



Montréal



Mr. Ross Smith

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International Federation of Accountants
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Submitted via website

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Comments to IPSASB SRS Exposure Draft 1, Climate-related Disclosures

Dear Mr. Smith,

Thank you for the opportunity to respond to the IPSASB's SRS Exposure Draft 1, *Climate-related Disclosures*.

As members representing several of Canada's largest municipalities, we recognize the need and urgency for consistent and transparent climate-related disclosures in the broader public sector. Since fiscal 2018, our municipalities have championed the importance of climate-related disclosures through our voluntary adoption and implementation of the Task Force on Climate-related Financial Disclosures (TCFD)'s recommendations in our annual financial reports. We were the first public sector entities to lead this reporting initiative in Canada.

We recognize, however, that larger adoption is ultimately required for climate-related disclosures to be beneficial for our interested parties. We also value consistency in reporting frameworks and look forward to seeing the advancement of climate-related reporting requirements across the public and private sectors.

Please find attached our detailed comments to the proposed standard. Should you need any further information, please do not hesitate to contact us.

Sincerely,

Aaron Brown,
MBA, CFA

Acting City
Treasurer / Deputy
Chief Financial
Officer

City of Calgary

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Director, Financial
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Detailed comments:

Please note that our responses to each question are in blue.

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?

Yes, the proposed approach meets the information needs of primary users for public sector entities (PSEs). The proposed disclosures in the general purpose financial reports encompass both the direct operational impacts and the broader policy-driven outcomes, providing a comprehensive and holistic view of an entity's climate-related activities.

We disagree with the perspective suggested by the Alternative View, especially as Ms. Ryan indicates that the climate-related public policy programs should not be integrated with PSEs' climate-related disclosures because it would dilute the focus, create confusion and lead to inconsistencies in reporting methodologies. We noted that this separation could fail to reflect the real-world interdependencies between climate policy programs and PSEs' operations, especially at the municipal level. The relationship between public policy programs and operational actions is inherently dynamic and reciprocal. On the one hand, public policy programs shape operational priorities; climate action plans influence investments in transportation, energy use, and infrastructure. On the other hand, PSEs' operations and their associated performance inform policy effectiveness. Success depends on how municipalities implement and adjust policies.

This interconnected approach ensures that public policy program objectives translate into municipal actions, and thereby, improve transparency, comparability, and accountability. We believe that the policies and operations should be disclosed together because of what was mentioned above. This could enhance transparency and provide a comprehensive view of the PSEs' climate initiatives, and this information will capture how PSEs actually carry out their public policy programs. Because of interconnectivity, this dual-focus should be well structured by the Standards when it comes to disclosure of the financial information related to climate to avoid any inconsistencies and redundant information.

We recommend IPSASB to structure the disclosures into separate sections and provide additional guidance to support the transition period. PSEs should distinguish between disclosures associated with their operations (e.g., fleet greenhouse gas emissions, service delivery, etc.) versus their climate-related public policy programs (e.g., climate action plans relevant to wider jurisdictional area, carbon pricing regulations). This distinction will preserve clarity while maintaining the integrated approach.

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?

Yes, we agree with the proposed approach and guidance of using another established method if deemed more appropriate or required by a jurisdictional authority. For example, there are variations amongst Canadian municipalities. Some municipalities use the Greenhouse Gas (GHG) Protocol: A

Corporate Accounting and Reporting Standard (2004) to report their corporate emissions and the GHG Protocols for Cities (formally known as the Global Protocol for Community-scale Greenhouse Gas Emission Inventories or GPC) for their community-wide emissions. Other municipalities use the GHG Protocols for Cities for both their corporate and community-wide emissions. Both of the GHG Protocols (Corporate and Cities) are widely recognized standards, which would ensure a robust and structured methodology for measuring GHG emissions. In addition, the GHG Protocols are not viewed as prescriptive in nature, so the frameworks align with IPSASB's proposal.

We appreciate that there is an opportunity to align IPSASB's Standard with IFRS S1 and S2, especially as this would establish comparability in the disclosures that are provided across all sectors. In certain cases, this consistency would also provide improved opportunities for primary users to evaluate the performance of PSEs given that some governments offer green bonds/conventional bonds similar to private sector entities.

