judgements lead to additional disclosures beyond those specifically required by IFRS Accounting Standards. For example, the entity might explain why its transition plan (discussed in other parts of its general purpose financial report) had no effect on its financial position and financial performance.

Observation

This example highlights that an absence of material effects on financial statements arising from climate or other risks can itself require disclosure and explanation, particularly when statements made elsewhere or pervasive industry factors might otherwise lead a reasonable user to perceive a material inconsistency between that other information and the financial statements.

Scenario 2—Materiality judgements not leading to additional disclosures

This example concerns a service provider operating in an industry that has a low level of greenhouse gas (GHG) emissions and limited exposure to climate-related transition risks. The entity includes information about its current emissions and plans to limit future emissions in its general purpose financial report.

The example illustrates how this entity makes materiality judgements in the context of financial statements in accordance with the requirement in IAS 1:31 [IFRS 18:20]. In making those judgements, the entity considers both quantitative and qualitative factors and determines that additional disclosure to explain the lack of effect of its GHG emissions policy on its financial position and financial performance for the current reporting period would not provide material information in the context of its financial statements taken as a whole.

Observation

In contrast to Scenario 1, this example highlights that the inclusion of information about future plans in material accompanying the financial statements does not necessarily mean that there is material information to add to the financial statements. Careful judgement on, amongst other things, the materiality of potential risks will be necessary to apply the principles expressed in these scenarios.

Disclosure of assumptions: specific requirements (IAS 36 *Impairment of Assets*)

In this example, an entity's operations result in a high amount of GHG emissions making it subject to regulation in some of the jurisdictions in which it operates. The example illustrates the requirements in IAS 36:134(d)(i)-(ii) and 134(f). In particular, it illustrates how an entity discloses information about the key assumptions it uses to determine the recoverable amounts of assets—in this case, the future emission allowance cost assumptions, such as the future price of GHG emission allowances and future emission regulations—together with the entity's approach to assigning values to those assumptions.

Observation

This example illustrates a need to consider assumptions underpinning impairment assessments holistically, acknowledging that these disclosures might need to go beyond the familiar metrics of, for example, discount and long-term growth rates.

Disclosure of assumptions: general requirements (IAS 1 [IAS 8 Basis of Preparation of Financial Statements])

In this example, an entity operates in a capital-intensive industry. The entity is exposed to climate-related transition risks that might affect its ability to recover the carrying amount of some of its non-current assets, but having performed an impairment review concludes that no impairment should be recognised in the current reporting period. As the cash-generating units in question include no goodwill or indefinite-life intangible assets, there is no specific requirement in IAS 36 to disclose the assumptions used in the entity's impairment assessment.

However, the example illustrates that, as there is deemed to be significant risk of material impairment in the next financial year, the general requirements of IAS 1:125 and 129 [IAS 8:31A and 31E] lead to disclosure of information about the assumptions made together with details of the nature and carrying amount of affected assets at the end of the reporting period.

Observation

This example highlights the specific requirement for disclosure when there is a significant risk of material adjustment to the carrying amount of assets or liabilities *within the next financial year*.

If it is deemed appropriate to also disclose the risks of adjustments beyond that period, these disclosures should be clearly distinguished from those required by IAS 1:125 and 129 [IAS 8:31A and 31E].

Disclosure about credit risk (IFRS 7 Financial Instruments: Disclosures)

In this example, an entity is a financial institution that provides a range of products to various types of customers. As part of its credit risk management practices, the entity considers the effects of various risks on its credit risk exposures, including climate-related risks (specifically in this example, drought risk for agricultural customers and risk of flooding for loans secured on real estate). The example illustrates requirements in IFRS 7:35A-38. In particular, the example illustrates how an entity might disclose:

- information about the effects of particular risks on its credit risk exposures and credit risk management practices
- information about how these practices relate to the recognition and measurement of expected credit losses.

Disclosure about decommissioning and restoration provisions (IAS 37 Provisions, Contingent Liabilities and Contingent Assets)

In this example, an entity has plant decommissioning and site restoration obligations in relation to its facilities but expects to continue to maintain and operate some of its facilities for an extremely long time such that the present value of its obligations relating to these facilities is not material.

The example illustrates the requirement in IAS 37:85. In particular, how the entity might disclose information about plant decommissioning and site restoration obligations and the uncertainties surrounding them even if their effect on the carrying amount of the entity's plant decommissioning and site restoration provision is immaterial.

Observation

This example includes the expected timing of closure of a facility as a possible assumption to be disclosed and highlights the need, as for impairment assumptions, for thorough consideration of these disclosure requirements.

Disclosure of disaggregated information (IFRS 18)

In this example, an entity owns items of property, plant and equipment with long useful lives whose use results in high levels of GHG emissions. It has started to invest in alternative, lower-emission assets performing the same function but continues to use the 'old' assets for a large part of its operations.

The example illustrates the requirements in IFRS 18:41-42 and B110, in this case concluding that the risks (arising from potential regulation and/or consumer demand) of the two asset types are sufficiently different that note disclosures for this class of property, plant and equipment should be disaggregated.

Effective date and transition

No effective date or transition requirements are provided as the illustrative examples are not an integral part of IFRS Accounting Standards but rather provide additional insight into existing disclosure requirements.

The IASB expects entities to be entitled to sufficient time to implement any changes to the information disclosed in financial statements resulting from the illustrative examples but, nonetheless, expects that implementation will be on a timely basis.

Observation

Publication of the final examples follows that of a near-final version in July 2025, intended to provide early visibility of the IASB's work and to support timely and informed application. There are no significant differences between the near-final and final versions.

Further information

If you have any questions about the examples, please speak to your usual Deloitte contact or get in touch with a contact identified in this *iGAAP in Focus*.

The Deloitte Accounting Research Tool (DART) is a comprehensive online library of accounting and financial reporting literature.

iGAAP on DART allows access to the full IFRS Standards, linking to and from:

- Deloitte's authoritative, up-to-date, iGAAP manuals which provide guidance for reporting under IFRS Standards
- illustrative financial statements for entities reporting under IFRS Accounting Standards.

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