

31 October 2024

Mr. Andreas Barckow  
Chair  
International Accounting Standards Board

**Re: Exposure Draft “Climate-related and Other Uncertainties  
in the Financial Statements”**

Dear Mr. Barckow,

The Corporate Accounting Committee (CAC) of the Securities Analysts Association of Japan (SAAJ) is pleased to comment on the Exposure Draft *Climate-related and Other Uncertainties in the Financial Statements* (hereinafter referred to as the “ED”) published on 31 July 2024.

The SAAJ is a not-for-profit organization for professionals in the areas of investment and finance, offering education and certification programs in these fields. Its certified member analysts (holding the CMA designation) number around 29,000.

The CAC is a standing committee of the SAAJ composed of 11 members, most of whom are users of financial statements including equity and credit analysts, portfolio managers, and academics.

The SAAJ sent a questionnaire survey on the ED to members of the CAC and the Sustainability Reporting Committee (SRC), which is a standing committee of the SAAJ that provides comments to the International Sustainability Standards Board (ISSB) and other standard setters, as well as some CMAs, of which 16 responded. This comment letter is based on the ED questionnaire results and the discussions among members of the CAC. Please see the attached questionnaire results.

Below are our comments on each question.

<b>Question 1—Providing illustrative examples</b>
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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
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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.

We agree with both “(a) providing examples to help improve the reporting of the effects of climate-related and other uncertainties in the financial statements” and “(b) including the examples as illustrative examples accompanying IFRS Accounting Standards.” However, we have some suggestions for improvement.

In **Q1** of our questionnaire, 56.3% of respondents agreed, 12.5% disagreed, and 31.3% neither agreed nor disagreed.

For companies with high climate risks, transition plans, etc., are presented in sustainability disclosures, but many of these companies do not disclose the effects of such transition plans in their financial statements. If there is materiality based on accounting standards, we naturally expect such material effects to be disclosed in the financial statements. We support the provision of examples to promote this.

Regarding (a), the ED provides examples to address application challenges, given that IFRS Accounting Standards are generally sufficient concerning the effects of climate-related and other uncertainties. We believe that the time horizons for financial statements disclosed based on accounting standards and sustainability information disclosed based on sustainability disclosure standards are inherently different. Therefore, information on uncertainties presented in sustainability disclosures

should not necessarily be reflected in financial statements. Financial statements should disclose necessary and sufficient information within the time horizon based on accounting standards, and there should be no over-interpretation of accounting standards. Under these premises, these examples are meaningful as they focus on the influence on decision-making by users of financial statements, clarify what should and should not be disclosed in financial statements, and clarify the roles of accounting standards and sustainability disclosure standards.

However, as sustainability disclosure standards are expected to be introduced in many jurisdictions in the future and disclosure cases accumulate, we believe it is necessary to revise the examples accordingly. Additionally, when connectivity discussions between the IASB and the ISSB progress, it is necessary to issue more comprehensive materials and consider amending the standards if there are inconsistencies between the requirements of IFRS Accounting Standards and IFRS Sustainability Disclosure Standards.

Regarding (b), we agree to provide the examples accompanying IFRS Accounting Standards, which are translated into languages other than English to ensure stakeholders are well-informed.

However, under the IASB's proposal, the examples will be provided separately in the relevant individual IFRS Accounting Standards, making it difficult for stakeholders to comprehensively and consistently understand how to apply the Standards' requirements concerning the effects of climate-related and other uncertainties in financial statements. In this regard, we support the suggestion of BC45, which indicates that "in addition to including the examples as illustrative examples accompanying IFRS Accounting Standards, the IASB might group the examples and publish them as a single document." Additionally, some suggested that educational materials that comprehensively explain all the examples developed this time should be provided, separate from the illustrative examples accompanying IFRS Accounting 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.

We agree with the IASB’s approach to developing illustrative examples, but we have some suggestions for improvement.

In **Q2** of our questionnaire, 56.3% of respondents agreed, 12.5% disagreed, and 31.3% neither agreed nor disagreed.

While we agree with the approach to developing illustrative examples, the selection of requirements and fact patterns illustrated in the examples, and the technical content of the examples themselves, we suggest the following improvements:

- The illustrative examples are overly simplified, which may lead preparers to narrowly interpret the specific cases presented in the examples or fail to cover disclosures related to new risks. Adding more specificity to the examples or providing explanations of the general and fundamental concepts behind the examples could eliminate such possibilities and lead to better disclosures. Additionally, these general and fundamental explanations should emphasize that the examples are merely characteristic and principle-based, and that disclosures may be necessary in different situations.
- For “Example 2— Materiality judgements not leading to additional disclosures,” guidance on materiality judgments should be added to ensure that the judgment of not disclosing due to lack of materiality is made appropriately. The example should be made more specific, and additional cases should be provided.
- In addition to the proposed examples, examples should be provided that disclose information on the effects of uncertainties in the segment information section, which is important to analysts and investors.
- The examples should not be limited to climate-related uncertainties but should also include other sustainability-related and non-sustainability-related uncertainties in a balanced manner.

**Question 3—Other comments**

Do you have any other comments on the Exposure Draft?

We do not have any other comments on the ED.

Sincerely yours,



Satoshi Komiyama

Chair

Corporate Accounting Committee

## Attachment: Questionnaire Results on the ED

The SAAJ sent a questionnaire survey on the ED to members of the CAC and the SRC, as well as some CMAs, of which 16 responded.

### Q1: Providing illustrative examples...Question 1

(a) Yes	9	56.3%
(b) No	2	12.5%
(c) Neither “Yes” nor “No”	5	31.3%
Total	16	100.0%

### Q2: Approach to developing illustrative examples...Question 2

(a) Yes	9	56.3%
(b) No	2	12.5%
(c) Neither “Yes” nor “No”	5	31.3%
Total	16	100.0%