Regardless of the framework used, we wanted to express that there may be measurement-related challenges for PSEs, especially when they need to consider how the GHG emissions resulting from service delivery were affected by their public policy programs and to support cases where some PSEs may be using other mature frameworks to support their community emission reporting requirements. We note, however, that the flexibility to choose different frameworks may make it difficult for primary users when they eventually need to compare the performance of multiple PSEs as they may need to consider converting other GHG frameworks/standards to GHG Protocol-based disclosures.

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?

Yes, we agree with the view that disclosures about climate-related public policy programs should be included in the scope of IPSASB's future Standards. By doing so, PSEs will have greater opportunities to inform and advise their primary users how public funds were ultimately used to support various programs and whether these programs achieved desired objectives.

The proposed scope, however, may be too narrow in nature and potentially exclude the significant financial impacts associated with public policy programs where climate-related objectives are considered secondary to other primary objectives. IPSASB should consider expanding the scope – this would promote greater transparency and accountability, especially as:

- PSEs may:
 - Have public policy programs that are intentionally designed to achieve multiple benefits or co-benefits, one of which includes climate-related objectives, to maximize use of public resources;
 - Need to respond to changes in their political environment and thereby, indirectly achieve climate-related objectives through the completion of other public policy programs; and
 - Need to consider disclosing public policy programs, either individually or in aggregate, that have caused unfavourable climate-related objectives, which are material to the organizations as noted in paragraph AV3.
- Climate is a cross-sectoral issue. PSEs do not operate in siloes – their policies on housing, economic development, transportation, and public health significantly influence climate action, even if they are not explicitly labeled as climate policies;
- Excluding secondary objectives misrepresents the full extent of a PSE's climate strategy;
- Materiality should guide disclosure. Any policy that significantly impacts GHG emissions or climate adaptation should be disclosed; and
- Public policy programs with secondary climate objectives could be distinguished in the disclosure by including them in a separate category of programs. Please note that the City of Vancouver and City of Calgary use similar approaches in their existing climate-related disclosures. We recommend IPSASB to provide guidance as to taxonomic or climate-budget-tagging approaches to clearly define the category.

We recognize that broadening the scope may introduce implementation complexities, especially for smaller PSEs, but note that such challenges could be addressed through use of a materiality-based approach and by providing transition relief in the year of adoption.

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?

We propose altering the terms, definitions, and related guidance for all three terms:

- (a) Public policy programs;
- (b) Public policy program outcomes; and
- (c) Climate-related public policy programs.

We would like to recommend the following clarifications and/or amendments to be considered by IPSASB:

- Public policy programs: an amended definition is suggested below. We would like to highlight the importance of all levels of governments (i.e., municipal, provincial, and federal) to work together to complete public policy programs, as well as promote consistency, transparency, and accountability amongst climate initiatives/actions.

“Public policy programs [include structured initiatives, strategies, and regulatory measures at the national, regional, or municipal levels to influence economic, environmental, or social behaviours to achieve defined policy objectives. This will ensure that] any type or set of interventions taken or mandated by a public sector entity exercising its sovereign powers [could] influence the decisions or behaviours of other entities or individuals.”

- Public policy program outcomes: an amended definition is suggested below to emphasize the importance of accountability and transparency, especially when certain public policy programs result in negative environmental outcomes. In addition to this definition, we recommend supplementary guidance on methodologies that could be used to support outcome measurement and disclosures.

“Public policy program outcomes represent [intended and unintended, direct and indirect and/or positive and negative] impacts on the economy, environment, and/or people, which occur as a result of, or are reasonably attributable to, the [implementation and sustenance of] public policy programs. [These outcomes are measured using pre-defined goals and/or key performance indicators to assess their effectiveness to reach desired targets and long-term sustainability impact.]”

- Climate-related public policy programs: an amended definition is suggested below to ensure that material information is disclosed by PSEs. In addition, the amendments would avoid confusion regarding the interpretation and determination of what is considered to be primary and secondary objectives.

