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Tentative Agenda Decision: Climate-related Commitments (IAS 37)

Dear Mr Mackenzie

On behalf of the German Insurance Association (GDV) we appreciate the opportunity to provide comments on the Tentative Agenda Decision: *Climate-related Commitments (IAS 37)*, as published by the IFRS Interpretations Committee on 7 December 2023 for public consultation.

I. Specific comments on the Tentative Agenda Decision regarding climate-related commitments (IAS 37)

As a matter of fact, we are supportive of the Committee's conclusions in its Tentative Agenda Decision of 28 November 2023 with regard to the accounting treatment of climate-related commitments, based on current requirements in IAS 37. We agree with the technical analysis provided by the staff in the agenda paper 2 for the Committee's November 2023 meeting and back the rationale provided. We have no critical comments or additions on the considerations provided in the agenda paper.

Consequently, we agree with the Committee's tentative decision that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an entity to determine: (a) the circumstances in which an entity recognises a provision for the costs of fulfilling a commitment to reduce or offset its greenhouse gas emissions; and (b) if a provision is recognised, whether the costs are recognised as an expense or as an asset when the provision is recognised. Hence, we support the tentative conclusion of the Committee that the matter discussed should **not** be added as a standard-setting project to the work plan.

**Gesamtverband der Deutschen
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In particular, we would like to back the important statement in the Tentative Agenda Decision of the Committee that, *“just as an entity has a present legal obligation only when it has taken the action to which a law applies, it has a present constructive obligation only when it has taken the action to which its published policy or statement applies.”*

Consequently, even in the case in which the entity’s statement regarding its commitment to reduce or offset its greenhouse gas emissions might create a constructive obligation, the entity does **not** recognise a provision when it makes the mere statement only. At that time the constructive obligation is not a present obligation as a result of a past event. We share the view that this is how the IFRS financial reporting works.

II. General comments on the related new project of the IASB

We would like to convey concisely our perspective on the IASB’s project “Climate-related and Other Uncertainties in the Financial Statements”.

As a matter of principle, we like to reinforce our firm support for the principle-based nature of the IFRS Accounting Standards. Hence, we fully back the efforts of the IASB to maintain the principle-based nature of the IFRS Accounting Standards in the new project while trying to address matters raised by stakeholders in context of climate- and other sustainability-related issues. Adding or changing requirements in established financial reporting in response to these discussions is **not** necessary indeed if the application of existing accounting principles still leads to results in line with the commonly accepted objectives of the financial reporting. And we would be rather concerned with sustainability-related disclosures starting to be replicated in the notes to financial statements, while they are better accommodated in sustainability reports.

Our conclusions

We fully support the Committee’s tentative agenda decision on the submission regarding the treatment of climate-related commitments. We support the finalisation of the agenda decision as drafted as it would reflect the current practice and the established understanding of IAS 37.

We would greatly appreciate if our comments would be considered when finalising the agenda decision. If you would like to discuss our comments further, please do not hesitate to contact us.

Yours sincerely,

German Insurance Association (GDV)