



**February 28, 2025**

## **International Public Sector Accounting Standards Board (IPSASB)**

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Subject: Response to IPSASB Exposure Draft (ED) on Climate-Related Disclosures in the Public Sector

### **Dear Board Members,**

The Regional Partnership for the promotion of sustainability and SDG reporting in Latin America (LAP) appreciates the opportunity to submit comments on the IPSASB SRS Exposure Draft Climate-related disclosures.

The LAP is a collaborative network established under the guidance of the UN Trade and Development (UNCTAD). The Partnership supported by the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) and its secretariat at UNCTAD, facilitates the exchange of experiences and best practices while assisting its members in developing national strategies and policies for establishing high-quality sustainability reporting infrastructures and measuring the private sector's contribution to the Sustainable Development Goals (SDGs).

Based on feedback received from our members, we present a consolidated analysis containing observations and recommendations to contribute to the development of a robust standard tailored to the public sector needs.

### **Overall Comments**

This document presents the LAP response to the IPSASB consultation, based on a structured consultation process with its member countries. It includes reflections and recommendations aimed at contributing to the improvement and effective adoption of the standard in Latin America.

Before answering the ED questions in detail, we would like to provide overall comments on four key aspects:

- 1) We consider that it is very important and necessary to establish an international standard for sustainability reports applicable to the public sector, and also, we agree that this standard should be based on the IFRS experience (S1, S2).
- 2) Concerning the proposal to provide disclosures on public policy programs with a primary objective to achieve climate-related outcomes, we completely agree, considering that it would

be applied only for certain public entities, that have the mandate (legal or constitutional) to issue regulations or standards that apply to all kind of entities (private and public sector) and require them to provide several indicators and report the negative environmental impacts.

We consider that this kind of information will be very valuable and unique, and only public sector entities with this type of mandate could contribute to its preparation.

- 3) Regarding disclosures about an entity's own operations, we suggest evaluating the scope of these requirements, considering who will be the stakeholders on the receiving end of this kind of information and all the efforts required to prepare it. Also, it is important to consider the limitations and lack of resources that several public entities have, for example in Latin America the local government entities (named municipalities).

We believe that similarly to what has been done for ISSB standards, only public sector entities that obtain funds through the securities or bonds markets should provide those disclosures.

So, for all other public entities, we suggest a first stage in which they report their sustainability performance through a set of indicators, without any materiality assessment. We consider that it will be easier to obtain valuable progressive comparable information that can better support decision making regarding the environment and climate. After measuring their sustainability performance, we believe that gradually, entities will be able to issue information on risks, sustainability strategy and governance.

It is important to mention that in Latin America, almost all countries are in the middle of the IPSAS implementation process, and we are facing challenges involving transparency and accountability. Thus, implementing the sustainability reporting standards will require every jurisdiction to carefully evaluate the best course of action considering that it will be faced with many challenges and require extensive resources.

## Answers to specific questions:

### Public Sector Operations and Regulatory Role

***Question 1: Do you agree that the proposed approach meets the information needs of primary users (see paragraphs 1-4)? If not, what alternative approach would you suggest and why?***

The responses received reflect differing perceptions regarding whether the proposed approach adequately meets the information needs of primary users in the public sector.

On one hand, it is argued that using an IFRS S2-based approach does not acknowledge the structural differences of the public sector.

In this context, the primary users of public sector sustainability information are not limited to service recipients and funding providers but also include other key stakeholders such as policymakers, national commissions responsible for monitoring climate commitments, and multilateral organizations overseeing global agreements.

From this perspective, assuming that the objectives of this information align with those of financial reporting represents an oversimplification that fails to capture the complexity of the public sector.

There is agreement on the requirement for sustainability reporting for public entities, including all their operations within such reports. However, based on the experience of certain countries, such as Peru, it is noted that while requiring public sector entities to disclose sustainability reports is considered necessary, regional implementation faces significant challenges in practice.

## Own Operations

***Question 2: Do you agree that the proposed approach meets the information needs of primary users? If not, what alternative approach would you suggest and why?***

The responses reflect divergent views on whether the proposed approach adequately meets the information needs of primary users in the public sector.

On one hand, while the proposal includes implementation guidelines, it strictly follows the structure of IFRS S1 and S2, failing to acknowledge the diversity of capacities, structures, and resources within the public sector.

