

Comments on Tentative Agenda Decision on Recognition of Intangible Assets Resulting from Climate-related Expenditure (IAS 38) –

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Subject: Comments on the Tentative Agenda Decision on the Recognition of Intangible Assets Resulting from Climate-related Expenditure (IAS 38)

On behalf of the Bhopal Branch of (CIRC) ICAI, we express our gratitude for the opportunity to provide comments on the Tentative Agenda Decision concerning the recognition of intangible assets resulting from climate-related expenditures under IAS 38.

We applaud the Committee for addressing this timely and significant topic, recognizing the growing importance of climate-related initiatives in shaping the future of business and financial reporting. The intersection of climate action and accounting standards represents an opportunity to guide organizations toward sustainable and transparent practices. Below, we outline our key recommendations and considerations:

1. Enhance Practical Guidance for Climate-related Expenditures The principles in IAS 38 provide a sound foundation; however, their application to climate-related initiatives requires greater specificity. We strongly recommend that the Committee develop illustrative examples addressing:

- Development of innovative sustainable technologies.
- Investment in environmental instruments such as carbon credits.
- Costs incurred to achieve compliance with evolving environmental regulations.

Providing clarity in these areas will ensure consistent interpretation and application, fostering confidence among preparers and stakeholders.

2. Address the Rapid Evolution of Climate-related Practices As jurisdictions worldwide adopt frameworks incentivizing environmental sustainability, such as carbon markets and green bonds, IAS 38 must align with these emerging practices. The Committee's guidance should consider how such mechanisms affect recognition and measurement, ensuring the standard remains future-ready and relevant in the context of global climate strategies.

3. Clarify Interactions with Other Standards: Climate-related expenditures often overlap with IAS 16 (Property, Plant, and Equipment) and IFRS 9 (Financial Instruments). Acknowledging and clarifying these intersections would prevent confusion and improve decision-making for preparers. This alignment would reinforce the coherence of the broader IFRS framework.

4. Emphasize Robust and Transparent Disclosures: The Committee's focus on disclosures is commendable. Given the high stakeholder interest in climate-related activities, we urge the Committee to advocate for enhanced transparency. Disclosures should highlight material climate-related expenditures, whether recognized as intangible assets or not, enabling users to understand an entity's strategic climate commitments and associated impacts.

5. Foster an Enabling Environment for Climate Innovation In today's rapidly changing global landscape, restrictive interpretations of IAS 38 could inadvertently discourage vital investments in sustainability. We urge the Committee to adopt a balanced approach that fosters innovation while maintaining rigorous standards. Such an approach would position IFRS as a leader in advancing sustainability reporting.

Conclusion The Tentative Agenda Decision marks an important step in addressing the challenges of recognizing intangible assets related to climate initiatives. However, additional guidance that reflects the complexities and opportunities of this domain will significantly enhance the standard's applicability and relevance. We respectfully urge the Committee to consider these recommendations and seize this moment to support sustainable economic progress through thoughtful and actionable guidance.

Thank you for your attention and for considering our perspectives. We stand ready to contribute further and provide additional insights if required.

Yours sincerely,

Bhopal Branch (CIRC)