

IPSASB Sustainability Reporting Standard Exposure Draft 1,
Climate-related Disclosures

Comments on the SRS Exposure Draft 1, Climate-related Disclosures

February 28, 2025

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Ross Smith
Program and Technical Director
International Public Sector Accounting Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2 Canada

**Re: The comments on the SRS Exposure Draft 1,
Climate-related Disclosures**

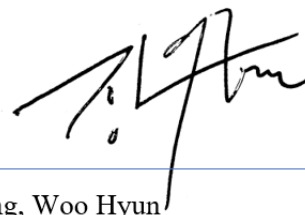
Dear Mr. Smith,

The Government Accounting and Finance Statistics Center (“the GAFSC”) at the Korea Institute of Public Finance is pleased to respond to the International Public Sector Accounting Standards Board (“the IPSASB”) SRS ED 1, Climate-related Disclosures. We firmly believe that the IPSASB’s efforts to develop public sector-specific sustainability reporting standards will contribute to enhancing the transparency of sustainability information and facilitating communication between public sector entities and a diverse range of stakeholders, including private companies and citizens.

To ensure that our comments accurately reflect Korea’s institutional and practical circumstances regarding climate change, we conducted interviews with several public sector entities. We believe that this approach is the most effective way to contribute to the development of public sector-specific sustainability reporting standards. Based on the interviews conducted, while we generally support most of IPSASB’s proposals, we would like to propose a few revisions to SRS ED 1.

The following comments constitute our responses to the eight specific matters for comment. Please feel free to contact us if you have any questions regarding our comments. You may direct your inquiries to the technical staff of the GAFSC, Jung-Hyuk Yim (junghyim@kipf.re.kr).

Sincerely,
Chang, Woo Hyun



Chang, Woo Hyun

Executive Director of GAFSC at KIPF

[Specific Matter for Comment 1]

Public sector operations and regulatory role (paragraphs 1-4)

This Exposure Draft requires a public sector entity to provide disclosures about (i) the climate-related risks and opportunities that are expected to affect its own operations, and (ii) climate-related public policy programs and their outcomes when an entity has responsibility for those programs and their outcomes (see paragraphs 3 and AG2.7–AG2.8).

Do you agree the proposed approach meets the information needs of primary users (see paragraphs 1–4)? If not, what alternative approach would you propose and why?

The Exposure Draft includes an Alternative View on the approach to climate-related public policy programs.

[GAFSC Comments]

We, GAFSC, generally agree with the approach of the Exposure Draft, which classifies climate-related disclosures into (i) climate-related risks and opportunities associated with an entity's own operations and (ii) climate-related public policy programs and their outcomes.

We conducted interviews with multiple public power generation companies and a research institution responsible for climate-related policy design to assess the applicability of the Exposure Draft. Interviewees currently disclose climate-related information in CDP reports, ESG reports, and Carbon Neutrality TCFD reports. The primary users of these reports mainly include the government, investors (including shareholders), citizens (including environmental organizations), and research institutions. Even if these public power generation companies were to apply the Exposure Draft for climate-related disclosures, it is expected that the composition of primary users would remain largely unchanged.

Given these considerations, the disclosures of (i) climate-related risks and opportunities to an entity's own operations under the Exposure Draft are generally expected to meet the information needs of primary users.

- ♦ Currently published sustainability reports deliver distinct information to various stakeholders: the government primarily utilizes them for supervising public companies (e.g., compliance with emission targets), investors use information for evaluating the progress of climate-related strategies implemented by public companies, and citizen groups, including environmental organizations, use them mainly for assessing companies' efforts in reducing greenhouse gas emissions.

- ♦ The public companies stated that, based on past experience, there have been no additional information requests from primary user groups regarding their currently published sustainability reports
- ♦ The climate-related disclosure requirements for an entity's own operations under the Exposure Draft are expected to largely align with the scope of climate-related information included in currently published sustainability reports.

However, in the case of (ii) disclosures on climate-related public policy programs and their outcomes, there is a possibility that these disclosures may not fully meet the information needs of primary users due to practical limitations in measuring policy outcomes.

- ♦ According to the 2023 implementation review of National Framework Plan for Carbon Neutrality and Green Growth, Korea's national-level climate strategy, except for a few, most of the 82 subtasks do not include climate-related targets or outcomes, such as greenhouse gas (GHG) emissions.
- ♦ Due to the nature of climate-related public policy programs, it is currently extremely difficult to measure the respective outcomes (GHG emissions) of individual programs. Instead, outcomes can only be measured at an aggregate or collective level for groups of climate-related public policy programs.