“Climate-related public policy programs are public policy programs [intended to achieve] a[ny] climate-related outcomes. [Examples of eligible programs include any government-led initiatives, regulations, or interventions designed to support climate change mitigation, adaptation, or resilience-building efforts directly or indirectly. This includes programs where climate action is a primary objective, as well as those with material secondary climate-related impacts in a distinct category within the disclosure.]”

On a general note, we noted that the use of the term “public policy programs” may be confusing, especially if users view “public policy” to be separate from “programs”. IPSASB may wish to consider amending the term more broadly throughout the Standard, such as “public policy **and** programs” or “climate-related public policy **and** programs”.

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?

Yes, these three components are viewed to be important for disclosures regarding public policy programs.

Financial implications will likely be of significant interest for primary users, especially as costs associated with climate-related programs may need to be considered to evaluate the effectiveness of a PSE’s services or operations. There may, however, be a need to balance the disclosures provided, especially as there may be factors that are outside of a PSE’s immediate control. For example, the City of Toronto’s GHG emissions resulting from its own operations only represents 5% of Toronto’s overall GHG emissions. Scenario analysis should be embedded into climate strategy and/or risk management-related disclosures, allowing entities to stress-test policies and policy outcomes against different climate scenarios.

We, however, wanted to share that disclosures may be challenging for PSEs in certain scenarios:

- Paragraphs AG2.26 and 2.27 would require PSEs to provide detailed disclosures regarding challenges that could impede the achievement of outcomes. For example, this could result in unfavourable outcomes for PSEs, especially when their disclosures could result in the loss of funding and/or overall support from another level of government or entity; and
- Paragraphs AG2.29 and 2.30 would also require the quantification and consideration of the future cost of climate change. PSEs may struggle to determine the future cost of climate-related public policy program or program (in case where climate is a secondary climate-related objective), especially if they face resourcing constraints. The struggle may also be due to non-availability of practical guidance and tools for cost quantification relevant to municipalities.

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 that metrics and targets for GHG emissions and other climate-related public policy programs should be disclosed to primary users, especially as this would strengthen PSEs’ ability to demonstrate accountability. For Canadian PSEs, however, there may be some challenges associated with the implementation of the Standard in light of amendments that were established by the Competition Bureau, which introduced anti-greenwashing provisions to the Competition Act under Bill C-59. In addition to other changes, organizations found to have made a misleading/incorrect environmental claim could face considerable financial and non-financial consequences. As a result, a Canadian PSE may not be able to meet all of the reporting obligations under Paragraph 26(a)(i) due to concern over risks of inadvertent non-alignment with the requirements of the Competition Act. There could be a tendency towards less disclosure over fears of inadvertent errors unintentional errors in statements. Canadian municipalities could face risk

of enforcement under the Act. A number of Canadian PSEs are seeking further clarification on how these new anti-greenwashing provisions will be applied through the ongoing public consultation process. In addition to those recommended in the ED, we would like to recommend IPSASB to include metrics and targets on physical risk-related requirements, especially as the financial consequences associated with unmitigated or partially addressed physical risks may be material in future periods.

Another consideration is for IPSASB to permit PSEs to use forward-looking data for its metrics and targets in its general purpose financial reports, especially in cases where historical information may not provide a comprehensive perspective. For example, municipalities often lack real-time GHG emissions data, making it difficult to assess the immediate impact of policies and adjust strategies accordingly. Traditional emissions inventories typically rely on data that is two to four years old, limiting their effectiveness as a decision-making tool. To bridge this gap, many municipalities have adopted the Climate Budget framework, first pioneered by the City of Oslo. This governance and forward-looking process integrates emissions forecasting into financial and policy planning, ensuring that climate-related public policy programs are proactively managed rather than reactively evaluated, as well as provides a stronger connection between how a PSE's future financial position and performance may evolve once climate-related risks and opportunities are considered. The current framework does not sufficiently emphasize forward-looking tools such as Climate Budgets and scenario analysis, which are essential for proactively managing climate risks (AG2.34-AG2.44). Furthermore, measurement uncertainty in forward-looking assessments should be acknowledged (B38-B42) to ensure credibility in reported metrics.

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?

