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Sao Paulo, Brazil, February 5, 2024

**IFRS Foundation  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom**

**REF: IFRS IC Tentative Agenda Decisions reached in the November 28 & 29, 2023 meeting**

Dear Board Members,

The “Group of Latin American Accounting Standard Setters”<sup>1</sup> (GLASS) appreciates the opportunity to comment on the following Tentative Agenda Decision (TAD) reached by the IFRS IC (the Committee) during its meeting on November 28 and 29, 2023, which included the following topic:

- **Climate-related Commitments (IAS 37)**

This response summarizes the points of view of the members of the different countries that comprise GLASS, pursuant to the following due process.

**Due process**

The discussions regarding the Tentative Agenda Decision (TAD) of IFRS IC were held within a specified Permanent Technical Commission (PTC) created in December 2020. All GLASS country-members had the opportunity to appoint at least one member to participate in this PTC. Each standard setter represented in GLASS has undertaken different tasks in their respective countries (e.g., surveys, internal working groups). All results were summarized, and this summary was the platform for GLASS discussion process.

GLASS discussed the different points of view included in the summary through emails exchanged among its members. In those emails GLASS developed a final document on the basis of the consensual responses and the technical points of view of its members. Finally, the GLASS document was submitted to and approved by the GLASS Board.

**Comments**

In relation to the request received by the Committee regarding what treatment should be given to the obligations assumed by the entity in relation to expenditures necessary for the protection of the environment, in particular the reduction of greenhouse gas emissions. GLASS agree with the conclusions reached by the Committee in relation to its proposal not to include the topic in its work agenda, since it is considered that the existing standards contain the necessary guidance for an adequate treatment of the topic, which is clarified in the analysis that accompanies the TAD.

**The fact pattern:**

In the fact pattern described in the request:

In 20X0 an entity, a manufacturer of household products, publicly states its commitment:

- a. to reduce its current greenhouse gas emissions by at least 60% by 20X9; and
- b. to offset its remaining emissions in 20X9 and thereafter, by buying carbon credits and retiring them from the carbon market.

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<sup>1</sup> The overall objective of the Group of Latin American Accounting Standard Setters (GLASS) is to present technical contributions with respect to all Exposure Drafts, Requests for Information and Discussion Papers issued by the IASB and Tentative Agenda Decisions issued by the IFRS IC. Therefore, GLASS aims to have a single regional voice before the IASB. GLASS is constituted by: Argentina (Board), Bolivia, Brazil (Chairman), Chile, Colombia (Vice Chairman), Costa Rica (Board), Dominican Republic, Ecuador, Guatemala, Honduras, Mexico (Board), Panama, Paraguay, Peru (Board), Uruguay (Board) and Venezuela (Board).

With its statement, the entity publishes a detailed plan setting out how it will gradually modify its manufacturing methods between 20X1 and 20X9 to achieve the 60% reduction in emissions by 20X9. The modifications will involve investing in more energy-efficient processes, buying energy from renewable sources and replacing existing petroleum-based product ingredients and packaging materials with lower-carbon alternatives. Management is confident that the entity can make all these modifications and continue to sell its products at a profit.

### **GLASS opinion**

The Committee received a request asking it to clarify:

- a. whether an entity's commitment to reduce or offset its greenhouse gas emissions creates a constructive obligation for the entity;
- b. whether a constructive obligation created by such a commitment meets the criteria *Provisions, Contingent Liabilities and Contingent Assets* recognising a provision; and
- c. if a provision is recognised, whether the expenditure required to settle it is recognised as an expense or as an asset when the provision is recognized.

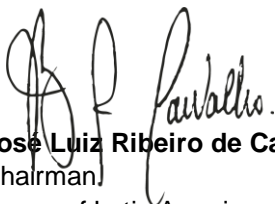
GLASS agrees that the most relevant factor is that a provision should not be recorded until the environmental damage has occurred. We also agree with the absence of a present obligation on the date on which the entity expresses its commitment to its conduct in the future.

This relevant factor shows that the analysis of the probable outflow of economic resources and the possibility of making a reliable estimate are subsequent factors in determining the need of recognition of a provision.

### **Contact**

If you have any questions about our comments, please contact [glenif@glenif.org](mailto:glenif@glenif.org).

Sincerely yours,



**José Luiz Ribeiro de Carvalho**  
Chairman,

Group of Latin American Accounting Standard Setters (GLASS)