[Specific Matter for Comment 2]

Own Operations (Appendix A1: Application Guidance – Own Operations)

The Exposure Draft primarily aligns disclosure requirements about an entity's own operations with private sector guidance (IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures), with public sector guidance, including a rebuttable presumption that entities use the GHG Protocol: A Corporate Accounting and Reporting Standard (2004), unless another established method of measuring its greenhouse gas emissions is more appropriate or required by a jurisdictional authority (see paragraph AG1.72).

Do you agree with the proposed approach and guidance? If not, what alternative approach would you propose and why?

[GAFSC Comments]

We agree with the approach and related guidance that allow entities not to use the GHG Protocol (2004) if a more appropriate alternative method exists or if another calculation method is required by national regulatory authorities. This approach aligns with Korea's Sustainability Disclosure Standards (KSDS), which Korean public entities are expected to adopt.

In the case of Korea's public power generation companies, they are expected to apply a dual approach to GHG emission calculations in accordance with the provisions of the KSDS No.1 and No.2 Exposure Drafts:

- ♦ High-emission entities, such as those subject to the Korean Emissions Trading Scheme (K-ETS) or Target Management System, apply Korea's independent methodology as stipulated in the Framework Act on Carbon Neutrality and Green Growth for Coping with Climate Crisis, hereinafter referred to as the Act.
- ♦ The other entities apply the GHG Protocol (2004) for emission calculations.

For reference, the GHG emission calculation method defined by the Act requires the application of Tier 1 to Tier 3 coefficient depending on the emission scale. If an entity opts for Continuous Emission Monitoring (CEM) method, Tier 4 is applied.

Therefore, compared to the GHG Protocol (2004), which primarily adopts Tier 1 coefficient for calculation, the approach based on the Act is considered more precise and suitable in ensuring comparability between entities operating similar emission facilities or engaging in similar activities.

[Specific Matter for Comment 3]

Scope of Public Policy Programs (paragraph 3 and AG2.4–AG2.6)

This Exposure Draft requires disclosures about public policy programs with a primary objective to achieve climate-related outcomes. Do you agree with this approach and the scope of public policy programs included in required disclosures? If not, what alternative approach would you propose and why?

The Exposure Draft includes an Alternative View on the approach to climate-related public policy programs.

[GAFSC Comments]

We agree with the proposal in the Exposure Draft, which limits disclosure requirements to public policy programs primarily aimed at achieving climate-related outcomes.

[Specific Matter for Comment 4]

Public Sector-Specific Definitions (paragraph 7)

This Exposure Draft provides public sector-specific definitions and related guidance for:

- (a) Public policy programs;*
- (b) Public policy program outcomes; and*
- (c) Climate-related public policy programs.*

Do you agree with the proposed public sector-specific definitions and guidance? If not, what alternative definitions would you propose and why?

[GAFSC Comments]

We generally agree with the proposal in the Exposure Draft. However, it is necessary to clearly provide criteria in the core text or Application Guidance, rather than in the Implementation Guidance, for identifying climate-related public policy programs within public policy programs and for identifying climate-related outcomes within public policy program outcomes.

Paragraph 7 defines a “climate-related public policy program” as a public policy program primarily aimed at achieving climate-related outcomes. However, even when referring to the definitions of “public policy programs” and “public policy program outcomes” in the same paragraph, it is difficult to determine the specific conditions under which a program or outcome can be considered climate-related.

In the Application Guidance, paragraphs AG2.5, AG2.6, and AG2.9–AG2.14 describe typical types and key characteristics of climate-related public policy program outcomes. However, these paragraphs do not provide direct principles for identifying which outcomes can be considered climate-related. Implementation Guidance (IG 1) provides only a principle-level explanation, stating that a climate-related public policy program is one that primarily aims to achieve outcomes that impact the climate.

[Specific Matter for Comments 5]

Strategy for Climate-related Public Policy Programs (paragraphs 12 and AG2.24–AG2.31)

This Exposure Draft proposes disclosure requirements about an entity's strategy for climate-related public policy programs which include information that enables primary users to understand the entity's strategy and decision-making, anticipated challenges to achieving intended outcomes and financial implications of the climate-related public policy program.

Do you agree that the disclosure requirements on strategy for climate-related public policy programs meet the information needs of primary users? If not, what alternative approach would you propose and why?

[GAFSC Comments]

Withhold of Response

✂ The interview results alone are not sufficient to fully identify the primary users of climate-related public policy program disclosures and their information needs.