Yes, the City appreciates that the ED provides PSEs with the flexibility to define and determine materiality that is suitable to their own unique operations. The conceptual foundations of ED1, including materiality (B8-B10) and primary users (B.AG28-B.AG33), align with IPSASB's Conceptual Framework. These principles aim to ensure that climate-related disclosures are relevant, comparable, and decision-useful. While this ED adequately defines materiality, it does not consider the inclusion of secondary climate objectives and co-benefits, which are material for decision-making. Additionally, the role of forward-looking methodologies in assessing climate-related risks and opportunities should be further clarified and/or supported with additional guidance for PSEs. Materiality should also explicitly consider scenario-based financial risk assessments, ensuring comparability in disclosures across jurisdictions (B.AG28-B.AG33).

In addition to the above, paragraph B3 requires PSEs to consider what climate-related risks and opportunities could impact their "long-term financial sustainability". To support PSEs' scenario analysis, including those that require use of extreme weather projections, it would be helpful to understand what IPSASB views as "long-term" versus "short-term" or "medium-term".

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?

Yes, as noted in the ED, PSEs' general purpose financial reports should include climate-related disclosures that are considered "material" for their primary users. As a result, we agree with IPSASB's proposal for the

climate-related disclosures to be released with their financial statements, especially as it may be difficult for PSEs to provide interim climate-related disclosures in the event the reporting timelines do not coincide with the timelines used for their financial statements.

The general requirements in ED1 align with IFRS S1 by requiring climate-related disclosures within general purpose financial reports (B22-B25) and ensuring consistency with financial reporting timelines (B26-B31).

While these provisions support transparency and comparability, they do not adequately address the integration of forward-looking methodologies into financial disclosures and the use of scenario-based financial risk assessments for climate adaptation costs, as is the case in the IFRS S2.

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?

Although we agree with the importance of providing climate-related disclosures, we recognize that initial implementation of all of the proposed requirements may be difficult, especially for PSEs that struggle with resourcing constraints or have complex service delivery models.

To support PSEs' transition, we would like to propose IPSASB to:

- Provide a scalable Standard – for smaller PSEs, implementing the entirety of the Standard may be too difficult due to resourcing constraints. For larger PSEs, these organizations may need time to develop, compile, and consolidate their data, as well as ensure that their risks are appropriately mitigated. Regardless of size, both types of PSEs may face implementation challenges. As a result, IPSASB is requested to consider offering a scalable model and/or offer additional resources (e.g., webinars, reporting templates, sample reports, industry best practices, etc.) to support various types of PSEs.
- Offer a staggered implementation – IPSASB could define how much of the Standard should be implemented by PSEs over multiple years (e.g., three-year period) before they would be expected to adopt all of the requirements. TCFD's recommendations, for instance, considered the maturity level of an organization, which may be helpful to leverage for implementation purposes. Requiring "too much" in the first year of adoption may discourage PSEs from implementing the Standard or not achieving full compliance and thereby, reduce the usefulness of the information for primary users. As a result, a staggered implementation approach is ultimately recommended for IPSASB to consider prior to the finalization of the Standard.
- Incorporate additional guidance in the Standard or offer other resources to clarify some of the more complex principles or requirements, such as the determination of double materiality and illustrative examples that showcase disclosures that could be provided by different types of PSEs (e.g., levels of government, size of the organization, etc.)

Specific Matter for Comment 10: Other Comments

Proposed Amendment to the Definition of Climate Resilience

We would like to recommend IPSASB to amend the definition for "Climate Resilience" as follows:

"Climate resilience is the capacity of an entity to adjust to climate-related changes, developments or uncertainties. Climate resilience involves the capacity [**of an entity to anticipate, prepare, respond to, and recover from, climate-related changes, impacts, or uncertainties, as well as**] to manage climate-related risks and benefit from climate-related opportunities, including the ability to [**effectively absorb and**] respond, to climate-related transition risks and climate-related physical risks. An entity's climate resilience

includes both its strategic operational, and financial resilience to climate-related changes, developments and uncertainties.”

