

November 27, 2024

IFRS Foundation
7 West ferry Circus
Canary Wharf
London E14 4HD, United Kingdom

RE: Climate-related and Other Uncertainties in the Financial Statements; Proposed illustrative examples

Dear Colleagues,

The Saudi Organization for Chartered and Professional Accountants (SOCPA) appreciates the efforts of the IASB and welcomes the opportunity to comment on the Exposure Draft, *Climate-related and Other Uncertainties in the Financial Statements; Proposed illustrative examples*.

Our detailed comments on the questions raised in the Exposure Draft are attached in the appendix to this letter.

Please feel free to contact Dr. Abdulrahman Alrazeen at (razeena@socpa.org.sa) for any clarification or further information.

Sincerely,



Dr. Ahmad Almeghames

SOCPA Chief Executive Officer

Appendix: 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.

SOCPA Comments:

- (a) SOCPA believes providing examples can enhance the quality of reporting climate-related and other uncertainties in financial statements, though some adjustments could further improve their utility. The illustrative examples proposed by the IASB are valuable in guiding entities through the application of IFRS Standards, especially for complex climate-related judgements.

However, a possible improvement could involve adding guidance on balancing qualitative and quantitative factors to avoid excessive disclosure. While each example targets different aspects of climate-related uncertainty, further emphasis on the distinction between necessary disclosures and immaterial information would help prevent excessive disclosure, which could dilute the focus of financial statements.

- (b) SOCPA believes including these examples as implementation guidance accompanying IFRS Standards rather than embedding them directly within the standards or presenting them solely as educational materials is the right way to go. Using implementation guidance ensures the examples serve as practical tools without altering the authoritative requirements of IFRS Standards. This approach also allows flexibility to update the examples as practices evolve, making it easier to incorporate any necessary refinements to align with emerging climate-related reporting 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:

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- (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.

SOCPA Comments:

SOCPA agrees that IASB’s selection of standards and fact patterns is generally well-suited to addressing climate-related uncertainties within financial statements. However, SOCPA believes the examples could benefit from slight refinements to enhance usability and adaptability across different industries and regions. Our specific comments on each example, where relevant, are given below:

Example 1: The example could benefit from a more detailed breakdown of qualitative factors, especially in scenarios where climate-related risks are rapidly evolving. It would be helpful to include a case where such factors are weighted differently based on industry or regulatory changes.

Example 2: While comprehensive, the example could further illustrate scenarios where qualitative factors are less relevant due to strong quantitative indicators, giving a clearer threshold for when disclosures are necessary.

Example 3: More emphasis could be placed on how entities should handle scenarios where data on future emission costs is limited or highly uncertain, such as emerging markets without established emissions trading systems.

Example 4: It would be beneficial if the example further differentiated between mandatory and discretionary disclosures when judgement is used on longer-term assumptions, especially in industries with significant exposure to climate risk but low short-term impact.

Example 8: Expanding on this example to show how entities might periodically update risk factors associated with each PP&E class, based on external changes, would provide greater flexibility in application.

Question 3 — Other comments

Do you have any other comments on the Exposure Draft?

SOCPA Comments:

- The Exposure Draft rightly includes long-term climate-related assumptions in the scope of IAS 1’s general disclosure requirements (paragraph 125); however, SOCPA believes there seems to be room for confusion about when assumptions, expected to be resolved beyond the next financial year, qualify for disclosure. Clearer language in the Exposure Draft could

enhance entities' understanding of when and how to disclose assumptions involving long-term uncertainties and might reduce inconsistencies in reporting, especially in regions with varying interpretations of these assumptions.

- In addition to our comments about specific examples under question 2, SOCPA believes examples 1 and 2 illustrate materiality judgements effectively, showing that qualitative factors play a significant role in determining materiality, especially for climate-related information. However, the Exposure Draft could benefit from more robust guidance on qualitative assessment criteria, especially in complex scenarios where quantitative thresholds may not indicate materiality, but qualitative considerations do. Additional commentary on factors such as industry-specific risks and stakeholder expectations would add depth to the understanding of materiality in climate reporting.