

February 28, 2025

International Public Sector Accounting Standards Board (IPSASB)
277 Wellington Street West
Toronto, ON M5V 3H2

Re: Sustainability Reporting Standard Exposure Draft 1 — Climate-related Disclosures — October 2024

Thank you for providing us with this opportunity to comment.

The Office of the Auditor General of Ontario has a comprehensive mandate under the Ontario *Auditor General Act* that includes examining and reporting to the Ontario provincial legislature on the results of its financial and performance audits. In 2019, the Office of the Auditor General expanded to include the Commissioner of the Environment and an environmental reporting mandate under the *Environmental Bill of Rights, 1993*. The responses we share below are informed by our expertise in both auditing and environmental matters and the insights derived from our extensive experience in these fields.

We observed that this Exposure Draft adhered closely to the form and content of IFRS S2, *Climate-related Disclosures*, a standard designed for the private sector. The public sector differs considerably from the private sector due to its size and scope, authority (including regulatory powers) and the magnitude and diversity of its environmental resources. In the public sector, taxpayers and their elected representatives look to sustainability information to assess the achievement of environmental objectives, identify trends in sustainability matters, and to inform and improve environmental policies and programs. By contrast, the private sector focuses on profits and cash flow. For these reasons, we caution that IPSASB should not use private sector sustainability standards as a basis for public sector sustainability standards.

Our responses to the Specific Matters for Comment are set out below.

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?

No. The Exposure Draft proposes that disclosures about climate-related public policy programs be limited to public policy programs that have the primary objective of achieving climate-related outcomes. In our experience, there are few public sector programs that have the primary objective of achieving climate-related outcomes. In Ontario, even those provincial programs that have resulted in significant reductions in greenhouse gas emissions, such as the decommissioning of coal-fired electricity plants, have been primarily focused on other goals, such as improvements in air quality and public health.

The proposed approach also scopes out those programs that may have a negative climate impact, such as expansion of highways. As we describe in our introductory comments, the goal of sustainability reporting is to help taxpayers and their elected representatives assess the achievement of sustainability objectives, identify trends in sustainability matters, and inform and improve environmental policies and programs. We are concerned that these proposals are too restrictive to meet the information needs of primary users.

As an alternative, we suggest that the definition of climate-related public policy programs be expanded to include those policies and programs that contribute to, or inhibit, an entity's ability to meet its climate-related objective(s), if any. This would capture policies that may have other primary goals (e.g., improved public health, reduced energy costs, economic stimulus), which have historically been the main reasons for progress towards climate-related goals.

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 do not agree with the proposal to align these disclosure requirements with private sector guidance. The inclusion of Scope 3 greenhouse gas emission disclosures would present an obstacle for most public sector entities due to the size and breadth of government operations. The cost and complexity of determining Scope 3 emissions may act as a barrier to the adoption of IPSASB Sustainability Reporting Standards.

If, as suggested in paragraph AG1.103, IPSASB intends to allow public sector entities to opt out of reporting on some or all Scope 3 emissions due to the impracticality of obtaining relevant information, and to instead disclose how Scope 3 greenhouse gas emissions are measured, the Exposure Draft should clearly state this fact.

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?

We do not agree with the proposed approach. See our response to Specific Matter for Comment 1.

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?

Please see our response to Specific Matter for Comment 1 regarding the definition of climate-related public policy programs.

We also recommend updating the definition of “CO₂ equivalent” in paragraph 7 to recognize the role of carbon sequestration in achieving net-zero carbon emission targets. We propose amending the definition of CO₂ equivalent as follows:

CO₂ equivalent is the universal unit of measurement to indicate the global warming potential of each greenhouse gas, expressed in terms of the global warming potential of one unit of carbon dioxide. This unit is used to evaluate releasing (or avoiding releasing, or sequestering) different greenhouse gases against a common basis.

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 do not agree with the disclosure requirements. See our response to Specific Matter for Comment 1.

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 do not agree with the proposal to require disclosure of the changes in greenhouse gas emissions reasonably attributed to climate-related public policy programs. It is often difficult to determine the change in emissions that might be attributed to a particular public policy program. There may be a number of drivers that result in emissions reductions, and it is often difficult to determine whether other factors, such as consumer behaviour and changes in costs also influenced the results.

Attributing changes in greenhouse gas emissions, in most cases, is a highly technical process that requires a number of assumptions. Integrated economic, energy and emissions modelling are often the only approach that can be used to account for the numerous factors that determine changes in greenhouse gas emissions in response to public policy, and imposing. Imposing the requirement to perform such integrated modelling would pose a significant burden on public sector entities.

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?

Paragraph B9 states that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence the discharge of accountability by the entity.” What this phrase means is not clear. We recommend that IPSASB provide detailed guidance to help public sector entities understand and apply this concept in practice.

We also noted that the guidance on the application of materiality may be confusing. While paragraph B9 establishes that information that could reasonably be expected to influence the discharge of accountability should not be omitted, paragraph B.AG24 states that a reporting entity “need not undertake an exhaustive search for information to identify an entity’s climate-related risks and opportunities and, where applicable, climate-related public policy program outcomes.

The assessment of what constitutes undue cost or effort depends on the entity's specific circumstances". Public sector entities, and where applicable, their auditors, may find it challenging to determine the extent of effort needed to comply with these requirements. Further application guidance is needed.

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?

We respectfully do not agree. General-purpose financial reports are prepared annually, or in some cases, more frequently. The disclosure requirements, as currently proposed, are too resource intensive for public sector entities to perform on an annual basis.

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?

We agree with these proposals.

Specific Matter for Comment 10: Other Comments

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

Illustrative Examples

We encourage IPSASB to expand the application guidance by providing comprehensive examples that illustrate how a public sector entity would comply with all disclosure requirements.

Future Developments in Sustainability Reporting

We encourage the IPSASB to focus on the development of independently established sustainability reporting standards that focus on environmental, social, and governance (ESG) issues. We caution that IPSASB should not use private sector sustainability standards as a basis for the public sector, as private sector standards emphasize environmental reporting at the expense of social and governance issues. We encourage IPSASB to look to the UN Sustainable Development Goals to ensure that all aspects of ESG are covered.

Kind regards,

A handwritten signature in black ink, appearing to read 'Spence', with a stylized flourish at the end.

Shelley Spence, FCPA, FCA, LPA
Auditor General of Ontario