

AAAG/OCEO/6/7/42

27th February 2025

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

Dear Sir,

AAAG's Comments on the Exposure Draft 1: Climate-Related Disclosures

The **African Association of Accountants General (AAAG)** appreciates the opportunity to provide comments on the IPSASB Exposure Draft 1 (ED 1): Climate-Related Disclosures. We acknowledge the importance of integrating climate-related risks and opportunities into public sector reporting and commend IPSASB for this initiative. However, we recognize that its implementation in African countries requires careful consideration of regional challenges and contexts. As such provision of tailored guidance, capacity-building support, and a phased transition approach will be key in ensuring successful adoption of the standard.

Thank you for the opportunity to provide input and we look forward to continued engagement in developing effective and inclusive global standards.

If you have any clarification about this letter or wish to discuss any of our responses, please feel free to contact me at Fredrick.Riaga@aaag.org.zm and info@aaag.org.zm

Your sincerely



Fredrick Riaga
Chief Executive Officer

Annex : Detailed Responses

We are pleased to present below our responses to the Specific Matters for Comment.

1. 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?

Comment:

We agree with the proposed requirement for public sector entities to disclose climate-related risks and opportunities affecting their own operations and public policy programs is appropriate for enhancing accountability and transparency. The disclosure of such material information will enable users to appreciate how such risks and opportunities will affect the entity's long-term fiscal sustainability as well as its continued ability to deliver services or fulfill public programs in the long run. This way, users of such information will prepare for any eventualities.

However, given the varied institutional capacities across African countries, implementation may face challenges due to data availability and resource constraints. In this regard, we opine that the requirements may need to be adapted to consider the often limited data availability in African countries, allowing for reporting based on best available information and gradual improvement as data collection capabilities grow

2. 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 Green Houses Gases 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?

Comment:

We agree with the proposed alignment to IFRS S1 & IFRS S2 for sustainability disclosures as it ensures that public sector entities disclose information about their sustainability-related risks and opportunities that is useful to users of general purpose financial reports in making decisions relating to providing resources to the entity.

However, the reliance on GHG Protocol (2004) may not be fully practical for most public sector entities whose focus is service delivery, whereas the GHG Protocol is written primarily with private business reporting requirements in mind. Further, in jurisdictions such as Africa, where localized emissions factors and climate impact assessments are less developed, entities may struggle to adopt GHG measurement methodologies. It may lead to inconsistencies in data quality, particularly in regions where climate measurement frameworks are underdeveloped.

Further, the GHG Protocol lacks Specificity for Public Sector Emissions Sources. The GHG Protocol primarily addresses corporate emissions (Scope 1, 2, and 3) but does not explicitly cater to emissions sources unique to government entities, such as public infrastructure, government-owned facilities, and policy-driven carbon mitigation initiatives to which public sector entities often have indirect control over emissions through policy enforcement, public transport management, which is not adequately covered on the GHG Protocol.

We recommend that the standard be tailored to the public sector context, ensuring that disclosure requirements align with the objectives of service delivery rather than being directly modeled on private sector profit-oriented frameworks. Public sector entities, particularly central governments, face unique challenges such as limited data infrastructure, policy-driven responsibilities, and fragmented information sources across different ministries and agencies.

Additionally, while international frameworks like the GHG Protocol may be useful, their full-scale adoption could pose practical and cost challenges for governments, especially in resource-constrained environments. Consideration should be given to a phased or adaptable approach to implementation, allowing public sector entities to progressively enhance climate-related disclosures without disproportionate administrative burdens.

**3. 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?

Comment:

We agree with the disclosure requirement to include all initiatives with climate-related public policy programs and outcomes for entities that are responsible for the outcomes of such programs. However, it will add value to clearly distinguish between direct climate-focused programs and general economic policies with secondary climate benefits.

However, we recommend that the standard clearly distinguish between policymakers, implementers, and outcome evaluators in public sector climate-related disclosures. In government programs, policy formulation often occurs at the central level, while implementation is carried out by separate entities, including public corporations and private sector partners. This distinction should be explicitly addressed to avoid ambiguity regarding disclosure expectations.

Additionally, many public policy programs have long-term outcomes, while financial reporting follows an annual cycle. The standard should provide guidance on how to align disclosures with the long-term nature of policy impacts, ensuring meaningful and contextually relevant reporting that reflects both short-term actions and long-term results.

4. 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?

