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IFRS Technical Committee

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Copy to:
Thomas Kusterer
Member of the Board of Management
EnBW Energie Baden-Württemberg AG
Durlacher Allee 93
76131 Karlsruhe

Dear Mr. Andresen

Recommendations of the Task Force on Climate-related Financial Disclosures: Supplemental remarks

On behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to supplement our responses to the online-questionnaire regarding the aforementioned issue.

Generally speaking, the ASCG agrees with the TCFD's view that organisations should monitor global climate change and countermeasures through policy actions, assess the effects of both on their economic position and adjust their business models accordingly, as appropriate.

However, we do not believe that enhanced transparency by itself will effectively result in a change of organisations' behaviour towards low-carbon business. We believe that robust principles supplemented by appropriate management tools are required to drive change. In this regard we are not convinced that the suggested guidance does honour the cost/benefit constraints. Further, certain scenario analyses are mandated in financial accounting based on IFRSs, and it is not yet clear to the ASCG how the suggested TCFD's recommendations as well as IFRS principles and further regulatory requirements interact; this effect has numerous overlapping consequences for auditing and communication which have to be considered.

Against this background, we have strong concerns against the TCFD's proposal to require the recommended disclosures in organisations' mainstream financial filings. Given the significant number of additional disclosures recommended by the TCFD, the total volume of disclosures to

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be made will reach a level that counteracts decision usefulness of financial reporting. This is also referred to as the 'disclosure overload problem' that is currently addressed by the IASB in its project on the *Disclosure Initiative* aiming at enhancing entities' communication with investors and users.

Lastly, the *Conceptual Framework for Financial Reporting* of the IASB states that the objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. We note that the TCFD developed its recommendations on climate-related financial disclosures in financial reporting that it believes to be useful to investors, lenders, and insurance underwriters. Expanding the definition to also encompass insurance underwriters creates a significant deviation from the commonly accepted definition of primary users of financial reporting. Although we acknowledge that the business of insurance companies is certainly one of those most affected by climate-related physical risks, the aforementioned change in definition of a primary user gives rise to uncertainties as to whether certain disclosures within financial reporting serve the needs of a particular user group that is generally not regarded a primary user. We think this conflict should be avoided.

If you would like to discuss our comments further, please do not hesitate to contact Thomas Schmotz or me.

Yours sincerely,

Andreas Barckow, President