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Comment Letter on IPSASB SRS ED 1: Climate-related Disclosures

Dear Mr. Carruthers, dear IPSASB Members,

We appreciate the opportunity to comment on the Exposure Draft 1 (ED 1) of the Proposed IPSASB Sustainability Reporting Standard (SRS) on Climate-related Disclosures. We commend IPSASB for taking this important first step toward establishing a comprehensive international standard for climate disclosures in the public sector.

To our knowledge, this draft represents the first international standard specifically tailored for climate disclosures in the public sector. The guidance is of high relevance for enhancing transparency and accountability regarding climate issues for the public sector.

Financial Risk Reporting and Budget Sustainability

Regarding climate-related risks, we note the absence of reporting on the impact of such risks on budget-relevant financial figures. We believe that the long-term sustainability of revenues and expenditures should be considered in sustainability reporting by explicitly addressing climate-related scenarios and their respective risks. For example, climate-related risks may impact tax revenues in the medium to long term, which, in turn, could affect future appropriations. However, there is no reporting requirement addressing this aspect. We recommend further consideration of the financial implications caused by climate change, including long-term budget sustainability scenarios, to provide a comprehensive perspective on potential fiscal constraints. Additionally, we recommend including methodological guidance on reporting medium- to long-term effects on public finances using climate scenarios in the final Standard.

Differentiation between an entity's own operations and climate-related public policy programs

Given a jurisdiction's responsibility for its public finances–encompassing both an entity's own operations and climate-related public policy programs–the distinction made in ED 1 between these two areas is not conducive. Furthermore, it can be argued that climate-related public policy programs form an entity's core responsibilities. Consequently, differentiating between an entity's own operations and climate-related public policy programs could create accountability concerns.

We acknowledge that Targets and Metrics are different for an entity's own operations and climate-related public policy programs. A different approach to targets and metrics is needed to demonstrate the effectiveness of climate-related public policy programs in comparison to an entity's own operations.

For climate-related public policy program disclosures, illustrative examples would be beneficial, particularly for complex programs. Clear guidance on how such reporting should be structured would enhance applicability.

Alignment with International Frameworks

While ED 1 aligns with frameworks such as IFRS S1 and S2, TCFD, and GRI, it does not explicitly reference the Sustainable Development Goals (SDGs). Given the pivotal role of public sector entities in implementing the SDGs and the fact that many governments already apply the SDGs, we recommend that IPSASB clarify and outlines the relationship between SDGs and SRS ED 1.

Scope 3 Emissions Reporting and Transition Approach

We generally support using the GHG Protocol for emissions reporting. However, based on European experiences, we highlight the significant efforts required for Scope 3 emissions reporting. To address this challenge, we suggest allowing additional time for reporting Scope 3 emissions and raising materiality thresholds for Scope 3 disclosures (e.g., focusing on material suppliers). Given data availability challenges in the public sector, a phased transition approach of approximately five years would be beneficial.

Climate-related Metrics and Targets

Regarding the proposed climate-related metrics, the final Standard should be more explicit about required data points. We encourage IPSASB to consider best practices from EFRAG's European Sustainability Reporting Standards (ESRS).

Materiality Approach and Broader Stakeholder Perspective

We note that ED 1 employs a single materiality approach. In line with IFRS S1 and S2, ED 1 focuses on financial materiality. As a consequence, IPSASB's approach differs from the materiality perspective used in GRI and ESRS. The lack of consideration for environmental and social impacts beyond financial materiality may limit the disclosures' usefulness for a broader range of stakeholders. Moreover, IPSASB's Conceptual Framework and RPG 3 emphasize reporting on outcomes by public sector entities, suggesting that a broader stakeholder perspective would be appropriate.

Structural and Usability Enhancements

The draft's structure could be improved for clarity and ease of use, particularly for entities unfamiliar with international financial reporting standards. Specifically, the order of subsections in the "Metrics and Targets" section could be revised, placing climate-related targets before metrics to enhance logical flow.

Conclusion

We would like to thank the IPSASB for the opportunity to provide feedback on this critical initiative. We strongly support IPSASB's efforts to enhance climate-related disclosures in the public sector and encourage further refinements, particularly in financial risk reporting using climate scenarios, adjustments to Scope 3 emissions requirements, adoption of a double materiality approach, and improving the standard's structure and clarity.

Sincerely,

Lars Tanzmann Helge C. Brixner Jens Heiling