

28 February 2025

Mr Ian Carruthers, Chair
International Public Sector Accounting Standards Board
529 Fifth Avenue, New York, NY 10017

By IFAC Website submission only

Dear Mr Carruthers

Proposed International Public Sector Accounting Standards Board Sustainability Reporting Standard

Deloitte Touche Tohmatsu Limited is pleased to respond to the Exposure Draft of IPSASB Sustainability Reporting Standard (SRS) 1, *Climate-related Disclosures*. As we stated in our September 2022 response to the IPSASB's Consultation Paper on Advancing Public Sector Sustainability Reporting, we support the IPSASB taking the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB) as its starting point. Building on the ISSB Standards as the foundation for sustainability reporting would parallel the IPSASB's previous work in adapting the IFRS Accounting Standards in its development of public sector-specific financial reporting standards.

We highlight a number of matters that we think should be considered by the IPSASB.

- **Public policy programmes:** We agree that disclosure of public policy programmes for which an entity may be responsible is relevant to users. However, we think further consideration should be given to the structuring of the content. Currently, the requirements for disclosure on the entity's operations and public policy programmes and related outcomes are all contained within a single standard accompanied by several appendices. While we support addressing both aspects, we question the prudence of consolidating them into one standard. Firstly, this approach leads to additional (and some duplicative) content, that may be complicated to navigate and, for entities that are not responsible for a public policy programme, numerous requirements that are not applicable. Second, application would depend on an entity being ready to make disclosures on both aspects. This could delay implementation by some entities (for example, an entity that was ready to disclose climate-related information about its operations might defer implementation until it was also ready to disclose information on public policy programmes). We think priority should be given to disclosures about an entity's operations.

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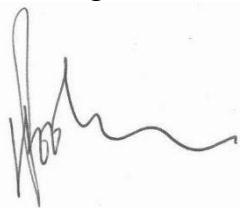
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A potential solution could be to separate the requirements into distinct documents. We consider this would provide more clarity for entities applying the requirements, and also facilitate earlier application in particular of the operations-related requirements.

- *Approach to materiality:* We agree with the proposal to mirror the approach used by the IPSASB for financial statements and therefore to align the definition of materiality with the ISSB's. This supports connectivity of sustainability information with financial information. We acknowledge, however, that public sector entities have an influential role in respect of people, the environment and the economy related to their purpose and activities. We therefore welcome the inclusion of the 'Understand the context' requirement as the first step in the materiality assessment process. We think this approach responds to the role of public sector entities. However, we think it is essential that the standard also embeds more fully the consideration of these broader matters in the identification of risks and opportunities (consistent with IFRS S1:2).
- *General requirements:* We fully support the need for general requirements to underpin the climate-related disclosures, including concepts and qualitative characteristics of information. Such principles are important considerations for a standard to form suitable criteria for the preparation of the disclosures and ultimately for the purpose of assurance. We further welcome the approach taken to model closely the requirements on those within IFRS S1. However, we think the general requirements as set out in these proposals would be better developed as a separate standard, even if at this point in time it is limited to climate-related disclosures. This would enable the IPSASB to establish the general requirements as the over-arching principles and guidance, thus helping 'future-proof' the IPSASB standards for any content that may be introduced in time on other sustainability matters beyond climate.

Our detailed response to the invitation to comment's questions is included in the Appendix to this letter. Should you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0)20 7007 0884.

Kind regards



Veronica Poole

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Deloitte Touche Tohmatsu Limited

APPENDIX

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?

The Exposure Draft includes an Alternative View on the approach to climate-related public policy programs.

We agree with the proposed objective of the [draft] Standard for an entity to disclose information on its own operations aligned with IFRS S2: *Climate-related Disclosures*. Given the role that public sector entities, such as government bodies, play in establishing and overseeing policy and regulatory initiatives, we agree that disclosure of public policy programmes and related outcomes for which an entity may be responsible is relevant to users for accountability and decision-making purposes (see our comment in response to question 3, below).

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 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 (see paragraph AG1.72).

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

We agree with the IPSASB's approach to aligning the IPSAS SRS with the ISSB Standards. We think this enables consistency of reporting between public and private sector entities, thus providing comparable information for primary users. Using IFRS S1 and IFRS S2 for this purpose is appropriate as these standards are being adopted by many jurisdictions worldwide or, as in the case of European Sustainability Reporting Standards (ESRS), have been assessed as demonstrating a high level of interoperability on climate-related disclosures.

