

The Chairman
International Public Sector Accounting Standards Board
277 Wellington Street West Toronto,
ON M5V 3H2 Canada

By Electronic Submission

Dear Sir,

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to contribute the following general observations to the IPSASB's Request for Comment on Exposure Draft SRS Exposure Draft 1: *Climate-Related Disclosures (SRS ED 1)*.

HoTARAC is an intergovernmental committee that advises Australian Heads of Treasuries on accounting and reporting issues. The Committee is comprised of the senior accounting policy representatives of Australian States, Territories and the Australian Government.

Although Australia does not adopt IPSASB pronouncements for the public sector as an International Financial Reporting Standards (IFRS) equivalent jurisdiction, HoTARAC members are currently evaluating the most effective approach to applying Australian equivalents of the International Sustainability Standards Board's (ISSB) own sustainability and climate-related disclosure standards in our local context. Drawing upon our experience and observations to date, we submit the following general comments on SRS ED 1 for the IPSASB's consideration.

- 1) The proposed scope of IPSASB SRS ED 1 goes beyond the ISSB's S1 and S2 Sustainability Disclosure Standards by requiring additional disclosures for a public sector entity's "*climate-related public policy programs*" in addition to its "*own operations*".
- 2) Information on climate-related public policy programs is important for public sector stakeholders. Indeed, many governments already assess the impacts of new policy and legislation, albeit not through comprehensive, auditable reporting standards. However, reporting on climate-related public policy programs is likely to impose a significant burden. In particular, implementing and adapting ISSB S2 in the public sector will already take significant time and resources. Therefore, HoTARAC has concerns the additional burden of disclosing the impacts of public policy programs would cause delays in adopting a single new standard. There is an opportunity to consult further with the public sector on the content of a standard for climate-related public policy programs and practical and timing impacts of implementing such a standard.
- 3) Distinguishing between climate-related public policy programs and a sovereign, semi-sovereign or stand-alone Government entity's own operations is, in principle, appropriate in a public sector context.
- 4) However, we agree with the views expressed in paragraphs AV3(a) and AV3(b) of the Alternative view of Ms Angela Ryan (page 97) regarding the need to clearly separate and distinguish between the two concepts.
 - In addition, the proposed ED does not seek to address the interlinkage between individual entity-level reporting and whole-of-government reporting on emissions or initiatives/targets. Entity-level reporting without the broader context of Government policy, total government emissions and emissions targets has the potential to be of limited value to users of public sector financial reports.
 - The proposed ED does not consider machinery-of-government changes or other reorganisation of government activities. From Australian experience, periodic reorganisation of agency functions has the potential to limit the usefulness of individual entities reporting emissions year-to-year. Holding everything else constant, machinery-of-government changes may have no impact on overall government emissions but may significantly change the reporting of an individual agency's emissions due to its changed functions. This may limit the usefulness of individual entity information presented for comparative purposes and the ability to recast prior year data may be costly or even impractical.

- 5) HoTARAC considers the “climate-related public policy” aspects of SRS ED 1 should be transferred into a separate project and be subject to further consultation with the international public sector, particularly in the following areas:
- Further evaluation of who are the users seeking these disclosures? This is critical given the existing reporting by sovereign government parties to existing/future climate accords/protocols (e.g. the Paris Agreement) and that capital market reporting by sovereigns and semi-sovereigns is commonly assessed at a whole-of-government, or even a whole-of state level, rather than individual agency, level.
 - Measurement of public policy programs.
 - Notwithstanding the guidance in Appendix A2, there is the potential for the disclosures contemplated by paragraphs 26 and 27 to have limited value when assessed in isolation to other government entity actions, and without the entire whole-of-government or whole-of-state/economy position to assess overall changes in greenhouse gas emissions.
 - Although the proposed Application Guidance regarding strategy disclosures references time horizons, more detailed guidance may be needed as to how the time frames for public policy programs should be measured. For example, policies yet to commence but announced? Initiatives that do not have explicit time frames? How changes to time frames and policy settings should be addressed to avoid distorting metrics year to year?
 - We note that paragraph AV5 of the Alternative View put forward by Ms. Angela Ryan of the Exposure Draft makes a similar observation regarding the need for a separate project around these climate-related public policy disclosures.
- 6) HoTARAC observes that implementing the existing requirements of the AASB equivalents to IFRS S1 and S2 (AASB S1 and S2) requires substantial resources. This includes educating preparers, standardising reporting and measurement policies and implementing data collection systems. The proposed additional climate-related public policy disclosures will add to the already significant implementation burden for the baseline IFRS S1/S2 disclosures.
- 7) There is a concern amongst HoTARAC members regarding how the definition of “*long-term fiscal sustainability*” interacts with short, medium or long-term time horizons. This requires further explanation. The IPSASB definition of material information is potentially broader than in IFRS/AASB S2, drawing on the Global Reporting Initiative (GRI). These potentially may increase the scope of public sector disclosures compared to the ISSB’s S1/S2 baseline requirements.
- 8) Finally, HoTARAC considers the IPSASB should examine aligning its overall framework structure more closely with that developed by the ISSB and AASB. The approach of the ISSB, mirrored by the AASB, has been to have an overarching Standard (IFRS/AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information*) that sets out the overall requirements and framework for sustainability reporting generally, with a separate Standard addressing specific climate-related disclosures (IFRS/AASB S2 *Climate-related Disclosures*). This approach:
- allows future standards on other sustainability topics (e.g. natural capital and social capital) to be developed independently without major editorial amendments to existing standards;
 - permits future amendments to existing standards to be made more efficiently;
 - minimises duplication of general sustainability concepts across the entire framework; and
 - aids preparers in better developing their understanding of the requirements and drafting specific disclosures.

Yours faithfully,



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