A key example is the measurement of Scope 2 and 3 emissions, which presents a significant challenge, as many public entities do not operate under traditional asset ownership structures but are instead integrated according to the institutional design of the State.

On the other hand, there is consensus that public sector entities issuing debt or financial obligations should be subject to disclosure requirements aligned with IFRS S1 and S2.

According to Mexico's experience, publicly listed entities already comply with these standards, while for non-listed entities it is recommended, as a first step, to request the disclosure of sustainability performance through the use of metrics.

It is noted that broad and uniform requirements could create operational difficulties; therefore, a targeted standard is proposed—one that accounts for structural differences between government levels and allows for proportionality-based application criteria.

## Scope of Public Policy Programs

***Question 3: Do you agree with this approach and the scope of public policy programs included in the required disclosures? If not, what alternative approach would you suggest and why?***

The majority of responses indicate general agreement with the approach and scope of public policy programs included in the disclosure requirements. However, certain nuances and concerns have been raised regarding the methodology used for climate-related disclosures in the public sector.

The need to monitor how public entities respond to climate policies and assess the impact of their programs on climate-related objectives is widely acknowledged. Nevertheless, the proposed standard emphasizes an entity-specific approach, prioritizing financial materiality and the assessment of climate-related risks and opportunities. This narrow focus may fail to adequately capture the broader impact of government action on climate-related outcomes.

While there is general recognition of the importance of integrating public policy outcomes into climate reporting, some responses highlight that the level of analytical complexity required could present significant implementation challenges.

As an alternative, a simplified approach is proposed—one that focuses on the direct impact of climate-related risks and opportunities on government operations, rather than conducting an extensive evaluation of public policy outcomes.

Additionally, it is noted that, in terms of climate-related information, no other public or private entities currently manage this type of data comprehensively.

## Public Sector-Specific Definitions

***Question 4: Do you agree with the definitions and guidance proposed for the public sector? If not, what alternative definitions would you suggest and why?***

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The responses reveal divergent views regarding the definitions and guidance proposed for the public sector.

Some definitions are perceived as conceptually ambiguous, particularly the distinction between "outcome information" and "impact information" in climate-related public policy programs.

Additionally, the definition of public sector entities does not fully align with the Conceptual Framework and Preface of the IPSAS, which may lead to inconsistencies in its application.

While some participants find the proposed definitions appropriate, others suggest refinements to enhance clarity and ensure better alignment with existing regulatory frameworks.

Specifically, it is recommended that the approach be simplified to ensure that climate-related information accurately reflects the impact of risks and opportunities on government operations, rather than broadly focusing on public policy outcomes.

In conclusion, while the proposed definitions have some level of support, there are opportunities for improvement in terms of clarity and applicability. This would help eliminate ambiguities and ensure consistency with existing standards, preventing misinterpretations in practical implementation.

## Strategy for Climate-Related Public Policy Programs

***Question 5: Do you agree that the disclosure requirements regarding the strategy for climate-related public policy programs meet the information needs of primary users? If not, what alternative approach would you suggest and why?***

The majority of responses indicate general agreement with the disclosure requirements for climate-related public policy program strategies. However, concerns have been raised regarding the level of detail and scope of these requirements.

It is emphasized that climate governance and strategic decisions are not solely determined by individual entities but are instead shaped by intersectoral frameworks established through international commitments, such as the Paris Agreement.

In many countries, the development and oversight of climate strategies are entrusted to specialized government commissions. Consequently, the standard should reflect this reality and avoid imposing excessive disclosure requirements on entities that lack regulatory authority.

While some participants support the proposed disclosure requirements, others suggest that the approach should be adjusted to ensure that climate strategy disclosures align with different levels of government and the entities responsible for regulation.

In conclusion, while there is broad consensus on the importance of disclosing climate strategies in the public sector, there is also a strong emphasis on the need to refine disclosure requirements to better reflect the actual structure of intersectoral governance. This would ensure that reporting obligations apply to entities with a clear mandate in climate policy formulation and oversight.

## **Metrics and Targets for Climate-Related Public Policy Programs**

***Question 6: Do you agree that these data satisfy the needs of primary users of the information? If not, what alternative approach would you suggest and why?***

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Most responses indicate general agreement with the proposed metrics and targets for climate-related public policy programs. However, an important concern has been raised regarding the clarity of the definitions within the disclosure requirements.