[Specific Matter for Comments 6]

Metrics and Targets for Climate-related Public Policy Programs (paragraphs 26–27 and AG2.34–AG2.44)

This Exposure Draft proposes to require disclosures about metrics and targets, including (a) the change in greenhouse gas emissions reasonably attributed to climate-related public policy programs and (b) other metrics to measure and monitor performance in relation to climate-related public policy programs.

Do you agree these disclosures meet the information needs of primary users of the report (see paragraph 26)? If not, what alternative approach would you propose and why?

[GAFSC Comments]

We generally agree with the proposal in the Exposure Draft. However, we propose paragraph 26 to be revised to allow reporting entities to solely disclose "Other metrics", as the reporting entity may face practical challenges in disclosing indicators based on greenhouse gas (GHG) emissions.

It is our understanding that paragraph 26 requires disclosures of both (a) the change in GHG emissions attributable to climate-related public policy programs and the methodology used for its calculation, and (b) "Other metrics" and the methods used for their measurement.

However, considering the following practical circumstances in Korea, it may be challenging to accurately estimate and disclose changes in GHG emissions attributable to certain climate-related public policy programs.

- ♦ In the case of Korea, according to the "2023 Implementation Review of the National Carbon Neutrality and Green Growth Master Plan" published in April 2024 by the Presidential Commission on Carbon Neutrality and Green Growth, the commission has developed sector-specific mitigation policies and policies to enhance infrastructure for implementation under the National Carbon Neutrality and Green Growth Master Plan, which spans 2023 to 2042. These policies are managed through 82 subtasks. This review report provides quantified performance data, including emission reduction rates, forecasts, and targets, for certain subtasks under sector-specific mitigation policies. However, for most other subtasks, the disclosed information is presented in the form of output indicators such as budget expenditures, rather than climate-related outcomes measured by GHG emissions.
- ♦ Based on an interview with AA Research Institute, which is responsible for research functions related to the design of climate-related policies, it was found that, given the characteristics of climate-related public policy programs, it is currently highly challenging to measure respective outcomes (GHG emissions) of individual public policy programs. Instead, it is presumed that outcome measurement is only feasible at the collective level of climate-related public policy programs.

[Specific Matter for Comments 7]

Conceptual foundations (paragraphs B2–B15)

This Exposure Draft includes conceptual foundations aligned with the IPSASB Conceptual Framework including the definition of materiality (see paragraphs B8–B10) and primary users of public sector general purpose financial reports (see paragraphs B.AG28–B.AG33).

Do you agree that the proposed definition of materiality based on the IPSASB Conceptual Framework meets the information needs of primary users for climate-related disclosures? If not, what alternative approach would you propose and why?

[GAFSC Comments]

We generally agree with the proposal in the Exposure Draft. Public power generation companies have been regularly reporting climate-related information in CDP reports, ESG reports, and Carbon Neutrality TCFD reports. The primary user groups of these reports mainly consist of the government, investors (including shareholders), and citizens (including environmental organizations). This composition is expected to remain largely unchanged even if climate-related disclosures are made in accordance with the Exposure Draft.

The information needs of each group are as follows:

- ♦ The government primarily requires information necessary to supervise public companies (e.g., compliance with emissions target).
- ♦ Investors requires information to evaluate progress and performance of climate-related strategies.
- ♦ The citizen groups, including environmental organizations, mainly seeks information to assess companies' efforts in reducing greenhouse gas emissions.

Considering that these public companies have stated, based on past experience, that there have been no additional information requests from primary user groups regarding related reports, it appears that the information needs of primary users would still be met even if the definition of materiality under the Exposure Draft were applied.

[Specific Matter for Comments 8]

General requirements (paragraphs B16–B46)

This Exposure Draft includes general requirements aligned with private sector guidance (IFRS S1) including the requirements for (a) an entity to include its climate-related disclosures in its general purpose financial reports (see paragraphs B22–B25) and (b) an entity to report its climate-related disclosures at the same time as its related financial statements (see paragraphs B26–B31).

Do you agree that the disclosure requirements proposed in the general requirements are appropriate for public sector entities? If not, what alternative approach would you propose and why?

[GAFSC Comments]

We do not fully agree with the proposed disclosure requirements, and therefore propose partial revisions to the relevant paragraphs, taking into account practical constraints.

We conducted interviews with several public power generation companies that have been actively preparing for the mandatory implementation of KSSB's Korean Sustainability Disclosure Standards, based on IFRS S1 and IFRS S2, to examine the applicability of the Exposure Draft.

According to the interview, these public companies have been reporting climate-related information for several years in CDP reports, ESG reports, and Carbon Neutrality TCFD reports. As these reports are subject to third-party verification by government authorities or external institutions in accordance with relevant laws and regulations, they are typically published approximately 11 months after the end of the fiscal year.

