



TECHNICAL CIRCULAR:	1/2024 [TC 1_2024]
To:	All the Members of the Institute
From:	Accounting Standards Committee
Date:	12 April 2024
Subject:	Compilation of publicly available sources for guidance on potential impact from climate related risks on the financial statements

This circular has been prepared by the Accounting Standards Committee with the aim of compiling publicly available sources for guidance regarding the potential impacts of climate-related issues on the financial statements of companies.

Climate change drives some of the most profound and persistent changes to business in our lifetimes. Impacts on products and services, supply chains, loss of asset values and market dislocation are already being caused by more frequent and severe climate-related events. These effects are compounded by the accelerating pace of policy and regulatory change, as the universe acknowledges the challenge we face and the drastic and rapid actions we must all take to protect our planet and our own livelihoods.

Companies are urged by investors, governments, and the public in general to assess climate-related matters that they are facing and to reflect such impacts in the financial statements. Therefore, climate change is a topic in which investors and other IFRS stakeholders are increasingly interested because of its potential effect on companies' business models, cash flows, financial position and financial performance. Most industries have been, or are likely to be, affected by climate change and efforts to manage its impact. There is an increased focus on the measurement and disclosure of climate-related matters in an entity's financial statements and the determination of the effects of climate change on an entity's financial statements may require significant effort and judgement.

IFRS Accounting Standards do not refer explicitly to climate-related matters. However, companies must consider climate-related matters in applying IFRS Accounting Standards when the effect of those matters is material in the context of the financial statements taken as a whole. For example, information about how management has considered climate-related matters in preparing a company's financial statements may be material with respect to the most significant judgements and estimates that management has made.



In addition to the specific requirements exist in IFRS's, IAS 1 *Presentation of Financial Statements* contains some overarching requirements that could be relevant as well when considering climate-related matters. For example, paragraph 112 of IAS 1 requires disclosure of information not specifically required by IFRS Standards and not presented elsewhere in the financial statements but that is relevant to an understanding of any of the financial statements. This paragraph, together with paragraph 31 of IAS 1, requires an issuer to consider whether any material information is missing from its financial statements— ie a company is required to consider whether to provide additional disclosures when compliance with the specific requirements in IFRS Standards is insufficient to enable investors to understand the impact of transactions, other events and conditions on the company's financial position and financial performance. Companies will therefore need to consider whether to provide additional disclosures when compliance with the specific requirements in IFRS Standards is insufficient to enable investors to understand the impact of climate-related matters on the company's financial position and financial performance. These overarching requirements in IAS 1 may be especially relevant for companies whose financial position or financial performance is particularly affected by climate-related matters.

This publication compiles various publications relating to possible effects of climate related matters on the financial statements of companies and aims to offer practical and real-life illustration of how companies would have reflected the effects of climate-related matters into their annual financial statements.

Please find below all the available material:

- [ESMA Report 2023 Corporate reporting enforcement and regulatory activities](#) (26 March 2024)
- [ESMA Report The Heat is On: Disclosures of Climate-Related Matters in the Financial Statements](#) (25 October 2023)
- [IFRS Educational Material - Effects of climate-related matters on financial statements](#) (June 2023)
- [Article by Nick Anderson \(member of the IASB Board\): IFRS Standards and climate-related disclosures](#) (November 2019)
- [EY – Applying IFRS: Accounting for Climate Change](#) (August 2023)
- [PWC - Emissions trading systems: The opportunities ahead](#)
- [PWC - Impact of ESG matters on IFRS financial statements](#) (February 2022)
- [Deloitte - A closer look Climate change - from a Danish perspective](#) (2020)
- [KPMG – How might climate-related risks impact the financial statements? 10 questions for audit committees](#) (September 2021)
- [KPMG - \(Climate change financial reporting resource centre - KPMG Global\)](#)