The standard specifies that disclosures should focus on outcomes, which in turn relate to impacts. However, it is not sufficiently clear what type of impact indicators should be included within the proposed metrics. This lack of clarity may lead to challenges in the practical application of these requirements. Consequently, it is suggested that the nature and scope of the indicators be more precisely defined to ensure an adequate measurement of the impacts of climate-related public policy programs.

## **Conceptual Foundations**

***Question 7: Do you agree that the proposed definition of materiality, based on the IPSASB Conceptual Framework, satisfies the information needs of primary users for climate-related disclosures? If not, what alternative approach would you suggest and why?***

Most responses indicate general agreement with the definition of materiality based on the IPSASB Conceptual Framework and its ability to meet the information needs of primary users for climate-related disclosures.

However, some members suggested that the current definition does not adequately reflect the specific characteristics of public sector entities nor the relevance of these disclosures in that context. A revised approach is recommended to better acknowledge the unique attributes of the public sector, ensuring that the materiality criteria are both applicable and relevant within this framework.

In conclusion, while the proposed definition of materiality is widely accepted, some members voiced a need for further refinement to more precisely incorporate the specificities of the public sector and the role its users play in decision-making processes.

## **General Requirements**

***Question 8: Do you agree that the proposed information requirements in the general requirements section are appropriate for public sector entities? If not, what alternative approach would you suggest and why?***

The majority of responses indicate broad agreement with the proposed general information requirements for public sector entities.

Nonetheless, it was noted that by limiting these requirements to an appendix focused solely on sustainability-related disclosures, uncertainty remains as to how other sustainability-related factors or variables will be regulated within the broader reporting framework. This limitation may impact on the clarity and applicability of the regulatory framework in a wider context.

In conclusion, while the general requirements receive strong support, it is recommended that their structuring be reconsidered to prevent key aspects from being relegated to an appendix. This would ensure a more comprehensive and transparent regulatory approach, encompassing all relevant dimensions of sustainability within the public sector.

## Transition

***Question 9: Do you agree that the proposed approach for transitional provisions should apply to both own operations and climate-related public policy programs?***

The responses reflect a diversity of opinions regarding the proposed approach for transitional provisions applicable to both own operations and climate-related public policy programs.

On one hand, some respondents argue that the transition and adaptation process may require more time than initially anticipated, as the ED does not adequately recognize the heterogeneity of public sector entities. This diversity in capacities, structures, and resources could lead to additional challenges in implementing the regulatory framework.

It is also suggested that the adoption of the transition approach should be gradual, allowing public entities to better understand the relationship between sustainability performance and financial risks and opportunities. This progressive approach would facilitate the development of institutional capacity throughout the transition period.

A phased implementation strategy is proposed, beginning with a core set of sustainability indicators, before requiring materiality assessments. This would provide a foundation for future risk identification and adaptation to new regulatory requirements.

On the other hand, a significant portion of responses indicate agreement with the proposed approach, without additional observations.

In conclusion, while there is general support for the transition approach, concerns have been raised about the need for greater flexibility and clarity in its implementation, considering the heterogeneity of the public sector.

It is emphasized that local governments and municipalities face greater resource constraints, and therefore, the implementation of disclosure requirements should account for these limitations by allowing for differentiated application strategies based on operational capacity.

## Other Comments

***Question 10 : Do you have any additional comments on the proposed Exposure Draft?***

Overall, the responses reflect a positive perception regarding the clarity of the proposed Exposure Draft.

Some entities consider the document to be clear and have no additional observations. However, others have pointed out aspects that may require further analysis, although this document is not the appropriate venue for a detailed discussion of those issues.

In conclusion, while no significant objections have been identified at this stage of the process, there is a recognized need to continue discussions in specialized forums that allow for a more in-depth analysis of certain technical aspects.

## Final Reflections

It is crucial for Latin American countries to actively participate in shaping the IPSASB standard. This ensures that the framework reflects regional realities and challenges.

We appreciate the opportunity to engage in this consultation and reiterate our commitment to ongoing dialogue and cooperation in implementing these guidelines.

Should you require additional information on our comments listed above, please contact us at +598 94590484 or by e-mail at [flaviamavy@gmail.com](mailto:flaviamavy@gmail.com) or [arluruguay@ccea.com.uy](mailto:arluruguay@ccea.com.uy)

Sincerely,



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**Chair of The Regional Partnership for the promotion of sustainability and SDG reporting in Latin America**