We agree with the proposal that a public sector entity should use the Greenhouse Gas (GHG) Protocol to measure its GHG emissions, noting that other approaches may be permitted. While the intent of the requirement set out by the IPSASB (the rebuttable presumption) is the same as the ISSB's – i.e. to mandate the use of the GHG Protocol as far as practicable – we note the difference in language and consider the wording could be aligned further.

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?

The Exposure Draft includes an Alternative View on the approach to climate-related public policy programs.

As we stated in our response to question 1 above, we agree that disclosure of public policy programmes for which an entity may be responsible is relevant to users. We think it is appropriate to focus such disclosure on programmes that have climate-related outcomes as a primary intent. We also agree with the articulation of the scope of ‘public policy programmes’ as set out at paragraph AG2.4.

However, we think further consideration should be given to the structuring of the content. Currently, the requirements for disclosure on the entity’s operations and public policy programmes and related outcomes are all contained within a single standard accompanied by several appendices. While we support addressing both aspects, we question the prudence of consolidating them into one standard, for the following reasons:

- Firstly, this approach leads to additional (and some duplicative) content, that may be complicated to navigate and, for entities that are not responsible for a public policy programme, numerous requirements that are not applicable
- Second, application would depend on an entity being ready to make disclosures on both aspects. This could delay implementation by some entities (for example, an entity that was ready to disclose climate-related information about its operations might defer implementation until it was also ready to disclose information on public policy programmes). We think priority should be given to disclosures about an entity’s operations.

A potential solution could be to separate the requirements into distinct documents. We consider this would provide more clarity for entities applying the requirements, and also facilitate earlier application in particular of the operations-related requirements.

For the avoidance of doubt, we consider that, when disclosing information about its operations, an entity should also be required to disclose whether it has responsibility for or oversight of climate-related public policy programmes, together with material information about the climate-related risks and opportunities arising from those programmes (insofar as they relate to its operations).

More generally, we consider further guidance would be important to help public sector entities to consider the inter-relationship between climate-related public policy programmes as defined in the proposals and the related disclosure requirements, and other relevant policy programmes that the entity oversees, or could be affected by, that include climate-related (or sustainability-related) policy outcomes. For example, oversight of policies that led to construction of industrial sites that would lead to deforestation and biodiversity loss may fall outside the scope of these proposals but could nonetheless be relevant for achieving fair and balanced disclosure.

Specific Matter for Comment 4: Public Sector-Specific Definition (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?

Deloitte generally agrees with the definitions set out in paragraph 7. However, we think further clarification is needed on some aspects of the definitions and approach.

In particular, we observe that the definition of ‘public policy programme outcomes’ is broad, encompassing impacts that may affect the economy, the environment, and/or people external to the entity. It is not clear whether disclosure of these broader outcomes (even if only qualitative information is available) is required and therefore believe that the definition of ‘public policy programme outcomes’ should be reflected consistently between the definition and the detailed disclosure requirements.

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?

We generally agree with the scope of disclosures related to strategy for public policy programmes. However, we think the corresponding requirements relating to the entity’s operations could be strengthened in relation to the effects of such programmes on the entity itself. It would be important, in our view, that disclosures on strategy and metrics and targets include material information about any assumptions the entity has made on the effects of those public policy programmes on its own strategy, including its resilience and any transition plan it may have, and any climate-related targets it has set, and corresponding metrics used to measure progress.

We support the proposal that disclosure of the financial implications of climate-related public policy programmes is required only as they pertain to the entity itself, as explained in BC81. However, based on our experience with private sector entities applying other climate-related standards and frameworks, many entities are likely to find it challenging to measure and disclose the financial effects of risks and opportunities, especially in the first reporting periods. We therefore recommend the IPSASB provide further guidance in this area, including tools and methodologies that could be used, together with examples of quantitative disclosures and, in the event the entity is unable to provide quantitative information, qualitative disclosures. The IPSASB may also consider providing some transitional relief in

relation to quantitative disclosures of the financial effects to allow reporters time to develop methodologies and collect data.

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?

