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**Dear** *Ross Smith*

**SUSTAINABILITY REPORTING STANDARDS EXPOSURE DRAFT 1 (IPSASB SRS ED 1) ON CLIMATE-RELATED DISCLOSURES.**

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The Public Sector Accounting Standards Board Kenya (PSASB) is mandated by section 194 of the Public Finance Management Act of Kenya, 2012, to prescribe frameworks and set generally accepted standards for developing and managing accounting and financial systems by all State organs and public entities.

We thank the IPSASB for publishing this exposure draft, which provides principles for an entity to disclose information in its general-purpose financial reports about climate-related risks and opportunities to its own operations and outcomes of its climate-related public policy programs that is useful to primary users for accountability and decision-making purposes.

PSASB's comments on the Exposure Draft are outlined in the appendix to this letter.

**Yours** *Sincerely*



**CPA GEORGINA MUCHAI**  
**Ag. CHIEF EXECUTIVE OFFICER**

## Responses to Exposure Draft SRS 1 Climate-related Disclosures

This ED's objective is to provide principles for an entity to disclose information in its general-purpose financial reports about climate-related risks and opportunities to its operations and the outcomes of its climate-related public policy programs in a way useful to primary users for accountability and decision-making purposes.

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### Specific Matter for Comment 1

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.

Do you agree the proposed approach meets the information needs of primary users? If not, what alternative approach would you propose and why?

***PSASB Kenya agrees that the proposed disclosures adequately address the information needs of primary users. In our view however, the definition of primary users should be included in the list of definitions for the following reasons***

- a) Given the frequent use of the term "primary user" throughout the standard, it would be beneficial to include this definition in the main definition section for clarity and accessibility.***
- b) Since entities can apply this standard regardless of whether their general-purpose financial statements comply with International Public Sector Accounting Standards (IPSAS) or other generally accepted accounting principles (GAAP), it is essential to ensure that all users can easily reference and understand this key definition, especially those not applying the IPSAS conceptual framework.***

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### Specific Matter for Comment 2

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.

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

***We agree with the proposed approach of aligning disclosure requirements with private sector guidance (IFRS S1 and S2) while incorporating the GHG Protocol.***

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***This alignment enhances consistency, comparability, and transparency in sustainability reporting across both the public and private sectors.***

***Additionally, the approach to monitoring, verification, and reporting is well-structured, providing a robust framework for accountability. The inclusion of a rebuttable presumption for using the GHG Protocol ensures standardization while allowing flexibility for jurisdiction-specific requirements. We support this balanced approach as it fosters greater harmonization in climate-related disclosures while accommodating the unique needs of the public sector.***

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### **Specific Matter for Comment 3**

This Exposure Draft requires disclosures about public policy programs with a primary objective of achieving 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?

***PSASB Kenya supports including disclosure requirements about public policy programs with a primary objective of achieving climate-related outcomes. The following areas have further been included as suggestions for consideration by IPSASB:***

***1. Clarification on Responsibility for Outcomes: We recommend that IPSASB provide explicit guidance on identifying which entity is responsible for achieving specific climate-related outcomes. In many cases, the issuer of a public policy program differs from the implementing agency, leading to potential ambiguity in accountability.***

***For example, consider a scenario where the Ministry of Energy launches a national electrification initiative to increase access to renewable energy in rural areas. The policy goal is to reduce reliance on fossil fuels and lower carbon emissions. While the Ministry of Energy designs and oversees the policy, implementation is carried out by local electricity distribution companies, which handle infrastructure rollout, consumer connections, and maintenance. Without clear guidance on accountability, it may be unclear whether responsibility for the program's success lies with the Ministry or the distribution companies. Clear delineation of roles will ensure better reporting and effective policy execution.***

***2. Alignment Between Financial Reporting and Policy Outcomes: IPSASB should also consider the challenge that arises when the financial effects of a public policy program are reported by the implementing entity, which may not be responsible for achieving the intended climate outcomes. This disconnect can obscure the relationship between climate policy disclosures and the financial statements of the entities involved.***

*For instance, if a government funds a reforestation program, the Ministry of Environment may set the targets and measure deforestation reduction, but the actual expenditures might be recorded by a separate government agency or a third-party organization. Without explicit linkage between the disclosures and financial statements, stakeholders may struggle to assess whether public funds are effectively contributing to climate goals. IPSASB should provide guidance on how entities can ensure alignment between financial reporting and sustainability outcomes.*

**3. Differentiation Between Output and Outcome:** *We propose that IPSASB clearly define and distinguish between outputs and outcomes in climate-related disclosures. This distinction is crucial for ensuring accurate reporting and measuring long-term impact.*

- *Outputs are the immediate, measurable products or services delivered by a program.*
- *Outcomes represent the broader, long-term environmental or societal impacts resulting from those outputs.*

*For example, a government initiative to promote sustainable agriculture may distribute a certain number of organic fertilizer kits to farmers (output). However, the actual outcome—such as improved soil health, increased crop yields, or reduced carbon emissions from farming practices—will take longer to materialize. By providing guidance and illustrative examples, IPSASB can help entities communicate both the short-term deliverables and long-term impacts of climate-related policies more effectively.*

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#### **Specific Matter for Comment 4**

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?

