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International Accounting Standards Board to Explore Improvements to Climate-Related Disclosure in Financial Statements

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On March 23, 2023, the International Accounting Standards Board (IASB) **commenced** a new **“maintenance” project** to “explore whether and how financial statements can better communicate information about climate-related risks.” The IASB is one of the two bodies within the **IFRS Foundation**, which is a not-for-profit organization established to develop globally accepted accounting and sustainability disclosure standards (“IFRS Standards”) and to promote and facilitate adoption of the standards, that develops standards focused on providing information to support investment decision-making. The IASB sets the IFRS Accounting Standards, which provide guidance on how companies prepare their financial statements, and the International Sustainability Standards Board (“ISSB”) sets the **IFRS Sustainability Disclosure Standards**, which provide guidance on how companies disclose information about “sustainability-related factors that may help or hinder a company in creating value.”

The project will seek to:

- research the causes of stakeholders’ concerns about inconsistent application and insufficient information;
- research whether the IFRS Foundation’s educational material on the **effects of climate-related matters on financial statements** and the **application of the ISSB's future standard on climate-related disclosures** help to address these concerns; and
- consider whether and what actions might be needed.

The maintenance project was launched in response to concerns raised by stakeholders about potentially inconsistent application of the IFRS Accounting Standards to climate-related risks and insufficient disclosures in financial statements. In response to this feedback, the IASB is exploring whether it should “do more” to build on its existing guidance on incorporating climate-related risks into its financial statements. The IASB will evaluate whether its standards are unclear or insufficient and the extent to which companies are able to comply with the current requirements in order to assess whether amendments to the current requirements should be adopted.

Taking the Temperature: IFRS Accounting Standards already require companies to consider climate-related matters in their financial statements when the effect of those matters is “material information to investors.” But applying these standards [can be challenging](#) in the context of climate-related disclosures given the lack of consistent data, terminology, methodologies, and reporting on climate-related information. As a result, it is not surprising that investors have raised concerns about the sufficiency of the “qualitative and quantitative information” being disclosed concerning “climate-related risks on the carrying amounts of assets and liabilities.” The consistent application of the IFRS accounting standards (and other climate-related disclosure standards) will likely remain a priority for standard-setters. The [IFRS Foundation Annual Report for 2022](#) reaffirmed that “continuing to improve” and the “consistent application” of the IFRS Accounting Standards continue to be priorities of the IASB.