

IFRS Developments

Disclosures about Uncertainties in the Financial Statements



What you need to know

- The IASB issued *Amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37 - Disclosures about Uncertainties in the Financial Statements* on 28 November 2025.
- The examples illustrate existing requirements in IFRS accounting standards.
- The examples do not have an effective date or transition requirements. Entities are entitled to sufficient time to implement any changes as a result of the illustrative examples.

Introduction

On 28 November 2025, the International Accounting Standards Board (the IASB or Board) issued *Amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37 - Disclosures about Uncertainties in the Financial Statements* ("the examples"), which added illustrative examples to several IFRS accounting standards. The examples are intended to improve the reporting of climate-related and other uncertainties in the financial statements, particularly to address stakeholders' concerns about consistency of information within the general-purpose financial reports and sufficient information on climate-related risks and other uncertainties in the financial statements.

The examples illustrate how entities apply existing requirements in IFRS accounting standards to report the effects of uncertainties in the financial statements using climate-related examples. They do not add to, or change, existing requirements in IFRS accounting standards.

The examples address topics such as materiality judgements, significant judgements and estimates, and aggregation and disaggregation.

Background

Increasingly, investors and regulators expect that the financial statements, managements reports and sustainability-related disclosures will tell a coherent and connected story. Entities, therefore, need to provide relevant and transparent information and disclosures that coherently enable primary users of financial statements ("primary users") to understand them.

Determining what needs to be disclosed about uncertainties in the financial statements involves judgement. The illustrative examples issued by the IASB are



intended to help entities with this determination using existing requirements in IFRS accounting standards and the definition of materiality, including the considerations in Practice Statement 2 *Making Materiality Judgements*.

IFRS accounting standards consider information to be material, as stated in the paragraph 7 of IAS 1 "if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial reports make on the basis of those reports, which provide financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity's financial report."

When identifying the information to assess, the starting point is the requirements set out in IFRS accounting standards. However, an entity also needs to consider primary users' (both existing and potential users) common information needs, considering information that could reasonably be expected to influence their decisions. Therefore, entities may need to consider information from sources other than just the financial statements (e.g., other sections in the annual report, information about the industry, its competitors, etc.).

An entity might conclude that certain information is material for various reasons, i.e., its nature or magnitude or a combination of both. Therefore, making materiality judgements involves both quantitative and qualitative considerations:

- Quantitative factors consider the size of the impact (recognised and unrecognised)
- Qualitative factors are characteristics of an entity's transactions, other events or conditions and, if present, make information more likely to influence the decisions of the primary users. These include both entity-specific and external factors. Entity-specific factors include characteristics of an entity's transaction, other event or condition, e.g., related-party transactions, uncommon or non-standard transactions, events or conditions. External factors include the context in which the entity operates, i.e., geographical location, its industry sectors, or the state or economy in which the entity operates

Determining what is material requires judgement and an assessment of an entity's specific facts and circumstances. Since the examples apply equally to all uncertainties, not just those illustrated, entities should carefully consider the logic underlying the examples to be able to apply the guidance to their own circumstances.

Example 1 - Materiality judgements

This example addresses how an entity applies the requirement in paragraph 31 of IAS 1 *Presentation of Financial Statements* (after IFRS 18 is effective, paragraph 20 of IFRS 18) and illustrates materiality judgements in the context of financial statements using two contrasting scenarios.

Scenario 1

In scenario 1, an entity that has significant exposure to climate-related risks determines that an explanation for the lack of effect of its transition plan on its financial statements provides material information. The entity makes a materiality judgement, taking its specific facts and circumstances into consideration when it discloses information about the lack of effect in applying paragraph 31 of IAS 1 (paragraph 20 of IFRS 18).

Entity-specific and external qualitative factors considered by the entity include: the nature and extent of the entity's exposure to climate-related risk; the significance of the transition plan to its operations; and the industry and jurisdictions in which the entity operates, such as its market, economic, regulatory and legal environment.

Scenario 2

In scenario 2, the entity has limited exposure to climate-related transition risks and determines that an explanation of the lack of effect of its greenhouse gas emissions policy on its financial statements would not provide material information.

Entity-specific and external qualitative factors considered by the entity when making its materiality judgement include the expectation that its greenhouse gas emissions policy will not significantly affect its future operations, and that the entity operates in an industry that has a low level of greenhouse gas emissions and limited exposure to climate-related transition risks.