***PSASB Kenya agrees with the provided definitions. However, we recommend an additional standalone definition for "climate-related outcomes." Currently, climate-related outcomes are only referenced within the definition of climate-related public policy programs, which may limit clarity and usability. Providing a distinct definition for climate-related outcomes will enhance consistency and allow for better differentiation between policy objectives and measurable environmental impacts.***

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***For instance, defining climate-related outcomes separately could help entities better articulate how their programs contribute to broader climate goals, such as reducing greenhouse gas emissions, enhancing climate resilience, or improving air and water quality. This clarity would ensure that stakeholders, including policymakers and financial statement users, can effectively assess the success of climate-related initiatives.***

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### **Specific Matter for Comment 5**

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?

***PSASB Kenya agrees with the disclosure requirements on strategy requiring disclosure of strategies, anticipated challenges, and financial implications meets the needs of stakeholders enabling them assess the effectiveness, risks, and financial commitments associated with climate-related public initiatives.***

***In addition to the proposed disclosures, we recommend that the Standard require entities to disclose anticipated opportunities arising from climate-related public policy programs. While challenges and financial implications are crucial, understanding potential economic, environmental, and social benefits is equally important for stakeholders.***

***For example, a government program promoting electric public transport may face implementation challenges, such as high initial infrastructure costs. However, it may also present opportunities such as reduced fuel dependency, lower air pollution levels, and job creation in the renewable energy sector.***

***Inclusion of anticipated opportunities provides a more comprehensive and insightful assessment of the long-term impact and strategic potential of climate-related public policies.***

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### **Specific Matter for Comment 6**

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.

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

***We agree that the proposed disclosure requirements on metrics and targets effectively meet the information needs of primary users.***

***To further strengthen these disclosures, we recommend:***

- ***Sector-Specific Performance Metrics: While entities may select relevant performance indicators, introducing baseline metrics tailored to key sectors (e.g., energy, transport, forestry) would enhance comparability.***
- ***Linking Metrics to Financial and Policy Outcomes: Beyond environmental indicators, entities should also report on how their climate-related programs contribute to broader policy objectives (e.g., economic growth, job creation, public health improvements).***

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### **Specific Matter for Comment 7**

This Exposure Draft includes conceptual foundations aligned with the IPSASB Conceptual Framework including the definition of materiality and primary users of public sector general purpose financial report.

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?

***We agree, aligning the definition of materiality with the IPSASB Conceptual Framework is appropriate and supports stakeholder decision-making. It ensures the relevance of disclosures, enabling stakeholders to focus on material risks and opportunities.***

***Further, while we support the proposed definition, we recommend further guidance on applying materiality in the context of climate-related disclosures, particularly in the public sector. This could include:***

- ***Thresholds for Assessing Climate Materiality – Given the long-term nature of climate impacts, IPSASB could provide practical examples on assessing materiality beyond immediate financial implications, considering environmental and social effects.***
- ***Sector-Specific Considerations – Different public sector entities may have varying climate risks (e.g., transport agencies vs. environmental ministries). Providing sector-specific guidance would improve relevance and comparability.***

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### **Specific Matter for Comment 8**

#### **Promoting Sound Financial Reporting and Internal Audit Standards in the Public Sector**

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 and (b) an entity to report its climate-related disclosures at the same time as its related financial statements.

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?

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***We support the proposed integration of climate-related disclosures with financial reporting as it strengthens transparency, accountability, and decision-usefulness. However, incorporating public sector-specific considerations—such as capacity-building, regulatory alignment, and long-term sustainability impacts—will ensure that the approach remains practical and effective across diverse public sector contexts.***

### **Specific Matter for Comment 9**

This Exposure Draft proposes to provide transitional relief only in the first year of adoption 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?

***We agree that the proposed transition provisions approach should be applicable to both own operations and climate-related public policy programs, however we enhancements to the transitional reliefs to ensure feasibility, clarity, and effective implementation.***

#### **1. Extended Relief Period for Scope 3 Emissions (Paragraph 31-B)**

- The current proposal provides a one-year exemption from disclosing Scope 3 greenhouse gas emissions. We recommend extending this relief period to at least five years, as Scope 3 emissions reporting is highly complex and data-intensive, requiring input from multiple external entities.***
- This extension will allow entities to develop appropriate data collection mechanisms, enhance capacity, and establish reporting structures to ensure reliable disclosures.***

#### **2. Transitional Relief for Climate-Related Public Policy Programs**

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- *Climate-related public policy programs often involve multiple entities, where one entity is responsible for policy design and outcomes, while another handles implementation and reporting.*
- *Given this data dependency challenge, we propose a transition period for disclosing these programs, ensuring entities have adequate time to coordinate data-sharing frameworks and establish reporting mechanisms.*