We agree with the proposed approach for disclosure of metrics and targets relating to climate-related public policy programmes, including the additional guidance with examples provided. We consider this information is likely to be decision-useful, especially for those users whose decisions are directly informed by more specific information on expected outcomes.

However, we think the guidance should be strengthened to address the potential of double counting where a change in emissions can be attributed to more than one public policy. More generally, while we welcome the guidance already included in the proposals on measuring the expected change in emissions arising from a public policy programme, we expect that entities applying the standard would look for further, more detailed guidance in the future to enable consistent and comparable disclosures.

We support that the entity itself should include any changes in emissions for which it is responsible in responding to a public policy outcome through its own operations in the calculation for the expected overall change in emissions.

We agree that it is relevant to include metrics beyond emissions reductions in the proposals. We think it could be of value to include carbon intensity as an example of a metric that could be useful (for example, carbon emissions per square metre for real estate or per mile for transportation). This could be actionable information that could be measured on a more consistent basis. We welcome the inclusion of additional metrics as examples in AG2:39.

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?

As the proposals draw extensively on IFRS S1 and S2, we agree with the proposal to mirror the approach used by the IPSASB for financial statements and therefore to align the definition of materiality with the ISSB's. This supports connectivity of sustainability information with financial information. We

acknowledge, however, that public sector entities have an influential role in respect of people, the environment and the economy related to their purpose and activities. Through their policies and actions, they may have significant direct and indirect impacts on society, leading to both positive and negative outcomes. We therefore welcome the inclusion of the 'Understand the context' requirement as the first step in the materiality assessment process (B.AG3), including an entity's activities, relationships, stakeholders, and the climate context in which these occur. We think this approach responds to the role of public sector entities.

However, we think it is essential that a stronger connection is made between consideration of the context and how that translates into risks and opportunities for the entity consistently with IFRS S1:2. We think an adaptation of this fundamental principle should be included prominently in the general requirements (and not, as currently, only in the application guidance for the climate-related disclosures) to embed more fully the consideration of these broader matters in the identification of risks and opportunities (consistent with IFRS S1:2).

As a specific consideration, we think that further clarity is needed regarding what exactly is required in terms of stakeholder engagement, particularly in section B.AG16-18, where the terms 'should seek' and 'may' are used, leaving ambiguity about what is always expected in order to meet the requirements.

Specific Matter 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?

We fully support the need for general requirements to underpin the climate-related disclosures, including concepts and qualitative characteristics of information. Such principles are important considerations for a standard to form suitable criteria for the preparation of the disclosures and ultimately for the purpose of assurance. We further welcome the approach taken to model closely the requirements on those within IFRS S1. Specifically, we agree climate-related disclosures should be in the same report as the general purpose financial report and, therefore, published at the same time (with appropriate transitional relief). This enhances connectivity between climate-related information and financial information.

However, while appreciating that IPSASB's project is focused on climate-related disclosures, we think the general requirements as set out in these proposals would be better developed as a separate standard, even if at this point in time it is limited to climate-related disclosures. This would enable the IPSASB to establish the general requirements as the over-arching principles and guidance, thus helping 'future-proof' the IPSASB standards for any content that may be introduced in time on other sustainability matters beyond climate.

In relation to technical drafting, we recommend that the IPSASB reconsider the application guidance (B.AG). For example, the guidance uses ‘shall’, ‘should’, ‘may’ and ‘are encouraged to’ at various points. We believe it is essential to ensure the difference between mandatory requirements and good practice/helpful considerations is clear, and consistently referenced.

Specific Matter 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?

We generally agree with the transitional relief proposed, and that it should address both the entity’s own operations and, where applicable, the climate-related public policy programmes for which an entity is responsible. We note that these are consistent with the ISSB’s approach. Entities that are intended to adopt this standard would be better placed to comment on their readiness to comply after one-year transitional relief. However, we generally agree that public sector entities will need time to get ready to apply the proposed standard and that sufficient transitional relief will be helpful in supporting high-quality adoption.

Additionally, and as explained in our response to question 5, we think the IPSASB could potentially consider transitional relief on quantitative disclosure of the current and anticipated financial implications of climate-related public policy programmes to the entity itself to give reporters time for preparation and data collection.

Specific Matter Comment 10: Other Comments

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

We have no additional comments.