Example 2 - Assumptions: specific requirements about impairment testing

Example 2 illustrates the requirements in paragraph 134 of IAS 36 *Impairment of Assets*, which include disclosure requirements about estimates used for impairment testing of goodwill or intangible assets with indefinite useful lives. Example 2 illustrates how an entity discloses key assumptions and sensitivity analysis in relation to an impairment test of goodwill, although the recoverable amount of the goodwill exceeds its carrying amount. Both this example and Example 3 highlight that all key assumptions, not only discount rates or growth rates, should be disclosed if they provide material information.

Example 3 - Assumptions: general requirements

Example 3 illustrates the requirements in paragraphs 125 and 129 of IAS 1 (after IFRS 18 is effective, of paragraphs 31A and 31E of IAS 8 *Basis of Preparation of Financial Statements*), which include disclosure requirements for sources of estimation uncertainty. Example 3 illustrates that an entity might be required to disclose information about assumptions that have a significant risk of resulting in material adjustments to the carrying amount of assets and liabilities within the next year, even if such assumptions will not be resolved within the next year. The example also provides examples of information the entity might disclose.

In determining whether the information about its assumptions is material, the entity considers the following: the size of the cash generating unit's (CGU) carrying amount; subjectivity or complexity of the judgements made by management in determining the assumptions; the risk that new information or new developments in the next financial year might result in changes to assumptions; and sensitivity of the CGU's carrying amount to changes in the assumptions.

Example 4 - Credit risk

Example 4 illustrates the requirements in paragraph 35A-36 of IFRS 7 *Financial Instruments: Disclosures*, which include disclosure requirements for credit risk. In the fact pattern provided in this example, the entity identifies two portfolios of loans for which climate-related risks have a significant effect on its credit risk exposures.

The example provides several factors (e.g., the size of the portfolios, the significance of the effects of climate-related risks) that an entity considers when it determines that information about the effects of climate-related risks on its exposure to credit risk for those two portfolios is material as well examples of information disclosed in applying the requirements in paragraphs 35A-38 of IFRS 7.

Example 5 - Decommissioning and site restoration provisions

Example 5 illustrates the requirements in paragraph 85 of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, which include disclosure requirements for each class of provision recognised. In Example 5, the entity provides information required in accordance with paragraph 85 of IAS 37, e.g., a brief description of the nature of the obligations, the expected timing of the outflows of economic benefits required to settle them, and an indication of the uncertainties about the amount or timing of those outflows. This is because the information about its obligations to decommission plant and site restoration is material, although the provision recognised is quantitatively immaterial as the cost to settle the obligation is discounted to its present value. The example illustrates several factors that might be relevant in determining whether the obligation is material (e.g., the risk of early settlement, the size of the cost to settle the obligation on an undiscounted basis).

Example 6 - Disclosure of disaggregated information in the notes

Example 6 illustrates the requirements in paragraphs 41-42 and B110 of IFRS 18, which include disclosure requirements for aggregation and disaggregation. In Example 6, the entity owns and uses two types of property, plant and equipment (PP&E) that are in the same class, but are different in terms of the amount of greenhouse gas emissions they generate from their use. The entity disaggregates information, for example, the carrying amount of the two types of PP&E in the notes to its financial statements.

The example illustrates possible factors an entity might consider when determining whether “the two types of PP&E have sufficiently dissimilar risk characteristics that disaggregating information about these types of PP&E would result in material information”, such as the size of the PP&E carrying amount, the significance of climate-related transition risks to the entity’s operations, and external climate-related qualitative factors (e.g., the industry and jurisdictions in which the entity operates, including its market, economic, regulatory and legal environments). Although this example illustrates the application of requirements in IFRS 18, which differ from those in IAS1, entities need to consider whether disaggregated information is material in applying the relevant requirements in IAS 1 (including paragraphs 29-31 and 77).



How we see it

While entities are entitled to sufficient time to implement any changes to their financial statements, these examples reflect existing requirements in IFRS accounting standards and it is likely that regulators will expect entities to have considered the examples in their next set of financial statements. The Board has made clear that these illustrative examples relate not only climate-related risks, but also to other uncertainties.

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EYG no. 009872-25Gb1

UKC-042026 (UK) 11/25.

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