Based on their experience in preparing climate-related reports, public companies are expected to disclose the climate-related information required by the Exposure Draft no earlier than six to eight months after the issuance of the business report (general purpose financial report).

Although these public companies are listed companies with extensive experience and expertise in climate-related disclosures, it is expected that institutional and practical constraints will persist for a considerable period in incorporating climate-related disclosures in general purpose financial reports, as outlined in paragraph B22-B25.

Taking these constraints into account, we propose revisions to paragraph B.AG62.(a) or paragraph 31.(a) of the Exposure Draft concerning the placement of climate-related disclosures.

- ♦ (Proposed Revision A) Removal of the Requirement for Simultaneous Availability of Cross-Referenced Information and Climate-Related Disclosures
 - Paragraph B.AG62.(a) stipulates that when a reporting entity, in accordance with paragraph B25, chooses to include climate-related disclosures in a report other than the general purpose financial report and discloses them by cross-reference, the cross-referenced information in the general purpose financial report must be available at the same time as the climate-related disclosures.
 - In cases where legal and institutional constraints hinder the simultaneous availability of cross-referenced information and climate-related disclosures, paragraph B.AG62.(a) should be revised to permit a reporting lag (e.g., nine months) between the availability of cross-referenced information and climate-related disclosures.

- ♦ (Proposed Revision B) Relaxation of Requirements in Paragraph 31.(a)
 - Paragraph 31.(a), as a transitional provision, permits climate-related disclosures to be reported within nine months of the issuance of the relevant financial statements, but only for the initial reporting period in which this standard is adopted.
 - To allow an extension of the reporting date following the initial adoption period, paragraph 31.(a) should be revised to enable entities to apply the nine months transition provision in subsequent reporting periods.

[Specific Matter for Comments 9]

Transition (paragraphs 30–33)

This Exposure Draft proposes to provide transitional relief only in the first year of adoption (see paragraphs 30–33) for disclosures relating to an entity's own operations and where applicable, relating to climate-related public policy programs and their outcomes.

Do you agree that the proposed transition provisions approach should be applicable to both own operations and climate-related public policy programs? If not, what alternative approach would you propose and why?

[GAFSC Comments]

Withhold of Response.

※ We have not identified a fundamental reason to dispute the application of the transitional provision on disclosure requirements, both for own operations and climate-related public policy programs. However, as we have not obtained sufficient grounds from the interviews to provide a response on SMC 9, we have decided to withhold our response.

[Specific Matter for Comments 10]

Do you have any other comments on the proposed Exposure Draft?

[GAFSC Comments]

We propose the following two points regarding the Exposure Draft:

- ◆ Extension of the transitional relief for Scope 3 greenhouse gas (GHG) emissions disclosure and provision of Scope 3 GHG emissions calculation guidelines
- ◆ Implementation of measures to mitigate the disclosure burden for entities subject to both the Exposure Draft and IFRS S2

First, the transitional provision in paragraph 31.(b), which allows a deferral of Scope 3 GHG emissions disclosure only for the initial reporting period upon adoption, should be significantly extended.

Interviews conducted with several public power generation companies in Korea indicate that these companies commonly anticipate significant challenges in calculating and disclosing Scope 3 emissions under the Exposure Draft. Specifically, public companies have expressed concerns that the absence of established guidance on Scope 3 GHG emissions calculation could result in substantial variability in reported figures, depending on the measurement methodology adopted by each entity. As a consequence, they argue that the deferral of Scope 3 GHG emissions disclosure should be permitted until a standardized calculation framework is established.

Considering these practical constraints, we recommends extending the transitional relief period specified in paragraph 31.(b) to a minimum of three years starting from the initial adoption year. Furthermore, to improve comparability of Scope 3 GHG emissions data among public sector entities applying the Exposure Draft, IPSASB should provide official guidelines for Scope 3 emissions calculations.

Second, it is necessary to implement measures to mitigate the disclosure burden for reporting entities subject to both the Exposure Draft and IFRS S2. In Korea, listed public companies are required to comply with the KSDS issued by KSSB, which are based on IFRS S1 and IFRS S2. Once Korean government decides to adopt the Exposure Draft, these companies would also qualify as public sector entities under the Exposure Draft, thereby becoming subject to its disclosure requirements as well.

Since the disclosure requirements for the climate-related risk and opportunity to an entity's own operations under the Exposure Draft are largely derived from IFRS S2 and substantially overlap with its requirements, we propose revising paragraph B34 to permit entities that comply with IFRS S2 (or an equivalent national sustainability disclosure standard) to be deemed compliant with the Exposure Draft as well.