### **3. Clarification of Paragraph 33 on Comparative Information**

- *The wording of Paragraph 33 is ambiguous, leading to multiple interpretations regarding whether entities:*
  - a) Are exempt from presenting comparative information for all subsequent reporting periods after adoption, or*
  - b) Are only exempt from presenting comparative data specifically for the first year of adoption (where relief was applied).*
- *If the intent aligns with option (b), we propose revising the paragraph for clarity:*  
*"If an entity elects to apply the relief in paragraph 30, the entity is permitted to continue to use that relief for the purposes of presenting comparative information relating to the period the relief was applied."*

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### **Specific Matter for Comment 10**

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

***PSASB Kenya has the additional comments below.***

#### ***1. Definitions of greenhouse gases -***

***The definition of greenhouse gases gives examples of greenhouse gases instead of a definition. It also limits the examples to the seven gases as per the Kyoto Protocol. We propose as follows:***

- a) The definitions to be amended to align other frameworks that include the United Nations Framework Convention on Climate Change (UNFCCC) and IPCC guidance. The Proposed definition of GHG is as follows: "Gas constituent of the atmosphere or Gaseous constituent of the atmosphere both natural and anthropogenic that absorb and re-emit infrared radiation."*



- b) The definition is amended so that it is not limited to only gases in the Kyoto Protocol but also includes other common greenhouse gases. The definition of GHGs should be amended to include all Gaseous Constituents with Radiative Forcing Properties: Both natural and anthropogenic gases that absorb and re-emit infrared radiation Additional Gases Beyond Kyoto Protocol: Examples include ozone (O<sub>3</sub>), water vapor, and short-lived climate pollutants like black carbon, which significantly impact radiative forcing but were not included in earlier agreements.***

## ***2. Definition of CO<sub>2</sub> Equivalent***

***It is our opinion that the definition provided can be made clearer. We propose CO<sub>2</sub> Equivalent to be defined as:***

***Proposal 1: "It is a unit of measurement that is used to standardize the climate effects of various greenhouse gases."***

***Proposal 2: CO<sub>2</sub> Equivalent (CO<sub>2</sub>e) is a standardized unit of measurement used to express the climate impact of various greenhouse gases in terms of the amount of carbon dioxide (CO<sub>2</sub>) that would produce an equivalent effect on global warming. It allows for the comparison and aggregation of emissions from different gases based on their global warming potential (GWP) over a specific time horizon.***

## ***3. Definition of Climate Change***

***We note that the standard does not define Climate change, which is the foundation of the standard. We recommend the inclusion of the definition of climate change in the list of definitions.***

***We propose climate change be defined as:***

***Climate change refers to the long-term changes in the Earth's climate that are warming the atmosphere, ocean, and land, affecting the balance of ecosystems that support life and biodiversity, and impacting health. Climate change causes more extreme weather events, such as more frequent and more intense hurricanes, floods, heatwaves, and droughts, and leads to sea level rise and coastal erosion as a result of ocean warming, melting of glaciers, and loss of ice sheets.***

## ***4. Definitions for Global Warming Potential (GWP)***

***It is our opinion that the definition provided can be made clearer.: -We propose Global Warming Potential (GWP) to be defined as:***

***Recommendation 1: An index that quantifies the warming effect of a specific amount of greenhouse gas over a defined period (typically 100 years) relative to the warming effect of the same amount of carbon dioxide (CO<sub>2</sub>). It enables***

***comparisons and assessments of the long-term climate impact of different greenhouse gases.***

***Recommendation 2: Global Warming Potential (GWP):***

***A standardized measure used to estimate, compare, and aggregate the relative climate impacts of various greenhouse gases by expressing their warming effect over a specific timeframe (e.g., 100 years) in relation to the effect of carbon dioxide (CO<sub>2</sub>). GWP accounts for the gas's ability to absorb heat and its atmospheric lifetime.***

***1. Expand the guidance on Scope 3 emissions***

***IFRS S2 Insight: IFRS S2 requires detailed Scope 3 emissions disclosures, including categories such as upstream and downstream emissions, as these often constitute the majority of an entity's carbon footprint. We recommend the expansion of the guidance on Scope 3 emissions for public sector entities, including methodologies for quantifying emissions in public procurement, supply chains, and funded programs. Provide examples of how public sector entities can effectively track and report emissions within their value chain.***

***2. Guidance on presentation of base period information***

***We suggest that the IPSASB gives guidance on presenting base period information and disclosing progress against the base period. This should include but is not limited to the definition of a base period and if presentation and comparison to base period information is optional or mandatory.***

***For instance, when reporting climate indicators, say, GHGs, it's appropriate to document levels or measurements for the start year or base year. This base year data should then help determine change – the difference between the current and base year to estimate the change to the negative (decline) or positive (increase).***