

Friday, 28 February 2025

Mr Ian Carruthers  
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Submission via website: <https://www.ipsasb.org/publications/ipsasb-srs-exposure-draft-1-climate-related-disclosures>

Dear Ian

### **Sustainability Reporting Standards Exposure Draft 1, Climate-related Disclosures**

As the representatives of over 310,000 professional accountants around the world, Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia welcome the opportunity to provide a submission on SRS ED 1, *Climate-related Disclosures* (the ED). We make this submission on behalf of our members and in the public interest. In this submission, we provide overall comments on the proposals in the ED rather than answering the specific questions raised in the ED.

We continue to support and advocate for appropriate climate-related disclosures and reporting for decision-making. Better disclosure will facilitate more informed decision making, while enabling market forces to drive efficient allocation of capital and support a just transition to a net zero greenhouse gas (GHG) emissions economy.

We commend the IPSASB's accelerated efforts to develop Sustainability Reporting Standards (SRS) to respond to the urgent demand for this information. We believe the IPSASB is well placed to lead in this area as the global accounting standard setter for public sector entities. We also note that it is critical to align with work that is already in progress. Notably, in New Zealand some public sector entities are in scope of the mandatory climate-related disclosures regime and already reporting under the [XRB Climate Standards](#) (which are based on the TCFD Recommendations) and the Australian Department of Finance has done sterling work in advancing the [Commonwealth Climate Disclosure Requirements](#). Against this backdrop of support, we make the following key comments.

### **Climate-related risks and opportunities impacting entity's own operations**

We support a global approach to the development of sustainability disclosure standards with the overarching goal of an internationally consistent, comparable and reliable sustainability reporting ecosystem. We support alignment with international private sector standards issued by the International Sustainability Standards Board (ISSB) and adapting them for the public sector where necessary (e.g., changing the primary user definition and removing the SASB Standards), particularly given the size and subsequent contribution of the public sector to GHG emissions, and its exposure to physical risks. We also note the need for comparable reporting across the economy, whether private or public sector, to ensure a cohesive and aligned understanding of climate-related risks and the response. We also believe that this is of critical importance to contribute to a particular jurisdiction's Nationally Determined Contribution (NDC), and provides a broader alignment of effort, commensurate with the ambition of various governments.

Aligning key concepts, terminologies, and metrics on which disclosure requirements are built is critical to avoid standard setting fragmentation and duplication. Therefore, we support in principle the proposed climate-related risks and opportunities disclosures relating to an entity's own operations that are based on IFRS S2 *Climate-related Disclosures*.

However, the use of different terminology – “long-term fiscal sustainability” – in the objective is perceived to be an unnecessary expansion that is already encapsulated by the extant terminology in the IFRS S2 objective, albeit by taking a different lens. It also appears to overlook that many public sector entities issue debt instruments to the public and so do have investors and operate akin in many respects to private sector entities. Therefore, in our view no public sector specific amendments are needed in this regard.

### **Climate-related public policy programs and their outcomes**

We support the goal and importance of measuring policy impact, and agree that effective transparency and accountability with respect to global climate action is critically important. However, we do not believe that the proposed disclosures relating to public policy programs with a primary objective to achieve climate-related outcomes will achieve this objective, and therefore we do not support this aspect of the ED. We agree with IPSASB member, Angela Ryan's Alternative View that these proposals introduce significant complexity into the ED, which in turn could pose a barrier to adoption and effective implementation of climate-related disclosures in the public sector and therefore should be dealt with separately.

We are concerned that the proposals, in their current form, would confuse rather than help primary users' understanding of climate action (or lack thereof). For example, the definition requires climate action to be the 'primary objective' of the policy which is very narrow. It would exclude policies that have climate action as a secondary objective, and policies whose objectives do not explicitly refer to climate action although they have a positive effect on climate change. This would also create practical challenges for public sector entities to determine whether any given policy meets the definition or not. In addition, we are concerned that the ED is only seeking transparency on policies intending to have positive impacts on climate change. Not seeking transparency on policies negatively impacting climate change would not achieve the cornerstone principle of neutrality – providing balanced reporting and serving as a safeguard against bias and misrepresentation.

We strongly recommend that the climate-related public policy program disclosures are removed from the scope of the ED and that the IPSASB conducts research to investigate the information needs of users regarding public policy programs that impact climate change and how these can best be met.

### **Overarching framework**

We support a climate first approach. However, it is important to note that climate is only the first of a range of sustainability-related considerations. We acknowledge that since releasing the ED, the IPSASB has now signalled an intention to develop an additional standard akin to IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*. This will be critical as other sustainability topics that are material to the public sector are brought into the reporting regime.

We also understand that the IPSASB is now considering a potential future sustainability reporting project to develop authoritative guidance based on RPG 1 *Reporting on the Long-Term Sustainability of an Entity's Finances*. We would support this initiative in principle due to the increasing demand for

information on the ability of an entity to meet service delivery and financial commitments, both now and in the future.

However, we recommend the development of an overarching framework for such reporting so that it is cohesive. The absence of such an overarching framework risks more and more discrete reporting.

### Capacity building

The ED (and IFRS S2) reference “appropriate skills and competencies” to oversee climate-related strategies. However, there are some inherent differences in governance structures between the private and public sector which pose specific challenges to the public sector in meeting these requirements. For example, members of local councils’ governing bodies are elected by the public – none of whom may have the necessary depth of understanding of physical and transitional climate-related risks to support quality climate-related disclosures.

We are aware that attracting talent to the public sector is challenging. From our outreach we have also heard that retention is also a major issue, with poaching by the private sector being prevalent. This may result in a loss of critical skills and cause difficulties in securing progress.

Building such capacity and capability to support implementation, and ongoing collaboration globally between regulators, standards setters, policy makers and other key participants within the sustainability reporting ecosystem, will be of key importance to the success of the regime.

If you have any questions about our submission, please contact either Amir Ghandar at [Amir.Ghandar@charteredaccountantsanz.com](mailto:Amir.Ghandar@charteredaccountantsanz.com) (CA ANZ) or Patrick Viljoen at [Patrick.Viljoen@cpaaustralia.com.au](mailto:Patrick.Viljoen@cpaaustralia.com.au) (CPA Australia).

Sincerely

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