Statement of Compliance

Paragraphs B34 and B35 may limit adoption of the Standard, especially as full compliance with the requirements could take multiple years for PSEs. In support of IPSASB’s ED, we recommend:

- Providing guidance on phasing the implementation of the Standard. This would allow PSEs to develop required subject matter expertise and resources within their organizations and progress towards full compliance with the Standard; and
- Introducing partial statements of compliance where PSEs can specify which areas of the Standard are under review and/or development within their organizations. This would comprehensively and objectively highlight the maturity of the entity’s stage and level of progress of their implementation of the Standard.

Bridging Uncertainty in Forward-Looking Assessments

While there is uncertainty in quantifying future climate risks and adaptation costs, a standardized approach to scenario-based risk assessment should be encouraged.

A framework for recognizing and disclosing errors in forward-looking disclosures (B43-B46) should be clearly defined to improve reliability, as well as to support PSEs in implementing the Standard. As this is an inaugural Standard for PSEs, we believe that it will be important to reduce exposure to legal risks.

Program Responsibility and Potential Overlapping Disclosures

It may not be possible and/or realistic for governments to be held responsible for outcomes of climate-related programs. For example, municipal governments often design and implement programs but lack legal authority to change fundamental requirements or mandate behaviors. Municipal governments may offer financial incentive programs (e.g., property tax relief, grants, etc.) to third-party entities and/or individuals. In such cases, municipalities would require external entities and/or individuals to participate in the programs to achieve the overall public policy outcomes. As participation is voluntary, public policy outcomes may be outside of the municipalities’ control.

Multiple levels of government (e.g., national, regional, and municipal) may collaborate on public policy programs and therefore, are jointly responsible to achieve the public policy objectives and related outcomes. In these cases, IPSASB may wish to consider providing guidance on how each of the participating governments could disclose the outcomes associated with the public policy program (e.g., proportionate share, scope of direct municipal influence, and etc.).

Engagement of Indigenous Perspectives

We would like to recommend IPSASB to engage Indigenous parties to support the finalization of the Standard. We recognize that Canada’s Public Sector Accounting Board has a separate Indigenous Advisory Group and would like to recommend a similar engagement approach to be undertaken if not done so already.

We recognize, however, that engaging Indigenous perspectives may require significant time and therefore, would be supportive of IPSASB incorporating these learnings into future iterations of the Standard after implementation activities have largely been completed.

Evolution of Climate-related Disclosures

Climate-related disclosures will continue to evolve. Standardization of methodologies is needed to enhance comparability across not just jurisdictions, but also sectors. The IPSASB should ensure alignment with the European CSRD, as ISSB is already making similar efforts. Further guidance from IPSASB is also requested to reduce variability amongst the various frameworks and related disclosures.

Encouraging Innovation in the Public Sector

The public sector should not be afraid of innovation, even if methodologies are imperfect. As noted above, for Canadian municipalities, fear of accusations of “greenwashing” under Bill C-59 do need to be addressed. IPSASB should encourage science-based targets rather than politically negotiated climate goals.

Support for Implementation

IPSASB is advised that municipalities will face significant challenges to reach compliance with the Standard due to lack of data, appropriate skill sets, tools, templates and staff time, competing priorities and abilities to provide reportable information.

We recognize that the implementation of this Standard will require global support. Significant resources, financial and non-financial, will be required to ensure that all levels of government and types of PSEs can sustain the future reporting requirements, similar to what was undertaken for the adoption of TCFD's recommendations. We would like to recommend IPSASB to continue partnering with organizations that have climate-related reporting frameworks and/or resources available for PSEs, such as ICLEI, CDP, C40, Global Covenant of Mayors, and Urban Sustainability Directors Network, to promote the future Standard and increase implementation support that could be made available for PSEs.

Over time, we anticipate the development of templates, specific guidance for specialized topics, and sample reports customized to various types of PSEs based on complexity and size. We also encourage IPSASB to consider introducing an implementation task force or working group to allow PSEs to discuss and share resources. This work should include efforts and materials to communicate the importance and value of climate related financial disclosures. We are looking forward to seeing IPSASB's development and finalization of this Standard.

We welcome the opportunity to share additional clarifications and/or comments with IPSASB. Please let us know if you would like to engage in further discussions with our municipalities.