Comment:

We agree with the definitions and guidance of public policy programs, public policy program outcomes, and climate-related public policy programs. We believe that they are clear for the purposes of applying the proposed standard.

5. Specific Matter for Comment 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?

Comment:

We agree with the disclosure requirement for the strategy, decision-making, challenges, and financial implications relating to a public sector entity's climate-related public policy programs and their outcomes. Such disclosures will not only enable the primary users to understand the strategy for climate-related public policy programs but also build their confidence in the entity's ability to deal with climate related risk exposure.

However, given the resource constraints and lack of data infrastructure to conduct robust climate-related financial risk assessments, many African public sector entities may need additional resources and expertise to integrate climate risk considerations into public financial management (PFM) systems. Secondly, we must integrate climate related risks with the broader strategic thinking. This will ensure climate related disclosures are embedded within the broader strategic planning of each entity.

6. Specific Matter for Comment 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?

Comment:

While the proposal for quantitative disclosure of greenhouse gas emissions attributed to public policy programs is progressive, it does not account for the significant data limitations in many third world jurisdictions. We are of the view that an alternative reporting mechanisms such as proxy indicators or qualitative disclosures would be appropriate for countries with limited emissions data infrastructure.

7. Specific Matter for Comment 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?

Comment:

We believe that materiality in climate risk differs significantly by sector and geographic vulnerability, which may not be fully captured by a uniform standard. While the proposed definition of materiality in line with the IPSASB Conceptual Framework may be appropriate for General Purpose Financial Reporting, it may not sufficiently account for regional disparities in climate risks.

We recommend that materiality in climate-related disclosures be clearly distinguished from the traditional financial reporting materiality defined in the IPSAS Conceptual Framework. Climate risk materiality varies by sector, geographic vulnerability, and nature of risks, making it inherently more qualitative and subjective.

To enhance consistency and assurance, the standard should provide clearer guidance on how materiality should be assessed for climate-related risks and disclosures. Additionally, a governance framework should be encouraged at the entity or government level to ensure a transparent, verifiable, and standardized approach to materiality determination, reducing inconsistencies in disclosure practices.

8. Specific Matter for Comment 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?

Comment:

We agree that that the disclosure requirements proposed in the general requirements are appropriate for public sector entities. We believe that integrating climate disclosures into general financial reporting is a significant step toward mainstreaming climate accountability.

However, we recommend that the standard include guidance on national-level reporting to address climate-related public policy programs and government-wide decision-making that extend beyond individual entities. While entity-specific disclosures are important, a framework for consolidating and contextualizing climate-related financial information at the national level would enhance alignment with broader government policies and national accounts.

This approach will ensure that disclosures reflect the full scope of public sector climate-related activities, including cross-entity initiatives and national sustainability goals.

9. Specific Matter for Comment 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?

Comment:

The one-year transition period may be too short for mandatory application by many public sector entities in developing economies that lack the necessary technical expertise and systems to implement these disclosures. We propose a multi-year transition plan with flexibility for developing economies. We would recommend the transition period of three years as is the case with transition for full IPSAS.

Additionally, transitional provisions should be aligned with the effective date of the standard, allowing sufficient time for implementation while leveraging insights from private sector sustainability reporting. A phased approach or differentiated transition timelines for own operations versus public policy programs may be beneficial.

Furthermore, specific guidance is needed on climate-related disclosures in Public-Private Partnerships (PPPs) to clarify reporting responsibilities and ensure alignment with both public and private sector sustainability frameworks.

10. Specific Matter for Comment 10: Other Comments

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

Comment:

While the Exposure Draft is comprehensive, it does not sufficiently address the cost-benefit trade-offs for developing economies. Many African governments may struggle with balancing financial constraints against the need for climate-related disclosures.

General Thoughts

While public sector structures vary by jurisdiction, key challenges that the IPSASB may wish to focus its attention in coming up with the standard are as follows:

- a. Lack of inter-agency coordination often leads to fragmented data and inconsistent reporting, this will definitely affect implementation.
- b. Many public entities still use traditional financial reporting, making it difficult to capture non-financial climate impacts.
- c. In many cases, climate policies are separate from mainstream financial reporting, reducing accountability.
- d. Many public institutions still lack the IT infrastructure and technical skills to implement automated climate disclosures.
- e. Short political cycles and conflicting economic priorities often limit long-term climate policy intervention and implementation.
- f. Inadequate technical capacity to handle the complex climate-related data set.